

# CHB ESG SUMMARY



## OVERVIEW

First founded in 1905, formally re-incorporated in 1947 and privatized in 1998, Chang Hwa Commercial Bank Ltd. (CHB) is marching toward becoming the consumer finance and Small and Medium Enterprise focused, provide full range financial services bank under its “One-Stop Shopping” vision. The Bank’s footprint expansion into China took place in 2018, and CHB is one of the leading banks in Taiwan in terms of paid-in capital and sound financial structure.

### Key Financial Highlights

- Stable profitability and notable operating scale.
- Leading bank in SME lending in Taiwan.

### Balance Sheet

Steadily improving balance sheet, with capital adequacy ratio and Tier-1 capital ratio better than required and still improving over the past 5 years.

NT\$ thousand				
Item	2017	2018	2019	2020 Q3
<b>Operating Ability</b>				
Ratio of Loans to Deposits	83.03	81.82	80.93	81.49
Ratio of Non-performing Loan	0.30	0.32	0.34	0.40
<b>Profitability</b>				
Return on Tier I Capital	11.17	10.57	8.86	4.21
Return on Assets	0.60	0.61	0.55	0.26
Ratio of Net Income	39.27	38.20	36.07	26.96
Basic Earnings Per Share (NT\$)*	1.21	1.27	1.16	0.54
<b>Operating Scale</b>				
Market Share of Assets	4.34	4.23	4.15	4.11
Market Share of Net Worth	4.18	4.23	4.07	4.05
Market Share of Deposits	4.34	4.24	4.21	4.17
Market Share of Lending	4.79	4.48	4.55	4.48

NT\$ thousand				
Item	2017	2018	2019	2020 Q3
<b>Regulatory Capital</b>				
Common Equity Tier I	128,325,492	136,278,731	140,790,667	144,602,252
Additional Tier I Capital	1,853,200	11,398,831	16,874,772	19,618,400
Regulatory Capital	188,703,972	204,690,144	211,896,652	212,870,765
<b>Total Risk-Weighted Assets</b>	<b>1,391,503,622</b>	<b>1,379,539,544</b>	<b>1,440,440,599</b>	<b>1,465,234,132</b>
<b>Total Capital Adequacy Ratio (%)</b>	<b>13.56</b>	<b>14.84</b>	<b>14.71</b>	<b>14.53</b>
<b>Tier I Capital Ratio (%)</b>	<b>9.36</b>	<b>10.70</b>	<b>10.95</b>	<b>11.21</b>



\*Retrospective adjustments was based on 2019.

### Key achievements

- Company ranked **top 5%** among Taiwan listed companies / **top 4** among Taiwan listed financial and insurance companies in 2019 corporate governance evaluation
- Remain to be a TWSE Corporate Governance 100 Index stock, FTSE4Good Emerging Index stock, FTSE4Good TIP Taiwan ESG Index stock, and Taiwan High Compensation 100 Index stock, Taiwan Employment Creation 99 Index stock
- **“Excellence in Sustainability Award”** by British Standards Institution (BSI)
- 2020 **“Taiwan Corporate Sustainability Awards” – 3rd grade of Gold level**, by Taiwan Institute for Sustainable Energy
- 2020 **“Sustainable Resilience Pilot Award”** by British Standards Institution (BSI)
- 2020 **“Best Corporate Social Responsibility Award”**- Bank, Non-Financial Holding Company, by Excellence Magazine
- 2020 **“The Global Top 500 Banks”** by The Banker (6<sup>th</sup> Consecutive Years, 2015 ~ 2020)



# ENVIRONMENTAL

## Key Environmental Performance

Climate change strategy and Environmental impact of product portfolio

- In response to increasing investor concern over climate change related risks, CHB began to publish climate related financial disclosures and was rated B in 2019 & 2020 by the Carbon Disclosure Project (CDP). CHB officially introduced Task Force on Climate-related Financial Disclosures (TCFD) to its daily operations in 2020.
- The Bank has set up four core elements of disclosure under the TCFD framework, they are Governance, Strategy, Risk Management, Metrics and Targets

## Governance

In Q4 2019, the Bank established the “Sustainable Development Committee” reports directly to the Board. Chaired by Chairperson and comprised of 3 INED and President (CEO), the committee at least holds 2 meetings every year to discuss sustainability related business matters including emission reduction, green procurement, supplier management, and waste management.



## The Five Pillars of Work Groups

Corporate Governance	Customer Care	Employee Care	Social Welfare	Sustainable Environment
<b>Secretariat Division</b> <ul style="list-style-type: none"> <li>• Business Performance and Profit</li> <li>• Corporate Governance</li> <li>• Business Integrity</li> <li>• Legal Compliance</li> <li>• Anti-Money Laundering and Countering Financing of Terrorism</li> <li>• Risk Management</li> <li>• Tax Governance</li> <li>• Safeguarding Shareholder Equity</li> <li>• Intellectual Property Rights and Trade Secrets Management</li> </ul>	<b>Product Management Division</b> <ul style="list-style-type: none"> <li>• Risks and Opportunities of Climate Change</li> <li>• Responsible Investment</li> <li>• Due Diligence in Credit Application</li> <li>• Safeguarding Customer Rights and Interests</li> <li>• Green Finance and Products</li> <li>• Innovation and Inclusion of Digital Finance</li> <li>• Financial Inclusion</li> </ul>	<b>Human Resources Division</b> <ul style="list-style-type: none"> <li>• Human Rights Protection and Gender Equality</li> <li>• Remuneration and Benefits</li> <li>• Employee Development and Training</li> <li>• Employer / Employee Relations</li> <li>• Equal Essence Diversity in Occupational Environment</li> </ul>	<b>Secretariat Division</b> <ul style="list-style-type: none"> <li>• Charitable Care</li> <li>• Community Engagement</li> <li>• Charity Events</li> </ul>	<b>General Affairs Division</b> <ul style="list-style-type: none"> <li>• Environmental Sustainability Policy</li> <li>• Energy Conservation and Carbon Reduction Management</li> <li>• Green Procurement</li> <li>• Suppliers Management</li> <li>• Waste Management</li> </ul>

## Impacts of Climate-Related Risks and Opportunities



Item		Type	Operational impacts
Physical climate risks	Acute	Collateral Floods	<ul style="list-style-type: none"> <li>Falling house price of flooded area.</li> <li>Depreciation and Low liquidity.</li> <li>Difficulties in repayment due to asset loss.</li> </ul>
	Acute	Branches Floods	<ul style="list-style-type: none"> <li>Asset loss or falling house prices.</li> <li>Disruptions to business operations.</li> <li>Colleagues may be injured when commuting.</li> </ul>
	Chronic	Rising temperature	<ul style="list-style-type: none"> <li>Increasing admin expenses from aircon and water.</li> <li>Increase the chance of suffering from disease.</li> </ul>
Transition climate risks	Policy and Legal	Equator Principles	<ul style="list-style-type: none"> <li>Raising credit standards.</li> <li>When customer involved a violation of ESG, the Bank will examine and assess it according to the "Corporate Customers Early Warning Evaluation Procedure".</li> <li>Higher investment risk exposure to carbon heavy industries and assets.</li> </ul>
		Carbon emission control	<ul style="list-style-type: none"> <li>Exposure to clients from regulated industries.</li> <li>Credit risk to clients from regulated industries suffering from lower demand and weaker financial performances.</li> </ul>
		The uncertain of Green energy policy	<ul style="list-style-type: none"> <li>Installation of green energy equipment will increase operating costs.</li> <li>The Bank cannot launch green energy products that meet customer needs.</li> </ul>
		Tighter regulations in other countries	<ul style="list-style-type: none"> <li>Stricter environmental laws and regulations in China and Europe forced to increase customer investment and operating costs and increased credit risks to the Bank.</li> </ul>
	Market	Consumers reduce the demand for high-carbon products	<ul style="list-style-type: none"> <li>Consumers' awareness of energy conservation has increased, and their demand for certain products has fallen, such as gasoline vehicles.</li> <li>Impact on customer profitability and increase credit risk to the Bank.</li> </ul>
		Falling oil slowdown in the energy transition	<ul style="list-style-type: none"> <li>Fallen oil prices in recent years, causing customers to reduce their original budget for the energy transition plans.</li> <li>Decrease in loan demand.</li> </ul>
	Reputation	ESG Score	<ul style="list-style-type: none"> <li>Poor ESG performance among CHB investment portfolios (ex: petrochemical industry) will also affect CHB's profit and reputation.</li> <li>Poor ESG Performance or undisclosed of CHB itself, investment institutions will reduce their investment positions.</li> </ul>
		Investment impairment	<ul style="list-style-type: none"> <li>If the investment target has a poor ESG performance, this might trigger the capital withdrawal of foreign institutions.</li> </ul>

Item		Type	Operational impacts
Opportunities	Product and services	Promote green loan products	<ul style="list-style-type: none"> <li>The Bank supports the green energy industrial policy promoted by the government such as "Project Loan for Solar Photoelectric Equipment Installation" "Project loan for Green Energy Industry in Taoyuan City" as well as "Machine Equipment Upgrade" and "Low-interest loans for pollution prevention equipment for private enterprises" and "Project Loans for Purchase Large Diesel Vehicles," a total of 239 new loans in 2019, and the total amount of NT\$880 million.</li> </ul>
	Resource efficiency	FinTech	<ul style="list-style-type: none"> <li>Invest in mobile services and paper free transactions to reduce operational costs.</li> </ul>
		Green Procurement	<ul style="list-style-type: none"> <li>Purchasing products with energy labels to reduce operating costs effectively.</li> </ul>
	Market	CSR	<ul style="list-style-type: none"> <li>Active and transparent ESG disclosures facilitated.</li> </ul>

## Countermeasures of 2019


Type	Countermeasures
Transition climate risks	<ul style="list-style-type: none"> <li>Subscription of 75,000 kWh of renewable energy certificate.</li> <li>Completed ISO14001, ISO50001 and ISO 14064-1 certificated and verification.</li> <li>Completion of the declaration of GHG emissions and reduction information.</li> <li>Replacement of 311 LED lamps at the head office in Taipei.</li> <li>Green Procurement of NT\$20.39mn.</li> <li>Optimization of the Bank's online banking and mobile banking to increase customers' usage rate.</li> <li>Credit review and investment operations with reference to Equator Principles and the spirit of responsible investment.</li> </ul>
Physical climate risks	<ul style="list-style-type: none"> <li>Complete insurance planning for Bank's property.</li> <li>Compete insurance planning of collateral provided by customers.</li> <li>Established the "Emergency Reporting Operation Guidelines" and "Business Continuity Plan".</li> </ul>



## Goals

CHB targets to reduce 30,000 to 60,000 kg of CO<sub>2</sub>e every year and that by 2030, the company shall reduce 10% of total GHG emission with 2019 as base year. Currently the company's GHG emission disclosure is compliant with ISO 14064-1 and its energy management system with ISO 50001.

2019 Goals	2019 Achievements	2020 Goals	Mid- and Long-Term Goals
<ul style="list-style-type: none"> <li>Continuing to implement energy conservation and carbon reduction measures, aiming to reduce carbon emissions by approximately 33,000 to 60,000 kgCO<sub>2</sub>e per year.</li> <li>Continuing to obtain international certifications of environmental management system, energy management system, and greenhouse gas inventory operations.</li> <li>The electricity and water consumption in the Taipei head office of the Bank will be monitored and reduced by more than 1% every year (Base line:2018).</li> </ul>	<ul style="list-style-type: none"> <li>The head office in Taipei replace more than 311 lamps with LED lamps, an set timing control switch on water dispensers, reducing carbon emissions by approximately 37,053.49 kgCO<sub>2</sub>e in total.</li> <li>International certifications of ISO 14001 Environmental Management System, ISO 50001 Energy Management System and ISO 14064-1 Greenhouse Gas Inventory Operations.</li> <li>The amount of waste from the Bank's Taipei head office in 2019 was confirmed by a third party (BSI) to be: General waste of 121.60 metric tons, reduced 3.01 metric tons (or 2.41%) compared with 2018; and recycling waste of 16.53 metric tons, increased 2.8 metric tons (or 20.39%) compared with 2018.</li> <li>Score of CDP Climate 2019 was upgraded to "B".</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to implement environmental management system, energy management system, greenhouse gas inventory operations, and carbon reduction measures, aiming to reduce carbon emissions by approximately 30,000 to 60,000 kgCO<sub>2</sub>e per year.</li> <li>The Bank's Taipei head office waste reduction goal and recycling rate goal is 1% with 2019 as the base year.</li> <li>The electricity and water consumption in the Kaohsiung Yancheng office of the Bank will be monitored and reduced by more than 1% every year.</li> </ul>	<p>Implementing reduction of greenhouse gas emissions and energy consumption:</p> <ul style="list-style-type: none"> <li>Obtaining EEWL Labels for the Bank's newly built proprietary facilities or buildings.</li> <li>Reducing carbon emissions by more than 1%.</li> </ul>



## Eco-efficiency

**Achievements:** in 2015, the Bank's environmental management system obtained ISO 14001 and the Bank set a goal of electricity and water consumption reduction of 1.5% per year; in 2016, the Bank's energy management system obtained ISO 50001 and the Bank set a goal of five years average power saving of >5%; in 2017, the company obtained ISO 14064-1 related to GHG inventory.

## GHG Inventory

Item	2019	2018	2017
Scope 1 emissions (metric tons of CO <sub>2</sub> e) <sup>Note 1</sup>	1,896.699	1,717.69	1,999.7486
Scope 2 emissions (metric tons of CO <sub>2</sub> e) <sup>Note 2</sup>	15,683.359	15,621.01	15,257.4040
Scope 1 + Scope 2	17,580.058	17,338.70	17,257.153
Scope 3 emissions (metric tons of CO <sub>2</sub> e) <sup>Note 3</sup>	4,119.456	3,335.21	-
<b>Total carbon emissions</b>	<b>21,699.514</b>	<b>20,673.91</b>	<b>17,257.153</b>

Note 1: Scope 1 emissions are mainly fuel consumption of company vehicles, diesel for generators, gas, CO<sub>2</sub> extinguisher and refrigerators.

Note 2: Scope 2 emissions are mainly power consumption.

Note 3: In Scope 3, fuel and energy-related activities excluding Scope 1 and Scope 2 are calculated based on the year 2018 fuel and energy-related activity data multiplied by the life cycle emission factor announced by the Environmental Protection Administration minus the combustion emission factor.

Note 4: According to the classification of the new version of ISO 14064-1: 2018, Scope 1 corresponds to the first category, Scope 2 corresponds to the second category, and Scope 3 corresponds to the third to sixth categories.

Note 5: The choice of emission factor is based on the greenhouse gas emission factor management table of the Environmental Protection Administration, Executive Yuan (version 6.0.4). The GWP value used is also based on version 6.0.3 of the greenhouse gas emission factor management table in the IPCC Fifth Assessment Report.

## Water, Electricity and Energy

## Greenhouse Gas Inventory Performance

Type of Energy	Unit of Consumption	2019	2018	2017	2016
Water Resources	kL	<b>23,094</b>	19,598	19,619	20,004
Electricity	kWh	<b>2,748,400</b>	2,832,000	3,036,200	3,194,200
Fuel	kJ	<b>507,963,565</b>	500,087,188	559,684,944	544,113,024
Natural Gas	kJ	<b>465,751,104</b>	513,270,576	492,909,872	491,034,544

Note 1: This table is based on the data of the head office in Taipei.

Note 2: This is based on the information of the greenhouse gas emission factor management table adopted by the Environmental Protection Administration, Executive Yuan (version 6.0.4).

Note 3: The listed data is rounded it to the nearest whole number (round after decimal point).

## General Waste-Reduction Management



The employee cafeteria provides ecofriendly tableware to reduce waste.



Encourage employees to bring their own cups during assemblies or training courses to reduce the use of paper cups.



Reduce purchase of bottled mineral water and plastic cup water.



Promote paperless official documents and work documents, as well as e-materials for education and training.



Inspect whether waste sorting has been done according to the regulations on each floor from time to time.



Encourage employees to use both sides of paper sheets, take advantage of printing functions, and set double-sided printing or printing multiple pages per sheet to reduce paper and toner consumption.

Types of Garbage	Unit	2019	2018
General Waste	Mt	121.60	124.61
Recycling	Mt	16.53	13.73

(The Company's daily operations do not involve toxic waste; data only based on Taipei headquarter office)

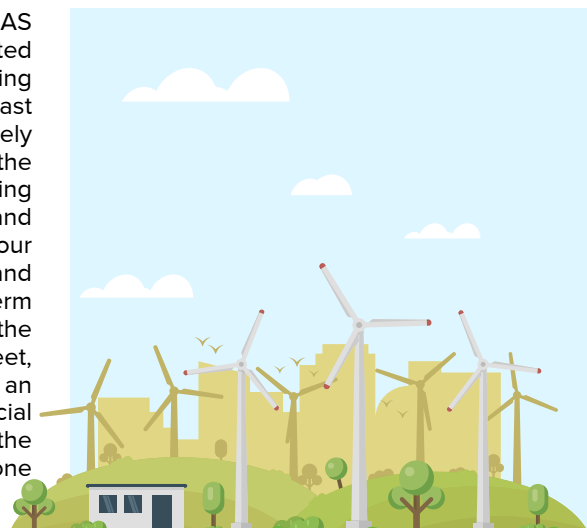
## Energy and Environmental Management

### Energy Conservation and Carbon Reduction Measures and Effectiveness

Types	Countermeasures
 Water Resources	<ul style="list-style-type: none"> <li>• Include water consumption in management to improve management and control efficiency of water resources.</li> <li>• Full installation of water-saving devices to fully adjust the water output of faucets.</li> <li>• Regular clean building water towers and conduct water quality testing.</li> <li>• Every three months, an inspection and testing institution approved by the Environmental Protection Administration is commissioned to conduct sampling and testing of the water quality of water dispensers to ensure the safety of water quality.</li> <li>• The Company's water comes 100% from Taiwan Water Corporation; none of our water comes from groundwater or other sources. Office buildings and operational locations supply water for use of employees and some customers with no overall impact on water sources. After use, wastewater is treated and discharged via sanitary sewers to rivers and the sea.</li> </ul>
 Electricity	<ul style="list-style-type: none"> <li>• Manage lighting use to reduce unnecessary power usage for lighting.</li> <li>• Replacement of old bulbs with high-efficiency LED bulbs to save power consumption on lighting.</li> <li>• Replace old power-consuming air-conditioners and conduct regular cleaning and maintenance to enhance energy-efficiency.</li> <li>• Set office indoor temperature at between 26 to 28 degrees to reduce the air-conditioning load.</li> <li>• During non-summer seasons when the load is low, the temperature of chiller unit and ice water outlet may be adjusted to 8-10 °C, which can effectively improve the operation efficiency of the chiller unit.</li> <li>• Encourage colleagues to walk the stairs, which is beneficial to health.</li> <li>• During non-office hours, only a few elevators are operated to reduce power consumption.</li> </ul>
 Fuel	<ul style="list-style-type: none"> <li>• Manage the use of company vehicles and encourage employees to car-pool when doing business errands to reduce dispatching of vehicles.</li> <li>• Encourage employees to take public transportation more often.</li> <li>• Incorporate daily usage information of gasoline and diesel into management to improve control efficiency of energy conservation.</li> </ul>
 Natural Gas	<ul style="list-style-type: none"> <li>• The employee cafeteria serves meals according to scheduled times to control the time for using natural gas.</li> <li>• Employee cafeteria management is carried out based on steaming and electric baking.</li> <li>• Inspect natural gas facilities and equipment from time to time to check if they are old or damaged and are prone to leakage.</li> </ul>

## Green Building

In order to implement the Bank's environmental policy of "LOHAS Environmental Protection and Love for the Earth," the Bank is committed to promoting green buildings with the design philosophy of "making buildings consume the least amount of Earth resources, use the least energy, and produce the least waste in the life cycle." The Bank actively promotes green building design and planning and hopes that through the regulations of EEWL Labels, the process from production of building materials, building planning, design, construction, use, management, and demolition will be friendly to the environment and land, while the four major aspects of ecology, energy conservation, waste reduction, and health in green buildings will be integrated into daily life. The mid-term goal will be to obtain the EEWL Labels for the new premises of the PeiMen Branch, Chengtung Branch, the dormitory in the Tianjin Street, and other newly-built buildings, which are built by participating in an urban renewal project, with the aim of fulfilling the corporate social responsibility of promoting collective social prosperity. The Bank was the 1st government-run bank to participate in regeneration projects with one of its old office buildings.



## Green Finance and Products

CHB offers green financial products in 3 main categories:

### Green Energy Equipment

- Financing for solar-powered equipment
- Financing for machinery and equipment upgrade
- Low-interest financing for private enterprise's pollution prevention equipment
- Low-carbon sustainable homeland project loan for large-scale diesel vehicle replacement

### Financial Inclusion

- E-bill payment service platform
- SME dreams-come-true financing in Keelung
- Financing for young farmers' entrepreneurship and agricultural enterprise in Taichung
- QR code payment and process solution
- Micro-Business startup loans (Phoenix financing program)
- Youth entrepreneurs' startup loans

### Green Insurance Products

- Usage-based Insurance (for driving)



## Assisting in the Development of Green Industries

Unit: Million NT\$/account

Item	2019		2018		2017	
	Amount	Number of accounts	Amount	Number of accounts	Amount	Number of accounts
Green technology industry financing	91,474	1,162	92,065	1,050	90,002	1,060
Financing for renewable energy power generation enterprises	3,076	115	2,492	74	1,750	45

### 1. Green Technology Industry Financing

The Bank has assisted the green energy technology industry by participating in the procurement project for the Forward-looking Infrastructure Development Program, or provided capital and working capital loans for green energy technology related industries.

**Loan (by end 2019):** Approx. NT\$91,474 million

**Loan (by Q3 2020):** Approx. NT\$73,931 million

### 2. Financing for Renewable Energy Power Generation Enterprises

In line with government's nuclear-free homeland and renewable energy policies, the Bank has actively assisted in fundraising for the working capital of renewable energy power generation enterprises, by providing renewable energy power generation equipment loans which acquired approval or registration by Bureau of Energy.

**Loan (by end 2019):** Approx. NT\$3,076 million

**Loan (by Q3 2020):** Approx. NT\$3,095 million

### 3. Financing for Solar-power equipment

Among the types of renewable energy, the Bank has achieved relative maturity with solar power generation, with projects financing solar-powered equipment to provide enterprises and the public with the funds required to purchases related equipment.

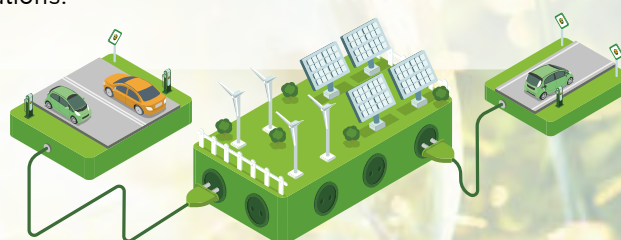
**Loan (by end 2019):** Approx. NT\$1,969 million

**Loan (by Q3 2020):** Approx. NT\$2,249 million

## Controversies

- In 2020, a coalition of campaign and research organizations, including RAN, Tuk Indonesia, and Profundo, named several financial institutions, including CHB, in a list of companies exposed to deforestation risks.

**Company response:** In January 2020, the Company formulated Corporate Social Responsibility Policy, stipulating 5 pillars across corporate governance, customer care, employee care, social welfare, and environmental sustainability. The company also promises to maintain communication with stakeholders and incorporate the above core values into its daily operations.



## SOCIAL

### Accomplishments and Recognitions

- 2019 Annual Best Service Innovation of Electronic Cash Flow Business Award & Best Stable System Award
- 2019 Excellent Credit Guarantee Partner Golden Quality Award, Micro Business Accompany Award, Boosting Policy Promotion Award
- 2019 Outstanding Bank in Cooperation of Referral Export Insurance

### Human Capital Development

Employees are the core competitiveness of business management. The Bank's efforts to realize the principles of "Right Person in the Right Place" conducts fair and reasonable performance appraisal of our commitment to all employees. The Bank attaches great importance to employees' career development and continuously implements international financial talents cultivation plans and leadership development plans, along with diversified training channels. Apart from enhancing expertise, employees are offered comprehensive health care assistance programs and welfare measures to help balance work and family, as well as care for the employees' physical and mental health.

In order to mitigate related industry risks such as understaffing, skill deficits, high training costs, compliance failures and operational inefficiencies, the Bank formulated human rights policies in 2019 as a starting point of human capital development.

- Collective bargaining agreements became effective under labor union in 2005 (re-initiated in 2018 and supplemental agreement signed in 2020) and labor union puts out newsletters whenever material events or key developments occur, positive development on labor relations front on top of already sound appraisal and remuneration system (where the performance of each employee can be linked to a 4-level salary adjustment tier) and ample healthcare benefits.
- The Bank went through high employee turnover rate in recent years is mainly due to the peak of baby boomer retirement in recent years. If retirees who have reached the age of 65 in accordance with the Labor Standards Law are excluded, the turnover rate in recent years will drop to 3.41 ~ 4.24%.
- Employee turnover rates in the past three years by gender:

Gender	Year	2017	2018	2019
Female		2.41%	2.64%	3.02%
Male		2.32%	2.44%	2.78%
Total		4.73%	5.08%	5.80%

Note: Except for employees "on unpaid leave" and who "resigned when on unpaid leave", the remaining resigned and retired employees are all considered by calculation.

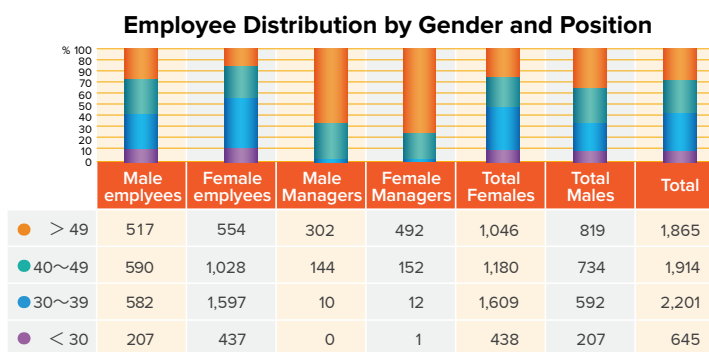
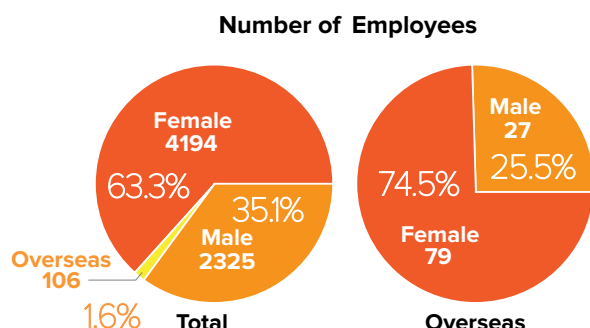
- Employee Stock Ownership Trust (ESOT) – The Bank launched the initiative in September 2019, with 6 types of self-appropriation amounts set to the employees' grade and title. Employees can choose the minimum self-appropriation amount or twice the amount to participate. The Bank also provides a NT\$1,000 or NT\$1500 appropriating incentive to encourage participation.

**Participants (by end Q3 2020):** 6,258 (97.28%)

**Minimum self-appropriation amount:** 1,728 (27.6%)

**Double self-appropriation amount:** 4,530 (72.4%)

- Gender Diversity – as of end of 2019, the Bank's gender diversity status is as below:



- Parental leave statistics

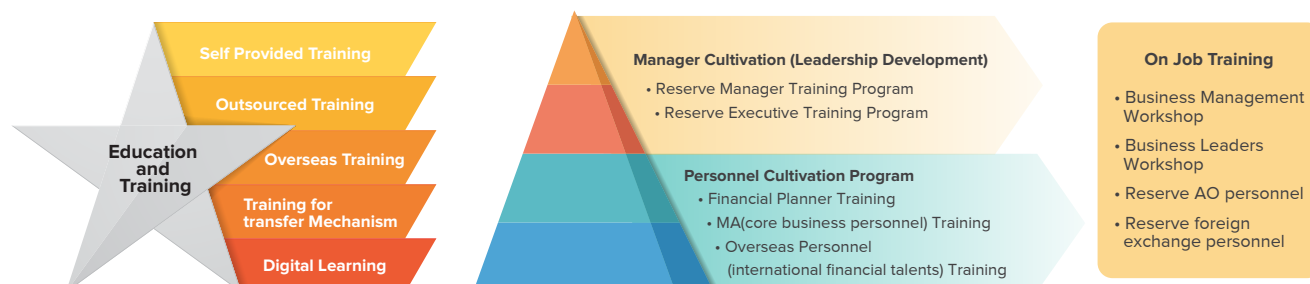
Item	Male	Female	Total
Number of employees entitled to unpaid parental leave in 2019	57	154	211
Number of employees that applied for unpaid parental leave in 2019	8	55	63
Number of employees expected to return from unpaid parental leave in 2019 (A)	11	68	79
Number of employees that actually returned to work from unpaid parental leave in 2019 (B)	10	64	74
Return rate (B / A)	90.91%	94.12%	93.67%
Number of employees that returned to work from unpaid parental leave in 2018 (C)	7	60	67
Total number of employees that returned to work from unpaid parental leave in 2018 and completed one year of service in 2019 (D)	7	56	63
Retention rate (D / C)	100%	93.33%	94.03%



## Comprehensive Training Program

- Facing rapid and specific industry changes, the Bank has comprehensive training programs covering all levels of employees totaling approximately 400,000 hours every year across the board.

### Employee Education and Training



### Training Accomplishments

Training Method	Online Learning	Offline Course		
	Internal Training	Internal Training	External Training	Self-development*
Hour (s)	223,216.15	139,414.50	34,130.70	126.50
Total (hours)	396,887.85			

\* Self-development refers to employees' self-learning, and participation in external and business-related education and training at their own expense.

#### Online Learning Status

Gender	Total number of enrollments		Total number of hours		Average hours	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
Male	16,502	61,748	15,823.07	60,802.55	34.10	34.70
Female	23,457	125,462	22,671.53	123,918.47	34.25	34.78
Total	39,959	187,210	38,494.60	184,721.02	34.19	34.75

#### Offline Training Status

Gender	Total number of enrollments		Total number of hours		Average hours	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
Male	3,098	4,460	23,924.30	38,368.43	51.56	21.90
Female	4,432	9,107	34,584.17	76,669.30	52.24	21.52
Total	7,530	13,567	58,508.47	115,037.73	51.96	21.64

## Advanced Research

- FinTech Research Club** - In order to encourage the expertise in FinTech and foster FinTech talents, the Bank established the FinTech Research Club in 2018 and held 9 offline lectures in 2019 lead by industry experts. Further more, the Bank co-organized large FinTech lectures with the Human Resources Division in cooperation with National Chengchi University. The university was invited to share global FinTech trends and introduce blockchain technology. The lectures are also live broadcasted on internal social media network groups to enable online and offline integration and full accessibility and participation.

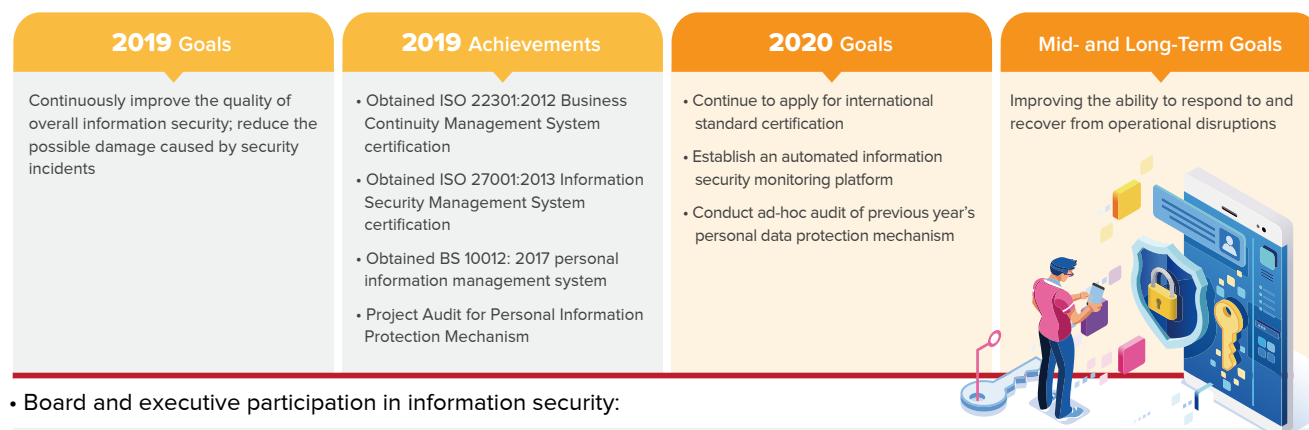
## Customer Service Safety and Governance

- The Bank has conducted ML/TF Risk Assessment process before launching a certain new product to understand potential ML/TF risks associated with such a product and to take appropriate measures to mitigate the relevant risks.
- Currency cash and suspicious transactions are monitored with system and enough men power.
- The Bank has a client hotline for product related complaints, and the number is listed on its website.
- The Bank holds high safety working environment and completed ISO45001 (occupational safety and health management system).
- To carry out a responsible marketing policy, in 2019 the Company has established:
  - Mobile APP accessibility guideline
  - Client Satisfaction Survey
  - Conducted assessments based on principles of fair hospitality
  - Customer Complaint Channels, such as Customer Service Hotline, Webpage, E-mail, Telephone

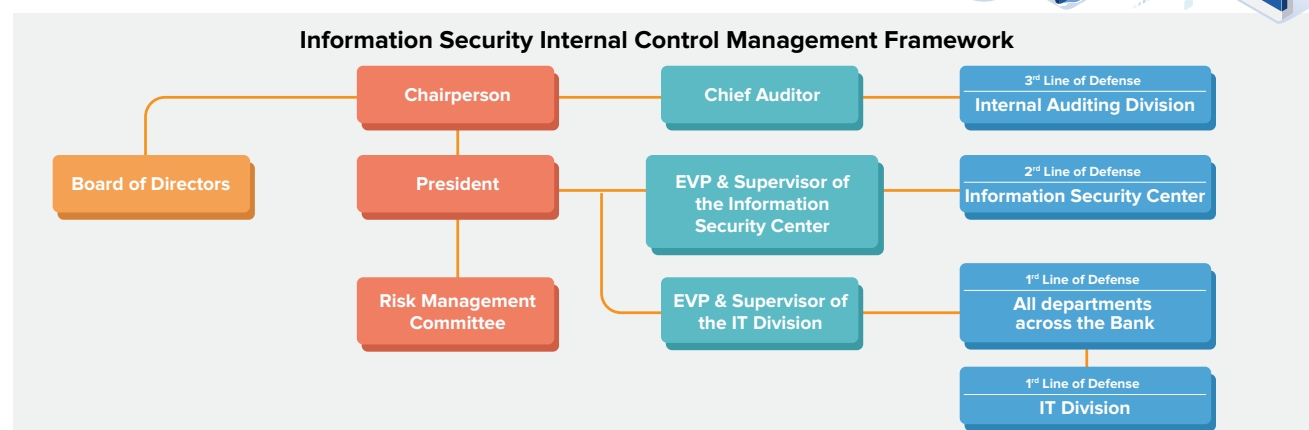
## Privacy & Data Security

The financial industry is one of the most regulated sectors due to its exposure to cyberattacks and data breaches as such incidents have multi-folded since 2010. Banks must navigate rapidly and respond swiftly to regulation changes from the management system to daily operations.

- The Bank complies with the Personal Data Protection Act, and has established its Personal Information Management Regulations, and Personal Information File Security Maintenance Plan, and EU General Data Protection Regulation (GDPR) with the purpose of protection security of customers' and employees' personal data.
- Corporate Social Responsibility Executive Team is responsible for the privacy and data security with the Bank's short, mid and long-term goals as follows:



- Board and executive participation in information security:



## Access to Finance

- Thanks to the changes in income mix and client behavior, the Bank's online banking accounts reached 1,963,035 by the Q3 of 2020 and mobile banking accounts 832,338.
- The Bank owns the average level of branch and self-service/alternative distribution channels in banking industry.
- Microfinance is a field the Bank has been eager to enter and hence it has established "Phoenix Financing Program" and "Youth Business Start-up Loan" in which NT\$1mn loan can be granted for female, juniors and small business starters with a low-interest rate (0% for the first 2 years and 1.42% at the moment for the rest 5 years).
- The Bank promoted the bilingualization of financial services, and successively established 3 bilingual demonstration branches in Taipei, Taichung, and Kaohsiung in 2020.

## Controversies

- 2017/11/17 Financial losses of NT\$3mn from FSC's fine on the case following the allegation that the Bank unilaterally altered the client's property insurance policies.

**Company response:** The Bank has comprehensively reviewed the causes of this case, completed the improvement, and will continue to strengthen the education and training of insurance salespersons to improve their compliance knowledge.

- 2018/07/05 Employees of the Bank's DongGuan Branch received payment from the appraisal company, an act that has violated internal control and paragraph 1, article 45-1 of the Banking Act. A financial loss of NT\$ 3mn took place as the FSC fined the Bank.

**Company response:** The Bank has completed improvement measures for the relevant deficiencies and conducted employee training on the internal whistleblowing system. Besides, the Bank has re-stated that employees shall abide by "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct" to strengthen the implementation of compliance and legal/internal control mechanism.

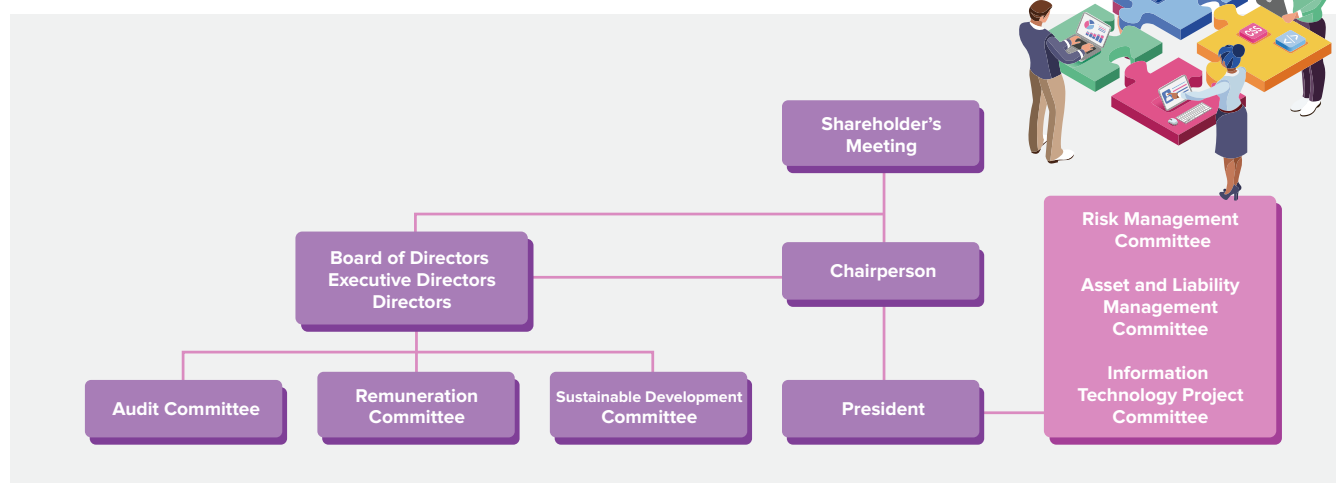
## GOVERNANCE

### Introduction

The CHB Board of Directors currently comprises 9 directors (including 3 independent directors and 6 non-independent directors), 1 of whom is female. Three of directors (including one independent director) shall be elected to be managing directors. The chairperson of the Board of Directors shall be elected from among the managing directors.

The Board elections are held in accordance with the “Company Act”, “Articles of Incorporation” and “Rules for Director Elections” of CHB. The Board of Directors carries out its duties in accordance with related laws and regulations, the “Articles of Incorporation”, and “Rules of Procedures for Board of Directors Meetings” of CHB. With expertise in a wide range of fields and rich industry experiences, directors exercise their supervision and management duties in good faith and assume responsibility for optimizing operational disciplines and protecting the rights and interests of investors.

### Organizational Framework



### Board of Directors and Functional Committees

Skill Matrix

Name	M/F	Tenure (Y)	INED	Finance	Law	Technology	Business/ Banking	Risk Management	Operational Management
Ling, Jong-Yuan (Joanne)	F	1		V	V	V	V	V	V
Huang, Jui-Mu	M	Newly elected		V	V	V	V	V	V
Pan, Jung-Chun	M	6	V	V	V	V	V	V	V
Hsiao, Chia-Chi	M	2		V			V	V	V
Chang, Chien-Yi	M	2		V			V	V	V
Lee, Wen-Siung	M	Newly elected		V	V	V	V	V	V
Chen, Hwai-Chou (Julius)	M	14		V	V	V	V	V	V
Lin, Jong-Horng	M	Newly elected	V		V	V		V	
Suen, Chih-Jong	M	Newly elected	V	V	V		V	V	V

The CHB Board has an independent majority, a fully independent audit committee, functional committees' responsibilities include:

- Audit Committee:** Audit Committee assists the Board of Directors in making decisions, supervising fair presentation of the financial statements, the appointing/dismissing, independence and performance of CPAs, implementation of internal control, legal compliance and risk management control, and reviewing the major resolutions prescribed by CHB or the competent authorities.
- Remuneration Committee:** fulfill the responsibilities to ensure prudent managerial practices including a. assessing/reviewing overall remuneration policy, b. establishing and reviewing performance evaluation of Directors/managerial persons.
- Sustainable Development Committee:** directly oversee sustainability related business matters including emission reduction, green procurement, supply chain management, and waste management.

## Board Oversight and Evaluation

- The operational objective of the Bank is to achieve the long-term benefits for the capital providers and beneficiaries through conducting the businesses of bank. To achieve the objective and fulfill the responsibilities of institutional investors, the Bank has signed “Stewardship Principles for Institutional Investors” in 2018, and its Board has formulated “The Stewardship Code” as its execution and “Code of Conduct” as one of the underlying pillars. Annual disclosure of stewardship reports can be found on its website.
- The Bank has formulated “Ethical Corporate Management Best Practice Principles” and “Rules of Internal Whistle-blowing” where Internal Auditing Division will be handling such cases and protects whistle-blowers while filing them with management. Suggested actions and improvement plan will be reported and reviewed by the Audit Committee and the Board of Directors.
- To enhance the Bank’s functions of the Board of Directors, establish performance targets and strengthen efficiency of the Board of Directors, the Bank set up “Rules of Performance Evaluation of the Board of Directors” of CHB, which has been amended and approved on Nov. 12, 2019 and Oct. 20, 2020. It should be examined by independent professional institution or a panel of external experts and scholars at least once every three years. The evaluation scope includes the Board of Directors, individual director and functional committees. Evaluation criteria are designed on the basis of the company’s practical operation and demand to reach performance evaluation standard, such as “Participation in the operation of the Bank”, “Improvement of the quality of the board of directors’ decision making”, “Composition and structure of the board of directors”, “Internal control”, and “Election and continuing education of the directors” etc.

## Risk Management Policy

The Bank has established an independent and effective risk management mechanism to oversee and integrate the review, supervision and coordination of the Bank’s various risk management matters; implement the risk management policies and procedures, risk appetite statements and risk management mechanism approved by the Board of Directors; review the risk management procedures and monitor their appropriateness; and ensure effective communication and coordination of relevant risk management functions.

An overall risk management policy that includes a risk management framework, risk management scope (including credit, market, operations, interest rate, liquidity and other risks), which includes three lines of defense in risk management and five major aspects of procedures.



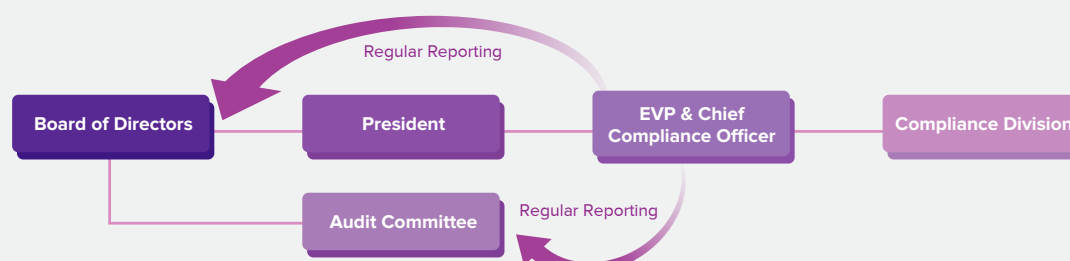
Apart from keeping up-to-date with risks identified in business operations, regular analyses of political and economic situations of various countries are also conducted. External information providers are utilized to provide and compile risk-related information on a daily basis, which includes instant push notifications to managers.

The situations of risk limits regarding the Bank’s various financial product information are monitored daily and regularly reported to the Board of (managing) Directors on the relevant risk exposures.

## Compliance Risk Management and Supervision Framework

In line with regulations, the Bank has established a Compliance Risk Management and Supervision Framework in 2018. With respect to domestic and overseas banking operations, the framework proffers weaknesses in compliance risk management, supervises improvement programs and schedules, and submits reports to Audit Committee and Board of Directors regularly. The framework makes discussions, communications and improvements on significant compliance issues through two lines of defense meetings periodically, and sets up independent compliance risk reporting mechanism to have a good knowledge of compliance risks in banking operations.

### Compliance Organizational Structure of the Bank





## Remuneration Policy

The purpose of the Remuneration Committee is to assist the Board of Directors of the Bank to evaluate and review the overall compensation system of the Bank, the performance evaluation of Directors, President, Vice President, Chief Audit Officer, Chief Compliance Officer, consultants, managers of head office departments and branches, as well as to establish the remuneration.

The committee members will periodically review the performance evaluation as well as remuneration policy, system, standard. They will assess and review the overall remuneration policy of the Bank, review the following matters of subsidiaries of the Bank:

1. Determination on the remuneration of the managerial officers of directors, supervisors, chairperson, president, vice president etc.
2. Establishment and amendment of rules for the employee salary, bonus and compensation.

## Intellectual Property Rights and Trade Secrets Management

As part of our ongoing commitment to protect intellectual property rights and trade secrets, the Bank has implemented the "Intellectual Property Rights and Trade Secrets Systematic Management Procedure" in Q4 2020 to improve the corporate governance structure and maximize the benefits of intellectual properties. These management procedures are in accordance with reference to relevant laws and regulations of Article 45-1 of the Bank's Corporate Governance Best-Practice Principles.

The effect of "Intellectual Property Rights and Trade Secrets Systematic Management Procedure" is evaluated and supervised by the Board of Directors. The board's main responsibilities are as follows:

1. Formulate intellectual property regulatory policies, objectives and systems that are slightly associated with the operational strategies.
2. Develop, implement and maintain on the basis of scale and form its regulatory systems governing the procurement, protection, maintenance and utilization of intellectual properties.
3. Identify and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.
4. Observe internally and externally the risks and opportunities that intellectual property regulation may present and adopt corresponding measures.
5. Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory regime meet the company's expectations.

The executive team members are general managers of all the headquarter units, and they are responsible for project management matters. The implementation status and the intellectual property management plan shall be reported to the Board of Directors at least once a year and disclosed on the Bank's website, annual report, or others. The Internal Auditing Division incorporates intellectual property management (including the implementation and operation) into the internal control system. It conducts regular inspections and improvement measures to ensure the intellectual property management system's effectiveness. Besides, new employees and all employees are obligate to attend the education training program every six months.

## Governance Performance & Goals

- Continue to diversify gender and skill matrix of Board of Directors.
- Corporate governance officer has been appointed in 2019 and CGO will continue to work closely with Board of Directors to enhance CG practice.
- Planning to build a green data center and continue to invest in server virtualization.
- "Anti-corruption, forbid bribe offer/acceptance, and related dishonest behaviors" is a value upheld by the Bank and hence it has regular physical education trainings and compliance area alerts related to ethical management where material sanction cases of its competitors are collected and reflected along with self-assessment.
- The Bank has conducted ML/FL Risk Assessment process before launching a certain new product to understand potential ML/FT risks associated with such a product and to take appropriate measures to mitigate the relevant risks. In addition, there are several AML/CFT policies are formulated by the Bank, including: Anti-Money Laundering and Countering Financing Terrorism Policy, Directions for Governing Anti-Money Laundering and Countering Financing Terrorism, and AML/CFT Management Procedures.
- The Bank reports implementation of AML/CFT to the AML/CFT team at least once a quarter and to the Board of Directors and Audit Committee at least once half-yearly.
- Report the performance of ethical management result to the Board of Directors annually to review the improvement measures at least once a year.
- Approaching the Corporate Governance 3.0 issued by FSC.



## Controversies

- 2020/7/7 Financial losses of NT\$12mn from FSC's fine on the case of one of CHB's wealth management staff's unethical behavior regarding shifting clients' money around for loss-covering purposes.

**Company response:** The Bank has reported this case to its investigation office to inspect relevant documents and active review by the internal auditor. The Bank has issued a formal letter to restate the importance of thorough KYC policy implementation and strengthened relevant fields of internal control mechanism.