



**CHANG HWA
COMMERCIAL BANK**

ESG SUMMARY

Published: December 2021

Chang Hwa Commercial Bank Ltd. (CHB) pays close attention to the relevant international standards, including the United Nations SDGs, the Paris Agreement and the United Nations Global Compact. CHB's CSR report is prepared in accordance with Core Option of GRI standards and SASB-Commercial Banks industry, with continued response to CDP and adopted TCFD since 2020.

CHB's sustainability efforts enabled the Bank for successive years to be included as a constituent stock of :

- the FTSE4Good Emerging Index (5 consecutive years)
- the FTSE4Good TIP Taiwan ESG Index (7 consecutive times)
- the TWSE RA Taiwan Employment Creation 99 Index (5 consecutive years)
- the TWSE RAFI® Taiwan High Compensation 100 Index (8 consecutive years)



In addition :

- Management B score from CDP for actions against climate change (2019~2021)
- Signed up and a supporter for the Task Force on Climate-related Financial Disclosures (TCFD) in July 2021, passed TCFD third-party verification and received the highest rating
- Evaluated as 6%~20% among Taiwan listed companies in the 7th Corporate Governance Evaluation
- 2020 CSR Report implemented the Sustainability Accounting Standards Board (SASB) standards, and received both AA1000 and SASB third-party verifications in June, 2021
- In 2021, the Bank was awarded the "Taiwan Intellectual Property Management System (TIPS) Level A Verification" issued by the Industrial Development Bureau, Ministry of Economic Affairs

Credit Rating

CreditRating Agency	Release Date	International Rating		Domestic Rating		Outlook
		Long term	Short term	Long term	Short term	
Taiwan Ratings	2021/11	-	-	twAA+	twA-1+	Stable
S&P	2021/11	A-	A-2	-	-	Positive
Moody's	2021/12	A2	P-1	-	-	Stable

Awards and Recognition

1. 2021 "Corporate Sustainability Report Awards-Silver" by Taiwan Corporate Sustainability Awards (TCSA)
2. 2021 "Sustainability Resilience Pilot Award" by BSI for 2 consecutive years
3. 2021 "Happiness Enterprise Gold Award" by 1111 Job Bank
4. 2021 "National Outstanding Healthy Workplace-Energetic and Active Award" by the Health Promotion Administration, Ministry of Health and Welfare
5. 2021 "Best Corporate Social Responsibility Award" by Excellence Magazine for two consecutive years
6. 2021 "Best Corporate Team-Taiwan" and "Best CSR Bank-Taiwan" by International Finance Magazine
7. 2021 "Banking for Woman Initiative of the Year-Taiwan" by Asian Banking & Finance Magazine
8. 2021 "Model" award in the Banking Sector of the 1st Taiwan Sustainable Investment Award by the Taiwan Institute for Sustainable Energy (TAISE)
9. 2020 "Best Bank Rating Progress Award" and "Best International Development Ability Progress Award" in the 2020 Bank Competitiveness Competition by the Center for the study of Banking and Finance of National Taiwan University (NTU)
10. "Achiever" award in the 1st Greater China Business Sustainability Index (GCBSI), ranking among the top 20 companies in Taiwan



Environmental

Environmental Goals and Achievements

Item	2020 Goal (Base year 2019)	2020 Achievement	2021 Goal (Short-term Goal) (Base year 2020)
Carbon Emission Reduction	Approx. 30,000-60,000 kgCO ₂ e	✓ 31,509 kgCO ₂ e ^{Note1}	Approx. 30,000 -60,000 kgCO ₂ e
Electricity	Reduce > 1% Kaohsiung Yancheng	Increase 5.37% ^{Note2}	Reduce > 1% Taipei Head Office
Water	Reduce > 1% Kaohsiung Yancheng	✓ Decrease 22.23%	Reduce > 1% Taipei Head Office
Waste	Reduce by 1% Taipei Head Office	Decrease 0.19% ^{Note3}	Reduce by 1% Taipei Head Office
Resource Recovery Rate	Increase by 1% Taipei Head Office	✓ Increase 20.57%	Increase by 1% Taipei Head Office
Green Procurement	Increase spending	✓ Increase 51.94%	Increase by 1%
Renewable Energy Certificate			Increase subscription by 1%

Note 1: Taipei head office fully adopted high-efficiency, eco-friendly and energy efficient LED lamps.

Note 2: Due to the impact of COVID-19, the elevator rides increased, and doors were controlled for exit only, thus power consumption failed to reach target.

Note 3: Due to the impact of COVID-19, meals were prepared for take-out to avoid infection, so the reduction of general waste failed to reach target.

Mid-term Goals

Carbon Emissions:
Reduce by more than 1% yearly

Obtaining "EESH Labels" for the Bank's newly build proprietary facilities or buildings.

Long-term Goals

Carbon Emissions:
Reduce by 10% by 2030 (Base year 2020)



CHB did not commit any violations of environmental regulations in 2020 and 2021





Environmental Metrics				
	Unit	2018	2019	2020
GHG Emissions				
Scope 1 ^{Note1}	metric tons CO ₂ e	1,717.69	1,896.699	2,231.307
Scope 2 ^{Note2}	metric tons CO ₂ e	15,621.01	15,683.359	14,926.995
Scope 1 and 2	metric tons CO ₂ e	17,338.70	17,580.058	17,158.302
Scope 3 ^{Note3, 4}	metric tons CO ₂ e	3,335.21	11,742.129	13,023.129
Total GHG Emissions	metric tons CO ₂ e	20,673.91	29,322.187	30,181.431
Energy (Taipei Head Office)				
Water Resources ^{Note5}	kL	19,598	23,094	21,627
Electricity	mJ	10,195,200	9,894,240	9,599,760
Fuel	mJ	500,087	507,964	525,600
Natural Gas	mJ	513,271	465,751	382,801
Wastes				
General Waste	metric tons	124.61	121.60	121.37
Recycling	metric tons	13.73	16.53	19.93
<p>Note 1: Scope 1 emissions are mainly emission from the combustion of company vehicles, diesel generators, gas, natural gas etc., as well as fugitive emissions from greenhouse gas fire extinguishing agents, refrigerant filling equipment and septic tanks.</p> <p>Note 2: Scope 2 emissions are mainly purchase of power consumption (electricity).</p> <p>Note 3: In Scope 3, fuel and energy-related activities are calculated based on the year 2018 fuel and energy related activity data multiplied by the life cycle emission factor announced by the EPA minus the combustion emission factor.</p> <p>Note 4: According to the classification of the new version of ISO 14064-1:2018, Scope 1 corresponds to the category 1, Scope 2 corresponds to the category 2, and Scope 3 corresponds to the category 3-6.</p> <p>Note 5: Water comes 100% from Taiwan Water Corporation, no groundwater or other sources.</p>				

Certifications			
Certification		Verification Authority	Valid Till
ISO 14001	Environmental Management System	BSI	2015-2021
ISO 14064-1	GHG inventory	BSI	2017-2021
ISO 50001	Energy Management System	SGS	2016-2021
ISO 46001	Water Efficiency Management Systems	BSI	2021

Environmental Management Policy

In response to climate change, CHB continues to monitor and manage the allocation of limits from industry specific borrowing facilities for green energy technology and high energy-consuming industries.

CHB Green Financial Products	
 <p>Green Financing</p>	<ul style="list-style-type: none"> • Financing for solar-powered equipment. • Financing for machinery and equipment upgrade. • Low-carbon sustainable project loan- low-interest financing for private enterprise's pollution prevention equipment. • Low-carbon sustainable home project loan- redemption for large diesel vehicle. • Offshore wind power loan.
 <p>Green Insurance Products</p>	<ul style="list-style-type: none"> • Usage-based insurance (for driving). • Solar photovoltaic equipment loan insurance.

Green Industries Financing

Unit: million NT\$/account

Item		Green Technology Industry Financing	Financing for Renewable Energy Power Generation Enterprises	Offshore Wind Power Industry Loan
2018	Amount	92,065	2,492	-
	Number of Accounts	1,050	74	-
2019	Amount	91,474	3,076	1,757
	Number of Accounts	1,162	115	2
2020	Amount	70,241 ^{Note1}	3,017	726
	Number of Accounts	1,285	133	1

Note1: Decrease of 23.12% in 2020 was due to large repayment from some clients.

To respond to the voluntary reduction mechanism for climate change, CHB has raised the credit limit for the green energy technology industry that engages in green production as recognized by the competent authority by 1% and lowered the borrowing facilities by 2% for the credit given to and the investment in the high energy-consuming industry since 2019.

CHB's ESG Investment

CHB has updated and signed the "Statement of Compliance with Stewardship Principles for Institutional Investors" on December 15, 2020, and actively invests in green industries' equity and sustainable development bonds. By the end of 2021, the cumulative investment in ESG equity was NT\$1.873 billion and bonds was NT\$9.6 billion, totaling NT\$11.473 billion, an increase of NT\$4.5 billion in 2021.

Climate Change: emerging risk management and opportunity

CHB follows the TCFD recommendations to conduct assessment of climate change risks and opportunity and passed the TCFD verification by BSI in 2021. The four major aspects of TCFD are disclosed in the [2020 CSR report](#) (Page 121 to 125).

Climate Risks by Risk Level

Level	Type	Risk Event
1	Physical	Flooding causes loss of customers' assets and reduces the value of collateral.
2	Transition	The introduction of Equator Principles raises the credit review standards.
3	Transition	Carbon emission control regulations impact customers' revenue and increase credit risk.
4	Transition	Investment target does not meet ESG standards, leading to decrease in profit.
5	Physical	Flooding causes losses on branches.
6	Transition	Consumers reduce demand for high-carbon products, impacting customers' revenue and increasing credit risk.
7	Transition	Laws and regulations are tightened, impacting the investment willingness and the loan demand.
8	Transition	Green energy policy is uncertain.
9	Transition	Volatility of oil prices slow down the development of biofuels and reduce loan demand.
10	Transition	Investment institutions reduce investment positions.
11	Transition	Customers in industries with high carbon emissions are not easy to get high ratings in the ESG evaluation, resulting in withdrawal of foreign investment.
12	Physical	Average temperature rises result in an increase of operating costs.

Impact of Climate Opportunities

Type	Opportunity Event	Impact on CHB's operations	Financial Benefits(NTD)
Product and Service	Promotion of Green Loan Products	<ul style="list-style-type: none"> Support enterprises in green energy technology industries with funds Launch a number of green loan products, such as "Solar Photovoltaic Equipment Installation Loan Project" 	470 million
Resource Efficiency	Digital Finance	<ul style="list-style-type: none"> Promote online services and transactions Reduce administrative costs 	108 million
Resource Efficiency	Green Procurement ^{Note 1}	<ul style="list-style-type: none"> Prioritize purchasing of products certified with environmental protection and energy-efficient labels 	34.38 million
Market	CSR	<ul style="list-style-type: none"> Proactively disclose carbon management information and compiles CSR reports to improve image and encourage recognition 	1 million

Note 1: Managing Directors Meeting passed CHB's **Green Procurement Policy** on Jan. 22, 2021.

GHG Management

CHB expanded GHG inventory to Scope 3 GHG emissions from some raw materials in 2018. In 2019, CHB adopted the new version of ISO 14064-1:2018 and introduced the concept of life cycle carbon emissions to fully quantify and report all upstream and downstream indirect emissions related to other activities and raw materials within the organizational boundary.

To increase the scope and possibilities of future reductions measures, starting from 2020, CHB appointed an independent third-party to conduct external certification based on new standards to facilitate CHB's energy conservation and carbon reduction projects.

Energy Management

Energy conservation and carbon reduction initiative:

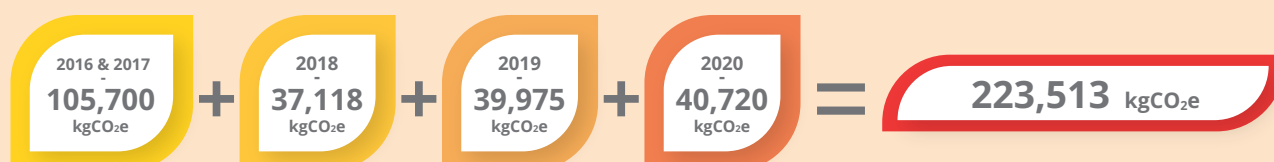
CHB has developed management measures for four energy sources (water resources, electricity, fuel and natural gas). Predominant energy consumption is electricity and the measures reduce electricity consumption are:

- Manage unnecessary lighting;
- Replace light bulbs with high efficiency LED bulbs;
- Replace old air-conditioning units;
- Set indoor temperature at 26-28°C;
- Manage chiller unit temperate in non-summer seasons;
- Encourage colleagues to walk the stairs;
- Reduce elevator operations during non-office hours.

Purchasing of renewable energy:

Year	Purchase Amount
2016 / 2017	200,000 kWh green electricity subscribed for 2 years
2018	67,000 kWh renewable energy certificate purchased
2019	75,000 kWh renewable energy certificate purchased
2020	80,000 kWh renewable energy certificate purchased

In the future, CHB will evaluate the increase in the purchase of renewable energy certificates.



Note: The green electricity certificates and renewable energy certificates purchased from 2016 to 2020 are equivalent to a cumulative reduction of around 223,513 kgCO₂e of carbon emissions from Taipower's electricity.

Social

Certifications

Certification		Verification Authority	Valid Till
ISO 27001	Information Security Management System	BSI	2007-2021
ISO 22301	Business Continuity Management	BSI	2018-2021
BS 10012	Personal Information Management System	BSI	2013-2021
ISO 45001	Occupational Safety and Health Management System	BSI	2019-2021
ISO 20400	Sustainable Procurement Standard	BSI	Obtained March 2021

Workforce

CHB supports and respects the concept of human rights as revealed in the International Bill of Human Rights, and implements human rights due diligence to fulfill the responsibility for protecting human rights.

- Complies with laws and regulations and CHB's human rights policy.
- Develop honest, fair, respectable and open work environment.
- Set up the Bank's human rights due diligence procedures and conducted yearly review.
- Prohibition of child labor and forced labor.
- Diversity of workplace composition.
- Elimination of discrimination or sexual harassment.



No violation of human rights, child labor, indigenous people's rights and interests and discrimination in 2020 and 2021

Employee Distribution and Turnover by Gender

Age	Employees		Managers		Total			2018	2019	2020
	Male	Female	Male	Female	Male	Female				
>49	507	568	305	481	812	1,049				
40-49	621	1,234	141	156	762	1,390				
30-39	550	1,390	9	23	559	1,413				
<30	224	467	0	0	224	467				
Total	1,902	3,659	455	660	2,357	4,319				
Percentage					35.31%	64.69%				
Total Employees 6,676										
							Male	2.44%	2.78%	2.11%
							Female	2.64%	3.02%	2.53%
							Total Turnover	5.08%	5.80%	4.64%

Note: The managers are personnel with duty allowances (as of end 2020).

Parental Leave Statistics

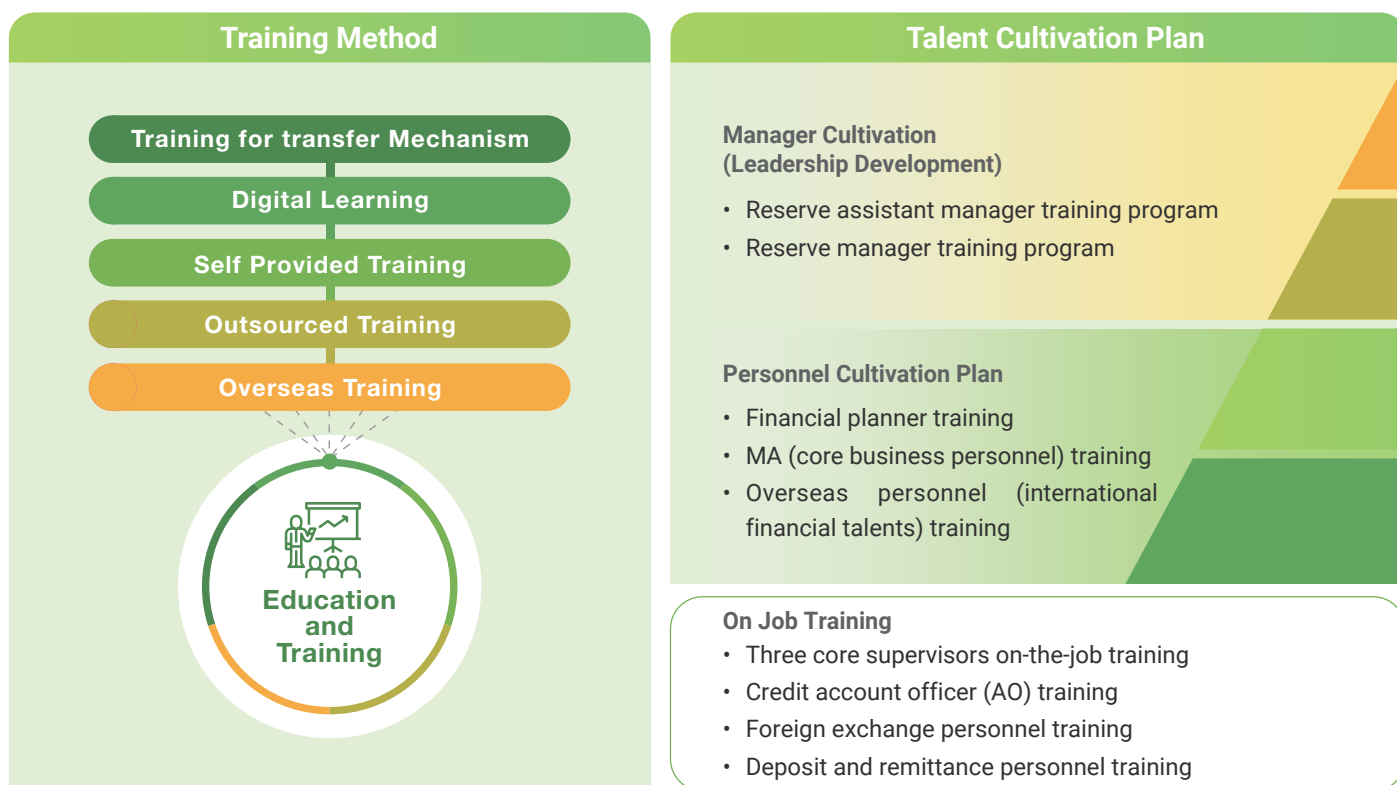
Status of Unpaid Parental Leaves

Item	Male	Female	Total
Number of employees entitled to unpaid parental leave in 2020	43	133	176
Number of employees that applied for unpaid parental leave in 2020	8	52	60
Number of employees expected to return from unpaid parental leave in 2020 (A)	5	56	61
Number of employees that actually returned to work from unpaid parental leave in 2020 (B)	5	52	57
Return rate (B / A)	100%	92.86%	93.44%
Number of employees that returned to work from unpaid parental leave in 2019 (C)	10	64	74
Total number of employees that returned to work from unpaid parental leave in 2019 and completed one year of service in 2020 (D)	10	62	72
Retention rate (D / C)	100%	96.88%	97.30%

Note: The number of employees entitled to parental leave is based on employees that applied for paternity leave and maternity leave. In this table, the number of employees that actually returned to work includes those who returned to work early.

Employee Training

Facing rapid and specific industry changes, CHB has a comprehensive training program covering all levels of employees, averaging 49.57 hours of training per employee.



Training Accomplishments

Training Method	① Online Learning	② Offline Course		
	Internal Training	Internal Training	External Training	Self-development ^{Note}
Hour (s)	203,940.53	99,970.50	26,920	67
Total (hours)	330,898.03			

1

Online Learning Status

Gender		▼	▲	Total
Total number of enrollments	Managerial	21,307	30,052	51,359
	Non-managerial	73,949	154,340	228,289
Total number of hours	Managerial	15,417.63	21,513.10	36,930.73
	Non-managerial	54,935.64	112,074.15	167,009.79
Average hours	Managerial	33.88	32.60	33.12
	Non-managerial	28.88	30.63	30.03

2

Offline Training Status

Gender		▼	▲	Total
Total number of enrollments	Managerial	1,858	2,679	4,537
	Non-managerial	3,089	6,339	9,428
Total number of hours	Managerial	17,110.50	24,270.00	41,380.50
	Non-managerial	27,930.50	57,646.50	85,577.00
Average hours	Managerial	37.61	36.77	37.11
	Non-managerial	14.68	15.75	15.39

Note: Self-development refers to employees' self-learning, and participation in external and business-related education and training at their own expense. The Bank cultivates talents to improve their professional financial competence through a comprehensive core business training program and courses, such as the online Studio Classroom and the Commonwealth Magazine Leader Campus (CWLC).

Pension

Amount of pensions appropriated

Unit: Thousand NTD\$

Category	FY	2019	2020
Bank of Taiwan—Pension Reserve Account (Old System)		301,841	302,940
Bureau of Labor Insurance—Pension Account (New System)		189,696	210,343

Employee Stock Ownership Trust (ESOT)

Launched in September 2019, employees can choose from 6 self-appropriation amounts for participation in the ESOT.

	Employees	Rate
Participation	6,267	97.47%
Minimum Self-Appropriation Amount	1,808	28.85%
Doubled Self-Appropriation Amount	4,398	70.18%

Gender Pay Equality

CHB offers equal salaries to both male and female employees.

Salary Ratio F:M	2018	2019	2020
Managerial Role	1:1	1: 0.96	1: 0.96
Non-Managerial Role	1: 1.04	1: 1.03	1: 1.02

Note: The average compensation of male and female employees is based on the average compensation of female employees (shown as 1)

Collective Bargaining Agreement

CHB re-initiated and signed collective bargaining agreement with the CHB Corporate Union in 2018 and additional supplemental agreement signed in 2020.

	2018		2019		2020	
	▼	▲	▼	▲	▼	▲
Number of employees that joined the corporate union	2,273	3,777	2,207	3,952	2,191	4,020
	6,050		6,159		6,211	
Percentage of employees that joined the corporate union ^{Note1}	92.28%		92.97%		93.03%	

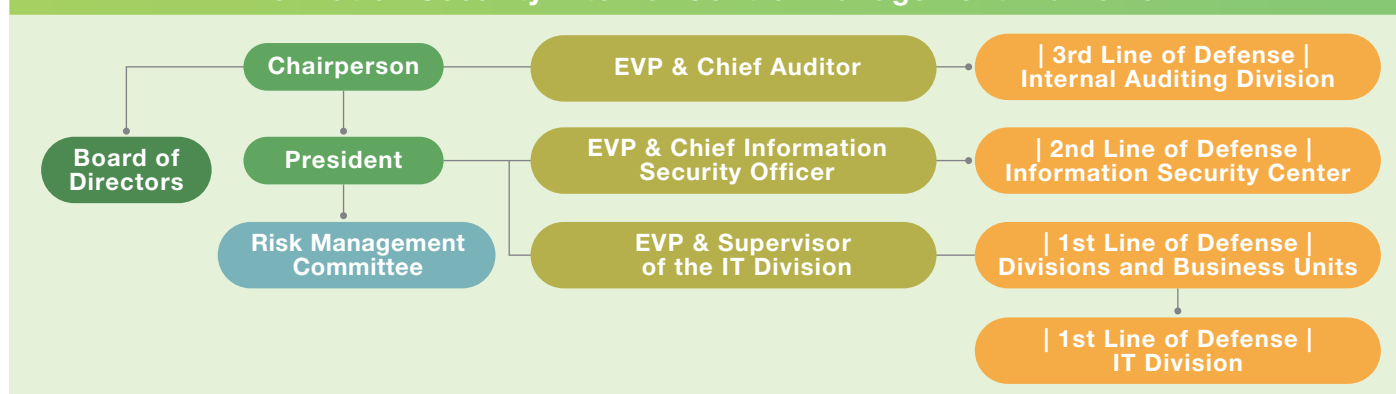
Note1: Collective Agreement contains the percentage of number of employees.

Privacy and Data Security

Information security and personal information protection has become the toughest challenge for the financial industry.

- CHB complies with the Personal Data Protection Act, and has established its Personal Information Management Regulations, and Security Maintenance Plan for Personal Information File, and EU General Data Protection Regulation (GDPR) with the purpose of protecting security of customers' and employees' personal information.
- Personal Information Protection Task Force reviews the operation and execution of personal data protection and is convened by EVP & Chief Compliance Officer.

Information Security Internal Control Management Framework



The Personal Information Protection Management Task Force is responsible for the privacy and data security with the Bank's short, mid and long-term goals as follows:

2020 Goals

- Continue to apply for international standard certification.
- Establish an automated information security monitoring platform.
- Conduct ad-hoc independent audit of previous year's personal information protection mechanism.

2020 Achievements

- Continued to maintain the validity of international ISO 27001, ISO 22301, and BS 10012 certifications.
- Expanded the functionality of the financial security monitoring F-SOC module in September 2020, and completed the construction in March 2021.
- Completed the ad-hoc audit of the personal information protection mechanism.

2021 Goals

- Continue to apply for international standard certification.
- Expand endpoint malware detection system.
- Conduct ad-hoc independent audit of previous year's personal information protection mechanism.

Mid and Long-Term Goals

- Improve the ability to respond to information leakage and to restore systems to protect customer privacy effectively.
- Strengthen information security governance and promote a culture of cyber security within the organization.
- Dedicated information security officer is appointed to supervise and implement information security policies, coordinate and promote information security management and report to Board of Directors on an annual basis.



No major personal information or information security incidents in 2020 and 2021

Customer Rights and Interests

CHB complies with Financial Consumer Protection Act and relevant regulations as well as Principles for Fair Treatment of Customers in Financial Service Industry and formulated the CHB Principles for Fair Treatment of Customers, CHB Financial Consumer Protection Policy, CHB Financial Consumer Protection Practice Guidelines, CHB Consumer Complaint Handling Guidelines.

Customer complaint channels were available by dedicated hotline, webpage or email accessible from CHB website. All complaints should be immediately reported to the responsible unit for proper handling to protect the rights and interest of financial consumers. In 2020, the internal auditing unit carried out 206 general audits and 497 ad-hoc audits.

- When providing financial products or services to customers, all of the Bank's employees duly comply with Principles for Fair Treatment of Customers in Financial Service Industry to ensure that in the process of providing the financial products or services by the Bank, ranging from design, advertising, sales, contract performance. During the overall transaction process such as fulfillment, service consulting to customer complaint processing, customers are all treated fairly in accordance with the Financial Consumer Protection Act.
- The Bank has established a product suitability system to provide products or services suitable for customers through know-your-customer (KYC) and know-your-product (KYP) operations.

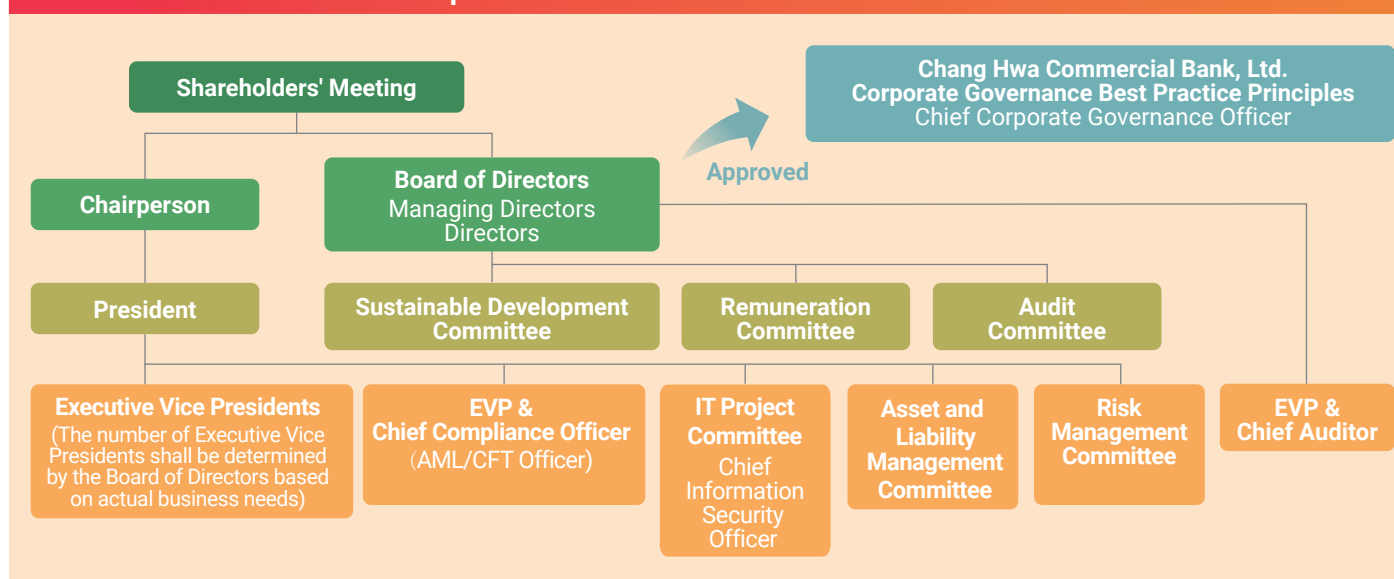
Supplier Management

CHB promotes CSR practices among its suppliers.

- Formulate standards and guidelines for suppliers, such as "Corporate Social Responsibility Standards of the Supplier".
- Protection of employee rights and interests (including human rights protection, prohibition against forced labor and child labor and encouragement of freedom of association)
- Environmental protection (GHG inventory and setting carbon reduction goals)
- Substantive transactions can only be carried out after no violation of laws and regulations is found in the view by CHB.
- Visit suppliers for review and in the case of violation CHB may terminate or rescind the contract. No violations found in 2020.
- As of 2020, a total of 76 contracted suppliers have signed the "Undertaking to Commit to Social Responsibility by the Supplier", signing rate of 100%.

Governance

Corporate Governance Framework of the Bank



Board of Directors

CHB has adopted the candidate nomination system for directors and put into force in 25th term of Board of Directors. 26th term of Board of Directors comprises of 9 directors.

14 Board meetings held in 2020 ; 15 Board meeting held in 2021

6 meetings (1/1~6/19/2020): 25th term Board of Directors attendance rate 97.96%
 8 meetings (6/19~12/31/2020): 26th term Board of Directors attendance rate 100%
 15 meetings (1/1~12/31/2021): 26th term Board of Directors attendance rate 97.04%

Current (26th) Board of Directors

Title	Director	Delegate	Gender	Executive position in Company	First Appointed Delegate/Director (Year.Mth)	Professional
Chairperson	Ministry of Finance	Ling, Jong-Yuan (Joanne)	F		2019.04 1947.02	Finance & Accounting Management Banking & Taxation
Managing Director	Ministry of Finance ^{Note1}	Chou, Chao-Chung	M	President	2021.03 1947.02	Finance & Accounting International Market Banking
Managing Independent Director	Pan, Jung-Chun		M	Lead Independent Director	2014.12	Finance & Accounting Asset Management Banking
Director	Chunghwa Post Co., Ltd.	Hsiao, Chia-Chi	M		2018.10 2020.06	Finance & Accounting Internal Control Taxation
Director	National Development Fund, Executive Yuan	Chang, Chien-Yi	M		2018.06 2008.11	Emerging Industry VC Monetary Policy Economy
Director	Lee, Wen-Siung		M		2020.06	Finance & Insurance Supervisory Management
Director	Chen, Hwai-Chou		M		2006.03	Finance & Accounting Management Banking
Independent Director	Lin, Jong-Horng		M		2020.06	Law Legal Compliance
Independent Director	Suen, Chih-Jong		M		2020.06	Finance & Audit Management Banking

Note1: Huang Jui-Mu's directorship and president position was dismissed in Mar. 2021 and Chou, Chao-Chung elected.

Age of FY2021 directors is distributed between 50~85 (3 of them are between 50~59, accounts for 33.33% of all directors; 3 of them are between 60~69, accounts for 33.33% of all directors; 3 of them are over 70, accounts for 33.33%).

Audit Committee

In 2020 and 2021, 13 audit committee meetings were held each, with an attendance rate of 100%

3 rd (Current) Audit Committee 8 meetings (6/19~12/31/2020) 13 meetings (1/1~12/31/2021)	2 nd Audit Committee 5 meetings (1/1~6/19/2020)	Name	Board Title
Convener	Member	Pan, Jung-Chun	Independent Director
Member	-	Lin, Jong-Horng	Independent Director
Member	-	Suen, Chih-Jong	Independent Director
-	Convener	Liang, Kuo-Yuan	Independent Director
-	Member	Yu, Chi-Chang	Independent Director

Remuneration Committee

12 Remuneration Committee meetings held in 2020, attendance rate 100%
11 Remuneration Committee meetings held in 2021, attendance rate 100%

5 th (Current) Remuneration Committee 7 meetings (7/27~12/31/2020) 11 meetings (1/1~12/31/2021)	4 th Remuneration Committee 5 meetings (1/1~6/19/2020)	Name	Title
Convener	Member	Pan, Jung-Chun	Independent Director
Member	-	Suen, Chih-Jong	Independent Director
Member	-	Wu, Yu-Xue	Remuneration Committee Member
-	Convener	Liang, Kuo-Yuan	Independent Director
-	Member	Yu, Chi-Chang	Independent Director

Sustainable Development Committee

Sustainable Development Committee (SDC) in 2020 is in charge of implementation of ESG affairs, establishment of related systems, monitoring on execution and performance of policies and reviewing related implementation report on a regular basis. The SDC convenes meeting at least yearly.

SDC features inter-departmental CSR Task Force and Executive Vice President was assigned to serve as the convener and leaders of the CSR Task Force was reassigned based on primary promoting working groups (see chart). Company Affairs Section is also the secretarial unit of the SDC and responsible for compiling CSR reports, planning CSR related tasks, coordinating each division to handle CSR related tasks, reporting to the SDC on the annual CSR implementation results and submit to the Board of Directors.

In 2020 and 2021, 3 Sustainable Development Committee meetings were held each, with an attendance rate of 100%

2 nd (Current) SDC 1 meetings (7/27~12/31/2020) 3 meetings (1/1~12/31/2021)	1 st SDC 2 meetings (1/1~6/19/2020)	Name	Title
Convener	Convener	Ling, Jong-Yuan (Joanne)	Chairperson
Member	Member	Pan, Jung-Chun	Independent Director
Member	-	Lin, Jong-Horng	Independent Director
Member	-	Suen, Chih-Jong	Independent Director
Member	-	Chou, Chao-Chung	President
-	Member	Liang, Kuo-Yuan	Independent Director
-	Member	Yu, Chi-Chang	Independent Director
-	Member	Huang, Jui-Mu	President

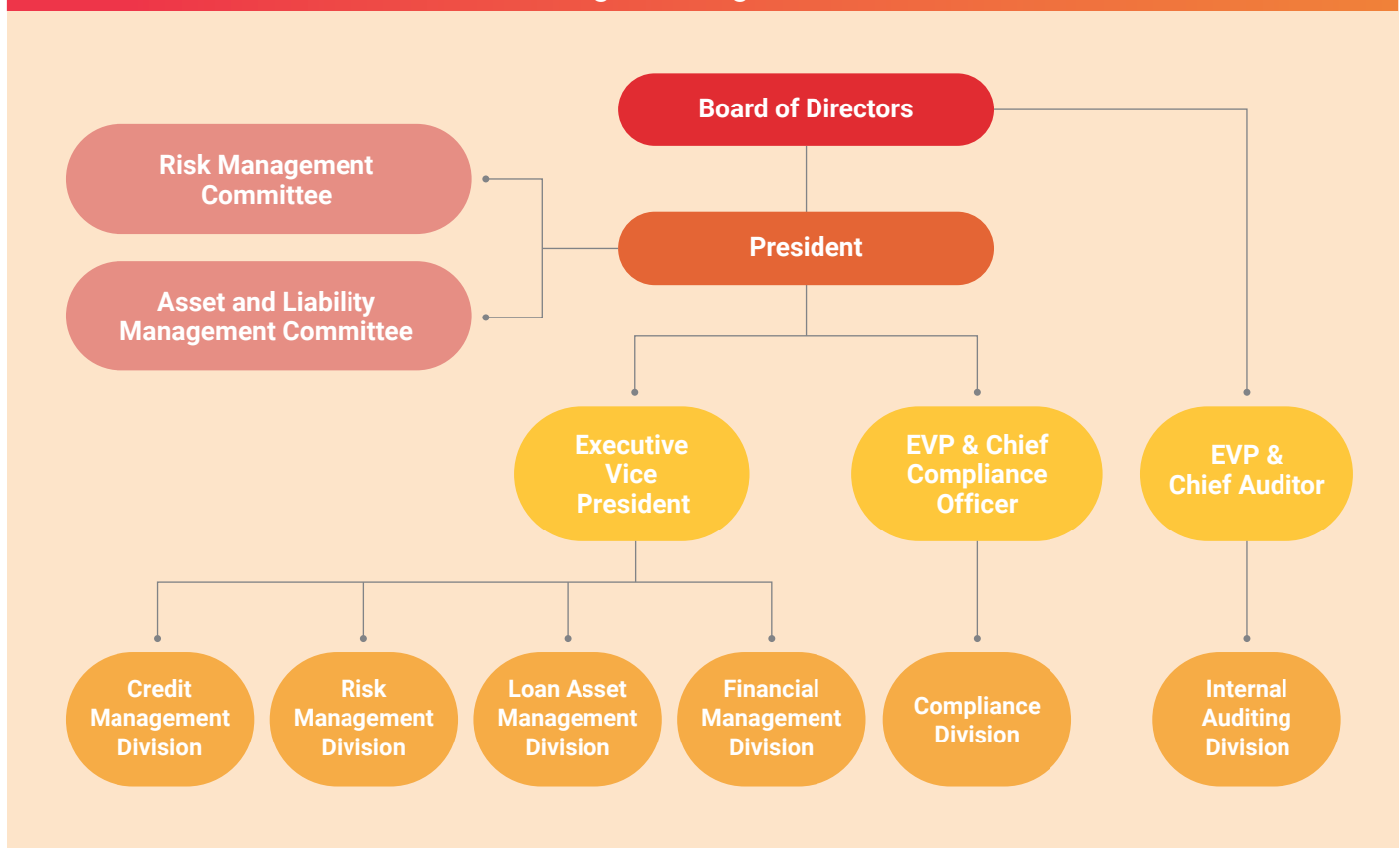
Performance Evaluation

The Bank commissioned an external agency, EY Business Advisory Services Inc. to conduct the 2021 Performance Evaluation of the Board of Directors (including Audit Committee, Remuneration Committee, and Sustainable Development committee). After evaluation, the Bank's comprehensive performance in the three dimensions of "Structure", "People" and "Process and Information" are all in Advanced Level.

Risk Management

CHB established a Risk Management Committee, President acts as convener for monthly meetings and is comprised of the following structure:

Risk Management Organization Chart



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.



Risk environment and risk control measures are reported to the Board of Directors by the risk management unit on a quarterly basis.



External impartial organization evaluated the degree of CHB's compliance with SASB standards

Emerging Risk Management

Faced with continuous changes in the global social and economic environment and the increasing influence of emerging issues, CHB has established an emerging risk management mechanism to control and mitigate the impact of these risks, led by the CSR Task Force.

- Risk categories identified for countermeasures and monitoring mechanism and potential opportunities are climate change, infectious diseases and digital finance and information security.
- The annual emerging risk management implementation report is reported to the Risk Management Committee and included in the risk management report for review by the Board of Directors.

COVID-19

Infectious Diseases is identified as a material emerging risk. An “epidemic prevention and response task force” and a “major accident response task force” established for development and flexible adoption of contingency measures.

CHB formulated response measures and programs along with adherence to government policies for the COVID-19 pandemic, from PPE to health monitoring, disinfection of office environment to personnel diversion and visitor control. Business Continuity Plan was implemented with “remote backup” and “backup on different floors in the same building” starting March 5, 2020 and also COVID-19 confirmed case notification mechanism.

Relief Loans

CHB assumes the responsibility for caring for customers and actively supports the government’s various relief policies to assist customers affected by COVID-19, such as the relief measures launched by various ministries, the Central Bank financing project, the worker relief loans and other relevant relief projects.

Category	Number of Applications	Applications Approved	Approved Amount (100 million)	Approval Rate (%)
Individual	591	586	69.13	99.15
Enterprise	1,698	1,677	80.82	98.76
Worker Relief Loans	42,519	40,514	40.45	95.28

Business Integrity

All employees required to sign “Statement of Complying with the Code of Conduct of Chang Hwa Commercial Bank.” CHB’s performance of ethical corporate management is reported to the Board of Directors annually to review the improvement measures.



Controversies

CHB was fined NT\$1.2 million by FSC on July 7th, 2020, due to a former wealth management advisor involved in misappropriation of customer funds, unusual dealings with customers and improper insurance solicitation.

Company response: CHB established a customer care mechanism to detect whether there are any anomalies in transactions with customers in the wealth management business and strengthened relevant monitoring mechanisms to implement effective fraud control measures for wealth management advisors.

Currently, the Bank has the following to further ensure the customer's business status:

1. The person in charge of the business unit should give priority to the long-term and/or high activity customers, and personally confirm the financial transaction details, deposit balance and current retention related contact information (such as mailing address, telephone number and e-mail etc.) to ensure that the transaction is correct.
2. When the account funds of a wealth management customer or an affiliated account of a professional management account are withdrawn of certain amount, the person in charge of the business unit should contact customer care to confirm reasoning.
3. The Bank sends "Notice of Important Customer Rights and Interests" via email and instant messenger Line every six months to remind customers to pay attention to the balance of current assets.
4. The Bank will follow the "Principles of internal control related to preventing misappropriation of client funds by wealth management specialists 2.0 version" in 2022.

Whistleblowing

CHB has established an internal and external whistleblowing system. Reports can be made if public finds employees of CHB commit criminal acts, fraud or violations of laws and regulations. The internal audit unit accepts whistleblower cases and discloses relevant reporting channels on the official website.

Whistleblowing Channels:

External:
email: chb0110@chb.com.tw

Internal:
email: chb0111@chb.com.tw
and Employee Whistleblowing on-line System



Employee Conduct Operating status



• Consultation and communication channels:

The Bank has a consultation and communication channel. If employees have any doubt and suspicion about Employee Code of Conduct, they may consult the direct supervisor of the unit, the Compliance Officer of the unit and Compliance Division according to their position.



• Whistleblowing channel:

The Bank has established an independent whistleblowing e-mail address, hotline, fax number and address for the employees of the Bank to use if employee commits any illegal acts.



• Processing status:

All employees of the Bank are required to sign Statement of Compliance with Employee Code of Conduct of Chang Hwa Bank, affirming that they shall comply with relevant regulations and uphold high ethical standards and moral codes.



• Education and training:

To implement relevant values and legal norms, the Bank conducted Employee Code of Conduct training course for new recruits in 2020, with a total of 368 participants.



CHB did not receive any whistleblowing case violations of ethical behaviour in 2020 and 2021

Anti-Money Laundering/Counter Financing of Terrorism

CHB's AML/CFT regulations include:

- Anti-Money Laundering and Countering the Financing of Terrorism Policy;
- Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism;
- Procedure for AML/CFT management.

Implementation status for AML/CFT is regularly reported to:

- The AML/CFT management team at least once every half year.
- Audit Committee and the Board of Directors at least once every half year.

Evaluation reports on AML/CFT risks are regularly provided to Board of Directors and Senior Executives.

Internal Audit of AML/CFT implementation and related measures conducted regularly by Auditing Division.



CHB was not involved in any legal proceedings due to fraud, insider trading, antitrust, anti- competitive behavior, market manipulation, corruption, or violation of other financial regulations in 2020 and 2021

Sustainable Development Committee Framework



Corporate Governance

Secretariat Division

- Business Performance and Profit
- Corporate Governance
- Business Integrity
- Legal Compliance
- Anti-Money Laundering and Countering Financing of Terrorism
- Risk Management (including emerging risks)
- Tax Governance
- Safeguarding Shareholder Equity
- Intellectual Property Management

Customer Care

Product Management Division

- Climate Change
- Responsible Investment
- Due Diligence in Credit Application
- Safeguarding Customer Rights and Interests
- Green Finance and Products
- Innovation and Inclusion of Digital Finance
- Financial Inclusion

Employee Care

Human Resources Division

- Human Rights Protection and Gender Equality
- Remuneration and Benefits
- Employee Development and Training
- Employer / Employee Relations
- Diversity and equality policy of healthy workplace

Social Welfare

Secretariat Division

- Charitable Care
- Community Engagement
- Charity Events

Sustainable Environment

General Affairs Division

- Environmental Sustainability Policy
- Energy Conservation and Carbon Reduction Management
- Green Procurement
- Suppliers Management
- Waste Management

