



ESG SUMMARY

Published: December 2023



OVERVIEW

The Bank achieved its short-term "STEP" goals, which encompassed the adoption of the SASB Standards, the TCFD framework, and the Equator Principles, in 2022. Following this, we introduced the "4C Sustainability Vision" (Carbon, Capital, Credit, and Customer) to drive our ESG development. With a focus on a net-zero future, we continuously strengthen our corporate resilience and sustainable operational development.

Sustainability Action 4C Sustainability Vision

CARBON

Expand the greenhouse gas inventory and actively take action on carbon reduction.

- **ISO 14064-1 certification for GHG emissions inventory in 2022** for all domestic and overseas sites and subsidiaries, 100% coverage aligning with consolidated financial statements.
- **Conducted 8 carbon emissions inventories for our investment and financing portfolio** based on the methodology of the Partnership for Carbon Accounting Financials (PCAF).
- **Signed the Science-Based Targets initiative (SBTi) in 2022** committing to limit Category 1 and Category 2 carbon emission temperature rise to less than 1.5°C by 2030 while keeping the carbon emission temperature rise for investment and financing portfolios below 2°C.
- **Reduced the overall emissions by 6.2% in 2022** contributing 14.8% to the implementation process of the 2030 reduction target (by 42% compared to 2020).
- **Completed the carbon neutrality transition plan for the Changhwa Branch in July 2022** verified in accordance with the PAS 2060 carbon neutrality standards. With this achievement, the Changhwa Branch became the first carbon neutrality branch of the Bank.
- **Allocated resources in 2022 for a project-oriented greenhouse gas offset initiative with third-party verification.** Both the main project and 1 sub-project were certified for ISO 14064-2, and an internal carbon pricing mechanism was formulated to steadily progress towards zero-carbon sustainability.

CAPITAL

Create investment value and exert long-term sustainable influence.

- **Successfully issued the 1st senior unsecured financial debentures (Sustainability Bond)** in February 2023, to exert influence with actual action and demonstrate our commitment to sustainable investments.
- **Subsidiary Chang Hwa Bank Venture Capital Co., Ltd follows the same sustainable investment principles. It aims to promote green economic development by setting annual targets to invest in at least two projects related to "environmental sustainability."** These projects encompass areas such as green energy, circular economy, soil and wastewater treatment, wastewater or emissions processing or recycling and relevant industries that make concrete contributions to environmental protection.

CREDIT

Follow the Equator Principles and assist enterprises in transformation by green finance.

- **The Bank joined the Equator Principles Association in April 2022, incorporating ESG metrics as crucial assessment criteria.**
- **Besides incorporating checks into the credit approval process, the Bank actively develops green financing products that balance economic development with environmental friendliness.** Examples include Sustainability Linked Loans and loans for green power and renewable energy industry.
- **Looking ahead, the Bank plans to expand green products into consumer finance,** including support for consumers in purchasing green building certified real estate, and aiming to obtain four certifications for our credit cards: Water Footprint (ISO 14046), Carbon Footprint (ISO 14067), Carbon Label, and Carbon Neutrality (PAS 2060).

CUSTOMER

Value the Principle to Treat Clients Fairly and optimize financial friendly services.

- **The Bank strives to inspire and support women, youths, middle-aged and elderly individuals, micro-enterprises, and communities in pursuing better entrepreneurial and self-realization opportunities.** Offering financing projects such as the "Micro-Business Startup Phoenix Program", "Loans for Startup Funding for Young Entrepreneurs", and "Keelung City SME Dream-Come-True Loan".
- **The Bank also actively promotes financial literacy, reduces inequality in information and tool availability, enhances financial education, and raises awareness for fraud and information security.**

Sustainable Development

- The Bank established the **Sustainable Development Committee (SDC)** under the Board of Directors, with the Chairperson serving as the convener of the SDC, convening 3 independent Directors and President.
- **The SDC features an inter-departmental ESG Task Force.** An Executive Vice President (EVP) has been assigned to serve as the convener, and leaders of the ESG Task Force have been designated based on the Bank's Sustainable Development Policies, such as Corporate Governance, Responsible Finance, Employee Care, Social Inclusion, and Sustainable Environment.
- The SDC shall hold at least two meetings each year, and **regularly report the sustainable work plan, implementation status and results to the Board of Directors.**



6 meetings were held in 2023, and a total of 16 proposals related to sustainable work were submitted to the Board of Directors for review.

Recognition and Accolades

Selected as a Constituent Stock in:

- FTSE4Good TIP Taiwan ESG Index for 10 consecutive times.
- FTSE4Good Emerging Index for 7 consecutive years.
- Dow Jones Sustainability World Index for the first time.

Awards:

- Scored Management B from Carbon Disclosure Project for Actions against Climate Change for 4 consecutive years.
- The TCFD report has once again passed the verification of BSI and has been awarded the highest level of certification, Level 5+: Excellence.
- Obtained the Sustainability Resilience Pilot Award from British Standards Institution (BSI) for 4 consecutive years.
- 2023 National Sustainable Development Awards.



Credit Ratings

Rating Agency	Release Date	International Rating		Domestic Rating		Outlook
		Long term	Short term	Long term	Short term	
Taiwan Ratings	2023/12	-	-	twAA+	twA-1+	Stable
S&P	2023/12	A	A-1	-	-	Stable
Moody's	2023/3	A2	P-1	-	-	Stable

CLIMATE ACTION

Chang Hwa Bank has signed the Science Based Targets initiative (SBTi) in 2022 and adopted PCAF's methodology to calculate the carbon emissions of the investment and financing portfolio (scope 3). In addition, the Bank is setting short, medium, and long-term goals to drive the transition to a low-carbon economy and align our business development strategy with the targets of the Paris Agreement.



Decarbonization Commitments

Reduction Targets to Reach Net Zero

Mid-term Target (2030)	Ultimate Goal (2050)
<ul style="list-style-type: none"> With 2020 as the base year, to reduce 42% GHG emissions (Category 1 and Category 2) by 2030. Investment and financing should be well-below the 2°C target. 	<ul style="list-style-type: none"> In alignment with the "Taiwan's Pathway to Net-Zero Emissions in 2050" proposed by the National Development Council, we are working towards achieving the net zero emissions target.

Reduction of Positions in Industries Related to Coal and Unconventional Oil and Gas

In order to implement responsible finance, Chang Hwa Bank commits to engage with the investment¹ and financing² targets related to thermal coal³ and unconventional oil & gas⁴ fuels industry till global phase-out year. The details of the decarbonization commitment are as follows.

Industry Sector	Type of Finance	Decarbonization Strategy ⁹	Global Phase-out Target Year
1. Thermal Coal			
Coal Mining	Financing (Lending)	Ceased new financing for the coal mining company ⁵	2040
	Investment	Ceased new investment for the coal mining company ⁵	2040
Coal Power	Financing (Lending)	Ceased new project financing for the coal-fired power generation company ⁶	2040
	Investment	Ceased new investment for the coal-fired power generation company ⁶	2040
Coal Infrastructure	Financing (Lending)	Ceased new financing for the coal infrastructure company ⁷	2040
	Investment	Ceased new investment for the coal infrastructure company ⁷	2040
2. Unconventional Oil & Gas	Financing (Lending)	Ceased new project financing for the unconventional oil & gas company ⁸	2040
	Investment	Ceased new investment for the unconventional oil & gas company ⁸	2040

Note:

- Investment refers to "Active investments", including general investment and project investment. Chang Hwa Bank is not active in "Passive investments" and "Third-party managed investments".
- Financing including general/corporate finance and project finance.
- Thermal coal industry including coal mining, coal-fired power generation, etc.
- Unconventional oil & gas industry including extraction, processing and manufacturing, exploration and expansion and the supporting infrastructure of tar sands, shale oil and gas, arctic oil and gas, liquified natural gas (LNG), ultra-deep-water oil & gas (UDW), etc.
- Threshold for the coal mining company refers to a company that is on the Global Coal Exit List (GCEL), and it is categorized as "Mining" in the Coal Industry Sector. Please refer to the GCEL criteria: <https://www.coalexit.org/methodology>.
- Threshold for the coal-fired power generation company refers to a company that has a share of revenue of 50% or more from coal-fired power generation.
- Threshold for the coal infrastructure company refers to a company that is on the Global Coal Exit List (GCEL), and it is categorized as "Services" in the Coal Industry Sector. Please refer to the GCEL criteria: <https://www.coalexit.org/methodology>.
- Threshold for the unconventional oil & gas company refers to a company that is on the Global Oil & Gas Exit List (GOGEL) and is an upstream company. Please refer to the GOGEL criteria: <https://gogel.org/about-data>.
- Except for the use of funds is explicitly for the green transition or development of sustainability, or to propose specific transition plans and decarbonization efforts.

Measures to Achieve Our Commitments

Renewable Energy Utilization Rate



Annual increase in green energy usage by 100,000 kWh from 2022.



Goal to use 6,600,000 kWh of green energy cumulatively from 2022 to 2026.



Long-term target: 10% renewable energy utilization rate by 2030, achieved through:

1. Installation of solar power generators
2. Procurement of green energy
3. Renewable energy certification

Carbon Credit Purchases



Plan to offset carbon emissions from Category 1 to 5 at branches annually using carbon credits that adhere to the Gold Standard.



Starting in 2030, annual carbon credit purchases to offset emissions at five branches, expanding the number of carbon-neutral branches.

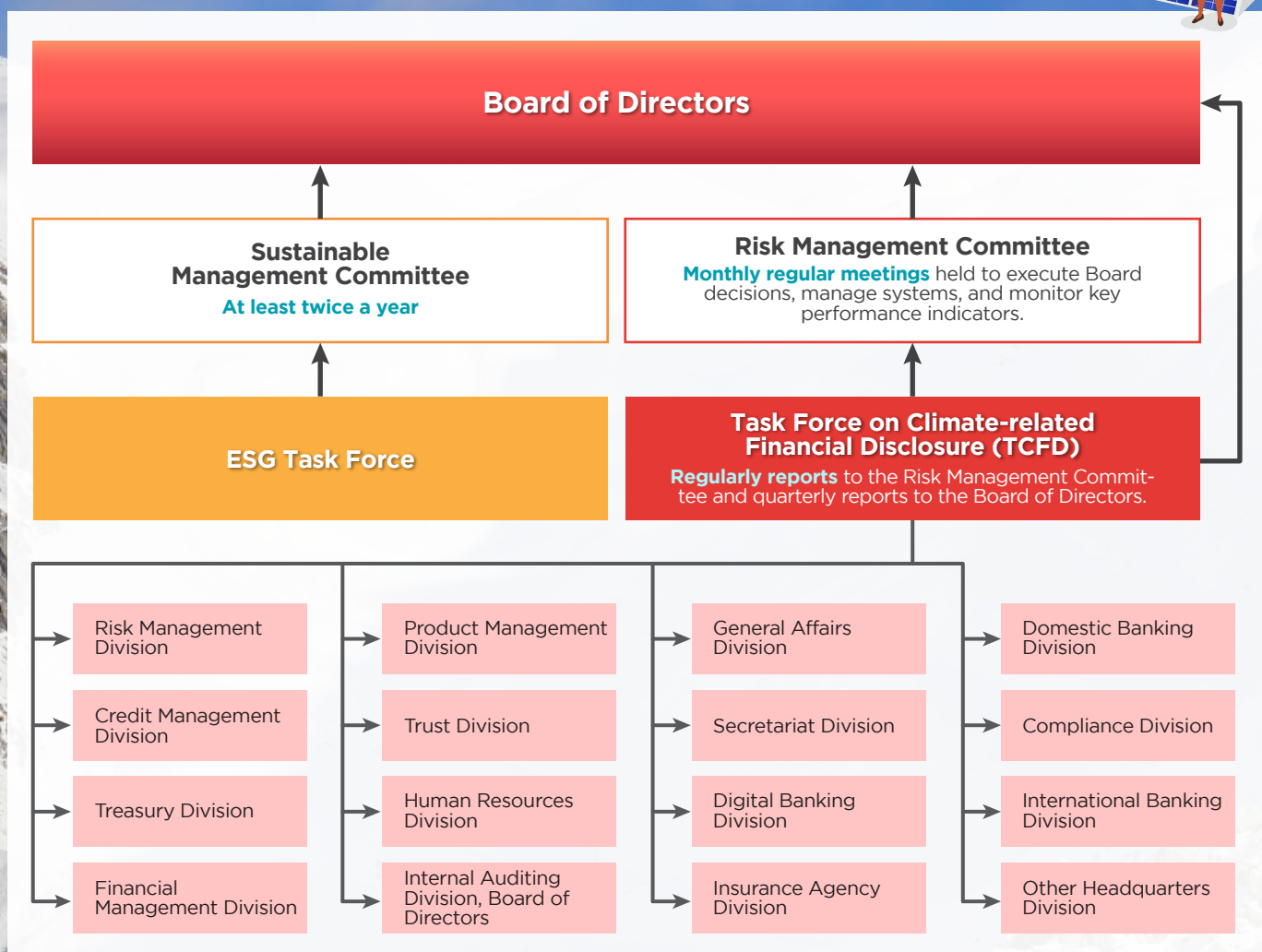


Changhwa Branch became the Bank's first carbon-neutral branch on July 18, 2022, verified by the BSI PAS 2060 Carbon Neutrality Standard.

Climate Risk Governance

Incorporating Climate Risks into the Standard Risk Assessment Framework

In 2022, the Bank incorporated climate risks into its "Integrated Risk Management Policy". The Board of Directors approved the "Climate Risk Management Policy" to establish a comprehensive climate risk management process and enhance the management of climate-related risks.



Integrating Sustainable Development into Performance Evaluation

Board of Directors / President and Senior Executives	Executive Officers and Other Senior Managers	All Employees
<ul style="list-style-type: none"> Director remuneration is linked to the considerations of climate-related elements. Climate risk management and other related initiatives are now part of departmental performance assessments. A positive correlation exists between the initiatives and annual performance bonuses. 	Indicators include: <ul style="list-style-type: none"> Obtaining national and international sustainability or climate change-related certifications. The number of installed solar power facilities. Reduction rate of environmental sustainability indicators compared to the base year. 	<ul style="list-style-type: none"> Launched initiatives encouraging branches to engage in green credit. Sustainable finance incorporated into performance assessment of overseas branches. Loans or bond investments are assigned varying assessment scores based on their amount and alignment with criteria. Sales representatives are motivated to help clients use mobile insurance with higher assessment scores.

Internal Carbon Pricing

In 2022, the Bank implemented an internal carbon pricing model for "lighting fixtures" as part of the procurement decision-making process, which uses a shadow pricing approach to calculate carbon reduction, taking into account the carbon fee rate announced by competent authorities (NTD 1,500 per ton). Considering our business profile, Category 2 accounts for nearly 90% of emissions, with lighting and air conditioning representing about 80% of electricity consumption. The bank conducted an equipment replacement benefit analysis and will develop greenhouse gas-related policies and carbon pricing procedures. Future assessments will also include air conditioning equipment to further facilitate carbon reduction efforts at the Bank.

Green Financial Products

Green Deposits

- The bank initiated a green deposit program in 2022.
- The program directs customers' funds towards projects meeting the green credit standards of the Joint Credit Information Center, including renewable energy and waste-to-energy power plants.
- The initiative has been assessed for effectiveness by a third-party, which also issued an assurance report regarding the green deposit plan. The initiative has attracted 1,958 proposals totaling NT\$3 billion.



Green Loans

a. Support Sustainable Buildings

(NT\$ millions/account)	2023 October	
	Loan balance	Number of accounts
Green buildings	6,404	729

b. Support of Green Energy Industries

(NT\$ millions/account)	2022		2023 October	
	Loan balance	No. of accounts	Loan balance	No. of accounts
Loans for the green power and renewable energy industry	129,236	3,007	149,943	3,046

c. Loans for the Offshore Wind Power Industry

(NT\$ millions/account)	2021		2022		2023 October	
	Amount approved	No. of accounts	Amount approved	No. of accounts	Amount approved	No. of accounts
Financing for the offshore wind power industry	2,189	1	900	1	900	1

Note: The offshore wind power generation industry is an emerging industry that needs to be aligned with the development timeline of the wind field. Therefore, the amount of the project financing undertaken above is calculated based on the approved amount, and the amount is volatile.

ENVIRONMENTAL

Key Environmental Goals and Results

CATEGORY	GOALS	
Operations	Short-term (2023)	Mid to long-term (2025-2030)
GHG emissions	Reduce the carbon emissions (Scope 1 & 2) by an average annual reduction of 4.2% each year in 2023 and the subsequent years compared to 2020	Reduce GHG emissions (Scope 1 & 2) by 42% by 2030 , compared to 2020
Electricity consumption	Reduce the electricity consumption by 3% as compared to 2020	Reduce more than 10% of electricity consumption by 2030 , compared to 2020
Water usage	Reduce the water usage by 3% as compared to 2020	Reduce more than 10% of water usage by 2030 , compared to 2020
Renewable energy use	<ul style="list-style-type: none">● Achieve a 1% renewable energy utilization rate● Establish 1 solar-powered branch	2025 Target <ul style="list-style-type: none">● Reach a 5% renewable energy utilization rate by 2025 2030 Target <ul style="list-style-type: none">● To supply 3 million kWh in green energy● To achieve a 10% renewable energy utilization rate● To establish 10 solar-powered branches
Renewable energy certificates	Increase the number of renewable energy certificates by 1% each year in 2023 and the subsequent years compared to 2020	Obtain an additional 10 renewable energy certificates each year , equivalent to an annual increase in green energy usage of 10,000 kWh
Carbon-neutral branch - via carbon credits	Promote 1 carbon-neutral branch per year	Promote 5 carbon-neutral branches per year
Green building	Obtain green building certification for 100% of newly constructed or renovated branches	
Investment and Financing Portfolio ^{Note}		
Limits on carbon-intensive industries and green industries	Continue to reduce the limits for carbon-intensive industries while increasing the limits for green industries	
CHBVC's investment in environmentally sustainable industries	Continue to engage in at least 2 new investments per year in industries related to environmental sustainability and carbon reduction Carbon reduction-related industries include: <ul style="list-style-type: none">● Energy-saving sector: such as the electric vehicle supply chain● Green energy production: such as solar, wind, or hydroelectric power● Circular economy: focusing on the development of new environmentally friendly materials and the recycling and reuse of materials● Other sectors that make tangible contributions to carbon reduction Environmentally sustainable industries include: <ul style="list-style-type: none">● Soil and wastewater remediation● Waste and gas treatment● Waste recycling and reuse● Other sectors that make tangible contributions to environmental protection	

Note: By using the PCAF methodology, we are presently calculating the carbon emissions of our investment and financing portfolios, while initiating the process of setting reduction targets for key asset categories according to the SBT methodology.

2022 Environmental Results

	2022 Target	2022 Actual	Outcome
Carbon emissions (Scope 1+2)	-5% from 2020 base year	-6.2%	Achieved
Electricity usage (non-renewable energy)	-2% from 2020 base year	-4.9%	Achieved
Renewable energy usage	100 MWh	100 MWh	Achieved
Water usage	-2% from 2020 base year	-10.0%	Achieved

We have surpassed the 2023 waste reduction and recycling targets for the Taipei head office building as of 2022.

The waste generated decreased by 15.6%, exceeding the 3% reduction goal, and the recycling rate was 40.52%, surpassing the 15% target.



	2023 Target	2022 Actual	Outcome
Waste generation in Taipei building of the head office	-3% from 2020 base year	-15.6%	Ahead of schedule
Recycling rate in Taipei building of the head office	15%	40.5%	Ahead of schedule

Environmental Metrics

GHG Emissions	Unit	2020	2021	2022
Inventory boundary of carbon emissions (Category 1 + Category 2)		82.2%	82.2%	100%
Category 1 + Category 2 emissions	metric tons CO ₂ e	17,158.302	16,361.208	17,091.793
Carbon intensity (Category 1 + Category 2)	Tons of CO ₂ e / NT\$1,000	0.00063	0.00057	0.00050
Inventory boundary of carbon emissions (Category 3 to+ Category 5)		82.2%	82.2%	89.7%
Category 3 emissions		5,242.15	5,244.31	4,727.67
Category 4 emissions	metric tons CO ₂ e	7,541.97	8,077.08	9,602.44
Category 5 emissions		239.00	266.89	229.76

Water & Waste Management	Unit	2020	2021	2022
Statistical boundary		82.2%	82.2%	89.7%
Water resources	Million cubic meters	0.1639	0.1608	0.1475
General waste	metric tons	121.37	118.63	102.46
Waste recycling		19.93	17.44	69.79

Progress in Renewable Energy

With the amended Electricity Act, we have diversified our energy sources. Therefore, in 2022, we signed a five-year contract with a renewable energy supplier to supply green electricity to our Taipei headquarters building starting from October 2022. From October to December 2022, a total of 100,000 kWh were supplied, the renewable energy utilization rate* was 0.36%.

	2016	2017	2018	2019	2020	2021	2022
kWh	100,000	100,000	67,000	75,000	80,000	90,000	100,000
tCO ₂ e	52.8	52.9	37.12	39.98	40.72	45.18	50.9
Total Reduction	Voluntarily Purchased Green Electricity		Purchased Renewable Energy Certificates				Supply Green Electricity
	105.70 tCO ₂ e		163 tCO ₂ e				50.9 tCO ₂ e
	319.6 tCO ₂ e reduction over 7 years						

Note: Renewable energy utilization rate=Green energy usage (kWh) / Total annual energy consumption (kWh) *100%

Environmental Management Certifications

Management Certification	Instances
ISO 14001	Environmental management system certification obtained 8 consecutive years
ISO 50001	Energy management system certification obtained 7 consecutive years
ISO 14064-1	ISO 14064-1 certification obtained 6 consecutive years
ISO 46001	Water efficiency management system passed 2 consecutive years

SOCIAL

Social Management Certifications



Management Certification

Instances

ISO 27001	Information security management system certification passed	16 consecutive years
BS 10012	Personal information management system certification passed	11 consecutive years
ISO 45001	Occupational health and safety management system certification passed	4 consecutive years
ISO 22301	Business continuity management system certification passed	6 consecutive years

Protection for Human Rights Policy and Commitment to Human Rights

The Bank created the "Human Right Policies, Chang Hwa Commercial Bank, Ltd." We also adhere to several global agreements including:

- Universal Declaration of Human Rights
- United Nations Global Compact
- International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights

In accordance with the UK Government's Modern Slavery Act of 2015, the Bank reported to the Board of directors the measures taken in 2022 to prevent slavery and human trafficking in supply chains and various businesses, and the results were disclosed on the Bank's official website.

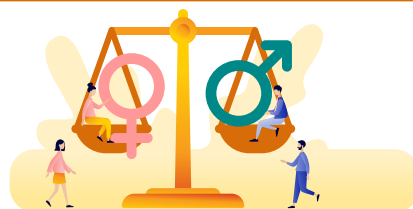
Human Rights Due Diligence

The Bank carried out human rights due diligence, a process that encompassed the identification of human rights issues, materiality assessment, and risk evaluation. Subsequent steps involved developing countermeasures or mechanisms and disclosing the findings after review.

In 2022, the Bank identified a total of eight main categories and 20 items related to human rights issues. These cover a diverse range of groups, including employees, job seekers, individuals with disabilities, indigenous people, customers, suppliers, children, women, and communities.

Results of the Human Rights Risk Assessment

	2020	2021	2022
Risk Identification Ratio	7.7%	7.59%	3.01%
Risk Impact Ratio	0.07%	0.1%	0%



Diversity and Equality Female Representation (%)

The Bank is committed to diversity and equality, placing a strong emphasis on gender equality and development. As of the end of October 2023, among all 6,734 employees, there are 2,396 men and 4,338 women a ratio of roughly 3.6 to 6.4 respectively.

The Share of the Female Employees of the Bank

2023 October

Female Employees / All Employees	64.47%
Female Managerial Employees / All Managerial Employees	59.52%
Female Junior Managers / All Junior Managers	59.25%
Female Senior Managers / All Senior Managers	70.37%
Female Managerial Employees in Revenue-Generating Functions / All Managerial Employees in Revenue-Generating Functions	58.63%
STEM Female Employees / All STEM Employees	34.87%

Gender Equality Advocacy

The Bank actively promotes gender equality training and incorporates gender equality advocacy and courses into the orientation training for new employees, covering topics such as human rights, prevention and remedies of sexual harassment. In 2023, as of October, a total of 10 sessions were conducted with 256 employees completing the training.

Equal Pay for Equal Work

The male-to-female starting salary ratio for new hires is 1:1, adhering to the principle of fairness and equal pay for equal work, and there is no differentiation based on gender or other factors.

Employee Level	Average Salary (Women : Men)	
Senior Management Level (CXO)	Salary	100 : 98
	Salary & Incentives	100 : 97
Management Level	Salary	100 : 95
	Salary & Incentives	100 : 94
Non-management Level	Salary	100 : 101
	Salary & Incentives	100 : 101

Parental Leave

Item	2021			2022			2023 October		
	M	F	Total	M	F	Total	M	F	Total
Gender ratio for unpaid parental leave	7.3	92.7	100	10.4	89.6	100	9.8	90.2	100
Return-to-work rate	50	96.2	92.9	100	92.7	93.6	100	98	98
Retention rate	100	86.5	87.7	50	88.5	85.7	100	90	91

Turnover Rate

Item		2021	2022	2023 October
Turnover Rate (%)		4.63	4.4	3.98
Age	<30 years old	No. of people	68	99
		%	1.03	1.48
	30-50 years old	No. of people	97	75
		%	1.47	1.12
	>51 years old	No. of people	141	120
		%	2.13	1.8
	Male	No. of people	127	113
		%	1.92	1.69
Gender	Female	No. of people	179	181
		%	2.71	2.71

Freedom of Association

Item	2021			2022			2023 October		
	M	F	Total	M	F	Total	M	F	Total
Number of corporate union members	2,215	3,834	6,049	2,292	4,126	6,418	2,278	4,134	6,412
Corporate union participation rate	91.51%			96.11%			96.58%		

Sexual Harassment Prevention Status in 2023:

- In 2023, the Bank received 1 sexual harassment complaints.
- When receiving a complaint, take immediate effective corrective or remedial measures to prevent further contact between the perpetrator and the victim, effectively isolating the parties involved.
- Formed a "Sexual Harassment Complaint Handling Committee" as per the "Chang Hwa Bank Guidelines for Handling Sexual Harassment Preventive Measures and Complaints".
- Investigations and deliberations were confidential to safeguard the privacy and rights of the parties involved.
- Personnel handling the cases were mandated to maintain confidentiality of the involved parties' identities, except if needed for the investigation or due to public safety considerations.

1 complaint was dismissed in 2023.



Further Human Capital Risk Management – Health and Safety

Apart from turnover rates, compensation, gender equality benefits, the Bank also identifies and manages an array of human capital related risks, and are categorized based on impact:

LOW IMPACT

- Musculoskeletal Injuries
- Maternal Health Protection
- Prevention and Treatment of Chronic Diseases

MODERATE IMPACT

- Potential Hazards to the Environment
- Traffic Accident During Work Commutes
- Health Promotion

HIGH IMPACT

- Occupational Accidents
- Prevention and Treatment of Infectious Diseases
- Abnormal Workloads
- Psychological Pressure

For full details of control measures, targets, and implementation effectiveness, please refer to page 182 to 183 of the 2022 ESG Report.

Occupational Health and Safety

✓ We obtained the certification of ISO 45001 Occupational Safety and Health Management System of BSI from US ANAB and TAF in Taiwan in 2019. Also, we have re-certified to ensure compliance with the regulations of the Occupational Safety and Health Act and international standards after the certification expired in 2022.

✓ In 2022, we won the extension of the Health Promotion Administration, Ministry of Health and Welfare "Badge of Accredited Healthy Workplace - Health Promotion" to establish a healthy and supportive working environment.

✓ In 2022, we won the "2022 Sports Enterprise Certification" issued by the Sports Administration, MOE, which shows that the bank supports employees to exercise.

Information Security Data Protection Policy

The bank has established an "Information Security Policy" to ensure the legitimate authorized access, confidentiality, integrity and availability of the Bank's information. This policy aims to maintain the reliability of information equipment and network systems and the normal operation of business processes, especially in the face of potential internal and external threats.

Additionally, it continuously enhances employees' awareness of information security through education, training, and social exercises. The policy undergoes regular annual reviews and is amended and implemented with approval from the board of directors.



Management System and System Evaluation

In 2023, we continue to ensure the effectiveness of "Business Continuity Management System ISO 22301", "Information Security Management System ISO 27001" and "Personal Information Management System BS 10012". Complete the upgrade of the Business Continuity Management System in 2022, and Information Security Management System in 2023.

Personal Information Protection

- In addition to the website announcement "Customer's Personal Data Protection Declaration", the Bank has established the "Personal Information File Security Management Program", "Personal Data Management Regulations" and "EU and UK Personal Data Management Regulations" for the whole bank to comply with, regularly conduct self-assessment operations to review the current status of personal data protection implementation.
- For the management of personal information disclosed by the supplier, the Bank's "Guidelines on Internal Operations Entrusted to Others" also stipulate that third-party suppliers should keep customer data confidential and take security measures to ensure that personal information is not leaked.



Personal Information File Security Management Program

Improvement Measures

The Bank shall not disclose customer information to any third party without the consent of the customer, and strengthen education and training to implement the protection of customer personal information.

1 confirmed personal data security incident from a regulatory complaint in 2023, as of October.
(Impacting 1 person)

Customer Rights and Interests Policy Commitments

The Bank implements the Financial Consumer Protection Act and relevant regulations, as well as the "Principles for Financial Service Industries to Treat Customers Fairly." We have formulated internal operating guidelines such as the "CHB Treat Customer Fairly Code," "CHB Directions for Treat Elderly Customer Fairly," "CHB Financial Consumer Protection Policy," "CHB Financial Consumer Protection Practice Guidelines," and "CHB Consumer Complaint Handling Guidelines." The entire bank is informed that these guidelines should be strictly followed in providing financial products or services to protect the rights and interests of financial consumers.

Management System and System Evaluation

The Bank attaches importance to fair hospitality and has set up the "Treat Customers Fairly Facilitating Committee" (approved by the board in 2022), which is chaired by the President and is composed of Executive Vice President and Chief Compliance Officer. Considerations for fair treatment spans the entire transaction process, including design, advertising, sales, and contract fulfillment to service consultation and complaint handling for all financial products or services. Furthermore, the Bank conducts relevant evaluations on an annual basis.

GOVERNANCE

Board of Directors

Board Operations

① Candidate Nomination System

The Bank has fully adopted the candidates nomination system since the 25th session of the Board of Directors.

③ Performance Evaluation of the Board of Directors

• Internal Evaluation

The Bank conducts the performance evaluation at the end of each year in accordance with the evaluation procedures and evaluation indicators set in the Rules of Performance Evaluation of the Board of Directors and shall complete and reports to the Board of Directors before the first quarter of the following year. According to practical operation of the Board of Directors, each Functional Committee, directors and the members of each Functional Committee, the result of the performance evaluation for the Board of Directors and the Functional Committees of 2022 are "beyond the standard."

• External Evaluation

The external evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every 3 years. The most recent external evaluation is for 2021, entrusted to the external independent agency EY Enterprise Management Consulting Services Co., Ltd. EY assessed the comprehensive performance of the Board of Directors (including the Functional Committee) of the Bank in the three aspects of "Structure", "People" and "Process and Information" as "Advanced".

② Board of Directors Attendance Rate

In 2023, the 26th term Board of Directors held 6 meetings, and the attendance was 94.12%, the 27th term Board of Directors held 8 meetings, and the **attendance was 100%**.

Board Structure

① Compositions of the Board

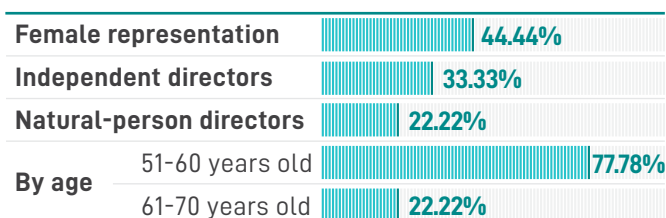
Nine directors (three independent directors and six non-independent directors) were elected by the shareholders' meeting, and three directors were elected from among themselves as managing directors (including one independent director), and then the managing directors elected one person from among themselves as the Chairperson.

③ Tenure

The average tenure of directors is 2.17 years, none exceeding 9 years.

④ Members

② Demographic Composition



Female board representation increased from 22% to 44% in 2023



Title	Name	Gender	Age	Tenure (Years)	Independence
Chairperson	Jong-Yuan Ling	F	61-70	4.67	V <small>Note 2</small>
Managing Director	Chao-Chung Chou	M	51-60	2.75	N/A <small>Note 3</small>
Director	Shiu-Yen Lin	F	51-60	1.08	V
Director	Chien-Yi Chang	M	51-60	5.5	V
Director	Wen-Siung Lee	M	61-70	3.5	V
Director	Kuo-Tung Huang	M	51-60	0.5	V
Independent Director	Yu-Hsueh Wu	M	51-60	0.5	V
Independent Director	Shu-Hua Lee	F	51-60	0.5	V
Independent Director	Chao-Kuei Huang	F	51-60	0.5	V

Note:

- For the Directors' independence status of the Bank in accordance with the standards of domestic regulations, please refer to the Bank's Annual Report for detailed information. We adopt the definitions of independent directors under RobecoSam's Dow Jones Sustainability Index (DJSI) for outside directors' independence criteria. Directors must meet at least 4 of the 9 following indicators and meet at least 2 of the first 3 indicators:
 - The director must not have been employed by the Bank in an executive capacity.
 - The director and Family Member of the director must not accept any payments from the Bank or any subsidiary of the Bank in excess of US\$60,000, other than those permitted by SEC Rule 4200 Definitions.
 - The director must not be a "Family Member of an individual who is employed by the Bank or by any subsidiary of the Bank as an executive officer."
 - The director must not be an adviser or consultant to the Bank or a member of the Bank's senior management.
 - The director must not be affiliated with a significant customer or supplier of the Bank.
 - The director must have no personal services contract(s) with the Bank or a member of the Bank's senior management.
 - The director must not be affiliated with a not-for-profit entity that receives significant contributions from the Bank.
 - The director must not have been a partner or employee of the company's outside auditor.
 - The director must not have any other conflict of interest that the board itself determines to mean they cannot be considered independent.
- Chairperson Jong-Yuan Ling does not concurrently serve as a manager of the Bank and meets the independence criteria under RobecoSam's DJSI.
- Managing Director Chao-Chung Chou serves as the President of the Bank concurrently, and the criteria for the independence of the outside directors above do not apply.
- All directors of the Bank are R.O.C nationals; Except for president Chao-Chung Chou who is also an "Executive Director" (meaning that a director of the Bank is also an employee and senior manager of the Bank), the rest of the Directors are "Non-executive Directors".

Functional Committees

Committee	Composition	2023	
		Meetings	Attendance
Audit Committee	<ul style="list-style-type: none"> Member: All Independent Directors Convener: Independent Director Wu, Yu-Hsueh ^{Note 1} 	7	100%
Remuneration Committee	<ul style="list-style-type: none"> Member: All Independent Directors Convener: Independent Director Wu, Yu-Hsueh ^{Note 1} 	12	100%
Sustainable Development Committee	<ul style="list-style-type: none"> Member: Chairperson, 3 Independent Directors, and President (Managing Director) Convener: Chairperson Jong-Yuan Ling 	6	100%

Note 1: Committee convener independent director Wu, Yu-Shueh was newly elected on June 2023.

Compensation Policy

Remuneration Deferral Policy for Senior Managers

We have formulated a remuneration deferral policy for senior managers (including the President, the Executive Vice Presidents, the EVP & Chief Auditor, the EVP & Chief Compliance Officer, heads of divisions at the head office, regional centers, and domestic and overseas business units), in the "Chang Hwa Commercial Bank Employee Bonus Payment Regulations".

As per the policy, 80% of the performance bonus should be paid first, and the remaining 20% should be deferred and paid three months later (if the Board of Directors does not resolve a decision to retain the performance bonus due to a risk of improper conduct, which may cause the Bank to suffer losses).

Integrity and Ethics Policies in Place:



Performance of Business Integrity

The Compliance Division of the Bank periodically assesses the Bank's performance of business integrity and reviews improvement measures on an annual basis, and reports to the Sustainable Development Committee and the Board of Directors.

In 2022, the Bank upheld a clean ethical record, with no reported incidents of unethical conduct, legal violations, or inappropriate contributions and sponsorships.

Whistleblowing System

- The Bank has established an internal and external whistleblowing system.
- The Internal Auditing Division is responsible for accepting whistleblowing case, compiling the investigation reports, reviewing results and improvement measures and reporting to the Audit Committee and the Board of Directors on a regular basis.

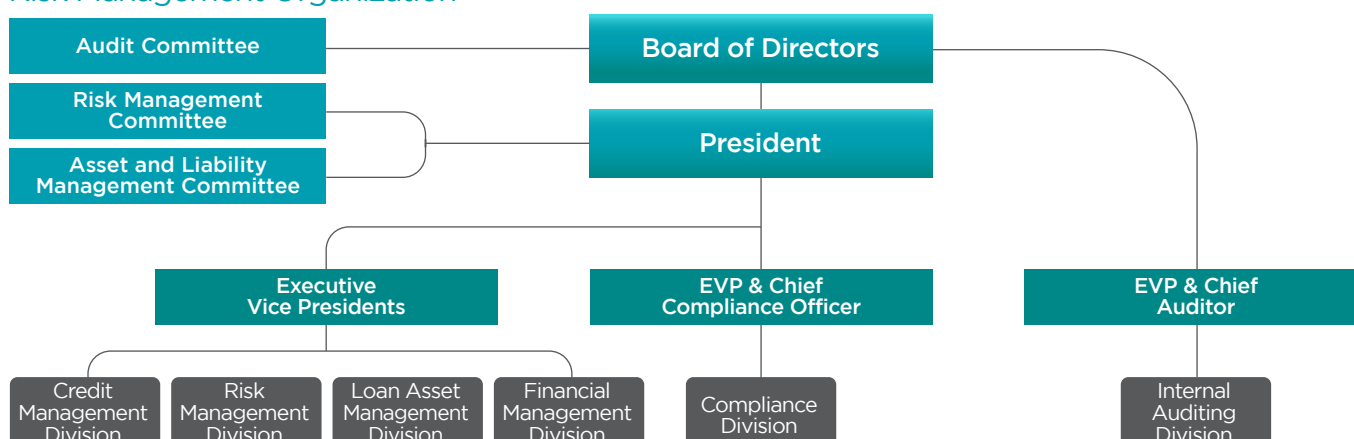


Risk Management

The Integrated Risk Management Policy, including a newly incorporated climate risk management policy, was amended and approved by the Board of Directors on December 29, 2022.

Chang Hwa Bank Regulations for the Establishment of Risk Management Committee, including should regularly submit risk management reports to the Audit Committee and Board of Directors, was amended and approved by the Board of Directors on November 9, 2023.

Risk Management Organization



Audit and Inspect

The Bank adopts a risk-based internal audit system starting from 2022.

Internal Audits

- The Bank has been approved by the competent authority to adopt a risk-based internal audit system, and implemented in 2022.
- The Internal Auditing Team reports to the Board of Directors and the Audit Committee on a quarterly basis.

External Audit

The Bank is audited quarterly by accountants on relevant management and internal control mechanisms such as market risk and credit risk disclosed in financial reports.



ISO 22301 Business continuity management system certification passed for 5 consecutive years.

Tax Governance

The Board of Directors is the highest decision-making and supervisory body for the Bank's tax governance, approves tax governance policies, and ensures the effective implementation of tax governance policies.

The Income Tax Payment in Each Jurisdiction - FY 2022

Item	Earnings Before Tax	Current Income Tax	Income Tax Paid
Taiwan	91.76%	84.62%	86.50%
USA	0.20%	0.49%	1.09%
China	2.27%	3.60%	2.64%
Hong Kong	5.16%	5.09%	0.00%
United Kingdom	-3.06%	1.60%	3.01%
Singapore	2.27%	2.26%	1.13%
Japan	0.85%	2.05%	4.94%
Other	0.54%	0.30%	0.69%
Total	100.00%	100.00%	100.00%

Responsible Financing

Equator Principles

The Bank signed to join the Equator Principles (EPs) Association on Earth Day, April 22, 2022, as a member of the Equator Principles Financial Institutions (EPFIs) voluntarily.

Sustainable Lending

Due Diligence in Credit Application

Implement KYC procedures to understand whether borrowers are involved in negative ESG information and whether the use of funds is related to green finance. Run query on the relevant information of ESG evaluation through information on Joint Credit Information Center and include credit review factors:

- Whether there is a violation of human rights
- Whether there is an infringement of labor rights
- Where there is any violation of environmental protection or food safety related issues
- Other ESG negative news

Management of high carbon emission industries.

List of terrorists / sanctioned targets to refuse transaction or communication.

Due diligence for high-risk professions / industries.

ESG Review Results

In 2023 as of Oct., the Bank has a total of 21,186 corporate credit application cases, of which 1,486 were granted conditional approvals (loan reduction, with attached conditions) and 158 cases were not approved (suspended, withdrawn). Among them, for credit customers which were involved in negative ESG risks, 188 were conditionally approved cases, accounting for 12.65% of all conditionally approvals, and 11 were unapproved cases, accounting for 6.96% of all unapproved cases.

Engagement with Borrowers

As of the end of December 2022, there were a total of 99 credit-related cases associated with the Bank's lending activities.

Case Examples in 2023

○○○○ Industrial Co., Lt	A yearly energy saving target of 2% is set and disclosed in the ESG Report.
○○ Electronics Co., Ltd	1.2% decrease in the total greenhouse gas emissions over the previous year, disclosed in the ESG Report.
○○○○ Co., Ltd.	A 4.2% reduction in carbon emissions, or 1% reduction in air pollution emissions, greenhouse gas emissions, energy usage, water resource withdrawal, and wastewater discharge annually, with third-party verification or disclosed in the ESG Report.

Incorporation of Climate Risk Monitoring and Engagement into the Credit Process

- Starting from February 2023, additional assessments will be conducted to monitor climate risks for credit applicants who are listed for the year as emitters that should register their greenhouse gas inventories by the EPA or who fall under the definitions of our carbon-intensive industries.
- If the credit applicant is a publicly listed company and has not participated in any initiative organization or has not provided emission information, we will engage with them to request future disclosure of carbon emissions and reduction information, as well as encourage participation in initiative organizations.

Responsible Investment

Investment Process

Select Investment Targets

ESG Integration and Risk Assessment

- Exclude negative industries (such as pornography, tobacco, arms, and gambling).
 - Establish an investment blacklist.
 - Impose investment caps on industries with high energy consumption.
 - Invest in industries, underlying assets or themes that place importance on ESG matters.
- In addition to considering financial factors, the investment evaluation also conducts the evaluation of ESG factors and analyzes risks and opportunities.
 - Industries with high carbon emissions as defined by the Bank are subject to climate risk assessments.

Stewardship Efforts

Bring Investors' Influence into Play

Dynamic Adjustment of Position

- Focus on investees related operational status, environmental protection, social responsibilities, human rights protection, and corporate governance.
 - Encourage enterprises to participate in initiative organizations and disclose carbon emissions information through engagements.
 - Attend investor conferences, the board of directors or supervisors, general shareholders' meetings, or extraordinary shareholders' meetings of investees.
 - Serve as a director or supervisor of investee.
- When the investee company is at risk of endangering the overall interests or violating ESG issues, the Bank will express its position and demands, or conduct a position reduction assessment.
 - If the invested company violates ESG issues and has no improvements despite being subject to punitive action, the Bank will clear its position and reduce risks.

Engagement with Investee Companies

Case Examples in 2023

To urge ○○ Co., Ltd. (hereinafter "the Company") to improve its ESG performance, the Bank worked with the other institutional investor to engage in the Company's ESG issues. The online meeting was held on June 9, 2023, and ESG issues were comprehensively discussed, and suggestions, including social, economic, environmental and corporate governance aspects, were given.

Results of Engagement:

The ESG performance of the Company will be reviewed in 2024. If the Company does not take actions for improvement, the Bank may conduct a position reduction assessment.

Interactions with Investee Companies in 2022 and as of June 30, 2023:

	2022	2023 as of June 30
Participation in investee companies' shareholders' meetings	75 (attendance rate 100%)	82 (attendance rate 100%)
Participation in investee companies' earnings call	69 times	19 times
Correspondences	15 times	2 times
Serve as a director or supervisor of investee	10 companies	10 companies
ESG issue engagement	92 times	20 times