



00

About

- 01 / About this Report
- 02 / Message from the Chairperson
- 04 / Honors, Recognitions and Sustainable Performances
- 05 / Operation Mechanism of Sustainable Development

01

Governance

- 18 / 1.1 Company Profile
- 20 / 1.2 Corporate Governance
- 26 / 1.3 Legal Compliance
- 27 / 1.4 Anti-Money Laundering and Countering Financing of Terrorism
- 28 / 1.5 Business Integrity
- 30 / 1.6 Risk Management and Audit
- 38 / 1.7 Responsible Finance
- 40 / 1.8 Tax Governance

02

Social

- 42 / 2.1 Information Security and Personal Information Protection
- 45 / 2.2 Safeguarding Customer Rights and Interests
- 49 / 2.3 Innovation and Inclusion of Digital Finance
- 52 / 2.4 Green Finance and Products
- 53 / 2.5 Financial Inclusion
- 55 / 2.6 Development of Supporting Industries and Promotion of Placemaking
- 56 / 2.7 Employer/Employee Relations
- 71 / 2.8 Human Rights Protection and Gender Equality
- 78 / 2.9 Occupational Safety and Health
- 82 / 2.10 Charity Events and Charitable Care

03

Environmental

- 94 / 3.1 Climate Change
- 101 / 3.2 Greenhouse Gas Inventory and Reduction
- 110 / 3.3 Supplier Management

04

Appendix

- 114 / Independent Assurance Opinion Statement
- 115 / Independent Limited Assurance Report
- 117 / GRI Universal Standards Index
- 118 / 2021 Material Topic Management
- 120 / GRI Topic Standards Index
- 123 / The United Nations Global Compact Comparison Table
- 124 / Sustainability Accounting Standards Board (SASB) for Commercial Banks Comparison Table

Contents

2021 ESG Report



2021 | ESG Report



彰化銀行

About this Report GRI: 2-1、2-2、2-3、2-5

Chang Hwa Commercial Bank, Ltd. (hereinafter referred to as “Chang Hwa Bank” or the “Bank”) publishes an ESG Report on a yearly basis. In June 2022, the 2021 ESG Report (hereinafter referred to as the “Report”) was published. The Report has been approved by the Chairperson of the Bank. The scope of the Report covers performance in 2021 (from January 1, 2021 to December 31, 2021). Meanwhile, both the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) standards are adopted to proactively disclose Chang Hwa Bank’s sustainable development strategy and environmental, social, and governance (ESG) performance, actions, and future plans to various stakeholders who pay attention to the accomplishment of the Bank.

Scope of Report	Reporting Basis	External Assurance
<ul style="list-style-type: none"> The governance, environmental, and social information principles disclosed in this report are based on the Bank’s operating activities in Taiwan (accounting for 82.2% of consolidated revenue); the disclosure of financial data is compared with the consolidated financial statements, using the New Taiwan dollar as the unit of calculation and audited by a certified public accountant. The Reports published by the Bank over the years can be viewed and downloaded from the sustainability section on the Bank’s official website. 	<ul style="list-style-type: none"> The Report is prepared based on the GRI Standards 2021, the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies,” Sustainability Accounting Standards Board (SASB) - Commercial Banks industry, and the corresponding contents of the UN’s Sustainable Development Goals (SDGs), as to remain in line with the global sustainability trends. 	<ul style="list-style-type: none"> The British Standards Institution (BSI), a third-party certification institution, has provided Type 2 Moderate Assurance of the Report in accordance with the third version of the AA1000 Standard and the GRI Standards 2021 to confirm the compliance with the AA1000 Principles (2018) and the reliability of sustainability performance data. After verification, the contents disclosed in the Report are confirmed to be in compliance with the GRI Standards 2021. BSI has provided Type 1 assurance of compliance with the Commercial Banks industry of SASB standards for the disclosures. The Bank has engaged Ernst & Young (EY) accounting firm to perform assurance procedures on the selected sustainability performance information of its ESG report using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Engagements Standards No. 1, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, to which EY has concluded with an opinion of limited assurance. For the BSI Independent Assurance Opinion Statement and EY Independent Limited Assurance Report, please consult the appendix.

Feedback



Message from the Chairperson GRI : 2-22

After the pandemic outbreak continues for more than 2 years, the global economic and trade activities recovered slowly from the huge impact in 2021, and the post-pandemic era was still facing many uncertainties, coupled with the global impact deriving from the Russia-Ukraine war, rising inflation, unstable interest rate policy, unbalanced supply chain, energy and manpower shortages and other issues; all of which are testing the resilience of enterprises in the face of the crisis. It also demonstrated the urgency and importance of sustainable operation. Sustainability initiatives and actions within the country and abroad are getting more attention, such as the Sustainable Development Goals (SDGs), the Global Compact, the Universal Declaration of Human Rights, the United Nations Paris Climate Agreement, the Principles for Responsible Banking, Glasgow Climate Emergency Pact etc., as well as the Domestic Corporate Governance Blueprint, the Green Finance Action Plan, Listed company Sustainable Development Roadmap, the 2050 Net Zero Emissions Pathway and Policy, etc. In addition to responding to external changes in the pandemic development, policy direction and economic environment trend, the Bank's flexible adjustment in operating strategies and execution methods are also pragmatically improving the Bank's various Sustainable Development Goals to deepen the sustainability concept embedded in the core corporate culture and business activities, and strengthen the Bank's corporate citizenship strategy to face future challenges and development with better corporate resilience.

The Bank attaches great importance to communication with stakeholders, listens to the voices and needs of various parties and extent of the impact, and responds proactively to stakeholders' interests in issues and controls risk management, while taking the SDGs as the direction for progressive sustainability. The Bank has completed the two-year targets of "S.T.E.P." since 2020:

Chairperson

Joanne Ling



S

SASB (Sustainable Accounting Standards Board). The Bank's Corporate Social Responsibility Report has been prepared in accordance with SASB since 2020, focusing on significant financial impact factors related to the banking industry, disclosing more comparable financial performance indicators in the Sustainability Report, providing information for investors' investment decisions, and the 2021 Sustainability Report (hereinafter referred to as the Report) has obtained SASB Commercial Banking Standards Compliance Assurance issued by the British Standards Institute (BSI) for two consecutive years; in addition, this report voluntarily adopted the latest sustainability information disclosure standard "General Standard 2021" (will be officially implemented on January 1, 2023) announced by Global Sustainability Reporting Institute (GRI) to completely disclose the connection and impact between the operating activities and the economy, society, and environment by more stringent and transparent standards, and obtaining BSI's verification of the compliance of this report with the GRI 2021 standard; furthermore, this report discloses the management policy and relevant performance data for the three major topics, which are "information security", "inclusive finance" and "sustainable finance". Ernst & Young CPA firm was engaged for the first time to conduct the assurance review of this part in order to improve the reliability of the Bank's disclosed information and data.

T

The TCFD structure has been adopted in the Corporate Social Responsibility Report since 2019, disclosing the governance, strategy and risk management of climate change. TCFD has been implemented since 2020. The Bank has proactively signed up to become a supporter of TCFD in 2021, and is the first government-owned bank to obtain third-party verification of TCFD compliance review. The TCFD structure will be used to assess climate-related risks and opportunities, further quantify the financial impact, and help form a forward-looking investment and financing policy to mitigate and prevent possible financial losses. At the same time, the Bank will seize the potential opportunities to create earnings value and save operating costs through market participation (investment in sustainable development bonds), product and service development (promotion of green loan products) and resource efficiency improvement (green procurement, green building). The Bank has published TCFD report in Chinese and English for stakeholders' reference since 2022.

EP

Equator Principles (Equator Principles). The Bank has gradually implemented the Equator Principles spirit since 2017, such as adjusting the investment and financing limits, excluding industries in the negative list, adding ESG review and management factors, and signing up to join the Equator Principles Association on 2022 World Earth Day. In the future, the relevant ESG indicators will be used as important benchmarks. Environmental and social risk management will be internalized into the credit review process of project financing, and risk management mechanisms and process will be established. The Bank also develops green financing products that coexist with economic development and a friendly environment to guide enterprises to make low-carbon transformation. At the same time, the Bank attaches importance to the ESG implementation of investment targets through its financial influence as an institutional investor or as a fund provider, and drives forward positive investment power, striving to strike a balance between economic growth, environmental sustainability and social development.

The two-year target of “STEP” lays the foundation for the Bank’s sustainability efforts in core business linked ESG, climate change risk response and industry value disclosure transparency, etc., the Bank will continue to deepen and expand various material sustainability strategies.

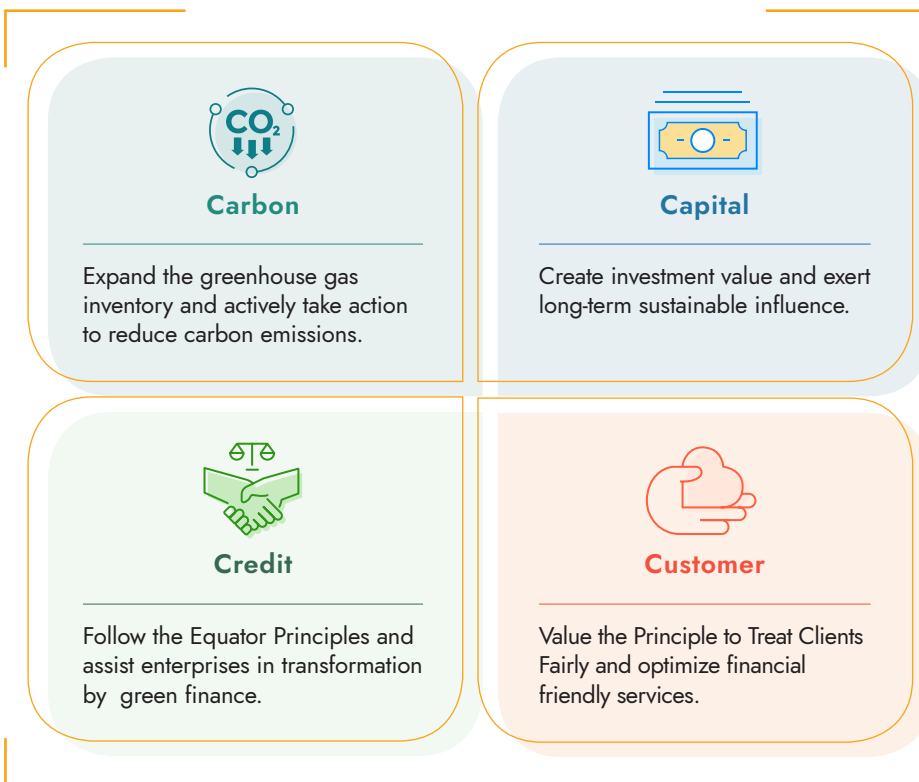
Especially while pursuing sustainable business development at the business level, the Bank attaches importance to employee care and equal rights, fulfills the value concept of human rights policy, provides a number of labor conditions (such as leave system, insurance plan, and employee shareholding trust) that are superior to those stipulated by laws and regulations, and sets up multiple benefits measures to support employees’ work-life balance (such as birth allowance and childcare services). It also pays attention to the employees’ future career development, provides diversified learning channels, so as to possess the necessary functional competency in response to future personal career changes, and strives to maintain professional values. In terms of workplace safety and health management, it monitors the working environment of 186 business locations, maintains the validation effectiveness of the ISO45001 occupational safety and health management system, and provides physical and mental supports such as health examinations and psychological counseling to create a safe, healthy and friendly workplace. The Company has won the “National Outstanding Healthy Workplace - Energetic and Active Award” in 2021.

As a corporate citizen of the social sector, the Bank adheres to the principle of “Take from society, give back to society”, giving back to society through concrete actions over the long term, and actively organizing public welfare activities to implement social care (such as caring for the living needs of vulnerable groups, sports talent cultivation, cultural and creative inheritance, and green care actions). It is expected to attract the attention of the public and form the power of common good. During the serious pandemic impact period, in cooperation with government policies, the Bank undertook various bailout loans to help customers alleviate operational or life difficulties, set up various project loans to support entrepreneurship and community development, and promoted financial inclusion and innovation development to provide convenient, fast, and reasonable quality financial services and commodities to achieve social inclusion.

In terms of environmental protection, the Bank adheres to the environmental policy of “LOHAS Environment Protection and Love the Planet”, and encourage employees to join healthy vegetarian and walking activities and continuously promotes the plans for energy saving and carbon reduction, climate-related risk management, greenhouse gas inventory and reduction, and supplier management. Through the annual maintenance of the environmental management system (ISO14001), energy management system (ISO50001), and greenhouse gas inventory (ISO14064-1), the Bank effectively manages each resource. In addition, the Bank obtained the certification of the sustainable procurement compliance audit (ISO20400) and water resource efficiency management system (ISO46001) in 2021, understood the impact of its operations on the environment, and established targeted research measures to improve the sustainable management of the environment.



To Toward the net zero goal, the Bank will focus on 4C in the next step



The Bank plans to sign the commitment of Science-based targets initiative (SBTi) in 2022 to align the Bank’s business development strategy with the objectives of the Paris Agreement (global warming controlled within 2°C or further within 1.5°C), actively review the investment and financing portfolio and target’s carbon reduction strategy, and develop the criteria to review the performance of investment or financing targets in climate aspect, and plan and negotiate with high-carbon emitting enterprises that are not proficient in climate risk management to help them adapt to the low-carbon transformation.

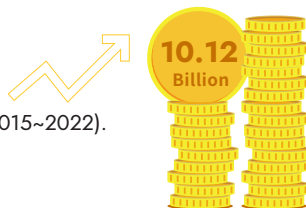
In the future, the Bank will continue to improve corporate governance performance, social care feedback and environmental actions, take green finance as the main axis of its strategy to achieve net zero, enhance corporate sustainability and resilience, steadily achieve sustainable development goals, and promote the SDGs spiritual concept to global partners to extend sustainable value and jointly realize the vision of sustainability.

Honors, Recognitions and Sustainable Performances



Business Performance

- Cumulative pre-tax earnings of NT\$10.12 billion.
- The Global TOP 500 Banks (8th consecutive year, 2015~2022).



Governance

- Top 5% of TWSE Listed Company of the 8th term of Corporate Governance Evaluation; Top 4 in the Financial and Insurance Industry.
- Selected as a constituent stock of the FTSE4Good TIP Taiwan ESG Index for 7 consecutive times.
- Selected as a constituent stock of the FTSE4Good Emerging Index for 5 consecutive years.
- 2021 & 2020 BSI Excellence in Sustainability Award. (a.)
- 2021 & 2020 Best Corporate Social Responsibility Award in Non-Financial Holding Banks.
- 2021 Best CSR Bank-Taiwan and Best Corporate Team-Taiwan. 《International Finance Magazine》
- 2021 TCSA Taiwan Corporate Sustainability Awards for Corporate Sustainability Report Awards-Silver.
- “Achiever” award in the 1st Greater China Business Sustainability Index (GCBSI), ranking among the top 20 companies in Taiwan.
- 2020 Evaluation of Bank Competitiveness: Improvement Award for Best Bank, Improvement Award for Best International Market Development. 《NTU FinTech Research Center》



Social

- Selected as a constituent stock of the TWSE RAFI® Taiwan High Compensation 100 Index for 8 consecutive years. (2014~2021)
- Selected as a constituent stock of the TWSE RA Taiwan Employment Creation 99 Index for 5 consecutive years. (2017~2021)
- Excellent-Performance of the Bank in Trust industry processing in Trust Assets for Elderly and Disabled for 3 consecutive years.
- 2021 Banking for Woman Initiative of the Year-Taiwan. 《Asian Banking & Finance Magazine》
- 2021 National Outstanding Healthy Workplace - Energetic and Active Award. 《Health Promotion Administration, Ministry of Health and Welfare》
- 2022 Golden Award for Credit Guarantee, Relief and Bail-out Loan Award, Government Policy Promotion Award and Collaborative Enterprise Award. (b.)
- 2021 “Model” award in the Banking Sector of 1st Taiwan Sustainable Investment Award. (c.)
- 2021 Golden Award as Happiness Enterprise (Financial and Management Consulting).
- Awarded the Taiwan Intellectual Property Management System (TIPS) Level A Verification. 《Industrial Development Bureau, Ministry of Economic Affairs》 (d.)



Social

- 24 utility model patents and 2 design patents were approved by the Intellectual Property Office. (2021)
- 2021 Best Digital Product Award. 《Mastercard》
- 2020 Financial Institution Promotion of ACH Business and Electronic Financial Collection System (eFCS) Business Incentive Awarded eDDA Internet Banking Dual Cause Business Promotion Award.
- 2021 HITCON DEFENSE 3rd place in the Enterprise Information Security Attack and Defense Competition.
- Passed ISO 27001 information security management system certification for 14 consecutive years. (2008~2021)
- Passed BS 10012 personal information management system certification for 9 consecutive years. (2013~2021)
- Passed ISO 22301 business continuity management system certification for 4 consecutive years. (2018~2021)
- Passed ISO 45001 occupational health and safety management system certification for 3 consecutive years. (2019~2021)



Environmental

- Rated as “Private Enterprises and Organizations with Outstanding Green Procurement Performance” by Department of Environmental Protection, Taipei City Government for 4 consecutive years. (2018~2021)
- The Bank’s 2021 green procurement amount reached NT\$24.91 million.
- Attained “B” Management Level from Carbon Disclosure Project (CDP) Questionnaire for 3 consecutive years. (2019~2021)
- The highest level of “Excellence” certification through TCFD third-party verification by BSI. (e.)
- Passed ISO 20400 Sustainable Procurement-Guidance Compliance Check. (f.)
- Obtained the ISO 14001 environmental management certification for 7 consecutive years. (2015~2021).
- Obtained the ISO 50001 energy management certification for 6 consecutive years. (2016~2021)
- Completed the greenhouse gas inventory of all business locations and offices in Taiwan and obtained the ISO 14064-1 certification for 5 consecutive years. (2017~2021)
- Passed ISO 46001 Water Efficiency Management System.



Operation Mechanism of Sustainable Development

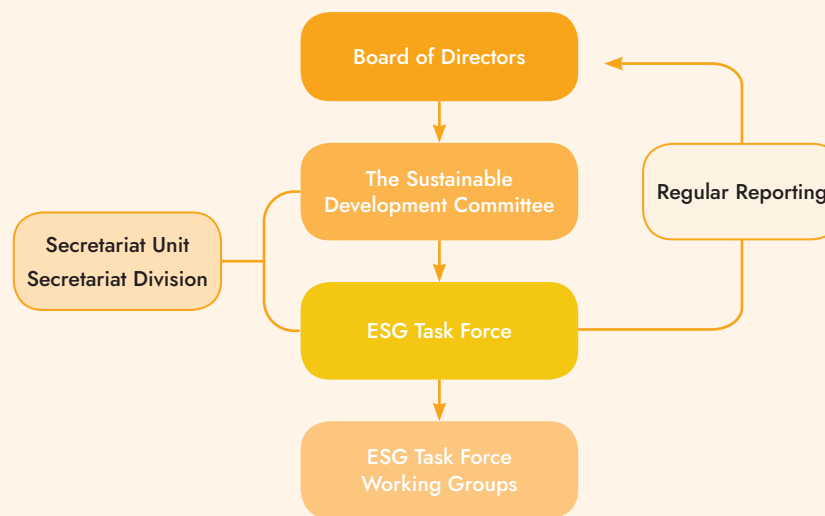
GRI : 2-12、2-13、2-14、2-24、2-29、3-1、3-2、3-3

1. Organization of Sustainable Development

Chang Hwa Bank has long been paying close attention to social trends and is committed to fulfilling its Corporate Social Responsibility (CSR). The Bank has invested considerable efforts in aspects such as promoting corporate governance, developing a sustainable environment, and safeguarding social welfare. In order to put the concept of sustainable business into practice, the Bank established the Sustainable Development Committee (hereinafter referred to as the "SDC"), SDC was composed of 5 members including Chairperson as the convener, 3 Independent Directors and President. SDC is in charge of implementation of sustainable development affairs, establishment of related systems, monitoring on execution and performance of policies, and reviewing related implementation report on a regular basis. SDC holds meeting at least twice a year. Three meetings in total were held in 2021, and the implementation results were regularly reported to the Board of Directors.

The SDC features inter-departmental ESG Task Force, an Executive Vice President (EVP) was assigned to serve as the convener, and leaders of the ESG Task Force was reassigned based on primary promoting working groups (Corporate Governance, Responsible Finance, Employee Care, Social Inclusion, and Sustainable Environment) to strengthen comprehensive operating ability and be in charge of daily affairs. The Company Affairs Section of the Secretariat Division is also the secretarial unit of the SDC. It is responsible for compiling ESG reports, planning sustainable development related tasks, coordinating each division to handle sustainable development related tasks, reporting to the SDC of sustainable development implementation results on a regular basis, and submit to the Board of Directors as well. The FY2020 sustainable development related performances of the Bank were submitted to the 3rd meeting of the 2nd Sustainable Development Committee held on Nov. 2, 2021 and the 19th meeting of the 26th Board of Directors held on Nov. 11, 2021 for supervision.

Sustainable development organization of the Bank is as in the diagram below:
(March, 2022)



Corporate Governance	Responsible Finance	Employee Care	Social Inclusion	Sustainable Environment
Secretariat Division	Product Management Division	Human Resources Division	Secretariat Division	General Affairs Division
<ul style="list-style-type: none"> Business Performance and Profitability Corporate Governance Business Integrity Legal Compliance Anti-Money Laundering and Countering Financing of Terrorism Risk Management Tax Governance Safeguarding Shareholder Equity Intellectual Property Management Information Security Governance 	<ul style="list-style-type: none"> 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 Equator Principles TCFD 	<ul style="list-style-type: none"> Human Rights Protection and Gender Equality Compensation and Benefits Employee Education, Training and Development Employer/Employee Relations Diversity and Equality Policy of Healthy Workplace 	<ul style="list-style-type: none"> Charitable Care Community Engagement Charity Events Support in Sport Art promotion 	<ul style="list-style-type: none"> Environmental Sustainability Policy Energy Conservation and Carbon Reduction Management Water Efficiency Management Green Procurement Suppliers Management Waste Management



1.1 Regulatory Compliance

The Bank follows the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” “Corporate Governance Best Practice Principles of Banking Industry,” “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” “Sustainable Development Best Practice Principles” and “Sustainable Development Policy” of the Bank, to plan and implement various ESG tasks and projects. Sustainable development trainings are held regularly every year, with the participation of the heads of business departments and relevant personnel. Courses related to sustainable development are included in the new employee orientation workshop. Furthermore, the Bank encourages employees to nurture their volunteering spirits in daily life and sets up volunteer teams in the hope of a better society.

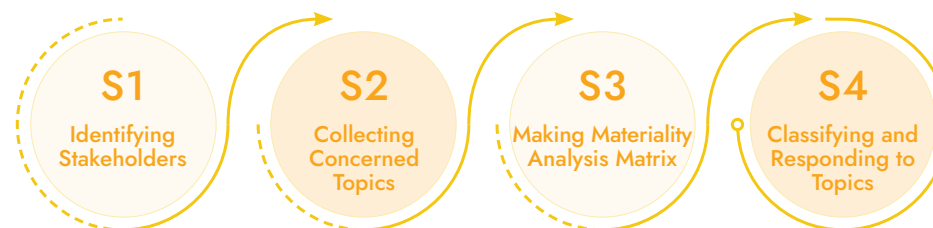
1.2 Sustainable Development Policy

The Bank actively promotes the philosophy of corporate sustainability through five management policies, namely Corporate Governance, Responsible Finance, Employee Care, Social Inclusion, and Sustainable Environment, and incorporates them into its core business plans and operational activities.

Sustainable Development Policy	
Corporate Governance	Engage in operational activities based on the principles of fairness, honesty, trustworthiness and transparency, develop organizational management strategies consistent with international best practices and corporate governance principles, and establish and implement compliance systems and risk management mechanisms.
Responsible Finance	The Bank protects the rights and interests of financial consumers, treats financial consumers in a fair and reasonable manner, provides high-quality financial services, ensures the integrity, transparency and security of product and service information, and attaches importance to the development of green finance and innovative finance.
Employee Care	The Bank also strives to implement the principle of “right person in the right place,” pays attention to education, training and diversified development, improve the remuneration system and benefit measures, provide a healthy work environment, establish positive communication channels, and promote the implementation of human right policy.
Social Inclusion	Adhering to the concept of “giving back what it has taken from the society,” the Bank actively gives back to the public by taking practical actions to implement social care, support vulnerable groups, participate in emergency relief, and to promote community development.
Sustainable Environment	The Bank implements the environmental protection policy of “LOHAS Environmental Protection and Love the Earth” and executes energy-saving and carbon reduction management and preventive measures to keep abreast of the risks and opportunities of climate change and to mitigate possible impacts for the sustainable development of the environment.

2. Stakeholder Engagement

2.1 Identification of Stakeholder GRI : 2-12 、2-14 、2-29 、3-1 、3-2 、3-3



STEP 1

Identifying Stakeholders

The ESG Task Force members conduct six-factor stakeholder positioning tests (i.e., responsibility, influence, closeness, reliability, representation, policy and strategic intent) to identify stakeholders who are relevant and will be in close contact with business of the ESG Task Force members. Based on the identification results, there are 7 categories of stakeholders this year, including: Employees, investors, customers, suppliers, competent authorities, media and communities.

STEP 2

Collecting Concerned Topics

① Selection Criteria

In order to precisely grasp the subject matter of interest to stakeholders, the Bank refers to the 2021 edition of GRI Universal Standard 1 Reporting Principles — Sustainability Context and Completeness, and GRI Universal Standard 3 Reporting Principles — Materiality, Stakeholder Inclusiveness, and Multiple Consideration of the Importance of the Subject Matter of Concern to Different Stakeholders and its Basis of Measurement and Value. As a result, the Bank first divides the material topics into 5 aspects: corporate governance, responsible finance, employee care, social inclusion, and sustainable environment, the Bank collects topics of each aspect and performs preliminary screening of material topics. Secondly, the ESG Task Force members prioritize among these

aspects, which will ultimately determine the scope of material topics for the Bank to respond to. Therefore, the Bank can assure the responses cover the interests of all stakeholders, avoid evaluating the subject matter at different aspects of combined attributes, which may cause regrets failing to respond to some stakeholders' concerned topics.

② Identifying Topics

The ESG Task Force members follow the above-mentioned screening principles of the material topics, observe the material concerned topics by domestic financial industry, the international sustainable development trends (such as the 17 SDGs proposed by the UN), and fill in the questionnaire based on practical experiences relevant to their duties, with a total of 48 concerned topics. The above-mentioned 5 aspects are summarized into 3 major aspects: E (Environmental), S (Social), and G (Corporate Governance), with a total of 27 concerned topics for convenient reading of stakeholders, as shown in the diagram below.

Concerned Topics from 3 Major Aspects

Governance	Social (responsible finance, employee care and social inclusion)	Environmental
<ul style="list-style-type: none"> Legal Compliance Business Integrity Corporate Governance Business Performance and Profitability Anti-Money Laundering and Countering Financing of Terrorism Risk Management and Audit Responsible Investment Intellectual Property Management Tax Governance 	<ul style="list-style-type: none"> Information Security and Personal Information Protection Safeguarding Customer Rights and Interests Innovation and Inclusion of Digital Finance Green Finance and Products Financial Inclusion Due Diligence in Credit Application Human Rights Protection and Gender Equality Employer/Employee Relations Occupational Safety and Health Employee Compensation and Benefits Employee Education, Training and Development Charity Events Charitable Care 	<ul style="list-style-type: none"> Climate Change Greenhouse Gas Inventory and Reduction Energy Consumption Management Supplier Management Waste Management



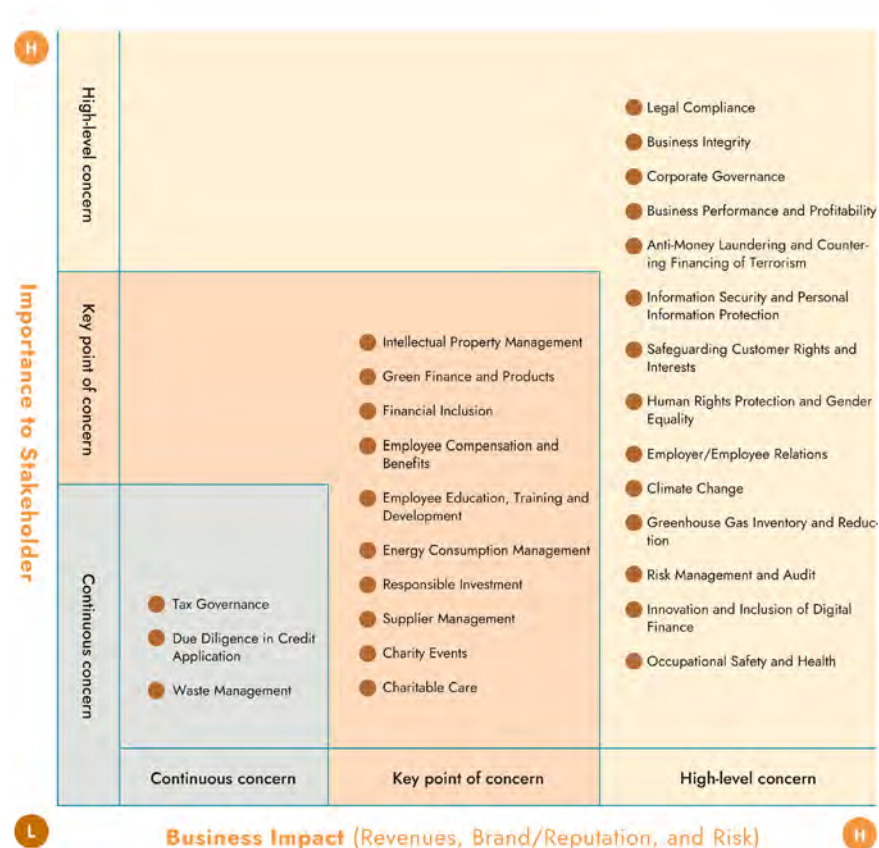
Description of the Differences/Adjustments Between 2020 and 2021 Material Topics:

Topics of 2021	Differences	Reasons for Adjustment
Legal Compliance	Rename	“Legal Compliance and Anti-Money Laundering” is divided into “Legal Compliance,” and “Anti-Money Laundering and Countering Financing of Terrorism.”
Anti-Money Laundering and Countering Financing of Terrorism		
Risk Management and Audit	Rename	Formerly “Risk Management.”
Intellectual Property Management	New	To make intelligent property management consistent with the Bank's sustainable development objectives, integrate the development of fintech, enhance the efficiency of R&D and innovation, and help promote social development.
Employee Compensation and Benefits	Rename	Formerly “Employee Remuneration and Benefits.”
Employee Education, Training and Development	Rename	Formerly “Employee Development and Training.”
Charity Events	Rename	Divided from “Charity Care.”
Charitable Care		
Greenhouse Gas Inventory and Reduction	Rename	Divided from “Energy Conservation and Carbon Reduction.”
Waste Management		
Energy Consumption Management		

STEP 3

Making Materiality Analysis Matrix

After ESG Task Force has completed the collection of topics of interest to various stakeholders, the task force will carry out a materiality assessment of the above 27 topics of interest collected, conduct risk assessment according to frequency and severity of occurrence considering the "degree of interest in the subject matter" and the "degree of impact of the subject matter on the Bank's operations", and give a score for each subject matter; the total score of each topic is weighted, transformed and classified to arrive at the final total score. They are classified into high-level concern, key point of concern and continuous concern. The 27 material topics of the Bank are described as in the matrix below.



STEP 4

Classifying and Responding to Topics

The Bank responds to the top 14 topics with the highest final scores from the 3 major aspects, i.e., "governance," "social" and "environmental," and further classifies the above-mentioned 14 topics into 2 categories: priority of high-level concerned and general high-level concerned. Among them, the 11 priority of high-level concerned topics are listed as the disclosure of related management approaches and performances.

Classifying High-level Concerned Topics

11 Priority of High-level Concerned Material Topics - Key Disclosure

Governance	Social	Environmental
<ul style="list-style-type: none"> Legal Compliance Business Integrity Corporate Governance Business Performance and Profitability Anti-Money Laundering and Countering Financing of Terrorism 	<ul style="list-style-type: none"> Information Security and Personal Information Protection Safeguarding Customer Rights and Interests Human Rights Protection and Gender Equality Employer/Employee Relations 	<ul style="list-style-type: none"> Climate Change Greenhouse Gas Inventory and Reduction



3 General High-level Concerned Material Topics

Governance	Social	Environmental
<ul style="list-style-type: none"> Risk Management and Audit 	<ul style="list-style-type: none"> Innovation and Inclusion of Digital Finance Occupational Safety and Health 	-

2.2 Summary of Stakeholder Communication Channels and Concerned Topics







The Bank valued communication with stakeholders and actively established smooth and diversified communication channels to understand the topics which stakeholders concern. We have responded in the relevant chapters of this Report; meanwhile, we have set up a section dedicated to stakeholders on the official website to provide information on the points of contact to the general public, investors, employees, and suppliers while responding to stakeholders' concerned topics in real time on the Sustainability website.













The communication contents between the Bank and stakeholders are as in the table below:




Stakeholder	Importance	Concerned Topics	Communication channels	Frequency of communication	Key points of communication and performance (Corresponding chapter)
 Employees	Employees are the Bank's important asset, and talents are the key to our core competitiveness.	<ul style="list-style-type: none"> Legal Compliance Anti-Money Laundering and Countering Financing of Terrorism Employer/Employee Relations Human Rights Protection and Gender Equality Occupational Safety and Health Greenhouse Gas Inventory and Reduction 	<ul style="list-style-type: none"> Labor Union Employer-Employee Meetings Personnel Review Committee Employee Complaints via E-mail Online Learning Website Medical Check-up Occupational Safety Management Health Services Club Activities 	Irregular	Governance Aspect Social Aspect Environmental Aspect
 Investors	Long-term investor support is the motivation behind the Bank's steady growth.	<ul style="list-style-type: none"> Business Performance and Profitability Corporate Governance Business Integrity Climate Change 	<ul style="list-style-type: none"> Market Observation Post System Official Website of the Bank Annual Reports Shareholders' Meetings and Investor Conferences 	Irregular Annual	Governance Aspect Environmental Aspect
 Customers	The Bank takes customers' needs as the core of business, focuses on providing better experience, and strives to create values for customers.	<ul style="list-style-type: none"> Business Integrity Information Security and Personal Information Protection Safeguarding Customer Rights and Interests Innovation and Inclusion of Digital Finance Green finance and Products Charity Events Charitable Care 	<ul style="list-style-type: none"> Annual Reports Official Website of the Bank Official Documents and Letters Customer Service Hotline Phone Calls and E-mails of the Branches Questionnaire Surveys The Bank's Facebook Page The Bank's YouTube Channel The Bank's Instagram Account Competent Authorities Financial Ombudsman Institution 	Irregular Annual	Governance Aspect Social Aspect
 Suppliers	Suppliers are the Bank's partners in sustainable operation and growth.	<ul style="list-style-type: none"> Human Rights Protection and Gender Equality Supplier Management 	<ul style="list-style-type: none"> Procurement Meetings E-mail of the Bank Official Website of the Bank Phone Calls Annual Reports 	Irregular Annual	Social Aspect Environmental Aspect
 Competent Authorities	The Bank actively cooperates with the government's policies and complies with competent authorities' relevant laws and regulations to create a sound business environment.	<ul style="list-style-type: none"> Corporate Governance Business Integrity Legal Compliance Anti-Money Laundering and Countering Financing of Terrorism Business Performance and Profitability Innovation and Inclusion of Digital Finance Climate Change 	<ul style="list-style-type: none"> Seminars and Symposiums Official Documents and Letters Official Website of the Bank Annual Reports Phone Calls and E-mails Evaluations of the Competent Authorities 	Irregular Annual	Governance Aspect Social Aspect Environmental Aspect
 Media	The Bank discloses ESG-related information to the public through the media, which is also an important communication channel between the Bank and other stakeholders.	<ul style="list-style-type: none"> Corporate Governance Business Performance and Profitability Business Integrity Safeguarding Customer Rights and Interests Charity Events Charitable Care 	<ul style="list-style-type: none"> Market Observation Post System Competent Authorities Shareholders' Meetings and Investor Conferences Official Website of the Bank Press Releases of the Bank Spokesperson of the Bank Annual Reports 	Irregular Annual	Governance Aspect Social Aspect
 Communities	Enterprises' existence and prosperity are intricately linked with the society. Through continuous social participation, the Bank pursues development and co-prosperity with charity organizations and communities to promote the positive qualities of the true, the good and the beautiful in the society.	<ul style="list-style-type: none"> Greenhouse Gas Inventory and Reduction Charity Events Charitable Care 	<ul style="list-style-type: none"> Visits from the Bank's Volunteers Phone Calls Official Website of the Bank Project Activities Disaster Relief Organizers 	Irregular	Social Aspect Environmental Aspect



2.3 Concerned Topics and Material Topics

Material topics of the FY2021, their corresponding GRI material topics, management approaches, and internal/external boundaries of impact have been organized as in the following table; responses to relevant material topics are detailed in the following chapters of the Report.

Material Topics	Corresponding GRI topic	GRI Management Approaches Corresponding Chapter	Corresponding SDGs Targets	Key Impact Risks /Opportunities	SDGs	Boundaries of Impact	
						Internal (Note 1)	External (Note 1)
*Legal Compliance *Anti-Money Laundering and Countering Financing of Terrorism	GRI 419 Socioeconomic Compliance	<u>Governance Aspect</u> Legal Compliance Anti-Money Laundering and Countering Financing of Terrorism	16.4: Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime	<ul style="list-style-type: none"> The Company will suffer major rulings, which will affect the Company's image and business development if the AML, fraud, and CFT operational procedures have not been complied with. Implementation of AML, financial fraud and CFT will facilitate the promotion of international business and sustainable operations. 		A&H	E
*Business Integrity	GRI 205 Anti-Corruption	<u>Governance Aspect</u> Business Integrity	16.5: Substantially reduce corruption and bribery in all their forms 16.6: Develop effective, accountable and transparent institutions at all levels	<ul style="list-style-type: none"> The occurrence of unethical behavior may result in losses of the Company or punishments and penalties by the competent authorities, which will affect the Company's image. Implementing business integrity and avoiding unethical incidents such as corruption can prevent punishments and penalties from the competent authorities, and can establish a decent management image for the Company. 		A&H	B、C、E
*Corporate Governance	GRI 405 Diversity and Equal Opportunity	<u>Governance Aspect</u> Corporate Governance	5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle 16.7: Ensure responsive, inclusive, participatory and representative decision-making at all levels	<ul style="list-style-type: none"> Violation of corporate governance related regulations may result in punishments and penalties by the competent authorities and affect the Company's image. Strengthening corporate governance and the effectiveness of the Board of Directors, and establishing a positive image of sustainable operations for the Company to increase investors' willingness to invest, and enhance the value of the Company. 	  	A&H	B、E、F
*Business Performance and Profitability	GRI 201 Economic Performance	<u>Governance Aspect</u> Company Profile	8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	<ul style="list-style-type: none"> Investors' willingness to invest will be affected if the business performance is not achieved. Improving business performance will help the Bank's business development, and increase customers' dealings and investors' willingness to invest. 		A&H	B、E、F

Material Topics	Corresponding GRI topic	GRI Management Approaches Corresponding Chapter	Corresponding SDGs Targets	Key Impact Risks/Opportunities	SDGs	Boundaries of Impact	
						Internal (Note 1)	External (Note 1)
*Information Security and Personal Information Protection *Safeguarding Customer Rights and Interests	GRI 417 Marketing and Labeling GRI 418 Customer Privacy FS15 Policies for the fair design and sale of financial products and services	Social Aspect Information Security and Personal Information Protection Safeguarding Customer Rights and Interests	1.4: The poor and the vulnerable, have equal rights to economic resources, as well as access to basic services 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle 16.6: Develop effective, accountable and transparent institutions at all levels	<ul style="list-style-type: none"> The development trend of new technologies has made personal information protection more difficult, and made it easier to provoke incidents affecting customers' rights and interests, such as customer privacy infringement or customer losses. Strengthening information security protection and ensuring personal information security to protect customers' rights and interests, gain customers' trust and improve customer satisfaction. 	    	A&H	C
Innovation and Inclusion of Digital Finance	GRI 203 Indirect Economic Impacts	Social Aspect Innovation and Inclusion of Digital Finance	1.4: The poor and the vulnerable, have equal rights to economic resources, as well as access to basic services 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all 9.b: Support domestic technology development, research and innovation, including industrial diversification and value addition to commodities 10.4: Adopt policies especially wage, and social protection policies and progressively achieve greater equality 16.6: Develop effective, accountable and transparent institutions at all levels	<ul style="list-style-type: none"> The advent of the digital banking era has brought changes in customer preferences and the increase in R&D investment costs due to customer behavior transformation. Actively grasping the trends of financial innovation, developing digital innovation services, and expanding application fields to optimize digital channels and enhance consumer experience. 	  	A&H	C
Green Finance and Products	FS7 Products and services designed to deliver a specific social benefit FS8 Products and services designed to deliver a specific environmental benefit	Social Aspect Corporate Governance	7.a: Promote investment in energy infrastructure and clean energy technology 9.4: Retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes 12.6: Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle 17.7: Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed	<ul style="list-style-type: none"> The capital demand for new energy is huge, and the Bank's project financing experience is insufficient to effectively measure and control credit risk. In combination with core competencies, the Bank promotes "green financing" and "green consumer financial" products, and search for suitable investment targets through the concept of "green investment." 	   	A&H	C

Material Topics	Corresponding GRI topic	GRI Management Approaches Corresponding Chapter	Corresponding SDGs Targets	Key Impact Risks/Opportunities	SDGs	Boundaries of Impact	
						Internal (Note 1)	External (Note 1)
*Human Rights Protection and Gender Equality	GRI 405 Diversity and Equal Opportunity GRI 406 Non-Discrimination GRI 412 Human Rights Assessment	<u>Social Aspect</u> Human Rights Protection and Gender Equality	1.4: The poor and the vulnerable, have equal rights to economic resources, as well as access to basic services 5.1: End all forms of discrimination against all women and girls everywhere 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality 8.5: Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard 16.b: Promote and enforce non-discriminatory laws and policies for sustainable development	<ul style="list-style-type: none"> If the Company does not create an equal employment environment or does not implement sexual harassment prevention measures to protect labor human rights, the recruitment and retention of talents will be affected, and in a worse case scenario, the Company's reputation and brand image will be damaged. Each year, human rights policy orientation and training courses are held for managers and employees, and in the event of relevant labor regulations' amendments or policy topics, relevant courses and trainings will be planned and held. 		A&H	D
*Employer/Employee Relations	GRI 401 Employment GRI 404 Education and Training GRI 405 Diversity and Equal Opportunity	<u>Social Aspect</u> Employer/Employee Relations	3.8: Access to quality essential health-care services 4.5: Ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations 5.b: Enhance the use of enabling technology, to promote the empowerment of women 8.5: Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting	<ul style="list-style-type: none"> Due to the trend of declining birth rate, the difficulties of talent poaching and scarcity of technicians will affect the Company's business development and profit. Adopting flexible response measures and continuing to implement performance salary adjustment to encourage employees with outstanding performance and retain financial professionals. 		A&H	E&F
Occupational Safety and Health	GRI 403 Occupational Health and Safety GRI 410 Security Practices	<u>Social Aspect</u> Occupational Safety and Health	3.8: access to quality essential health-care 8.8: Protect labor rights and promote safe and secure working environments for all workers, in particular women	<ul style="list-style-type: none"> If the Company fails to construct and improve the occupational safety and health system, the probability of employees' accidents or health hazards will increase, which will increase the Company's personnel costs and damage the corporate image. Implement occupational safety and health management, provide a safe and healthy work environment, ensure employees' safety and health, and reduce the impact of workplace injuries on the company. 		A&H	E&F

Material Topics	Corresponding GRI topic	GRI Management Approaches Corresponding Chapter	Corresponding SDGs Targets	Key Impact Risks/Opportunities	SDGs	Boundaries of Impact	
						Internal (Note 1)	External (Note 1)
*Climate Change	GRI 201 Economic Performance GRI 305 Emissions	Environmental Aspect Climate Change	7.3: Improvement in energy efficiency 8.4: Improve progressively, in consumption and production and endeavour to decouple economic growth from environmental degradation 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	<ul style="list-style-type: none"> The frequency of extreme climates has increased, and natural disasters may disrupt the Bank's operations. Climate change may increase the operating costs of traditional industries or the loss rate of the Bank's collateral, increasing the Bank's credit risk. Formulate and implement business sustainable operation plans to avoid or reduce the impact of natural disasters on the Bank. Reduce the Bank's risks and increase revenue by providing corporate transformation financing and relevant insurance products. 		A&H	D&G
Supplier Management *Greenhouse Gas Inventory and Reduction	GRI 204 Procurement GRI 302 Energy GRI 305 Emissions	Environmental Aspect Supplier Management Greenhouse Gas Inventory and Reduction	6.5: Implement integrated water resources management at all levels 7.1: Ensure access to affordable energy services 7.3: Improvement in energy efficiency 8.4: Improve progressively resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation 9.4: retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes 11.6: Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management 12.2: Achieve the sustainable management and efficient use of natural resources 12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	<ul style="list-style-type: none"> Due to the transformation of Taiwan's power structure, it is predicted that the electricity price will gradually increase in the future, which will increase the Company's operating costs. If there is a significant increase in garbage and waste, the Company's operating costs will increase. Implementing energy conservation and carbon reduction policies will help reduce operating costs. Continuing to purchase eco-friendly products or obtain certification labels to build an environmentally friendly and sustainable environment together. 		A&H	D&G


Note 1: Internal and external boundaries of impact: A represents the employees; B represents the investors; C represents the customers; D represents the suppliers; E represents the competent authorities; F represents the media; G represents the communities; H represents the Bank.


Note 2: *Priority of High-level Concerned Material Topics identified by the Bank.


Note 3: Sources of SDG icons: <https://www.un.org/sustainabledevelopment/news/communications-material/>

2.4 Sustainable Development Goals

2021 Sustainable Development Achievements and Short-, Medium- and Long-Term Goals of Chang Hwa Bank

Aspect	Material Topics	Corresponding GRI topic	Description of Materiality	2021 Goals	2021 Achievements	2022 Goals	Mid- and Long-Term Goals
 Governance Aspect	*Legal Compliance *Anti-Money Laundering and Countering Financing of Terrorism	GRI 419 Socioeconomic Compliance	Great compliance system and complying with AML/CFT related regulations can reduce operational risks and avoid reputation damage and fines.	<ul style="list-style-type: none"> Implement legal compliance risk management and a compliance efficiency reporting mechanism. Continue to optimize the Bank's anti-money laundering and countering financing of terrorism system. Launch the verification of the anti-money laundering and countering financing of terrorism system (AML system) in the second phase. 	<ul style="list-style-type: none"> Completed the FY2021 legal compliance risk assessment. Reported to the Board of Directors on the implementation of the Bank's legal compliance system. Optimized the AML/CFT system. Completed the verification of the AML system in the second phase. 	<ul style="list-style-type: none"> Continue to implement the assessment, identification, management, and monitoring mechanism of the bank-wide legal compliance risk. Continue to optimize the AML/CFT system. Conduct suspicious transaction monitoring model verification activity. 	<ul style="list-style-type: none"> Maintain the effective and appropriate operation of the internal control system and implement a culture of legal compliance. Strengthen various control mechanisms for AML/CFT.
	*Business Integrity	GRI 205 Anti-Corruption	Avoid unethical behavior that may lead to the damage of reputation, business integrity shall be integrated into operational management strategies.	<ul style="list-style-type: none"> Strengthen the unethical conduct risk assessment mechanism to identify the scope of potential corruption or fraud at the operational level. Strengthen education and training and promote the ethical corporate management philosophy in a top-down manner. 	<ul style="list-style-type: none"> Completed 2021 unethical behavior and internal fraud risk assessment and disclosed the Bank's ethical management implementation in the annual report and official website. In order to strengthen the Bank's personnel's understanding of the importance of ethical management, in addition to routine education and training, external consultants were engaged to record the digital training materials of the "The Analysis of Recent Fraud Cases of Financial Institution and Fraud Risk Management Framework" for internal personnel to study. 	<ul style="list-style-type: none"> Continue to Strengthen the unethical conduct risk assessment mechanism to identify the scope of potential corruption or fraud at the operational level. Continue to conduct education and training and promote the ethical corporate management philosophy in a top-down manner. 	Strengthening the business integrity policy and actively preventing dishonest behavior.
	*Corporate Governance	GRI 405 Diversity and Equal Opportunity	Corporate governance is the foundation of corporate sustainable development and the heart of corporate culture.	<ul style="list-style-type: none"> Continue to conduct Board of Directors performance evaluation. Strive for great performance in corporate governance evaluation. Convene the Sustainable Development Committee at least once a year. Maintain obstacle-free communication channels with investors. Implement the diversity policy for board members. 	<ul style="list-style-type: none"> The Bank entrusted EY Business Advisory Services Inc. to conduct the external performance evaluation of the Board of Director (including the Functional Committees) of year 2021. The evaluation result were all appraised as "Advanced". Achieved the goal of diverse professional backgrounds of board members in 2021. The Sustainable Development Committee held three meetings in 2021, with 100% attendance of committee members. Held the annual shareholders' meeting and 4 online investor conferences, and designated personnel to be responsible for communication with foreign investors. Evaluated as top 5% among Taiwan listed companies in the 8th Corporate Governance Evaluation. 	<ul style="list-style-type: none"> Continue to conduct Board of Directors performance evaluation. Strive for great performance in corporate governance evaluation. Convene the Sustainable Development Committee at least twice a year. Maintain obstacle-free communication channels with investors. Continue to implement the diversity policy for board members. 	Implementing corporate governance and laying a solid foundation for the Bank's sustainable operations through a sound corporate governance mechanism.
	*Business Performance and Profitability	GRI 201 Economic Performance	Steady financial operation performance and effective risk management are crucial to shareholders and investors	<ul style="list-style-type: none"> Business performance and profitability. Financial information disclosure. Implement tax governance. 	<ul style="list-style-type: none"> The cumulative pre-tax earnings in 2021 was NT\$10.12 billion. Reliability, timeliness, transparency and compliance of presentation and disclosure of financial reports. 	<ul style="list-style-type: none"> Business performance and profitability. Conduct financial information disclosure. 	Adopting a clear strategy, continue pursuing the goal to be the best bank in Taiwan, as well as pursuing stable profits.

Aspect	Material Topics	Corresponding GRI topic	Description of Materiality	2021 Goals	2021 Achievements	2022 Goals	Mid- and Long-Term Goals
 Social Aspect	*Information Security and Personal Information Protection	GRI 418 Customer Privacy	Cyber crime incidents are widespread, and it is clear that information security and personal information protection has become the toughest challenge for the financial industry.	<ul style="list-style-type: none"> Continue to apply for international standard certification. Expand endpoint detection and response (EDR). Conduct ad-hoc audit of previous year's personal information protection mechanism. 	<ul style="list-style-type: none"> Continued to maintain the validity of international ISO 27001, ISO 22301, and BS 10012 certifications. Completed endpoint detection and response (EDR) expansion. 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. 	<ul style="list-style-type: none"> Continue to apply for international standard certification. Expand the database audit monitoring system The Chief Information Security Officer (CISO) at the Vice President level is designated to enhance the culture of Information security within the organization. Disclose the number of data breaches, percentage involving personally identifiable information, and number of account holders affected. Conduct ad-hoc audit of previous year's personal information protection mechanism. 	<ul style="list-style-type: none"> 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.
	*Safeguarding Customer Rights and Interests	GRI 417 Marketing and Labeling FS15 Policies for the fair design and sale of financial products and services	Adhering to the Bank's customer-oriented culture by providing friendly financial services and valuing customers' rights and interests.	<ul style="list-style-type: none"> Continue to implement the evaluation mechanism of the Principle to Treat Clients Fairly. Continue to conduct customer satisfaction surveys. Maintain obstacle-free of customer complaint channels. 	<ul style="list-style-type: none"> Completed the assessment of the Principle to Treat Clients Fairly. Completed customer satisfaction surveys. Maintain obstacle-free of customer complaint channels. 	<ul style="list-style-type: none"> Continue to implement the evaluation mechanism of the Principle to Treat Clients Fairly. Continue to conduct customer satisfaction surveys. Maintain obstacle-free of customer complaint channels. 	Protecting financial customer rights in accordance with the principles of fairness, reasonableness, equality, mutual benefit and integrity.
	*Human Rights Protection and Gender Equality	GRI 405 Diversity and Equal Opportunity GRI 406 Non-Discrimination GRI 412 Human Rights Assessment	Labor human rights and gender equality are the lawful rights and interests of employees.	<ul style="list-style-type: none"> Continue to perform due diligence of Human Right Protection. Implement regulations of gender equality (staff recruitment, human resources allocation, sexual harassment prevention). Incorporate the concept of "equal pay for work of equal value." 	<ul style="list-style-type: none"> Completed the Bank's FY2021 human rights due diligence and formulated mitigation measures. Provided employment opportunities for the physically and mentally disabled, indigenous people and disadvantaged groups with equal salary and benefits. A total of 23 indigenous people and 56 physically and mentally disabled employees have been hired as of the end of 2021. Provided summer part-time jobs for 35 young people from economically disadvantaged families. 	<ul style="list-style-type: none"> Continue to perform due diligence of Human Right Protection. Continue to implement regulations of gender equality (staff recruitment, human resources allocation, sexual harassment prevention). 	<ul style="list-style-type: none"> Abide by the Bank's human rights policy, continue to pay attention to human rights-related issues, eliminate the possibility of human rights violations, and strive to build an honest, fair, respectful, and open work environment. Female employees account for more than 60% of all employees at the Bank.
	*Employer/Employee Relations	GRI 401 Employment GRI 404 Education and Training GRI 405 Diversity and Equal Opportunity	Employees are the core competitiveness of business management.	<ul style="list-style-type: none"> Conduct annual salary adjustment. Regularly hold labor-management meetings. Maintain obstacle-free of employee complaint channels. Support the development of digital and international financial business, and train professional talents. 	<ul style="list-style-type: none"> Completed annual salary adjustment for all employees. Selected as a constituent stock of TWSE RAFI® Taiwan High Compensation 100 Index. Selected as a constituent stock of TWSE RA Taiwan Employment Creation 99 Index. Launched the employee stock ownership trust, with 98.01% of all employees participating. Number of training hours-Total: 318,449.35 hrs; Number of training hours per employee trained: 48.18 hrs. An employee childbirth allowance of NT\$30,000 was provided for the first newborn, NT\$60,000 for the second, and NT\$100,000 for the third and above. 	<ul style="list-style-type: none"> Regularly hold labor-management meetings. Maintain obstacle-free of employee complaint channels. Continue to support the development of digital and international financial business, and train professional talents. 	<ul style="list-style-type: none"> Encourage employees to create and learn, actively train talents of all levels so as to build human capital. Construct a complete compensation system while incorporating the concept of "equal pay for work of equal value."

Aspect	Material Topics	Corresponding GRI topic	Description of Materiality	2021 Goals	2021 Achievements	2022 Goals	Mid- and Long-Term Goals
 Environmental Aspect	*Greenhouse Gas Inventory and Reduction	GRI 302 Energy GRI 305 Emissions	<p>Due to climate change of global environment, environmental issues such as energy conservation and carbon reduction, reduction of greenhouse gas emissions and waste reduction have become the most important issues, and relevant strategies need to be implemented continuously to achieve sustainable environmental development.</p>	<ul style="list-style-type: none"> Continue to implement environmental management system, energy management system, greenhouse gas inventory operation, and carbon reduction measures, aim to reduce carbon emissions by approximately 30,000 to 60,000 kgCO₂e per year. The Bank's Taipei head office waste reduction goal is to reduce 1% waste and enhance 1% recycling rate compared with year 2020. Increase renewable energy certificate by 1% with 2020 as the base year. 	<ul style="list-style-type: none"> Followed the energy-saving measures to help business units replace old lighting and reduced carbon by about 24,967kgCO₂e. Used LED energy-saving lighting as main lighting for newly leased or relocated houses and reduced carbon by about 23,554kgCO₂e. In addition, replaced old air conditioners in the Taipei Building and reduced carbon by about 7,065kgCO₂e. The above actions had reduced carbon by 55,586kgCO₂e in total. The amount of waste from the Bank's Taipei head office in 2021: general waste of 118.63 tons, reduced 2.26% compared with 2020; and recycling waste of 17.44 tons, reduced 12.49% compared with 2020. Since the Bank started waste reduction in 2019, accumulative general waste reduction has reached 2.44% (annual average decrease is 1.22%), accumulative resource recycle has reached 5.51% (annual average increase is 2.75%). In 2021, the Bank purchased 90 renewable energy certificates, which increased 12.5% comparing to 2020. 	<ul style="list-style-type: none"> Continuously promote environmental sustainability related international standard inspection activities. Promote 1 branch to obtain the green building label, pass carbon neutral certification, or install the renewable energy power generation system. Use 2020 as the base year, the environmental sustainability indicators (e.g., carbon emissions, electricity consumption, fuel consumption, gas consumption, water consumption, etc.) to reduce more than 1% comparing to the previous year. The Bank's Taipei head office waste reduction goal is to reduce 1% waste and enhance 1% recycling rate compared with year 2021. 	<p>Mid-term Goals:</p> <ul style="list-style-type: none"> Obtain the EEWH Labels for the Bank's new premises and newly built self-owned premises or buildings, which are built through participation in an urban renewal project. Reduce carbon emissions by more than 1% compared with previous year. <p>Long-term Goal:</p> <ul style="list-style-type: none"> Reduce carbon emissions by 10% by 2030 with 2020 as the base year.
	*Climate Change	GRI 201 Economic Performance GRI 305 Emissions	<p>Extreme climate poses risks to the global economy and creates business opportunities as well. Enterprises must include climate change risks and opportunities in their operational decision-making process, identify and manage risks, and seize opportunities to stride towards sustainable development.</p>	<ul style="list-style-type: none"> Complete signing of TCFD. Complete third-party verification of TCFD. Continue to participate in the CDP evaluation. Commissioned and sell the products related to climate change/ESG. 	<ul style="list-style-type: none"> The Bank has signed up as a TCFD supporter in July, 2021. The Bank is the first government-owned bank to receive the highest level of "Excellence" certification through third-party(BSI) verification. Rated "B" (Management Level) in the CDP climate change questionnaire. Launched 18 products related to climate change/ESG. 	<ul style="list-style-type: none"> Continue to participate in the CDP evaluation. Calculate Scope 3 investment and financing combined greenhouse gas emissions. Complete the introduction of TCFD framework Continue to evaluate the launch of the products related to climate change/ESG. 	<p>Achieve the goal of developing a sustainable environment.</p>

Note: *Priority of High-level Concerned Material Topics identified by the Bank.



Governance Aspect

Externally, the Bank actively pursues business development and enhances business performance; internally, internal control and audit system are implemented, and effective legal compliance and risk management mechanisms are established. We attach great importance to the impact of our operating process on the economy, society, and the environment, while incorporating the concept of sustainable management into the Bank's management mechanism and operations strategy when creating profits, to enhance the effectiveness of corporate governance.

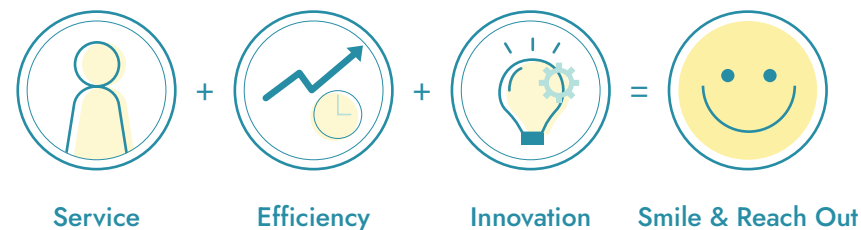
1.1 Company Profile GRI: 2-1、2-6、2-7、201-1

Chang Hwa Commercial Bank, Ltd.	
 Addresses of CHB Head Office	Taichung No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City, Taiwan (R.O.C.) Taipei No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)
 Number of Employees	6,610
 Number of Domestic/ Overseas Units	185 domestic branches, 1 offshore banking branch, 7 overseas branches, 1 representative office
 The Bank's Subsidiaries	Chang Hua Commercial Bank, Ltd. CHB Venture Capital Co., Ltd.
 Paid-in Capital	NTD 104,885 million





1.1.1 Corporate Vision

Since Chang Hwa Bank was founded, the Bank has been complying with the spirit of sustainable development and customer service oriented. By upholding business philosophy of "Service," "Efficiency," and "Innovation," the Bank has made a long-term commitment to the business innovation, improvement of service quality, and expansion of financial service, in the hope of providing more convenient, more comprehensive financial services for business enterprises and the public.



Chang Hwa Bank's Mascot

Boa	Ginny
<p>It symbolizes the Bank's proactive, enthusiastic, and professional services to create wealth for customers as a financial institution.</p> 	<p>It symbolizes our thoughtful and friendly services to create abundant wealth for customers.</p> 

1.1.2 Global Service Locations

Chang Hwa Bank's global services extend to Asia, Europe and the U.S.A. The Bank's overseas service network includes the New York Branch, Los Angeles Branch, Tokyo Branch, London Branch, Hong Kong Branch, Singapore Branch, Manila Branch and Yangon Representative Office. Affiliated with the Chang Hua Commercial Bank, Ltd., there are the Kunshan Branch, Kunshan Huagiao Sub-branch, Dongguan Branch, Fuzhou Branch and Nanjing Branch, providing high-quality financial products and comprehensive financial services for Taiwanese businessmen and overseas Chinese all over the world.




In addition, to assist domestic SMEs to obtain funds needed for development, and provide consulting services of corporate business and management, the Bank reinvested to establish a wholly-owned subsidiary "CHB Venture Capital Co., Ltd. (CHBVC)."



1.1.3 Business Performance and Profitability GRI: 201-1

Financial performance

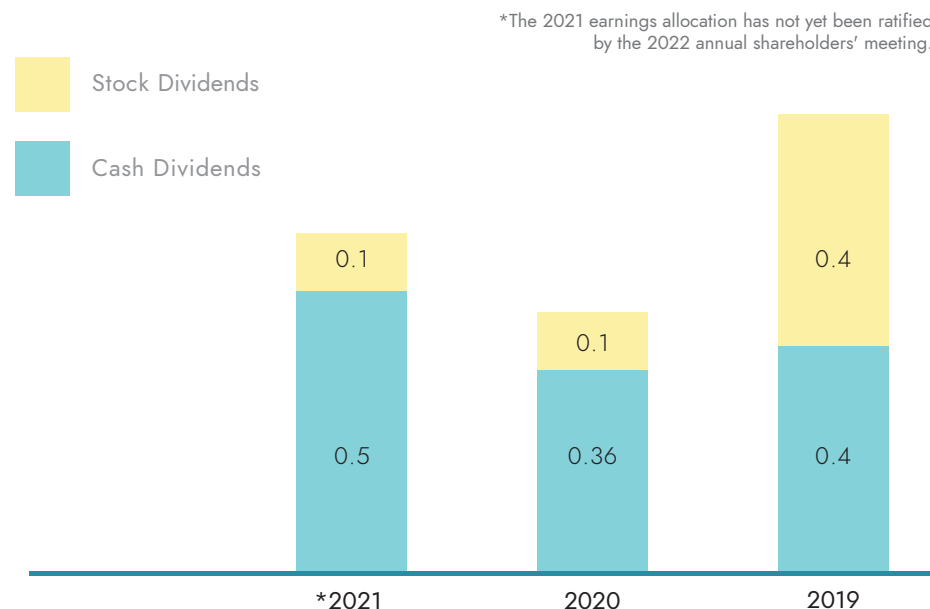
Unit: NTD

Items/FY		2021	2020	2019
 Operating Ability	Total Assets (NTD mn)	2,551,106	2,313,440	2,135,643
	Equity (NTD mn)	171,452	165,054	162,237
	Net Income after tax (NTD mn)	8,804	7,041	11,572
 Profitability	ROA (%)	0.36%	0.32%	0.55%
	ROE (%)	5.23%	4.30%	7.26%
	EPS after tax (NTD) ^{*1}	0.84	0.68	1.16
 Economic value generated and distributed	Payment of government tax (NTD thousand) ^{*2}	1,316,636	1,269,639	1,948,510

Note 1: Earnings per share after tax was not adjusted retrospectively.

Note 2: The payment of government tax is based on the income tax expense figures in the Bank's financial report and the independent auditor's report.

Dividend Performance of the Past Three Years



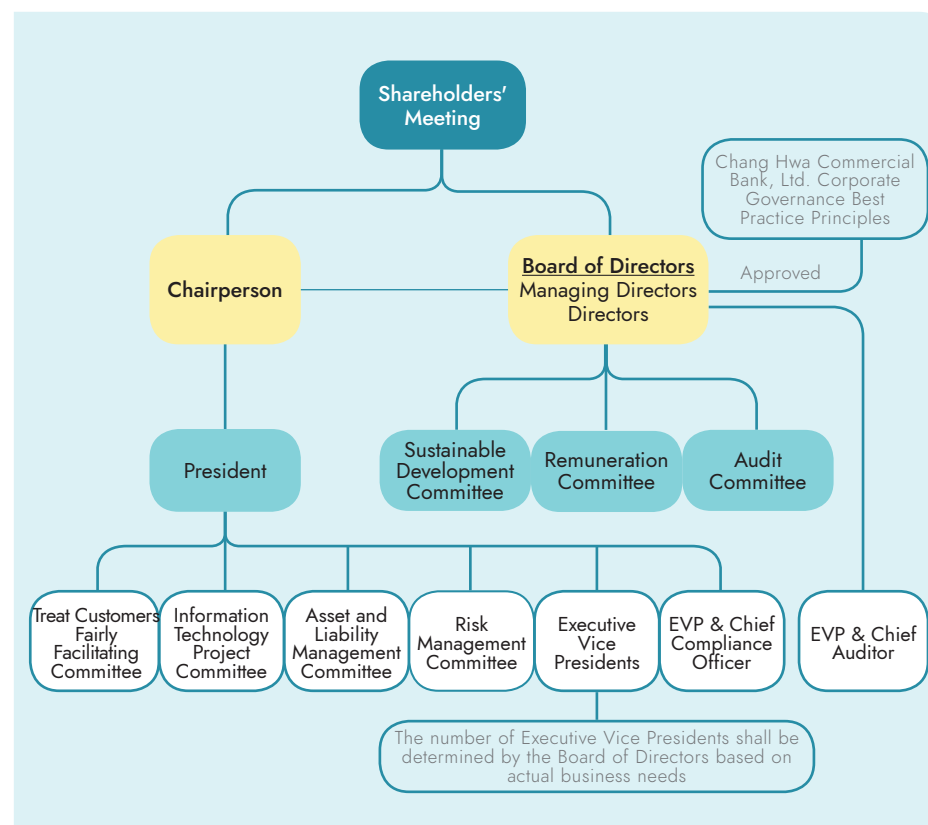
Credit Ratings

Credit Rating Agency	Release Date	International Rating		Domestic Rating		Outlook
		Long term	Short term	Long term	Short term	
Taiwan Ratings	2022/5	-	-	twAA+	twA-1+	Stable
S&P	2022/5	A	A-1	-	-	Stable
Moody's	2022/3	A2	P-1	-	-	Stable

1.2 Corporate Governance GRI: 2-9、2-10、2-11、2-12、2-15、2-16、2-17、2-18、2-19、2-20、405-1

The Bank continues to strengthen the functions of the Board of Directors, enhance information transparency, ensure the rights and interests of shareholders, and fulfill corporate social responsibility. The Bank was evaluated as top 5% of TWSE Listed Company of the 8th term of Corporate Governance Evaluation; top 4 in the Financial and Insurance Industry, which acknowledging the Bank's determination and results in optimizing corporate governance. The Bank's highest governing body is the Board of Directors, under which there are three functional committees in place, namely the Audit Committee, the Remuneration Committee, and the Sustainable Development Committee. Corporate governance framework of the Bank is as below:

Corporate Governance Framework of the Bank



1.2.1 Board of Directors

Since the election of the 24th Board of Directors, the Bank has adopted the candidate nomination system for independent directors and the system was put into force in the 25th Board of Directors, to facilitate exercise of shareholder rights through electronic transmission, and implement corporate governance.

According to the Bank's "Audit Committee Charter," the Audit Committee of the Bank shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

The Bank's Board of Directors adopts a candidate nomination system for the election of directors, in which shareholders nominate director candidates. With the Bank's business goals and direction as the benchmark, we measure the independence and diversity of the Board as well as the professional competence that the Board should possess as a whole, and the results of the Board performance evaluation as a reference for nominating directors for re-election.

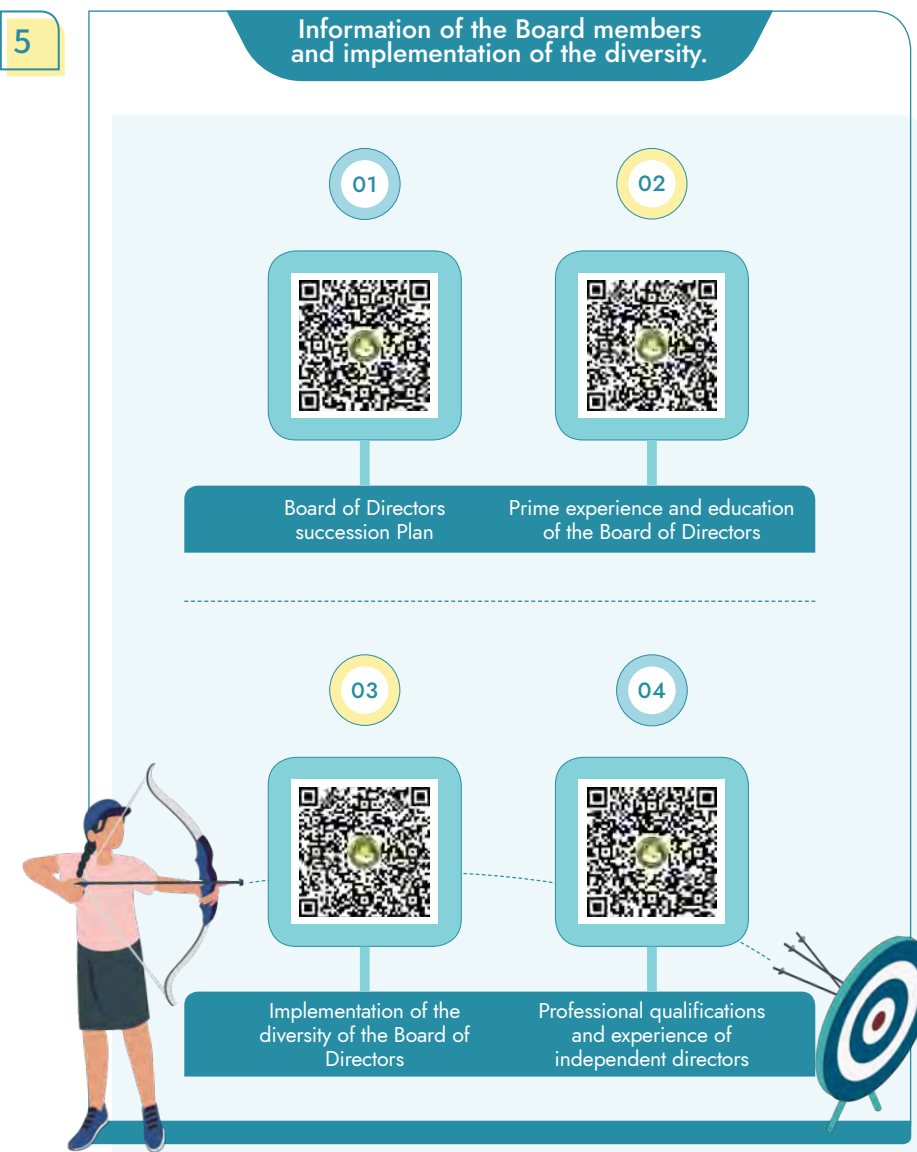
1.2.1.1 Diverse and Professional of the Board Members

- 1** The Board of Directors' members of the Bank have professional qualifications or work experiences in banking, insurance, economics, accounting, finance, business, law, internal audit, industry, etc., respectively. Diverse and different fields of professionalism endow the decision-making of the Board of Directors with objectivity and completeness, and improve the decision-making quality of the Board of Directors. In order to strengthen their professional competencies, directors participate in training courses of business judgment, risk management, operations, business, legal affairs, accounting and financial analysis, customer interests and rights, and sustainable governance (ESG) in accordance with "Directions for the Implementation of Continuing Education for Directors" of the Bank. The training hours for directors in FY2021 were in compliance with the regulations.
- 2** The term of the 26th Board of Directors of the Bank is from June 19, 2020 through June 18, 2023. Nine directors (namely 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. The Audit Committee is formed by three independent directors.
- 3** The 26th Board of Directors of the Bank includes one female director (11.11%), three independent directors (33.33%), and two natural-person directors (22.22%). As for age distribution, directors are between 50-85 years old (three are between 51 to 60 years old, accounting for 33.33% of all directors; three 61 to 70 years old, accounting for 33.33%; two 71 to 80 years old, accounting for 22.22%; one 81-90 years old, accounting for 11.11%), with an average term of 3.78 years. In addition, as for the term of independent directors, one has served the position for eight years and two for two years; thus, none of them has served the position for more than nine years.

4

Chairperson Joanne Ling, the chair of Board of Directors, the highest governing body of the Bank, does not serve as a top-level manager in management departments of the Bank concurrently.

5



※ Information of the 26th Board of Directors and implementation of the diversity policy

Title	Name	Executive Director / Non-executive Director	Basic Composition						Professional Background						Professional Competence						Independence ^{*1}	Experience in working with Global Industry Classification Standard GICS
			Nationality	Gender	Age				Accounting	Finance	Business	Banking	Insurance	Law	Business Strategy and Management	Economics and Monetary Market	Taxation, Administration and Asset Management	International Finance and Knowledge of the Industry	Internal Audit and Control and Compliance			
					51-60 years old	61-70 years old	71-80 years old	81-90 years old														
Chairperson	Jong-Yuan Ling	Non-executive Director	R.O.C	F		■			■	■	■	■	■	■	■	■	■	■	■	■ ^{*3}	Finance	
Managing Director	Chao-Chung Chou	Executive Director ^{*2}	R.O.C	M	■				■	■	■	■	■		■	■	■	■	■	■	Not applicable ^{*4}	Finance
Managing Director (Independent Director)	Jung-Chun Pan	Non-executive Director	R.O.C	M			■		■	■	■	■	■	■	■	■	■	■	■	■	■	Finance
Director	Chia-Chi Hsiao	Non-executive Director	R.O.C	M		■			■	■	■	■	■		■	■	■	■	■	■	■	Finance
Director	Chien-Yi Chang	Non-executive Director	R.O.C	M	■				■	■	■	■	■		■	■	■	■	■	■	■	Finance
Director	Wen-Siung Lee	Non-executive Director	R.O.C	M		■			■	■	■	■	■	■	■	■		■	■	■	■	Finance
Director	Hwai-Chou Chen	Non-executive Director	R.O.C	M				■	■	■	■	■	■	■	■	■	■	■	■	■	■	Finance
Managing Director (Independent Director)	Jong-Horng Lin	Non-executive Director	R.O.C	M	■						■	■	■	■		■	■	■	■	■	■	-
Managing Director (Independent Director)	Chih-Jong Suen	Non-executive Director	R.O.C	M			■		■	■	■	■	■		■	■	■	■	■	■	■	Finance

Note 1: ★ Please refer to the Bank's 2021 Annual Report for detailed information on the Bank's Directors and their independence determined in accordance with the standards of domestic regulations.

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 within 2021.
- The director must not accept or have a "Family Member who accepts any payments from the Bank or any parent or subsidiary of the Bank in excess of US\$60,000 during 2021", 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 parent or 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 during 2021.
- The director must not have any other conflict of interest that the board itself determines to mean they cannot be considered independent.

2: "Executive director" refers to a director of the Bank who is also an employee or a top-level manager of the Bank.

3: Chairperson Jong-Yuan Ling does not concurrently serve as a manager of the Bank and meets the independence criteria under RobecoSam's DJSI.

4: 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.



1.2.1.2 Implementation of the Board and Conflicts Interests

- 1 The average of the attendance of all members on the Board should reach 85% or above. In 2021, the Board of Directors held 15 meetings (including two extraordinary Board meetings), and the attendance was 97.04%. All directors performed their duties in accordance with the Bank's Articles of Incorporation and the rules of procedure of the Board of Directors.
- 2 The Bank appointed the SVP and Division Head of Secretariat Division as the corporate governance officer. The corporate governance officer has the manager's qualification of possessing management experience for more than 3 years in the financial institution or public company engaging in legal affairs, conference logistics and legal compliance, and supervises Secretariat Division in handling corporate governance.
- 3 If there is a proposal, with which a director has a conflict of interest, at a Board meeting, they should recuse themselves from the resolution. Please refer to the Annual Report, III Corporate Governance Report, D. Implementation Status of Corporate Governance, a. Board of Directors, and 2. The Implementation of Directors' recusal to motion in conflicts of interests for the directors' recusal from the resolution due to conflicts of interest.

The Bank discloses the following information in the annual report, including the positions held by directors concurrently, the institutional shareholders they represent, the major shareholders of the institutional shareholders, and the information on the top ten shareholders who are related parties to each other.

1.2.1.3 Communication about Key Material Events

All the Bank's responsible units submit major proposals to the Board of Directors for review or deliberation on a regular or irregular basis due to practical operational needs or regulatory requirements. They can also report to the Board of Directors in real time by means of extempore motions, to inform the Board of Directors and communicate with it in a timely manner.



Important
Resolution of
the Board

1.2.1.4 Evaluation of the Performance of the Board of Directors

- 1 The Bank has formulated the Rules of Performance Evaluation of the Board of Directors in order to implement corporate governance and elevate the function of the Board of Directors. The Bank shall conduct the Board of Directors performance evaluation at the end of each year according to the evaluation procedures and indexes set in the Rules, and an external evaluation conducted by independent professional institution or a panel of external experts and scholars at least once every 3 years.

I Self-evaluation

The meeting affairs unit or the secretariat in charge of Board meetings and meetings of each functional committee distributes the Board Member Performance Self-evaluation Form and the Functional Committee Member Performance Self-evaluation Form to all directors and committee members to fill out; then, said meeting affairs unit or secretariat calculates the score of each evaluation item in such self-evaluation forms according to the operations of the Board of Directors and each functional committee; then, the meeting affairs unit of the Board meetings calculate the result of each evaluation indexes.

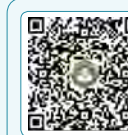
The evaluation for the Board of Directors' performance covers the following 5 aspects in 40 indexes: "Participation in the operation of the Bank", "Improvement of the quality of the Board of directors' decision making", "Composition and structure of the Board of directors", "Election and continuing education of the directors" and "Internal control".

The evaluation for Functional Committees' (including the Audit Committee, the Remuneration Committee and the Sustainable Development Committee) performance covers the following 5 aspects in 25 indexes: "Participation in the operation of the bank", "Awareness of the duties of the functional committee", "Improvement of quality of decisions made by the functional committee", "Makeup of the functional committee and election of its members" and "Internal control".

II External evaluation

The external evaluation is conducted by an external independent organization or a team of external experts or scholars who meet the qualifications below as per the indicators and procedures (usually questionnaires and on-site interviews) they set:

- i Professional and independent.
- ii Relevant institutions or management consulting firms, which mainly offer education and training courses for the board of directors or provide services to improve corporate governance.
- iii At least three members should be the experts or scholars specialized in the field of board of directors members or corporate governance.



Rules of
Performance
Evaluation of
the Board of
Directors

- 2 The Bank entrusted EY Business Advisory Services Inc. (EY) to conduct the external performance evaluation of the Board of Directors (including the Functional Committees) of year 2021. The members of EY are experienced experts in corporate governance, risk management, ESG and other aspects. EY and its experts are independent, professional, and aren't finances and tax auditing accountant of the Bank.

3

The Bank's evaluation result of the Board of Directors of year 2021 assessed by EY were all appraised as "Advanced" in "Structure", "People" and "Process and Information".

According to EY's Recommendations of evaluation, we have drowned up specific improvements. See "Evaluation Result of the Performance of the Board of Directors of year 2021" for details:



Evaluation
Result of the
Performance
of the Board of
Directors of year
2021

1.2.1.5 Functional Committees of the Board of Directors

The Board of Directors of the Bank has set up 3 functional committees, the Audit Committee, the Remuneration Committee and the Sustainable Development Committee. Their relevant responsibilities and operating status are as follows:

Audit Committee

- The Audit Committee of the Bank is composed of 3 Independent Directors, with Managing Director (Independent Director) Pan, Jung-Chun as the convener.
- In 2021, the 3rd Audit Committee convened 13 meetings, and the attendance rate was 100%.

Remuneration Committee

- The Remuneration Committee of the Bank is composed of 2 Independent Directors and 1 committee member meets professional requirements and work experiences, with Managing Director (Independent Director) Pan, Jung-Chun as the convener.
- In 2021, the 5th Remuneration Committee convened 11 meetings, and the attendance rate was 100%.

Sustainable Development Committee

- The Sustainable Development Committee of the Bank is composed of Chairperson, 3 Independent Directors, and President, with Chairperson Joanne Ling as the convener.
- In 2021, the 2nd Sustainable Development Committee convened 3 meetings, and the attendance rate was 100%.

1.2.2 Remuneration Policies and Procedure for Determining Remuneration

1.2.2.1 Remuneration Policies

01

Directors (including Chairperson and Independent Directors)

Remuneration of Directors (including Chairperson and Independent Directors) is regulated by Item 13, Article 20 of the Bank's Articles of Incorporation. The remuneration of the Directors to be on par with the salary levels of Directors of financial institutions similar in size to the Bank. The Remuneration Committee and the Board of Directors will comply with Item 2, Paragraph 1, Article 7 of Rules of Performance Evaluation of the Board of Directors and the evaluation results (including

five major aspects which are 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, election and continuing education of the Directors and internal control) to evaluate Directors' (including Chairperson, Directors and Independent Directors) remuneration annually.

President

Remuneration of President is determined by the Board of Directors in accordance with Item 14, Article 20 of the Bank's Articles of Incorporation.

Vice Presidents

In accordance with Item 14, Article 20 of the Bank's Articles of Incorporation, remuneration of Executive Vice Presidents is determined by the Board of Directors within the scope of the Bank's "Salary Scales List for Personnel".

Remuneration Deferral Policy for Senior Managers

To motivate top-level managers to achieve greater performance, duly conduct risk management, and enhance corporate governance, we have formulated a remuneration deferral policy for top-level managers (including the President, the Executive Vice Presidents, the EVP & Chief Auditor, and the EVP & Chief Compliance Officer, heads of departments at the head office, regional operations offices, and domestic and offshore branches), 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). This has indicated that the Bank insists on ethical management to promote sustainable development.

1.2.2.2 Procedure for Determining Remuneration

The members of the Remuneration Committee shall faithfully perform the following duties and responsibilities with the attention of good stewardship:

1

To evaluate and review the Bank's overall salary and remuneration policy.

2

To establish and periodically review the performance evaluation (including performance evaluation standards) and remuneration policies, systems, standards and structures of the Directors, President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and heads of head office divisions and branches of the Bank, and to fully disclose the performance evaluation standards to shareholders in the annual report.

3

Periodically evaluate and set the remuneration of Directors, President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and heads of head office divisions and branches of the Bank.

4

To establish performance evaluation standards and remuneration standards for the Bank's sales staff of various financial products and services, and to fully disclose the principles, methods and objectives of such standards or structures and systems to shareholders in the annual report.

5

To deliberate the following matters of the Bank's subsidiaries:

- Decision on salary and remuneration levels of Directors, Supervisor, Chairperson, President, and Executive Vice Presidents.
- Formulation and revision of rules governing salary, bonus and remuneration for employees.

1.2.3 Participation in Various Associations and Organizations GRI : 2-28

In order to promote the development of the domestic financial industry, the Bank actively participates in various industry unions / associations and organizations, and holds important positions in some of them, providing timely advice on the practices of the financial industry and contributing to the improvement of the overall financial environment in Taiwan.

1.2.3.1 Various Associations and Organizations

List of Various Associations and Organizations the Bank Participates In	
The Bankers Association of the R.O.C.	Trust Association of R.O.C.
Taiwan Securities Association	Insurance Agency Association of the R.O.C.
R.O.C. Bills Finance Association	Securities Investment Trust & Consulting Association of the R.O.C. (SITCA)
Chinese National Futures Association	The Bankers Association of Taipei
Small and Medium Enterprise Credit Guarantee Fund of Taiwan (Taiwan SMEG)	Taiwan Depository & Clearing Corporation (TDCC)
Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF)	Taiwan Clearing House
Joint Credit Information Center (JCIC)	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)
Financial Information Service Co., Ltd.	Chinese International Economic Cooperation Association, Taiwan (CIECA)
Financial Information Sharing and Analysis Center (F-ISAC)	Taiwan Private Equity Association (TPEA)
Independent Director Association Taiwan	Society for Worldwide Interbank Financial Telecommunication (SWIFT)

1.2.3.2 Participation in Public Affairs and Policy and Dedication

In order to understand the development of the financial industry, promote the common interests of the industry, and assist the government in implementing financial policies, the Bank and its subsidiaries actively participate in relevant domestic and foreign trade associations and social organizations. The Bank not only pays regular membership fees according to their regulations but also makes donations to some of the social organizations.

The total donation amount in 2021 was approximately NT\$6,333,000. The top 3 organizations that received the most donations were The Bankers Association of the Republic of China (BAROC), Trust Association of the Republic of China (TAROC), and Bankers Association of the Philippines, in the amount of approximately NT\$2,046,000, NT\$1,087,000, and NT\$379,000 respectively. No contributions to political organizations, candidates, or other interest groups were made in the past 4 years.

1 Participation in Public Affairs and Policy and Dedication in the last four years- by Type of Participation

Unit: NT\$

Type of Organization	2018	2019	2020	2021
Lobbying, interest representation or similar	0	0	0	0
Political campaigns / organizations / candidates	0	0	0	0
Trade associations	5,750	6,104	6,472	6,333
Other	0	0	0	0
Total	5,750	6,104	6,472	6,333
Coverage ^{Note}	100%	100%	100%	100%

Note: Scope of the reported data include the Bank and its 2 subsidiaries. Coverage is 100% °

2 The Amount of Participation and Dedication in 2021

Issue or Topic	Description of Position / Engagement	Name of organization	Type of Organization	Total spend NTD Thousand
Promotion of Financial Policies and Related Business	The Bank serves as a director of the Bankers Association, and the managers of each business management unit of the Bank participate in the operation of the committees of the Bankers Association, in order to provide specific plans, suggestions, or directions for the financial policies submitted by the competent authorities for research or to fulfill the needs for financial services arising from social and economic changes, so as to facilitate the development of banking and financial services.	The Bankers Association of the R.O.C.	Trade association of finance (bank)	2,046

Issue or Topic	Description of Position / Engagement	Name of Organization	Type of Organization	Total spend NTD Thousand
Participate in research on the development of trust products and discussions on regulations and internal control	Serve as a member of the Business Development Committee, Legal Affairs and Disciplines Committee, and Auditing and Advising Committee of the Trust Association. Based on the discussion issues of each committee, the committee members or the employees in charge of the relevant issues attend committee meetings to provide opinions or participate in discussions; opinions are provided on the subject matter specified in the letter/email of the Trust Association. Assist the development of the trust business in accordance with the Bank's expertise in trusts.	Trust Association of R.O.C.	Trade association of finance (bank)	1,087

1.3 Legal Compliance GRI : 2-27、3-3、419-1

The Bank has established a sound legal compliance system and framework, and through promotion, education and training, ensures the implementation of the legal compliance system.

Policy	Maintain an effective and appropriate internal control system through a sound compliance system.
Commitment	Improve the effectiveness of compliance risk management to reduce the Bank's compliance risk.
Goals and Targets	Implement the Bank's compliance system, launch a compliance effectiveness reporting and monitoring mechanism, and effectively manage the Bank's compliance risks.
Responsibilities and Duties	Establish a great compliance system framework and ensure effective management of compliance through promotion and education and training.
Resources	Examine whether the Bank's compliance resources (that is, the human resource allocation, organizational structure, as well as education and training of the compliance unit) are adequate timely in order to put the compliance function into force.
Complaint Mechanism	The Bank has established an internal and external whistleblowing system. The internal audit unit accepts whistleblower cases and discloses relevant reporting channels on the official website.

Substantial Activities

- Set up a dedicated unit for compliance affiliated with the President, responsible for the planning, management, and execution of the compliance system, while establishing procedures, plans, and mechanisms for identification, assessment, control, measurement, monitoring, and independent reporting of compliance risks.
- With a two-line defense mechanism, we engaged in horizontal communication and meetings to discuss and improve important compliance issues regularly, and we have established an independent notification mechanism for legal compliance risks to keep abreast of bank-wide legal compliance risks.

Assessment Mechanism

- The compliance unit conducts relevant compliance risk management by assessing major operating activities, products and services, credit or business projects, and material customer complaints that may violate the laws.
- Conduct the Bank's implementation status of legal compliance.

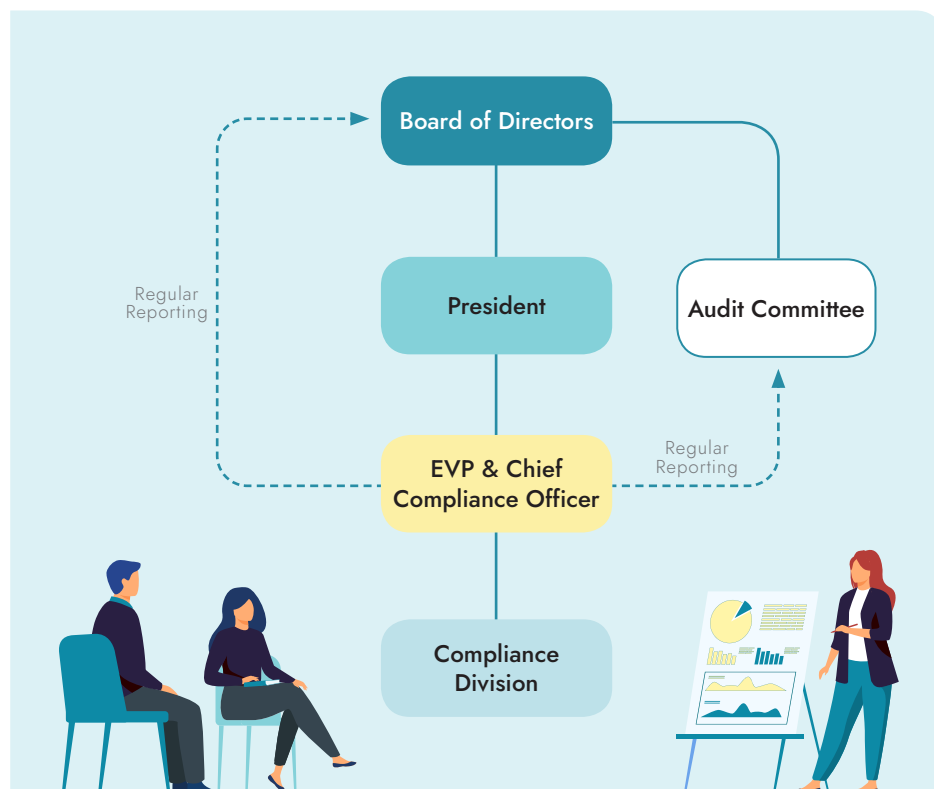
Results

- The Bank already completed the self-assessment of legal compliance for the first and second halves of 2021, and reported on the implementation status to the Board of Directors and the Audit Committee.
- The Bank completed the on-site audit of legal compliance and the AML business in accordance with the 2021 legal compliance on-site audit project.
- There were 6,338 people and 6,403 people participating in the legal compliance courses in the first and second halves of 2021, respectively, with 95.44% and 95.85% of the employees participating, respectively.

	First half of 2021		Last half of 2021	
	number of people	participation rate	number of people	participation rate
All units of the Bank	6,338	95.44%	6,403	95.85%
The Head Office	1,468	94.7%	1,452	94.2%
Branches, Regional Centers and others	4,870	95.6%	4,950	96.3%
Managers (including the managers of the head office and the sale units)	218	100%	217	100%
Other employees beside manager	6,120	95.2%	6,185	95.6%

- In 2021, there were 2 classes in compliance, AML, know-your-customer (KYC) policy, and employee code of conduct training for new recruits, with a total of 238 participants.

Legal Compliance Organizational Structure of the Bank



Major Penalties and Countermeasures

None.

1.4 Anti-Money Laundering and Countering Financing of Terrorism

GRI : 419-1

The Bank has set up an AML/CFT Section affiliated with the Compliance Division, which is responsible for the AML/CFT operations of the Bank, and continues to strengthen the Bank's AML/CFT mechanisms.



Policy	For the purpose of Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT), stabilizing the financial order, as well as strengthening and developing the Bank's plan on AML/CFT, while avoiding illegal money laundering and terrorism acts committed by intentional individuals through the Bank's financial products or services, the Bank has formulated "Anti-Money Laundering and Countering the Financing of Terrorism Policy" and "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism," to establish the Bank's standard regulations on AML/CFT.
Commitment	The Bank continues to deepen and develop the implementation of its plan on AML/CFT. The Bank is committed to establishing a culture that values AML/CFT, while allocating adequate manpower and providing sufficient resources to enhance the Bank's relevant personnel's professional capabilities, to actively enhance the Bank's ability to AML/CFT, strengthen all employees' awareness of AML/CFT, and implement the operations related to AML/CFT.
Goals and Targets	The Bank continues to conduct risk assessment of money laundering, implement the AML/CFT task, enhance all employees' professional capabilities to be aware of AML/CFT risks, and improve the Bank's internal operation standards and system mechanisms related to AML/CFT so as to effectively identify and control risks.
Responsibilities and Duties	Develop AML/CFT policies and plans, confirm compliance with laws related to AML/CFT, plan AML/CFT training courses, supervise large-sum transactions, suspicious transactions, and relevant reporting and declaration related to the CFT law. Monitor the risks related to money laundering and financing of terrorism, supervise the Bank's identification of money laundering and financing of terrorism risks, evaluate and monitor the planning and implementation of policies and procedures, as well as coordinate and supervise the Bank's comprehensive identification and assessment of money laundering and financing of terrorism risks.
Resources	The Bank invests adequate resources and manpower to strengthen the mechanism for AML/CFT, and has commissioned Deloitte to assist in optimizing the Bank's mechanism of AML control and comprehensive risk assessment, to conduct verification of the Bank's AML/CFT system.
Complaint Mechanism	Divisions of Head Office and business units regularly report the implementation of AML/CFT, including newly amended relevant business procedures or standard operating procedures/processes (SOP) in line with the internal and external regulation on AML/CFT, risk assessment results reporting, improvement status of deficiencies identified by the audit, education and training, transaction monitoring management, and declaration of suspicious transaction cases.

Substantial Activities

- The Bank has formulated "Anti-Money Laundering and Countering the Financing of Terrorism Policy," "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism," and "Procedures for AML/CFT Management."
- Report to the AML/CFT management team, Audit Committee, and the Board of Directors of the Bank's implementation status for AML/CFT on a regular basis.
- In accordance with the opinions in the financial inspection, the Bank continues to adjust the relevant contents of the Bank's comprehensive money laundering and financing of terrorism risk method of evaluation with the Risk Management Division and Divisions of Head Office, to facilitate the Bank's comprehensive money laundering and financing of terrorism risk assessments.
- Continue to enhance the effectiveness of the Bank's AML/CFT operating systems as a basis for strengthening customer due diligence measures and continuously monitoring the implementation of mechanisms.
- Continue to monitor the Bank's money laundering and financing of terrorism risks and relevant implementation status, and provide education and training courses of AML/CFT to promote the effectiveness of the Bank's implementation of AML/CFT.

Assessment Mechanism

- Report the Bank's implementation status of AML/CFT to the AML/CFT management team at least once every half year and to the Board of Directors and the Audit Committee at least once every half year, and regularly provides an evaluation report on its AML/CFT risks for the Board of Directors and senior executives to understand the Bank's AML/CFT risks.
- The Bank has incorporated "Money Laundering Control Act" and "Counter-Terrorism Financing Act," related laws & regulations, the Bank's related regulations into the Bank's implementation of compliance. Compliance self-assessment is conducted every half year, by taking written tests and audit sampling to make sure relevant personnel have comprehensive understanding in laws & regulations and related operations.
- The Bank's Internal Auditing Division incorporates the Bank's AML/CFT implementation and related measures (implementation status and operating procedures are included), internal audits are conducted on a regular basis, and test the Bank's AML/CFT plan for its efficiency and quality of business and risk management quality.

Results

- In 2021, the Bank offered a total of 1,832 minutes of education and training courses on AML/CFT with a total of 7,510 participants.
- The Bank's 2021 "Statement on Internal Control System for AML/CFT" was reviewed and approved at the 24th meeting of the 26th Board of Directors on March 29, 2022, and disclosed on the Bank's official website in accordance with regulations while announced on the website designated by the FSC.
- The Bank's 2021 comprehensive risk assessment report on AML/CFT was reviewed and approved at the 25th meeting of the 26th Board of Directors on April 21, 2022, and the Bank submitted its 2021 comprehensive risk assessment report on AML/CFT and risk prevention improvement measures to the FSC for future reference.

Note: For compliance in respect of personal information protection, please refer to Social aspect 2.1 - "Information Security and Personal Information Protection."

1.5 Business Integrity

GRI : 2-23、2-26、205-1、205-2、205-3、206-1 /
SASB : FN-CB-510a.1

In order to demonstrate the Bank's determination and commitment to business integrity, the Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Sustainable Development Committee Charter." The Sustainable Development Committee is responsible for the Bank's business integrity and assigns Compliance Division for formulating rules relevant to business integrity, assisting the Board of Directors and managerial level in supervising the implementation status of business integrity, and reporting to the Sustainable Development Committee and the Board of Directors on a regular basis.

Policy

To establish great business operation and a corporate culture of integrity to improve corporate governance and ethical corporate management, the Bank has formulated "Code of Ethical Conduct," "Ethical Corporate Management Best Practice Principles," "Employee Code of Conduct," and "Rules of Internal Whistle-blowing" for the Bank's directors, managers, and employees to understand and comply with the Bank's ethical and moral value.

Commitment

The Bank is committed to formulating policies based on the management philosophy of integrity, transparency, and responsibility, and to implementing them in internal management and external business activities.

Goals and Targets

Strive to deepen the corporate culture of ethical management and actively prevent unethical behavior, establish a great corporate governance and risk management mechanism, prevent and detect fraud, and ensure the smoothness of the whistleblowing channels and the reliability of financial information.

Responsibilities and Duties

In the process of engaging in commercial activities, the Bank's personnel shall proceed in a fair, honest, and transparent manner, and shall not directly or indirectly provide, promise, request, or accept any improper benefits, while avoiding engaging transactions with suppliers and customers involved in unethical conduct.

Resources

- The Bank's Directors and senior managers have formed the Sustainable Development Committee affiliated with the Board of Directors, and Compliance Division is designated to be responsible for the formulation of or amendment to the Bank's ethical management policy.
- The Bank organizes training programs and announcements related to ethical management regularly.
- The Bank's "Employee Code of Conduct" requires all employees to carefully read the provisions of the code and shall sign "Statement of Compliance with Employee Code of Conduct of Chang Hwa Bank."
- Before establishing a business relationship with others, the Bank shall first assess the integrity of the agent, supplier, customer, or other transaction counterparties in accordance with the Bank's relevant rules, and incorporate the ethical management policy and relevant regulations into the contract terms upon the signing of the contract.

Complaint Mechanism

The Bank has established an internal and external whistleblowing mechanism, the internal audit unit is responsible for accepting whistleblowing cases and disclosing relevant whistleblowing channels on the Bank's official website.

Substantial Activities	<ul style="list-style-type: none"> As per the Bank's 2021 Unethical Conduct and Internal Fraud Risk Assessment, "misappropriation of assets" among the existing risks bears a higher risk of unethical conduct. Therefore, we have required all departments to strengthen relevant preventive measures or implement a check-and-balance mechanism to monitor the above business activities and review the appropriateness and effectiveness of relevant regulations, thereby establishing an effective accounting system and an internal control system for business activities with a higher risk of unethical conduct. Each department shall analyze business activities with a higher risk of unethical conduct within the scope of its responsibilities and formulate plans to prevent unethical conduct, including operating procedures, code of conduct, and education and training. The Bank actively implements its ethical corporate management in internal management and external business activities.
Assessment Mechanisms	<ul style="list-style-type: none"> The Bank's performance of ethical corporate management is reported to the Board of Directors regularly every year to review the improvement measures. Those who violate the ethical conduct of the Bank with serious circumstances shall be imposed with disciplinary actions in accordance with relevant laws and regulations or personnel management regulations, and the violation shall be listed as an item which will affect the grade in units' and managers' annual evaluations. All departments of the domestic head office and overseas branches are responsible for the bank-wide assessment of the unethical conduct and internal fraud risks, while analyzing and evaluating the unethical conduct risks of each business activity, including dishonesty and internal fraud, regularly each year; 100% of all units are covered in the evaluation.
Results	<ul style="list-style-type: none"> The implementation status of ethical corporate management in 2021 was compiled by the Compliance Division and reported to the Sustainable Development Committee and the Board of Directors, and has been disclosed on the Bank's official website. In 2021, the Bank did not receive any whistleblowing case of violations in ethical behavior. In 2021, the Bank 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. All employees of the Bank signed the "Statement on Compliance with the Employee Code of Conduct of Chang Hwa Bank." In addition, due to the amendments to the Bank's Ethical Corporate Management Best Practice Principles, the Bank's directors and senior management officers have issued the "Statement on Compliance with the Ethical Management Policy" while the Bank requested the remaining employees to sign the "Commitment to Integrity and Ethics." The Bank raised bank-wide employees' awareness of the importance of integrity and anti-corruption through "Happiness, Walking Firmly," a micro-film produced by the Agency Against Corruption, Ministry of Justice, with 6,563 participants, 96.4% of the employees completing the training. Moreover, for deepening the employees' understanding of occupational fraud of financial industry and expecting the employees to implement precautionary measures during routine works, the Bank appointed external consultants to record "The Analysis of Recent Fraud Cases of Financial Institution and Fraud Risk Management Framework" for internal training. We have completed the 2021 Unethical Conduct and Internal Fraud Risk Evaluation Report, which has served as a reference for the Bank's internal auditors to formulate and implement relevant audit plans. The relevant business management units have also added or strengthened existing control measures or processes for items with higher risks.

1.5.1 Implementation Status of Business Integrity, Ethical Conduct and Employee Conduct SASB : FN-CB-510a.2

	Item	Description
Business Integrity	Related regulations	The Bank actively guards against unethical behavior, and the Bank's personnel shall conduct business activities based on the principles of fairness, honesty, trustworthiness and transparency. The Bank also established sound corporate governance and risk management mechanisms to create a business environment for sustainable development. The Bank's "Ethical Corporate Management Best Practice Principles" is disclosed on the Bank's official website for inquiries.
	Mid- and long- term goals	Strengthen employees' awareness towards legal compliance, implement relevant regulations of the Bank, and enhance the business integrity culture of the Bank.
	Operating status	<ul style="list-style-type: none"> Internal whistle-blowing regulations To establish ethical and transparent corporate culture and facilitate sound management, the Bank formulated "Rules of Internal Whistle-blowing" in accordance with Article 34-2 of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries." Rules have been clearly formulated for the responsibilities of the unit in charge of investigation and review, recusal due to conflicts of interest, whistleblower protection, and file management to ensure smooth reporting channels and improve the response process for reported cases. We have also set up reporting channels, including address, mailboxes, and hotlines for reporting. Where the Bank's personnel are found to be suspected of crimes, fraud, or violations of laws and regulations, after a report is received, the Bank's Internal Auditing Division as the unit in charge of acceptance of reports will appoint appropriate personnel to respond to the report. If a whistleblower meets the reward standard as in the Bank's "Implementation Regulations of Employees Reward and Punishment," the Bank will reward the whistleblower depending on the actual situation. It is clearly provided that, except for investigation conducted in compliance with laws or regulations or in cooperation with government agencies, or information that is well-known to the public, the Bank shall keep confidential whistleblowers' identity and the content of cases reported. If a case reported is confirmed to be true after review or re-examination, we shall, in accordance with the provisions of the Bank's aforementioned regulations, request relevant units to review their internal control systems and operating procedures, to put forth improvement measures to prevent the same behavior from recurring, and to require the persons reported and relevant persons involved in the case to stop their inappropriate behavior. The case shall be handled appropriately in accordance with the relevant provisions of human resources management, and the Bank may request compensation through legal proceedings or hand over the case to the prosecuting agency for further investigation if necessary. The Internal Auditing Division shall compile the investigation reports, review results, improvement measures proposed by relevant units, and other relevant materials, and report to the Audit Committee and the Board of Directors on a regular basis. Internal and external whistleblowing channels and methods of the Bank If the public finds employees of the Bank commit criminal acts, fraud or violations of laws and regulations, following channel and method is available, e-mail address: chb0110@chb.com.tw. If the whistleblower is an employee of the Bank, he/she may submit a report in the employee complaint system on the Bank's Corporate Intranet; or submit through e-mail address: chb0110@chb.com.tw.

	Item	Description
Ethical Conduct		<ul style="list-style-type: none"> Regular reporting The Compliance Division regularly assesses the business integrity compliance status of the Bank and reports it to the Sustainable Development Committee and Board of Directors. The assessment report of 2021 was submitted for inspection in the 5th meeting of 2nd Sustainable Development Committee on January 10, 2022 and 22nd meeting of 26th Board of Directors on January 24, 2022. Processing status The Bank has complied with the Bank's "Ethical Corporate Management Best Practice Principles" and related regulations in the handling of various businesses. In 2021, the Bank did not receive any case of unethical conduct reported.
	Related regulations	The Bank has a "Code of Ethical Conduct" which sets out the ethical standards for the Bank's directors and managers, including business integrity, avoidance of conflicts of interest, avoidance of opportunities to seek private profit, and upholding of confidentiality principles, all to strengthen corporate governance of the Bank and establish a sound internal control system. The Bank's "Code of Ethical Conduct" is disclosed on the Bank's official website for inquiries.
	Operating status	Encourage employees to report any illegal behaviors to facilitate the implementation of the "Code of Ethical Conduct" and safeguard the interests of the Bank and its stakeholders.
Employee Conduct	Related regulations	The Bank has established "Employee Code of Conduct" to establish the values of all employees of the Bank to uphold in performing business and personal conduct. All employees are required to adhere to the highest ethical standards and legal norms within their business activities, including commitment to duties, honesty and morality, professionalism, and confidentiality obligations, and not to take advantage of their positions to engage in corrupt practices, accept any gifts, etc.
	Operating status	<ul style="list-style-type: none"> 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 "Compliance Statement 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 2021, with a total of 238 participants.

1.5.2 Competent Authorities' Penalties and Countermeasures

None.



1.6 Risk Management and Audit GRI : 3-3

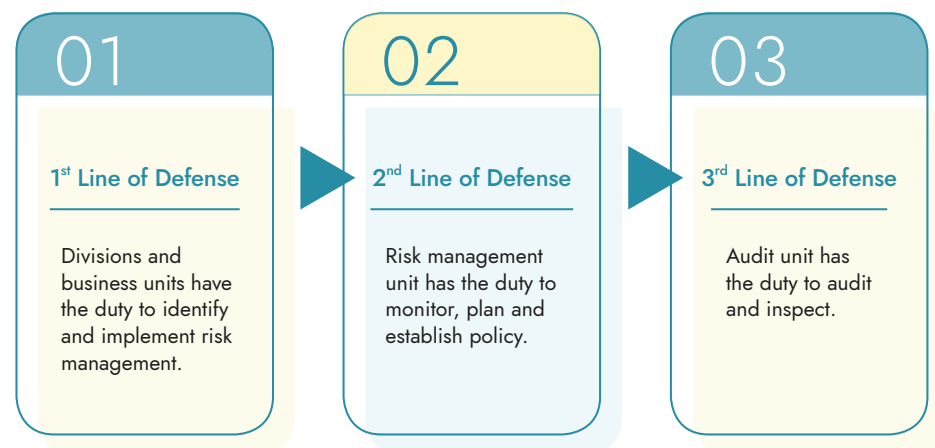
Policy	Establish an independent and effective risk management mechanism of the Bank to assess and supervise the risk tolerance and the current risk tolerance situation, and determine the risk response strategy and compliance with risk management procedures, to effectively identify, measure, monitor and report various risks, and ensure sound management of the Bank.
Commitment	The Bank has established an overall risk management policy amended and approved by the Board of Directors on February 22, 2022, the management policy includes a risk management framework, risk management scope (including credit, market, operation, interest rate in the banking book, liquidity and other risks), and 3 lines of defense in risk management (including the risk tolerance unit, dedicated risk management unit, and independent internal audit unit as well as their responsibilities), and 5 major aspects of risk management procedures (identification, measurement, monitoring, reporting and implementation procedures).
Goals and Targets	<ul style="list-style-type: none"> Continue to improve the performance of existing personal credit rating and corporate credit rating models to achieve the best results of credit risk management. In response to climate change, the Bank continues to monitor and manage allocation of limits from industry-specific borrowing facilities for green energy technology and high energy-consuming industries. In response to the evolution of market risk monitoring because of the implementation of the New Basel Capital Accord, the Bank continues to study and strengthen the management efficiency of systems related to market risks. Through the industrial characteristics of financial intermediation, the potential risks of the environment are considered, bank capital are being used properly, to implement environmental protection and social sustainability. The Bank continues to optimize risk measurement indicators and monitoring, strengthen the operational risk identification by all units of the Bank, collect and analyze operational risk events and track improvements to improve the effectiveness of operational risk management. The Bank has conducted preparatory work for operational risk monitoring measures as specified in a new Basel Capital Accord launched in the future.
Responsibilities and Duties	The Bank has established the management policy and 3 lines of defense for internal control of CHB to construct a 3 lines of defense framework for internal control of the Bank, which clearly defines the scope of powers and responsibilities of the 3 lines of defense, so that all units understand their role and function in the overall risk and control framework of the Bank in order to strengthen communication and coordination of risk management and internal control.

Resources	<p>1st Line of Defense: Each division and business units - Identify and implement risk management.</p> <p>2nd Line of Defense: Risk management unit's monitoring, strategy, and policy formulation.</p> <p>3rd Line of Defense: Audit unit- Audit and inspection.</p>
Substantial Activities	<ul style="list-style-type: none"> Assist each indicative management unit in keeping abreast of the important information on business activities, overall situation of business, and changes in the financial environment, so as to identify and control operating risks in real time. Keep abreast of the situation of various national risk limits immediately and accurately, and regularly report the country's national risk exposure values and monitoring status of the Bank. Track and examine the political & economic situation of various countries from time to time to keep abreast of downgrade of credit rating or changes in major events and take necessary measures accordingly. The Bank continues to integrate all kinds of risk indicators assessment and information and the subsequent notification mechanism so as to take early countermeasures to control the quality of the Bank's credit assets effectively. The Bank raised the borrowing facilities by 1% for the credit given to the green energy technology industry with green production that is recognized by the competent authority in cooperation with the competent authority's "Forward-Looking Infrastructure Development Program" and the Bank's green business loan project. Furthermore, the Bank lowered the borrowing facilities by 2% for the credit given to and the investment in the high energy-consuming industry to respond to the voluntary reduction mechanism for climate change. Monitor various financial product positions traded and the situation of risk limits every day, and reports to the Board of (Managing) Directors on the relevant risk exposure situations regularly. We regularly report on the monitoring results of key risk indicators of operational risks, the improvement progress of loss events, and the results of the risk and control self assessment (RCSA) to the Risk Management Committee, to keep the management informed of the implementation all the time. In response to the standardized measurement approach (SMA) to operational risks under Basel II to take effect in the future, we completed the update of the reports related to the loss data management system.
Assessment Mechanisms	<ul style="list-style-type: none"> To establish an independent and effective risk management mechanism, improve the quality of the Bank's risk management, and ensure the Bank's stable operation, the Bank has established a Risk Management Committee. The President convenes a committee meeting as the chairman every month, and the main members are served by the Executive Vice President, EVP & Chief Compliance Officer, and heads of the Credit Management Division, the Risk Management Division, the Loan Asset Management Division, the Financial Management Division, the Operations Division, and the Information Security Division. We hired an external impartial organization to evaluate the degree of the Bank's compliance with the SASB standards.

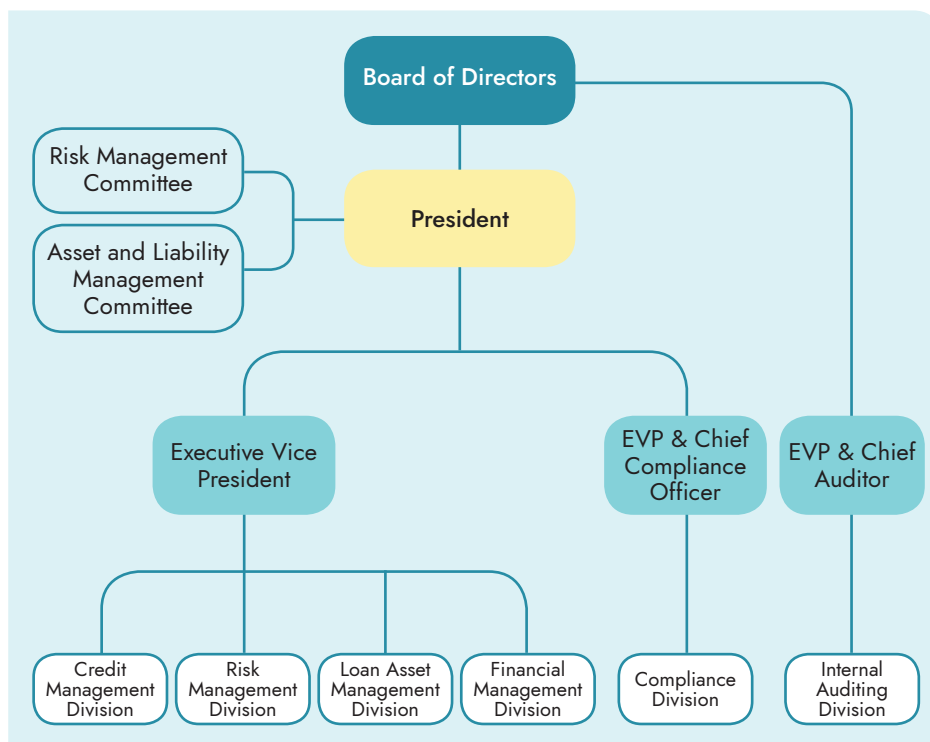
Results	<ul style="list-style-type: none"> The Bank's risk management unit reports to the Board of Directors on the Bank's risk environment and risk control measures adopted by the Bank on a quarterly basis to coordinate and integrate the review, supervision, and operation of the Bank's risk management issues, and implements the risk management policies and procedures, risk appetite statement, and risk management mechanism approved by the Board of Directors while reviewing the risk management process, monitoring its appropriateness, and ensuring effective communication and coordination of relevant risk management functions. The main situations of risk management in 2021 were reported as follows: <ul style="list-style-type: none"> I. The quarterly reports with data of March, June, September and December were submitted to Board of Directors respectively. The content of the quarterly report included "Situations of the Implementation of the Basel Capital Accord," "Credit Risk Management Situations," "Financial Counterparty and Country Risk Management Situations," "Market Risk Management Situations," "Operational Risk Management Situations," "Loan Management Situations," "Information Security Management Situations," "Overseas Branches Risk Management Situations," and other related issues in terms of risk management...etc. II. The Bank's 2022 Emerging Risk Management Implementation Report was submitted to the 2nd meeting of the Risk Management Committee in 2022 (March 2, 2022) for review and included in the first quarterly risk report submitted to the Board of Directors (See Chapter 1.6.5 for details).
---------	--

1.6.1 Risk Management Organization

The risk management organization is composed of the Board of Directors, high-level management committees (the Asset and Liability Management Committee and the Risk Management Committee), and three-line defense of risk management (the risk-tolerance unit, the dedicated risk management unit, and the independent internal audit unit), of which the high-level management committees are governed by the President.



Risk Management Organization Chart



1.6.2 Internal Audit

The Bank has been approved by the competent authority to adopt a risk-oriented internal audit system, which will be officially implemented in 2022. We set the internal audit frequency as per the risk assessment results, while implementing a continuous monitoring mechanism to identify risks and paying close attention to changes in the overall environment, laws and regulations, organizational scale, business management, and other internal and external situations, thereby keeping abreast of risks immediately and revising the audit content in due course. The internal auditing unit continues to follow up on the opinions and deficiencies put forth by the financial inspection agencies and accountants during inspections and by the internal auditing unit and business units during the self-audit, as well as the "improvements that shall be made" listed in the statement on the internal control system, and to track the improvement situation.

The Bank's internal auditing unit performs the audit business in the spirit of independence,

and provides timely suggestions about improvement to reasonably ensure the continuous and effective implementation of the internal control system while reporting on the audit business to the Board of Directors and the Audit Committee quarterly so that the Board of Directors, the Audit Committee, and senior managers can learn about the effectiveness of the Bank's internal control system and risk management system.

1.6.3 Credit Risks Arising from Major Business Activities SASB : FN-CB-410a.1

Corporate credit is one of the Bank's key business services. We conduct risk review in accordance with the SASB standards. The top ten industries with the greatest risk exposure in the industry and business fields are as follows:

As of December 31, 2021 Unit: NTD100million

Sequence	Industry			Business		
	Sector	Sector description	Risk exposure amount	Sector	Sector description	Risk exposure amount
1	012413	Rolling and Extruding of Iron and Steel	378.20	016700	Real Estate Development Activities	1,159.77
2	011810	Manufacture of Raw Chemical Material	359.72	014642	Wholesale of Electronic and Communication Equipment and Parts	502.26
3	012699	Manufacture of Other Electronic Parts and Components Not Elsewhere Classified	353.54	016499	Other Financial Service Activities Not Elsewhere Classified	400.88
4	012611	Manufacture of Integrated Circuits	310.07	016811	Real Estate Activities for Sale and Rental with Own or Leased Property	395.00
5	012711	Manufacture of Computers	289.87	014615	Wholesale of Metal Construction Materials	268.25
6	012641	Manufacture of Panel and Components	279.90	014910	Transport via Railways	233.88
7	013030	Manufacture of Parts for Motor Vehicles	273.26	015010	Ocean Transportation	219.92
8	012411	Smelting and Refining of Iron and Steel	224.16	014620	Wholesale of Chemical Materials and Chemical Products	219.77
9	012613	Packaging and Testing of Semi-conductors	206.30	014641	Wholesale of Computers, Computer Peripheral Equipment and Software	185.16
10	014100	Construction of Buildings	192.73	016429	Other Holding Companies	180.31

Note 1: Credit counterparts: Corporate credit accounts of the Bank's domestic and overseas business units and the Offshore Banking Branch, excluding government agencies.

2: Sector: It is handled based on the classification of the sectors adopted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

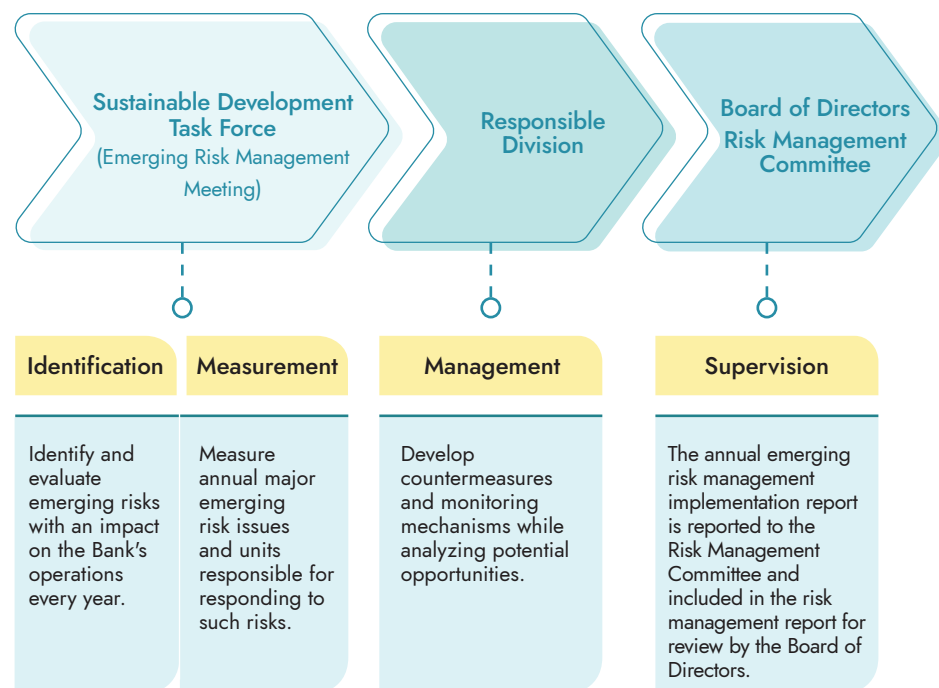
3: Exposure amount: Loans, overdrafts, discounts, guarantees, acceptances, exchange bills negotiated, letters of credit at home and abroad, non-recourse factoring, receivable amount for margin loans, and loan commitments.

1.6.4 Systemic Risk Assessment SASB : FN-CB-550a.2

In addition to the supervisory stress test conducted by the competent authority from time to time, the Bank performs a stress test when filing a report on the supervisory review implementation principles to the competent authority every year, and selects the scenario where the stress test has the greatest impact on the Bank's capital to calculate the amount of the loss on our own qualified capital, which serves as the basis for assessment and planning of the Bank's internal capital adequacy.

1.6.5 Emerging Risk Management

Faced with the continuous changes in the global social and economic environment and the increasing influence of emerging issues, such as global warming, extreme climate events, infectious diseases, technological development, and demographic changes, the Bank has established an emerging risk management mechanism to control and mitigate the impact of risks arising from emerging issues, and has adopted the framework of identification, measurement, management, and supervision to implement risk management effectively and to facilitate the transformation of financial services in a diverse manner.



Material Emerging Risk Management Table

Risk categories	Risk description	Impact or influence on the Bank's operations	Countermeasures and monitoring mechanism (potential opportunities included)
Infectious Diseases	As the infectious disease is unable to be effectively controlled in the short term, it has had an impact on the economic environment and financial markets, and people's consumption patterns have been changed accordingly.	<ul style="list-style-type: none"> The pandemic has resulted in shortage of manpower, or the Bank has to assume the increased operating costs due to a business continuity mechanism. Affected by the pandemic, various enterprises' business performance declined, affecting their ability to repay loans, so the Bank's credit risk has increased. Due to the impact of the pandemic on the prices of stocks or ratings of bonds invested in by the Bank; thus, the risk of the financial product business and the volatility of profit or loss have increased. The pandemic has affected the economy and lifestyles, leading to relevant relief loans and needs for digital services spawned from changes in consumption patterns. 	<p>[Countermeasures and monitoring mechanism]</p> <ul style="list-style-type: none"> The Bank has formulated the Chang Hwa Bank Business Continuity Plan and the Chang Hwa Bank Emergency Response Measures for Mandatory Collective Quarantine in Response to Epidemics; a major accident response task force keeps abreast of the pandemic situation and develops contingency measures to be adopted in a flexible manner. The Bank may launch the "backup on different floors in the same building", "off-site backup", or "work from home" mechanism and overseas branches may adopt the "remote work" if necessary, to maintain the normal operations of the business in the case of a major epidemic. Employees are encouraged to be fully vaccinated, and a vaccination leave policy has been launched to enhance the effect of pandemic prevention. We performed industry analysis on the impact of the pandemic, established long-distance communication channels with credit customers, performed on-site audits of and visited factories, and followed up on changes in their operations in real time, to safeguard the creditor's rights of the Bank. We pay attention to the development and changes of products we invested in all the time and adjust positions accordingly to duly manage the maximum amount of investment. <p>[Opportunities]</p> <ul style="list-style-type: none"> We actively provided a relief loan program for customers whose operations have been impacted and simplified the loan application process to help them obtain funds or extend loans as soon as possible. We strengthened the promotion of products to industries thriving in the post-pandemic era and adjusted our product categories and strategies for specific industries benefiting from the pandemic flexibly as per changes in the pandemic. We paid more attention to customers' cash flow and available facilities, increased the number of phonic interviews, provided customers with product suggestions at appropriate times, while strengthening the promotion of derivatives through relevant conferences or seminars to seize business opportunities. We optimized and promoted online services, including online application, transaction, and inquiry functions, and established an omnimedia customer service system to enhance customer experience and the Bank's competitiveness through technology.

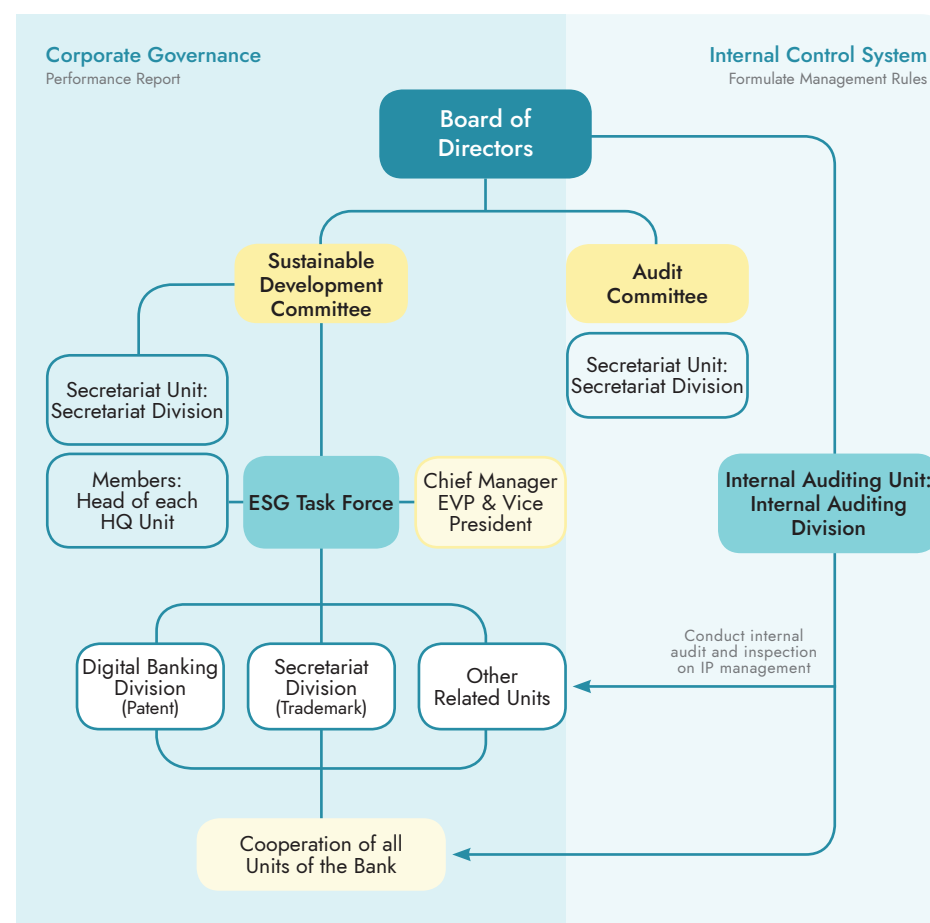
Risk categories	Risk description	Impact or influence on the Bank's operations	Countermeasures and monitoring mechanism (potential opportunities included)
Digital Information Security	The diverse evolution of the emerging technology environment has made it an important topic to strengthen information security protection capabilities and take on a corporate's duty of care.	<ul style="list-style-type: none"> Digital technology innovations, if improperly applied or maliciously attacked, may cause the Bank's system services to be interrupted, personal data or financial information to be stolen. The Bank will face significant financial losses, litigation and compensation, penalties and reputational damage. Fintech companies are thriving, and the finance industry needs digital transformation development to enhance future competitiveness. 	<p>【Countermeasures and monitoring mechanism】</p> <ul style="list-style-type: none"> The Bank added the "Chief Information Security Officer" position to lead the promotion and resource allocation of information security policies to strengthen the information security governance structure and information security protection capacity. The Bank has a "Personal Data File Security Maintenance Plan" and a "Personal Data Management Regulation" for the whole Bank to follow. Regular self-assessment is submitted to the Managing Board of Directors for inspection after approval by the President. At the same time, the Bank regularly conducts personal data security incident drills and related educations and trainings to enhance all employees' information security awareness and accident response ability. Keep an eye on emerging cybercrime methods at any time, regularly review the Bank's information security intensity, set up multiple detection and protection systems and mechanisms, strengthen internal monitoring capabilities, and work with service providers to conduct abnormal flow cleaning activity to minimize the Bank's financial service interruption time. <p>【Opportunities】</p> <ul style="list-style-type: none"> The Bank continuously maintains relevant international certifications such as operational continuity, information security and personal data management, and uses PDCA management cycles to respond to changes in new technologies, products and business processes. The Bank will prudently use emerging technologies to upgrade and transform its digital financial business, launch digital financial products that meet the operational benchmark requirements for the security control of the financial institution's electronic banking business and avoid damaging customers' interests.
Economic Uncertainty	The global economic environment is affected by a combination of factors, financial markets are volatile, and future developments or impacts are difficult to be predicted or mitigated based on experience and existing economic models.	<ul style="list-style-type: none"> The volatile financial markets caused the volatility of financial assets gain/loss and the increase of risk, which affected the financial stability and operational risk of the enterprise. Under the influence of a series of sudden events around the world, unusual market volatility may cause losses to the trading positions of the Bank's financial assets or credit accounts and increased default rate. 	<p>【Countermeasures and monitoring mechanism】</p> <ul style="list-style-type: none"> Conduct inventory taking of credit accounts that might be impacted by the incident and the response of the loss, conduct post-loan periodic visits, track and review its operation, financial, credit and solvency conditions and so on to implement the post-lending management. Monitor the global financial market situation and other uncertain risk changes on a daily basis, adjust investment, credit and pricing strategies according to market dynamics, and monthly report the Bank's operating overview to the managing Board of Directors and the Asset and Liability Management Committee in order to track the execution of its operating objectives. Set up a concentration limit control for each industry in the portfolio to reduce potential impact and risk caused by contingencies; set up risk-weighted asset exposure limit; diversify the industry and region of investment portfolio in order to avoid asset bubble liquidity risk. Confirm the customer's balance of credit before trading derivative financial instruments with the customer, and reserve rooms for market valuation loss in advance to prevent the customer from reaching the threshold of stop loss or default. The Bank implements credit rating and review operation in accordance with the Five Ps Principles, comprehensively and continuously controls the changes in credit risk by combining the post-loan negative information notification of credit customers, regular credit check and physical review mechanism. <p>【Opportunities】</p> <ul style="list-style-type: none"> Referring to the domestic and foreign economic and financial situation/industry analysis reports regularly submitted by the Bank, the Bank plans product categories and directions according to the industries or customers that are expected to be affected or benefited, and dynamically adjusts the content of products according to the implementation status, so as to take hold of the trending business opportunities. The overseas business will focus on industries driven and guided by governments, such as infrastructure, amenities and ESG-related industries, to enhance business development.

Risk categories	Risk description	Impact or influence on the Bank's operations	Countermeasures and monitoring mechanism (potential opportunities included)
Climate Change	The aggravation of extreme climate events has resulted in severe natural disasters, loss of biodiversity, and the failure of human beings to successfully mitigate climate change, impacting human beings' living environment and leading to daunting social and economic problems.	<ul style="list-style-type: none"> Extreme weather patterns have led to an increase in the Bank's water and electricity costs, and natural disasters may result in an increase in the Bank's cost of repairing damaged assets and equipment and the cost of business continuity and a decrease in workforce productivity. Climate risk events may cause the value of the Bank's real estate collateral to decline, or the price of investment targets to fluctuate, affecting the Bank's claims and profits and losses. Extreme climate change has caused a readjustment to the global economic structure in terms of industrial demand and competitiveness, which in turn affects investment strategies and portfolios. If the Bank finance to customers who have a negative impact on the environment, or fails to respond to international trends of sustainable operations, it will affect the Bank's goodwill. 	<p>[Countermeasures and monitoring mechanism]</p> <ul style="list-style-type: none"> Enhance the protection of physical assets and equipment, reinforce the emergency response mechanism, implement energy conservation measures, and reduce the environmental load. Adopt TCFD to assess risks and opportunities and develop strategies and goals to enhance adaptability to climate-related risks. Identify high-risk industries that are easily affected by extreme weather every year, enhance risk impact assessments in credit investigation and post-loan management, and take measures to diversify risks when necessary, while avoiding excessive concentration of loans and collateral in specific industries. The Bank sets credit and investment limits for industries with high greenhouse gas emissions and independently manages the total amount of investment and financing, while following up on the operations and profits of the businesses invested in all the time to evaluate the quantity of positions held. Overseas branches have formulated policies and procedures for responding to climate change in compliance with the regulations of the local competent authorities. <p>[Opportunities]</p> <ul style="list-style-type: none"> We observe climate change and analyze affected industries, adjust product marketing strategies in a timely manner, actively seize financing opportunities in the green energy industry, and continue to adopt the Equator Principles for the financing review process, while increasing the investment amount and quantity of green or sustainable development bonds and ESG-related bonds, allocating assets appropriately, and actively planning for the issuance of ESG green bonds. We have implemented an electronic insurance policy project to provide paperless mobile insurance application and mobile payment services, to strive to reduce paper consumption. The commercial fire insurance sold by the Bank as an agency can go with multiple types of insurance policies depending on the characteristics of each industry, such as earthquake insurance or typhoon and flood insurance, to strengthen the protection of enterprises when faced with natural disasters.

1.6.6 Intellectual Property Management

The Bank's 2022 intellectual property management plan has been submitted to and approved by the intellectual property management review meeting, the Sustainable Development Committee, and the Board of Directors. It basically continues the work in the 2021 intellectual property plan, with only some items adjusted as per the actual implementation. It is an important plan for the Bank to implement tasks related to intellectual property management.

Organization Chart of CHB IP Management



Policy

- The Bank shall precipitate its IP management to meet several requirements such as achievement of sustainable development goals, combination with FinTech development, promotion of R&D efficiency and support for social development.
- The Bank shall ensure its IP management systems formed follow a “Plan-Do-Check-Act, PDCA” management cycle.
- The Bank shall value and actively manage its own IPs, and respect IP of others.
- The Bank shall obey relevant IP laws, internal rules and contract terms.
- The Bank shall take relevant measures to protect its own rights when IP infringement occurred or someone claims IP infringement caused by the Bank.

Goals

- **Short Term Goals (2020~2021)**
 - I Plan for promoting IP management system of the Bank.
 - II Certified by Taiwan Intellectual Property Management System (TIPS) to get A class certificate.
 - III Keep sustaining IPs and obtaining business related trademarks and patents for the Bank.
- **Mid Term Goals (2022 continued~2024)**
 - I Strengthen education and training to promote IP concept of staff of the Bank and build necessary human resource capacity.
 - II Reward for R&D to build IP portfolio and robust development of FinTech competitiveness for the Bank.
 - III Coupling with needs of digital transformation of the Bank and seeking chances for cooperation with competitors in same industry or different industries.
- **Long Term Goals (2025~)**
 - I Complete digital transformation of the Bank to provide the best experience of having financial services to customers.
 - II Through financing or reinvestment to foster FinTech related industries and discharge corporate social responsibility of the Bank well.

Optimized the formation of management system

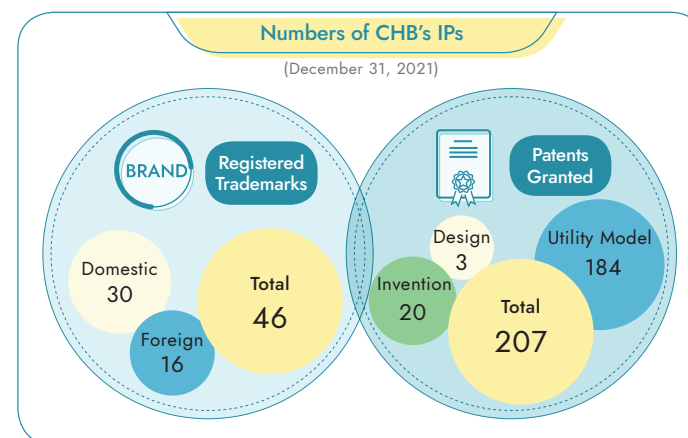
- I Formulated the Bank's trademark management operating rules, intellectual property management manual, intellectual property document management procedures, external intellectual property document management procedures, and internal audit procedures for intellectual property management as the basis for the Bank's trademark management procedures.
- II Applied for Class A certification of Taiwan Intellectual Property Management System (TIPS).
- III Established a section dedicated to intellectual property management on the internal website to compile information, including applicable regulations on intellectual property management, TIPS regulatory documents, internal regulatory documents, news periodicals, and internal communication channels (contact directory), for all employees to refer to.

Results

Building IP professionals capacity

- I Participated in the 2021 Intellectual Property Hierarchical Management Training-TIPS (Class A) Course: System Implementation, which was organized by the Institute for Information Industry, Industrial Development Bureau, Ministry of Economic Affairs, and one person has completed the training.
- II Appointed professional consultants to assist with the implementation of a qualified intellectual property management system. In 2021, the Bank offered three intellectual property education and training sessions - one for responsible personnel (physical) and two for all employees (online).

IP portfolio



Assistance for fostering new ventures

The Bank approved a total of two loan cases in 2021 in a total loan amount of NT\$4 million in respect of the value-added technology financing in the Technology and Financing Linkage Platform Program initiated by the Bank in conjunction with the Industrial Technology Research Institute and the Small and Medium Enterprise Credit Guarantee Fund of Taiwan.

Important Achievements

To strengthen the Bank's intellectual property management system, we applied for Class A certification of Taiwan Intellectual Property Management System (TIPS) for the first time in September 2021 and successfully passed the Class A certification of TIPS in December 2021 after a written review and submission of supplementary documents. On January 24, 2022, Executive Vice President Bin Chen, the representative of the Bank's intellectual property management, attended the 2022 TIPS Certificate Awarding and Enhanced Corporate Governance and Intellectual Property Management Effect Seminar to receive the certificate from Chou, Chung-Pin, Chief Secretary, Industrial Development Bureau, Ministry of Economic Affairs. This has recognized the fact that the Bank has worked to adopt an institutionalized management model for intellectual property management.

1.6.7 Countermeasures against COVID-19

1.6.7.1 Precautionary Measures

The Bank has stipulated “Chang Hwa Bank Business Continuity Plan (BCP)” and “Chang Hwa Bank Directions of Emergency Response Measures for Compulsory Collective Isolation Responding to Epidemics,” in case the event of a major outbreak, various business activities can continue to operate normally. As for the COVID-19 pandemic, the Bank has formed “Chang Hwa Bank Pandemic Prevention Program Responsible Team in Response to COVID-19” led by the President. We engaged a Chief Anti-pandemic Officer at the executive vice president level in 2022 in response to the COVID-19 pandemic, who should adjust various anti-pandemic prevention measures in a flexible and real-time manner as per the information released by the Central Epidemic Command Center to reduce the risk of infection among employees. The relevant countermeasures are as follows:

- 1 Employees shall wear masks and take body temperature daily to self-manage their own health, while dedicated personnel are appointed to monitor the online system of “Employee Daily Attendance and COVID-19 Notification Daily Report.” If there are any abnormal health conditions, the personnel will learn about and track the situation immediately, while providing assistances related to precautionary assistance.
- 2 We required all units to reinforce the management of cleaning and disinfection of the office environment and established a list of licensed disinfection companies in advance, to facilitate real-time communication in case of emergency. All units appoint professional licensed suppliers to disinfect and clean the office environment regularly (at least once every three months), and clean the public areas of the workplace at any time (at least 3 times a day), use alcohol or bleach to wipe the surfaces of objects that frequently touched by hands, and keep records accordingly for future reference.
- 3 We required all units to have the ventilation systems maintained and cleaned once a year, the cabinet vents and filters cleaned every six months, and the air-conditioning cooling towers cleaned every three months, with records kept.
- 4 To reduce direct contact among employees, the Bank’s Beitou Guest House, Hairdressing Department, and Laundry Department have temporarily suspended services, diverted elevator traffic, and controlled the building’s fire exits to maintain “exit-only.” Visitors or people with abnormal health are prohibited from entering the building, and a document exchange area is set up to avoid mutual communication between people on different floors.
- 5 The employee cafeteria is closed and buffet is not provided. The employee cafeteria shall serve meals in the form of lunch boxes through reservation, and announcements are made to call for employees not to dine out as much as possible to reduce the risk of infection during dining. When the pandemic slowed down, our employee restaurant resumed serving meals in a cafeteria style. The Bank set

up partitions in the dining area and provided alcohol for employees to use, while urging caterers to enhance environmental cleaning and keep records. Such records would be randomly inspected by the General Affairs Department. We distributed plastic gloves in the restaurant at noon for employees to wear while taking food to avoid hands as a source of cross infection.

- 6 We reinforced the management and control of construction personnel, and required construction personnel to fill out the anti-pandemic measure checklist as required every day to prevent employees’ infection due to construction personnel.
- 7 We required all units to prepare sufficient anti-pandemic supplies (such as masks, gloves, alcohol, and bleach) in case of emergency and provided a budget of NT\$1,000 per person for anti-pandemic supplies to each unit.
- 8 Employees are encouraged to be fully vaccinated to reduce the risk of infection.

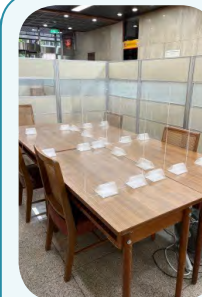
1.6.7.2 Business Continuity

- 1 From February 1 to March 14 and May 17 to October 17, 2021, the Bank adopted the mechanisms of “remote backup” and “backup on different floors in the same building” to maintain normal business operations.
- 2 **File backup management**
Each unit backs up relevant computer files, reports, and official documents through scanning or storage device distributed by the Bank according to business needs so that employees can continue their business when working on different floors or in different places to maintain the normal business operations.
- 3 **Backup operation**
Each unit specifies the task allocation, operating procedures, and methods of operation for personnel of each section or team it manages when working on different floors or in different places, to ensure the normal operation of various business activities during Backup operation.
- 4 **Emergency contact details**
Each unit establishes LINE groups, saves relevant personnel’s mobile phone number, e-mail, or other contact information for real-time communication to reduce the risk of cross infection due to physical contact.
- 5 When personnel work from home for specific reasons and are isolated at home, if they need to open a VPN or VDI account and connect to the Bank’s internal website, report management system, email, and other systems, will refer to the “VPN & VDI management regulation.”
- 6 The Bank signed an Employee Rapid Test Agreement with a contracted medical institution for immediate tests if necessary.

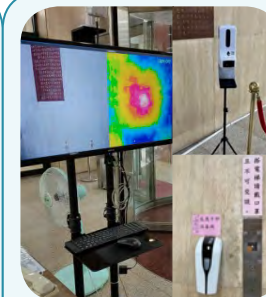
COVID-19 Confirmed Case Notification Mechanism



Warning sign, elevator diversion, elevator capacity control and antibacterial copper protective patch



Visitor control and partition protection



Access control by body temperature and disinfection

1.7 Responsible Finance

1.7.1 Responsible Investment



Policy and Purpose	To comply with the "Stewardship Principles for Institutional Investors" and enhance the overall interests of funding contributors (including clients, beneficiaries, and shareholders of the Bank, hereinafter referred to as "funding contributors"), the Bank has formulated the Chang Hwa Bank Stewardship Principles.
Responsibilities and Duties	The Bank has formulated the "Chang Hwa Bank Stewardship Principles," which cover the implementation and disclosure of the responsibilities towards funding contributors and stewardship regulations, and incorporated ESG issues into the investment evaluation process to fulfill the responsibilities for stewardship and to create long-term investment value.
Resources	<ul style="list-style-type: none"> ■ We have managed to prevent conflicts of interest through the implementation of education, division of responsibilities, and information control. ■ Before the Bank is to vote at the shareholders' meeting of an investee, it shall be reviewed by the responsible unit. To respect investees' expertise and promote their effective development, the Bank, in principle, support proposals made by their management for shareholders' meetings. However, the Bank does not support proposals that undermine the Bank's and funding contributors' interests, proposals that violate corporate governance and hinder investees' sustainable development, and those with a negative impact on the environment or society.

Substantial Activities	The Bank continues to pay attention to investees' operations, particularly their relevant news reports, business strategies, operating conditions, financial position, industry trends, environmental protection, social responsibility, labor rights, and corporate governance issues, while focusing on, analyzing, and evaluating their risks and opportunities related to ESG issues to understand their sustainable development strategies.
Assessment Mechanisms	The Bank discloses the implementation of stewardship on the Bank's official website on a regular basis, including the statement of compliance with the "Stewardship Principles for Institutional Investors," interaction with investees, participation in voting at shareholders' meetings, and other material matters.
Results	<ul style="list-style-type: none"> In 2021, the Bank invested in 42 domestic publicly listed companies, and 26 of them were selected as constituent stocks of the Dow Jones Sustainability Index (DJSI) and the FTSE4Good TIP Taiwan ESG Index, and our investment in said companies accounted for approximately 74.38%. In 2021, the Bank interacted with our investees mainly through participation in their shareholders' meetings and investor conferences. We participated in a total of investees' 71 shareholders' meetings and 56 investor conferences. According to the annual corporate governance evaluation levels published by Taiwan Depository & Clearing Corporation refer to Taiwan Stock Exchange and the Taipei Exchange, the Bank scored 91.86 points in 2021, which was higher than the average score of 86.62 points.



CHB
Stewardship

ESG Investment

- To assist companies in completing green investment projects, facilitating the development of green energy industries, and improving environmental quality, the Bank actively invests in green industries. The investment projects include climate, environmental protection, energy conservation, and carbon reduction. By the end of 2021, the balance of the Bank's investment in equity and bonds in green industries was NT\$9.173 billion.
- To assist enterprises in implementing sustainable development, to support their sustainable transformation, and follow the sustainable development trend in the international market, the total balance of the Bank's investment in sustainability bonds and social bonds as of the end of 2021 was NT\$2.3 billion.
- As of December 31, 2021, the balance of the Bank's cumulative investment in ESG equity and bonds was NT\$11.473 billion, an increase of NT\$4.5 billion from the end of 2020.

1.7.2 Equator Principles (EPs) SASB : FN-CB-410a.2

<div> Prior Review </div> <p>The Bank has assumed environmental and social responsibilities to some extent in accordance with the spirit of the Equator Principles since August 2017 and has expanded the scope of application of loan review cases from companies with a loan amount of more than US\$10 million or more or the equivalent in NTD to all companies. That is, when handle all corporate loan applications, the Bank will go to the website of the competent authority to inquire whether the applicant company has a violation record of related regulations of human rights, labor rights, environmental protection, food safety, etc as one of the review factors for loan granting.</p>	
<div> Post-loan Management </div> <p>After extension of the Bank's corporate loans, if any company obligor gets punished by the competent authority for violation of human rights, labor rights, environmental protection or food safety, etc., it shall be examined and assessed according to the Bank's "Corporate Customers Early Warning Evaluation Procedure." In order to implement the spirit of Equator Principles, the Bank shall adjust loan conditions according the circumstances of the cases.</p>	<div> Implementation Status </div> <p>The Bank had 29,850 corporate credit applications in 2021. After evaluation, 1,119 violated the Equator Principles, accounting for 3.75%. The Bank agreed to approve 1,111 cases on the premise that the borrowers had improved or promised to improve, and conditionally approved another 190 cases.</p>

Actual Case

For the purpose of operations and material purchase, the borrower ○○ Co., Ltd. planned to apply for a loan from the Bank, but it has been punished by the competent authority for violating Article 27, subparagraph 2 of the Waste Disposal Act during the past year, thus violating the Equator Principles. As the Bank regarded that the borrower has actively made improvements since the incident, we participated in its syndicated loan case after a comprehensive evaluation.

Signed Up to the EPs

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.

The Bank is committed to the compliance with the EPs and has incorporated the environmental and social risk management into the credit review process of project financing and established relevant control mechanisms and processes in response, in the hope of motivating and guiding corporate clients to reinforce their ESG efforts to reduce the operational risks from climate change, to duly implement environmental protection and social care and establish a more comprehensive and complete risk management mechanism.

1.8 Tax Governance GRI : 207-1

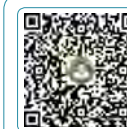
In order to respond to the international trend of tax governance and to comply with the tax laws and regulations, the 《Chang Hwa Commercial Bank Co., Ltd. Tax Governance Policy》 has been approved by the 17th meeting of the 26th Board of Directors (Amended by the 26th meeting of the 26th Board of Directors in 2022). 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 Finance Management Division is the tax administration unit of the Bank and reports on tax matters in accordance with its authority and responsibilities, and non-periodically to the Board of Directors, depending on the significance of tax issues.

The application of tax strategies and the management of tax costs should comply with the principles of sound operation and honest taxation in order to reduce tax risks, enhance corporate value, and fulfill social responsibilities. The Bank shall implement tax governance in accordance with the following policies:

Compliance with Laws and Regulations	Understand and comply with the tax regulations and legislative intent and spirit of each operation location and country we operate, file tax returns and pay taxes in good faith.
Risk Control	Identify potential tax risks and formulate countermeasures through advance tax assessment.
Economic Substance	Do not use tax structures that are intended to avoid taxes, and do not shift profits to low-tax countries or use tax havens to avoid taxes.
Transfer Pricing	Related party transactions should implement the commercial substance principle, arm's-length principle, and tax compliance principle. Related party transactions shall be in accord with rational commercial purpose with the transfer price reflecting economic reality and transfer pricing norms of local tax regulations, so as to fulfill tax obligations in the jurisdictions where value is created.
Transparency of Information	Comply with financial reporting standards and the regulations of competent authorities to regularly disclose tax information and strengthen the transparency of tax information.
Integrity and Communication	To communicate with the tax authorities in the place of operation in an honest manner and to maintain a good and harmonious relationship.
Professional Development	Continue to strengthen the professional functions of our tax professionals and nurture talents.

Tax Governance Policy

The Bank is committed to the compliance with the tax laws and regulations in regions where our operating sites are located and the international taxation standards, while calculating taxes, filing tax returns, and paying taxes in accordance with the law, to achieve the goal of sustainable development.



Chang Hwa
Commercial
Bank Co., Ltd.
Tax Governance
Policy

Report by country

Chang Hwa Bank Group's 2021 global net income, earnings before tax, and income tax payment in all tax jurisdictions:

Unit: 100 Million NTD, %

Country of operation	The number of employees	Net Income		Earnings before tax		Current income tax		Income tax Paid	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Taiwan	6,463	260.50	90.81%	89.27	88.21%	12.41	94.24%	10.74	80.07%
USA	36	7.01	2.44%	8.68	8.57%	-0.24	-1.79%	0.11	0.85%
Mainland China	183	6.88	2.40%	1.54	1.53%	0.04	0.28%	0.44	3.25%
Hong Kong	43	4.26	1.48%	-2.94	-2.91%	0.02	0.13%	1.26	9.37%
United Kingdom	15	3.28	1.14%	2.26	2.23%	0.43	3.27%	0.17	1.30%
Singapore	21	2.26	0.79%	0.70	0.69%	0.10	0.77%	0.12	0.92%
Japan	14	2.20	0.77%	1.70	1.68%	0.35	2.65%	0.51	3.82%
Other	18	0.46	0.16%	0.00	0.00%	0.06	0.44%	0.06	0.43%
Total	6,793	286.86	100.00%	101.20	100.00%	13.17	100.00%	13.42	100.00%

Income tax analysis

Unit: 100 Million NTD,%

Item	2021		2020	
	Amount	Effective tax rates	Amount	Effective tax rates
Profit before tax	101.20		83.11	
Income tax expense	13.17	13.01%	12.70	15.28%
Income tax Paid	13.42	13.26%	8.37	10.08%



Social Aspect

Responsible Finance

The Bank puts emphasis on the development of green finance and innovative finance, protects financial consumers' rights and interests, treats financial consumers in a fair and reasonable manner, provides high-quality financial service, and promotes inclusive financing, ensures the integrity, transparency, and security of product and service information.

Employee Care

The Bank also implements the principle of "right person in the right place," pays attention to education and training and diversified development, improves the salary system and benefit measures, and provides a healthy work environment, while establishing positive communication channels, and promoting the implementation of human rights policies.

Social Inclusion




Adhering to the concept of "giving back what it has taken from society," the Bank actively gives back to the public by taking practical actions to implement social care, to support vulnerable groups, to participate in emergency relief, to promote community development, sports and art.





2.1 Information Security and Personal Information Protection GRI: 418-1



Emerging technology developments have increased the flexibility and diversity of access to information and made it more difficult to protect against cybercrime incidents (such as ransomware, credential stuffing, and so on). Information security and personal data protection are facing serious challenges. The Bank has continued to strengthen its information security protection capabilities and emergency response resilience, comply with internal and external specifications, improve internal information security and personal data protection awareness. The Bank has appointed the Chief Information Security Officer to lead the promotion of information security policy and resource allocation, and shape the complete security protection mechanism from the inside out. The above actions not only performed duty of care by a good enterprise, protected customer rights and interests and safe operation, but also prevented the operation service interruption, information security incidents, or personal data security incidents that may result in financial losses and reputational damage.

➤ One case of data breaches was identified at the Bank in 2021 and 1/1 (1 case) involved personally identifiable information which affected 1 customer and we handled the matter prudently at the first moment and completed it within a day, after which it actively implemented the relevant improvement measures to prevent the recurrence of incidents affecting data security and the rights and interests of customers. (See chapter 2.1.2 for details)

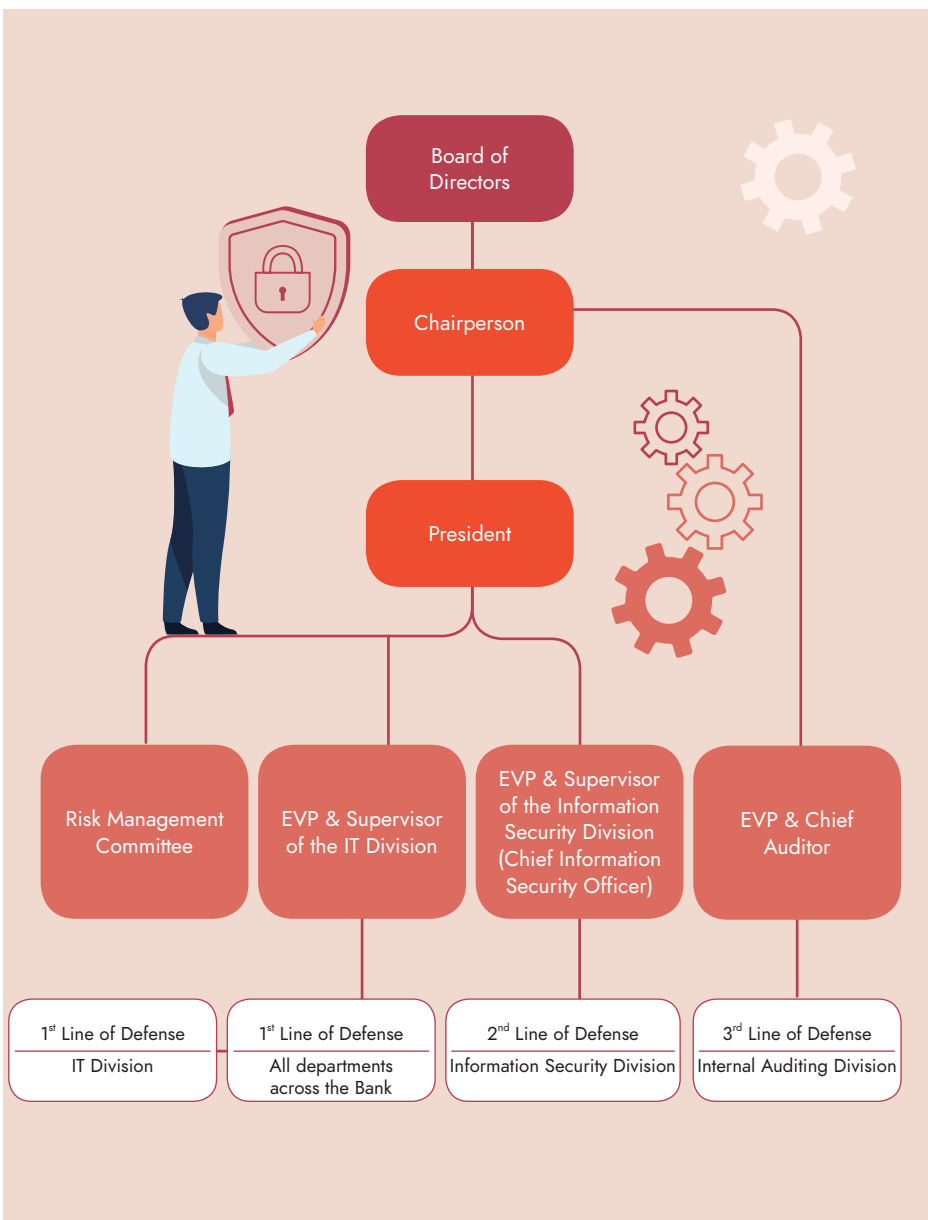
2.1.1 Information Security Mechanism SASB:FN-CB-230a.1 .FN-CB-230a.2

Item	Description
 Policy	The Bank's information security policy has been established to enhance information security management; ensure confidentiality, integrity and availability of information; maintain the reliability of information equipment (including computer software and hardware, and peripheral devices) and network systems; strengthen employee awareness towards information security; and prevent the abovementioned resources from being interfered with, disrupted, or trespassed by any means, avoiding any detrimental conduct and attempt.
 Commitment	The Bank provides customers with high quality system service and protect their rights and interests.
 Goals and Targets	Ensure the legally authorized access to the Bank's complete and reliable information of system operation can be provided when confronting any internal or external threats, ensuring business processes in the normal operation status. In the case of occurrence of an accident, rapid and necessary response measures shall be taken to reduce the possible damage of accidents.







Item	Description
 Responsibilities and Duties	<ul style="list-style-type: none"> In order to effectively implement internal control of information security, the Bank has adopted a management framework with three lines of defense: The first line of defense consists in the implementation of information security operations by all units and IT Division across the Bank. The second line of defense consists in the monitoring and management of the implementation status of the information security policy and its derived information security risks by the Information Security Division. The third line of defense consists in inspections by the Internal Auditing Division. Set up Vice President level Chief Information Security Officer who coordinates the implementation of information security policy and arrangement of resources. Set up information security manager who is responsible for monitoring and implementing information security policy, coordinating and promoting information security management activity. The manager reports the overall information security execution and management to the Board of Directors every year. The information security policy is reviewed regularly every year and implemented after approval by the Board of Directors.
 Resources	The Bank procures information security protection and monitoring equipment to strengthen its security protection mechanism and capabilities.
 Complaint Mechanism	An information security incident can be reported through the "Information Security Incidents Reporting Management System" while internal communication and handling can be conducted through email or by phone at regular times.
 Substantial Activities	<ul style="list-style-type: none"> In response to new information security issues that may arise due to changes brought by new technologies, new products and business processes change, the Bank continues to use the PDCA management cycle to promote the information security management system, business continuity management system and personal information management system annually. Through information security, business continuity management and personal information management procedures and operations, we ensure that our information security system meets the availability, integrity and confidentiality requirements, so as to refine our information system risk control. The Bank holds information security promotion training courses for all employees every year to strengthen employees' awareness toward information security. As for the notification of and response to information security incidents, we notify responsible units based on the different conditions and severity of bank-wide information security incidents in accordance with the "Chang Hwa Bank Information Security Incident Reporting Management Implementation Rules," the "Chang Hwa Bank Emergency Reporting Operation Guidelines," and the "Chang Hwa Bank Major Incident Response Procedures." The IT and Information Security Divisions need to eliminate and resolve information security incidents within the target processing time, follow up on the incidents, review improvement plans, and put forth preventive measures to prevent such incidents from recurring.




Item	Description
	<ul style="list-style-type: none"> We have established a protection and monitoring mechanism through the joint operation of multi-layer information security equipment. For example, under the network architecture are internal and external firewalls, intrusion detection and defense systems, and a traffic monitoring mechanism at important nodes. We have also established an antivirus software system and an endpoint detection and response (EDR), a mail protection system, and a data leakage protection system, and an online behavior control system. Meanwhile, we have introduced a privileged account management system to protect the highest access permission. We seek suspicious network activities through the information security log and the information equipment logs on an incident management system. We conduct various information security inspections, test and system backup drills regularly to respond to Distributed Denial-of-Service (DDoS), Advanced Persistent Threats (APT), ransomware, and social engineering attacks. Information security incident notification and information sharing are carried out through the Financial Information Sharing and Analysis Center (F-ISAC), and we send information security warnings to the Financial Security Operation Center (F-SOC) for a correlation analysis to improve the effectiveness of information security joint defense.
 <p>Assessment Mechanism</p>	<ul style="list-style-type: none"> The Bank confirms its information security management system, business continuity management system and personal information management system to comply with international standards through external audits and verifications yearly, and evaluates the effectiveness of its management system implementation and employees' implementation of information security. The Bank confirms if any vulnerabilities exist in its information system through information security inspection to early detect and repair them, while regularly conducting backup exercises for important information systems to maintain high quality of information system services.
 <p>Results</p>	<ul style="list-style-type: none"> The Bank did not have any incident related to the information equipment (including hardware, software, and related facilities) and the network system in 2021. The Bank has passed ISO 27001:2013 Information Security Management System, ISO 22301:2012 Business Continuity Management System, and BS 10012:2017 Personal Information Management System. In 2021, a total of 6,304 employees (including those in overseas branches and excluding manual workers and drivers) received information security awareness training in Chinese and English. The Bank announces information security information on the bulletin board of the internal website from time to time to strengthen domestic and overseas employees' awareness of information security. The Bank conducts social engineering drills every quarter, with the content covering Chinese and English emails to increase employees' alertness and to reduce the chance of social engineering attacks. All of the Bank's Mobile Apps (app) have obtained Industrial Development Bureau qualification certificates and Mobile Application Security (MAS) certificates.

Information Security Internal Control Management Framework

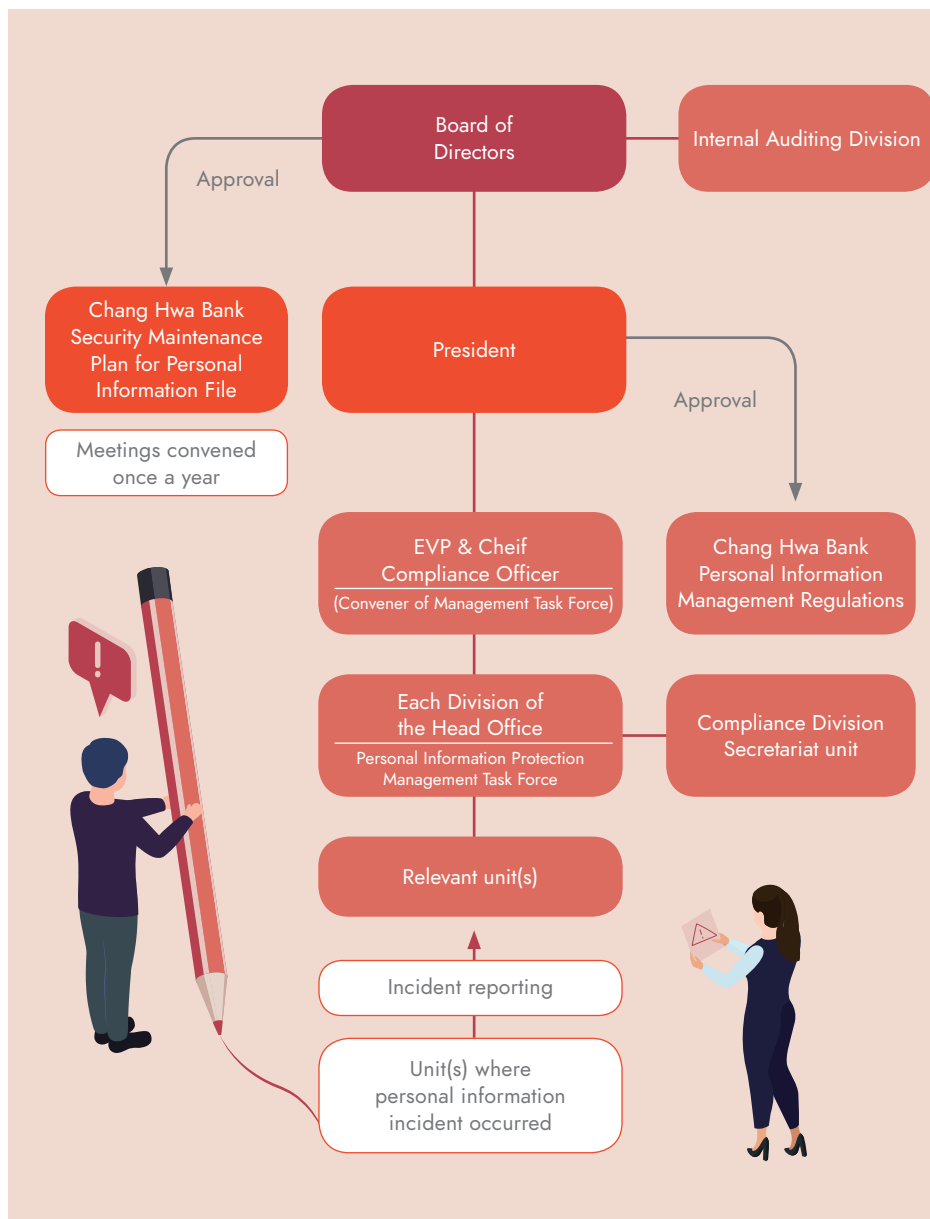


2.1.2 Personal Information Protection

Item	Description
 Policy	The Bank complies with the "Personal Data Protection Act," and has established its "Personal Information Management Regulations," and "Security Maintenance Plan for Personal Information File," and "General Data Protection Regulation (GDPR)," with the purpose of protecting the security of customers' and employees' personal Information.
 Commitment	The Bank ensures that the execution of its various business activities complies with the Personal Data Protection Act, and protects the rights of the parties involved to avoid personal information security incidents.
 Goals and Targets	The Bank effectively manages its personal information through its personal information file security maintenance and management system.
 Responsibilities and Duties	The Bank has established a personal information management system, and each unit of the Bank has engaged 4 dedicated employees to serve as personal data execution coordinator, while ensuring the effective management of personal information through the promotion, education, and training.
 Resources	The Bank has formulated its "Personal Information Management Regulations" for the Bank to comply with so as to implement the protection of personal information, while conducting self-assessment regularly to inspect the status of the implementation of personal information.
 Complaint Mechanism	In the event of a personal data security incident, the personal data execution coordinator in the unit in which the incident occurred shall notify the relevant units through the "Personal Data Security Incident Report Form".





Item	Description
 Substantial Activities	The Bank has set up a Personal Information Protection Management Task Force to review the operation of the Bank's personal information management system and relevant operations to ensure that the execution of each business in compliance with the Personal Data Protection Act and other regulations.
 Assessment Mechanism	<ul style="list-style-type: none"> Each Division of the head office conducts self-assessment and submits a self-assessment report regularly. The Bank commissions a professional accounting firm to handle ad-hoc audit of the personal information protection mechanism.
 Results	<ul style="list-style-type: none"> The Bank had 1 personal information security incident in 2021(affected 1 customer / 1 processing day). In addition to strengthening education and training, modifying relevant forms with personal data protection warning messages, and reminding responsible personnel to pay attention, the Bank also sent a letter to all employees reiterating the handling and implementation of the Personal Data Protection Act to ensure the confidentiality of personal data. The self-assessment report was submitted to the 79th meeting of the 26th Board of Managing Directors. The Bank reported to the 25th meeting of the 26th Board of Directors on the ad-hoc audit results of the 2021 personal information protection mechanism and independent auditor's report on applying agreed-upon procedures while submitting the said matters to the FSC for review. The Bank held a digital course on the promotion and guidelines for the personal information management system in 2021, with a total of 6,345 participants. Through the establishment of personal information infringement cases and the promotion of key points of personal information protection, employees were fully informed of the relevant legal requirements to comply with the personal information management regulations.

Implementation Procedure of the Bank's Personal Information Protection





2.2 Safeguarding Customer Rights and Interests GRI: 2-6, 417-1, 417-2, 417-3, FS15

The Bank attaches importance to fair hospitality and has set up the "Treat Customers Fairly Facilitating Committee" (approved by the 26th Board of Directors at its 23rd meeting on February 22, 2022), which is chaired by the President and is composed of Vice President, CISO and Chief Compliance Officer. Through the coordination of high-level management across departments, the Bank will enhance all employees' awareness of financial consumer protection and the compliance of the Principle to Treat Clients Fairly, which will help reduce cost of non-compliance and increase customer confidence in the Bank's financial services.

Item	Description
 Policy	The Bank has formulated the "CHB Principle to Treat Clients Fairly," "CHB Policies to Protect Financial Consumers," "CHB Guidelines of Protecting Financial Consumers," "CHB Consumer Complaint Handling Guidelines." The Bank has also requested all its personnel by circular letter to follow and put the above mentioned guidelines and policies into practice when providing financial products and services to customers so as to strengthen the consumers' interests and rights.
 Commitment	<ul style="list-style-type: none"> The Bank enters into a contract for providing products or services with customers based on the principles of fairness, reciprocity, and integrity, and fully explains the important contents of products, services, and contracts while disclosing the risks. The Bank properly responds to suggestions from customers or disputes arising from financial products or services provided by the Bank.
 Goals and Targets	<ul style="list-style-type: none"> The Bank has formulated the regulations, code of conduct, and anti-fraud measures for relevant operations, takes strict protection measures for customer's information, and carefully reviews the products and services to implement risk control. The Bank conducts education and training of Principle to Treat Clients Fairly regularly, enhance personnel's professionalism so as to improve customer satisfaction.
 Responsibilities and Duties	<ul style="list-style-type: none"> The Bank complies with the Financial Consumer Protection Act and relevant regulations as well as Principles for Principles for Financial Service Industries to Treat Clients Fairly. The Bank has established a consumer dispute handling system and set up complaint channels for financial consumption disputes to properly handle them within specified period and inform the financial consumers who filed complaints with the handling results.



Item	Description
 Resources	<ul style="list-style-type: none"> With the Principle to Treat Clients Fairly has been incorporated into the audit and inspection items. The relevant deficiencies are compiled regularly for the business management unit to discuss improvement measures. The Bank collects and understands the relevant regulations and international standards that should be followed for the products and services the Bank provides and sells, and continues to conduct employee training to improve the customer service experience. Prior to their initial sale, financial products and wealth management products shall be reviewed and approved before launched for sale.
 Complaint Mechanism	<p>The Bank has set up customer complaint channels, including a customer service hotline or mailbox of customer service center of official website.</p>
 Substantial Activities	<ul style="list-style-type: none"> When providing financial products or services to customers, all of the Bank's employees comply with Principles for Financial Service Industries to Treat Clients Fairly to ensure that in the process of providing the financial products or services by the Bank, ranging from design, advertising, sales, contract performance, service consultation and customer complaint handling. During the overall transaction process, customers are all treated fairly in accordance with the regulation of financial consumer protection. 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 operations (KYP). The Bank provides financial products or services in accordance with the principles of fair contracting, integrity, suitability of goods or services, and fair hospitality such as notification and disclosure, and requires financial consultants to comply with the KYC and KYP policies in order to ensure the appropriateness of the goods or services to the customer, in particular for the elderly customer, the important content of the financial products or services should be explained in a language or other way that the customer fully understands, and the risks should be fully disclosed in order to ensure the interests of the customer. In order to proactively implement the principle of fair hospitality and reduce the frequency of customer complaints, the Bank has continuously tracked the changes in the number of cases in financial consumption disputes and regularly reported to the Board of Directors. The Bank will continuously optimize its operating procedures to ensure the effectiveness of customer complaint improvement plans and improve service quality and service efficiency.

Item	Description
	<ul style="list-style-type: none"> In order to maintain the security of customer deposits, when the Bank processes customer deposits, withdrawals or remittances at the counter, the teller shall proactively care about the customer. If the teller determines that there is an abnormality, the teller shall immediately ask questions to prevent the occurrence of a fraud case. Meanwhile, in order to strengthen and safeguard the interests of senior clients, the "Senior Client Domestic and Foreign Currency Transfer Counter Care and Questioning Mechanism" has been established. For a senior client who transfers NT \$1 million equivalent or more to an account not owned by himself, regardless of whether the teller has seen any abnormalities or not, he shall ask relevant questions to ensure the protection of client's rights and interests. The Bank's internal audit unit has followed the spirit of the risk-based internal audit system to set up audit items of financial consumer and fair hospitality principle related activities based on the attributes and dimension of the business management unit and the operating management unit. The items will be audited along with continuous monitoring mechanism in order to focus on risks. Relevant deficiencies will be summarized periodically and provided to business management unit for discussion and improvement in order to implement related activities.
 Assessment Mechanism	<ul style="list-style-type: none"> When the internal audit unit conducts general and ad-hoc inspection, it also conducts an audit of the implementation of the principle of fair hospitality, and annually conducts an assessment and explanation of the internal audit in accordance with the evaluation mechanism of the Principles for Financial Service Industries to Treat Clients Fairly.
 Results	<ul style="list-style-type: none"> The Bank evaluated the FSC's Principle to Treat Clients Fairly in accordance with the principle three lines of defense in internal control, declared the implementation status, and submitted it to the Board of Directors for review and then to FSC for verification, to strengthen the protection of financial consumers' rights and interests. In 2021, there was no non-compliance of marketing communication related regulatory incidents nor non-compliance of the information and labeling of products and services related regulatory incidents. The Internal Auditing Division handled the audit of the implementation of financial consumer protection or Principle to Treat Clients Fairly, carried out 218 general inspections and 529 project inspections in 2021, followed up deficiencies until improvement completion, and compiled the relevant deficiencies to business management units for discussion and improvement to ensure the effective enforcement of laws and regulations.

2.2.1 Customer Size

2.2.1.1 Individual and Small Enterprise Deposit Accounts SASB: FN-CB-000.A

As of December 31, 2021 Unit: NTD million

		Number of accounts	Balance of deposits
 Individual (natural person)	New Taiwan dollar deposit account	7,220,290	1,083,676
	Checking account	172,851	6,929
	Foreign exchange deposit	343,741	109,219
 Small enterprise	New Taiwan dollar deposit account	33,427	47,372
	Checking account	10,177	3,979
	Foreign exchange deposit	4,992	18,560
Total			1,269,735

Note1: The balance of the NTD deposit account/ checking deposit account does not include deposits from public treasury deposits and other financial institutions, and deposits transferred from the post office.

Note2: As accounts, such as omnibus deposit account and digital deposit account, which involve deposits in NTD and other foreign currencies, the number of accounts and balances are included in the data of the NTD deposit account.

Note3: Since the same customer can open multiple accounts, the number of accounts is not equal to the number of the Bank's customers, only the balances are totaled.

2.2.1.2 Individual, Small Enterprise, and Enterprise Borrower SASB: FN-CB-000.B

As of December 31, 2021 Unit: NTD million

	Number of accounts	Average credit balance
Individual (natural person)	144,085	609,837
Enterprise ^(Note)	26,826	878,868
Total	170,911	1,488,705

Note: Among them, 20,003 accounts were small businesses (with capital of less than NT\$30 million) and the balance of loans was NT\$175,177 million.

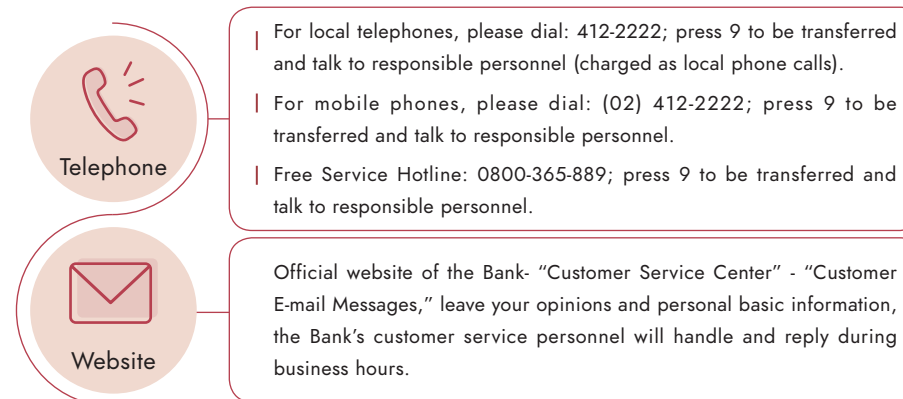
2.2.2 Personal Information Protection

2.2.2.1 Complaint Channels



The complaint channels for handling disputes with respect to financial products or services provided by the Bank are listed in the product contracts; there are also a 24/7 customer service hotline, webpage, e-mail and other open channels to provide customers with consultation services and accept complaints or feedback at any time.

Complaint channels provided by the Bank are as follow:



2.2.2.2 Handling of Customer Complaints

1

Upon receipt of customer complaints, the Bank immediately submits them to the responsible unit for proper handling to protect the rights and interests of financial consumers.

2

In order to reduce the occurrence of financial consumer disputes and improve service quality, the Bank regularly reviews the types and handling status of financial consumer disputes, compiles and analyzes the causes and reasons of consumer disputes. The responsible units develop improvement measures so as to perform review and improvements at all times, and ensure complete protection of the rights and interests of financial consumers.

2.2.3 Customer Satisfaction

Satisfaction toward Digital Banking Services

In order to improve the quality and efficiency of the Bank's digital banking services, and to understand the satisfaction and recommendations of customers with regard to their e-banking experience, we conducted the "Customer Satisfaction Questionnaire Survey," the survey period was from November 15 to December 31, 2021, the questionnaires were distributed to users of the Bank's "Personal e-banking" and "Mobile e-banking App (CHB Mobile Network)," as well as "Corporate e-banking (CHB e-banking)" and "Corporate Mobile Network App." The survey content included the smoothness of e-banking operations, system stability, and overall evaluation, to serve as a reference for the Bank's future planning of e-banking functional improvement and business promotion, and to further increase customers' willingness to use these services.

Survey Results (customers are satisfied* with the overall)

Corporate e-banking and Corporate Mobile Network App **89.64%**

the main functions used in Corporate e-banking

account overview	92.36%
NTD & foreign currency receipt and payment	79.29%

Personal e-banking and CHB Mobile Network **88.38%**

the main functions used in Personal e-banking

NTD demand deposit balance	92.86%
NTD transfer	83.46%
NTD transaction details	83.15%

As some users expressed dissatisfaction with system performance (such as smooth interface operation, transaction processing speed, or convenient account inquiry, the Bank will continue to optimize the online banking system to improve customer experience.

* Includes two kinds of ratings: "Satisfied" and "Very Satisfied".

Satisfaction toward Physical Channel Services

In order to improve the service quality of the Bank, we conducted survey on 185 business units in Taiwan with 2021 as the base year, and the survey period was from January 19 to February 18, 2022. The questionnaires were distributed to all customers engaged in services with the Bank. The 2021 customer satisfaction questionnaire survey was conducted with regard to three major aspects: "financial product satisfaction," "service attitude and professional competence," and "overall service satisfaction."

Survey Results (customers are satisfied* with the overall)

In order to improve the service quality and efficiency of the Bank, in addition to conducting surveys on customers at the counter with hard-copy questionnaires, in response to the advent of the era of digital finance, customers may also participate in the customer satisfaction survey through diversified channels, such as using the Bank's public computers or scanning the QR-Code on the number slips with mobile phones.

According to the analysis of the survey results, the satisfaction with "Service Attitude and Professional Competence" is 91.11%, the highest of all, followed by "Overall Service Satisfaction" (90.18%) and "Financial Products Satisfaction" (88.73%).

* Includes two kinds of ratings: "Satisfied" and "Very Satisfied".

Customer Satisfaction Survey over the Past 3 years.

Item/FY	2021	2020	2019
Financial Product Satisfaction	88.73%	84.89%	95.70%
Service Attitude and Professional Competence	91.11%	87.36%	99.37%
Overall Service Satisfaction	90.18%	86.62%	98.52%

To strengthen the depth and scope of the content of our customer satisfaction survey, the survey of this year provides open-ended questions for customers to provide feedback for improvement. The Bank will immediately review and make improvement towards suggestions made by customers such as increasing money.






Future Outlook



With the principles for fair treatment of customers as the core, the Bank will listen to customers' opinions, continue to promote financial innovation and strengthen digital services, and strive to provide customers with the best financial services, thereby creating a satisfactory and reliable financial brand.





2.3 Innovation and Inclusion of Digital Finance GRI: 203-2

The Bank has long been committed to digital financial innovation and launched the "Bank 4.0" online business. Through incorporation of social media, the Bank provides customers with safe and convenient financial services to contribute to the sustainable development of the environment.

Item	Description
 Policy	The Bank actively develops digital financial services and provides customers with more convenient digital services, continues to expand service channels, provides customers with innovative service models, and integrates customers' interaction history in all channels to optimize service experience and enhance the Bank's competitiveness.
 Commitment	The Bank actively integrates physical and virtual channels based on customers' needs, and creates the best experience of online and mobile banking financial services through social media, customer experience, and other application fields, to deepen relationships with customers.
 Goals and Targets	<ul style="list-style-type: none"> The Bank applies FinTech technology to various financial aspects to build an integrated "financial service in client's life". The Bank adopts big data and artificial intelligence to gain an in-depth understanding of the attributes of overall customers and to provide financial products that meet customers' needs, thereby achieving the goal of precision marketing.
 Responsibilities and Duties	In response to the wave of the digital financial market, the Bank actively develops new products in order to provide customers with a new user experience.
 Resources	<ul style="list-style-type: none"> The Bank develops innovative services through new information technology of financial technology companies. In order to protect professional technology from infringement, the Bank has established a financial patent application process to speed up the acquisition of financial patents. The Bank adopts big data to collect and analyze customer-related information and build an information system according to competent authority's plan.

Item	Description
 <p>Complaint Mechanism</p>	<ul style="list-style-type: none"> The Bank's 24-hour service hotlines are 412-2222 and 0800-365-889; instant online consultation is also available. The "customer messaging" function of the customer service center on the Bank's official website will be responded to by e-mail. The Bank's official website, personal online banking, mobile banking App, or the intelligent customer service of Facebook or LINE official accounts instantly provides services, such as product or event consultation, or inquiry of personalized information, through text conversation.
 <p>Substantial Activities</p>	<ul style="list-style-type: none"> Optimize the digital deposit service, build a "digital deposit sub-site", provide underage account opening service, optimize ID identification system OCR and "increase transaction limit" function for digital deposit accounts. Continuously optimize the on-line banking function, provide convenience in wire transfer for customers, adjust the foreign exchange transaction process of personal on-line banking (including Chang Hwa Bank Mobile Banking App) and add the "Video Personal Identity Verification" service to personal on-line banking pre-designated transfer. Issue "My Go Card" with high cash rewards for on-line purchases and focus on young customers. The card combines with "Digital Deposit" to give additional rewards and will strengthen the Bank's credit card product line and meet the digital financial trends. The Bank issues cardholders' physical copies of written agreements and rights and interests manual in the "QR Code electronic version" to promote energy saving and carbon reduction. Introduced real-time card verification service. When customers apply for credit cards online, the system automatically queries the joint credit rating and related information, and scores the customers through the scorecard. Those who meet the criteria will be granted the credit card automatically and immediately to accelerate the process of card review and granting by automating the operation. Enhance on-line lending services, optimize the process of payroll express loan, provide new automatic wire transfer function, adjusted scorecard, increase loan amount, add identity verification method for on-line contracting, and add identity re-verification mechanism. Implemented intelligent customer support system. Through artificial intelligence language understanding technique, automatically capture the content of knowledge base and provide real-time customer consultation service. The "Internet Phone" function is provided on the Bank's official website, on-line banking, and Chang Hwa Bank Mobile App to quickly resolve customer issues and improve customer experience through direct conversation with on-line customer service staff.

Item	Description
	<ul style="list-style-type: none"> Implement RPA (Robotic Automation Process) system, which is used in anti-money laundering (AML) system. Under the current trend of banking compliance technology, the branch operation process is optimized to improve compliance risk management benefits. In terms of blockchain applications, the Bank provides the electronic bank confirmation service and achieves comprehensive electronization among CPAs, enterprises audited, and the banks, improving the overall operational efficiency and data security.
 <p>Assessment Mechanism</p>	<ul style="list-style-type: none"> Motivate customers to use transaction via electronic channels and with a goal of increasing the number of transactions via electronic channels by 5% from last year. The Bank has actively applied for financial patents, with a goal of filing applications of 40 cases annually.
 <p>Results</p>	<p>As of the end of 2021, compared with 2020:</p> <ul style="list-style-type: none"> the number of transactions via electronic channels increased by 23.33% the number of online banking accounts increased by 12.25% the number of transactions via online banking increased by 3.61% the number of transactions via mobile banking increased by 30%. <p>As of the end of 2021:</p> <ul style="list-style-type: none"> 207 financial patents had been obtained. 87,416 credit cards had been newly issued, which meant that 87,416 written agreements and physical copies of rights and interests manuals have been reduced. intelligent customer service had accumulated 585,194 visits. a total of 7,336 electronic bank confirmation requests had been processed.

2.4 Green Finance and Products GRI: FS7, FS8 SASB: FN-CB-410a.2

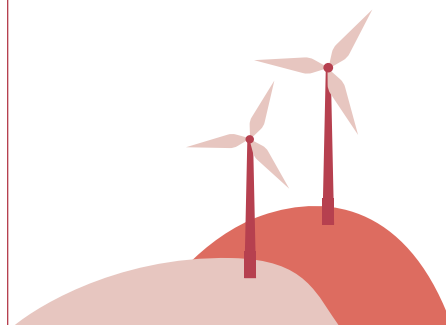
2.4.1 Green Financial Products

Green Financing

- Solar photovoltaic equipment installation project loan
- Machine and equipment upgrade loan
- Low-carbon sustainable home 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

Green Insurance Products

- Solar photovoltaic equipment loan insurance



ESG-related Wealth Management and Insurance Products

Unit: NTD

Product	ESG-related product volume	Total product volume	ESG-related product ratio
Onshore and Offshore Fund	6,613,665,800	100,861,088,849	6.56%
Foreign Bond	2,428,760,494	2,436,555,590	99.68%
ETF	247,811,353	1,468,411,809	16.88%
Investment Linked Product	4,235,973,125	8,370,262,105	50.61%
Total Amount	13,526,210,772	113,136,318,353	11.96%

2.4.2 Assisting in the Development of Green Industries

1

Green Technology Industry Financing

In order to jointly promote the development of our country's green energy technology industry with the government and promote the momentum of industrial innovation and growth, the Bank has assisted the green energy technology industry identified by the competent authority in participating in the procurement project for the Forward-looking Infrastructure Development Program, or provided required capital and working capital to industries related to green energy technology.

Financing for Renewable Energy Power Generation Enterprises

In line with promoting the 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 loans for those that have obtained the approval letter for renewable energy power generation equipment, or the registration letter for renewable energy power generation equipment from the Bureau of Energy, Ministry of Economic Affairs. Among the types of renewable energy, we have achieved relative maturity with regard to solar power generation. The Bank has set up project financing for solar photovoltaic equipment to provide enterprises and the public with the funds required to purchase related solar photovoltaic equipment.

Unit: Million NT\$/account

Items	End of 2021		End of 2020		End of 2019	
	Balance of loan	Number of accounts	Balance of loan	Number of accounts	Balance of loan	Number of accounts
Green technology industry financing	79,322	1,543	70,241	1,285	91,474	1,162
Financing for renewable energy power generation enterprises	3,444	160	3,017	133	3,076	115

2

Low-carbon Sustainable Home Project Loan - Redemption for Large Diesel Vehicle

In cooperation with the Environmental Protection Administration's low-carbon sustainable home project loan, the Bank provides loans for the replacement of large diesel vehicles. As of the end of 2021, the balance of loans was NT\$119 million with 6 accounts (13 loans).

3

Offshore Wind Power Industry Loan

In cooperation with the government's policies of reducing carbon emissions and increasing energy independence, and to fully promote the development of industries related to renewable energy and offshore wind power, the Bank actively assists the businesses in the offshore wind power industry in obtaining necessary funds for development, purchase of equipment, and operations. As per the loans provided to the businesses who have obtained the license for wind farm development projects through the Ministry of Economic Affairs's selection and bidding mechanism in compliance with the Directions for Allocating Installed Capacity of Offshore Wind Potential Zones, the amounts approved in the last three years are as follows:

*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.

Unit: Million NT\$/account

Items	2021		2020		2019	
	Approved amounts	Number of accounts	Approved amounts	Number of accounts	Approved amounts	Number of accounts
Offshore Wind Power Industry Loan	2,189	1	726	1	1,757	2

2.4.3 Credit limit adjustment

In cooperation with the competent authority's Forward-looking Infrastructure Development Program and the Bank's green enterprise loan project, we assist companies participating in the program or engaged in green production and services in obtaining financing funds, and have raised the credit limit for the green energy technology industry that engage in green production as recognized by the competent authority by 1% after approval from the 23rd meeting of the 26th Board of Directors held on February 22, 2022. Furthermore, the Bank lowered the borrowing facilities by 2% for the credit given to and the investment in the high energy-consuming industry to respond to the voluntary reduction mechanism for climate change.

2.5 Financial Inclusion GRI: FS13, FS14

2.5.1 Provision of Various Relief Loans in Line with the Government's Policies

The Bank 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. The implementation has been quite effective.

As of December 31, 2021

Category		Number of applications	Number of applications approved	Approved amount (100 million)	Approval rate(%)
Government relief loans		13,174	13,038	904.87	98.97
The Bank's relief loans	Individual	679	674	75.18	99.26
	Enterprise	3,448	3,424	131.55	99.30
Worker relief loans		30,549	20,564	20.52	67.31

2.5.2 Assistance to Entrepreneurs to Realize Dreams

To assist enterprises and young people in obtaining venture capital, thereby achieving inclusive financial services, the Bank provides relevant loans as follows:

1

Keelung City SME Dream-Come-True Loan: As of the end of 2021, we offered such loans to a total of 20 accounts with the loan balance of NT\$10 million.

2

Micro-Business Startup Phoenix Program: As of the end of 2021, we offered such loans to a total of 79 accounts with the loan balance of NT\$31 million.

3

Loans for Startup Funding for Young Entrepreneurs: As of the end of 2021, we offered such loans to a total of 6,532 accounts with the loan balance of NT\$5,276 million.

2.5.3 Support of SMEs and Community Development Loans SASB: FN-CB-240a.1, FN-CB-240a.2

1 Although the scale of SMEs is relatively small, their business strategies are flexible, and can quickly adapt to the changes and challenges of the external environment. The SMEs account for 98.93% of the business field in our country by the Important SME Statistics in 2020 reported from the Ministry of Economic Affairs the (as per Ministry of Economic Affairs – Important SME Statistics in 2019); thus, they are the Bank's crucial credit clients. Our short-term strategy is to continue to develop the SME client base, enhance the foundation of credit business, and increase the market share of credit business while our long-term strategy is to actively strive for financing opportunities arising from the Three Major Programs for Investment in Taiwan and to support key innovative, creative, and green energy industries to facilitate SMEs' development.

The Bank launched various schemes for SME financing to assist SMEs in obtaining funds. Total amount of accumulated approved loan is NT\$232,377 million during the "Trillion-dollar revitalization project" period (July 2010-June 2021) with cumulative of 5,738 accounts (based on GUI number). Furthermore, as of 2021, the Bank undertook the "Central Bank's accommodation loan project" as follows:

Unit: Million NT\$

	Cumulative Balance		by the end of 2021	
	Number of accounts	Amount	Number of accounts	Amount
Central Bank's accommodation loan project	11,881	28,998	10,380	20,437

Note: The number of accounts is counted by tax ID number.

* As of the end of December 2021, there were zero non-performing loan (including overdue payments) under the trillion-dollar revitalization project in a total amount of NT\$0; 66 non-performing loans (including overdue payments) under the Central Bank's accommodation loan project in a total amount of NT\$69 million.

2 To support the business of Hakka to enhance the service capacity or expand the scale of operation, thereby promote local revitalization and sustainable development, the Hakka Affairs Council has launched the "Hakka Local Revitalization Preferential Loan" policy. The Bank began to provide such loans in February 2019. The situation is as follows:

Unit: Thousand NT\$

End of 2021	Number of accounts	Credit Balance
Hakka Local Revitalization Preferential Loan	7	22,690

* As of the end of December 2021, there were zero non-performing loans (including overdue payments) under the Hakka Local Revitalization Preferential Loan in a total amount of NT\$ 0.

2.5.4 Elderly Care Trust and Children Nurture Trust

1 Elderly Care Trust

In response to the government's promotion of the elderly care trust system, we provide preferential plans for payment upon signing and management fees to the elderly and people with disabilities in applying for the elderly care trust.

The Bank operates the trust business for the elderly and people with disabilities. As of the end of 2021, there were a total of 2,414 valid contracts with a total trust property amount of NT\$964 million. In 2021, we were named the Bank of Excellence in the 2020 "Property Trust for the Elderly and the Disabled Evaluation" by the FSC.



2 Children Nurture Trust

We offered child care trust for customers who intend to plan ahead for the living, education, entrepreneurship, or marriage of their underage children or disabled children. By using our child care trust services, customers prevented their children from being subjected to fund shortage due to any change in family conditions in the future while legally saving the gift tax through giving separately by year.

2.5.5 Provision of Financial-Friendly Services to the Disadvantaged and Specific Groups SASB: FN-CB-240a.3

1 The Bank has set up an "accessible service counter" and a "service bell" at all operating units. All 640 automated teller machines (ATM) of the Bank are compatible with barrier-free models, of which 11 ATMs are for the visually impaired and the Bank has set ATMs in remote areas to provide local people with convenient financial services.

Location	Amount	The number of transactions
Mudan Township, Pingtung County (Mudan Township Office)	1	9,939
Manzhou Township, Pingtung County (Jioupeng Police Station)	1	14,212
Checheng Township, Pingtung County (Checheng Fu'an Temple)	1	18,414
Puyan Township, Changhua County (Hsinshui Service Office)	1	15,457

2 Since January 1, 2017, the Bank has provided people with disabilities with free ATM interbank withdrawal fees three times a month. A total of 934 free interbank withdrawals were offered to 99 people by 2021.

3 The Bank's official website, friendly zone on the online banking platform, and online ATM are all with friendly services adopted in line with the Web Content Accessibility Guidelines 2.0 at the AA level, so that people with disabilities can enjoy a more complete financial transaction environment.

The communication channels provided by the Bank's customer service center include voice services, customer messaging services on the official website, and intelligent customer services for those who are inconvenient to communicate by voice to use according to their needs.

4 To help the elderly obtain stable living funds with their own homes to satisfy their financial needs, the Bank has launched the Chang Hwa Bank Housing Pension Loan since 2019, and provided the loan to 4 accounts with the approved amount of NT\$37 million as of the end of 2021.

5 To be in line with the long-term care policy and enhance the protection to the elderly, the Bank sells long-term care insurance products and aging-related financial friendly service products as an agent. As of the end of 2021, the sales are as follows:

Unit: NT\$

Product	Number of Case	Insurance premium
China Life-"Enjoy and Relief" long-term care whole life insurance	2	129,750
Tokio Marine Newa-"New Old Age Insurance" project	1,000	4,579,746
Chung Kuo-"LOHAS Age and Care-free" project	78	277,992

6 In response to the Blueprint for Developing Taiwan into a Bilingual Nation by 2030 and to meet foreigners' financial needs, the Bank has completed the establishment of 53 bilingual branches in 2021. It is expected to complete all 185 bilingual branches of the Bank by 2028 in line with the international trends.

The Bank opened the "Vietnam Labor Remittance" service, which provided a convenient and fast way for foreign migrant workers in Taiwan to remit money to their hometown.

7 To make it easier for customers who make moderate income and the petite bourgeoisie to invest in ETF, the Bank has increased diversified investment choices. For instance, the Bank lowered the minimum subscription amount for USD-denominated ETF from USD5,000 to USD2,000. Minimum subscription amount for CNY and HKD-denominated ETF was adjusted from 50,000 to 12,000.

2.5.6 Assistance to Debtors in Resolving Debts

For debtors who apply for debt workout, mediated debt workout, and debt settlement in accordance with the Consumer Debt Clearance Act, or individual debtors who apply for debt negotiation, we evaluate their income and work ability and other factors comprehensively, and encourage them to actively resolve their debts and return to normal life, thereby facilitating the recovery of debts. In 2021, the Bank actually accepted a total of 418 debt workout cases, of which 334 were completed, and 278 cases were established, with a success rate of 83.23%. The total debts negotiated with contracts signed were in the amount of NT\$17,188 thousand.

2.5.7 Micro-insurance Donation SASB: FN-CB-240a.3

The Bank actively responds to the promotion of the micro-insurance policy by the FSC, and provided micro-insurance donations to people in the disadvantaged groups in the total amount of micro-insurance premiums of NT\$98,879 through the matchmaking by the Chung Kuo Insurance Co., Ltd. and China Life Insurance Co., Ltd., in 2021 to assist disadvantaged people or persons with specific identities in obtaining basic protection for a period of time with relatively low insurance premiums, so as not to be affected by financial difficulties due to unpredictable specific risks and incidents.

2.6 Development of Supporting Industries and Promotion of Placemaking

GRI: 203-2, FS13, FS14

1 In response to the US-China trade dispute and the motivation of overseas Taiwanese businesspeople to return their investment to Taiwan, the Bank responds to the government's policy by launching three major plans, namely the Welcome Taiwanese Businessmen to Return to Taiwan for Investment Project Loan, Rooted Taiwanese Enterprises Accelerated Investment Project Loan, and SME Accelerated Investment Loan, to assist domestic enterprises in upgrading and transforming themselves toward smart and innovative to strengthen their competitiveness. As of the end of 2021, the Bank had approved 160 accounts with an approved amount of NT\$88.829 billion; 130 of them have drawn the loans in an amount of NT\$14.194 billion.

2 Responding to the call of the Ministry of Finance, we have launched the "Public Sector Banks Hand-in-Hand for Trillion-Dollar Revitalization" financing program with major public sector banks to accelerate the revitalization of economic momentum and to assist more enterprises in their transformation and upgrades. As of the end of June 2021 (the closing date of the Project), the Bank had committed NT\$232.377 billion in aggregate to effectively assist enterprises in obtaining working capital in order to achieve the policy objectives.

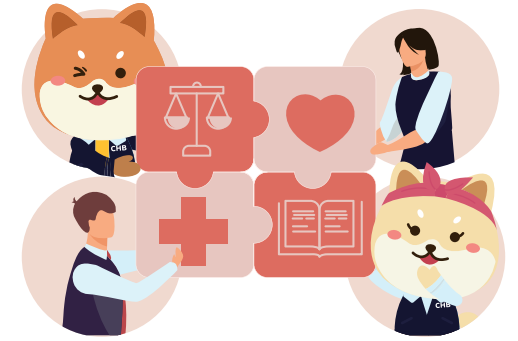
3 To strengthen SMEs' financial foundation, the Bank collaborated with the Small & Medium Enterprise Counseling Foundation to assist companies with financial examination and the use of cloud examination resources and to provide cross-industry and cross-field comprehensive consulting services to enhance their competitiveness.

- 4 To assist enterprises in using the application of patented technology flexibly and to promote industrial innovation and transformation and upgrades, we have launched the Patent Financing Project Loan.
- 5 In order to assist franchisees in raising the funds needed to start a business and reduce the initial financial pressure, a Chain Franchisee Loan was launched.
- 6 The Bank sponsored the Fifth Entrepreneurial Star Competition held by the Economic Daily News to contribute to the innovation and development of our country's industry. A total of 162 teams participated through the industry-academia collaboration.
- 7 The Bank launched the Keelung City SME Dream Loan to assist SMEs in Keelung City to successfully obtain the funds needed for operations. As of December 2021, 20 applicants had applied for the loan with a loan balance of NT\$10,050 thousand.
- 8 In order to support the business of Hakka, increase the momentum of services, or expand the scale of operation to develop Hakka culture and increase job opportunities for the Hakka community, the Hakka Affairs Council has launched the Hakka Placemaking Preferential Loan via the Bank. Since it was launched in February 2019, as of the end of December 2021, there have been 7 applicants, with a loan balance of NT\$22,690 thousand, to assist borrowers in the Hakka community to conduct placemaking and sustainable development.
- 9 In line with the Government's strategy of promoting the development of the "Five Plus Two Industry Innovation Plan", namely "smart machinery", "Asia Silicon Valley", "green energy technology", "biotechnology and medicine industry", "defense industry", "new agriculture" and "circular economy", Chang Hwa Bank Venture Capital Co., Ltd. (hereinafter referred to as "CHB Venture Capital") invested a total of NT\$217 million in 2021, of which the investment amount in the "Five Plus Two" sector amounted to NT\$208 million, accounting for 95.85% of the total investment amount.
- 10 In order to accelerate the economic momentum and respond to the government's investment plan of "public share partnership, tens of billions of venture capital", CHB Venture Capital has coordinated private funds and resources and jointly launched the venture capital plan, focusing on three major investment fields of "electric vehicle-related industry supply chain", "digital technology", and "traditional industry strategical transformation" in the hope to accelerate the upgrading and development of the industry.

2.7 Employer/Employee Relations

Management Policy

Employees are the core competitiveness of business management. The Bank's efforts to realize the principles of "right person in the right place" and fair and reasonable performance appraisal are our commitment to all employees. The Bank attaches great importance to employees' career development, and continuously implements international financial talents cultivation plans and leaders development plans, along with diversified training channels, to enhance employees' professional knowledge. In addition, the Bank has constructed a complete compensation system by considering market competitiveness and connecting the Bank's overall business performance with individual performance as the basis for compensation adjustment. Apart from work, employees are encouraged to participate in various recreational activities and comprehensive health care assistance programs and welfare measures are provided to employees to help them balance work and family as well as care for their physical and mental health.



2.7.1 Status of Human Resource GRI: 2-7, 2-8, 202-2, 2-30, 401-1, 401-3, 405-1, 411-1

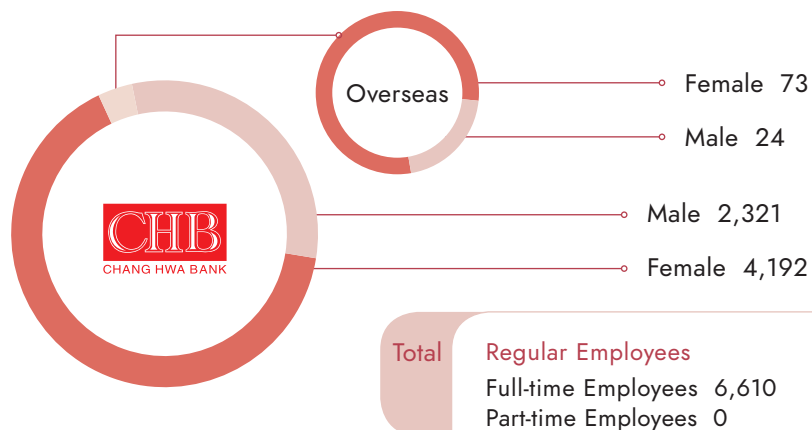
2.7.1.1 Employee Composition and Diversity

In order to meet the needs of development of various businesses, Chang Hwa Bank organizes campus recruitment campaigns and welcome young students to join us every year. In addition, for professional vacant posts in finance and marketing, technology, and legal affairs, the Bank also holds internal and external selections from time to time to gather experienced or cross-disciplinary digital talents, as to further strengthen human assets and improve business performance.

When recruiting employees, we adhere to the people-oriented, talent-based principles; comply with laws and regulations; do not allow different treatment or discrimination due to gender, race, religion, political affiliation and other factors; and child labor and any form of human trafficking is strictly prohibited, and all while providing market-competitive compensation standards, complete training programs, generous welfare measures and an annual promotion system to attract talents. The Bank has been selected by the Taiwan Index Plus Corporation as one of the companies with the largest number of employees in Taiwan among all listed companies, and has been selected as a constituent stock of the TWSE RA Taiwan Employment Creation Index 99 for 5 consecutive years.

1 All Employees of the Bank

The total number of employees of the Bank as at the end of 2021 was 6,610, all of whom were regular employees. In order to ensure the stability of the personnel system, the regular employees of the Bank are full-time employees and enjoy complete remuneration and benefits, and no part-time employees are employed. Of the Bank's total employees, 97 are foreign employees, accounting for 1.47% of the total number of employees. 2,345 are male employees, accounting for 35.48% of the total number of employees. 4,265 are female employees, accounting for 64.52% of the total number of employees. There are also 290 workers who are not employees (non-employee workers) such as dispatched workers, interns, part-timers, drivers, etc. (See paragraph 9 of this chapter for details)



Total	Regular Employees
	Full-time Employees 6,610
	Part-time Employees 0
	Non-employee Workers 290

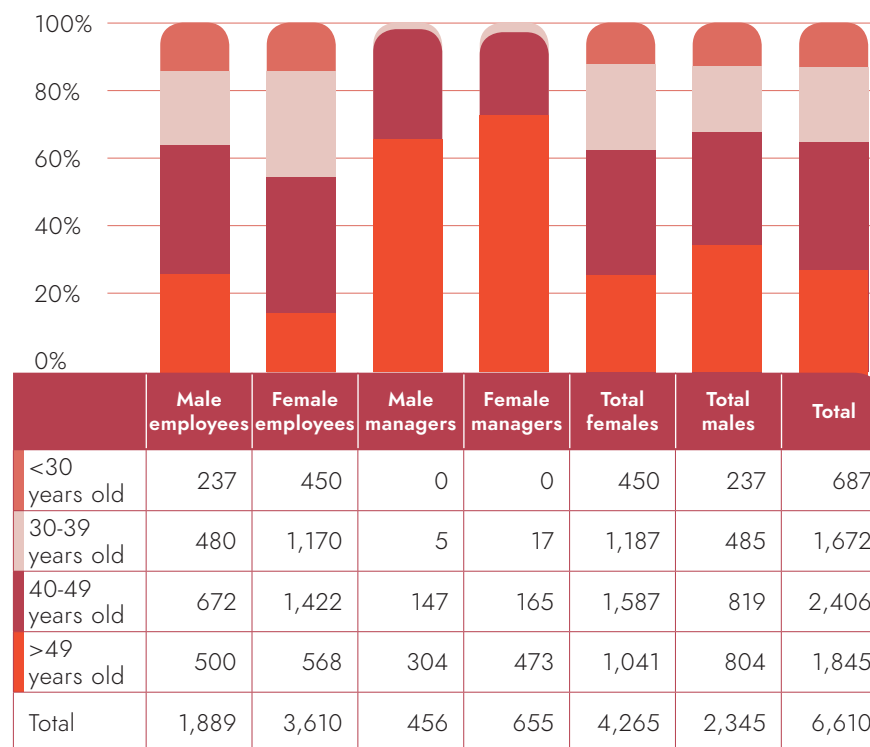
2 Educational Level Analysis

Taiwan: There are 4 doctoral degree holders, 1,386 master's degree holders, 4,733 bachelor's or college degree holders, and 366 people with high school (vocational high school) diplomas; there are 24 people who have only received high school (vocational high school) education or below.

Overseas: There are 14 master's degree holders, 72 bachelor's or college degree holders, 10 people with high school (vocational high school) diplomas, and 1 people who has only received high school (vocational high school) education or below.

3 Employee Position Analysis

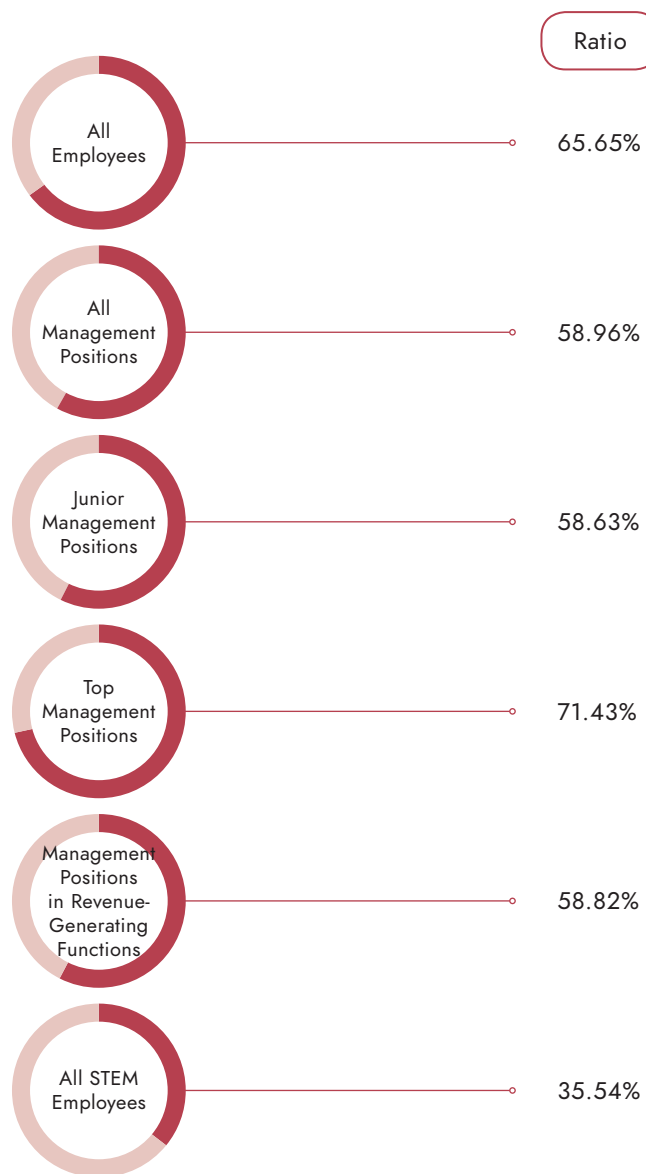
As of the end of 2021, the number of supervisors among the Bank's employees amounted to 1,111, accounting for 16.81% of the total number of employees, of which 13 are foreign supervisors, accounting for 0.19% of the total number of employees. There are 5,499 employees in total. The breakdown by gender and age is as follows:



Note: The managers in this chart are personnel with duty allowances.

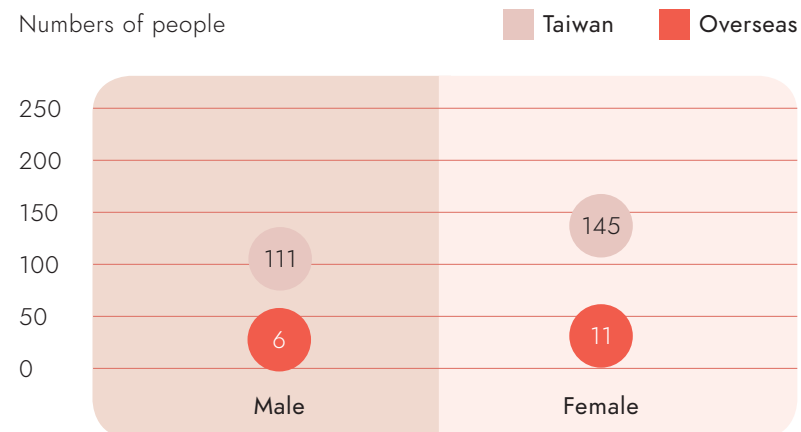


The Share of the Female Employees of the Bank



4 New Recruits

New Recruits in 2021—Distribution by Gender and Region

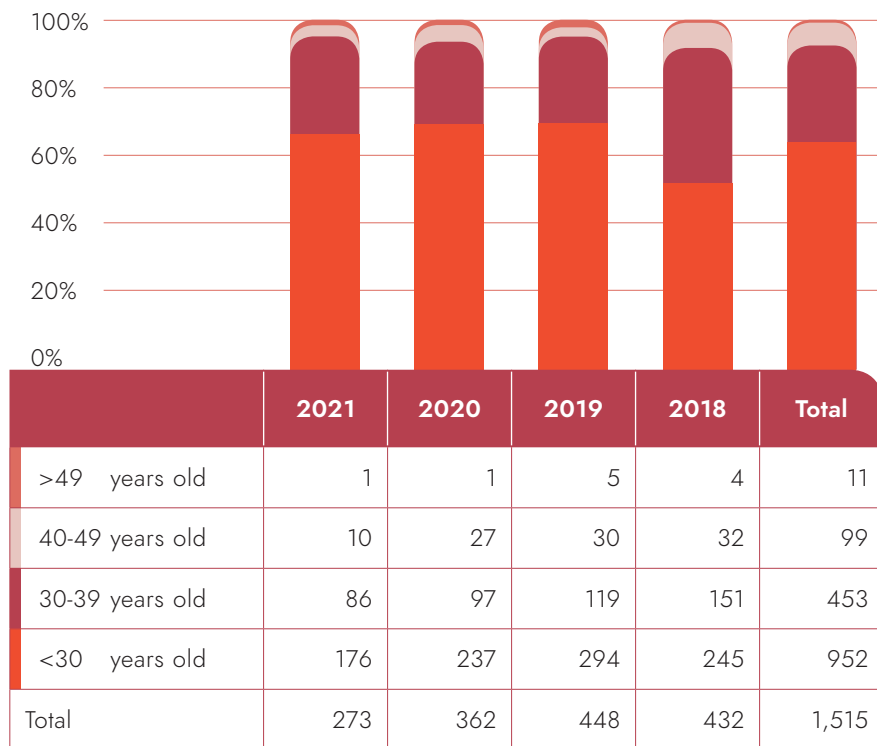


New Recruits in 2021—by Region and Age

	Taiwan	Ratio	Overseas	Ratio	Total Ratio
<30 years old	169	66%	7	41%	64.5%
30-39 years old	78	30.5%	8	47%	31.5%
40-49 years old	9	3.5%	1	6%	3.7%
>49 years old	0	0%	1	6%	0.3%
Total	256	100%	17	100%	100%

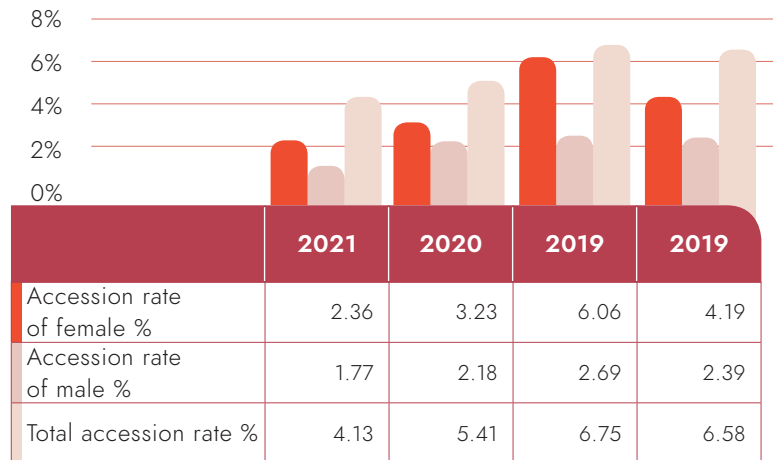


New Recruits Age Distribution in the last four years



Note: The chart shows the age distribution of new recruits in domestic and overseas.

Accession Rate in the last four years—by Gender



Note: Accession Rate = total number of female or male of new recruits/ total number of employees at the end of the year (2021).

Ratio of Open Positions Filled by Internal Candidates—by Age and Gender

FY	Item	Ratio (%)	Age				Gender	
			<30 years old	30-39 years old	40-49 years old	>49 years old	Male	Female
2021		62.85%	3.04%	14.32%	24.62%	20.86%	19.61%	43.24%
2020		70.11%	2.08%	15.02%	26.27%	26.73%	21.73%	48.38%
2019		72.23%	1.76%	12.91%	29.12%	28.45%	27.43%	44.80%
2018		69.46%	1.12%	14.71%	27.13%	26.50%	24.83%	44.63%

Note: Internal replacement rate according to "age" = total age distribution/ number of employees transferred out (including resignation, retirement, and LOA) in the whole year.
Internal replacement rate according to "gender" = total number of female (or men)/ number of employees transferred out (including resign, retirement, and LOA) in the whole year.

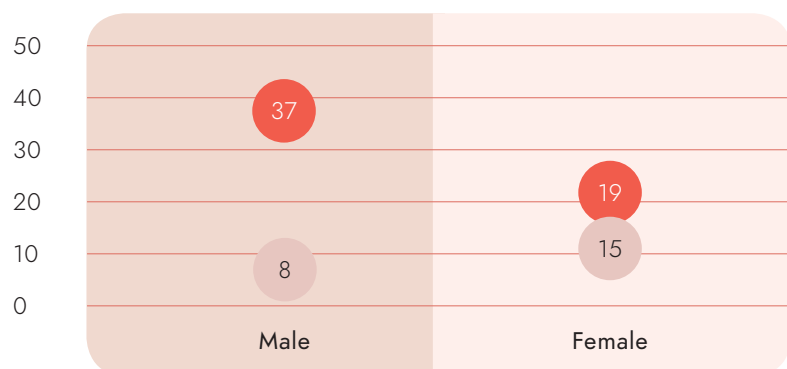
5 Accession of Persons with Disabilities and Indigenous Peoples

By Age

	Indigenous people	Persons with disabilities
<30 years old	7	4
30-39 years old	11	5
40-49 years old	2	10
>49 years old	3	37
Total	23	56
Percentage of Total Employees(%)	0.35	0.85
The number of Managers	0	13
Percentage of Total Employees(%)	0	0.19

By Gender

Number of people ■ Indigenous people ■ Persons with disabilities



6 Status of Unpaid Parental Leaves

By Age

Item	Male	Female	Total
Number of employees entitled to unpaid parental leave in 2021	61	132	193
Number of employees that applied for unpaid parental leave in 2021	6	76	82
Number of employees expected to return from unpaid parental leave in 2021 (A)	4	52	56
Number of employees that actually returned to work from unpaid parental leave in 2021 (B)	2	50	52
(B/A) Return rate (B/A)	50%	96.15%	92.86%
Number of employees that returned to work from unpaid parental leave in 2020 (C)	5	52	57
Total number of employees that returned to work from unpaid parental leave in 2020 and completed one year of service in 2021 (D)	5	45	50
Retention rate (D/C)	100%	86.54%	87.72%

Note1: The number of employees entitled to parental leave is based on employees that applied for paternity leave and maternity leave.

2: In this table, the number of employees that actually returned to work includes those who returned to work early.

Unpaid Parental Leave Ratio in the Last Three Years by Gender

FY Gender	2021		2020		2019	
	Number of employees	Ratio %	Number of employees	Ratio %	Number of employees	Ratio %
Female	76	92.68	52	86.67	55	87.3
Male	6	7.32	8	13.33	8	12.7
Total	82	100	60	100	63	100

7 Absentee rate -by Year

Note: Absentee rate =
number of days off (injury
leave due to work + sick
leave (including extended sick
leave) + menstrual leave)/
total number of working days.



FY	Absentee rate
2021	0.40%
2020	0.33%
2019	0.32%
2018	0.30%

8 Separation Rate

Separation Rate in 2021—by Region, Gender and Age

Item Region	Separation Rate (%)	Age				Gender		Total
		<30 years old	30-39 years old	40-49 years old	>49 years old	Male	Female	
Taiwan	4.25	56	53	28	144	118	163	281
Overseas	0.38	12	8	1	4	9	16	25
Total	4.63	68	61	29	148	127	179	306

Note: Separation rate = total number of females or males/ number of personnel at the end of the year, based on the total number of personnel in 2021.

Separation Rate for the last four year—by Year, Gender and Age

Item FY	Separation Rate (%)	Age								Gender			
		<30 years old		30-39 years old		40-49 years old		>49 years old		Male		Female	
		Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
2021	4.63	68	1.03	61	0.92	29	0.44	148	2.24	127	1.92	179	2.71
2020	4.64	78	1.17	45	0.67	22	0.33	165	2.47	141	2.11	169	2.53
2019	5.80	110	1.66	87	1.31	31	0.47	156	2.35	184	2.78	200	3.02
2018	5.08	121	1.85	79	1.21	22	0.34	111	1.69	160	2.44	173	2.64

Note1: Separation rate = total number of resignation and retirement/number of employees at the end of the year, which 2021 is used as basis.

2: The table includes all domestic and overseas employees.

Voluntary Separation Rate for the last four year—by Year, Gender and Age

Item FY	Separation Rate (%)	Age								Gender			
		<30 years old		30-39 years old		40-49 years old		>49 years old		Male		Female	
		Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%	Number of employees	%
2021	3.30	68	1.03	56	0.85	28	0.42	66	1.00	83	1.26	135	2.04
2020	3.07	77	1.15	45	0.67	20	0.30	63	0.94	78	1.17	127	1.90
2019	4.06	110	1.66	84	1.27	27	0.41	48	0.72	103	1.55	166	2.51
2018	3.68	121	1.85	76	1.16	21	0.32	23	0.35	91	1.39	150	2.29

Note1: Separation rate = total number of resignation and retirement/ number of employees at the end of the year, which 2021 is used as basis.

2: The table includes all domestic and overseas employees.

9 Non-Employees Workers

2021 the workers who are not employees of the Bank:

	Work Content	Type of Contract	Number of Workers(person)	Coverage	Differences from 2020
Security Personnel	Gate control, patrols, etc.	Indirect Employment	212 (Male 212/ Female 0)	All units of the Bank	n/a
Janitor	Internal clean up and environment cleaning work at Head office in Taipei.	Indirect Employment	8 (Male 5/ Female 3)	Head Office in Taipei	n/a
Dispatched Worker	Incoming and outgoing mail and goods, mail processing, operator, messenger, field work, data sorting, service desk, and document processing.	Indirect Employment	53 (Male 4/ Female 49)	All units of the Bank	Decreased by 5 people
Work-study Student in Summer	Document processing, data and file sorting, other ad hoc work.	Direct Employment	10 (Male 1/ Female 9)	All units of the Bank	Decreased by 8 people
IT Intern	IT related business internship such as webpage application program development (html, java, c#), automatic testing program coding.	Indirect Employment	7 (Male 2/ Female 5)	All units of the Bank	n/a

2.7.2 Employee Compensation and Benefits GRI: 2-21, 401-2, 405-2

2.7.2.1 Policy

1 The Bank has established the “Work Rules,” and all matters including employment, service guidelines, working hours, performance appraisal, reward and punishment, salary and benefits, etc., shall be handled in accordance with such rules.

2 The Bank has established the “Regulations Governing Retirement Pension, Compensation Payment and Severance Pay.” Matters regarding employees’ retirement pension, compensation payment (including occupational disaster compensation), and severance pay shall be handled in accordance with these regulations; matters not provided therein shall be handled in accordance with relevant laws and regulations such as the Labor Standards Act.

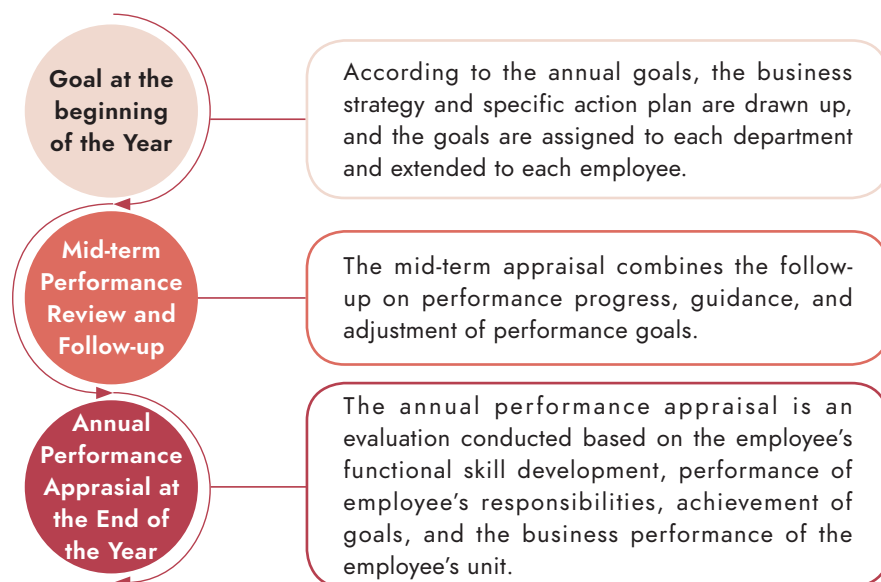
3 Remuneration Deferral Policy for Senior Managers

To motivate top-level managers to achieve greater performance while duly conduct risk management and enhance corporate governance, the Bank has formulated a remuneration deferral policy for top-level managers (including the President, the Executive Vice Presidents, the EVP & Chief Auditor, and the EVP & Chief Compliance Officer, heads of departments at the head office, regional operations offices, and domestic and offshore branches), 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 an improper conduct, which may cause the Bank to suffer losses). This has indicated that the Bank insists on ethical management to promote sustainable development.

2.7.2.2 Compensation System

- 1 Each year, the Bank considers the consumer price index, the salary adjustment standards of the financial industry, and the Bank's annual business performance and profitability, and determines the salary adjustment standards for the current year after comprehensive consideration. At the same time, the Bank takes the concept of "equal pay for work of equal value" into account and implements reward differentiation, striving for fairness of the salary structure; according to the performance appraisal results of employees, different salary adjustments are given: the better the performance, the higher the pay raise.
- 2 The Bank issues annual holiday bonuses (including Chinese New Year bonuses and Mid-Autumn Festival bonuses) and variable bonuses (performance bonuses, sales bonuses, employee remuneration, etc. issued depending on the nature of a job and employee's performance).
- 3 We have followed the performance appraisal policy, implemented the connection between strategic goals and performance appraisals, and made appraisal results the basis for employee compensation, promotion, training and development, as to create incentives and a win-win situation for the company and employees.

Performance Appraisal



2.7.2.3 Implementation Results of Compensation

- 1 In accordance with the Employee Performance Appraisal Rule of the Bank, the appraisal shall be conducted for all employees who meet the appraisal qualifications in the current year [for employees who have attendance records of more than 180 days in the appraisal year (excluding resignation, layoff, and dismissal)].
- 2 **The average pay increase for employees was 1.87% in 2021**
The Bank shows solicitude for employees' basic living expenses, and continues to achieve differentiated pay increases to motivate employees with good performance. The pay increase in 2021 was conducted through the combination of "performance pay increase" and "fixed pay increase". Taking 2020 annual employee performance appraisal rating as the standard, monthly salary increase will be 3.3% for rating of 6, 2.4% for rating of 5A and 5B, 1.6% for rating of 4A, 4B, and 4C, 1% for rating of 3, no salary increase for rating of 2 and 1. "Fixed salary increase" portion is NT\$360 per month for every employee.
- 3 **Selected as a constituent stock of the TWSE RAFI® Taiwan High Compensation 100 Index for 8 consecutive years**
The Bank has been selected as a constituent stock of the TWSE RAFI® Taiwan High Compensation 100 Index for 8 consecutive years since 2014, showing recognition for a number of quantitative criteria, including average salary, net profit, net asset value per share, and total compensation.
- 4 **Equal Pay of every Employee Level**

Employee Level	Average Salary	Women : Men
Executive Level (CXO)	Salary	100 : 100
	Salary & Incentives	100 : 103
Management Level	Salary	100 : 94
	Salary & Incentives	100 : 94
Non-management Level	Salary	100 : 102
	Salary & Incentives	100 : 102

Note: The incentives are paid directly to the account in cash.

5 Salary Information of Non-managerial Full-time Employees

Unit: persons/Thousand NTD

Non-managerial Full-time Employees	FY	2021	2020	Fluctuation
Number of employees		6,162	6,175	(13)
Average Salary		1,285	1,223	62
Median Salary		1,194	1,133	61

Calculation Formula	Annual Total Compensation Ratio
Average Salary	418.76%~837.52%
Median Salary	389.11%~778.21%

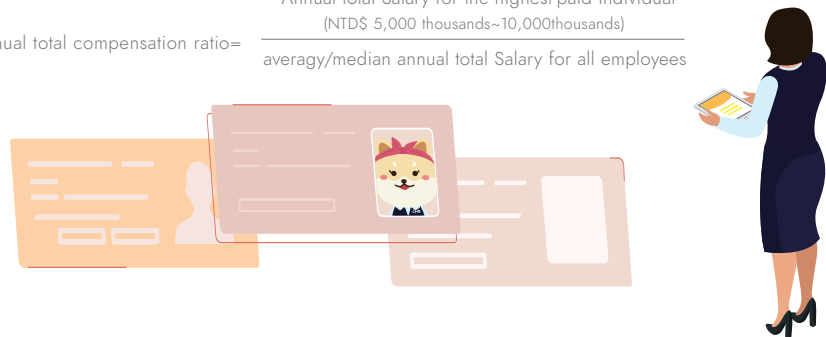
- Total percentage of annual salary increase: The highest annual salary did not differ between the two years. The median employee remuneration increased by 5.38% (including 12-month current salary, holiday bonus, performance bonus and employee remuneration, etc.).

Note1: In reference to the Description of Salary Information Reporting Operations for Non-managerial Full-time Employees jointly compiled and released by the TWSE and TPEx.

2: Non-managerial, full time employee mentioned here refers to employees excluded employees in managerial position, part-time employees, overseas employees, and employees who meet the standard of excluded exemption. (Taiwanese employees and foreign employees are included.)

3: "Number of employee" is calculated by yearly average, rounding up to the whole number.

4: Annual total compensation ratio = $\frac{\text{Annual total Salary for the highest-paid individual (NTD\$ 5,000 thousands~10,000thousands)}}{\text{average/median annual total Salary for all employees}}$



6 Gender Pay Gap

Indicator	Difference between Men and Women Employees (%)	Calculation Formula
Mean gender pay gap	2.17%	The difference in the mean hourly rate of pay between male and female.
Median gender pay gap	0.81%	The difference in the median hourly rate of pay between male and female.
Mean bonus gap	1.11%	The difference in the mean bonus pay paid between male and female.
Median bonus gap	0.60%	The difference in the median bonus pay paid between male and female.

7 Welfare Measures

Insurance planning	Leave system that superior to laws and regulations.	Employee Welfare Committee	Recreational activities	Others
<ul style="list-style-type: none"> • Labor insurance • National health insurance • Employer's liability insurance 	<ul style="list-style-type: none"> • 14 days of paid personal leave, 30 days of paid sick leave • The number of leave days for marriage, funeral, and miscarriage is superior to laws and regulations. 	<ul style="list-style-type: none"> • Holiday recreational activities • Scholarships • Employee convenience store 	<ul style="list-style-type: none"> • Physical education • Hiking • Mountain climbing • Arts and culture appreciation • Finance Cup competition 	<ul style="list-style-type: none"> • Group health examination • Employee uniform • Library • Day care service • Employee Stock Ownership Trust • Childbirth allowances

Leave System that Superior to Laws and Regulations

- i Provides 14 days of paid personal leave (including 7 days of family care leave) and 30 days of paid sick leave (including maternity leave and menstrual leave), superior to laws and regulations.
- ii Employees are granted 56 days of maternity leave during childbirth, 7 days of paid maternity leave is granted to those who suffer a miscarriage within two months of pregnancy, and 10 days of paid maternity leave for those who suffer a miscarriage after more than two months but less than three months of pregnancy. This is superior to the stated 5 days and 7 days in Act of Gender Equality in Employment.
- iii Employees are provided with 14 days of wedding leave that is superior to the number of days stipulated by law.
- iv Employees are provided with funeral leave days that are superior to the number of days stipulated by law: 21 days for parents, adoptive parents, step-parents and spouse who have died; 14 days for children, spouse's parents, adoptive parents and step-parents who have died; and 7 days for great-grandparents, grandparents and spouse's grandparents who have died.



Childbirth Allowance

- i To improve employee benefits, the Bank began to subsidize employees who have been employed for a full year from 2020 with NT\$30,000 for the first newborn, NT\$60,000 for the second one, and NT\$100,000 for the third one and above.
- ii Employees are provided with 7 days of "paternity check-up and paternity leave" to accompany the spouse for maternity check-up or delivery.

Implementation Status

In 2021, 151 employees applied for such subsidies, and the actual number of newborns was 164. The total subsidy amount was NT\$7.65 million.

8

Retirement Care

The Bank's appropriation of the (old system) pension reserve shall be in accordance with the provisions of the Labor Standards Act and the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds, and the pension actuarial calculations are made by actuaries commissioned in accordance with the International Accounting Standards No. 19.

In addition, according to the new Labor Pension Act, 6% of the employee's salary is allocated to the personal pension account of the Bureau of Labor Insurance each month. Those who voluntarily appropriate a portion of the salary to their own pension accounts, a percentage of the salary decided by themselves will be deducted from the employee's monthly salary to the personal pension account of the Bureau of Labor Insurance.

Amount of Pensions Appropriated

Unit: Thousand NTD

Category	FY	2021	2020
Bank of Taiwan— Pension Reserve Account (Old System)		281,492	302,940
Bureau of Labor Insurance— Pension Account (New System)		219,602	210,343

9

Employee Stock Ownership Trust (ESOT)

In order to take care of employees and improve benefits while effectively enhancing employees' commitment and encouraging them to save for a long term to prepare for future retirement, the Bank has launched a Chang Hwa Bank Employee Stock Ownership Trust on September 26, 2019, in which 6 types of self-appropriation amount standards are set according to the employees' grade and title. Employee can choose the minimum self-appropriation amount or twice the amount to participate. The Bank also motivates the employees to join by appropriating NT\$1,000 or NT\$1,500 for the employees from its end.

Implementation Status

Member recruitment began in October 2019, and the first payment deduction was made in November 2019. As of the end of December 2021, the total number of members was 6,299, (Including 99 people who were on unpaid leave; their membership was retained without payment deducted) with a participation rate of 98.01%; those who chose the minimum self-appropriation amount accounted were 1,984 in the number, accounting for 31.5%; 4,216 employees chose to double the amount, accounting for 66.93%.

2.7.3 Employee Communication Channel GRI: 419-1

Employees are the most important and most valued assets of the Bank; thus, the Bank is committed to building a work environment where human rights are respected, free of discrimination and harassment, as well as safe, healthy, and friendly. In order to truly understand the needs of employees, the Bank has established diverse, bilateral communication channels to hear the voices of our employees.

Employee Communication Channel



2.7.3.1 Employee Complaints

The Bank has established Chang Hwa Bank Employee Complaint Notice to provide employee complaint channels.

Implementation Status

There were 2 employee complaints in 2021. The content of the complaints was disputes about workplace performance and concerns about the fairness of reward and penalty. The above cases were handled in accordance with the procedures of the "Employee Complaint Announcement Matters" of the Bank, and the investigation and handling results were replied to the complainants and the cases were well-closed afterwards.

2.7.3.2 Employee Proposals

The Bank has established the Employee Proposal Incentive Policy to encourage employees to propose constructive plans for the Bank's internal operating procedures and development of various businesses. After the employee files a proposal, the evaluation panel will decide on the award level and grant the prize money, as to achieve development in the Bank's business through employees' collective awareness towards management, proactive research, and drawing up of improvement programs.

Implementation Status

There were 17 employee proposals in 2021, among which 1 won the excellent award, 4 won the proposal award, 10 have not won the award, 1 has not met the proposal requirements, and 1 was deferred to next year for review.

2.7.3.3 Exchange of Opinions with Employees

In order to exchange opinions with employees, the Bank has set up hotlines and an employee communication e-mail, so that employees' voices can be heard and responded to, as a way to improve the management of the Bank.

Education and training-hotline: 02-2560-3659
Administrational welfare-hotline: 02-2571-6735

Performance remuneration-hotline: 02-2560-3658
E-mail : reward@chb.com.tw

Implementation Status

The Bank did not receive any emails from employees in 2021. If any employee email is received, it will be properly handled by the relevant department according to the rules.

2.7.3.4 Employee Satisfaction Survey

In order to understand employees' need and build communication channels with employees as reference for establishing related rules for the future, the employee questionnaire was divided into 5 aspects, namely job satisfaction, workplace satisfaction, salary assessment satisfaction, education and training satisfaction, and health checkup and consultation satisfaction. The survey results showed that employees were satisfied with all 5 aspects, the average score is 3.75 out of 5.

2.7.3.5 Competent Authorities' Penalties and Improvement Measures

Labor inspection findings which violated the Labor Standards Act:

The Taipei City Government issued a written ruling on July 20, 2021, No. 11060678771, which stipulated that the Bank violated Article 34, Paragraph 2 of the Labor Standards Act. The Bank adopted 24-hour shift and the employer failed to give the shift workers appropriate rest time when shift changes. The Bank was imposed a fine of NT\$50,000.

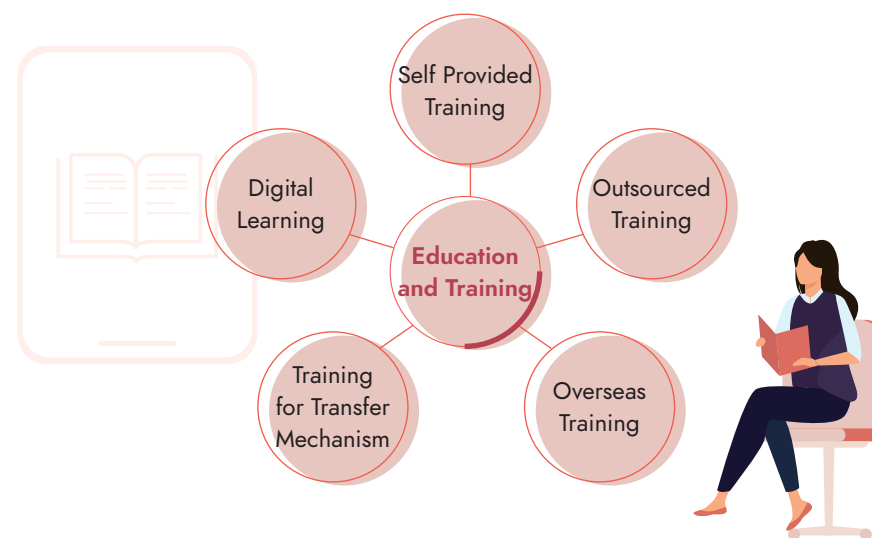
Response measures: With regard to the units that implement the shift system, the relevant employee schedule and shift interval rest periods shall be handled in accordance with the labor law, and the handling of the policy shall be announced to employees.

2.7.4 Employee Education, Training and Development GRI: 404-1, 404-2, 404-3

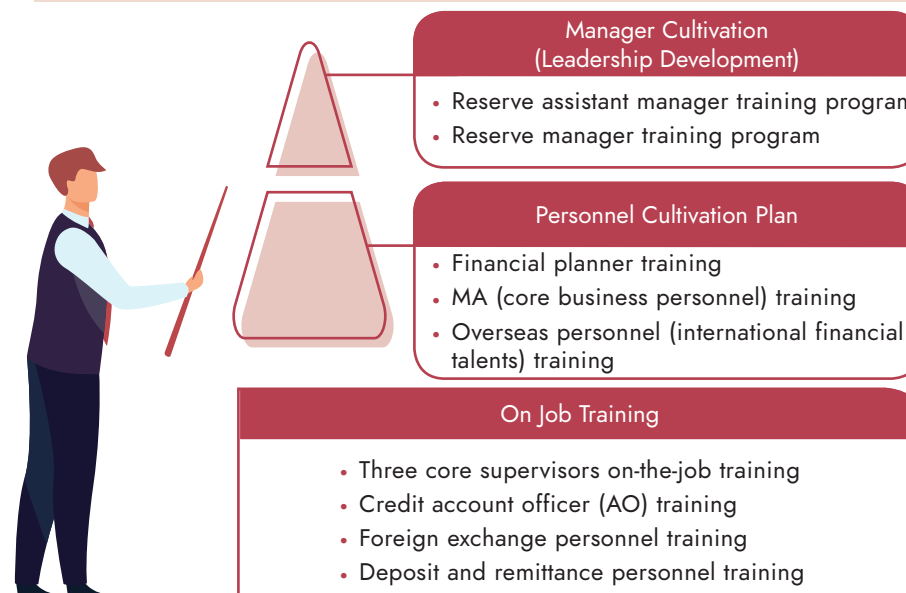
Facing the rapid changes in the financial environment, the Bank strengthened the cultivation of financial talents, and actively arranged comprehensive financial professional courses according to the overall annual business goals and plan, and established a complete talent training system and mechanism to develop human capital.



Training Method



Talent Cultivation Plan



2.7.4.1 Diversified Talent Cultivation

The Bank actively cultivates the necessary skills of employees, and provides diversified and systematic education and training to assist employees in diversified development. It continues to nurture employees' professional competence and second professional specialties, and regularly provides diversified offline/online training courses for in-service employees, including (corporate financial/personal financial) credit loans, (elementary/advanced) foreign exchange, wealth management, compliance with trust laws and regulations, AML, derivative financial product business regulations and practices, etc. We have established an e-learning system (CHB E-learning System), which currently provides more than 578 digital online courses for employees to read and use through mobile phones or other mobile devices without time and space restrictions, so as to achieve the expected goals of cultivating employees' second professional specialties and cross-disciplinary abilities.

The Bank attaches great importance to the career development of its employees. In response to the fact that employees' career may be ended due to retirement or other reasons, during the period when employees are serving the Bank, employees are supported by diversified training channels to enhance their professional knowledge, and employees are encouraged to participate in various vocational training courses and certificate exams. The Bank has provided online English courses since 2019 and eight core functional training courses at Commonwealth Leader Campus since 2020 to assist employees in their transformation so that they can be equipped with relevant professional skills after retirement or resignation and the ability to continue employment and change careers.

Training Accomplishments

The Bank continues to incorporate learning via digital and offline courses to help employees accumulate financial professional capabilities. As of December 31, 2021, the total number of training hours conducted was 318,449.35 hours, with an average of 48.18 training hours per employee and the average amount spent per employee on training was 4,492 NT Dollars. Described as follows according to the internal training (offline/online), external training and self-development categories:

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

Training Method	Online Learning	Offline Course		
	Internal Training	Internal Training	External Training	Self-development*
Hour (s)	218,381.34	67,314.50	29,713.50	3,040
Total (hours)	318,449.35			

Online Learning Status

Gender	Total number of enrollments		Total number of hours		Average hours	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
Male	17,576	61,058	16,651.15	59,596.38	36.20	31.62
Female	24,590	123,347	23,334.78	118,799.03	35.20	32.98
Total	42,166	184,405	39,985.93	178,395.41	35.61	32.51

Offline Training Status

Gender	Total number of enrollments		Total number of hours		Average hours	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
Male	2,235	2,789	17,478.40	19,843.67	38.00	10.53
Female	3,017	5,895	23,191.00	39,554.93	34.98	10.98
Total	5,252	8,684	40,669.40	59,398.60	36.20	10.83

2.7.4.2 Enhanced Training of Digital Financial Talents

- 1 Supported the development of digital banking business and continued to organize digital banking courses.
- 2 The Bank has joined the FIN & TECH Innovation Village of TABF, and dispatched employees to participate in various financial technology innovative experimental projects, simulation courses, seminars, industry-government exchange meetings, and supervision consulting sessions, to improve their new knowledge of financial innovation.

2.7.4.3 Educational Clubs

1

FinTech
Research Club

In order to encourage the learning of FinTech new knowledge and to foster FinTech talents, the Bank established the FinTech Research Club in March 2018. In 2021, to avoid group gathering due to COVID-19, we suspended physical seminars, and held online discussion and exchange sessions on our internal Facebook group of "CHB Financial Technology Sharing Garden" instead. There are currently 572 members in the group. There were 99 posts on financial technology-related topics and 397 active members who continued to pay attention and respond to such posts in 2021, to continue sharing and engaging in exchanges on the online platform.



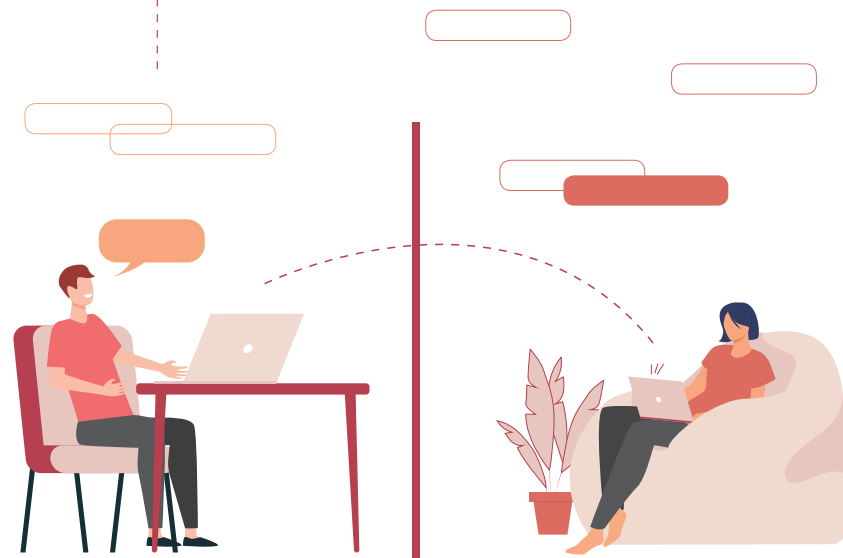
彰銀金融科技分享園地

🔒 私密社團 · 580 位成員

2

Chinese
Reading Club

The Chinese study club has been established since August 2017, and the membership is open to everyone to attract new members who are passionate about reading. However, due to pandemic, physical gatherings were temporarily suspended, which will be adjusted according to pandemic situation.



2.7.5 Employer-employee Meetings and Collective Agreement

1

In order to achieve friendly interaction with its employees, the Bank has been holding employer-employee meetings once every three months according to the "Chang Hwa Bank Directions for Implementing Employer-employee Meetings" since July 28, 1999, to conduct discussions and negotiations regarding matters such as employer-employee relations, employer-employee cooperation, employee salaries and benefits, and labor safety.

Implementation Status

From 1999 to the end of 2021, 101 employer-employee meetings had been held, the employer-employee relations were harmonious and stable, and good interactions were maintained.

	2021	2020	2019
Number of meetings	4	4	4
Number of matters	6	8	11

2

Protection by the Collective Agreement

In response to changes such as amendments to labor policies, laws and regulations, the Bank and the CHB Corporate Union representatives re-initiated negotiations regarding collective agreement. The Bank and the CHB Corporate Union signed the collective agreement again on May 14, 2018.

The contents of this collective agreement were established after being fully discussed by the representatives of the employer and the employees, and after taking account of labor-related laws and collective agreements of peers in the financial industry. Many of the provisions in this collective agreement

are superior to the current laws and regulations, such as paid annual personal leaves, family care leaves and sick leaves; compensation payment for employees who passed away due to illness or accident while on unpaid leave due to military service, injury, or illness, as to take care of their surviving dependents; and bone marrow or organ donor leaves with duration adjusted according to actual needs, as to encourage employees to participate in public welfare. In addition, in order to enhance the harmony of employer-employee relations, one seat of the Personnel Appraisal Committee is reserved for a representative designated by the corporate union.

The Bank signed the "Collective Bargaining Supplementary Agreement" with the CHB Corporate Union on July 30, 2020, which was approved by the Department of Labor, Taipei City Government on record. With that, five articles in total were added (amended), including Article 7-1 "Anti-Free Rider Clause".

Implementation Status

As of the end of 2021, the number of members of the CHB Corporate Union was 6,049 (male: 2,215, female: 3,834), and the employees under the protection of the collective agreement accounted for 91.51% of all employees.







	2021		2020		2019	
	Female	Male	Female	Male	Female	Male
Number of employees that joined the corporate union	3,834	2,215	4,020	2,191	3,952	2,207
	6,049		6,211		6,159	
Percentage of employees that joined the corporate union ^(Note)	91.51%		93.03%		92.97%	




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

2: The labor conditions of employees who are not members of the labor union and who have not signed the collective agreements shall be handled in accordance with the relevant regulations of the Bank (such as work rules) and other labor-related laws and regulations.

2.8 Human Rights Protection and Gender Equality GRI: 202-1, 404, 405-2, 406-1, 412-1, 412-2

The Bank 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.

Item	Description
 Policy	The Bank formulated the "Human Rights Policy of Chang Hwa Commercial Bank, Ltd." All operating sites around the world comply with the labor-related laws and regulations of the place of operation and the Bank's Human Rights Policy, while developing an honest, fair, respectful and open work environment.
 Commitment	The Bank supports and respects the spirit of human rights protection and basic principles disclosed in international human rights conventions, and comply with the Bank's Human Rights Policy to prevent any infringement and violations of human rights.
 Goals and Targets	The Bank adheres to the principle of placing people at the center, continues to pay attention to human rights-related issues, and will incorporate human rights issues into the operational value chain while striving to prevent any violations of human rights, properly maintaining workplace health, actively assisting disadvantaged groups, and providing stakeholders with smooth communication channels, thereby creating a corporate culture that complies with laws, regulations and building a solid foundation for sustainable development.
 Responsibilities and Duties	To develop an honest, fair, respectful and open work environment.
 Resources	The Bank has formulated the human rights due diligence procedures as a basis for human rights due diligence to review the implementation of human rights protection.
 Complaint Mechanism	The implementation of human rights due diligence is reported to the Sustainable Development Committee and the Board of Directors to effectively supervise whether the measures corresponding to human rights issues and risks are complete and to improve the effectiveness of the implementation of improvement projects.

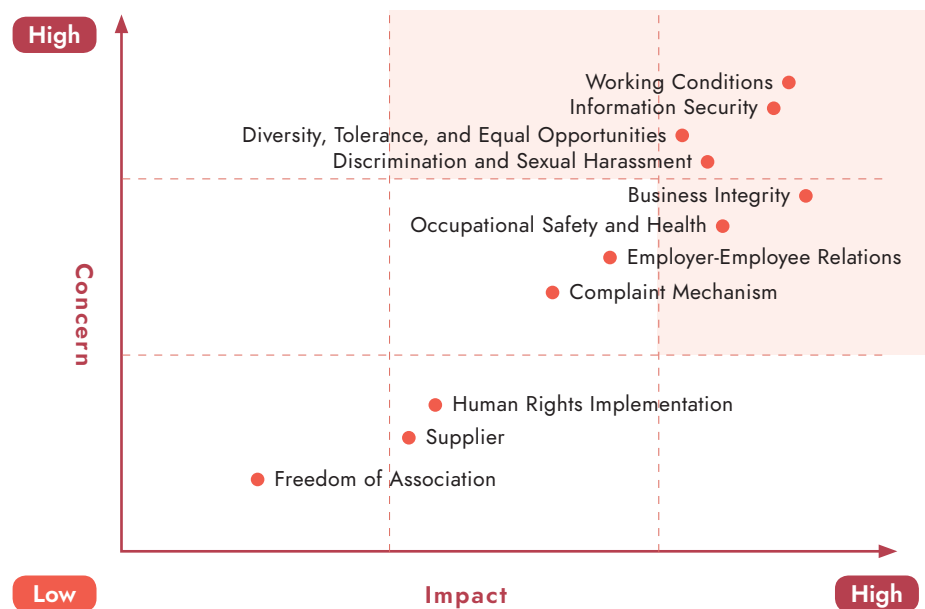
Item	Description
 Substantial Activities	<ul style="list-style-type: none"> The Bank guarantees the basic human rights of all employees. The recruitment, compensation and benefits, education and training, promotion and retirement plans for employees do not differentiate or present discrimination based on race, gender, age, religion, political affiliation, physical and mental disabilities and union affiliation. The Bank also provides market-competitive compensation standards, diversified training programs, complete welfare measures, and smooth promotion channels to implement equality in the workplace. The Bank completed the 2021 human rights due diligence, and the relevant implementation status was reported to and approved by the 5th meeting of the 2nd Sustainable Development Committee on January 10, 2022, and the 22nd meeting of the 26th Board of Directors on January 24, 2022. Total training hours of the Bank's human right policies or procedures are 26,262 hours, with 98.82% of employees being trained. According to the British Government's 2015 Modern Slavery Act, the Bank disclosed the measures adopted in 2021 to prevent slavery and human smuggling in the supply chain or various businesses, and reported them to the 26th meeting of the 26th Board of Directors on May 13, 2022 for deliberation, and were disclosed on the Bank's official website.
 Assessment Mechanism	The Bank conducts human rights due diligence on a regular basis every year. (Currently, the evaluation scope is within the Taipei Building headquarter, and 20 operating activities have been evaluated for human right impact, accounting for about 9.7% of all operating activities.)
 Results	In 2021, the Bank received 2 employee complaints, 1 sexual harassment complaint, 1 violation of the Labor Standards Act punished by the competent authority, and 1 personal data security incident. (Refer to 2.7.3.1, 2.8.3, 2.7.3.5, and 2.1.2 for related handling results)

2.8.1 Human Rights Due Diligence

The Bank conducts human rights due diligence, identifies material issues, and assesses risks as per the scope of the assessment, and formulates, reports on, and discloses countermeasures or mechanisms.



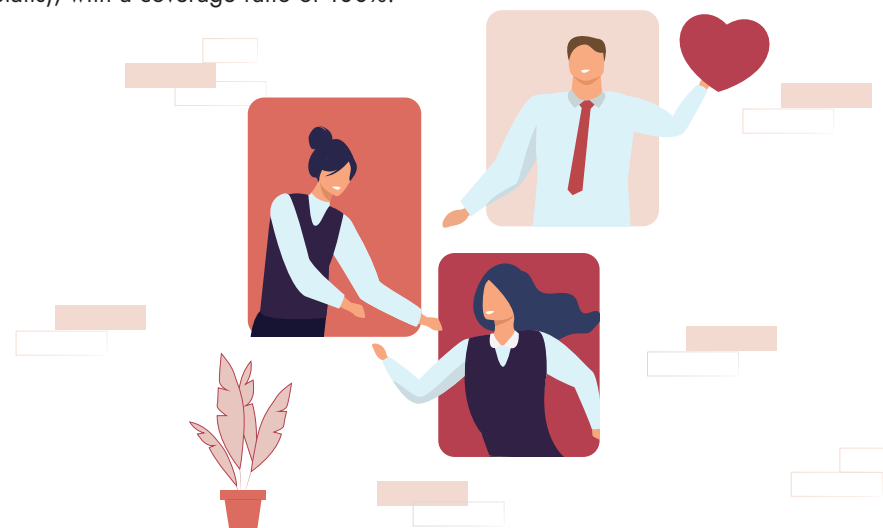
Risk Matrix of Human Rights Issues







The Bank's material human rights issues identified are as follows:




Material Human Rights Issues	Medium-level Impact	High-level Impact
High-level Concerned	-	<ul style="list-style-type: none"> Working Conditions Information Security Discrimination and Sexual Harassment Diversity, Tolerance, and Equal Opportunities
Medium-level Concerned		<ul style="list-style-type: none"> Business Integrity Occupational Safety and Health

The Bank conducted a risk assessment of the Bank's identified material human rights issues, identified the risks that might occur during the operation for each issue, analyzed the impact and influence, and then reviewed and formulated countermeasures and management mechanisms for mitigation. The implementation scope of measures and management mechanisms covers global service bases (See chapter 1.1.2 for details), with a coverage ratio of 100%.



Human Rights Risk Assessment Table

Issue Category	Connotation	Risk Identification Ratio	Assessment Results	Impact Occurrence Ratio	Goals for Next Year
 Working Conditions	Prohibition of child labor and forced labor (excessive working hours and shift intervals), day-off rights (including leave due to pandemic and government policy), and maternity protection Groups at risk identified Child, Women, Employees	3.89%	<ul style="list-style-type: none"> In 2021, the reinstatement rate after unpaid parental leave was 92.86% 1 case of fine imposed by the competent authority in 2021 	0.08%	<ul style="list-style-type: none"> The reinstatement rate after unpaid parental leave $\geq 90\%$ 0 fine imposed by the competent authority
 Information Security	Information security, privacy, and personal information protection Groups at risk identified Employees, Customers, Suppliers	1.32%	<ul style="list-style-type: none"> The Bank had no major information security incidents in 2021 The Bank had 1 personal information security incident in 2021 The click-through rate of Emails from social engineering drills of the whole Bank in 2021 is lower than 1% Obtained the following international certifications: ISO 27001, ISO 22301, BS 10012 100% employees completed information security awareness training in 2021 (Excluding contract labors, drivers and employees who are not in service for any reason (such as long-term sick leave, etc.)) 	0.02%	<ul style="list-style-type: none"> More than 95% employees completed information security awareness training Emails from social engineering drills executed quarterly by the whole Bank's click-through rate $\leq 2\%$ Continue to maintain the validity of international certifications
 Discrimination and Sexual Harassment	Establishment of a friendly workplace and elimination of discrimination or sexual harassment incidents Groups at risk identified Employees, Customers, Disabilities, Indigenous People, Suppliers	0.02%	<ul style="list-style-type: none"> The Bank received 1 sexual harassment complaint case in 2021, and already handled and closed it properly 2021 new hires pre-employment training coverage ratio is 100% 	0%	<ul style="list-style-type: none"> Complaint case ≤ 1, and should handle and close it properly Discrimination and sexual harassment pre-employment training coverage ratio for new hires is 100%
 Diversity, Tolerance, and Equal Opportunities	Fairness in compensation, benefits, promotions, education and training Groups at risk identified Employees, Disabilities, Indigenous People	1.20%	<ul style="list-style-type: none"> The starting salaries of new employees to male and female are maintained as 1:1 The average of training hours per employee is 48.18hrs in 2021 In 2021 employee satisfaction survey, the employees were satisfied with the 5 aspects of job satisfaction, workplace satisfaction, salary assessment satisfaction, education and training satisfaction, and health checkup and consultation satisfaction 	0%	The starting salaries of new employees to male and female are maintained as 1:1

Issue Category	Connotation	Risk Identification Ratio	Assessment Results	Impact Occurrence Ratio	Goals for Next Year
 Business Integrity	The establishment of Code of Ethical Conduct (such as anti-corruption, prohibition of acceptance of bribery/ bribery, and confidentiality clause), the shaping of corporate culture, and the establishment of whistleblowing channels Groups at risk identified Employees, Customers	0%	<ul style="list-style-type: none"> In 2021, the Bank did not receive any report of violations of ethical conduct The Bank entrusted the external consultant to conduct "2021 unethical behavior and internal fraud risk assessment" and the Bank's control effectiveness rating is high, the final residual risk level is low to medium risk 	0%	Conduct the unethical behavior and internal fraud risk assessment every year and maintain the control effectiveness rating of every risks as high level
 Occupational Safety and Health	Employee health, work environment and hygiene, education and training, emergency drill, and maternal health protection Groups at risk identified Women, Employees	1.16%	<ul style="list-style-type: none"> The Bank has achieved the "Outstanding Healthy Workplace" award and passed ISO 45001 certification The operating environment monitoring compliance rate is 100% in 2021 Abnormal workload staff health tracking rate, pregnant employee and employee after delivery tracking rate are all 100% in 2021 1,371 people of the Bank have obtained relevant occupational safety and health qualifications The completion rate of occupational safety and health education and training of the employees is 100% 	0%	<ul style="list-style-type: none"> Pass 2022 ISO 45001 External Re-verification Hold 1 workplace health promotion activity Hold the occupational safety and health education and training every year and the completion rate reaches 100%
Total Risk Identification Ratio 		7.59%	Total Impact Occurrence Ratio	0.1%	





Note1: Risk identification ratio = number of people in the risk identification/ number of employees of the Bank
 2: Impact occurrence ratio = number of people affected by the impact/ number of employees of the Bank






Human Rights Risk Assessment Ratio in Past Years

FY	2021	2020
Risk Identification Ratio	7.59%	7.7%
Impact Occurrence Ratio	0.1%	0.07%

Human Rights Risk Mitigation Measures Management Table

Issue Category	Mitigation and Management Measures		Percentage of the mitigation actions taken
	Policies and Regulations	Mitigation Measures	%
 Working Conditions	<ul style="list-style-type: none"> The Bank's Human Rights Policy, Human Resource Policy, Work Rules Operational guidelines for employee attendance management, Guidelines for employee overtime compensation Directions for Implementing Employer-employee Meetings Guidelines for scheduling employees' paid leave Guidelines for child care leave without pay Workload induced disease prevention program 	<ul style="list-style-type: none"> Human resource management system and check-in/out attendance system Internal periodic review of overtime payments and major anomalies Regular labor meetings. Updated the group agreement on July 30, 2020 Paid leave system and unpaid leave system Workload induced disease prevention program Offer the vaccination leave Purchased Comprehensive Personal Statutory Communicable Disease Insurance for all employees 	100%
 Information Security	<ul style="list-style-type: none"> Information security policy Personal information management-related regulations Information Security Incident Reporting Management Implementation Rules 	<ul style="list-style-type: none"> Three lines of defense for internal control of information security Information security incident notification management system, personal information security incident emergency response mechanism and abnormal flow cleaning activity Regular internal information security inspection and information security risk assessment Internal audit and external international verification Regular information security courses and scenarios and backup drills 	100%
 Discrimination and Sexual Harassment	<ul style="list-style-type: none"> Human Rights Policy Guidelines for Sexual Harassment Prevention and Handling Complaints Internal Complaint Handling Regulations Workplace unlawful infringement prevention program 	<ul style="list-style-type: none"> Complaint hotlines Pre-employment training of new hires Prevention, correction, and punishment mechanism Workplace unlawful infringement prevention program 	100%
 Diversity, Tolerance, and Equal Opportunities	<ul style="list-style-type: none"> Human resources policy, and work rules Remuneration system, employee performance evaluation regulations, and Guidelines for Employee Grade Promotion 	<ul style="list-style-type: none"> Provide reasonable remuneration according to job duty and grade without discrimination based on gender, age and race Fair and reasonable performance appraisal and promotion are included in the audit inspection Professional and diversified courses and talent training plan Fair welfare and treatment to disabled employees 	100%

Issue Category	Mitigation and Management Measures		Percentage of the mitigation actions taken
	Policies and Regulations	Mitigation Measures	%
 Business Integrity	<ul style="list-style-type: none"> The Ethical Corporate Management Best Practice Principles, the Employee Code of Conduct, and the Code of Ethical Conduct Internal Complaint Handling Regulations Supplier Corporate Social Responsibility Policy 	<ul style="list-style-type: none"> Regularly assess the business integrity compliance status of the Bank and report it to the Sustainable Development Committee and Board of Directors The legal compliance course enhances the Principle to Treat Clients Fairly and the content of business integrity Legal compliance zone and internal and external whistleblowing systems Maintain a fair and transparent relationship with suppliers, and promote sustainable development concepts such as human rights and environmental protection to suppliers 	100%
 Occupational Safety and Health	 <ul style="list-style-type: none"> Chang Hwa Bank Business Continuity Plan, Pandemic Prevention Program Occupational safety and health policy, Work Rules, Management Program, Automatic Safety and Health Inspection Plan Ergonomic hazard prevention program, Workplace violation prevention program, Maternal health protection program 	<ul style="list-style-type: none"> Automatically check the building's safety through systematic inspection to ensure that related equipment is maintained in normal operation Annual hazard identification and assessment based on proper allocation of operations or appropriate job arrangement Every 2 years, employees undergo a health check-up and complete the "Conscious Musculoskeletal Symptom Questionnaire" to prevent employees from causing musculoskeletal injuries and illnesses due to poor posture, excessive force and excessive frequency of operations when engaged in repetitive work Provide maternity health protection plan to employees who are pregnant or post-delivery (during pregnancy and within one year after child-birth). The plan includes work environment hazard assessment and control, health guidance from medical staff, work suitability arrangements, maternity leave, paternity leave, prenatal visit leave and child-birth allowance. Interviews and follow-ups are also conducted Provide occupational safety and health education and training to all employees and occupational safety and health personnel each year During the pandemic, there are a number of preventive measures such as real-time registration, strengthening environmental cleaning and disinfection, providing subsidies for epidemic prevention materials, reducing physical activities and transferring to online work and so on. In line with the development of the pandemic, make rolling adjustment of "work in turn", "work from home", "off-site" and "different floors of the same building" as backups". Consolation money for confirmed infection or quarantine due to work" is also provided to employees 	100%

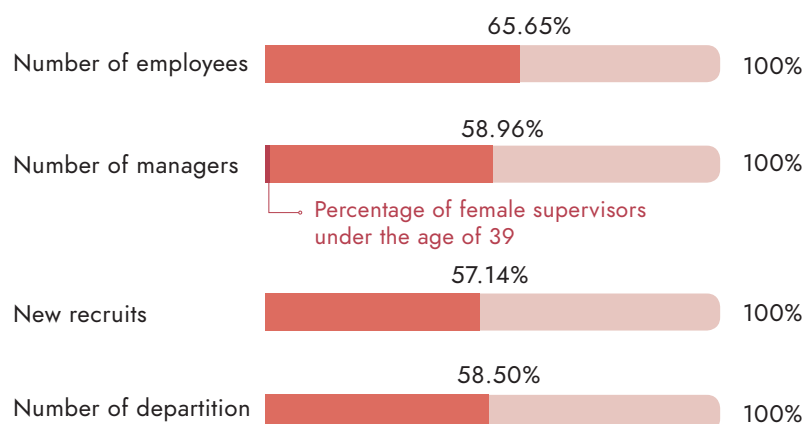
2.8.2 Promoting Gender Equality

1 The Bank is committed to achieving gender equality and implementing equal rights for men and women. The Bank established the “Chang Hwa Commercial Bank Safety and Health Work Rules,” and taking account of the protection and equal rights of employment for female employees, relevant maternal health protection measures shall be taken. Furthermore, four major programs for occupational safety and health prevention have been established, i.e., ergonomic hazard prevention program, workload induced disease prevention program, workplace unlawful infringement prevention program, and maternal health protection program, respectively; the maternal health protection program is for the protection of safety and health of female employees.

2 Percentage of Female Employees

As of the end of 2021, the percentage of female employees in Chang Hwa Bank was 65.65%; with female managers accounting for 58.96% of all management personnel; the percentage of female managers under 39 years old was 77.27%; the percentage of female new recruits was 57.14%; and the percentage of female departing employees was 58.50%.

Employee gender ratio distribution



3 Upholding the Concept of “Equal Pay for Equal Work”

The Bank offers equal salaries to both male and female employees, and there is no difference because of gender or other factors. The starting salaries of new entry-level employees, who accounted for the significant proportion, are maintained at the same level as their peers in the financial sector and are better than the minimum wages set out in laws; their monthly salary is 1.43 times higher than the monthly basic salary stipulated in laws.

	2021		2020		2019	
	Female	Male	Female	Male	Female	Male
Managerial role	100%	95%	100%	96 %	100%	96%
Non-managerial role	100%	101%	100%	102%	100%	103%

Note: The average compensation of male and female employees of the Bank is based on the average compensation of female employees (shown as 100%)

4 In 2021, 109 female employees applied for menstrual leave, 123 for pregnancy checkup leave, 134 for childbirth leave, and 61 male employees for paternity leave; 400 male and female employees for family care leave, 5 male employees for unpaid parental leave and 76 female employees for unpaid parental leave; the Bank assisted employees to return to work when the unpaid parental leave period expired.



2.8.3 Measures for Sexual Harassment Prevention

The Bank has set up the Guidelines for Sexual Harassment Prevention and Handling Complaints, taking appropriate preventive, corrective, disciplinary and handling measures for sexual harassment incidents, and strictly prohibiting any behaviors of sexual harassment, gender discrimination or violence, and threat and intimidation, as to build a friendly workplace with gender equality.

Complaint hotlines:
Telephone number of all branches
of the Bank

Human Resources Division's
complaint hotline:
(02)2560-3658

Implementation Status






The Bank received one sexual harassment complaint in 2021. The Harassment Complaints Processing Committee established in accordance with the "Chang Hwa Bank Guidelines for Sexual Harassment Prevention and Handling Complaints" investigated and reviewed the case. After the resolution was passed, the resolution was notified in writing to the complainant and the counterpart and the case was appropriately closed.





Improvement Plan

1 In order to prevent sexual harassment and protect employees' rights and interests, and provide employees the working environment that is free from sexual harassment, "Chang Hwa Bank Guidelines for Sexual Harassment Prevention and Handling Complaints" was established and announced at the Bank's internal website and Chang Hwa Bank Global Information Network for employees to review.

2 The Bank arranges related law courses such as prevention and relief against sexual harassment in new hires pre-employment training and trainings for supervisors and assistant manager trainees, with a view to establishing a high-quality and friendly work environment.

2.9 Occupational Safety and Health GRI: 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8

Item	Description
 Policy	<p>The Bank's corporate mission and business philosophy, in addition to abiding by the spirit of "robust operation and serving the public," aim to uphold the belief of caring and respecting employees, customers, suppliers, contractors, and other stakeholders, actively implement occupational safety and health management, continuously improve the safety and health of the workplace, and hope to provide all employees and stakeholders with a safe and secure work environment to pursue the ultimate goal of 24/7 safety and priceless health."</p>
 Commitment	<ul style="list-style-type: none"> Establish a safe and healthy workplace. Control occupational safety and health risks. Strengthen occupational safety and health education and training. Ensure consultation with and participation from workers. Comply with regulations and obligations. Continuously optimize the occupational safety and health system.
 Goals and Targets	<ul style="list-style-type: none"> The Bank continues to implement the ISO 45001 Occupational Safety and Health Management System to continuously enhance and improve its workplace occupational safety and health performance. According to the Bank's Occupational Safety and Health Management Program, the Bank's occupational safety and health management is implemented to enhance employees' safety and health awareness, improve the work environment and facilities, and achieve the safety and health management goals to ensure employees' safety and health.
 Responsibilities and Duties	<p>The Bank implements workplace safety and health for employees, is committed to promoting workplace health promotion activities, enhances and improves workplace occupational safety and health.</p>
 Resources	<ul style="list-style-type: none"> Prepare an occupational safety and health budget every year to refine and improve occupational safety and health in the workplace. Contracted physicians provide on-site health services. In order to take care of employees' psychological health, the Bank cooperates with professional psychological counseling institutions to provide psychological counseling services to employees. The expenses within a certain amount shall be borne by the Bank. The Bank provides employee health checkup every two years, superior to what is stipulated by laws, analyzes the employees' health conditions, and implements health promotion activities for abnormal conditions. Breastfeeding rooms are set up to provide breastfeeding employees with a safe and comfortable breastfeeding place. There are sports clubs, including basketball, table tennis, and mountaineering clubs, to motivate employees to exercise more to maintain good health.

Item	Description
 Complaint Mechanism	<ul style="list-style-type: none"> Safety and health suggestions were put forward by the Occupational Safety and Health Committee. The Bank has established the Chang Hwa Bank Employee Complaint Notice to provide employees with complaint channels.
 Substantial Activities	<ul style="list-style-type: none"> The Bank has set up the Occupational Safety and Health Responsible Unit and the Occupational Safety and Health Committee, to implement various occupational safety and health policies. Each unit has engaged an occupational safety and health business supervisor, first-aid personnel, and fire-fighting management personnel to assist with the implementation of occupational safety and health policies to maintain employees' occupational safety and health and to create a safe work environment. The Bank formulated the "Safety and Health Work Rules" with labor representatives in 2017. The Bank has established and implemented the Occupational Safety and Health Management Program, Four major Programs for Occupational Safety and Health Prevention, the Automatic Safety and Health Inspection Program, the Operational Environment Monitoring Program, while completing the ISO45001 Occupational Safety and Health Management System and complying with domestic and international occupational safety and health regulations and standards. The Bank has regularly held safety maintenance reporting sessions and employee self-defense team exercises to strengthen the safety protection, and set up access control to prevent irrelevant people from entering to maintain employees' safety. In order to keep abreast of employees' work environment and assess their exposure to hazards, the Bank conducts operating environment inspection of lighting and carbon dioxide twice a year. The Bank held "Health Let's go CHB go around in the world" challenge and public welfare activity, and invited a doctor to give a lecture on "Moving for the pandemic, life is wonderful".
 Assessment Mechanism	<ul style="list-style-type: none"> Passed or obtained verification from external institutions. Operating environment monitoring compliance rate. The number of people who have obtained relevant occupational safety and health qualifications.
 Results	<ul style="list-style-type: none"> In 2021, the Bank received the third-year renewal certification of ISO 45001 Occupational Safety and Health Management System of the British Standards Institution (BSI) to maintain the validity of the certificate. The Bank conducted operating environment inspection of "indoor carbon dioxide" and "lighting" in the first and second halves of 2021, respectively, at 186 units of the whole Bank, and all inspection results met the standards. In 2021, a total of 591 persons completed the training of occupational safety and health business supervisors, first-aid personnel, and fire-fighting management personnel. There were 1,379 qualified people across the Bank.

2.9.1 Occupational Safety and Health Organization

1

Establishment of Occupational Safety and Health Responsible Unit

The Bank's Occupational Safety Section in the General Affairs Division is the responsible unit for occupational health and safety, which has dedicated occupational health and safety personnel. It has been reported to the competent authority in accordance with the law for reference and has obtained approval from the Taipei City Labor Inspection Office, showing that the Bank attaches great importance to occupational safety and health.

2

Establishment of the Occupational Safety and Health Committee

In order to implement occupational safety and health management, the Bank established the Occupational Safety and Health Committee in December 2016. The Committee has one chairperson (the President or the agent designated by the President are responsible for monitoring the implementation of occupational safety and health-related measures) and eight members, with the labor representatives accounting for one-third of the members. The meetings of the Committee are regularly convened once every quarter in order to strengthen the supervision over the occupational safety of employees, and improve the quality of safety and health management. A total of 4 meetings were held in 2021 to assist the promotion of the Bank's occupational safety policy.

2.9.2 Operating Status

1

Safety and Health Related Issues Covered by Official Union Agreements

The Bank renewed the "Collective Agreement" with CHB Labor Union on May 14, 2018, and signed an addendum on July 30, 2020.

2

Occupational hazard accident handling process



As per Article 27 of the Bank's Safety and Health Work Rules, when there is an immediate danger in the workplace, the unit supervisor or business supervisor should immediately stop the operation and have employees evacuate to a safe place. When employees are in danger of immediate danger, they may exercise their right to evacuate to a safe place by themselves while reporting to the unit supervisor or business supervisor immediately.



II

As per Article 41 of the the Bank's Safety and Health Work Rules, in the case of any of the following occupational disasters in any unit, the unit supervisor or business supervisor shall report to the Bank's occupational safety and health management unit immediately, which shall then notify the labor inspection agency in eight hours:

1. Disaster with fatality.
2. Disaster with more than three injured persons.
3. Disaster with one seriously injured person who requires hospital treatment.
4. Other disasters announced by the central competent authority.

III

As per Article 42 of the the Bank's Safety and Health Work Rules, when an occupational disaster occurs in the workplace, the unit supervisor or business supervisor shall take necessary first aid or rescue measures immediately, conduct investigation and analyses, and keeps records accordingly while reporting to the Bank's occupational safety and health management unit. Except for necessary first aid and rescue, employees shall not move objects or destroy the site without a judicial agency or a labor inspection agency's permission.

IV

In order to enable the Bank to quickly understand the situation of the case in the event of an occupational disaster and provide immediate assistance to the unit and the party involved in the accident, the Bank has prepared relevant forms such as "Workplace Occupational Accident Notification Record Form" and "Workplace Occupational Accident Follow-up Handling and Investigation Record Form", and has conducted accident investigation and analysis with relevant personnel to formulate disaster prevention measures to reduce the accident occurrence rate.

3

Monitoring of Operational Environment

In the first and second half of 2021, professional institutions were commissioned to implement two types of operational environment monitoring for 186 units of the Bank: indoor carbon dioxide and lighting. In 2021, monitoring for a total of 372 times was completed. The monitoring results were all compliant with standards. The operational environment monitoring plan and monitoring results were announced on the Bank's intranet, and publicly disclosed so that employees were informed.

4

Occupational Health and Safety Related Education and Training

The Bank has appointed occupational safety and health operation supervisors, first-aid personnel, and firefighting management personnel in every business unit, and assigns appropriate personnel to participate in training.

Occupational safety and health education and training: Number of people trained in 2021: 591, with a total of 4,747 hours.

Type		Number of people	Hour(s)	Total number of hours
Occupational safety and health business supervisor	First-time training	40	35	1,400
	Re-training	241	6	1,446
First-aid personnel	First-time training	34	20	680
	Re-training	213	3	639
Fire fighting management personnel	First-time training	34	12	408
	Re-training	29	6	174
Total		591	-	4,747

Security guard education and training: Number of people trained in 2021: 820, with a total of 3,280 hours.

Time of the Training	Number of people	Hour(s)	Total number of hours
Q1	207	4	828
Q2	200	4	800
Q3	212	4	848
Q4	201	4	804
Total	820	-	3,280

5

ISO 45001 Occupational Safety and Health Management System Verification

I

The Bank is committed to promoting workplace health promotion activities and enhancing and improving workplace occupational safety and health to meet international standards, while obtaining the certification of ISO 45001 Occupational Safety and Health Management System of BSI from US ANAB and TAF in Taiwan in 2019, and obtained the third-year renewal certification on August 26, 2021 to maintain the validity of the certificate.

II

In order to effectively manage and promote the occupational safety and health management system, the President leads the Bank to comply with occupational safety and health related laws and regulations and international standards, provide relevant resources, and commit to implement the Bank's occupational safety and health policy. All departments fully cooperate to assign employees to form the occupational safety and health management system promotion team. The team continuously optimizes the system annually in a PDCA cycle to identify high risks or opportunities to significantly improve safety and health performance through internal and external issues, stakeholder needs and expectations, regulatory non-compliance and unacceptable risks, improve or implement control methods, and set measurable goals consistent with occupational health and safety policies. The team expects to create a safe and healthy work environment through emergency response drill, internal audit, management review and other processes.

III

Evaluators in each unit that received occupational safety and health hazard identification and risk opportunity assessment training within or outside the Bank are assigned with their own identification scope according to each unit's responsibility, activity and process. When filling out the "Hazard Identification and Risk Opportunity Assessment Form", in addition to considering routine activity process, non-routine contingencies shall be considered as well in order to understand the risk factors that may cause injury in the workplace.

6

Contractor and Supplier Management

The Bank introduced ISO 20400 Sustainable Procurement Guidelines in selecting suppliers that comply with health and safety regulations. The Supplier Social Responsibility Commitment stipulates that suppliers shall comply with labor right and human right protection, including complying with occupational health and safety regulations. In addition, the Bank has a "Work Environment Hazard Element Notice". Contractors shall assess the possible hazards of the detail operations according to the hazard elements written in the notice. The responsible person of the contractor shall sign the notice and inform all the operating personnel regarding the possible hazards to ensure their safety before the commencement of the operations.

7

Host Health-related Activities and Seminars

In order to promote the physical health of the Bank's employees and encourage employees to walk to improve their immunity and care for public welfare, the Bank held "Health Let's go CHB go around in the world" challenge and public welfare activity in 2021, and invited Dr. Liu Jian-Liang, Chief Physician of Neurology Department of Taipei Municipal United Hospital, to give a lecture on "Moving for the pandemic, life is wonderful". A total of 5,425 people participated in the event, representing 81.37% of the total number of employees in the Bank. The cumulative number of steps for the whole bank reached 787 million steps, successfully achieving the goal of donating NT\$100,000 to the event. On October 21, 2021, the Bank donated the public welfare fund to the "Taiwan Alzheimer's Disease Association".



8

Psychological Counseling and Consultation

In order to care for the mental health of employees and solve certain psychological problems such as stress and disturbed emotions faced by employees, the Bank has continuously appointed professional psychologists from the Huaijen Center for Human Becoming, Sunlight Counseling Institute, and Huei-Sin-Ting Counseling Institute since December 1, 2021 to provide psychological counseling and guidance to employees as to boost the inner potential of employees, thereby improving the quality of work and the overall business performance, and building a happy enterprise with a friendly workplace. From December 1, 2020 to November 30, 2021, there were 51 cases that used one-by-one consultant. This service is paid for by the Bank to certain extent.

9

Accredited Healthy Workplace

The Bank has prioritized occupational safety and health for employees. In recent years, we have been committed to promoting occupational health promotion activities and improving workplace occupational safety and health. We obtained the Badge of Accredited Healthy Workplace - Health Activation issued by the Ministry of Health and Welfare in 2018, and the Badge of Accredited Healthy Workplace - Health Promotion in 2019, and received 2021 National Outstanding Healthy Workplace - Energetic and Active Award by Health Promotion Administration, Ministry of Health and Welfare.

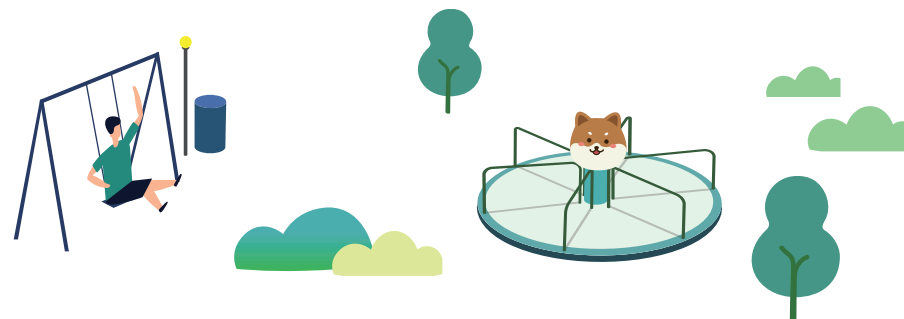


2.10 Charity Events and Charitable Care GRI: 203-1, 203-2, FS13, FS14, FS16 SASB: FN-CB-240a.3

Based on the concept of promoting "happy family," the Bank continues to care for the disadvantaged groups, increases the frequency of organizing public welfare activities, and actively motivates employees to participate in corporate volunteering services through its financial professionalism, a dense network of operating sites, and highly dedicated employees, to offer social care using practical actions and bring happiness to everyone.





2.10.1 Charitable Strategy: Social Co-prosperity, Arts and Culture, and Green Care

With social developments and an aging society, the need for elderly care resources, psychological support, and basic guarantees for disadvantaged groups and specific people is growing day by day. The uneven distribution of social resources hinders cultural, sports and industrial development opportunities. Combined with a series of ecological, social, and economic crises caused by climate change, the impact on future sustainable development is far reaching.



2021 Charitable Strategy

Charitable Strategy	Social Co-prosperity	Arts and Culture	Green Care
Respond the Targets of SDGs			
Axes	<p>The Bank upholds the ideals of taking from society, giving back to society, and co-prosperity with society on the basis of the concept of happy families. Together with SDGs, we support basic care, guarantees, and needs of disadvantaged children, the elderly, and specific groups, in order to promote social harmony.</p>	<p>The Bank protects the beauty of Chinese culture and encourages the accumulation of cultural and creative energies. Combined with various activities, we showcase the highlights of local cultures to promote the development of the tourism industry and improve the international image of Taiwan.</p>	<p>The world is facing a climate emergency and environmental protection actions cannot be delayed. The Bank will continue to focus on environmental protection issues and integrates internal water efficiency management policies to promote change from inside out. In addition, climate change and political, environmental, and economic changes have created challenges to agricultural developments and product sales. The Bank will adopt appropriate actions to alleviate overproduction of agricultural products.</p>

Charitable Strategy	Social Co-prosperity	Arts and Culture	Green Care
Drives	Through support for social welfare groups, Chang Hwa Bank provides disadvantaged children and elders with economic resources and materials. Combined with our main financial business, we help disadvantaged people or specific groups to establish correct financial concepts. In addition, we support the development of sports in rural areas, sporting events, and developments in the sporting industry, in order to improve the social welfare image and recognition of Chang Hwa Bank.	The sustainable preservation of culture requires environmental influence and financial support. Chang Hwa Bank is a local financial brand with more than 100 years of history. Through support for cultural events and videos, we cultivate local culture and connect the same memories and emotions to deepen brand recognition.	By organizing environmental education seminars and events, Chang Hwa Bank improves the environmental awareness of employees. We also support ocean conservation groups to protect the Earth through action. In addition, we purchase agricultural products to share with social groups and customers. Aside from promoting the long-term development of the agricultural industry, we are able to improve existing customer relations and brand recognition of the Bank.
Beneficiaries	<ul style="list-style-type: none"> • Vulnerable and specific identity groups, disaster-affected people • Vulnerable elders, children, and rural students • Social welfare groups and media • Sports groups and athletes • Employees of the Bank • General public 	<ul style="list-style-type: none"> • Charity organizations • Government 	<ul style="list-style-type: none"> • Social welfare groups • Farmers • Employees of the Bank 
Project and Action	<ul style="list-style-type: none"> • Organize financial knowledge seminars and events • Sponsor exhibitions, seminars, forums, and industry-related events • Provide people with disabilities with free ATM interbank withdrawal fees 3 times a month • Donate in micro-insurance premiums • Sponsor Journal Donation Program • Sponsor supplies for disadvantaged elders • Provide scholarships for disadvantaged children • Disaster Relief Donations • Sponsor sports events and cultivate sports talents • Corporate volunteer training 	<ul style="list-style-type: none"> • Sponsor the filming by the General Association of Chinese Culture • Sponsor the lanterns of 2021 Taiwan Lantern Festival 	<ul style="list-style-type: none"> • Organize "Cherish Resources and Protect the Earth Through Action" series of events • The green campaign of "I Declare, Change for Climate" • Procurement of local agricultural products 

Benefit and Results of Social Welfare Strategy

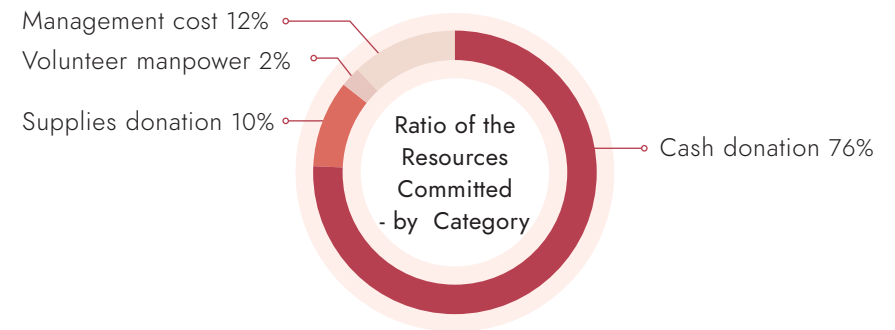
Social Co-prosperity		
Item	Targets	2021 Results
Business Benefit	Increase the number of potential customers reached	18,723 people
	Promote brand recognition/favorability/exposure among customers	Promoted
	Number of volunteer training events to improve employee recognition/ number of participants	1 event/ 387 people
Social Benefit	Sponsor/donation amount	NT\$11,019,879
	Volunteer participation	523 people
	Assist specific groups in emergency rescue	2 cases
	Support the development of sports in remote area and cultivate talents for the country	10 people
	Number of sponsored events to promote exercise among the public	1
	Number of sponsored events promoting industrial developments and government policies	3
	Number of sponsored events promoting industrial and economic developments	3
	Promote the spirit of volunteerism	Promoted
	Number of people reached by the event	20,762 people
	Number of events for improving financial literacy	9
	Number of sponsorships for improving cultural access rights	1
	Number of partnered groups for improving the right to education of disadvantaged students	1
	Number of sponsored cases for caring for the rights of disadvantaged groups	4

Arts and Culture		
Item	Targets	2021 Results
Business Benefit	Increase the number of potential customers reached	632,000 people
	Promote brand recognition/favorability/exposure among customers	Promoted
Social Benefit	Sponsor/donation amount	NT\$5,050,000
	Volunteer participation	1 person
	Number of people reached by the event	632,000 people
	Number of videos and events for promoting cultural preservation	4

Green Care		
Item	Targets	2021 Results
Business Benefit	Promote brand recognition/favorability/exposure among customers	Promoted
	Improve employee recognition of the Bank	Improved
Social Benefit	Sponsor/Donation Amount	NT\$3,604,750
	Number of people reached by the event	13,535 people
	Raise environmental friendly awareness	Improved
	Number of partnered marine conservation groups	1
	Number of procurements for alleviating the problem of agricultural product overproduction	63 tons

Type of Resources Committed

Category	Amount (NTD)	Ratio
Cash donation	14,908,879	76.05%
Supplies donation	1,900,420	9.69%
Volunteer manpower	348,684	1.78%
Management cost	2,446,000	12.48%
Total	19,603,983	100%

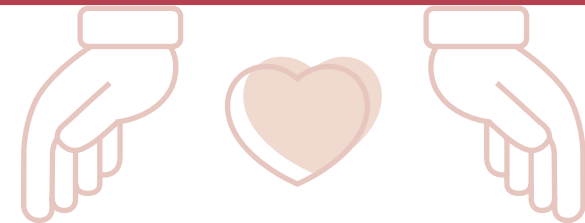


The Implementation Status of Charitable Strategy

Social Co-prosperity


Social and environmental issues:

- Disadvantaged people and specific groups lack basic rights, care, and correct financial knowledge.
- Insufficient resources and psychological support for elder care in an aging society.
- Lack of opportunities to participate in competitions or for development due to insufficient funding for athletes and the industry.



Targets	Plan and Action	2021 Implementation Results
Assist specific groups in emergency rescue	Disaster relief and donations	We donated to the earmarked account to assist the victims of the Hualien Taroko accident and 1014 cheng-zhong-cheng fire accident and their families to tide over the difficulties together.
Support the development of sports in remote area and cultivate talents for the country	Cultivate sports talents	We have donated to the Taitung County Sports Association's "Training Program for Elite and Potential Athletes of Various Sports Committees" to cultivate grass-roots sports talents in the county and develop sports potential for 6 consecutive years since 2016. There are 10 athletes benefited in 2021.

Targets	Plan and Action	2021 Implementation Results
Promote exercise among the public	Sponsor the sporting event	<p>We have sponsored the basketball games organized by Keelung City Social Basketball Association for 13 consecutive years since 2009 to promote social basketball and sponsored the "30th Keelung City New League Cup Basketball Tournament" in 2021. (8 days/68 games/48 teams (3,768 people) participating in).</p>
Promote industrial developments and government policies	Sponsor exhibitions and industry-related events	<p>Through the sponsorship of policy-related exhibitions and specific industry events, we help the implementation of policies and the cultivation of related industry talents:</p> <ul style="list-style-type: none"> The "Urban Renewal Expo" of Wealth Magazine reached 8,900 people. 250 people participated in "the 33rd Accounting Elite Cup Debate Competition" of the Accounting Research and Development Foundation. 162 teams participating in the "5th Star of Entrepreneurship Contest" of Economic Daily News.   
Promote industrial and economic developments	Sponsor seminars, forums, and related events	<p>Sponsored seminars, forums, and other events to facilitate exchanges between industry, government, and academia, allowing each sector to learn from the experience and knowledge of the others and promoting developments:</p> <ul style="list-style-type: none"> 368 people participated in "Corporate Governance Re-evolution Seminar" by the Taiwan Technology Law Institute. 105 people participated in "Taiwan 2021 Banking Forum" by the Liberty Times. 280 people participated in "Taiwan Economic Research Outstanding Dissertation Award" by Taiwan Economic Association in the event.   
Promote the spirit of volunteerism	Corporate volunteer training	<p>We promote the spirit of volunteering and focus on social and environmental issues as a group. We aim to create positive value. A total of 387 people participated in the Taipei e-University Digital Learning Online Volunteer Training.</p>

Targets	Plan and Action	2021 Implementation Results
Improve financial literacy	“Organizing financial knowledge events in campuses and communities” and financial education seminars for financial customers	In 2021, 8 financial education seminars for financial customers and 1 financial knowledge event were organized, in order to provide financial literacy and establish correct financial concepts. A total of 550 people and 121 volunteers participated. (See chapter 2.10.3 for details)
Improve cultural access rights	Sponsor the Central News Agency’s “Journal Donation Program to Enhance International Outlook”	We sponsored the Central News Agency’s “Journal Donation Program to Enhance International Outlook” for 3 consecutive years since 2019 and donated one-year monthly magazines to 200 rural junior high school and above and youth social welfare organizations to annotate reading resources and implement cultural access rights to deepen knowledge. There are approximately 2,000 people benefited in 2021.
Improving the right to education of disadvantaged students	Scholarships for disadvantaged children	We have collaborated with the Taiwan Fund for Children and Families for the Tuition Support Program to help junior high and elementary school students who studied hard despite difficult situations study without worries for 8 consecutive years since 2014 with a total of 1,345 students benefited. There are 200 beneficiaries in 2021.
Caring for the rights of disadvantaged groups 	Provide financial-friendly services for disadvantaged and specific identities groups (free ATM interbank withdrawal fees for people with disabilities)	Since January 1, 2017, the Bank has provided people with disabilities with free ATM interbank withdrawal fees three times a month. A total of 934 free interbank withdrawals were offered to 99 people by 2021. (See chapter 2.5.5 for details)
	Donate in micro-insurance premiums	Starting in 2020, we have donated micro-insurance premiums for two consecutive years, to provide basic protections for disadvantaged people and specific groups. As of today, 940 people have benefited from the program. In 2021, 540 disadvantaged people benefited from the donations. (See chapter 2.5.5 for details)
	Caring for the disadvantaged elderly (including Dragon Boat Festival gifts and New Year dishes)	Starting in 2014, we have worked with the Huashan Foundation for 8 consecutive years on the New Year Meal Project. We are gradually deepening our partnership and have started to sponsor the elderly sports day and other events. We are also organizing volunteer activities to give back to society. To date, over 6,680 senior citizens have been benefited and 700 volunteers have participated. In 2021, we donated 500 Dragon Boat Festival gifts and 1,430 new year meals, with 1,930 benefited.
	Sponsor the Taipei City Kuanyin-Line Psychological and Social Service Association’s “Kuanyin-Line 30th Anniversary Benefit Concert”.	We have sponsored the Taipei Kuanyin-Line Psychological and Social Service Association’s “Kuanyin-Line Association charity Concert” for 3 consecutive years since 2019 to care for the suffering and to help the association provide immediate psychological support and assistance and reduce the social problems. The 2021 charity concert has reached 1,600 people.



Arts and Culture

Social and environmental issues:

- The sustainable preservation of culture requires environmental influence and financial support.



Targets	Plan and Action	2021 Implementation Results
Promote cultural preservation	Sponsor the filming by the General Association of Chinese Culture.	Since 2017, we have participated in the filming of videos by The General Association of Chinese Culture. We use the soft power of cultural creativity to deepen the cultural spirit and promote the preservation of culture. In 2021, we sponsored the filming of The Soul of the Craftsman Soul #30 Dialogue with Old Buildings, The Soul of the Craftsman Soul #31 Flames of the Blacksmith, and "Taiwan Bravely Moving Forward" national day video for 2021. A total of 630,000 people viewed the videos.
	Sponsor the lanterns of 2021 Taiwan Lantern Festival	Starting in 2012, we became a long-term sponsor of the Taiwan Lantern Festival. We donated small lanterns to the public and social welfare groups to spread the cheer and spirit of the Lantern Festival, and to promote the preservation of culture. In 2021, we donated 2,000 lanterns to the Wenshan Harmony Home Association, Bethany Children's Home, Chung Yi Social Welfare Foundation, and The Mustard Seed Children's Home, benefitting 2,000 people.



Green Care

Social and environmental issues:

- Climate change has led to the warming and acidification of the oceans, as well as the expansion of oxygen-deficient areas, impacting marine life. Plastics pollution has caused serious harm to the oceans and has also impacted human life through the food chain.
- The imbalance between the production and sales of agricultural products has affected agricultural developments and the livelihoods of farmers.



Targets	Plan and Action	2021 Implementation Results
Raise environmental friendly awareness	"Cherish Resources and Protect the Earth Through Action" series of events - "CHB Love Sea Protection Action Seminar"	Starting in 2021, we launched the "Cherish Resources and Protect the Earth Through Action" series of events. We organized the "CHB Love Sea Protection Action Seminar" to promote environmental education, improve the understanding of environmental issues among employees, and establish the importance of environmental protection actions. In 2021, we held one online environmental seminar with 187 participants.



Targets	Plan and Action	2021 Implementation Results
<p>Raise environmental friendly awareness</p> 	<p>The Earth Hour Taiwan energy saving activity</p>	<p>Starting in 2019, we have responded to the Society of Wilderness “the Earth Hour Taiwan energy saving activity” for three consecutive years. All business units in Taiwan participated in the simultaneous lights-off event to save energy, promoting environmental protection and global sustainability ideals. The event reached 6,674 people from the Bank in 2021.</p>
<p>Marine Conservation</p>	<p>The green campaign of “I Declare, Change for Climate”</p>	<p>Response the green campaign of “I Declare, Change for Climate” of Taiwan Environmental Information Association. Through this event, we conveyed the ideals of environmental protection and global sustainability. In addition to the letter from the chairperson, we give employees and the public opportunities to understand the climate emergency through Facebook posts, thereby joining the environmental protection actions. In 2021, the event reached 6,674 people from the Bank.</p>
<p>Alleviate the problem of agricultural product overproduction</p>	<p>Procurement of local agricultural products</p> 	<p>Starting in 2021, we launched the “Cherish Resources and Protect the Earth Through Action” series of events and worked with the Society of Wilderness to sponsor environmental protection activities. The funds are used for marine conservation.</p> <p>In response to the national policies, we purchased 60 tons of pineapples and 3 tons of Aiwon mangoes to help the imbalance of production and sales. We supported the livelihoods of farmers and the long-term development of the agricultural industry. We donated the fruit to employees, customers, and social welfare groups, sharing the local produce of Taiwan.</p> 

"Love in Chang Hwa Bank and e-Action" Charity Event

To fulfill the corporate social responsibility, the Bank has integrated mobile payment with charity donations to spare no effort to care for the disadvantaged. Since 2018, we have launched the Taiwan Pay charity events, and have risen more than NT\$1 million in donations each year from small donations made by the public by scanning a QR code using our mobile online banking app. This project is well-received by the public. To continue the society's kindness and to expand the scope of beneficiaries, we further built an online donation platform of the "Charity Zone" on our official website and mobile online banking app, and the public can make small donations via Taiwan Pay.

Since April 16, 2020, the Bank has held the "Love in Chang Hwa Bank and e-Action" charity donation event via Taiwan Pay in collaboration with the Orphan Welfare Foundation Taipei, the Double Bliss Welfare and Charity Foundation, the Modern Women's Foundation, and the Happy Mount Foundation to create the Charity Zone online. The general public can browse through the introduction of the four charity organizations in the Bank's mobile online banking app and the Charity Zone on the official website, and make convenient and fast online donations via Taiwan Pay.

From May 5, 2021, to December 31, 2021, the Bank organized the "Never Ending Love of CHB" social welfare event and gifted 500 "CHB Exclusive Boa Coin Purse". Users can use "Taiwan Pay" to make direct donations online. During the event, people who donate over NT\$2,000 were gifted a Boa coin purse. As of December 31, 2021, the total number of donations was 80,729 donations and the total amount reached NT\$3,014,065.



2.10.2 Community Engagement

1

Sponsored the "30th Keelung City New League Cup Basketball Tournament" organized by Keelung City Social Basketball Association to promote Keelung City and the North District, counties and cities to develop a sports atmosphere.

2

Donated to the Taitung County Sports Association's "Training Program for Elite and Potential Athletes of Various Sports Committees" to support sports development.



2.10.3 Financial Education SASB : FN-CB-240a.4

1

In order to promote the popularization of financial education, the Bank cooperated with the policies of the competent authorities and organized financial knowledge promotion event in the community. On May 18, 2021, the Bank organized a financial knowledge promotion event in the Taipei Veterans Service Office (about 150 people participated). In 2021, due to the pandemic, the remaining events were suspended. In the future, the Bank will continue improving financial knowledge among the public through multiple aspects.

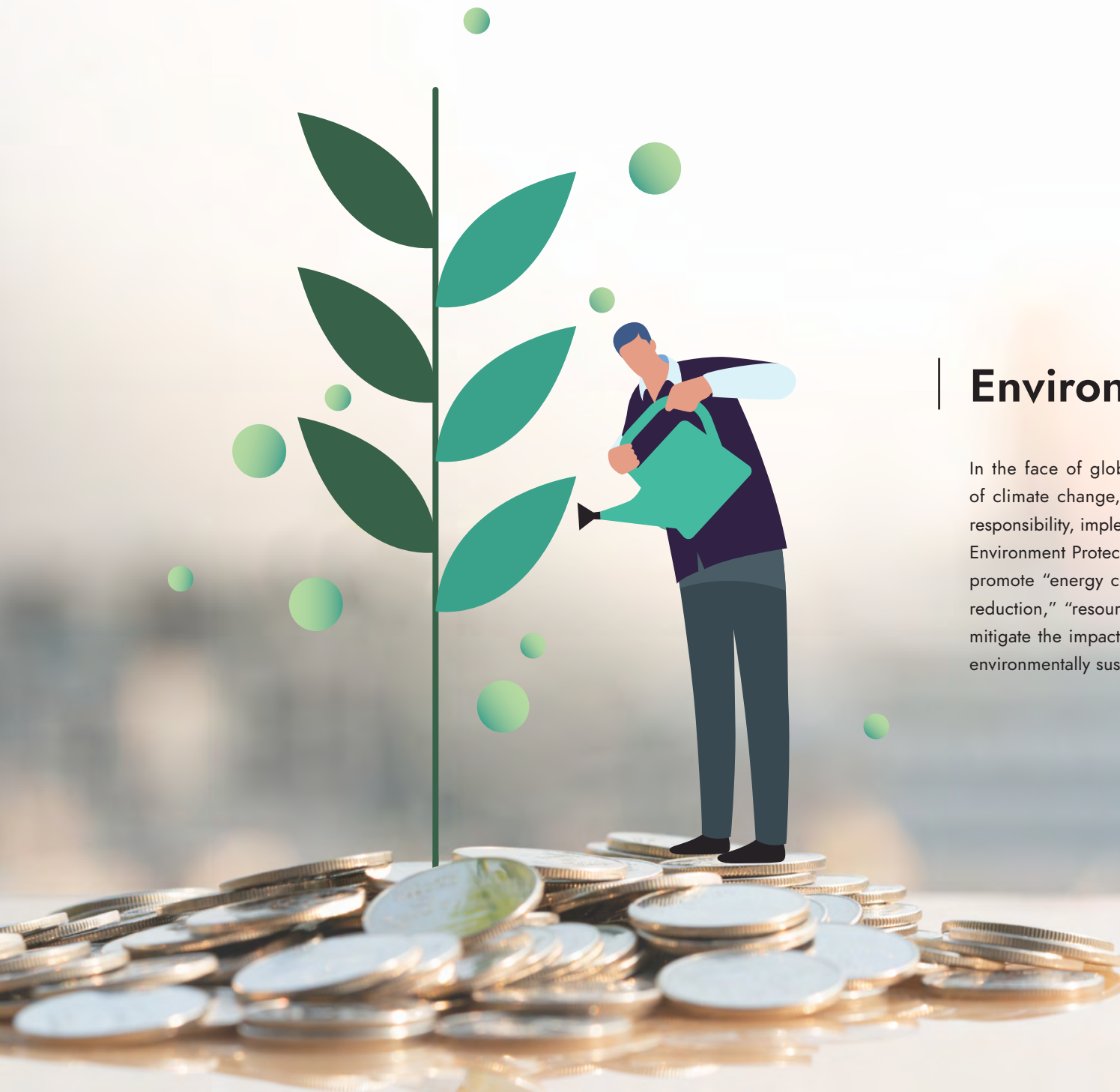
2

The Bank played the FSC's advocacy video clip titled "Care Trust for the Disadvantaged" on our ATMs and multimedia billboard in January and February 2021. In doing so, we believe that the advocacy video clip can introduce care trust to customers (including the disadvantaged) coming to the Bank, given that we have about 640 ATMs and roughly 185 multimedia billboards. The number of participants is a multiple of the number of equipment above.

3

Financial education seminars for financial customers (A total of 400 people benefited in 2021)

Date	Location	Number of Beneficiaries (person)
2021.11.4	Taipei I (THE OKURA PRESTIGE TAIPEI)	50
2021.11.11	Taipei II (THE OKURA PRESTIGE TAIPEI)	50
2021.11.17	New Taipei (THE SHERWOOD TAIPEI)	50
2021.12.9	Taoyuan & Hsinchu (Fleurlis Hotel)	50
2021.12.14	Taichung (Millennium Hotel Taichung)	50
2021.11.10	Tainan (TAIPUNG SUITES)	50
2021.12.2	Kaohsiung & Pingtung County (Kaohsiung Marriott Hotel)	50
2021.12.8	Chiayi (Nice Prince Hotel)	50

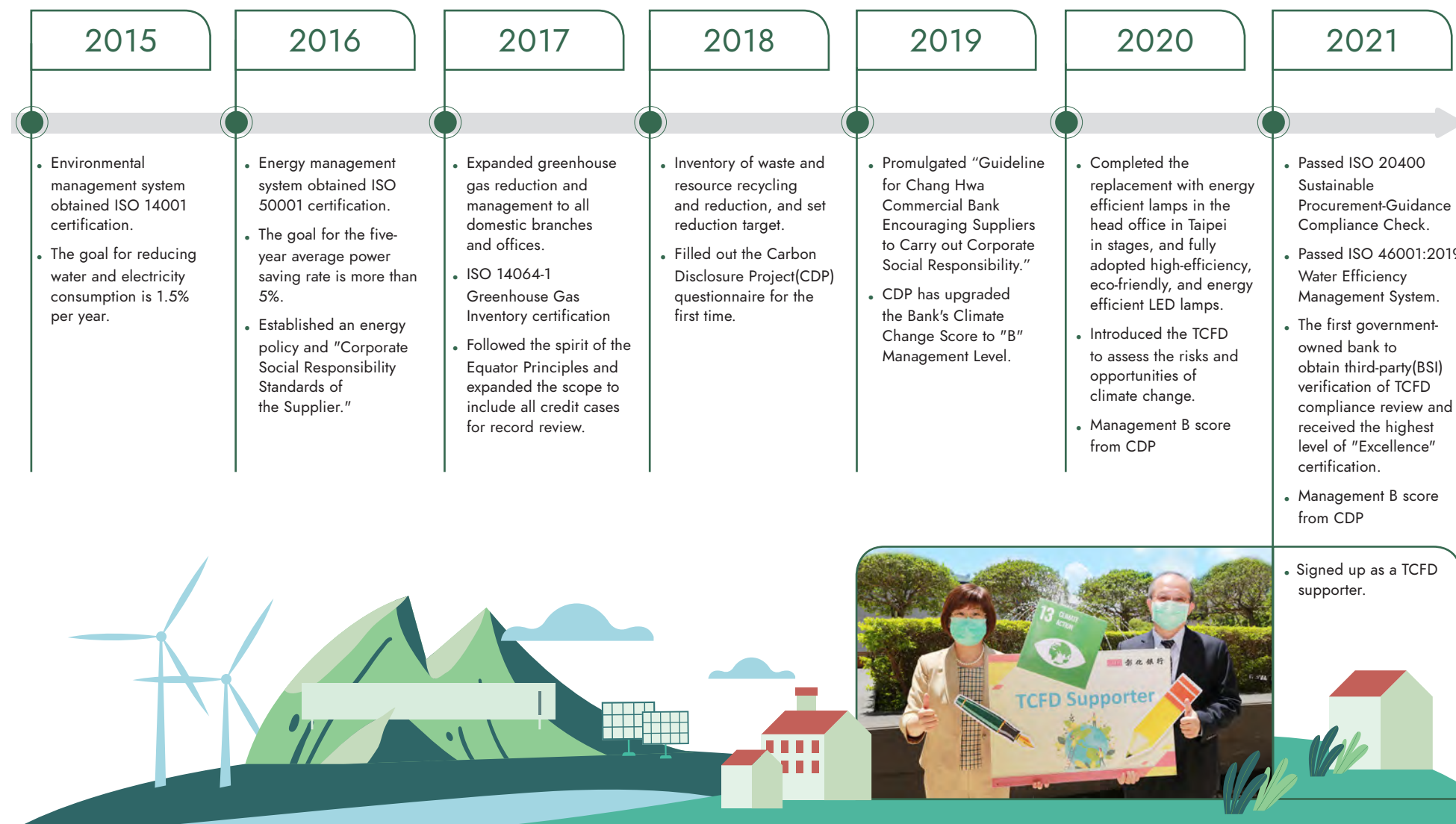


Environmental Aspect

In the face of global warming and in response to the issue of climate change, the Bank has fulfilled its corporate social responsibility, implemented the environmental policy of "LOHAS Environment Protection and Love the Planet," and continued to promote "energy conservation and carbon reduction," "waste reduction," "resource management," and "green buildings" to mitigate the impact of climate change and achieve the goal of environmentally sustainable management.

The Bank's Environmental Performance in Recent Years GRI: 307-1

In response to climate change, the Bank has been implementing sorting of waste, recycling, energy conservation and carbon reduction measures since before the "Paris Agreement," and continues to make use of environmentally friendly products such as green building materials, recycled paper and water-saving or power-saving equipment to reduce impact on the environment. In 2021, the Bank did not commit any violations of environmental regulations.



Energy Conservation and Carbon Reduction Plan

Policy

To mitigate the impact of climate change, the Bank implements various environmental policies, such as resource conservation, energy conservation measures, and greenhouse gas (GHG) emission reduction strategies, while striving to develop environmental sustainability.

Implementation

The Bank's GHG emission sources are mainly electricity consumption. To promote a low-carbon environment, the General Affairs Division is responsible for establishing specific goals, practices, and programs for energy conservation and carbon reduction; reviewing environmental protection issues on a regular basis; and continuously promoting improvement measures to achieve GHG reduction goals.

Review

Record the consumption information of the various resources (water, electricity, fuel, natural gas, etc.) yearly. When there is non-compliance or deviation from the environmental management requirements, corrective measures are taken in a timely and effective manner to reduce environmental impact. In addition, environmental impact is identified and evaluated regularly, and follow-ups conducted by listing the improvement goals and management programs. Furthermore, the GHG emission inventory is conducted every year to examine the reduction situation and increase management measures.

Goals

Continue to promote international certification of Environmental Management System, Energy Management System and Greenhouse Gas Inventory.

Implement energy conservation and carbon reduction measures and set up the annual carbon emission reduction of approximately 30,000~60,000 kgCO₂e.

The waste reduction target of the head office in Taipei is to reduce the amount of production by 1% and increase the resource recovery rate by 1% with 2020 as the base year.

Increase renewable energy certificate by 1% with 2020 as the base year.

Major achievements in 2020

- ISO 14001: 2015 Environmental Management System certification.
- ISO 50001: 2018 Energy Management System certification.
- ISO 14064-1: 2018 Greenhouse Gas Inventory certification.
- ISO 20400: 2017 Sustainable Procurement-Guidance Compliance Check.
- ISO 46001:2019 Water Efficiency Management System certification.






- Followed the energy-saving measures to help business units replace old lighting and reduced carbon by about 24,967 kgCO₂e. Used LED energy-saving lighting as main lighting for newly leased or relocated houses and reduced carbon by about 23,554 kgCO₂e. In addition, replaced old air conditioners in the Head Office in Taipei and reduced carbon by about 7,065 kgCO₂e. The above actions had reduced carbon by 55,586 kgCO₂e in total.

- The amount of trash from the Head Office in Taipei in 2021 was 118.63 tons, 2.26% less than in 2020 and the amount of recycling waste was 17.44 tons, 12.49% less than in 2020.
- Since the Bank started waste reduction in 2019, accumulative trash reduction has reached 2.44% (annual average decrease is 1.22%), accumulative resource recycle has reached 5.50% (annual average increase is 2.75%).

	2019	2020	2021	Cumulative Difference	Average Difference
trash (tons)	121.60	121.37	118.63	-2.44%	-1.22%
recycling waste (tons)	16.53	19.93	17.44	5.50%	2.75%

- In 2021, the Bank purchased 90 renewable energy certificates, which increased 12.5% comparing to 2020.

3.1 Climate Change GRI: 201-2, 305-1, 305-2, 305-3

Item	Description
 Policy	<p>The Bank implements energy conservation and carbon reduction measures, cares for the Earth, and capitalizes on the financial institution's influence on mitigating climate change to mitigate the impact of climate change and achieve the goal of sustainable environmental management.</p>
 Commitment	<ul style="list-style-type: none"> The Bank refers to the framework of the TCFD to identify climate change risks and opportunities, and actively formulate short-term, medium-term, and long-term response measures. The Bank takes different climate-related scenarios into consideration in order to ensure the Bank's resilience (adaptability) in the face of relevant risks. We continue to implement improvement measures to achieve GHG reduction targets through the environmental protection issues regularly review and various energy conservation and carbon reduction measures.
 Goals and Targets	<ul style="list-style-type: none"> The Bank introduces the TCFD framework, analyzes climate change risks and opportunities, and strengthens climate risk governance. The Bank will continue to respond to the CDP questionnaire to strengthen the Bank's efforts in sustainable development issues, increase our international visibility, and enhance our corporate social responsibility image.
 Responsibilities and Duties	<p>The Sustainable Development Committee convenes at least two meetings a year, and the secretarial unit reports to the Board of Directors regularly. The issues reported included environmental sustainability policy, energy conservation and carbon reduction management, green procurement, supplier management and waste management. The committee continued to focus on environmental protection, energy conservation, and carbon reduction, and material environmental issues while developing sustainable environmental policies and goals and implementing relevant measures.</p>
 Resources	<ul style="list-style-type: none"> The "Sustainable Development Committee", which features the ESG Task Force under it, is under the Bank's Board of Directors and responsible for formulating policies and goals and implementing relevant measures in the field of environmental sustainability. The Bank appoints external sustainability consultants to assess the physical and transition risks faced by the Bank to strengthen our ability to bear climate change risks.

Item	Description
 Complaint Mechanism	<p>The Bank has set up a section dedicated to stakeholders (including the employees, shareholders, general public, and suppliers) on the official website, and responds to stakeholders' issues of concern in the "Sustainability" website of the Bank.</p>
 Commitment	<ul style="list-style-type: none"> The Sustainable Development Committee under the Board of Directors conducts identification and supervision, and formulates corresponding strategies. We identify the Bank's potential risks and opportunities arising from climate change. We incorporate the spirit of the Equator Principles into the credit investigation process, and establish the "Operating Procedures for Loans." We review the credit limit for each industry regularly in 2021 and 2020, and increase the credit limit for the green energy technology industry and the green sectors based on the industry classification of the green business loan project by 1% to increase the acceptance rate. We support the government's promotion of green energy industry policies and launched the "Green Business Loan Project" to assist with the construction of industries related to the circular economy model, as well as the establishment of corporate financing channels for green production and green products. We continue to promote energy and resource improvement measures. We promote online services and electronic transactions to achieve paperless operations, thereby reducing operating costs effectively. We prioritize the purchase of products certified with environmental protection and energy conservation labels.
 Assessment Mechanism	<p>We analyze financial impact caused by climate risks.</p>
 Results	<p>We identify the Bank's potential risks and opportunities of climate change, and create a climate risk matrix with the impact on the Bank's finances.</p>

3.1.1 Task Force on Climate-related Financial Disclosures (TCFD)

The Bank follows the TCFD framework to disclose the 11 suggested disclosure items related to the Bank's governance, strategies, risk management, and indicators and goals of the climate risks and opportunities. The descriptions are as follows:



For details, please refer to the "Task Force in Climate-related Financial Disclosures (TCFD) Report" published by the Bank.

TCFD	Description
Governance	<ul style="list-style-type: none"> The Board of Directors' monitoring of climate related risks and opportunities The highest governing body of climate issues in the Bank is the Board of Directors. The Sustainable Development Committee has been established under the Board of Directors, which is composed of the Chairperson, three Independent Directors and the President, with the Chairperson acting as the convener. The Committee is responsible for promoting ESG implementation, coordinating the establishment of related systems, supervising and reviewing the implementation and effects of the policies, and regularly reviewing related implementation reports. The role of managers in assessing and managing climate related risks and opportunities The interdepartmental ESG task force is established under the Sustainable Development Committee. The Sustainable Development Committee appoints one Executive Vice President as the group leader and adjusts the main promotion units for the different operational teams (Corporate Governance, Responsible Finance, Employee Care, Social Inclusion, and Environmental Sustainability). The team leaders are established to conduct the daily operations and improve the overall operations of the group.
Strategy	<ul style="list-style-type: none"> The short, mid, and long-term climate related risks and opportunities identified by the organization The Bank identified the physical risks and the transition risks. We evaluated their impacts on the operations of the Bank and explained the financial impacts of the higher risk. Regarding climate related opportunities; we compiled six types of opportunities and reviewed the effects of the opportunities on the operations and financial benefits of the Bank. Impacts of climate related risks and opportunities on operations, strategies, and financial planning The Bank has identified the impacts of climate related risks and opportunities on the various aspects of the company (products and services, supply chain and/or value chain, R&D investments, and operations). The descriptions include the company policies and credit mechanisms for climate related issues and the specific impacts of climate related risks and opportunities on the Bank's financial planning. The strategic resilience of the organization against different climate related scenarios The Bank adopts RCP 8.5 and IEA Stated Policies Scenario (STEPS) to review the potential physical and transition risks. The descriptions of the scenarios, risk identification results, and adopted measures are disclosure in detail.

TCFD	Description
Risk Management	<ul style="list-style-type: none"> The identification and assessment procedures for climate related risks of the organization The Bank referred to the Traditional Chinese version of the TCFD report to compile the climate related risk items of the major banks in domestic and international for reference. We have compiled multiple climate Change risks and opportunities related to the banking industry and assess the climate related risks and linked to the traditional risks of the bank (including credit risk, market risk, liquidity risk and operational risk). Management procedures and actions for climate related risks Regarding the potential impact risk incidents such as flooding or increasing credit standards, the Bank has stipulated the accelerated expiration clause in the credit management procedure. The credit limit for industries that highly impacted by the climate are adjusted. The impacts of carbon emission controls have been assessed. The current assessment results show no significant losses. Furthermore, in response to responsible investment principles, we are fulfilling our social responsibilities. The maintenance and management measures related to branch losses that may be caused by flooding have been strengthened. Integration of the overall risk management system of the organization The Bank has established emerging risk management mechanisms. It can effectively fulfill risk governance and promote the diverse transformation of financial services through the four frameworks of "Identification, Measurement, Management, and Supervision". We have included climate related risks in the existing emerging risk management system. The potential losses caused by climate risks are identified and assessed each year and the emerging risk management status is reported to the Risk Management Committee. The results are included in the risk management report and submitted to the Board of Directors, in order to implement comprehensive management.
Metrics and Targets	<ul style="list-style-type: none"> The metrics used in the strategy and risk management procedures of the organization for assessing climate related risks and opportunities The Bank uses carbon emission and water usage levels as management metrics. The target for carbon reductions is an annual carbon emission reduction of 30,000 to 60,000 kgCO₂. Carbon emissions in 2030 will be reduced by 10% compared to 2020. The target for water usage and waste reductions is an annual decrease of 1%, and the addition of green procurement and renewable energy certificates. Furthermore, in order to achieve the goal of a sustainable environment, the Bank implements various energy conservation and carbon reduction actions and regularly reviews environmental protection issues. We will continue to promote improvement measures in order to achieve our GHG reduction goals. GHG emissions and related risks The Bank has continuously implemented GHG inventories for many years and has passed ISO 14064-1 external certification. The energy conservation and carbon reduction effects are confirmed using the changes in GHG emissions over the past years. The inventory and verification scope has been expanded to Scope 3 in 2020, in order to actively find reduction opportunities in the scope. We continue to implement energy and resource improvement measures related to power, water, renewable energies, and green buildings. The management targets of climate related risks and opportunities, and the attainment of the targets The Bank has stipulated metrics according to our own climate related risks and opportunities and has set specific targets to review the implementation of the metrics. Apart from the aforementioned GHG emissions, we have set goals related to the water resources and waste of the Head Office in Taipei. We have implemented monthly follow ups and related signage to remind employees to fulfill the goals.

3.1.2 Climate Related Risks

After identifying climate risks, the Bank has identified 3 physical risks and 9 transition risks, and assess their impacts on the Bank's operations, shown as follows:

Impact of Climate Related Risks and Corresponding Time Frames

Physical risks

Item	Event	Time Frame	Impact on the operations of the Bank
Acute	Collateral flooded	Short-term	<ul style="list-style-type: none"> Flooding will cause property prices to fall in the area where the collateral is located Collateral depreciates and liquidity decreases Loss of borrower's assets makes repayment difficult
Acute	Branch flooded	Short-term	<ul style="list-style-type: none"> Asset losses of the branches Falling house price of the branches Employees may be injured during commute
Chronic	Average temperature rise	Long-term	<ul style="list-style-type: none"> Increased air-conditioning and water costs lead to an increase in operating costs

Transition risks

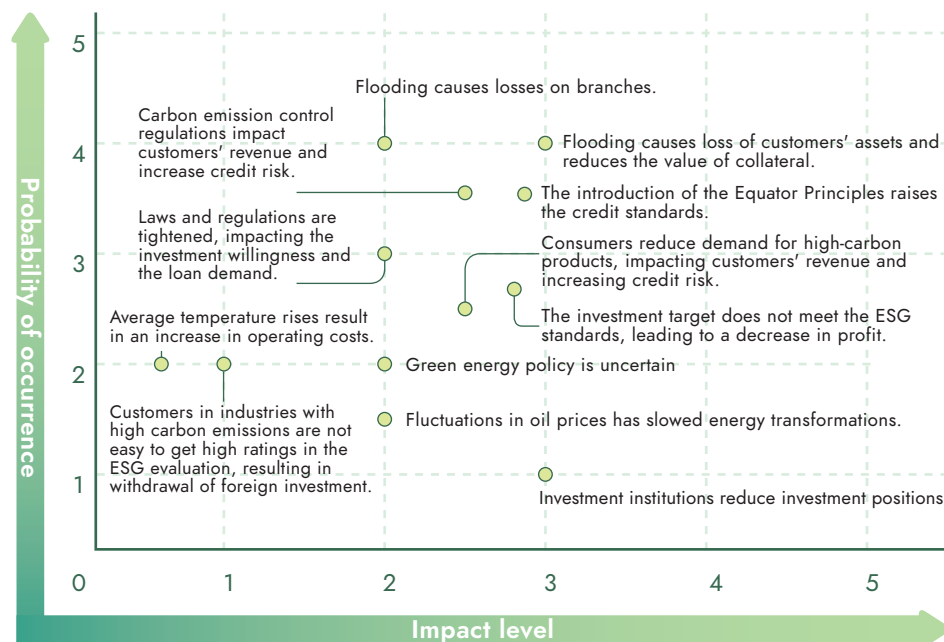
Item	Event	Time Frame	Impact on the operations of the Bank
Policy and Legal	Raising credit standards	Short-term	<ul style="list-style-type: none"> Introduction of the Equator Principles. If a customer violates the ESG situation, they will be checked in accordance with the Bank's "Corporate Customers Early Warning Evaluation Procedure". Investment risk of high-carbon assets increases. Conduct reviews on high carbon emission industries to adjust the internal ratings according to the different carbon payments.

Item	Event	Time Frame	Impact on the operations of the Bank
	Domestic carbon emission control	Mid-term	<ul style="list-style-type: none"> Some customers are included in the EPA's carbon emission control list. Our customers' revenue is impacted, leading to credit risk for banks.
	Green energy policy is uncertain	Mid-term	<ul style="list-style-type: none"> It is unclear whether green energy is installed. Therefore, additional assessments were required, increasing operational cost. The customers do not have clear investment needs. Therefore, suitable products cannot be provided.
	Stricter laws in other countries	Mid-term	<ul style="list-style-type: none"> Stricter environmental laws have been implemented in China and the EU. The increase in customer investments and operational costs has increased the Bank's credit risks.
Market	Consumers reduce demand for high-carbon products	Mid-term	<ul style="list-style-type: none"> The increase in energy conservation awareness among consumers has caused the demand for some products to decrease (e.g. fossil fuel vehicles). The impact on customer profitability has increased the Bank's credit risks.
	Fluctuations in oil prices has slowed energy transformations	Mid-term	<ul style="list-style-type: none"> Oil prices have fluctuated greatly in recent years, increasing uncertainty and lowering the budget customers were planning to invest in energy transformation. Reduced customer need for loans.
Reputation	Downgraded for poor ESG performance	Short-term	<ul style="list-style-type: none"> If the ESG performance of an investment target is poor in the international ESG assessment in all aspects, it will affect the Bank's profit and reputation.
	Investment institutions reduce investment positions of the Bank	Short-term	<ul style="list-style-type: none"> If the Bank does not disclose or the ESG performance is poor, investment institutions will reduce their investment positions.
	Investment impairment	Short-term	<ul style="list-style-type: none"> If the ESG performance of an investment target is poor in the international ESG assessment in all aspects, foreign capital may withdraw.

3.1.3 Ranking of the Climate Related Risks

Regarding the 12 climate related risks above, the Bank created a risk matrix as per probability of occurrence and impact level, and ranked the severity of each risk event.

Climate Related Risk Matrix



The Bank's Climate Related Risks by Risk Level

Risk Level	Type	Risk Event	Level	Control method
1	Physical	Flooding causes loss of customers' assets and reduces the value of collateral.	High	Control
2	Transition	The introduction of the Equator Principles raises the credit standards.	High	Control
3	Transition	Carbon emission control regulations impact customers' revenue and increase credit risk.	High	Control
4	Transition	The investment target does not meet the ESG standards, leading to a decrease in profit.	High	Control
5	Physical	Flooding causes losses on branches.	High	Reduce/transfer
6	Transition	Consumers reduce demand for high-carbon products, impacting customers' revenue and increasing credit risk.	Medium	Accept
7	Transition	Laws and regulations are tightened, impacting the investment willingness and the loan demand.	Medium	Accept
8	Transition	Green energy policy is uncertain.	Low	Accept
9	Transition	Fluctuations in oil prices has slowed energy transformations.	Low	Accept
10	Transition	Investment institutions reduce investment positions.	Low	Accept
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.	Low	Accept
12	Physical	Average temperature rises result in an increase in operating costs.	Low	Accept

3.1.4 The Financial Impacts of the Climate Risks

The Bank takes the risk at the highest risk level of the risk events that ranked by the severity as an example to illustrate the potential financial impact.

Risk Level	Type	Risk Event	Financial Impact (NTD)	Description of the Financial Impact
1	Physical	Flooding causes loss of customers' assets and reduces the value of collateral.	1,206 billion	The Bank has conducted flooding risk analysis for the top 50 real-estate collaterals in terms of the valuation amount. Five places were identified as facing medium or above flooding risks. The financial impact (decline in real estate price) of every 1% increase to flooding probability was calculated.

3.1.5 Climate Related Opportunities and Corresponding Financial Impacts

Climate change does not only create risks, it also creates related business opportunities. The Bank has continued to increase investments in sustainable development bonds and has supported the green energy industry policies introduced by the government. We have introduced several green loans expanding the Bank's business scope. We are promoting various online services and the digitization of transactions and actively implementing green procurements and green building planning, in order to effectively reduce operating costs.







Type of Opportunity	Opportunity Event	Time frame	Impact on the Bank's operations	Financial Benefits (NTD)	Description of the Financial Impact
Products and services	Promotion of green loan products	Short-term	<ul style="list-style-type: none"> Raise the funds needed by corporations entering green energy related industries. The Bank has launched a number of green loan products. 	260 million	We have introduced several green loans to support the government's green energy industry policies. (See chapter 2.4 for details). In 2021 a total of 307 loans were added.
Market	Invest in sustainable development bonds	Mid-term	<ul style="list-style-type: none"> We continue to increase investments in green bonds, sustainable bonds, and social bonds, in order to promote and encourage corporate sustainability related actions. 	4.5 billion	The total amounts of investments in sustainable development bonds: 2020: 4.8 billion 2021: 4.5 billion
Resource efficiency	Digital finance	Mid-term	<ul style="list-style-type: none"> We promote all kinds of online services and electronic transactions. We reduce administrative costs at locations, achieve paperless, and effectively reduce operating costs 	135 million	We promote the digitization of transactions and provide customers with various online transactions and information. We are actively developing Bank 3.0 online operations and online loan services to achieve the benefits of paperless operations.


Type of Opportunity	Opportunity Event	Time frame	Impact on the Bank's operations	Financial Benefits (NTD)	Description of the Financial Impact
Resource efficiency	Green procurement	Short-term	<ul style="list-style-type: none"> We prioritize the purchasing of products certified with environmental protection and energy-efficient labels to reduce operating costs effectively. 	280 thousand per year	The Bank began implementing green procurements in 2017. The green products purchased include LED lights and energy saving air conditioning units. In 2021, we invested around NT\$1.4 million to replace lighting fixtures, which reduced power consumption by 95,326 kWh. This can reduce costs by NT\$280 thousand every year based on the price of NT\$3/kWh and can also reduce GHG emissions by 48 tons.
Resource efficiency	Green Buildings	Mid-term	<ul style="list-style-type: none"> The designs, materials and equipment of green buildings can effectively improve energy usage efficiency and reduce carbon emissions and operating costs. Application for green buildings is expected to increase the rewarded floor area by 6%. 	2,400 thousand per year	Because during the planning stage for green buildings, there is no confirmed volume or floor area of the buildings, the financial benefits are estimated using only the expected energy-saving and carbon reduction benefits. By using the Chiencheng building as an example, the air conditioning and lighting in green buildings is expected to reduce carbon emissions by 27% and energy usage by 800 thousand kWh compared to the base case. This can reduce operating costs by NT\$2.4 million every year based on the price of NT\$3/kWh.
Market	ESG	Short-term	<ul style="list-style-type: none"> We actively disclose carbon management information and compile the ESG Report. We actively participate in the promotion of the FSC Corporate Governance 3.0 - Sustainable Development Blueprint to improve our image and investor recognition. 	1,000 thousand	The Bank prepares the ESG Report to actively disclose climate change issues and carbon emission management, in order to highlight sustainable development as part of brand value.

Note: Chang Hwa Bank expects to reassess climate related risks and opportunities in the second half of 2022. The related information will be disclosed in the 2022 TCFD Report.

3.1.6 Impacts of climate related risks and opportunities on operations, strategies, and financial planning


Business area	Description of impact
 Products and services	<p>The operating strategies stipulated by the Bank according to risks and opportunities are as follows:</p> <ol style="list-style-type: none"> 1. The Equator Principles are included in the corporate credit early warning system and credit operating procedures as observational indicators, and are applicable to all corporate credit. 2. Promote green loans and through increasing the ratio of credit limits, expand the credit ratio for green energy and disperse the credit risks of related climate change impacts. 3. The Bank plans to expand the scope of high-carbon emission industries. The customer credit conditions for those who satisfy the specific conditions and are defined as high carbon emitters or high power consumers will be adjusted based on the possible payment of different carbon fees. 4. Considering that climate change may lead to a decrease in the value of or damage to collateral, the Bank regularly reviews the balance of loans and the overdue situation according to the region in which the real estate collateral is situated, and reports the matters to the Risk Management Committee.
 Supply chain and/or value chain	<ul style="list-style-type: none"> • The Bank has stipulated supplier corporate social responsibility standards and asks suppliers involved in single transactions exceeding NT\$900 thousand (adjusted to more than NT\$800 thousand in 2022) to sign the Supplier Social Responsibility Declaration. The supplier shall be committed to comply with labor rights and human rights, environmental protection, and ethical management, and fill out the Supplier Corporate Social Responsibility Self-Assessment Form. Substantive transactions can only be carried out after no violation of laws and regulations is found in the review by the Bank. • The Bank periodically visits suppliers with single transactions exceeding NT\$30 million and fills out the "Supplier Visit Report" according to the visits, in order to confirm the supplier's fulfillment of its corporate social responsibilities. (See chapter 3.3 for details)

Business area	Description of impact
 <p>Adaptation and mitigation activities</p>	<p>The climate change adaptation and mitigation activities of the Bank are as follows:</p> <ol style="list-style-type: none"> 1. High carbon emission industry reviews are conducted during the credit process. The customer credit conditions will be adjusted based on the possible payment of different carbon fees for credit customers with specific conditions and who have been defined as major carbon emitters or power user. 2. Old lighting and air conditioning equipment are replaced to increase energy usage efficiency and reduce carbon dioxide emissions. 3. Capital expenditures are conducted each year to improve the natural disaster tolerance and adaptability of important operating locations.
 <p>R&D investments</p>	<p>The Bank continues to promote digital finance and paperless operations. We are actively developing "Bank 3.0" online operations to promote a low carbon economy. We continue to invest in the research and development of products and services.</p> <ol style="list-style-type: none"> 1. We plan to establish a "Next Generation Omni-media Customer Service System" which introduces an Omni-Channel management platform. The services include multiple customer service functions, effectively reducing labor and operating costs. 2. An official LINE account was created to guide users through opening digital savings accounts and attract young customers who use mobile devices. 3. The AI system provides customers with 24-hour chat services online through the official website, online bank, and mobile app.

Business area	Description of impact
 <p>Operations</p>	<ol style="list-style-type: none"> 1. All corporate credit applications shall be reviewed for environmental protection violations and the violations shall be disclosed. If the violation was punished by the competent authority, apart from asking the customer to conduct impact assessments and provide an improvement plan, the Bank shall immediately implement the review and assessment procedures to assess the impact on management, environmental protection, and social responsibilities and readjust the credit conditions. 2. In response to the potential investment losses caused by climate related risks, apart from considering financial performance, the Bank shall consider the climate risk response and ESG performance of the investment target during the investigation and analysis stages of the investment target selection process. 3. We are actively developing "Bank 3.0" online services to promote the digitization of transactions and provide customers with convenient digital services and improve energy conservation and carbon reduction benefits.




3.1.7 Impact of Climate Change on Financial Planning






Financial type	Description of impact
Revenue	<p>The Bank continues to develop products and services that respond to climate related issues. We provide green energy loans to not only encourage companies to participate in green manufacturing and services, but also contribute to the revenue of the Bank. (See chapter 2.4 for details)</p> 

Financial type	Description of impact
Assets Capital Allocation	<ol style="list-style-type: none"> 1. In response to the potential investment losses caused by climate related risks, apart from considering financial performance, the Bank shall consider the climate risk response and ESG performance of the investment target during the investigation and analysis stages of the investment target selection process. 2. For investment targets classified by SASB as in high carbon emission industries and with specific conditions, the customers are required to explain whether it has been defined as a high carbon emission or high power usage company. The internal ratings of the customer will be adjusted according to the different carbon fees. For credit customers with a lowered risk rating, the probability of default (PD) is expected to increase, thereby affecting the expected loss. The Bank hopes to use this process to help promote sustainable social developments and pursue long-term and stable profits.
Capital Expenditure	<ol style="list-style-type: none"> 1. In order to reduce carbon emissions created by our own operations, the Peimen Branch of the Bank will comply with the urban renewal project in 2023 and obtain the silver-level of the EEWLH. The need to comply with the high standards of green buildings has increased the capital expenditure for the Bank. 2. In order to avoid damages caused by long-term natural disasters, the Bank implements capital expenditures to improve the tolerance and adaptability of important operating locations against natural disasters. 

3.2 Greenhouse Gas Inventory and Reduction

Management Policy (Greenhouse Gas, Energy/Resource Management and wastes)

Item	Description
 Policy	The Bank has implemented various environmental policies, such as resource conservation, energy conservation measures, and GHG emission reduction strategies, and introduced various international management systems spontaneously, including environmental management system, energy management system, and a GHG inventory so as to achieve the goal of reducing carbon emissions.
 Commitment	In response to climate change and respond to national greenhouse gas reduction policies, the Bank has expanded the scope of the inspection with 2020 as the base year, Category 1 and Category 2 carbon emissions shall be reduced by more than 1% each year compared to the previous year. The reduction goal for 2030 is 10%.
 Goals and Targets	<p>2022 goals</p> <ol style="list-style-type: none"> ① Continuously promote environmental sustainability related international standard inspection activities. ② Drive 1 branch to obtain the green building label, pass carbon neutral certification, or install the renewable energy power generation system. ③ Using 2020 as the base year, the environmental sustainability indicators (e.g., electricity consumption, fuel consumption, gas consumption, water consumption, etc.) have been reduced by more than 1% compared to the base year. ④ Using 2020 as the base year, reduce Category 1 and Category 2 carbon emissions by more than 1% compared to the previous year. <p>Mid-term goals</p> <ol style="list-style-type: none"> ① Commit to promotion of green buildings and obtain “EEWLH Labels” for the Bank’s new premises and newly built proprietary premises or buildings, built through participation in an urban renewal project. ② Reduction of carbon emissions by more than 1%. <p>Long-term target</p> <p>Reduction of carbon emissions by 10% by 2030 with 2020 as the base year.</p>

Item	Description
 Responsibilities and Duties	The General Affairs Division is responsible for establishing specific targets, methods, and projects for energy conservation and carbon reduction, regularly reviewing environmental protection issues, and continuously promoting improvement measures to achieve greenhouse gas reduction targets.
 Resources	Purchase of high-performance electrical equipment and obtain ISO certification.
 Complaint Mechanism	Customer Service Hotline: 0800-365-889. 412-2222
 Substantial Activities	Yearly recording of usage information on various resources (water, electricity, fuel, natural gas, etc.) and waste; when there is non-compliance with or abnormality in environmental management requirements, timely and effective corrective measures shall be taken to reduce the impact on the environment, and the environmental impact shall be identified and assessed regularly, and improvement goals and management plans shall be established for tracking. In addition, the GHG emissions shall be inspected every year to check the reduction and strengthen management measures.
 Assessment Mechanism	<ul style="list-style-type: none"> External organizations will be commissioned to conduct annual verification of the environmental management system, energy management system, water efficiency management system and greenhouse gas inventory. Participation in the green procurement program launched by the government and implemented by private enterprises and groups yearly.

3.2.1 Greenhouse Gas Inventory GRI: 302-3, 305-1, 305-2, 305-3, 305-4, 305-5

3.2.1.1 Greenhouse Gas Inventory Scopes



The greenhouse gases included in the inventory by the Bank include all greenhouse gases listed in the IPCC Sixth Assessment Report. The Bank also references the current national greenhouse gas inventory methods. In emission sources of Category 1 direct emissions, substances restricted by the Montreal Convention are excluded from the report. The directly emitted greenhouse gases of Category 1 include CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃. The inventory results show that the direct greenhouse gas emissions of the Bank include CO₂, CH₄, N₂O and HFCs.

The organizational boundary of the Bank's GHG inventory is set in accordance with the business control approach, and the Bank launched GHG inventory operation voluntarily in 2017. The Bank adopted the ISO 14064-1: 2006 standards to complete the inventory of direct emissions (defined as Scope 1 in the Greenhouse Gas Protocol) and indirect emissions (defined as Scope 2 in the Greenhouse Gas Protocol) of greenhouse gases; the Bank expanded the inventory to Scope 3 GHG emissions from some raw materials in 2018. In 2019, the Bank adopted the new version of ISO 14064-1:2018 to conduct GHG inventory, and expanded the scope of the inventory in accordance with the new standards. In addition to direct GHG emissions (defined as Category 1 in the new standards) and emissions from purchased electricity (defined as Category 2 in the new standards), the Bank has introduced the concept of life cycle of 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 reduction measures, starting from 2020, the Bank appointed an independent third-party to conduct external certification based on the new standards to facilitate the Bank's continual establishment of energy conservation and carbon reduction projects in the future, thereby improving energy efficiency and reducing intensity of GHG emissions.

ISO 14064-1:2018 standards (new) (adopted in 2019~2021)			ISO 14064-1:2006 standards (adopted in 2017~2018)	
Direct GHG emissions	Category 1	Including stationary combustion emission sources, mobile combustion emission sources, process emission sources, and fugitive emission sources.	Scope 1	Including stationary combustion emission sources, mobile combustion emission sources, process emission sources, and fugitive emission sources.
Indirect GHG emissions	Category 2	Emissions from purchased electricity.	Scope 2	Emissions from purchased electricity.

ISO 14064-1:2018 standards (new) (adopted in 2019~2021)			ISO 14064-1:2006 standards (adopted in 2017~2018)	
Other indirect GHG emissions	Category 3	Indirect GHG emissions from transportation	Scope 3	Fuel and energy-related activities (not including scope 1 and 2)
	Category 4	Indirect GHG emissions from products used by organization		
	Category 5	Indirect GHG emissions associated with the use of products from the organization		
	Category 6	Indirect GHG emissions from other sources		

3.2.1.2 Greenhouse Gas Inventory Performance

1 2021 GHG Inventory Results

To track the effectiveness of GHG reductions over the years, the Bank has regularly tracked GHG emissions since 2017. In 2021, the Bank's Category 1 and Category 2 GHG emissions were 16,361.208 tons of CO₂e, of which Category 1 emissions were 1,947.895 tons of CO₂e (approximately 12% of the total), and Category 2 emissions were 14,413.313 tons of CO₂e (approximately 88% of the total).

Item	2017	2018	2019	2020	2021
GHG emissions inventory standard, protocol, or methodology	ISO 14064-1:2006		ISO 14064-1:2018		
Category 1: Direct GHG emissions (tCO ₂ e) ^{*1}	1,999.749	1,717.690	1,896.699	2,231.307	1,947.895
Category 2: Indirect GHG emissions from imported energy (tCO ₂ e) ^{*2}	15,257.404	15,621.010	15,683.359	14,926.995	14,413.313
Total emissions (Category 1 + Category 2) (tCO ₂ e)	17,257.153	17,338.700	17,580.058	17,158.302	16,361.208
GHG emissions per capita: (Category 1+ Category 2)/ person (tCO ₂ e /person)	2.618	2.645	2.654	2.570	2.475

Item		2017	2018	2019	2020	2021
Energy Consumption Per Capita (electricity + fuel + natural gas + gas) /person (MJ/person)			17,633.228	16,372.364	16,236.129	15,963.299
The number of employees (person)		6,592	6,556	6,625	6,676	6,610
Category 3: Indirect GHG emissions from transportation (tCO ₂ e) *3	Business travels		3,335.210*6	264.203	117.475	90.673
	Other emissions from transportation			1,836.298	5,124.677	5,153.636
Category 4: indirect GHG emissions from products used by organization (tCO ₂ e) *4				9,641.621	7,541.974	8,077.079
Category 5: indirect GHG emissions associated with the use of products from the organization (tCO ₂ e) *5				0.007	239.003	266.894
GHG emissions inventory boundaries				82.2%		
GHG emissions verification boundaries		82.2%				

Note1: Category 1 (defined as Scope 1 in ISO 14064-1:2006) emissions are mainly emissions 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.

2: Category 2 (defined as Scope 2 in ISO 14064-1:2006) emissions are mainly the consumption of purchased power.

3: Category 3 emissions are indirect greenhouse gas emissions caused by transportation, including employee business travels, employee commutes, and transportation of consumables for business use.

4: Category 4 emissions are indirect greenhouse gas emissions related to the products purchased for the organization, including the emissions of consumable products and information assets during their lifecycles, incineration of trash, and transportation of recycled waste.

5: Category 5 emissions are indirect greenhouse gas emissions in the downstream of the products manufactured by the organization, including the disposal of debit cards and credit cards.

6: According to ISO 14064-1: 2006, Scope 3 emissions are fuel and energy-related activities (not including scope 1 and 2)

7: 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 based on the IPCC Fifth Assessment Report.

8: The listed data is rounded it to three decimal places.



Scope 3 Financed Absolute Emissions

	FY 2018	FY 2019	FY 2020	FY 2021
Total Scope 3 financed absolute emissions (metric tonnes CO ₂ equivalents)	2,282,824.42	1,288,282.31	3,042,182.97	1,040,508.57
Portfolio Coverage	4.63%	4.3%	4.82%	95%

Note1: For the most recent year 2021, the Bank established our carbon inventory in accordance with PCAF International Standards. Such inventory has a portfolio coverage that includes investments (listed equity, corporate and financial bonds), corporate loan and corporate loan: commercial real estate (large enterprises). Based on the investment portfolio as of the end of December 2021, the total carbon emission was 1,040,508.57 metric tons of CO₂e.

2: For year 2018-2020, the Bank has learned of the Scope 1 and Scope 2 emissions of the top 10 loan customers, among which, some customers have publicly disclosed Scope 1 and Scope 2 information. The Bank's disclosure scope for these years is based on this information. In 2018-2019, seven customers each year disclosed their information, while in 2020, nine customers disclosed their information.

3: Our data has been third-party verified in Year 2020 with BSI Conformity Statement; we plan to complete the 2021 annual verification in September 2022.

4: The Bank's investment portfolio carbon emissions (Scope 3 Category 15) is calculated as Scope 3 emissions of the Bank loans = publicly announced Scope 1 and Scope 2 emission data of loan customers * proportion of the loan applied for by the customer from the Bank compared to total customer loans. (calculation methodology for 2018-2020)

2 2021 Greenhouse Gas Reduction Performance

The Bank uses 2020 as the base year to set the short-term goal of reducing total carbon emissions (category 1 and category 2 carbon emissions) by 1% or more every year compared to the previous year. We hope to achieve the long-term goal of reducing carbon emissions by 10% by 2030. Therefore, the Bank aimed to reduce carbon emissions to 16,987 tons CO₂e in 2021, achieving the short-term goal (reduce carbon emissions by 1% in 2021 compared to 2020).

In 2021, the greenhouse gas emissions of the Bank totaled 16,361.208 tons CO₂e, representing a reduction of 4.65% compared to the base year. The reduction exceeded the original goal by 3.65%. It was mainly due to the significant results of the Bank's energy-saving and carbon-reducing measures. The implementation results of each energy-saving and carbon-reducing measure are listed in Chapter 3.2.2.

Item	2020	2021	
	Base year	Result	Target
Total emissions (tCO ₂ e) ^{*note}	17,158.302	16,361.208	16,987
The reduction target of GHG and the reduction result ratio of GHG (%)		4.65%	1%

Note: Total Carbon emissions is the total number of Category1 and Category 2

3.2.2 Energy Management GRI: 302-1. 302-3. 302-4. 302-5

Energy Conservation and Carbon Reduction- Measures and Results

In order to reduce carbon emissions, the Bank analyzed the Category 1 and Category 2 carbon emission sources of the base year (2020). Among the sources, carbon emissions from power generation accounted for 87%, which was the main carbon emission source. The second main source of carbon emission was fuel consumption of company vehicles, which accounted for 8.9%. Other sources include natural gas, gas, refrigerant or fire extinguisher use, which accounted for 4.1% of carbon emissions. Therefore, the effective management of the Bank's energy, fuel, natural gas, and gas consumption can reduce the carbon emissions of the Bank. In addition, in order to achieve the environmental sustainable development goals, water resources have been included in the management. Reduction goals of 1% or more compared to the base year for environmental sustainability indicators have been formulated.

Category	Item	Total Carbon emissions (tCO ₂ e) of 2020	Ratio
2	Electricity	14,926.995	87.0%
1	The combustion of company vehicles	1,519.739	8.9%
1	Others like natural gas, gas, refrigerant filling and fire extinguishing.	711.567	4.1%
The total of Carbon emissions of Category1 and Category 2		17,158.302	100%

The implementation method and results of the environmental sustainability related measures are as follows:

1 Energy management performance

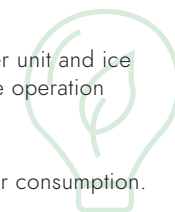
The Bank takes active measures to reduce energy consumption, and continues to promote energy conservation plans and daily management to avoid energy waste. The Bank implements its energy policy of “continuously improving energy performance and maximizing value of energy,” “observing energy management regulations and promoting energy conservation concepts,” “supporting the procurement of energy-saving products and building an energy-saving environment,” and “continuously investing necessary resources and achieving goals and indicators” to contribute to global environmental protection. The Bank uses the Head Office in Taipei as the demonstration site. In 2016, we introduced the energy management system and passed third-party verification to obtain ISO 50001 certification. We have formulated related reduction measures according to our energy management system implementation experience.



Electricity

Reduction Measures

- Manage lighting use to reduce unnecessary power usage for lighting.
- Replacement of old bulbs with high-efficiency LED bulbs to save power consumption on lighting.
- Replace old power-consuming air-conditioners and conduct regular cleaning and maintenance to enhance energy-efficiency.
- Set office indoor temperature at between 26 to 28 degrees to reduce the air-conditioning load.
- 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.
- Encourage colleagues to walk the stairs, which is beneficial to health.
- During non-office hours, only a few elevators are operated to reduce power consumption.



Results

The Bank's power consumption in 2020 (base year) was 29,326,120 kWh. In order to accelerate the energy-saving and carbon-reducing benefits, the Bank has prioritized power consumption reductions. Therefore, in 2021, the Bank replaced the lighting equipment or air conditioning in 21 offices and business units. A total of NT\$1.4 million was invested to replace the lighting. The measure is expected to reduce power consumption by 95,326 kWh (saving NT\$280 thousand a year in power expenditures based on the price of NT\$3/kWh), which is equivalent to a reduction of 47,853 kgCO₂e (Note 1). We are actively encouraging employees to implement various energy-saving operations, including temperature settings for the air conditioning, turning off lights when possible, and eliminating unnecessary lighting. In 2021, power consumption of the Bank was reduced to 28,711,779 kWh, which was a reduction of 2.09% compared to the base year.



Energy	Unit	2018	2019	2020	2021	
				Base year	Result	Target
Electricity	kWh	31,297,292	29,424,689	29,326,120	28,711,779	29,032,859
	MWh	31,297	29,425	29,326	28,712	29,033
	Mj ³	112,670,253	105,928,880	105,574,033	103,362,403	
	Data coverage (%)	82.2%				
Electricity per capita	Mj/person	17,186	15,989	15,814	15,637	

Note1: The calculation methods for energy conservation and carbon reductions of replacing lighting:

- The old lighting of the Bank was between 40W to 80W. The new lighting is between 20W to 40W. Therefore, assuming the energy efficiency of the new lighting is 50% better than the old lighting, the energy saved (kWh) = Power of the new lighting (W) * hours used per year (hr) * number of lights (lamps)/1,000.
- Carbon reductions (kgCO₂e) = energy saved (kWh) * electricity emission factor (0.502kgCO₂e/kWh).

2: 1kWh=3.6Mj

3: The listed data is rounded it to the nearest whole number.



2 Fuel management performance

In order to implement energy conservation and carbon reductions while decreasing air pollution, the Bank has included daily petrol and diesel consumption in the management. When company vehicles are used, carpooling in company vehicles or the use of public transportation will be encouraged. In addition, in response to the country's policy of electric vehicle use, all units are encouraged to choose electric scooters approved by the Ministry of Economic Affairs when replacing scooters or purchasing new scooters.



Fuels

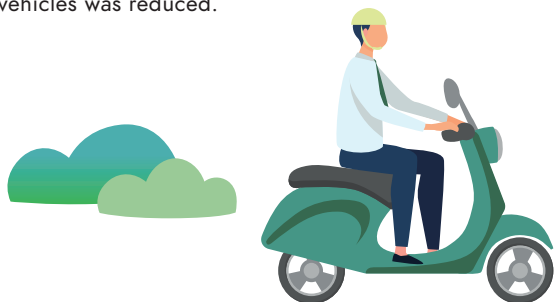
Reduction Measures

- Incorporate daily usage information of gasoline and diesel into management to improve control efficiency of energy conservation.
- Manage the use of company vehicles and encourage employees to car-pool when doing business errands to reduce dispatching of vehicles
- Encourage employees to take public transportation more often.
- Choose electric scooters approved by the Ministry of Economic Affairs when replacing scooters or purchasing new scooters.



Results

The Bank's fuel consumption in 2020 (base year) was 644,559 liters. In 2021, the fuel consumption was reduced to 488,934 liters, which represented a reduction of 24.14% compared to the base year. In addition to the benefits of the reduction measures implemented by the Bank, the reason for the reduction was the decrease of external meetings and visits by employees due to Taiwan announcing level 3 epidemic prevention measures on May 19, as the pandemic worsened in 2021. Therefore, fuel consumption of company vehicles was reduced.



Energy	Unit	2018	2019	2020 Base year	2021
Fuels	L	594,624	529,639	644,559	488,934
	MJ ²	2,005,649	1,786,131	2,173,986	1,649,248
	Data coverage (%)	82.2%			
Fuels per capita	MJ/person	306	270	326	250

Note1: liter of gasoline =3.37MJ, 1 liter of diesel fuel =3.69MJ

2: The listed data is rounded it to the nearest whole number.

3 Natural Gas and Gas management performance

Although natural gas and gas use are not the main carbon emission sources, the Bank has included these sources in regular tracking and management to implement environmental sustainability goals. Related reduction measures were formulated, such as irregular inspections of related equipment, in order to discover damage or leaks early. We also aim to improve usage efficiency by managing the usage time of natural gas.



Natural Gas and Gas

Reduction Measures

- Inspect natural gas facilities and equipment from time to time to check if they are old or damaged and are prone to leakage.
- The employee cafeteria serves meals according to scheduled times to control the time for using natural gas.
- Employee cafeteria management is carried out based on steaming and electric baking.



Results

The Bank's natural gas consumption in 2020 (base year) was 19,232 m³ and gas consumption was 6,413 kg. In 2021, the Bank's natural gas consumption was reduced to 15,095 m³, representing a decrease of 21.51% compared to the base year. Gas consumption was reduced to 4,742 kg, representing a decrease of 26.06% compared to the base year.



Energy	Unit	2018	2019	2020 Base year	2021
Natural Gas	m ³	27,688	22,443	19,232	15,095
	MJ ^{*1}	927,216	751,557	644,051	505,517
	Data coverage (%)	82.2%			
Gas	kg	6,474	6,804	6,413	4,742
	MJ ^{*2}	327	344	324	239
	Data coverage (%)	82.2%			
Natural gas and gas per capita	MJ/person	141	113	97	77

Note1: 1 m³ natural gas = 33.488 MJ

2: 1kg gas= 0.0505 MJ.

3: The listed data is rounded it to the nearest whole number.

4 Water efficiency management performance

In view of the occurrence of extreme weather events around Taiwan in 2021, different levels of water restrictions or water outages were implemented, in order to reduce the risk of future water shortages. The Bank used the Head Office in Taipei as the demonstration site to implement water efficiency management systems in 2021. The system passed third-party verification and obtained ISO 46001 certification. The Bank became the first company in Taiwan to be approved by the British Standards Institution (BSI).

In order to implement water usage efficiency and reduce water waste, the Bank has stipulated the water efficiency management policy. We are committed to “promoting and spreading water conservation ideals to ensure water savings”, “when installing or replacing equipment, prioritize the procurement of products with water saving labels”, “regularly track water usage efficiency to reduce overall water consumption”, “continue to invest in improvements to improve water performance every year”, and “comply with water management laws and regulations and other related requirements”, in order to find water conservation opportunities and formulate water reduction measures.



Water

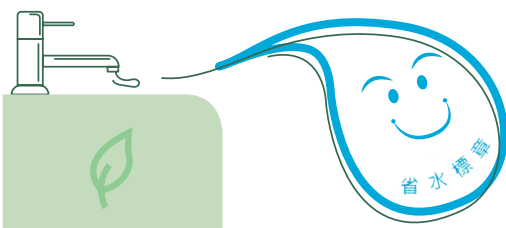
Reduction Measures

- Include water consumption in management to improve management and control efficiency of water resources.
- Full installation of water-saving devices to fully adjust the water output of faucets.
- Regular clean building water towers and conduct water quality testing.
- 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.
- The Company's water comes from Taipei Water Department and 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 significant impact on water sources. After use, wastewater is treated and discharged via sanitary sewers to rivers and the sea.



Results

The Bank's water consumption in 2020 (base year) was 163,944 m³. In 2021, the Bank's water consumption was reduced to 160,777 m³, representing a reduction of 1.93% compared to the base year.

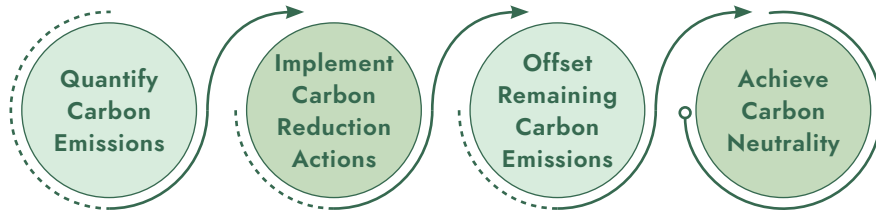


Resource	Unit	2019	2020	2021	
			Base year	Result	Target
Water	m ³	159,884	163,944	160,777	162,304
	Million cubic meters	0.1599	0.1639	0.1608	0.1623
	Data coverage (%)	82.2%			

Note: The listed data is rounded it to the nearest whole number.

3.2.3 Implement Carbon Neutral Branch

Net-zero by 2050 has become an international trend. In order to deploy our net-zero plan in advance, the Bank has formulated short-term “net zero” goals for branches to achieve. According to the “PAS 2060:2014 Reference for Implementing Carbon Neutrality”, in order to achieve carbon neutrality, the following steps must be followed:

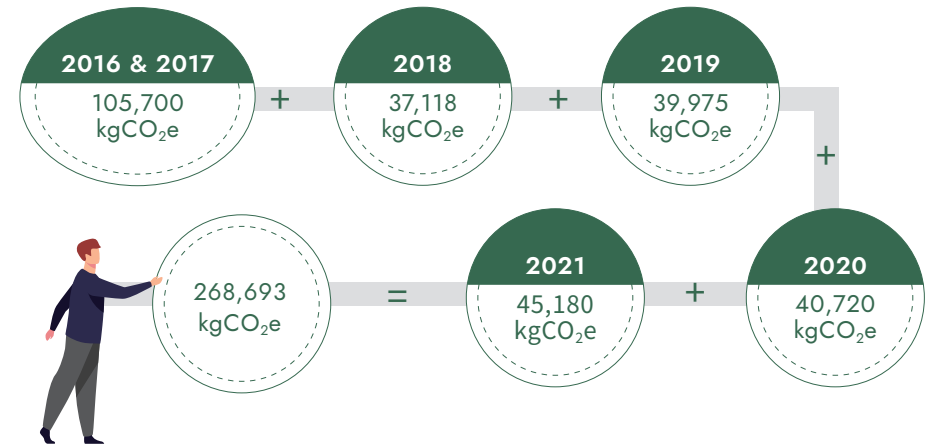


The Bank has implemented greenhouse gas emission inventories in the 188 operating locations around Taiwan according to the ISO 14064-1:2018 standard. One location was chosen as the carbon neutrality demonstration branch. After formulating carbon reduction actions and purchasing carbon rights to offset the remaining category 1 to 5 carbon emissions, we expect to acquire the verification statement in 2022 and has the first “carbon neutral branch” that has passed third party verification.

3.2.4 Supporting the Development of Renewable Energy

In order to fulfill corporate environmental protection responsibilities, the Bank continues to promote various green initiatives of subsistence with the environment and support sustainable development. Since 2016, the Bank has cooperated with the government's renewable energy policy and has actively subscribed for 200,000 kWh of green electricity for two consecutive years, reducing carbon emissions by 105,700 kgCO₂e. However, since 2018, Taiwan Power Company (Taipower) stopped issuing green electricity certificates. The Bank thus changed to purchase renewable energy certificates of 67,000 kWh (carbon emissions of approximately 37,118 kgCO₂e) in 2018, 75,000 kWh (carbon emissions of approximately 39,975 kgCO₂e) in 2019, 80,000 kWh (carbon emissions of approximately 40,720 kgCO₂e) in 2020, 90,000 kWh (carbon emissions of approximately 45,180 kgCO₂e) in 2021, accumulating a total reduction in carbon emissions of up to 268,693 kgCO₂e for 6 years. In the future, the Bank will evaluate the increase in the purchase of renewable energy certificates and the construction of renewable energy power generation facilities and actively support the implementation of the UN's Sustainable Development Goals (SDGs).

Note: The electricity carbon emission coefficient adopted for annual carbon emission inspection is based on the coefficient announced by the Bureau of Energy, Ministry of Economic Affairs for the year. For example, 0.528 (year of inspection: 2016), 0.529 (year of inspection: 2017), 0.554 (year of inspection: 2018), 0.533 (year of inspection: 2019), 0.509 (year of inspection: 2020), 0.502 (year of inspection: 2021) kgCO₂e/kWh



Note: The green electricity certificates and renewable energy certificates purchased from 2016 to 2021 are equivalent to a cumulative reduction of around 268,693 kgCO₂e of carbon emissions from Taipower's electricity.

3.2.5 Waste Management

In order to achieve sustainable use of resources and ensure proper disposal of waste, the Bank adopts proactive management of waste, launches energy conservation and waste reduction activities, implements resource recycling and classification actively from source management, and records the amount of waste regularly.

Sorting of Waste



Disposal Method

- The property management agency of the building stores the garbage in the parking lot on the first floor of the Head Office in Taipei.
- Removed by licensed waste disposal operators and taken to incinerators for treatment.

- Managed by professional and licensed cleaning manufacturers and recycled according to types of materials such as paper, glass, plastic, iron and aluminum cans.
- Notify disadvantaged groups in society to conduct collection.

Waste Management Goals and Measures

Taking 2021 as the base year, the Bank set the waste reduction goal of 1% for 2022, and expects to increase the recycling rate for 1% to reduce the amount of waste. To achieve the reduction goal, reduction management measures were promoted:

Measures of Reduction Management

- The employee cafeteria provides eco-friendly tableware to reduce waste.
- Encourage employees to bring their own cups during assemblies or training courses to reduce the use of paper cups.
- Promote paperless official documents and work documents, as well as e-materials for education and training.
- 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.
- Inspect whether waste sorting has been done according to the regulations on each floor from time to time.
- Reduce purchase of bottled mineral water and plastic cup water.

Results

In 2021, the recycling of the Head Office in Taipei decreased by 2.49 tons compared to 2020; the trash decreased by 2.74 tons, a decrease of 2.26% from 2020.

Sorting of Waste	Unit	2018	2019	2020	2021	
					Result	Target
Trash	Tons	124.61	121.60	121.37	118.63	120.16
	Coverage	the Head Office in Taipei				
Recycling	Tons	13.73	16.53	19.93	17.44	20.13
	Coverage	the Head Office in Taipei				

3.2.6 Green Buildings


In order to implement the Bank's environmental policy of "LOHAS Environment Protection and Love the Planet," 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.







3.3 Supplier Management GRI: 2-6, 204-1, 308-1, 414-1

3.3.1 Supplier Management Mechanism

To promote the balance of economic, social and environmental spheres and sustainable development, in addition to actively fulfilling the Bank's own corporate social responsibility, the Bank also promotes such practices among its suppliers by formulating "Corporate Social Responsibility Standards of the Supplier," which provides advocacy on several issues, including corporate social responsibility, protection of employee rights and interests (including human rights protection, prohibition against forced labor and child labor, and encouragement of freedom of association) as well as environmental protection (including GHG inventory and setting of carbon reduction goals). For a single transaction amount of more than NT\$900 thousand (adjusted to more than NT\$800 thousand in 2022) the Bank also requests suppliers to sign a declaration to abide by such standard. The Bank hopes to work together with suppliers to implement corporate social responsibility. To improve the sustainable procurement process, the Bank introduced the ISO 20400 Sustainable Procurement Guidance for the first time in 2020 and passed the Compliance Check of ISO 20400 : 2017 in 2021. The Bank's implementation status of supplier management is as follow:

Item	Description
 <p>Scope of Supply Chain</p>	 <p>The Bank has long been adhering to a local procurement policy to promote local economic development. Taiwan is the Bank's main base of operations. Local suppliers are preferred for all procurements to ensure the stability and localization of the supply chain, and increase local employment opportunities.</p> <p>The types of suppliers include: service suppliers, equipment suppliers and engineering subcontractors, which can be categorized into postal service, logistics, security, electronic equipment, telecommunications, office equipment, printing, property maintenance, construction and maintenance, architectural design, etc.</p>
 <p>Policy</p>	<p>The Bank has formulated the "Corporate Social Responsibility Standards of the Supplier," as the Bank's principles for managing suppliers; suppliers are required to comply with relevant laws and regulations on occupational safety and health, labor rights and human rights, environmental protection, etc. In addition, in order to implement the Bank's commitment and responsibility for supplier management, in 2019, "Guideline for Chang Hwa Commercial Bank Encouraging Suppliers to Carry out Corporate Social Responsibility" were promulgated and implemented.</p>

Item	Description
 <p>Commitment</p>	<p>Comply with the relevant laws and regulations on occupational safety and health, labor human rights, and environmental protection together with suppliers, and abide by matters, such as ethical management, labor rights and human rights, and environmental protection.</p>
 <p>Goals and Targets</p>	<p>There were no violations of labor rights and human rights, environmental protection, and ethical management.</p>
 <p>Responsibilities and Duties</p>	<p>Suppliers bid for "goods procurement" or "construction and maintenance project" in the amount of over NT\$900 thousand (adjusted to more than NT\$800 thousand in 2022) or more shall announce its corporate social responsibility policy before a bid opening meeting, and shall sign the "Undertaking to Commit to Social Responsibility by the Supplier" when the bidding documents are submitted to be committed to complying with labor rights and human rights, environmental protection, and ethical management, while filling out the "Supplier Corporate Social Responsibility Self-Assessment Form." Substantive transactions can only be carried out after no violation of laws and regulations is found in the review by the Bank.</p>
 <p>Resource</p>	<p>Make good use of the cooperative relationship between the Bank and suppliers, which in turn affects the suppliers' fulfillment of corporate social responsibilities.</p> 

Item	Description
 Complaint Mechanism	<p>Contact Information: (02) 2536-2951 ext. 1616 or 1614</p> <p>Customer service hotline: 0800-365-889 or 412-2222</p>
 Substantial Activities	<ul style="list-style-type: none"> All suppliers of the Bank must sign the "Undertaking to Commit to Social Responsibility by the Supplier," and fill "Supplier Corporate Social Responsibility Self-Assessment Form." Promote the "Corporate Social Responsibility Standards of the Supplier" to suppliers. Visit suppliers to see if there are violations of labor rights and human rights, environmental protection, and ethical management from time to time. In the case of violation, the Bank may terminate or rescind the contract according to the contract, and may manage the violator and terminate its participation in the Bank's goods procurement or construction project.
 Assessment Mechanism	<p>The Bank may conduct irregular visits to suppliers with a single transaction amount of more than NT\$30 million, and fill out the "Visiting Report for Suppliers" based on the results of the visit to confirm the company's current status of fulfilling its corporate social responsibility. In 2021, due to the pandemic, no supplier visits were conducted.</p>
 Results	<ul style="list-style-type: none"> As of 2021, a total of 50 contracted suppliers have signed the "Undertaking to Commit to Social Responsibility by the Supplier" with the Bank, with a signing rate of 100%. The new and current suppliers in both aspects of environmental and social signing rates were 100%. The Bank checked the implementation of the corporate social responsibility by the suppliers who signed the declaration randomly and found no violations. In 2021, due to the pandemic, no supplier spot checks were conducted.

3.3.2 Green Procurement

To show our emphasis on environmental protection, the Bank's procurement prioritizes eco-friendly products with eco-friendly labels, carbon footprint labels, energy-saving labels, water-saving labels, green building material labels, FSC certified labels, etc., to reduce environmental impact. The Bank's green procurement amount reached NT\$24.91 million in 2021 and received "Private Enterprises and Organizations with Outstanding Green Procurement Performance" by the Department of Environmental Protection, Taipei City Government for 4 consecutive years.





Appendix

1. Independent Assurance Opinion Statement



INDEPENDENT ASSURANCE OPINION STATEMENT

Chang Hwa Bank 2020 Corporate Social Responsibility report

The British Standards Institution is independent to Chang Hwa Commercial Bank Ltd. (hereafter referred to as Chang Hwa Bank in this statement) and has no financial interest in the operation of Chang Hwa Bank other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of Chang Hwa Bank only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read. This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Chang Hwa Bank. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate. Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Chang Hwa Bank only.

Scope

The scope of engagement agreed upon with Chang Hwa Bank includes the following:

1. The assurance scope is consistent with the description of Chang Hwa Bank 2020 Corporate Social Responsibility report
2. The evaluation of the nature and extent of the Chang Hwa Bank's adherence to AA1000 AccountAbility Principles (2018) and the reliability of specified sustainability performance information in this report as conducted in accordance with type 2 of AA1000 AS v3 sustainability assurance engagement.
3. The assessment of disclosure to be in conformance with the applicable SASB industry standard(s) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that Chang Hwa Bank 2020 Corporate Social Responsibility report provides a fair view of the Chang Hwa Bank CSR programmes and performances during 2020. The CSR report subject to assurance is materially correct without voluntary omissions based upon testing within the limitations of the scope of the assurance, the information and data provided by the Chang Hwa Bank and the sample taken. We believe that the 2020 economic, social and environmental performance information are correctly represented. The CSR performance information disclosed in the report demonstrate Chang Hwa Bank's efforts recognized by its stakeholders.

Our work was carried out by a team of (CSR) report assurers in accordance with the AA1000AS (2008) v3. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Chang Hwa Bank's description of their approach to AA1000AS v3 and their self-declaration in accordance with GRI Standards: Core option and SASB Standard(s) (Commercial Banks Sustainability Accounting Standard) were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a review of issues raised by external parties that could be relevant to Chang Hwa Bank's policies to provide a check on the appropriateness of statements made in the report
- discussion with managers on Chang Hwa Bank's approach to stakeholder engagement. Moreover, we had sampled 1 external stakeholder to conduct interview
- interview with 32 staffs involved in sustainability management, report preparation and provision of report information were carried out
- review of key organizational developments
- review of the extent and maturity of the relevant accounting systems for financial and non-financial reports
- review of the findings of internal audits
- the verification of performance data and claims made in the report through meeting with managers responsible for gathering data
- review of the processes for gathering and ensuring the accuracy of data, followed data trails to initial aggregated source and checked sample data to greater depth during site visits
- the consolidated financial data are based on audited financial data, we checked that this data was consistently reproduced
- review of supporting evidence for claims made in the reports
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018)
- an assessment of the organization's use of metrics or targets of SASB Standard(s) to assess and manage topic-related risks and opportunities.

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and sustainability performance information as well as GRI Standards and SASB Standard(s) is set out below:

Inclusivity

In this report, it reflects that Chang Hwa Bank has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the Chang Hwa Bank's inclusivity issues.

Materiality

The Chang Hwa Bank publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of Chang Hwa Bank and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the Chang Hwa Bank's management and performance. In our professional opinion the report covers the Chang Hwa Bank's material issues.

Responsiveness

Chang Hwa Bank has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for the Chang Hwa Bank is developed and continually provides the opportunity to further enhance Chang Hwa Bank's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the Chang Hwa Bank's responsiveness issues.

Impact

Chang Hwa Bank has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. Chang Hwa Bank has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within an organization. In our professional opinion the report covers the Chang Hwa Bank's impact issues.

Performance information

Based on our work described in this statement, specified sustainability performance information such as GRI Standards disclosures disclosed in this report, Chang Hwa Bank and BSI have agreed upon to include in the scope. In our view, the data and information contained within Chang Hwa Bank 2020 Corporate Social Responsibility report are reliable based on procedures undertaken by means of vouching, re-tracking, re-computing and confirmation.

GRI Sustainability Reporting Standards (GRI Standards)

Chang Hwa Bank provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the Chang Hwa Bank's social responsibility and sustainability topics.

SASB Standards

Chang Hwa Bank provided us with their self-declaration of in accordance with SASB Standard(s) (Commercial Banks Sustainability Accounting Standard). Based on our review, we confirm that the sustainability disclosure topics & accounting metrics of SASB Standard(s) (Commercial Banks Sustainability Accounting Standard) are reported, partially reported or omitted. In our professional opinion the self-declaration covers disclosure topics, associated accounting metrics and activity metrics for applicable SASB industry standard(s).

Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement. The moderate level assurance provided is in accordance with AA1000AS v3 in our review of SASB Standard(s).

Responsibility

This CSR report is the responsibility of the Chang Hwa Bank's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:

Peter Pu, Managing Director BSI Taiwan



Statement No: SRA-TW-2020052
2021-05-11

Taiwan Headquarters: 2nd Floor, No. 37, Ji-Hua Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.
BSI Taiwan is a subsidiary of British Standards Institution.

Peter Pu

...making excellence a habit.™

2. Independent Limited Assurance Report



安永聯合會計師事務所

[10]12 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Jiaosi City, Taiwan, R.O.C.

Tel: 886 2 2757 8886
Fax: 886 2 2757 6050
www.ey.com/taiwan

English Translation of a Report Originally Issued in Chinese

Assurance Report of Independent Auditors

To Chang Hwa Commercial Bank, Ltd.

1. Scope

We have been engaged by Chang Hwa Commercial Bank, Ltd. (the "Bank") to perform limited assurance procedures and issue a report on the sustainability performance information selected by the Bank and included in the 2021 Sustainability Report. ("the Report").

Regarding the performance information selected by the Bank and their applicable criteria, please refer to Appendix A.

Management's Responsibilities

Management is responsible for the preparation of the Report in accordance with GRI Standards 2021, Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, Sustainability Accounting Standards Board (SASB) for Commercial Banks industry, and the corresponding contents of the UN's Sustainable Development Goals (SDGs), and the design, execution and maintenance of internal controls in regard to report preparation to support the collection and presentation of the Report.

Independent Auditor's Responsibilities

We planned and performed limited assurance work in accordance with the Statements of Assurance Engagements Standards No.1 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the Accounting Research and Development Foundation of Republic of China.

2. Assurance

The procedures performed in limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement so that the level of assurance is substantially lower than reasonable assurance engagement. While we considered the effectiveness of the Bank's internal controls when determining the nature and extent of procedures, our procedures were not designed to provide assurance and opinion on internal controls.



To conclude for limited assurance, our procedures performed included:

- Interviewing with the Bank's management and personnel to understand the Bank's implementation of overall sustainability, and the reporting process
- Performing analytical procedures on selected sustainability performance information, gathering and checking other supporting documentation and management information obtained, testing sample if necessary
- Reading the Report to ensure the implementation of overall sustainability is consistent with our understanding

3. Limitations

Non-financial information contained within the Report are subject to measurement uncertainties. The selection of different measurement techniques can result in materially different measurement. Also, assurance engagements are based on selective testing of information being examined, and it is not possible to detect all of the existing material misstatements whether resulting from fraud or error.

4. Quality and Independence

We are in conformity with Statements of Auditing Standard No.46 "Quality Control for Public Accounting Firms" to establish and maintain a sound system of quality control, including code of professional ethics, professional standards and those written policies and procedures in applicable regulations. We are also in conformity with related independence and other ethics requirements in Taiwan's Norm of Professional Ethics, whose basic principles are integrity, objectivity, professional competence, due care and professional behavior.

5. Conclusion

Based on our procedures and evidence obtained, nothing has come to our attention that causes us to believe that any material modifications or adjustments should be made to the selected sustainability information in accordance with applicable criteria.

Chang, Cheng-Tao

Chang, Cheng-Tao
Ernst & Young, Taiwan
June 15, 2022

Notice to Readers

The reader is advised that the assurance report has been prepared originally in Chinese. In the event of a conflict between the assurance report and its original Chinese version or difference in interpretation between the two versions, the Chinese language assurance report shall prevail.

A member firm of Ernst & Young Global Limited

Appendix A

No.	Referring Chapter	Subject Matter Information	Applicable Criteria																				
1	2.1 Information Security and Personal Information Protection	One case of data breaches was identified at the Bank in 2021 and 1/1 (1 case) involved personally identifiable information which affected 1 customer.	<ol style="list-style-type: none">1. Total number of data breaches that occurred was calculated on the basis of internal operating standards of the Bank and criteria.2. The percentage of data breaches involving personally identifiable information is equal to total number of data breaches involving personally identifiable information divided by total number of data breaches that occurred.3. Total number of customers affected by data breaches is total number of account holders affected by data breaches.																				
2	2.5.3 Support of SMEs and Community Development Loans	<div>2021 Central Bank's accommodation loan project</div> <div>Unit: Million NT\$</div> <table><thead><tr><th rowspan="2"></th><th colspan="2">Cumulative Balance</th><th colspan="2">by the end of 2021</th></tr><tr><th>Number of accounts</th><th>Amount</th><th>Number of accounts</th><th>Amount</th></tr></thead><tbody><tr><td>Central Bank's accommodation loan project</td><td>11,881</td><td>28,998</td><td>10,380</td><td>20,437</td></tr></tbody></table> <div>2021 Hakka Local Revitalization Preferential Loan</div> <div>Unit: Thousand NT\$</div> <table><thead><tr><th>End of 2021</th><th>Number of accounts</th><th>Credit Balance</th></tr></thead><tbody><tr><td>Hakka Local Revitalization Preferential Loan</td><td>7</td><td>22,690</td></tr></tbody></table>		Cumulative Balance		by the end of 2021		Number of accounts	Amount	Number of accounts	Amount	Central Bank's accommodation loan project	11,881	28,998	10,380	20,437	End of 2021	Number of accounts	Credit Balance	Hakka Local Revitalization Preferential Loan	7	22,690	<ol style="list-style-type: none">1. 2021 Central Bank's accommodation loan project: The cumulative number of accounts and amount at the end of 2021 and the number of accounts and balance of loan outstanding by the end of 2021 according to the Bank's statistics.2. 2021 Hakka Local Revitalization Preferential Loan: The number of accounts and balance of loan outstanding by the end of 2021 according to the Bank's statistics.3. The number of accounts was calculated by tax ID number.
	Cumulative Balance			by the end of 2021																			
	Number of accounts	Amount	Number of accounts	Amount																			
Central Bank's accommodation loan project	11,881	28,998	10,380	20,437																			
End of 2021	Number of accounts	Credit Balance																					
Hakka Local Revitalization Preferential Loan	7	22,690																					
3	2.10.3 Financial Education	In order to promote the popularization of financial education, the Bank cooperated with the policies of the competent authorities and organized financial knowledge promotion events in the community. On May 18, 2021, the Bank organized a financial knowledge promotion event in the Taipei Veterans Service Office (about 150 people participated). In 2021, due to the pandemic, the remaining events were suspended. In the future, the Bank will continue improving financial knowledge among the public through multiple aspects.	The number of beneficiaries was calculated on the basis of the information about promotion activities on financial knowledge in schools and communities in May 2021 from the Banking Bureau of Financial Supervisory Commission.																				

No.	Referring Chapter	Subject Matter Information	Applicable Criteria											
4	2.4.2 Assisting in the Development of Green Industries	<div>2021 Green technology industry financing and Financing for renewable energy power generation enterprises</div> <div>Unit: Million NT\$/account</div> <table><tr><th rowspan="2">Items</th><th colspan="2">End of 2021</th></tr><tr><th>Balance of loan</th><th>Number of accounts</th></tr><tr><td>Green technology industry financing</td><td>79,322</td><td>1,543</td></tr><tr><td>Financing for renewable energy power generation enterprises</td><td>3,444</td><td>160</td></tr></table>	Items	End of 2021		Balance of loan	Number of accounts	Green technology industry financing	79,322	1,543	Financing for renewable energy power generation enterprises	3,444	160	<div>1. 2021 Green technology industry financing and Financing for renewable energy power generation enterprises: The balance and number of accounts of loan outstanding by the end of 2021 according to the Bank's statistics.</div> <div>2. 2021 Low-carbon Sustainable Home Project Loan: The balance and number of accounts and cases of loan outstanding by the end of 2021 according to the Bank's statistics.</div> <div>3. 2021 Offshore Wind Power Industry Loan: The amount and number of accounts approved in 2021 according to the Bank's statistics.</div> <div>4. The number of accounts was calculated by tax ID number.</div>
		Items		End of 2021										
			Balance of loan	Number of accounts										
		Green technology industry financing	79,322	1,543										
		Financing for renewable energy power generation enterprises	3,444	160										
<div>2021 Low-carbon Sustainable Home Project Loan</div> <div>In cooperation with the Environmental Protection administration low-carbon sustainable home project loan, the Bank provides loans for the replacement of large diesel vehicles. As of the end of 2021, the balance of loans was NT\$119 million with 6 accounts (13 loans).</div>														
<div>2021 Offshore Wind Power Industry Loan</div>														
<div>Unit: Million NT\$/account</div> <table><tr><th rowspan="2">Items</th><th colspan="2">2021</th></tr><tr><th>Approved amounts</th><th>Number of accounts</th></tr><tr><td>Offshore Wind Power Industry Loan</td><td>2,189</td><td>1</td></tr></table>	Items	2021		Approved amounts	Number of accounts	Offshore Wind Power Industry Loan	2,189	1						
Items		2021												
	Approved amounts	Number of accounts												
Offshore Wind Power Industry Loan	2,189	1												

3. GRI Universal Standards Index

GRI 1: Foundation 2021

Series	Description
GRI 1	The Report is prepared based on the GRI Standards 2021. The scope of the Report covers from January 1, 2021 to December 31, 2021.

GRI 2: General Disclosure (2021)

Series	Disclosure	Chapter/Description	Page
2-1	Organizational details	About this Report, Governance Aspect	1 、 18
2-2	Entities included in the organization's sustainability reporting	About this Report	1
2-3	Reporting period, frequency and contact point	About this Report	1
2-4	Restatements of information	No significant change	-
2-5	External assurance	About this Report	1
2-6	Activities, value chain and other business relationships	Governance Aspect, Environmental Aspect, No material change compared to last fiscal year	18 、 45 、 110
2-7	Employees	Governance Aspect, Social Aspect	18 、 56
2-8	Workers who are not employees	Social Aspect	56
2-9	Governance structure and composition	Governance Aspect	20
2-10	Nomination and selection of the highest governance body	Governance Aspect	20
2-11	Chair of the highest governance body	Governance Aspect	20
2-12	Role of the highest governance body in overseeing the management of impacts	Operation Mechanism of Sustainable Development, Governance Aspect	5 、 20

Series	Disclosure	Chapter/Description	Page
2-13	Delegation of responsibility for managing impacts	Operation Mechanism of Sustainable Development	5
2-14	Role of the highest governance body in sustainability reporting	Operation Mechanism of Sustainable Development	5
2-15	Conflicts of interest	Governance Aspect	20
2-16	Communication of critical concerns	Governance Aspect	20
2-17	Collective knowledge of the highest governance body	Governance Aspect	20
2-18	Evaluation of the performance of the highest governance body	Governance Aspect	20
2-19	Remuneration policies	Governance Aspect	20
2-20	Process to determine remuneration	Governance Aspect	20
2-21	Annual total compensation ratio	Social Aspect	62
2-22	Statement on sustainable development strategy	Message from the Chairperson	2
2-23	Policy commitments	Governance Aspect	28
2-24	Embedding policy commitments	Operation Mechanism of Sustainable Development	5
2-25	Processes to remediate negative impacts	See Grievance Mechanisms for each Topic	-
2-26	Mechanisms for seeking advice and raising concerns	Governance Aspect	28
2-27	Compliance with laws and regulations	Governance Aspect	26
2-28	Membership associations	Governance Aspect	25
2-29	Approach to stakeholder engagement	Operation Mechanism of Sustainable Development	5
2-30	Collective bargaining agreements	Social Aspect	56

GRI 3: Material Topics (2021)

Series	Disclosure	Chapter/Description	Page
3-1	Process to determine material topics	Operation Mechanism of Sustainable Development	5
3-2	List of material topics	Operation Mechanism of Sustainable Development	5
3-3	Management of material topics	Operation Mechanism of Sustainable Development, Governance Aspect, Appendix	5、30、113

4. 2021 Material Topic Management

High-level Concerned Issues	Management Methods	Establishment Purpose of Management Guidelines	Relevant Policies	Performance and Results (page number)	Complaint Mechanisms
Legal Compliance	The Bank has established a sound legal compliance system and framework, and implemented legal compliance, as well as ensured efficient management of legal compliance through promotion, education and training.	To ensure effective management of legal compliance.	Implementation Rules of Legal Compliance System, Implementation Rules for Legal Compliance Risk Management and Supervision.	26-27	0800-365-889、412-2222
Business Integrity	The Bank has established the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," and "Employee Code of Conduct" to stipulate that when conducting business, the Bank's employees shall perform business activities based on the principles of fairness, honesty, trustworthiness and transparency in order to create a corporate culture of business integrity.	To create a corporate culture of business integrity and put an end to any corruption.	Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, and Employee Code of Conduct.	28-30	0800-365-889、412-2222
Corporate Governance	The Bank has established the "Corporate Governance Best Practice Principles," which specifies that the corporate governance system shall adhere to the following seven principles: establishment of effective corporate governance framework, compliance with laws and regulations and improvement of internal management, safeguarding shareholders' rights and interests, strengthening the functions of the Board of Directors, maximizing the functions of various functional committees under the Board of Directors, and respecting the rights and interests of stakeholders and enhancing information transparency, as to promote the Bank's sustainable operations.	To establish an effective corporate governance framework, strengthen the functions of the Board of Directors, protect the rights of shareholders and relevant stakeholders, and promote the Bank's sustainable development.	Corporate Governance Best Practice Principles.	20-26	0800-365-889、412-2222
Anti-Money Laundering and Countering the Financing of Terrorism	The Bank has established the "Anti-Money Laundering and Countering the Financing of Terrorism Policy" and "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism," to set up a consistent standard for the Bank to implement Anti-money Laundering and Countering Financing of Terrorism.	To optimize the Bank's AML/CFT mechanisms and the procedure of suspicious transaction monitoring.	Anti-Money Laundering and Countering the Financing of Terrorism Policy, Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism.	27-28	0800-365-889、412-2222

High-level Concerned Issues	Management Methods	Establishment Purpose of Management Guidelines	Relevant Policies	Performance and Results (page number)	Complaint Mechanisms
Business Performance and Profitability	The Bank has established the “Measures for Implementation of Business Performance Appraisal of Management Units in the Head Office,” “Directions for Implementing Business Performance Appraisal of Regional Centers and Business Units,” and “Directions for Implementing Business Performance Appraisal of Foreign Business Units,” which specify the Bank’s annual business performance goals in order to supervise that all units fulfill operational responsibilities and ensure that the goals assigned are achieved.	To strengthen the business structure and enhance profitability to ensure the achievement of assigned goals.	Measures for Implementation of Business Performance Appraisal of Management Units in the Head Office, Directions for Implementing Business Performance Appraisal of Regional Centers and Business Units, and Directions for Implementing Business Performance Appraisal of Foreign Business Units.	19-20	0800-365-889 \ 412-2222
Information Security and Personal Information Protection	The Bank has established personal information management relevant regulations, thereby respecting the rights and interests of customers, fulfilling due care of a good administrator, and implementing the protection of personal information to guarantee the security of customers’ personal information.	To protect the security of customers’ personal information and respect the rights and interests of customers.	Personal Information Management Regulations, Maintenance Plan for Personal Information File.	42-45	0800-365-889 \ 412-2222
Safeguarding Customer Rights and Interests	The Bank has established “CHB Principles for Fair Treatment of Customers,” “CHB Financial Consumer Protection Policy,” “CHB Financial Consumer Protection Practice Guidelines,” “CHB Consumer Complaint Handling Guidelines,” providing customers with transparent complaint channels to strengthen the protection of financial consumers’ rights and interests.	To protect the rights and interests of financial consumers.	Principles for Fair Treatment of Customers, Financial Consumer Protection Policy, Financial Consumer Protection Practice Guidelines, Consumer Complaint Handling Guidelines.	45-49	0800-365-889 \ 412-2222
Human Rights Protection and Gender Equality	The Bank has established the “Human Rights Policy of CHB” and “CHB Human Rights Due Diligence Procedures,” to implement its responsibility to respect and protect human rights and to build an honest, fair, respectful, and open work environment.	To protect the rights and interests of employees.	Human Rights Policy, Human Rights Due Diligence Procedures, Safety and Health Work Rules.	71-81	0800-365-889 \ 412-2222
Employer /Employee Relations	The Bank adopts the principle of “right person in the right place,” conducts fair and reasonable performance appraisal, attaches great importance to the development of employees’ careers, constructs a complete salary system, and provides employees with comprehensive health care measures and benefits. It also signs the Collective Agreement with the CHB Union to protect employees’ employment rights.	To promote labor-management harmony.	Work Rules, Employee Performance Evaluation Regulations, Employee Complaint Notice, Employee Proposal Incentive Policy, Employee Questionnaire Survey, Collective Agreement	56-70	0800-365-889 \ 412-2222
Greenhouse Gas Inventory and Reduction	The Bank has established the environmental protection policy of “healthy living, eco-friendliness, and love for our planet”, and continues to implement energy conservation and carbon reduction projects while introducing ISO international management systems voluntarily: ISO14001, ISO50001, and 14064-1 to achieve our goal of environmental sustainability.	To achieve sustainable development of the environment.	ISO 14001, ISO 50001, and ISO 14064-1	101-110	0800-365-889 \ 412-2222
Climate Change	In response to international initiatives, the Bank has identified climate change risks and opportunities under the TCFD framework, and established a response mechanism. We have also formulated the “Sustainable Development Best Practice Principles” and the “Sustainable Development Policy” to execute the Bank’s decisions made in response to climate issues, environmental protection, and material environmental issues, thereby achieving our goal of developing a sustainable environment.	To mitigate the impact of risks arising from climate change and to explore relevant opportunities to achieve the goal of sustainable environmental management.	TCFD, CDP questionnaire	94-101	0800-365-889 \ 412-2222

Evaluation of 2021 Material Topic

Material Topics	Evaluation Mechanism	Evaluation Results (page number)
Legal Compliance	Corporate governance evaluation, supervision of the competent authority, performance appraisal of the compliance unit.	26-27
Business Integrity	Internal audit, complaint mechanisms, corporate governance evaluation, performance appraisal of the compliance unit.	28-30
Corporate Governance	Corporate governance evaluation, performance evaluation of the Board of Directors.	20-26
Anti-Money Laundering and Countering the Financing of Terrorism	Statement of AML/CFT Internal Control, ad-hoc audit.	27-28
Business Performance and Profitability	Performance appraisal.	19-20
Information Security and Personal Information Protection	Complaint mechanisms, internal audit, audit by the competent authority.	42-45
Safeguarding Customer Rights and Interests	Complaint mechanisms, supervision of the competent authority, Financial Ombudsman Institution	45-49
Human Rights and Gender Equality	Corporate union, complaint mechanisms, Personnel Review Committee	71-81
Employer/Employee Relations	Human resources, compensation and welfare, communication channels, education and training, labor-management meetings and Collective Agreement	56-70
Greenhouse Gas Inventory and Reduction	ISO 14001, ISO 50001, ISO 14064-1, ISO 46001	93、101-110
Climate Change	TCFD, CDP score	94-101

5. GRI Topic Standards Index

GRI 200 : Economic Series

Series	Disclosure	Description	Chapter/ Description	Page
*GRI 201 Economic Performance 2016	201-1	Direct economic value generated and distributed	Governance Aspect	18
	201-2	Financial implications and other risks and opportunities due to climate change	Environmental Aspect	94
	201-4	Financial assistance received from government	N/A	-
GRI 202 Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared with local minimum wage	Social Aspect	71
GRI 203 Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Social Aspect	82
	203-2	Significant indirect economic impacts	Social Aspect	49、55、82
GRI 204 Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Environmental Aspect	110
*GRI 205 Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Governance Aspect	28
	205-2	Communication and training about anti-corruption policies and procedures	Governance Aspect	28
	205-3	Confirmed incidents of corruption and actions taken	Governance Aspect	28

Series	Disclosure	Description	Chapter/ Description	Page
GRI 206 Anti-Competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Governance Aspect Not Involved	28
GRI 207 Tax 2019	207-1	Approach to tax	Governance Aspect	40

GRI 300 : Environmental Series

Series	Disclosure	Description	Chapter/ Description	Page
*GRI 302 Energy 2016	302-1	Energy consumption within the organization	Environmental Aspect	104
	302-3	Energy intensity	Environmental Aspect	102 、 104
	302-4	Reduction of energy consumption	Environmental Aspect	104
	302-5	Reductions in energy requirements of products and services	Environmental Aspect	104
*GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Environmental Aspect	102
	305-2	Energy indirect (Scope 2) GHG emissions	Environmental Aspect	102
	305-3	Other indirect (Scope 3) GHG emissions	Environmental Aspect	102
	305-4	GHG emissions intensity	Environmental Aspect	102
	305-5	Reduction of GHG emissions	Environmental Aspect	102

Series	Disclosure	Description	Chapter/ Description	Page
GRI 307 Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Environmental Aspect	92
GRI 308 Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Environmental Aspect	110

GRI 400 : Social series

Series	Disclosure	Description	Chapter/ Description	Page
*GRI 401 Employment 2016	401-1	New employee hires and employee turnover	Social Aspect	56
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social Aspect	62
	401-3	Parental leave	Social Aspect	56
GRI 403 Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Social Aspect	78
	403-2	Hazard identification, risk assessment, and incident investigation	Social Aspect	78
	403-3	Occupational health services	Social Aspect	78
	403-4	Worker participation, consultation, and communication on occupational health and safety	Social Aspect	78
	403-5	Worker training on occupational health and safety	Social Aspect	78

Series	Disclosure	Description	Chapter/ Description	Page
	403-6	Promotion of worker health	Social Aspect	78
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social Aspect	78
	403-8	Workers covered by an occupational health and safety management system	Social Aspect	78
*GRI 404 Training and Education 2016	404-1	Average hours of training per year per employee	Social Aspect	67
	404-2	Programs for upgrading employee skills and transition assistance programs	Social Aspect	67
	404-3	Percentage of employees receiving regular performance and career development reviews	Social Aspect	67
*GRI 405 Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Governance, Social Aspect	20 \ 56
	405-2	Ratio of basic salary and remuneration of women to men	Social Aspect	62
*GRI 406 Nondiscrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Social Aspect	71
*GRI 411 Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	Social Aspect	56

Series	Disclosure	Description	Chapter/ Description	Page
*GRI 412 Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	Social Aspect	71
	412-2	Employee training on human rights policies or procedures	Social Aspect	71
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No significant investment in 2021	-
GRI 414 Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Environmental Aspect	110
*GRI 417 Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Social Aspect	45
	417-2	Incidents of non-compliance concerning product and service information and labeling	Social Aspect	45
	417-3	Incidents of non-compliance concerning marketing communications	Social Aspect	45
*GRI 418 Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	Social Aspect	42
*GRI 419 Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area.	Governance Aspect	26 \ 27 \ 66

Series	Disclosure	Description	Chapter/ Description	Page
Product Portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Social Aspect	52
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Social Aspect	52
Local Community	FS13	Access points in low-populated or economically disadvantaged areas by type.	Social Aspect	53 、 55 、 82
	FS14	Initiatives to improve access to financial services for disadvantaged people.	Social Aspect	53 、 55 、 82
Product Service Label	*FS15	Policies for the fair design and sale of financial products and services.	Social Aspect	45
	FS16	Initiatives to enhance financial literacy by type of beneficiary.	Social Aspect	82

* Material Issues

6. The United Nations Global Compact Comparison Table

Types	Content	Chapter/ Description	Page
Human Rights	Principle 1 : Businesses should support and respect the protection of internationally proclaimed human right.	Social Aspect	71
	Principle 2: Make sure that they are not complicit in human rights abuses.	Social Aspect	71
	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Social Aspect	56 、 70
Labor Standard	Principle 4: The elimination of all forms of forced and compulsory labor.	Social Aspect	71
	Principle 5: The effective abolition of child labor.	Social Aspect	56
	Principle 6: The elimination of discrimination in respect of employment and occupation.	Social Aspect	56 、 71
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges.	Environmental Aspect	101
	Principle 8: Undertake initiatives to promote greater environmental responsibility.	Governance Aspect Environmental Aspect	38 、 93-112
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	Social Aspect	49 、 52
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Governance Aspect	28

7. Sustainability Accounting Standards Board (SASB) for Commercial Banks Comparison Table

Topic	Code	Accounting Metric	Page	Corresponding Chapter
Data Security	FN-CB-230a.1	1. Number of data breaches 2. Percentage involving personally identifiable information (PII) 3. Number of account holders affected	42	2.1 Information Security and Personal Information Protection
	FN-CB-230a.2	Description of approach to identifying and addressing data security risks.	42	2.1 Information Security and Personal Information Protection
Financial Inclusion & Capacity Building	FN-CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development.	54	2.5 Financial Inclusion The original metric "small business" is according to the Standards for Identifying Small and Medium-sized Enterprises, set by the Ministry of Economic Affairs, adopted in Taiwan's financial practices; also, in the credit application, the application is based on a credit limit, and the loan is appropriated in a lump sum or in installments, and the original indicator "number of cases" is revised as the number of accounts.
	FN-CB-240a.2	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	54	
	FN-CB-240a.3	Provide financial services to disadvantaged groups	54 \ 55 \ 82	2.5 Financial Inclusion The original metric "unbanked or underbanked customers" (i.e. the economically disadvantaged) and "no-cost retail checking accounts" (no such business in Taiwan) have been revised in line with Taiwan's financial practices. 2.10 Charity Events and Charitable Care
	FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	90	2.10 Charity Events and Charitable Care

Topic	Code	Accounting Metric	Page	Corresponding Chapter
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	FN-CB-410a.1	Commercial and industrial credit exposure, by industry	32	1.6 Risk Management and Audit
	FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	39 \ 52	1.7 Equator Principles 2.4 Green Finance and Products
Business Ethics	FN-CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	28	1.5 Business Integrity
	FN-CB-510a.2	Description of whistleblower policies and procedures	29	1.5 Business Integrity
Systemic Risk Management	FN-CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	-	Not applicable as the Bank is neither a global systemically important bank (G-SIB) nor a domestic systemically important bank (D-SIB)
	FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	33	1.6 Risk Management and Audit
Activity Metrics	FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	47	2.2 Safeguarding Customer Rights and Interests
	FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	47	2.2 Safeguarding Customer Rights and Interests

2021 | ESG Report



彰化銀行