

Performing Social Responsibility

(Summary 2018 Annual Report P.46 - 49 & P.87 - 88)

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1. Exercising Corporate Governance

1.1 Does the bank declare its corporate social responsibility policy and examine the results of the implementation?

Ans:

- a. The Bank has the “Chang Hwa Commercial Bank Corporate Social Responsibility Best Practice Principles” to assist in the execution of the Bank’s corporate social responsibility policy.
- b. The Bank’s corporate social responsibility practices feature the following focuses:(1) Corporate governance; (2) Sustainable environment; (3) Public welfare; and (4)Disclosure of corporate social responsibility information.
- c. The Bank compiles corporate social responsibility reports every year as a means of disclosing corporate social responsibility practices. The information is available on the Bank’s official website and the “MOPS” section of the website for the Taiwan Stock Exchange.

1.2 Does the bank organize social responsibility training on a regular basis?

Ans:

The Bank organizes corporate social responsibility training in first quarter of each year, for which all business department managers and related persons are required to attend.

1.3 Does the bank have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?

Ans:

- a. To manage corporate social responsibility, the President has appointed one of the Vice Presidents to serve as convener for the Bank's corporate social responsibility task force, and Corporate Strategy Section of Secretariat Division was assigned as a secretary unit to oversee the preparation of corporate social responsibility reports. The task force reports its progress to the Board of Directors on a yearly basis. The information is available on the Bank's official website.
- b. Corporate Social Responsibilities Task Force meetings are held on a yearly basis to review and execute CSR plans for the year.

1.4 Does the bank set up a reasonable remuneration policy commensurate with employees' performance appraisals and CSR? Is the remuneration policy supported by an effective reward / discipline system?

Ans:

- a. The Bank reviews salary of its employees in accordance with "Remuneration List for Personnel of Chang Hwa Bank"; reasonable and competitive remuneration is given to employees according to the appointment and responsibility so as to ensure that they do not have different remuneration

as a result of their gender, age or race. All salaries are in conformity with basic salary standards. Each year the Bank determines the level of its salary-adjustment based on consumer price index and its performance and capability.

- b. The Bank issues a performance bonus in accordance with various indicators of its “Rules on Employee Performance Review” by combining employees’ professional ethical performance with their performance review.
- c. The Bank has formed the “Personnel Review Committee” in accordance with relevant laws and regulations. It will review employees with respect to incentives and penalties in a fair, objective and detached manner. The results of its review will be disclosed on the Bank’s internal corporate website and the appropriate employees shall be notified in writing, to achieve the aim of imposing penalties or delivering incentives.

2. Fostering the Sustainable Environment

2.1 Does the bank endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?

Ans:

- a. The Bank has adopted the use of environmentally-friendly hand towels in its Taipei office building. Furthermore, the Bank has commissioned U-Color (an association for the physically and mentally challenged in New Taipei City) to recycle all used toners, ink cartridges, and redundant printers.
- b. The Bank adopts the use of “green building materials” to renovate its business premises.
- c. The Bank’s respective operating units purchase all types of heat-sensing paper rolls. Before purchasing, they would require that vendors furnish their product test reports to ensure that such products conform to national

standards.

2.2 Does the bank establish proper environmental management systems based on the characteristics of their industries?

Ans:

The Bank's environment management system has passed the ISO14001:2015, and its energy management system has passed the ISO50001:2011, Greenhouse gases inventory has passed the ISO 14064-1:2006. The information is disclosed on the Bank's official website.

2.3 Does the bank monitor the impact of climate changes on its operating activities, implement greenhouse gas emission-checks, formulate energy-saving and carbon emission reduction as well as greenhouse gas reduction strategies?

Ans:

- a. Response measures for energy saving and carbon-emission reduction, and reduction of greenhouse gas include:(1) Replace old power-consuming air conditioners to enhance energy-efficiency; (2) Set indoor temperature to more than 26 degrees to reduce the air-conditioning burden; (3) Replacement of old bulbs with high-efficiency LED bulbs to save power consumption on lighting;(4) Manage lighting use to reduce unnecessary power usage for lighting.
- b. In 2017, the amount of power used in the Bank's Taipei office building was equivalent to CO2 emissions of 1,682,055 KgCO2e; the amount of power used in above mentioned building was equivalent to CO2 emissions of 1,568,928 KgCO2e in 2018, reduced 113,127 KgCO2e. The information is available on the "MOPS" section of the website for the Taiwan Stock

Exchange.

- c. In 2018, the Bank has replaced about 556 lamps in its Taipei office building with LED lighting, thus reducing CO2 emission by about 59,972kgCO2e. For 2019, the Bank plans to change into LED lighting for 1-2 floors each year. This amounts to about 300-600 lighting fixtures. It is expected to reduce CO2 emission by 33,000 kgCO2e to 60,000 kgCO2e.

3. Preserving Public Welfare

3.1 Does the bank develop its policies and procedures in accordance with laws and the International Bill of Human Rights?

Ans:

The Bank has implemented its work rules in accordance with the Labor Standards Act and other relevant laws. The work rules not only outline employees' rights and obligations, but are structured in such a way that enhances work efficiency and establishes common goals between the employer and employees. The Bank recruits employees based on matching talents, and ensures equal opportunities regardless of race, gender, partisan, or religion.

3.2 Does the bank have avenues through which employees may raise complaints? Are employee complaints being handled properly?

Ans:

The Bank has also instituted the "Employee Grievance Announcement" on the Bank's official website. An Employee Grievance Line, employee grievance system and employee communication mailbox to provide employees the means to raise complaints has been created on the Bank's official website.

The grievance is held with strict confidentiality maintained for all relevant information of the complainant. The Bank will carry out understanding and investigation of the reports by complaints. If the respondent is proved to be in breach of laws and regulations, he/she will be referred to the “Personnel Review Committee,” whereupon the matter will be reviewed in an objective and detached manner in accordance with the Regulations on Incentives and Penalties for Employees and the severity of such breach.

3.3 Does the bank provide safe and healthy work environments for its employees, and organize training on safety and health for its employees on a regular basis?

Ans:

- a. The Bank holds the Occupational Safety and Health Committee every quarter to review the safety and health of the working environment. It also monitors the indoor carbon dioxide and lighting operation environment of each unit every six months to provide employees with a safe and healthy work environment. The Bank irregularly holds seminars on occupational safety and health to implement safety and health education; it also appoints professional institutions to provide psychological counseling and protect mental health for employees.
- b. The Bank has safety and health work rules, and also has the Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks, the Program to Prevent Employee Ailments Brought on by Exceptional Workload, the Program to Protect Maternal Employee’s Health, and the Program to Prevent Employee Infringement Happened in Workplace to prevent occupational disasters and diseases. And the Bank has Automatic Safety and Health Inspection Plan to ensure that equipment remains in normal operation and reduces accident rates.

3.4 Does the bank have a communication channel between the bank and its employees, and the means through which employees are notified of material changes in the bank's operations?

Ans:

The Bank convenes an Employer-Employee Meeting every three months and uses it as a communication channel to resolve issues pertaining to employee interests. The various heads of business units under the Head Office have been assigned to supervise several business sectors within the Bank; resolutions made from board of directors' and managing directors' meetings and the President's instructions are distributed by the heads to all employees within the Bank.

3.5 Does the bank implement an effective training program that helps employees develop skills over the course of their career?

Ans:

Employee education and training is carried out according to employee hierarchy and job responsibilities. Basic and advance courses are planned according to employees' responsibilities, with employees obtaining the corresponding certificates for the Bank to map out professional training for employees in order to raise their competence; The said map also serves as reference for persons in charge to cultivate talents as well as for employees to undertake their career development.

3.6 Does the bank implement consumer protection policies and grievance procedures with regards to its research, development, procurement, operation and service activities?

Ans:

- a. To ensure fair and reasonable protection of consumers' interests, the Bank has established and implemented "Guidelines for Fair Treatment to CHB's Customers," "Policies to Protect CHB's Financial Consumers," and "Guidelines for CHB to Conduct Protection for Financial Consumers."
- b. The Bank also has "CHB Consumer Complaint Handling Guidelines" in place for resolving consumers' complaints and major consumption incidents. Whenever a consumer files a complaint, the issue in question is referred immediately to an appropriate department within the Head Office and related units to protect the consumers' interests.
- c. To improve the efficiency and quality of financial dispute resolution, the Bank has defined numerous details such as the scope and procedures of consumer disputes, turnaround time, progress inquiries, audit trail, training and regular reviews in "Policies to Protect CHB's Financial Consumers" and "Guidelines for CHB to Conduct Protection for Financial Consumers." They provide the foundation for the Bank's "Financial Consumer Dispute Resolution Policy (and SOP)," for better protection of financial consumers' interests.
- d. The Bank also review consumers' disputes on a regular basis and revise procedures so that similar occurrences can be prevented, corrected and managed in the future, which ultimately improve consumers' protections and the Bank's service quality.

3.7 Does the bank comply with laws and international standards with regards to the marketing and labeling of products and services?

Ans:

The Bank complies with relevant regulations and international guidelines for the marketing and labeling of goods and services.

3.8 Does the bank evaluate suppliers' environmental and social conducts before commencing business relationships?

Ans:

The Bank requires every supplier to sign a "Supplier Social Responsibility Commitment" before commencing business activities. The commitment calls for compliance with several regulations such as occupational safety and health, workers' rights, and environmental protection. The Bank also has "Supplier CSR Policy" in place to evaluate suppliers for adverse environmental and social conducts, and to avoid dealing with those that operate in contradiction to the Bank's corporate social responsibility policies.

3.9 Is the bank entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society?

Ans:

The Bank signed contracts with its suppliers which stipulate the corporate social responsibilities the two parties are bound to comply. The Bank may terminate its contract at any time if suppliers commit any violation that causes significant impact on the environment or society from which product or service is sourced.

4. Corporate Responsibility and Moral Behavior

4.1 Other important information to facilitate better understanding of the Bank's corporate social responsibility practices

- a. Implemented environment protection policies to achieve the goal of managing environmental sustainability

Promoted the environment protection policy “Lohas - Loving the Earth,” implemented various resource saving and energy conservation measures as well as greenhouse gas reduction strategies, and spontaneously introduced numerous international management systems.

- b. Actively participated in charity activities and continuously supporting underprivileged groups

1. Made donations to Hualien County Government, which supported related disaster relief and reconstruction work after strong earthquake happened in Hualien area.
2. Sponsored “6th Charitable Carnival for Loving the Elderly” of Huashan Social Welfare Foundation by serving as volunteers to accompany the disadvantaged elderly to live a healthier life through exercise.
3. Made donations to “TFT Teaching Program” organized by Teach For Taiwan, which improved inequality of lacking the necessary resources to deliver proper education for children in rural areas.
4. Made donations to the various athletes training programs organized by Taitung County Athletics Committee, which assisted the development of sports and athletics.
5. Made donations to Social Affairs Bureau of Chiayi County to assist post-disaster reconstruction work of floods in Southern Taiwan on August 23, 2018.
6. Sponsored “Angel’s Voice” year-end blessing concert of Taichung City Welfare for The Disabled Association to help perfect the learning and caring environment for the disabled.
7. Sponsored the efforts of Huashan Social Welfare Foundation in delivering

- new year meals and cold weather outfits or supplies, these volunteer services to underprivileged elders before lunar new year's eve.
8. Established "CHB Tuition Support Program" organized by Taiwan Fund for Children and Families, which assisted financially disadvantaged elementary school and junior high school students in their studies.
 9. Made donations to the program - "Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association.
 10. Participated in "2018 Taichung World Flora Exposition" held by Taichung City Government to implement actively joining local cultural activities in Taiwan and make contributions to increasing the country's cultural soft power.
 11. Participated in "6th ADA Charity, Christmas Road Running" fundraising event held by Advanced Developers Association and Kids' Bookhouse Foundation to care for financially vulnerable children in Taitung's rural areas.
 12. Participated in the General Association of Chinese Culture's "2018 Happy Birthday to Taiwan" film shooting with cheers for Taiwan to demonstrate excellent talents cultivated in Taiwan.
 13. Participated in Accounting Research and Development Foundation's "30th Anniversary Accounting Elite Cup Debating Competition" to help nurture accounting professionals and advance capital market in Taiwan by rising more accounting professionals' mutual communication and interaction.
 14. Sponsored "Hand in Hand with Newcomer ~ Cherish Taiwanese New Baby Exhibition" held by Pearl S. Buck Foundation to encourage the public to respect diverse cultures and care for the children of new immigrants.
 15. Participated in "2018 Financial Services for charitable Carnival" held by

Taiwan Financial Services Roundtable in Keelung and Taoyuan to promote financial knowledge and education.

16. Sponsored the Keelung City in organizing “27th Union Cup Basketball Championship,” which promoted citizens’ physical and mental health, and carried out the objective of nurturing basketball talents and country-wide exercise.
 17. Participated in the General Association of Chinese Culture’s a series of events “South Taipei Fun Carnival” and “the Soul of the Craftsman” film series shooting to encourage cultural heritage and implement policies to support the development for cultural and creative industries.
 18. Participated in “2018 Taiwan Lantern Festival” held by Chiayi County Government to be actively involved in local cultural activities.
 19. Made donations to “Small and Medium Enterprise Credit Guarantee Fund,” which helped SMEs obtain the funding they needed and contributed to the growth of the nation’s economy and the social stability.
 20. Made donations to “Overseas Credit Guarantee Fund,” which helped overseas Chinese and Chinese enterprises obtain funding in ASEAN countries from Chinese financial institutions.
 21. Sponsored Taipei Foundation of Finance in organizing “23rd Cross-strait Banking Collaboration Conference.”
- c. Internship opportunities offered to financially disadvantaged youths and university students
1. As support to “2018 Internship Program for the Financially Self-reliance Youths” organized by Youth
 2. Department Administration, Ministry of Education, the Bank had offered 35 internship opportunities for existing students during the summer vacation, and catered to the needs of financially disadvantaged youths by

helping them learn, experience, explore, and develop their own competitiveness in future careers, which may potentially reduce wealth inequality within the nation.

3. During summer break of 2018, the Bank joined China Youth Corps in offering 10 internship opportunities to university students. The internship program was aimed at cultivating independence and comprehending banking jobs on the spot early in young adults and increasing their experiences.

d. Community participation

1. 1,500 handheld lanterns from “2018 Taiwan Lantern Festival” were donated to social welfare groups in Chiayi and Yunlin to care for financially disadvantaged families.
2. In cooperation with Taipei Orphan Welfare Foundation, the event “CHB’s Spreading Love to Orphans” was held to support orphans by the Bank.