

# 2

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*The Bank adheres to the business philosophy of “Service, Efficiency, and Innovation”, respects customers, provides friendly financial services, and builds customer complaint channels to protect customers’ rights and interests. Through a seamless business network and unobstructed communication channels, the Bank listens to and understands the opinions and suggestions of customers; continues to pursue the development of financial products and improvement of customer service procedures so as to improve the service quality; and tries its best to meet and satisfy the needs of each customer, creating more value and delivering on our promise to customers.*



## 2.1 Transaction Security

GRI 418-1

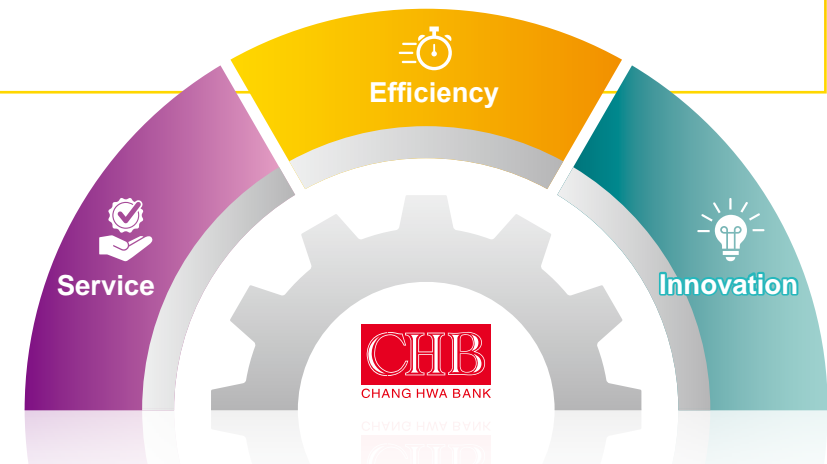
### 2.1.1 Information Security Mechanism

#### 2.1.1.1 Statement of Information Security

For the Information Security Statement of the Bank, please refer to the Information Security section on the Bank’s official website. URL: [https://www.bankchb.com/frontend/mashup\\_full.jsp?funclId=47da465d15](https://www.bankchb.com/frontend/mashup_full.jsp?funclId=47da465d15)

#### 2.1.1.2 Policy for Information Security

The Bank’s information security policy has been established to enhance information security management; ensure



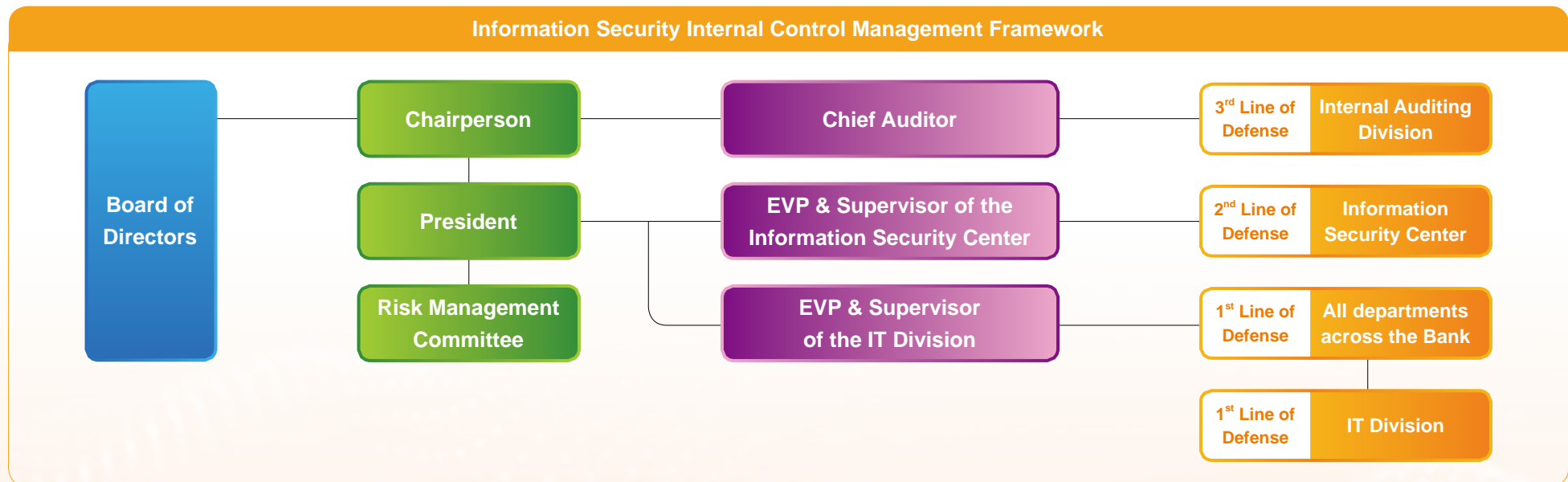
confidentiality, integrity and availability of information; maintain the reliability of information equipment (including computer software and hardware, and peripheral devices) and network systems; strengthen employee awareness towards information security; and prevent the above-mentioned resources from being interfered with, disrupted, or trespassed by any means, avoiding any detrimental conduct and attempt.

### 2.1.1.3 Information Security Management Framework

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 Departments 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 Center. The third line of defense consists in inspections by the Internal Auditing Division.

### 2.1.1.4 Operating Status

We continue to use the PDCA management cycle to promote the information security management system every year in response to new information security issues that may arise due to changes brought by new technologies, new products and business processes. Through information security 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.



## 2.1.2 Personal Information Protection

### 2.1.2.1 Personal Information Protection Policy

In order to implement the maintenance and management of personal information file security, the Bank has established the *Chang Hwa Bank Personal Information Management Regulations* and *Chang Hwa Bank Personal Information File Security Maintenance Plan* in compliance with the amendments to the *Personal Information Protection Act* and the *Financial Supervisory Commission's Regulations Governing Security Measures for Personal Information Files at Designated Non-Public Agencies*, thereby respecting the rights and interests of customers, fulfilling due care of a good manager, and implementing the protection of personal information to guarantee the security of customers' personal information.

In addition, the Bank's measures in response to the *EU General Data Protection Regulation* (hereinafter referred to as "GDPR") are as follows:

① The assessment of the differences between Taiwan's personal information protection regulations and GDPR, and the Bank's compliance program have been reported by the Bank to the 12<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on May 15, 2018 for deliberation, in accordance with the provisions of the Financial Supervisory Commission's Letter Jin-Guan-Yin-Kong-Zi No. 10702708100 dated March 28, 2018.

② In October 2018, the Bank commissioned KPMG Taiwan to conduct the *GDPR Response Measures Implementation Project*, and three training courses—"GDPR Compliance Awareness", "Promotion of Personal Information Management and Control Mechanisms" and "Personal Information Emergency Response Notification"—have been held. We have also revised our personal information files registry, data, etc.

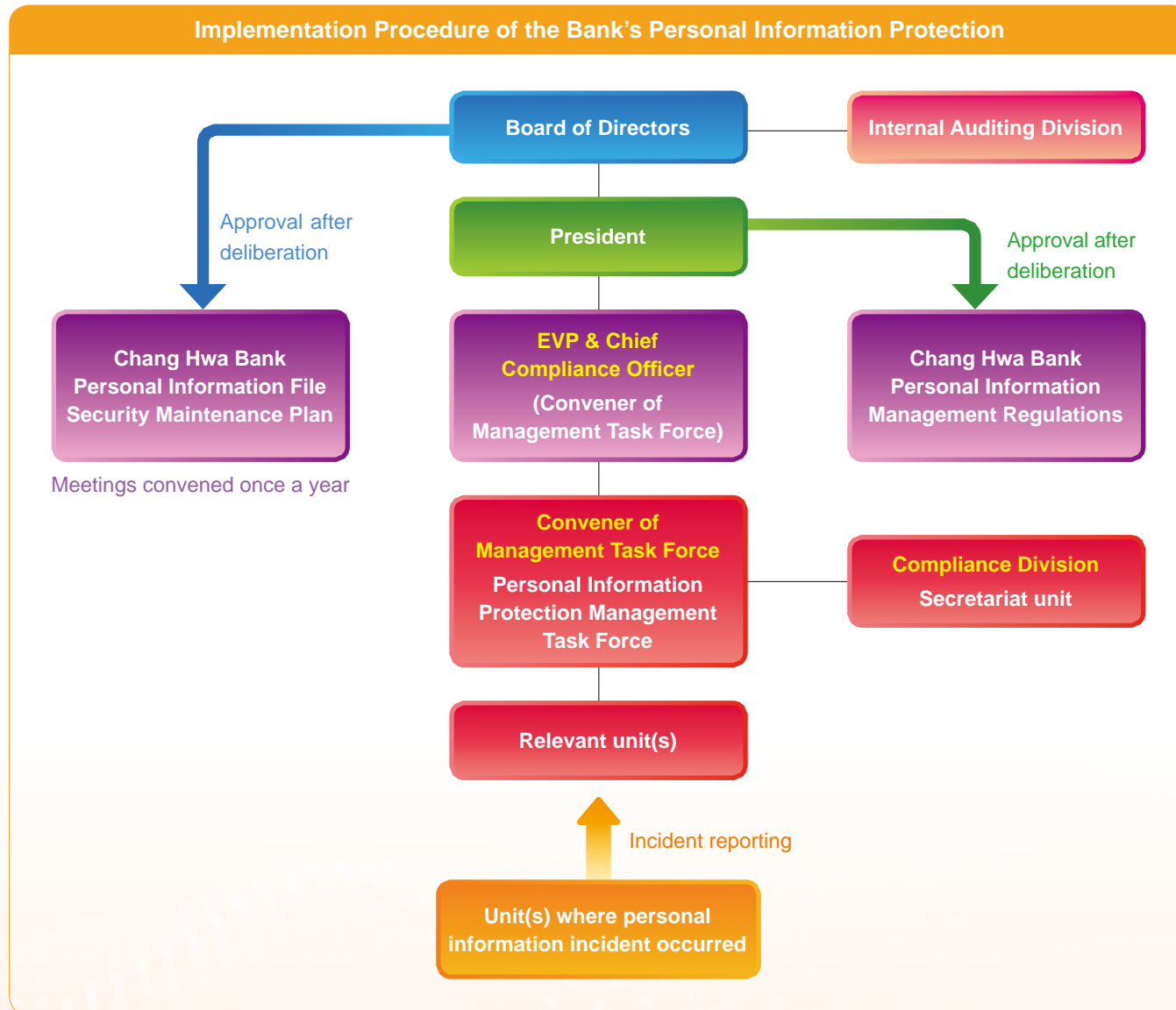
### 2.1.2.2 Special Audit

On April 23, 2018, according to the regulations, the Bank submitted to the 11<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors the audit result and the assurance report of the 2017 personal information protection mechanism special audit by the accountants, which were also submitted to the FSC for future reference on April 27, 2018.

### 2.1.2.3 Education and Training

The Bank held the 2018 digital courses regarding personal information management system promotion and important matters, with a total of 6,304 participants.

## 2.1.2.4 Implementation Procedure of Personal Information Protection



## 2.1.3 Implementation Results

The Bank did not have any major information security incidents in 2018.

## 2.1.4 International Certification Standards

- ① ISO 27001: 2013 Information Security Management System
- ② BS 10012: 2017 Personal Information Management System
- ③ ISO 22301: 2012 Business Continuity Management System





## 2.2 Customer Rights and Interests

GRI 102-2, 417-1, FS15

In order to protect the rights and interests of financial consumers, treat financial consumers in a fair and reasonable manner and establish a corporate culture that values the protection of financial consumers, the Bank promulgated by letter the *Chang Hwa Bank Principles for Fair Customer Treatment*, *Chang Hwa Bank Financial Consumer Protection Policy* and *Chang Hwa Bank Directions for Financial Consumer Protection* based on the *Principles for Fair Customer Treatment by Financial Service Industries* and *Financial Consumer Protection Act* promulgated by the FSC, their related sub-laws and other regulations, and has informed the entire organization by letter to duly observe and implement when providing financial products or services to customers, in the hopes of strengthening the protection of financial consumers' rights and benefiting corporate sustainable development.

### 2.2.1 Regulations

The Bank has established the *Chang Hwa Bank Principles for Fair Customer Treatment*, *Chang Hwa Bank Production*,

*Dissemination and Announcement Management Regulations for Trust Business Advertising Materials*, *Chang Hwa Bank Directions on Know Your Customer Operations for Trust and Investment Product Business*, *Chang Hwa Bank Suitability Policy and Operating Procedures for the Handling of Trust Business Products for Non-Professional Investors*, *Chang Hwa Bank Measures for the Review of Professional Investors in Trust and Investment Product Business*, etc. for employees to comply with. We uphold the principles of fairness, reasonableness, equality, mutual benefit and good faith, and fulfill the responsibilities and obligations of a good manager to value customers' rights and interests.

In addition, to improve the efficiency and quality of financial dispute resolution, the Bank defined numerous details such as the scope of consumer disputes, the responsible organization(s), solution, procedures, turnaround time, progress inquiries, audit and follow-up, education and training, and regular reviews in the *Chang Hwa Bank Financial Consumer Protection Policy* and *Chang Hwa Bank Financial Consumer Protection Guidelines*. They provide the foundation for the Bank's *Financial Consumer Dispute Resolution Policy (and SOP)* for better protection of financial consumers' interests.

## 2.2.2 Mechanism of Rights and Interests

- 2.2.2.1 In the product contracts, the Bank expressly states the important content in a noticeable font, so that customers may be fully aware of the terms relevant to the rights and obligations.
- 2.2.2.2 There are both Chinese and English versions of the *Notification for the Collection, Processing and Use of Personal Information*.
- 2.2.2.3 All service fee standards are announced on the official website of the Bank.
- 2.2.2.4 The Bank has a *Wealth Management Product Review Task Force*. Prior to their initial sale, wealth management products shall be submitted to the Wealth Management Product Review Task Force for review and approval; only then can they be launched for sale.

## 2.2.3 Frly Financial Serviceiend Measures

- 2.2.3.1 The Bank's official accessible website has obtained the AA Label of the Handicap-Free Guidelines 2.0 on April 18, 2018. For relevant friendly financial service measures implemented, please refer to the official accessible website of the Bank; URL: <https://www.bankchb.com/>

- 2.2.3.2 The smart robot system was built to make it easy for people with speech impediments to get instant assistance. With the mascot Boa of the Bank, we set up the *Smart Customer Service* portal on our official website, personal e-banking and mobile e-banking apps, and social media platform LINE, providing 24-hour text message instant consultation services combined with an identity verification mechanism, as to facilitate the inquiries of credit card account information by customers.

## 2.2.4 Customer Complaint Mechanism

### 2.2.4.1 Customer Complaint Channels

The channels for handling disputes with respect to financial products or services provided by the Bank and means of lodging complaint by financial consumers have been expressly stated in the product contracts. There are also a 24/7 customer service hotline, webpage, e-mail and other public channels to provide customers with consultation services and accept complaints or feedback at any time.



Complaint channels of Chang Hwa Bank:

① Telephone

- For local telephones, please dial: 412-2222; press 9 to be transferred and talk to responsible personnel (charged as local phone calls)
- For mobile phones, please dial: (02) 412-2222; press 9 to be transferred and talk to responsible personnel
- Free Service Hotline: 0800-365-889; press 9 to be transferred and talk to responsible personnel

② Internet

- Customer Service Center on the official website of the Bank
- Web Call Me
- Provides a communication channel of for customer e-mail messages. The system will assign online customer service personnel to call back or reply via e-mail during business hours.

#### 2.2.4.2 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, and complies and analyzes the causes of and reasons for these. The responsible units develop improvement measures so as to perform review and improvements at all times, and ensure the complete protection of the rights and interests of financial consumers.

#### 2.2.4.3 Implementation Status

In 2018, there were no complaints about privacy infringement or customer data loss in the Bank.





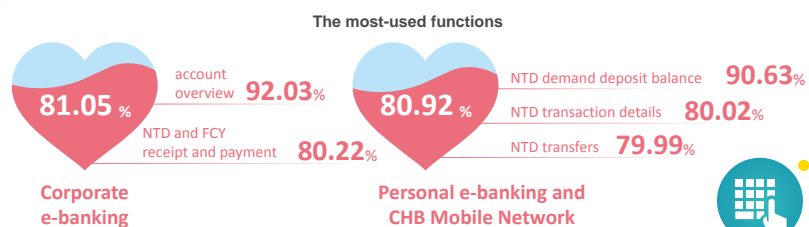
## 2.2.5 Customer Satisfaction

### 2.2.5.1 Customer Satisfaction Survey

#### 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 February 1 to 28, 2019, and the subjects were users of the Bank's *personal e-banking* and *mobile e-banking apps* (CHB Mobile Network), as well as *corporate e-banking* (CHB e-banking) and *corporate mobile network apps*. The survey content included the smoothness of e-banking operations, system stability, and overall usage 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.

#### Satisfaction toward Digital Banking Services

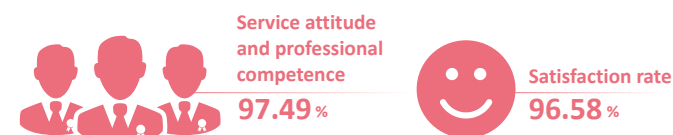


#### Physical Channel Services

In order to improve the service quality of the Bank, we conducted survey on 185 business units in Taiwan with 2018 as the base year, and the survey period was from January 1 to March 28, 2019. The survey subjects were all customers engaged in services with the Bank. The 2018 customer satisfaction questionnaire survey was conducted with regard to three major aspects: product satisfaction, service attitude and efficiency, and overall satisfaction.

#### Satisfaction toward Physical Channels

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 financial digitalization era, 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.



### 2.2.5.2 Future Outlook

The Bank will continue to refine its professional services, including the improvement of service quality and optimization of operational procedures in the physical channels, as well as the provision of customer experience oriented, safe, stable and fast financial services, in the hopes of providing customers with satisfactory services and winning their trust and recognition. We will also emphasize the provision of comprehensive financial service functions through e-banking in the virtual channels, thereby becoming more proactive, taking the lead in grasping customer needs and solving customers' problems, and continuously developing new features, all for the purpose of becoming the ideal brand among customers!

## 2.3 Digital/Mobile Services

GRI 203-2

In order to enhance customer experience satisfaction and create an innovative financial service model, the Bank is committed to actively investing in the development of digital/mobile innovative services from an ergonomic perspective, and provide diversified financial services unrestricted by time and geographic region, thus meeting human needs and enabling customers to have a better service experience and a higher adherence.




| Item                 | Description   |
|----------------------|---|
| Policy               | Actively developing digital/mobile services, provide customers with more convenient mobile digital services, continue to expand service channels, provide customers with innovative service models, and integrate customers' interaction history in all channels to optimize service experience and enhance the Bank's competitiveness. |
| Commitment           | Continue to improve digital/mobile services from an ergonomic perspective.  |
| Goals and subjects   | Continuously develop digital/mobile services to increase customer usage rate and to achieve long-term goals such as getting closer to customers' lives, and energy saving and carbon reduction.   |
| Complaint mechanisms | The Bank has a 24-hour Customer Service Center with a complaint hotline and customer service mailbox. Customers may also report problems during business hours at all business units so that we can respond appropriately after receiving any complaints.   |

| Item                         | Description  |
|------------------------------|--|
| Actions                      | <ol style="list-style-type: none"> <li>1. With regard to blockchain application, completing the launch of external confirmation inquiry services has achieved full digitalization among the accountants, and the companies and banks under investigation, improving the overall operational efficiency and information security.</li> <li>2. As for social media management, we have set the official LINE account to strengthen the social media conversion of financial services.</li> <li>3. In the development of AI, we have introduced smart customer services to provide text message business consultation; And biometrics combined with pattern lock have been applied to security control mechanisms to provide customers with fast log-in, queries and QR code payment services.</li> <li>4. In terms of payment applications, the Bank launched the corporate e-banking mobile App, which makes it easier for business owners to allocate and transfer their corporate funds and keep track of capital flow. Likewise, QR code payment services were added to the CHB Wallet of the CHB Mobile Network App.</li> <li>5. Digital deposit has been launched, and customers may use the financial services provided by the Bank off-site of counters.</li> <li>6. We have launched the financial blockchain external confirmation inquiry service. As of April 16, 2019, there were 13 accounting firms that had signed contracts with the Bank to establish financial blockchain external confirmation.</li> <li>7. We provide the online finance platform—e-financing service for personal loans. Customers may use the online procedure to apply for mortgages, increased mortgages and credit loans, as well as other services, saving them efforts from in-person handling such as having to fill out a number of documents.</li> <li>8. The smart robot system was built to make it easy for people with speech impediments to get instant assistance. With the mascot Boa of the Bank, we set up the Smart Customer Service portal on our official website, personal e-banking and mobile e-banking apps, and social media platform LINE, providing 24-hour text message instant consultation services combined with an identity verification mechanism for inquiries of credit card account information.</li> </ol> |
| Management policy evaluation | <ol style="list-style-type: none"> <li>1. We seek to understand the effectiveness of each service and track the achievement rate of various performance indicators in a timely manner by using relevant management reports or by extracting the required information from the data warehouse.</li> <li>2. We perform flexibly revisions and adjust relevant mechanisms to provide appropriate services based on the feedback or opinions on relevant digital/mobile services by customers and business units.</li> </ol>   |

## 2.4 Green Finance


GRI FS7, FS8

### 2.4.1 Green Financial Products




**Green Energy Equipment**

- Financing for solar-powered equipment
- Financing for machinery and equipment upgrade
- Low-interest financing for private enterprise's pollution prevention equipment
- Financing for eco-friendly scooter purchase



**Financial Inclusion**

- Electronic bill and tax payment processing platform
- SME dreams-come-true financing in Keelung
- Financing for young farmers' entrepreneurship and agricultural enterprise in Taichung
- QR code payment and acquiring services



**Green Insurance Products**

- Usage-based Insurance (for driving)
- Health management insurance policy

## 2.4.2 Assisting in the Development of Green Industries

### ① Green Technology Industry Financing:

Assisting the green technology industries identified by the competent authorities by participating in procurement cases of the *Forward-looking Infrastructure Development Program*, or engaging in the operational financing and capital expenditure required by the green technology industries.

↑ The loan amount by the end of 2018 was approx. NT\$92,065 million, a 2.3% increase over the previous year.

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

In line with the government's nuclear-free homeland and renewable energy policies, the Bank has 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.

↑ The loan amount by the end of 2018 was approx. NT\$2,492 million, a 42.4% increase over the previous year.

### ③ Project financing for solar-powered equipment:

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-powered equipment to provide enterprises and the public with the funds required to purchase related solar-powered equipment.

↑ The balance of loans by the end of 2018 was approx. NT\$1,202 million, a 224% increase over the previous year.

Unit: Million NTD/account

| Items  | 2018   |                    | 2017   |                    | 2016    |                    |
|--|--------|--------------------|--------|--------------------|---------|--------------------|
|  | Amount | Number of accounts | Amount | Number of accounts | Amount  | Number of accounts |
| Green technology industry financing                                  | 92,065 | 1,050              | 90,002 | 1,060              | 105,622 | 1,131              |
| Financing for renewable energy power generation enterprises (Note 1) | 2,492  | 74                 | 1,750  | 45                 |         |                    |
| Project financing for solar-powered equipment (Note 2)               | 1,202  | 63                 | 371    | 33                 | 3       | 1                  |

Note 1: Renewable energy loans began to be declared to the FSC in 2017.

Note 2: The Bank launched project financing for solar-powered equipment on November 3, 2016; the data of 2016 is for reference only.

## Challenges and Responses

## In Response to the Development of Social Media in Bank 3.0

Social media and technological changes have generated new business models and business philosophies, and have permeated the overall banking value chain.

Social media is characterized by high adherence, and can quickly fulfill the high frequency and immediate financial needs of customers, thereby becoming an efficient tool amid digital banking competition. In the future, it is the bank that can best utilize social media to gain market responsiveness that will have more opportunities to approach consumers and seize business opportunities, and emerge victorious amid digital banking competition.

In order to create a fresh and lively brand image this year, the Bank completed establishment in four major social media platforms: Facebook fanpage “Chang Hwa Bank Boa Wang Wang Lai”, YouTube channel, Instagram account and LINE official account, in order to achieve diversified management of social media, flexibly use the four major social media platforms based on business characteristics and marketing targets, strengthen social media marketing momentum, and enhance the cohesiveness of the Bank’s social media.

The Bank’s 2018 social media development focused on the following:

### Facebook fanpage “Chang Hwa Bank Boa Wang Wang Lai”

In order to create bonds with customers outside of business dealings and to create adherence between the branches and customers, we held submission and voting on the Facebook fanpage of the Bank for the *Children’s Painting Competition—Show Your Dreams*, and included the mascot Bao of the Bank as the theme of the competition, cultivating children’s aesthetics, successfully gaining popularity on social media, and fulfilling the corporate social responsibility of the Bank. By the end of 2018, the number of fans has exceeded 100,000, effectively increasing following on social media.







### 🗨️ Launch of LINE Official Account

On December 25, 2018, the official LINE account of the Bank was set up. Within the first month of the launch, our number of friends reached 2.45 million, which was higher than the industry average.

In order to bring newer service experience to customers, we provide a variety of information related to product services and special offers through our LINE official account, including credit card services, mobile e-banking, online financing and smart customer service (chatbot). In addition to receiving official messages, users may also directly conduct business consultation by chatting with the smart customer service chatbot, without having to search on the Internet or wait for the telephone customer service.

In celebration of the launch of our official account, we also released stickers featuring the mascot Boa for the public to download, and held a *Launch Celebration Gift Marathon* campaign to reward users, in the hopes of raising user adherence.



- CHB Wallet launched by Chang Hwa Bank in collaboration with Taiwan Pay



- CHB Mobile Boa Coins for Consumption, Wealth and Blessings

🗨️ Audiovisual experience is better able to grasp immediate attention compared to mere text. The Bank produced the 2D promotional video of *CHB Wallet*, and campaigns such as *Chang Hwa Bank Newsflash – 100<sup>th</sup> Anniversary of Fengyuan Branch*, *Chang Hwa Bank Newsflash – CHB app and Hi-Life Collaboration*, *CHB Mobile Boa Coins, for Consumption, Wealth and Blessings*, and *LINE Launch Celebration*, adopting marketing strategies based on content across communication platforms, social media platforms and traditional media channels to attract following and sharing by the target audience.

🗨️ In the future, the LINE Business Connect service will be introduced. After customers perform identity verification and join the *CHB LINE Personalized Service*, they can obtain personalized information when talking to the smart customer service chatbot, such as credit card bill, balance, and bonus point inquiry. Customers may also receive reminders such as payment deadlines and bonus point validity periods, and gain easy access to events.