



彰化銀行

SINCE 1905

2018



Corporate Social Responsibility Report

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2018 Corporate Social Responsibility Report



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About this Report

GRI 102-1, 102-45, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56

Chang Hwa Commercial Bank Ltd. (hereinafter referred to as “Chang Hwa Bank” or “CHB” or the “Bank”) issues a Corporate Social Responsibility Report on a yearly basis. In June 2019, the *2018 Corporate Social Responsibility Report* (hereinafter referred to as the “Report”) was issued. The scope of the Report covers mainly year 2018 (from January 1, 2018 to December 31, 2018) with the purpose to explain Chang Hwa Bank’s sustainable development strategy and performance, actions and future planning in aspects such as governance, products, society and the environment to all types of stakeholders who are concerned about Chang Hwa Bank.

Scope of Report

- The Report uses the Bank’s operational activities in Taiwan as the scope of this disclosure, and all financial figures are calculated in New Taiwan Dollars and verified by CPAs.
- The reports issued by the Bank over the years can be viewed and downloaded from the corporate social responsibility section on the Bank’s official website (<https://www.bankchb.com/>).
- Previous issuance date: June 2018.

Reporting Basis

- The Report is prepared based on the GRI Standards published by the Global Reporting Initiative (GRI) in 2016 and covers the comparison table between the Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies and the corresponding contents of the UN’s Sustainable Development Goals (SDGs), as to remain line with the global sustainability trends.

External Assurance

- The Report has been approved by the Chairman of the Bank.
- The Report has been inspected in terms of its materiality, inclusiveness and responsiveness by a third-party certification institution, the British Standards Institution (BSI) based on the type 2 of AA1000 Assurance Standard, its 2018 Appendix and the GRI Standards. The content disclosed in this Report has been verified to comply with the Core Option of the GRI Standards upon inspection.
- For the BSI certification statement, please consult the appendix.

Feedback

If you have any suggestion or question about this report, please contact:

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Message from the Chairperson

GRI 102-14

Considering the uncertainties in the global economic outlook, such as the U.S.-China trade war, emerging market currency crisis, increase of geopolitical risks, and China's risk of recession, the banking industry still faces many severe challenges, including the stricter international financial monitoring, the increase in regulatory costs, the rise of FinTech and its invasion of bank niches, and the continued shrinking of deposit and loan yield spreads, all of which have made the banking industry environment increasingly hostile. The Bank closely observes and prudently responds with an eye on the principles of risk management and asset quality optimization; and thanks to the efforts of all employees, the cumulative pre-tax earnings of 2018 totaled NT\$14.710 billion, making it the 9th consecutive year that the Bank has earned more than NT\$10 billion. In terms of asset quality, the non-performing loan (NPL) ratio was 0.32%, and the debt coverage ratio was 378.07%.

CHB continually and successfully to promote corporate governance and sustainable development in the recent year, we have been selected as a constituent of TWSE Corporate Governance 100 Index (CG 100), TWSE RAFIR Taiwan High Compensation 100 Index (HC 100), FTSE4Good Emerging Index for years. In addition



to being selected as a constituent of the FTSE4Good TIP Taiwan ESG Index for the first time in 2018, we were awarded the BSI Corporate Social Responsibility Report Sustainability Excellence Award, the silver medal of the 2018 Taiwan Corporate Sustainability Awards (TCSA) for “Corporate Sustainability Report”, and passed the ISO 14064-1: 2006 verification, becoming the first partially state-owned bank to complete the greenhouse gas inventory of all business locations and offices in Taiwan.

Furthermore, CHB creates a friendly working environment and takes care of employee rights, also believes we are all part of CHB Family, both winner of labour and the bank. Therefore, CHB has been signed a "Group Agreement" with the CHB Union on May 14, 2018 to show that both employers and employees working together to protect the rights and interests of employees and to secure harmonious labor relations.

In 2019, the Bank plans to focus on “solidifying the foundation of Chang Hwa Bank through the lead of digital banking” as core business strategy; build smart finance by three major economic strategies: “using FinTech to drive growth momentum”, “perfecting customer experience and grasping potential business opportunities” and “expanding overseas markets and integrating cross-border services”; and solidify the foundation for sustainable operations with four major operational pillars: “emphasizing legal compliance and information security while strengthening internal control”, “improving corporate governance and enhancing brand value”, “prudent capital planning and asset quality optimization” and “accumulating human capital and fulfilling social responsibilities”, all in order to keep a proactive and stable pace to reach new milestones and achieve the goal of remaining a quality financial institution.

Chairperson

Joanne Ling

Awards and Recognition

2017



- Top 5% Listed Company in Corporate Governance (Session 3)
- 2017 Annual Best Service Innovation of Electronic Cash Flow Business Award & Best Stable System Award
- 2017 Sustainability Excellence Award
- 2017 The Excellent Green Procurement Enterprise Award
- Futures Diamond Award (Session 3)–The Excellence Market Maker for Futures of RMB Exchange Rate Award
- 2017 Securities Broker ETF Trading Competition–Improvement Step by Step Award in March
- Futures Diamond Award (Session 2)–The Excellence Market Maker for Futures of RMB Exchange Rate Award

2018



FTSE4Good
TIP Taiwan ESG Index



- TWSE Corporate Governance 100 Index for the 3rd year in a row
- FTSE4Good Emerging Index for the 2nd year in a row
- Taiwan High Compensation 100 Index for the 5th consecutive years
- Taiwan Employment Creation Index 99 for the 2nd consecutive years
- 2018 FTSE4Good TIP Taiwan ESG Index for the 1st year
- 2018 TCSA Taiwan Corporate Sustainability Awards–Corporate Sustainability Report Awards (Silver)
- 2018 BSI Excellence in Sustainability Award
- Bank of Excellence for Small and Medium Enterprise Loans 2017 (12th)
- e-Money Service–Best Service Innovation Award, & Best System Stability Award
- 2018 Golden Quality Award–Credit Card Data
- 2018 Golden Shield Award~information security governance
- 2018 Outstanding Green Procurement Organization
- Healthy Workplace Certification
- The Global TOP 500 Banks (For years 2010~2013 and 2015~2019)

2018 Achievements

Economic Aspect vs. Sustainability Performance



- Cumulative pre-tax earnings of NT\$14.710 billion, making it the 9th consecutive year that the Bank has earned more than NT\$10 billion
- NPL ratio was 0.32%, and debt coverage ratio was 378.07%
- Selected as a constituent of the FTSE4Good TIP Taiwan ESG Index for the first time
- Awarded the 2018 TCSA silver medal for Taiwan Corporate Sustainability Report for the first time

Social Aspect



- 51 utility model patents and 2 invention patents approved by the Intellectual Property Office
- The first bank in Taiwan whose verification scope covers mobile phone app services
- Set up official LINE account
- Re-signed the Group Agreement, upholding the concept that “Chang Hwa Bank is a family, a win-win situation for employers and employees”
- Established FinTech research club for the first time

Environmental Aspect



- Completed the greenhouse gas inventory of all business locations and offices in Taiwan for the first time and obtained the ISO 14064-1: 2006 certification
- Supported the Carbon Disclosure Project (CDP)
- Awarded the Badge of Accredited Healthy Workplace—Health Action by the Health Promotion Administration, Ministry of Health and Welfare

International Certifications



- ISO 22301: 2012 Business Continuity Management System (BCMS)
- ISO 27001: 2013 Information Security Management System (ISMS)
- BS 10012: 2009 Personal Information Management System (PIMS)



Operation Mechanism of Corporate Social Responsibility

GRI 102-19

A. Organization of Corporate Social Responsibility

Chang Hwa Bank has long been paying close attention to social trends and is committed to fulfilling its corporate social responsibility (CSR). It has invested considerable efforts in aspects such as promoting corporate governance, developing a sustainable environment, and protecting social welfare. In order to make the promotion of CSR more efficient, in April 2015, the Bank established the inter-departmental Corporate Social Responsibility Task Force (hereinafter referred to as the “CSR Task Force”). The President assigned an Executive Vice President (EVP) to serve as the convener, and units of the head office serve as members of the Task Force. The Company Affairs Section of the Secretariat Division is also the secretarial unit of the CSR Task Force. It is responsible for compiling CSR reports, planning CSR related work (including corporate governance, customer care, employee care, environmental protection and social welfare), coordinating each unit to handle CSR related matters, and reporting to the Board of Directors on the annual CSR implementation results.

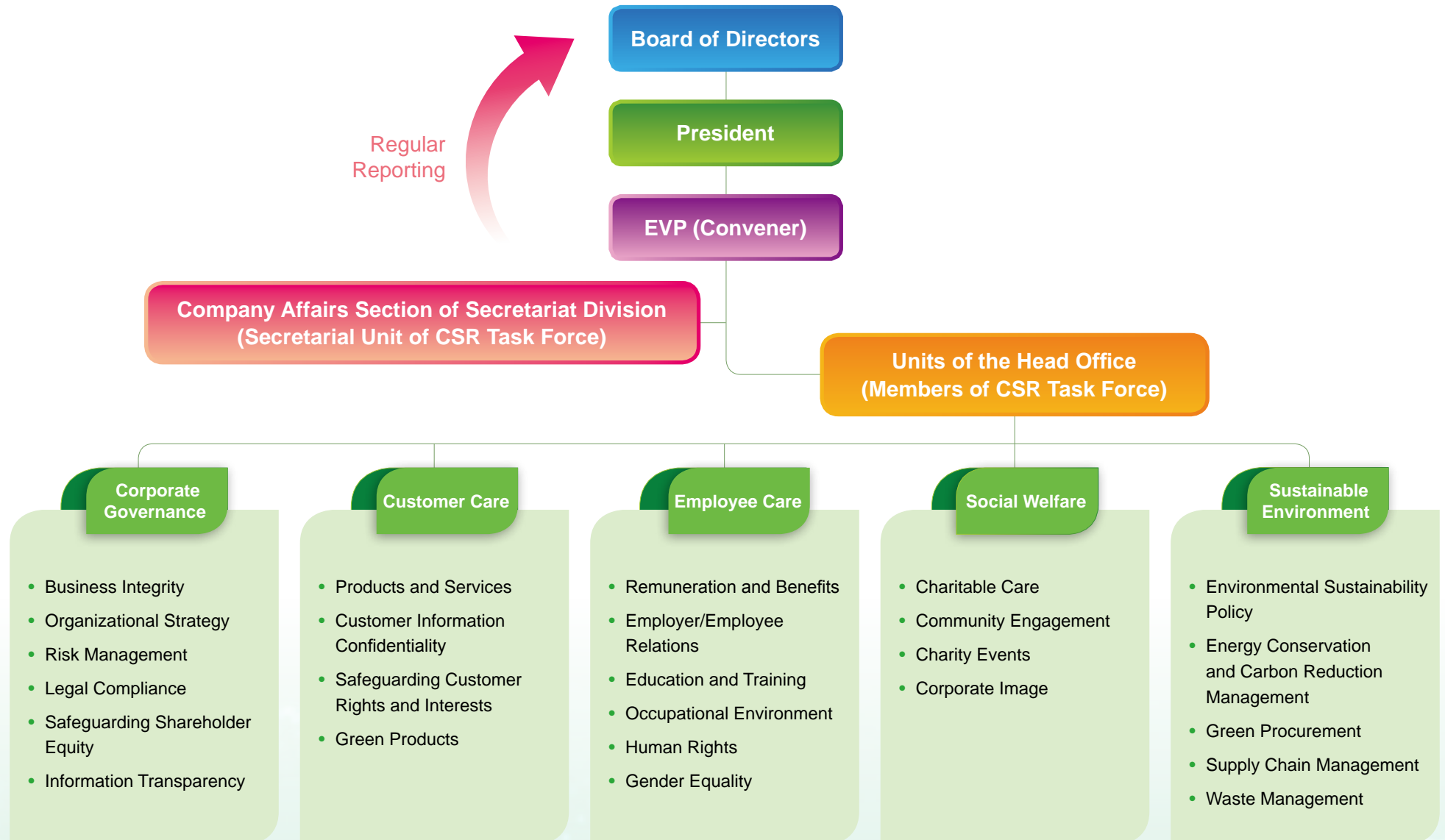
a. Regulatory Compliance

The Bank follows the *Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies*, the *Corporate Governance Best Practice Principles of Banks*, and the *Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies* to plan and implement various CSR work and projects, and incorporates CSR related courses in newcomer training. Furthermore, the Bank encourages employees to foster a spirit of service in daily life and sets up volunteer teams in the hope of improving society.

b. Corporate Social Responsibility Performance

Selected as a constituent of the *FTSE4Good TIP Taiwan ESG Index* for the first time; selected as a constituent of the *FTSE4Good Emerging Index* for 2 consecutive years; awarded the *Silver Medal for Corporate Sustainability Report in the Finance and Insurance Section* of the 2018 Taiwan Corporate Sustainability Awards (TCSA); and awarded the *Sustainability Excellence Award* by British Standards Institution (BSI).

CSR organization of the Bank is as in the diagram below:

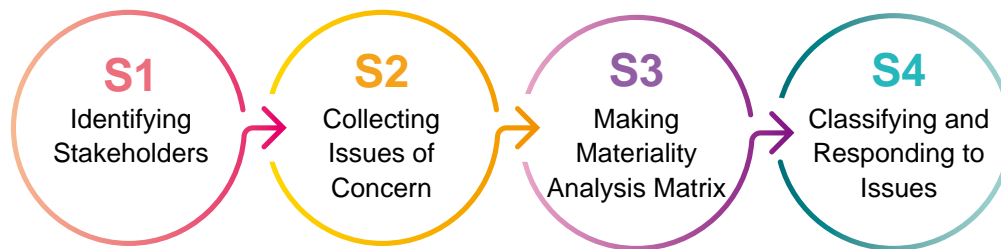


B. Stakeholder Engagement

a. Stakeholder Identification

GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 102-49, 103-1

➤ Step 1: Identifying Stakeholders



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

➤ Step 2: Collecting Issues of Concern

I. Selection Criteria

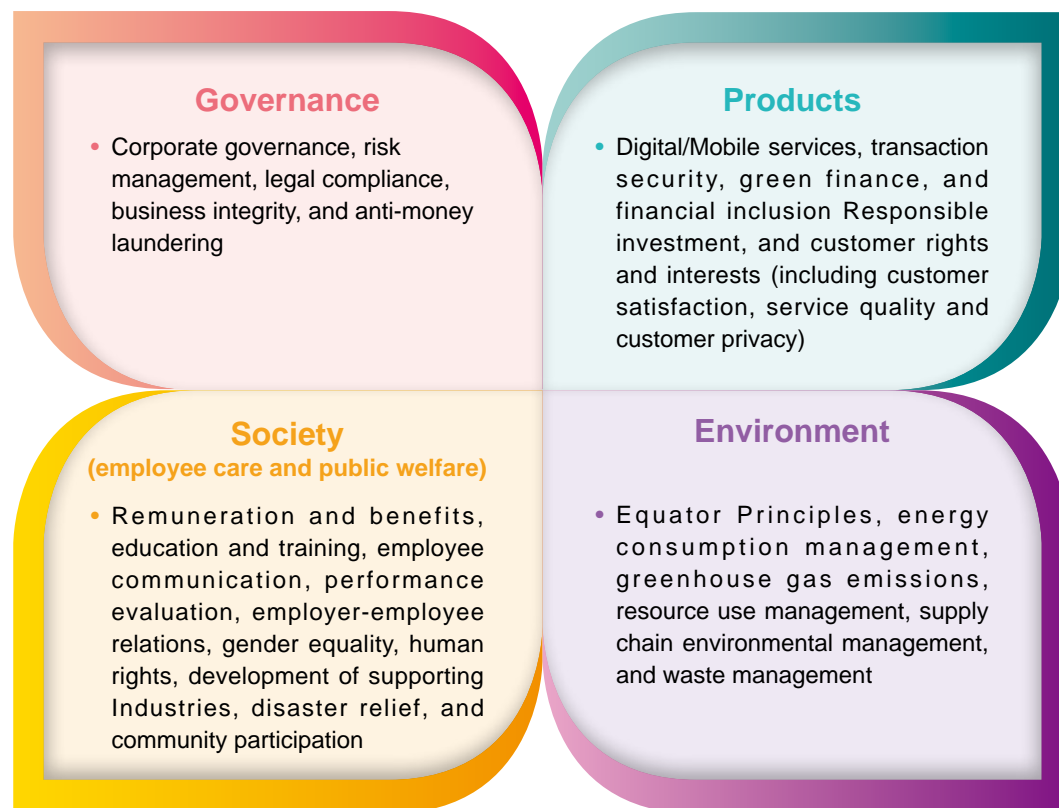
In order to accurately grasp the issues of concern to the stakeholders, the Bank refers to the four principles of the

GRI Sustainability Reporting Standards —materiality, stakeholder inclusiveness, sustainability context and integrity— and considers all the concerns of different stakeholders and the materiality of each, and their respective measuring basis and value. As a result, we first divide the materiality issues into five aspects: corporate governance, customer care, employee care, environmental protection and social welfare. Secondly, we collect issues of each aspect and perform preliminary screening of these. The CSR Task Force members then prioritize among these, which will ultimately determine the scope of materiality issues for the Bank to respond to.

II. Identifying Issues

The Bank first compiled various issues of concern to stakeholders among the CSR Task Force members via questionnaire. The members then followed the above-mentioned screening principles of the material issues, observed the material issues of concern to the domestic financial industry and the international sustainable development trends (for example, the 17 SDGs proposed by the UN) and filled in the questionnaire based on practical experience relevant to their duties. A total of 56 issues of concern were collected. The above-mentioned five aspects were then summarized into four major aspects: governance (originally “corporate governance”), products (originally “customer care”), society (originally “employee care and social welfare”) and environment (originally “environmental protection”), with a total of 27 issues of concern, as shown in the diagram below.

Issues of Concern from Four Major Aspects



➤ Step 3: Making Materiality Analysis Matrix

After finishing to collect issues of concern to various stakeholders, members of the Bank's CSR Task Force then conducted a materiality evaluation of the above-mentioned 27 issues of concern, scoring each issue based on the "degree of concern of the issue" and the "impact of the issue on the Bank's operations". The total score of each issue was then weighted, transformed and classified to arrive at the final total score. They were then divided into high-level concern, continuous concern and low-level concern. The 27 materiality issues of the Bank were described as in the matrix below.

➤ Step 4: Classifying and Responding to Issues

The Bank responded to the top four issues with the highest final scores in each of the four major aspects, i.e., "governance", "products", "society" and "environment", and added a total of 16 materiality issues of concern. The CSR Task Force further classified the above-mentioned 16 issues into two categories: high-level concern and general high-level

concern. Among them, the 8 prioritized high-level concern issues were listed as the disclosure key points of this Report. The response strategies and performance of the issues are herein explained one by one. In addition, considering that corporate governance, anti-money laundering, and business performance are issues of concern to investors and shareholders, they were also listed as priority high-level concern issues. Therefore, we arrived at a total of 11 priority high-level concern issues, and their relevant management guidelines and performance were also disclosed. The remaining five issues were listed as general high-level concern issues. Those which underwent significant changes during the current year have been described in this Report. The Report has been prepared in accordance with the Core Option of the GRI Standards issued by the Global Reporting Initiative (GRI) in 2016.

Materiality Issue Matrix



11 Priority High-level Concern Issues

Governance

- Legal Compliance
- Business Integrity
- Corporate Governance
- Anti-money laundering
- Business Performance



Products

- Transactions Security
- Customer Rights and Interests



Society

- Human Rights
- Development of supporting Industries



Environment



- Green Gas Emissions
- Energy Consumption Management






Description of the Differences/Adjustments Between 2017 and 2018 Material Issues

Issues of the Year	Differences of the Year	Reasons for Adjustment
Anti-money Laundering	New	In order to effectively implement AML/CFT, a risk-based approach assessment mechanism has been established to ensure the control of AML/CFT risks. Anti-money laundering was thus added to the issues of high-level concern.
Human Right	New	Employees are the core competitiveness of business management. Human rights protection is not a mere slogan. The key to human rights promotion is the deepening of acknowledgment, the fostering of awareness and actions, and the internalization of human rights as part of the corporate culture. Human rights were thus added to the issues of high-level concern.
Development of Supporting Industries	New	The financial industry is the lifeline of general industrial development; the financial industry and other industries are symbiotic. While pursuing steady growth, we should also care for and assist in the development of physical industries, support the industries with finance, and allow them to stimulate finance, thereby creating a win-win situation and enhancing the economic growth momentum. Development of Supporting Industries was thus added to the issues of high-level concern.

b. Summary of Stakeholder Communication Channels and Issues of Concern




The Bank has always valued communication with stakeholders and actively established smooth and diversified communication channels to understand the issues of concern to stakeholders. A stakeholder section has also been set on the official website of the Bank to include the public, shareholders, employees, and suppliers, as to respond promptly to issues of concern to stakeholders. The content of communication between the Bank and stakeholders is detailed in the table below:

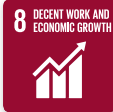




Stakeholder	Issues of concern	Communication channels	Frequency of communication	Key points of communication and performance (Corresponding chapter)
 Competent Authorities	<ul style="list-style-type: none"> • Corporate Governance • Business Integrity • Legal Compliance • Anti-money Laundering • Business Performance • Digital/Mobile services 	<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
 Investors	<ul style="list-style-type: none"> • Business Performance • Corporate Governance • Business Integrity 	<ul style="list-style-type: none"> • Market Observation Post System • Official website of the Bank • Annual reports • Shareholders' meetings and investor seminars 	Irregular	Governance Aspect




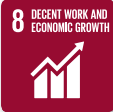


Stakeholder	Issues of concern	Communication channels	Frequency of communication	Key points of communication and performance (Corresponding chapter)
 Media	<ul style="list-style-type: none"> • Corporate Governance • Business Performance • Business Integrity • Customer Rights and Interests • Disaster Relief • Community Participation 	<ul style="list-style-type: none"> • Market Observation Post System • Competent Authorities • Shareholders' meetings and investor seminars • Official website of the Bank • Press releases of the Bank • Spokesperson of the Bank • Annual reports 	Irregular	Governance Aspect
 Customers	<ul style="list-style-type: none"> • Business Integrity • Transaction Security • Customer Rights and Interests • Digital/Mobile services • Green finance • Community Participation 	<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	Products Aspect
 Employees	<ul style="list-style-type: none"> • Legal Compliance • Anti-money Laundering • Remuneration and Benefits • Education and Training • Human Rights • Community Participation • Energy Consumption Management • Waste Management • Greenhouse Gas Emissions 	<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	Social Aspect
 Suppliers	<ul style="list-style-type: none"> • Human Rights • Supply Chain Environmental Management • Waste Management 	<ul style="list-style-type: none"> • Procurement meetings • E-mail of the Bank • Official website of the Bank • Phone calls • Annual reports 	Irregular	Environmental Aspect
 Communities	<ul style="list-style-type: none"> • Development of Supporting Industries • Community Participation • Waste Management 	<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



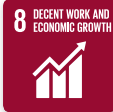

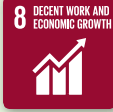
c. Issues of Concern and Material Topics

Materiality issues of the current year, their corresponding GRI material topics, management guidelines, and internal and external impact boundaries have been organized as in the following table, as to facilitate relevant stakeholders' understanding; responses to relevant materiality issues are detailed in the following chapters of this Report.

Materiality Issues * Priority High-level Concern Issues	GRI * Material Topics	GRI Management Guidelines Corresponding Chapter	Corresponding SDGs Targets	Risks and Opportunities of key Impact	SDGs	Impact Boundaries	
						Inside (Note)	External (Note)
* Legal Compliance * Anti-money Laundering	* GRI 419: Socioeco- nomic Compliance	Governance Aspect— Regulatory Compliance	16.4: Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime	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.		G & H	A
* Business Integrity	* GRI 205: Anti-Corruption	Governance Aspect— Ethics & Integrity	16.5: Substantially reduce corruption and bribery in all their forms 16.6: Develop effective, accountable and transparent institutions at all levels	The occurrence of dishonesty 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 dishonest incidents such as corruption can prevent punishments and penalties by the competent authorities, and can establish a decent management image for the Company.		G & H	A & B & D
* Corporate Governance	No GRI Standards	Governance Aspect— Corporate Governance	12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	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.		G & H	A & B & C

Materiality Issues * Priority High-level Concern Issues	GRI * Material Topics	GRI Management Guidelines Corresponding Chapter	Corresponding SDGs Targets	Risks and Opportunities of key Impact	SDGs	Impact Boundaries	
						Inside (Note)	External (Note)
* Business Performance	* GRI 201: Economic Performance	Governance Aspect	8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	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.		G & H	A & B & C
* Transaction Security * Customer Rights and Interests	* GRI 417: Marketing and Labeling * GRI 418: Customer Privacy	Products Aspect— Transaction Security	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	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.	 	G & H	D
Digital/Mobile services	GRI 203: Indirect Economic Impacts	Products Aspect— Digital/Mobile 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 in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities	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.	 	G & H	D

Materiality Issues * Priority High-level Concern Issues	GRI * Material Topics	GRI Management Guidelines Corresponding Chapter	Corresponding SDGs Targets	Risks and Opportunities of key Impact	SDGs	Impact Boundaries	
						Inside (Note)	External (Note)
Green Finance	Product Portfolio FS7 & FS8	Products Aspect— Green Finance	7.A: Promote investment in energy infrastructure and clean energy technology 17.7: Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed	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, we promote green financing and green consumer financial products, and search for suitable investment targets through the concept of green investment.	 	G & H	D
* Human Rights	* GRI 405: Diversity and Equal Opportunity * GRI 406: Non-Discrimination * GRI 412: Human Rights Assessment	Social Aspect— Respect Human Rights	5.1: End all forms of discrimination against all women and girls everywhere 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 16.B: Promote and enforce non-discriminatory laws and policies for sustainable development	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 worst 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 issues, relevant courses and trainings will be planned and held.	  	G & H	E
* Development of Supporting Industries	No GRI Standards	Social Aspect	9.3: Increase the access of small-scale industrial and other enterprises, including affordable credit 11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	When providing financially inclusive products and services, if the borrower's business performance is unsatisfactory, credit quality will be affected. Improving financial knowledge of the disadvantaged and remote inhabitants through financially inclusive products and services and wealth management seminars, thereby expanding basic customer base and enhancing corporate image.	 	G & H	E & F

Materiality Issues * Priority High-level Concern Issues	GRI * Material Topics	GRI Management Guidelines Corresponding Chapter	Corresponding SDGs Targets	Risks and Opportunities of key Impact	SDGs	Impact Boundaries	
						Inside (Note)	External (Note)
Remuneration and Benefits Education and Training	GRI 401: Employment GRI 403: Occupational safety and health GRI 404: Education and training	Social Aspect	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, in particular information and communications technology, to promote the empowerment of women 8.8: Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants	Due to the trend of declining birthrate, 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.	  	G & H	A & C
Resource Use Management Supply Chain Environmental Management * Energy Consumption Management * Greenhouse Gas Emissions	GRI 204: Procurement * GRI 302: Energy * GRI 305: Emissions	Environmental Aspect	7.3: Double the global rate of improvement in energy efficiency 8.4: Improve progressively global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation 12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse	<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. 	 	G & H	E & F

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

d. Sustainable Development Goals

2018 Sustainable Development Achievements and Short-, Medium- and Long-Term Goals of Chang Hwa Bank

Aspect	Materiality Issues	Description of Materiality	2018 Goals	2018 Achievements	2019 Goals	Mid- and Long-Term Goals
Governance Aspect	* Legal Compliance * Anti-money Laundering (AML)	Complying with AML/CFT related regulations can reduce operational risks and avoid reputation damage and fines	Continuing to improve personal information protection and AML/CFT mechanisms	<ul style="list-style-type: none"> Examination and audit of personal information protection mechanism per project Statement of AML/CFT Internal Control System Adjust the methodology of comprehensive money laundering and terrorism financing risk assessment 	Establishing a sound legal compliance system and framework in the Bank, and ensuring the implementation of the legal compliance system through promotion, education and training	Maintaining the operation of an effective and appropriate internal control system and implementing a culture of legal compliance
	* Business Integrity	Avoid dishonest behavior that may lead to the damage of reputation; business integrity shall be integrated into operational management strategies	Regularly assessing the business integrity compliance status of the Bank	<ul style="list-style-type: none"> Regularly assessing the business integrity compliance status of the Bank and reporting it to the Board of Directors Set up the internal reporting handling regulations 	Strengthening employees' awareness towards compliance, implementing relevant regulations of the Bank, and enhancing the business integrity culture of the Bank	Strengthening the business integrity policy and actively preventing dishonest behavior
	* Corporate Governance	Corporate governance is the foundation of corporate sustainable development and the heart of corporate culture	Grasping corporate governance development trends and conducting various operations under a robust management system and supervision mechanism	<ul style="list-style-type: none"> Ranked among the top 6%~20% of TWSE-listed companies in the 4th Corporate Governance Evaluation of 2018 Selected as a constituent of the 2018 <i>TWSE Corporate Governance 100 Index</i> 	Implementing corporate governance and conducting various operations and disclosing relevant information under a robust management system and supervision mechanism to ensure shareholder equity	Implementing corporate governance and laying a solid foundation for the Bank's sustainable operations through a sound corporate governance mechanism
	* Business Performance	Steady financial operation performance and effective risk management are crucial to shareholders and investors	Adhering to a sound business philosophy, continuing to deepen the development in Taiwan's market, expanding global operations, and becoming the most trusted bank for customers with innovative and diversified financial services	<ul style="list-style-type: none"> In 2018, the cumulative pre-tax earnings were NT\$14.710 billion, and profit continued to achieve a new record high At the end of 2018, the consolidated capital adequacy ratio was 14.83%, which was 1.27% higher than 13.56% at the end of 2017. The business performance grew year by year, and the financial structure became even more stable 	Continuing to improve service standards, creating profit, and keep a proactive and stable pace to reach new milestones and remain a quality financial institution	Adopting a clear strategy, continue pursuing the goal to become the best bank in Taiwan, as well as pursuing stable profits

2018 Sustainable Development Achievements and Short-, Medium- and Long-Term Goals of Chang Hwa Bank

Aspect	Materiality Issues	Description of Materiality	2018 Goals	2018 Achievements	2019 Goals	Mid- and Long-Term Goals
Product Aspect	* Transaction Security	Cyber crime incidents are widespread, and it is clear that information security has become the toughest challenge for the financial industry	Enhancing information security management and disaster response management mechanisms	<ul style="list-style-type: none"> The first bank in Taiwan whose verification scope covers mobile phone app services Obtained ISO 22301: 2012 Business Continuity Management System certification 	Continuing to improve the quality of overall information security Reducing the damage that may be caused by information security incidents	Improving the ability to respond to and recover from operational disruptions
	* Customer Rights and Interests	Adhering to our customer-oriented culture by providing friendly financial services and valuing customers' rights and interests	Continuing to refine a financial service environment suited for the physically and mentally disabled	<ul style="list-style-type: none"> The Bank's accessible website has obtained the AA Label of the Handicap-Free Guidelines 2.0 Setting up the <i>Smart Customer Service</i> portal to provide 24-hour text message instant consultation service 	Continuing to pursue the development of financial products and improvement of customer service procedures to increase service quality	Protecting financial consumer rights in accordance with the principles of fairness, reasonableness, equality, mutual benefit and good faith
	Digital/Mobile services	Extensive use of digital technology and changes in customer behavior	<ul style="list-style-type: none"> Continuing to develop various digital banking products Developing a corporate online banking app Setting up an official LINE account 	<ul style="list-style-type: none"> Digital banking services such as innovative digital services of ATM, scheduled FCY settlement service, and the launch of international mobile payment app Google Pay Launched the corporate online banking app Set up official LINE account of the Bank 	<ul style="list-style-type: none"> Attracting the young student community and making mobile payment part of campus lifestyle Introducing LINE Business Connect service Continuously providing innovative services 	<ul style="list-style-type: none"> Promoting the popularization of mobile payment in Taiwan with diversified marketing strategies Creating innovative service experiences and digital products

2018 Sustainable Development Achievements and Short-, Medium- and Long-Term Goals of Chang Hwa Bank

Aspect	Materiality Issues	Description of Materiality	2018 Goals	2018 Achievements	2019 Goals	Mid- and Long-Term Goals
Social Aspect	* Human Rights	Labor human rights and gender equality are the lawful rights and interests of employees	Complying with laws and regulations, and not allowing different treatment or discrimination based on factors such as gender, race, religion, and political affiliations	<ul style="list-style-type: none"> • Provided employment opportunities for the physically and mentally disabled, indigenous people and disadvantaged groups with equal salary and benefits. A total of 21 indigenous people and 63 physically and mentally disabled employees have been hired as of the end of 2018 • Provided summer part-time jobs for 35 young people from economically disadvantaged families • Provided emotional counseling and guidance 	<ul style="list-style-type: none"> • Continuing to care for disadvantaged groups and creating employment opportunities • Continuing to provide emotional counseling and guidance • Taking into account the concept of "equal pay for equal work" 	Committed to building a safe, healthy, and friendly work environment where employees' voices are heard, human rights are respected, and discrimination and harassment are strictly forbidden
	Remuneration and Benefits Education and Training	Employees are the core competitiveness of business management	<ul style="list-style-type: none"> • Diversifying the training channels • Refining the compensation and benefits system 	<ul style="list-style-type: none"> • The average salary raise of all employees was 3.3% • Selected as a constituent of the <i>Taiwan High Compensation 100 Index</i> for four consecutive years • Continued to hold the <i>Employee Transformation and Training Program</i> • Re-signed the collective agreement 	<ul style="list-style-type: none"> • Conducted annual salary adjustment • Diversified cultivation of digital banking and international financial talents • Creating a healthy work environment and obtaining the healthy workplace certification of the competent authority 	<ul style="list-style-type: none"> • Encouraging employees to create and learn, actively training talents of all levels, and building human capital • Constructing a sound compensation system while taking into account the concept of "equal pay for equal work"

2018 Sustainable Development Achievements and Short-, Medium- and Long-Term Goals of Chang Hwa Bank

Aspect	Materiality Issues	Description of Materiality	2018 Goals	2018 Achievements	2019 Goals	Mid- and Long-Term Goals
Environmental Aspect	Resource Use Management Supply Chain Environmental Management * Energy Consumption Management * Greenhouse Gas Emissions	In order to avoid an average temperature rise of 2°C compared to the pre-industrial era, all companies have the obligation to reduce greenhouse gas emissions and energy use	<p>To implement the environmental policy of the Bank, i.e., “healthy living, eco-friendliness and love for our planet”, the Bank has set the following goals:</p> <ul style="list-style-type: none"> Continuing to implement energy conservation and carbon reduction measures, aiming to reduce carbon emissions by approx. 33,000 to 60,000 kgCO₂e per year Continuing to obtain international certifications Obtaining the ISO 14064-1: 2006 Greenhouse Gas Inventory international certification 	<ul style="list-style-type: none"> The head office in Taipei replaced more than 556 lamps with LED lamps, reducing carbon emissions by approximately 59,972 kgCO₂e in total The greenhouse gas inventory of the Bank's domestic branches and offices obtained the ISO 14064-1: 2006 Greenhouse Gas Inventory certification in 2018, and the annual verification of ISO 14001 Environmental Management System and ISO 50001 Energy Management System was completed The amount of waste from the Bank's Taipei head office in 2018 was confirmed by a third party (BSI) to be: General waste of 124.61 metric tons, and recycling waste of 13.728 metric tons (approximately 1.414 metric tons for PET bottles and 12.314 metric tons for paper). Set the goal of reducing the amount of waste by 1% every year The Bank's 2018 green procurement amount reached approximately NT\$13.61 million, an increase of 47.13% compared with 2017 	<ul style="list-style-type: none"> Continuing to implement energy conservation and carbon reduction measures, aiming to reduce carbon emissions by approximately 33,000 to 60,000 kgCO₂e per year The electricity and water consumption in the Taichung Fuxing Branch of the Bank will be monitored and reduced by more than 1% every year Continuing to promote the international certifications of ISO 14001 Environmental Management System, ISO 50001 Energy Management System and ISO 14064-1 Greenhouse Gas Inventory The Bank's Taipei head office waste reduction goal is 1% with 2018 as the base year, in order to increase the resource recycling rate Continuous green procurement 	<p>Implementing reduction of greenhouse gas emissions and energy consumption:</p> <ul style="list-style-type: none"> Obtaining EEWL Labels for the Bank's newly built proprietary facilities or buildings Reducing carbon emissions by more than 1%

1

Governance Aspect

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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. While pursuing business sustainability and profitability, the Bank pays attention to economic, social and environmental impacts and incorporates them into its management and operation, so to improve the efficiency of corporate governance.



1.1 Company Profile

GRI 102-3, 102-4, 102-5, 102-6, 102-7, 102-15, 201-1



• Name of Bank

Chang Hwa Bank Co. Ltd.

• Addresses of CHB Head Office

Taichung: No. 38, Sec. 2, Ziyou Rd., Central Dist.,
Taichung City 40045, Taiwan (R.O.C.)

Taipei: No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist.,
Taipei City 10412, Taiwan (R.O.C.)

• Number of Employees

6,556 persons

• Number of Operation Units

185 branches in Taiwan, 7 branches overseas,
1 representative office, and 1 subsidiary bank

• Paid-in capital

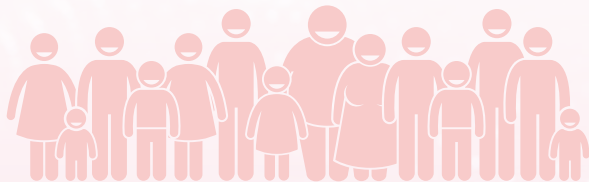
NTD 97,895 millions

1.1.1 Mission Statement

Since its inception, the Bank has been committed to the innovation of business, the improvement of service standards and the expansion of service scopes, with the Taiwanese traditional spirit of “solid management and serving the public” and the business philosophy of “Service”, “Efficiency” and “Innovation”, in the hope of providing more convenient, efficient and more comprehensive financial services for business enterprises and the public.

Smile & Reach Out

Our simple interactive smiley image symbolizes the active and enthusiastic service attitude of Chang Hwa Bank which wins the smiles of satisfied customers.



1.1.2 Global Service Locations

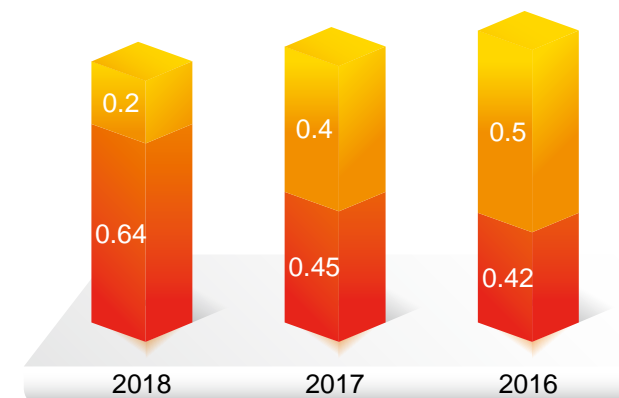
Chang Hwa Bank's global services extend to Asia, Europe and the Americas. Our overseas service network includes the New York Branch, Los Angeles Branch, Tokyo Branch, London Branch, Hong Kong Branch, Singapore Branch, Manila Branch and Yangon Representative Office. Under the China subsidiary bank are the KunShan Branch, Kunshan Huaqiao Sub-branch, DongGuan Branch, FuZhou Branch and Nanjing Branch, providing high-quality financial products and comprehensive services for Taiwanese businessmen and overseas Chinese all over the world.

In 2018, in line with the government's New Southbound Policy, the Manila Branch opened on July 9, 2018, providing customers with relevant financing and other needs. The China sub-branch was restructured as a subsidiary bank and the affiliated Nanking Branch opened on December 11, 2018, providing customers with better financial services. It will continue to expand its business scope and grasp the business opportunities in the RMB market.



Dividend Performance of the Past Three Years

 Cash Dividends
  Stock dividends



1.1.3 Business Performance

Financial performance

Unit: NTD

	Items/FY	2018	2017	2016
Operating Ability	Total Assets (NTD mn)	2,069,080	2,036,258	2,005,152
	Equity (NTD mn)	156,561	144,948	137,524
	Net Income (NTD mn)	12,646	12,093	12,086
Profitability	ROA (%)	0.62%	0.60%	0.62%
	ROE (%)	8.39%	8.56%	9.05%
	EPS after tax (NTD)	1.29	1.24	1.35
Economic value generated and distributed (EVG & D)	Payment of government tax * (NTD 000)	2,059,999	2,091,113	1,997,069

* 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.

Credit Ratings

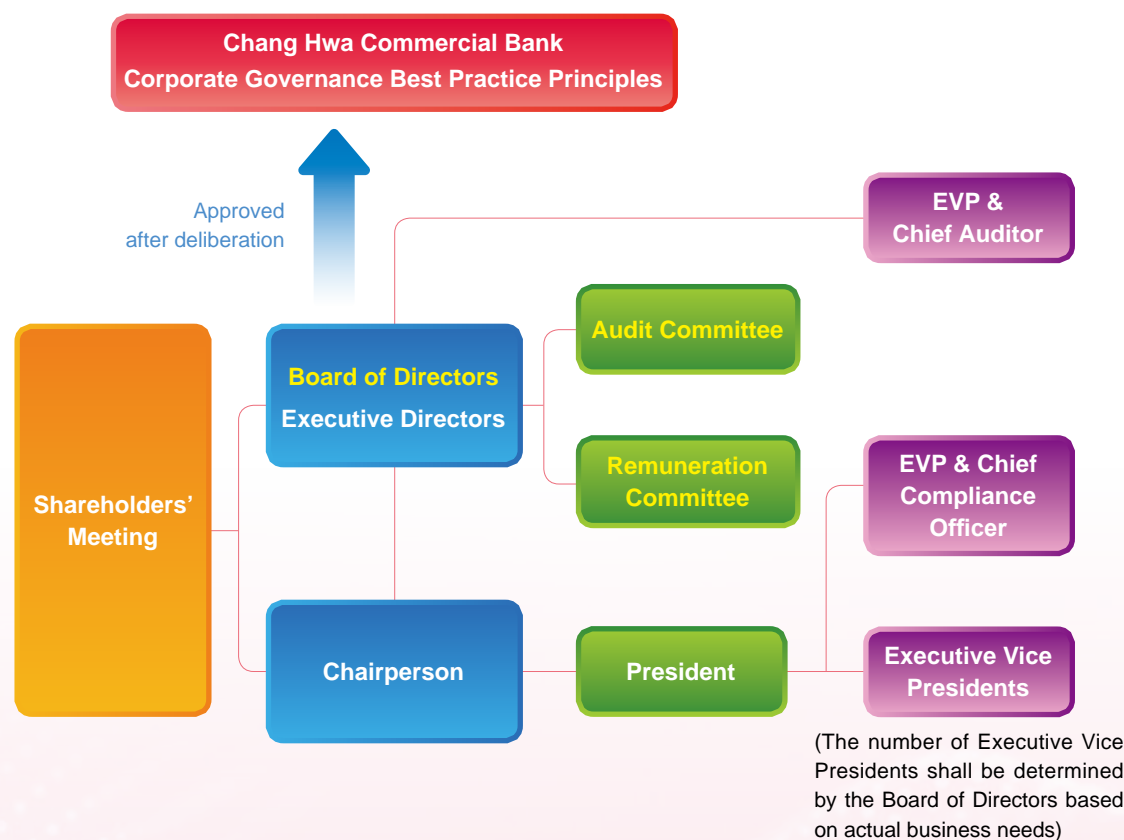
Rating Agency Release Date	Rating Agency Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2018/12	-	-	twAA	twA-1+	Positive
S & P	2018/12	BBB+	A-2	-	-	Positive
Moody's	2019/02	A2	P-1	-	-	Stable

1.2 Corporate Governance

GRI 102-18, 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 its corporate social responsibility. In 2018, it was named among the top 6%~20% of TWSE-listed companies in the Corporate Governance Evaluation by the Taiwan Stock Exchange Corporation, thus acknowledging the Bank's determination and results in optimizing corporate governance. 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 25th Board of Directors, the Bank has adopted the candidate nomination system for directors (including independent directors), in order to facilitate exercise of shareholder rights by way of electronic transmission and implement corporate governance. For the curriculum vitae of each director, please refer to the *2018 Annual Report* of the Bank (the annual report is disclosed on the Bank's official website (<https://www.bankchb.com/>) and the Market Observation Post System (<http://mops.twse.com.tw/index.htm>); the same below).

1.2.1.1 Diversified and Professional Board Members

- ① The Board of Directors of the Bank is composed of financial experts, business owners, representatives of government agencies, and scholars. They have professional qualifications or work experience in business, legal affairs, accounting, finance, taxation, banking, etc., respectively. Diversity and different fields of professionalism endow the decision-making of the Board with objectivity and completeness, and improve the decision-making quality of the Board of Directors. In order to strengthen their functions, each director participates in courses of finance, risk management, business, legal affairs, accounting, internal control and corporate social responsibility related to corporate governance in accordance with the Director Training Program Policy of the Bank,

thus continuously enhancing their professional competence. The number of training hours for each director in 2018 was in compliance with the regulations.

- ② For the implementation status of the diversification of directors, please refer to the *2018 Annual Report* of the Bank.
- ③ The Chairperson of the Bank's highest governance unit is a member of the management team.

1.2.1.2 Operating Status of the Board of Directors

- ① The 25th Board of Directors of the Bank is composed of 9 directors elected by the shareholders' meeting, one of which is female (accounting for 11.11%), and counts with three independent directors (accounting for 33.33%).
- ② Among the Board members of the Bank, one of them is between 50 and 59 years old, three of them are between 60 and 69 years old, and five of them are over 70 years old.
- ③ The 25th Board of Directors of the Bank held 13 meetings in 2018, and all directors have performed their duties in accordance with regulations such as the Articles of Incorporation of the Bank and Procedural Rules for the Board of Directors.
- ④ Please refer to the *2018 Annual Report* of the Bank for the meetings of the Board of Directors, important resolutions, and the implementation status of directors' recusal due to conflicts of interest.

1.2.1.3 Director Performance Evaluation and Remuneration

① Director Performance Evaluation

The Bank has established the *Rules for Performance Evaluation of Boards*. Evaluation includes five major aspects: “Participation in the Bank’s operations”, “Board decision-making quality improvement”, “Board composition and structure”, “director's election and continuing education” and “internal control”, with a total of 40 self-assessment indicators, and the total score is 100 points. In the performance evaluation result, four aspects attained full score, including “participation in the Bank's operations”, “Board decision-making quality improvement”, “Board composition and structure”, and


“director's election and continuing education”. The overall self-assessment score was 96.25 points. Relevant information has been disclosed on the official website of the Bank (<https://www.bankchb.com/>) and the Market Observation Post System for inquiries.


② Director Remuneration

Please refer to the *2018 Annual Report* of the Bank.

1.2.1.4 Functional Committees of the Board of Directors

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

Committee	Item	Operating Status
 Audit Committee	Responsibilities	Supervision over fair presentation of the Company's financial reports; attesting CPA's hiring (dismissal), independence and performance; effective implementation of the internal control system of the Company; management of Company's compliance with relevant laws, regulations and rules; and the existing or potential risks of the Company.
	Structure	The Audit Committee of the Bank is composed of 3 independent directors <ul style="list-style-type: none"> • The members are independent executive director Kuo-Yuan Liang, independent director Jung-Chun Pan, and independent director Chi-Chang Yu; independent executive director Kuo-Yuan Liang serves as the convener.
	Operating Status	<ul style="list-style-type: none"> • Meetings of the Audit Committee are convened at least once a quarter, and may be convened whenever deemed necessary. • In 2018, the 2nd Audit Committee convened a total of 13 meetings. • Attendance rate was 100%.

Committee	Item	Operating Status
 Remuneration Committee	Responsibilities	<p>Exercising due care of a prudent manager and fulfilling the following responsibilities:</p> <ul style="list-style-type: none"> Assessing and reviewing the Bank's overall remuneration policy. Establishing and regularly reviewing the performance evaluation and remuneration policy, system and structure of directors, the President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and supervisors of the Head Office departments and branches. Regularly reviewing and determining the remuneration of directors, the President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and supervisors of the Head Office departments and branches.
	Structure	<p>The Remuneration Committee of the Bank is composed of 3 independent directors</p> <ul style="list-style-type: none"> The members are independent executive director Kuo-Yuan Liang, independent director Jung-Chun Pan, and independent director Chi-Chang Yu; independent executive director Kuo-Yuan Liang serves as the convener.
	Operating Status	<ul style="list-style-type: none"> Meetings of the Remuneration Committee are convened at least twice a year, and may be convened whenever deemed necessary. In 2018, the 4th Remuneration Committee convened a total of 9 meetings. Attendance rate was 100%.

1.2.2 Participation in Various Associations and Organizations

GRI 102-13

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.

1.2.2.1 Various Associations and Organizations

List of Various Associations and Organizations the Bank Participates In

Name of the Association or Organization	
• Bankers Association of the Republic of China	• Taiwan Private Equity Association
• Trust Association of R.O.C.	• Small and Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG)
• Taiwan Securities Association	• Taiwan Clearing House
• Insurance Agency Association of the Republic of China	• Financial Information Service Co., Ltd.
• R.O.C. Bills Finance Association	• Bankers Association of Taipei
• Securities Investment Trust & Consulting Association of the R.O.C.	• Financial Information Sharing and Analysis Center (F-ISAC)
• Chinese National Futures Association	

1.2.2.2 The Bank participates in various industry unions, associations and organizations. In addition to paying regular membership fees according to regulations, the Bank also provides annual donations to some associations and organizations (such as the SMEG and Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF)).

1.3 Legal Compliance

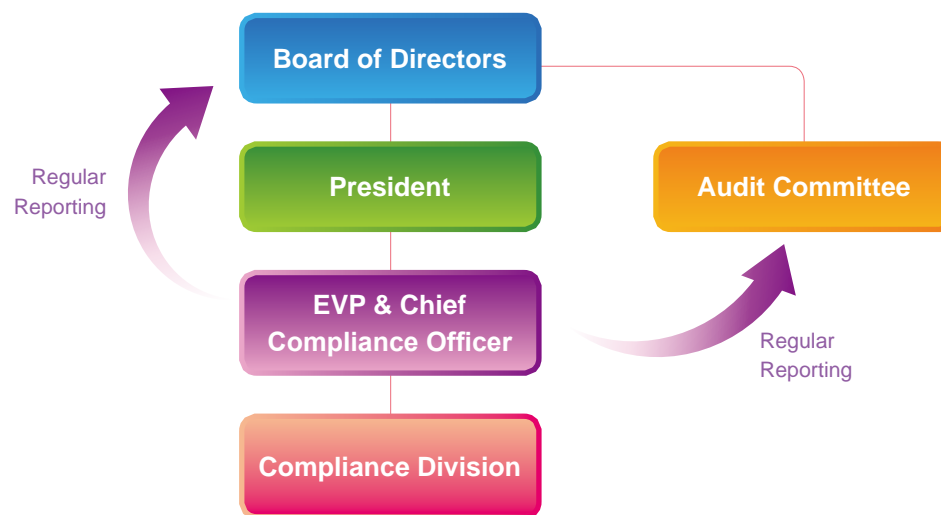
GRI 102-11, 307-1, 419-1

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

1.3.1 Establishing Legal Compliance Risk Management and Supervision Framework

In line with the regulations of the competent authority, the Bank has established a *Legal Compliance Risk Management and Supervision Framework*, which has been reviewed and approved by the 16th meeting of the 25th Board of Directors on September 28, 2018, and submitted to the Financial Supervisory Commission (hereinafter referred to as the “FSC”) for reference.

Legal Compliance Organizational Structure of the Bank



1.3.2 Operation of Legal Compliance Risk Evaluation and Reporting Mechanism

- ① The Bank's *Implementation Policy for Legal Compliance Risk Management and Supervision* has been established to propose improvement suggestions for risks and weaknesses in terms of legal compliance, and follow up on the improvement measures proposed by the Sales Management Department through the two lines of defense meetings every quarter.

- ② The Bank has established a regular legal compliance reporting and alert mechanism. For all units at home and abroad, except for regular reporting on legal compliance matters to the Compliance Division, the Compliance Division may also designate relevant information to be provided immediately for matters recognized by the Bank as possessing higher legal compliance risk; or, for specific legal compliance alerts, all units shall immediately notify the Compliance Division, as to promptly control the Bank's legal compliance risk situation.




1.3.3 Implementation of Legal Compliance System

The Bank has established the *Measures for Implementation of the Legal Compliance System*, which include regularly conducting legal compliance self-assessments, regular arrangement of legal compliance education and training, and continuous implementation of legal compliance on-site inspections, all in order to maintain the effective and appropriate operation of internal control systems and realize the Bank's legal compliance culture.

Item	Processing status
Self-assessments	The legal compliance self-assessment of the first half of 2018 was completed on June 30, 2018; the self-assessment of the second half of the year was completed on December 31, 2018.
Notification of the latest laws, regulations, and rulings	<ul style="list-style-type: none"> In 2018, a total of 105 new laws, regulations, and rulings were submitted in Taiwan, and all relevant units were notified to amend the regulations and rules accordingly. Continuous follow-ups were conducted on the completion status of the amendments by the units. The Compliance office of foreign branches issued a total of 59 notices in the second half of 2018 regarding laws and regulations announced by the local competent authorities and cases of penalty in the financial industry. The total number of cases that required cooperation from foreign branches in revising/amending internal operational regulations was 19.
Legal compliance on-site inspections	<ul style="list-style-type: none"> The Bank complied with the 2018 legal compliance on-site inspection plan. A total of 32 business operation units, 2 commercial regional centers, 2 securities brokerage companies and 5 head office management units were selected and checked. After the inspections, the inspection results were made into a legal compliance on-site inspection report and submitted for approval by the Chief Compliance Officer.
Education and training	<ul style="list-style-type: none"> 6,125 and 5,938 employees participated in the legal compliance promotional courses in the first half and the second half of 2018, respectively. In the first and second half of 2018, a total of 8 training courses on legal compliance, AML, Know Your Customer (KYC) Policy, and Employee Code of Conduct were conducted for new employees of the Bank, with a total of 236 participants. Holding the AML/CFT training courses for the Board of Directors and executives.
Penalties imposed by the competent authorities and their improvement status	<ul style="list-style-type: none"> Penalty: An employee of the Bank's DongGuan Branch received payment from the appraisal company, which was verified to be a failure in effective establishment or implementation of the internal control system, and was in violation of Paragraph 1, Article 45-1 of the Banking Act. A fine of NT\$3 million was imposed by the FSC on July 3, 2018. Improvement status: The Bank has issued a letter and re-stated therein that employees shall abide by the Bank's <i>Ethical Management Guidelines</i>, <i>Code of Ethics</i>, <i>Employee Code of Conduct</i>, etc., as to strengthen the implementation of legal compliance culture and the internal control mechanisms of the Bank.

1.4 Anti-money Laundering

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


Item	Operating status
 Related regulations	The Bank has established the <i>AML/CFT Policy and Guidelines Governing AML/CFT</i> in compliance with the <i>Regulations Governing Anti-Money Laundering of Financial Institutions, Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of the Banking Industry and Other Financial Institutions Designated by the Financial Supervisory Commission</i> , and the <i>Template of Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism</i> by the <i>banking related associations, etc.</i> issued by the FSC.
 Comprehensive risk assessment	The Bank has completed the Bank's 2017 comprehensive risk assessment report in accordance with the aforementioned regulations. After the approval by the 10 th meeting of the 25 th Board of Directors of the Bank on March 20, 2018, the 2017 AML/CFT comprehensive risk assessment report and risk prevention and improvement measures were submitted to the FSC for future reference on March 28, 2018 in accordance with regulations.
 Special Audit	On April 23, 2018, the Bank submitted to the 11 th meeting of the 25 th Board of Directors the audit results of the accountants and the assurance report of the 2017 AML/CFT mechanism special audit, which were also submitted to the FSC for future reference on April 27, 2018.




** For legal compliance status of the personal information protection, please refer to the "Products" section.

1.5 Business Integrity

GRI 102-16, 205-1, 205-2, 205-3, 412-1, 412-2

In order to demonstrate its determination and commitment to business integrity, the Bank has established the *Ethical Management Guidelines*, which assign responsibilities for formulating rules relevant to business integrity, assisting the Board of Directors and management in supervising the implementation status of business integrity, and reporting to the Board of Directors on a regular basis.

	Item	Description
 Business Integrity	Related regulations	The Bank actively guards against dishonest behavior, and specifically requires the Bank's employees to 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 propitious for sustainable development. The Bank's <i>Ethical Management Guidelines</i> have been disclosed on the Bank's official website for inquiries.
	Mid- and long-term goals	<ul style="list-style-type: none"> • Strengthening employees' awareness towards legal compliance, implementing relevant regulations of the Bank, and enhancing the business integrity culture of the Bank.
	Operating status	<ul style="list-style-type: none"> • Internal reporting regulations In order to establish an honest and transparent corporate culture and promote sound management, the Bank formulated the <i>Internal Reporting Regulations</i> of the Bank in accordance with Article 34-2 of the <i>Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries</i> and related regulations. These were approved and implemented by the 16th meeting of the 25th Board of Directors on September 28, 2018, as to quicken the Bank's reporting channels and improve the handling process of reported cases. • Internal and external reporting system channels and methods of Chang Hwa Bank In order to establish an honest and transparent corporate culture and promote sound management, if the public finds that employees of the Bank commit criminal acts, fraud or violations of laws and regulations, it can report these to the Bank through the following channels and methods: e-mail address for reports chb0110@chb.com.tw. If the whistleblower is an employee of the Bank, he or she may submit a report in the employee reporting system on the Bank's corporate intranet; by using the e-mail address: chb0111@chb.com.tw; or by other methods. • Regular reporting The Compliance Division regularly assesses the business integrity compliance status of the Bank and reports it to Board of Directors. The assessment report of 2018 was submitted for inspection in the 20th meeting of the 25th Board of Directors of the Bank on January 23, 2019. • Processing status In 2018, the Bank has complied with the Bank's <i>Ethical Management Guidelines</i> and related regulations in the handling of various businesses.

	Item	Description
 Ethical Behavior	Related regulations	The Bank has a <i>Code of Ethics</i> 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 controlled environment with a sound internal control system. The Bank's <i>Code of Ethics</i> has been disclosed on the Bank's official website for inquiries.
	Operating status	Encouraging employees to report any illegal behavior to facilitate the implementation of the <i>Code of Ethics</i> and safeguard the interests of the Bank and its stakeholders.
 Employee Conduct	Related regulations	The Bank has established an <i>Employee Code of Conduct</i> to stipulate the values all employees of the Bank shall 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 are clearly required 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 doubts about the <i>Employee Code of Conduct</i>, they may consult the direct supervisor of the unit, the Compliance Officer of the unit and Compliance Division according to their position. • Reporting channel: The Bank has established an independent reporting e-mail address, hotline, fax number and address for the employees of the Bank to use if any employee commits any illegal acts. • Processing status: All employees of the Bank are required to sign the Statement of Compliance with Employee Code of Conduct of Chang Hwa Bank, affirming that they shall comply with relevant regulations and uphold high ethical standards and moral codes. • Education and training: In order to implement relevant values and legal norms, the Bank conducted the Employee Code of Conduct training course for new recruits in 2018, with a total of 236 participants.
 Penalties imposed by the competent authorities and their improvement status		<ul style="list-style-type: none"> • Penalty: An employee of the Bank's DongGuan Branch received payment from the appraisal company, which was verified to be a failure in effective establishment or implementation of the internal control system, and was in violation of Paragraph 1, Article 45-1 of the Banking Act. A fine of NT\$3 million was imposed by the FSC on July 3, 2018. • Improvement status: The Bank has issued a letter and re-stated therein that employees shall abide by the Bank's <i>Ethical Management Guidelines, Code of Ethics, Employee Code of Conduct</i>, etc., as to strengthen the implementation of legal compliance culture and the internal control mechanisms of the Bank.

1.6 Risk Management

GRI 102-11

Establishing 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, all to effectively identify, measure, monitor and report various risks, and ensure the goal of sound management.

1.6.1 Overall Risk Management Policy of the Bank

The Bank has established an overall risk management policy that includes a risk management framework, risk management scope (including credit, market, operations, face interest rate, liquidity and other risks), and three 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 five major aspects of risk management procedures (identification, measurement, monitoring, reporting and implementation procedures).

1.6.2 Three Lines of Defense for Internal Control

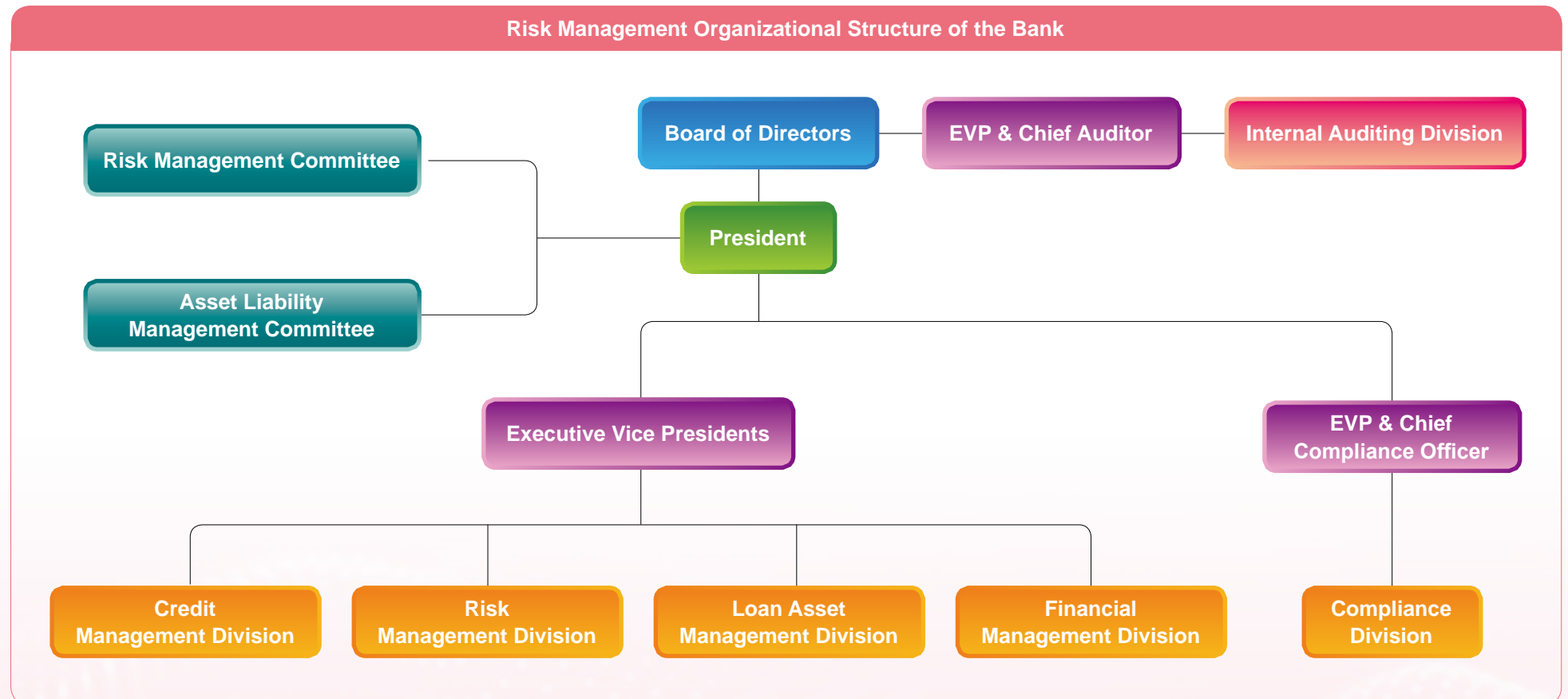
The Bank has established the management policy and three lines of defense for internal control of Chang Hwa Bank to construct a three lines of defense framework for internal control of the Bank, which clearly defines the scope of powers and responsibilities of the three lines of defense, so that all 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 work.








1.6.3 Risk Management Framework

The Bank has established a Risk Management Committee and an Assets and Asset Liability Management Committee to oversee and integrate the review, supervision and coordination of the Bank's various risk management matters; implement the risk management policies and procedures, risk

appetite statements and risk management mechanisms approved by the Board of Directors; review the risk management procedures and monitor their appropriateness; and ensure effective communication and coordination of relevant risk management functions. As shown in the diagram below.



1.6.4 The management goals, implementation results, and mid- and long-term goals in terms of major risks are as follows:

2018 Goals	2018 Risk Management Results	2019 Goals	Mid- and long-term goals
-	-	 Management risks Establishing a mechanism and internal regulations to detect bank-wide management risks.	Assisting in completing the establishment of the Bank's risk-oriented internal audit system to enhance the Bank's risk assessment and self-monitoring and management effectiveness.
 National risks Formulating appropriate national risk limits for the entire Bank, as well as measuring, monitoring and regularly reporting changes in risk exposure value and credit rating.	<ul style="list-style-type: none"> • Timely and accurately controlling the use of various national risk limits, and regularly reporting the national risk exposure value and monitoring status of the entire Bank. • Tracking and reviewing the political and economic situation of each country from time to time, grasping the decline of national ratings or changes in other major events, and taking necessary measures. 	Continuously improving and optimizing system reports that include national risk exposure values and limits management.	Developing proper response strategies to changes in banking regulations and risk management practices throughout the world in a timely manner.
 Credit risks Launch and follow-up with regard to management of the Bank's new personal banking loans system.	<ul style="list-style-type: none"> • The construction project of the automated modeling platform will enhance the Bank's analytical skills with the use of risk model data. • Handling early inspection and assessment, and taking countermeasures as early as possible to reduce the credit risks and strengthen the corporate banking loan management mechanism of the Bank. • Established the <i>Chang Hwa Bank Operational Regulations for the Personal Loan Alert System</i>. 	<ul style="list-style-type: none"> • Establishing an automated modeling platform that includes a risk database and model development and management. • Incorporating external contractor information to enhance the media sources and timeliness of the Bank's negative information database. 	<ul style="list-style-type: none"> • Continuously integrating inspection, assessment and information of various risk indicators, as well as follow-up notification mechanisms, and taking countermeasures as early as possible to effectively control the quality of the Bank's credit assets. • Continuing to improve the effectiveness of existing personal credit ratings, corporate credit ratings and other models to achieve the best results of credit risk management.
 Market risks Formulating the measurement and monitoring for the risk limits of various financial transactions and products.	Monitoring the use of various financial transaction product positions and risk limits on a daily basis, and regularly reporting the relevant risk exposures to the Board of (Executive) Directors.	Optimizing the market risk management system so that it can more effectively perform the stress test for the financial product position of the Bank and monitor the risk value.	Continuously planning to strengthen the management efficiency of market risk related systems in response to the evolution of market risk monitoring due to the implementation of the New Basel Capital Accord.
 Operational risks Adjusting the relevant operational risk management tools in response to the changes in the operational risk-based capital allocation method stated by the New Basel Capital Accord.	<ul style="list-style-type: none"> • Complete the translation and estimate calculation of Bankers Association's relevant documents of the new operational risk-based capital allocation method. • Follow up on the improvement progress of the 2017 <i>Anti-Money Laundering and Counter Terrorism Financing Risk Prevention Project</i>, and complete the 2017 <i>Comprehensive Risk Assessment Report on Anti-Money Laundering and Counter Terrorism Financing</i> with the Compliance Division. 	Continuing to participate in the Bankers Association's New Basel Capital Accord Joint Research Taskforce—Operational Risk Group, and conducting the preparatory data organization and system revision for new methods in order to meet the requirements of the official implementation in 2022.	Continuing to improve existing operational risk management tools and enhance the consistency and integration of different management practices to achieve the best results of risk management.

2

Products Aspect

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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

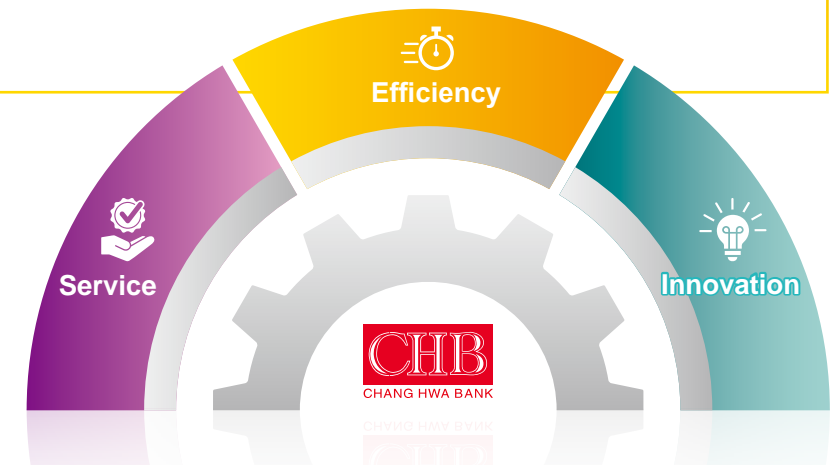
2.1.1 Information Security Mechanism

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?funcId=47da465d15

2.1.1.2 Policy for Information Security

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



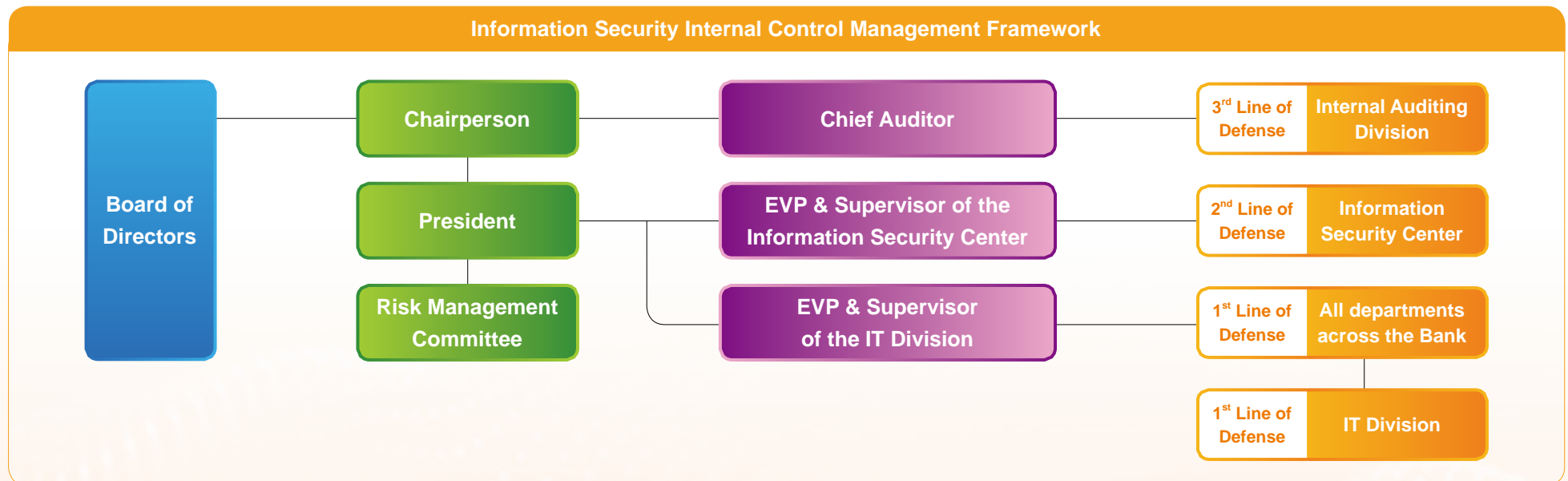
confidentiality, integrity and availability of information; maintain the reliability of information equipment (including computer software and hardware, and peripheral devices) and network systems; strengthen employee awareness towards information security; and prevent the above-mentioned resources from 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 12th meeting of the 25th 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.

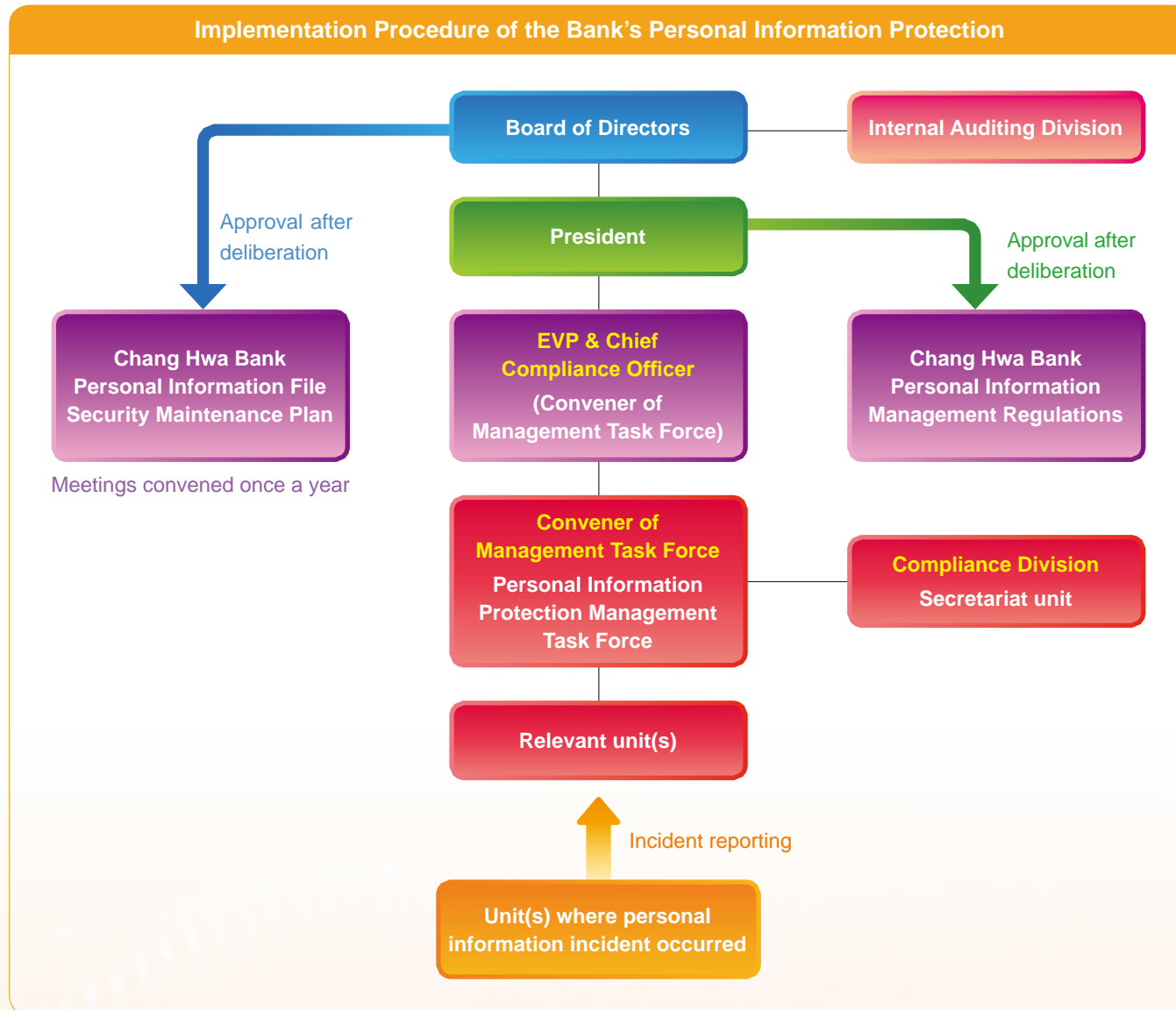
2.1.2.2 Special Audit

On April 23, 2018, according to the regulations, the Bank submitted to the 11th meeting of the 25th 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 Friendly Financial Service 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.



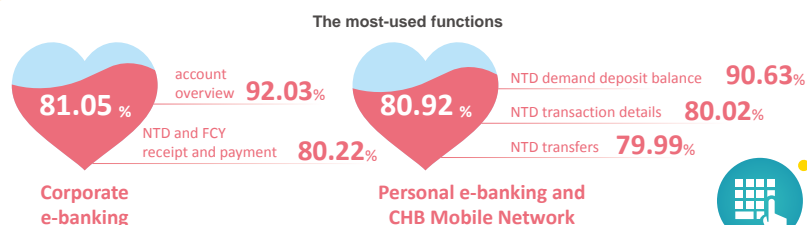
2.2.5 Customer Satisfaction

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.



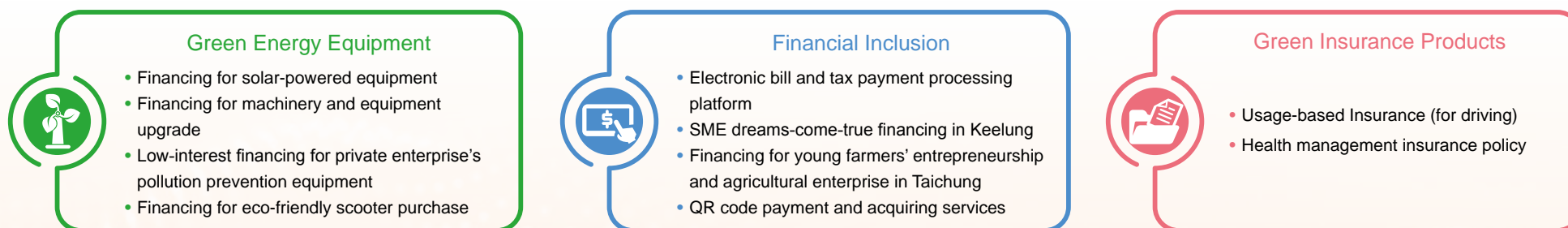
Item	Description
Policy	Actively developing digital/mobile services, provide customers with more convenient mobile digital services, continue to expand service channels, provide customers with innovative service models, and integrate customers' interaction history in all channels to optimize service 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"> 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. 2. As for social media management, we have set the official LINE account to strengthen the social media conversion of financial services. 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. 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. 5. Digital deposit has been launched, and customers may use the financial services provided by the Bank off-site of counters. 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. 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. 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.
Management policy evaluation	<ol style="list-style-type: none"> 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. 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.

2.4 Green Finance

GRI FS7, FS8

2.4.1 Green Financial Products



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 – 100th 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.

3

Social Aspect

3.1 Employees	53
3.2 Social Welfare	72



3.1 Employees

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.

3.1.1 Human Resources Management

GRI 102-8, 102-41, 201-3, 202-1, 401-1, 401-3, 405-1, 406-1, 411-1

3.1.1.1 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; and do not allow different treatment or discrimination due to gender, race, religion, political affiliation and other factors, all while providing market-competitive compensation standards, complete training programs, generous welfare measures and an annual promotion system to attract talents. In order to ensure the stability of the personnel system, the Bank does not hire part-time employees.

① All Employees of the Bank

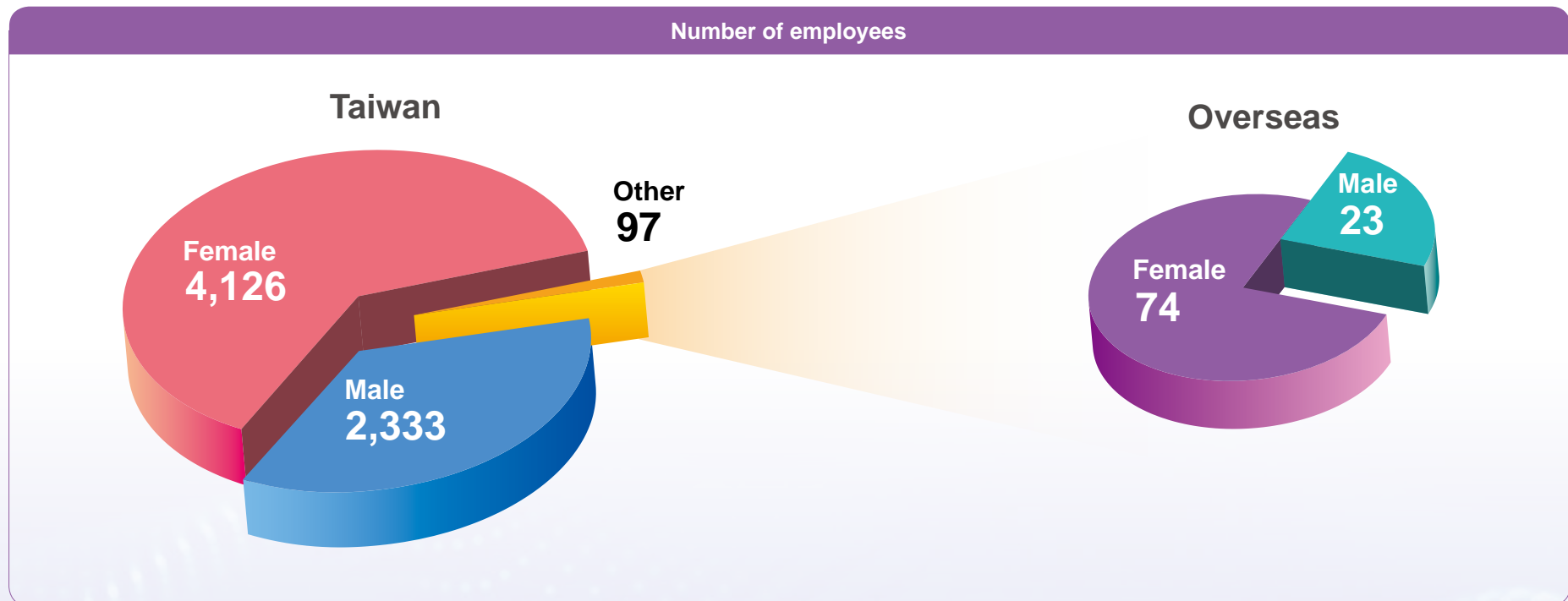
As of the end of 2018, the Bank had a total of 6,556 employees, among which 2,356 were male employees, accounting for 35.94% of the total number of employees; and 4,200 were female employees, accounting for 64.06% of the total number of employees.

② Educational Level Analysis

- Taiwan: There are 2 doctoral degree holders, 1,249 master's degree holders, 4,713 bachelor's or college degree holders,

and 467 people with high school (vocational high school) diplomas; there are 28 people who have only received high school (vocational high school) education or below.

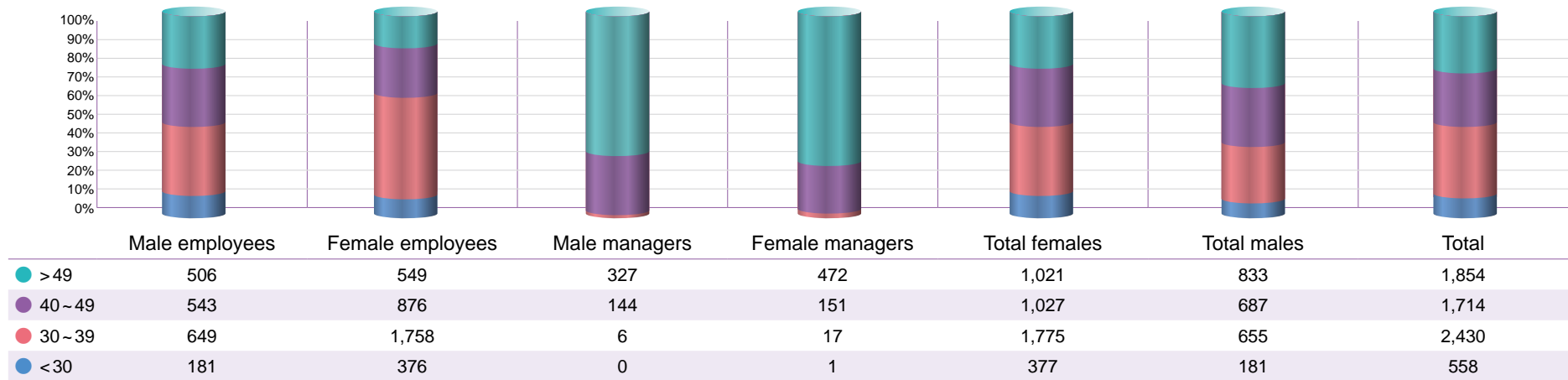
- Overseas: There are 14 master's degree holders, 68 bachelor's or college degree holders, 14 people with high school (vocational high school) diplomas, and 1 person who has only received high school (vocational high school) education or below.



③ Employee Age Distribution

As of the end of 2018, the number of managers was 1,118 and the number of employees was 5,438. They can be divided by gender and age as follows:

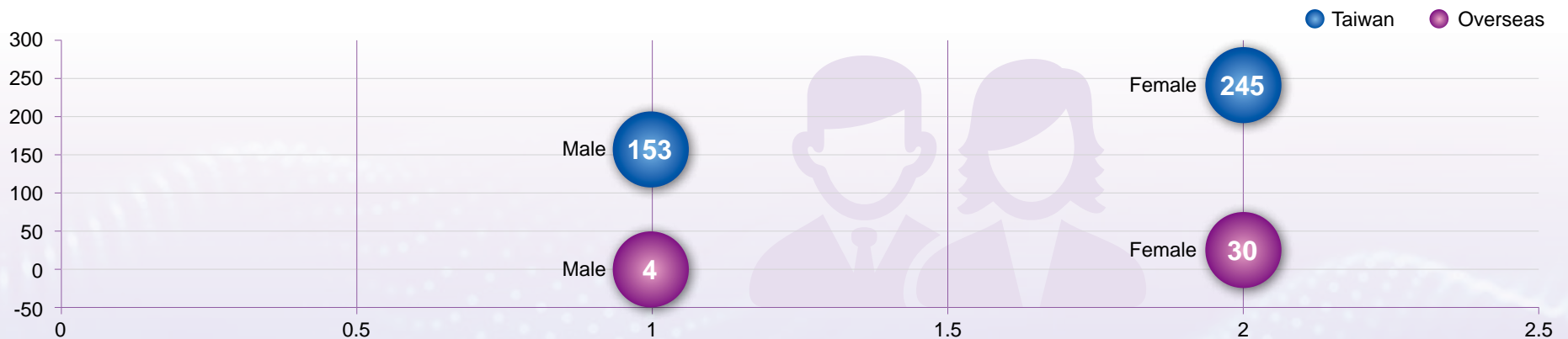
Employee Distribution by Gender and Position



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

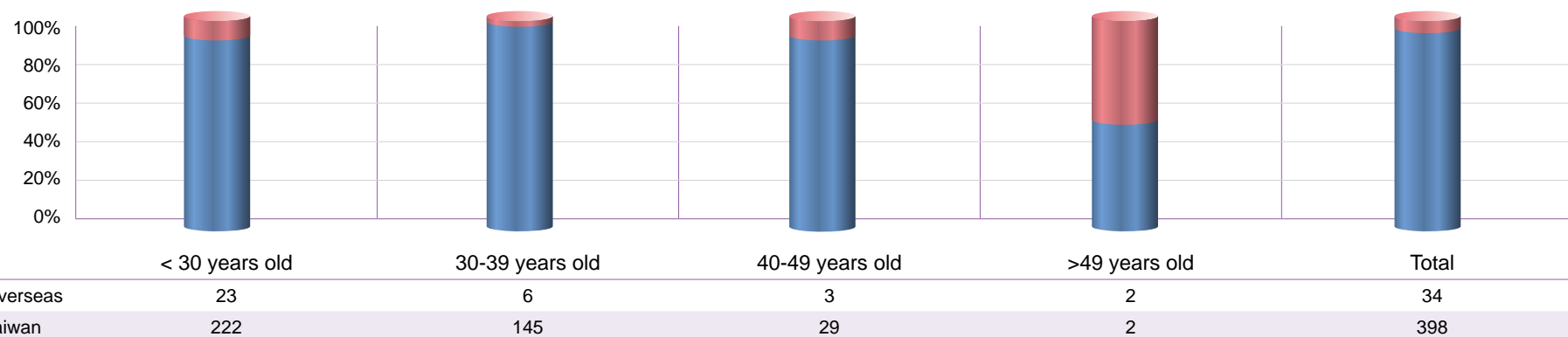
④ New Recruits–Distribution by Gender and Region

New Recruits–Distribution by Gender and Region



⑤ New Recruits—by Region and Age

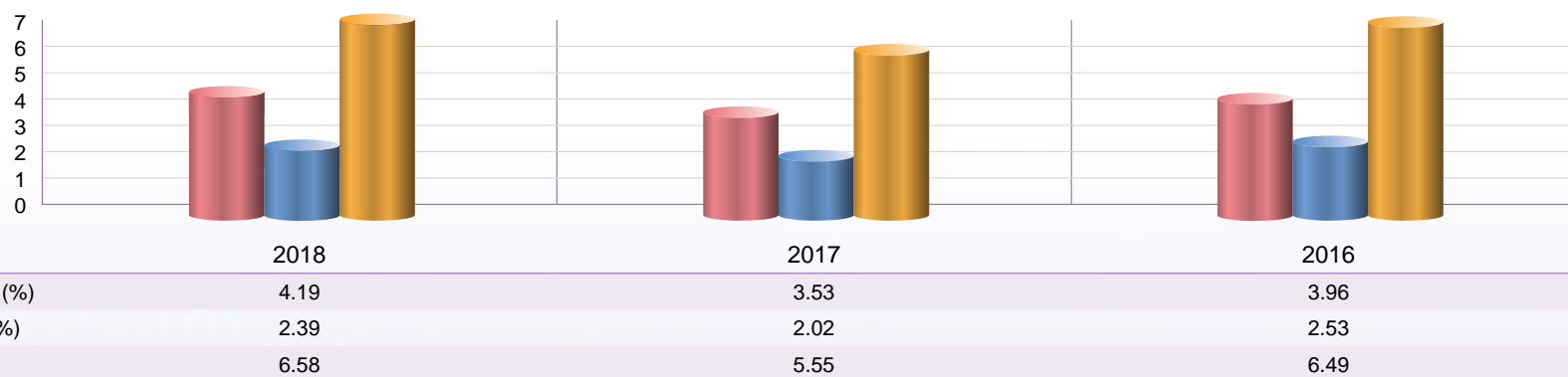
New Recruits—by Region and Age



Note: New recruits ratio = total number of females or males/number of personnel at the end of the year, based on the total number of personnel in 2018.

⑥ Accession Rate in the Last Three Years—by Gender

Accession Rate in the Last Three Years—by Gender



Note: Accession rate = total number of females or males/number of personnel at the end of the year, based on the total number of personnel in 2018.

⑦ Status of Unpaid Parental Leaves

Item	Male	Female	Total
(1) Number of employees entitled to unpaid parental leave in 2018	69	174	243
(2) Number of employees that applied for unpaid parental leave in 2018	11	76	87
(3) Number of employees expected to return from unpaid parental leave in 2018 (A)	10	68	78
(4) Number of employees that actually returned to work from unpaid parental leave in 2018 (B)	7	60	67
(5) Return rate (B/A)	70%	88.24%	85.9%
(6) Number of employees that returned to work from unpaid parental leave in 2017 (C)	5	73	78
(7) Total number of employees that returned to work from unpaid parental leave in 2017 and completed one year of service in 2018 (D)	5	69	74
(8) Retention rate (D/C)	100%	94.52%	94.87%

Note 1: The number of employees entitled to parental leave is based on employees that applied for paternity leave and maternity leave.

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

⑧ Unpaid Parental Leave Ratio in the Last Three Years by Gender

Gender	FY	2018		2017		2016	
		Number of employees	Ratio (%)	Number of employees	Ratio (%)	Number of employees	Ratio (%)
Female		76	87.36	82	92.13	71	93.42
Male		11	12.64	7	7.87	5	6.58
Total		87	100	89	100	76	100

⑨ Demission Rate—by Region, Gender and Age

Region	Item	Demission Rate (%)	Age				Gender		Total
			29 years old and below	30-39 years old	40-49 years old	50 years old and above	Male	Female	
Taiwan		4.68	99	77	19	112	157	150	307
Overseas		0.40	15	8	2	1	3	23	26
Total		5.08	114	85	21	113	160	173	333

Note 1: Except for employees “on unpaid leave” and who “resigned when on unpaid leave”, the remaining resigned and retired employees are all considered for calculation.

Note 2: Demission rate = total number of females or males/number of personnel at the end of the year, based on the total number of personnel in 2018.

⑩ Demission Rate of the Most Recent Three Years—by Gender

Gender	FY	2018	2017	2016
Female		2.64%	2.41%	2.83%
Male		2.44%	2.32%	2.57%
Total		5.08%	4.73%	5.4%

Note: Demission rate = total number of females or males/number of personnel at the end of the year, based on the total number of personnel in 2018.

3.1.2 Respect for Human Rights and Gender Equality

GRI 102-41, 404, 406-1, 412-1

3.1.2.1 Human Rights Policy

- ① The Bank adheres to the people-oriented principle and 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.

- ② In addition to actively fulfilling its own corporate social responsibility, the Bank also promotes such practices among its suppliers by devising the *Supplier Corporate Social Responsibility Policy*, 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\$1 million, the Bank also requests suppliers to sign a declaration to abide by such Policy.
- ③ In addition, according to the British Government's 2015 Modern Slavery Act, the Bank disclosed the measures adopted in 2018 to prevent slavery and human smuggling in the supply chain or various businesses, and reported them to the 23rd meeting of the 25th Board of Directors on April 26, 2019 for deliberation.

3.1.2.2 Upholding the Concept of "Equal Pay for Equal Work"

	2018		2017		2016	
	Female	Male	Female	Male	Female	Male
Managerial role	100%	98%	100%	100%	100%	102%
Non-managerial role	100%	104%	100%	104%	100%	105%

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

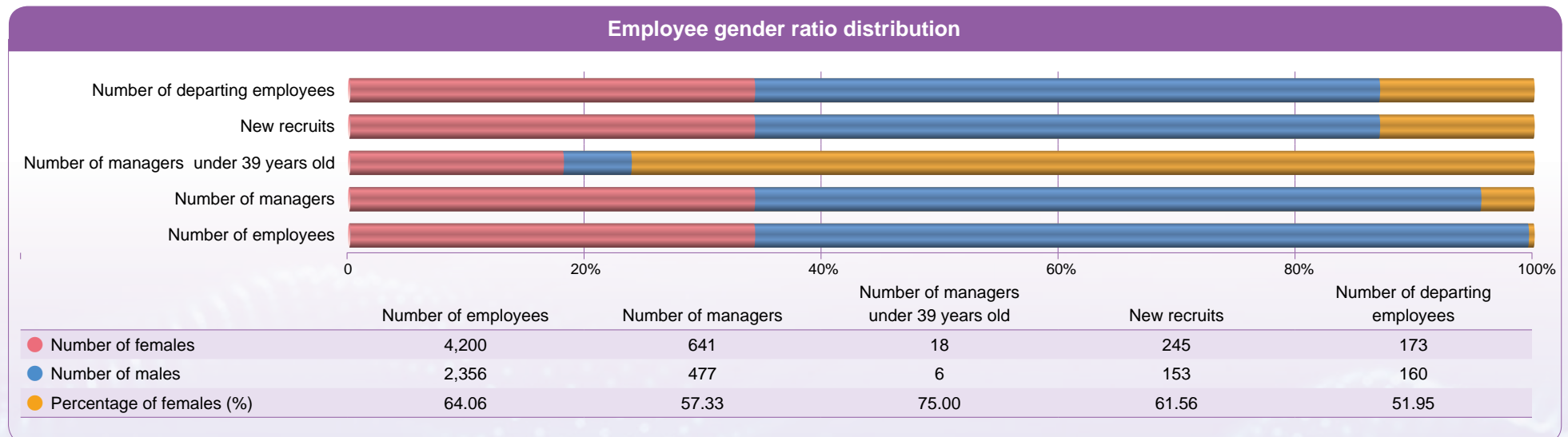
3.1.2.3 Gender Equality

- 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 into account 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 violation prevention program, and maternal health protection program, respectively; among which the latter is for the protection of safety and health of female employees.

💡 To improve employee benefits, employees who have served the Bank for one year are entitled to an employee maternity pension of NT\$5,000 per child from January 1 to December 31, 2019.

② Percentage of Female Employees

As of the end of 2018, the percentage of female employees in Chang Hwa Bank was 64.06%; with female managers accounting for 57.33% of all management personnel; the percentage of female managers under 39 years old was 75%; the percentage of female new recruits was 61.56%; and the percentage of female departing employees was 51.95%.



3.1.2.4 Measures for Sexual Harassment Prevention

The Bank has set up the *Guidelines for Sexual Harassment Prevention and Complaints Handling*, providing complaint hotlines (the telephone number of all branches of the Bank and the Human Resources Division's complaint hotline: (02) 2560-3658), 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.

Implementation Status The Bank had no sexual harassment complaints in 2018.

3.1.2.5 Freedom of Association

① Employer-employee Meetings

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

By the end of 2018, 89 employer-employee meetings had been held, the employer-employee relations were harmonious and stable, and good interactions were maintained.

	2018	2017	2016
Number of meetings	4	4	4
Number of matters	11	11	14

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 signed were established after being fully discussed by the representatives of the employer and the employees, and after taking into account 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.

Implementation Status

As of the end of 2018, the number of members of the CHB Corporate Union was 6,050 (male: 2,273, female: 3,777), and the employees under the protection of the collective agreement accounted for 92.28% of all employees.

	2018		2017		2016	
	Female	Male	Female	Male	Female	Male
Number of employees that joined the corporate union	3,777	2,273	3,951	2,286	3,832	2,267
	6,050		6,237		6,099	
Percentage of employees that joined the corporate union	92.28%		94.6%		93%	

3.1.3 Compensation and Benefits

GRI 201-3, 202-1, 401-2, 405-2

3.1.3.1 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.

3.1.3.2 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 into account the concept of "equal pay for equal work" and implements reward differentiation, striving

Performance Appraisal



According to the annual goals, the business strategy and specific action plan are drawn up, and the goals are assigned to each department and extended to each employee.



The mid-term appraisal combines the follow-up on performance progress, guidance, and adjustment of performance goals.



The annual performance appraisal is an evaluation conducted based on the employee's functional skill development, performance of employee's responsibilities, achievement of goals, and the business performance of the employee's unit.

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 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.
- ③ 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).

3.1.3.3 Implementation Results of Compensation

- ① According to the Bank's employee performance appraisal regulations, appraisals have been conducted on all of those qualified for appraisal.
- ② The average pay increase for employees was 3.31% in 2018

In order to show consideration for employees' basic living expenses, and to continue to implement performance-differentiated salary adjustments and

motivate employees with outstanding performance, the Bank's 2018 annual salary adjustment was handled by means of combining "fixed salary adjustment" and "performance salary adjustment". The "fixed salary adjustment" was \$1,000 per person per month; The "performance salary adjustment" was based on individual employees' annual performance appraisal rating in 2017, 4% of whom attained a rating of 6 points, 3% attained a rating of 5 points, 2% attained a rating of 4 points, and 1% attained a rating of 3 points; no pay raise was made for ratings of 2 and 1 points. In addition, to take care of entry-level employees from grades 5 to 7 with seniority of 5 years (inclusive) or less, and whose rating of the annual performance appraisal in 2007 was between 4 to 6 points, the amount of "fixed salary adjustment" was increased to \$1,200 per person per month.

③ Constituent of the *Taiwan High Compensation 100 Index* for 4 Consecutive Years

The Bank has been selected as a constituent of the Taiwan High Compensation 100 Index by the TWSE for four 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 Salary Information of Non-managerial Full-time Employees

Unit: Thousand NTD

	2018	2017
Total Salary of Non-managerial Full-time Employees	7,655,840	7,480,157
Total Number of Non-managerial Full-time Employees	5,988 persons	5,959 persons
Average Salary of Non-managerial Full-time Employees	1,279	1,255

Note 1: In reference to the Description of Salary Information Reporting Operations for Non-managerial Full-time Employees compiled and released by the TWSE.

Note 2: The 2017 information was self-assessed; the 2018 information was audited by an accountant.

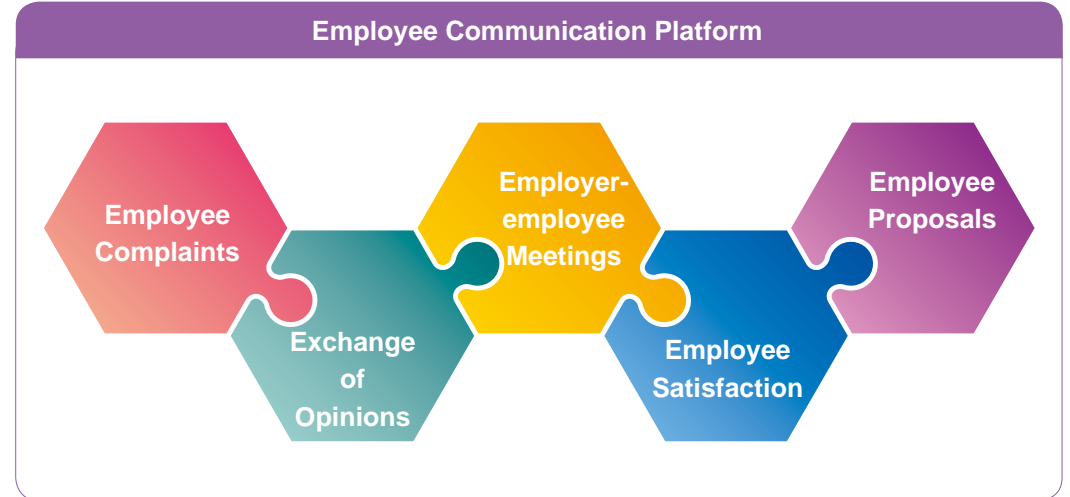
⑤ Welfare measures

Insurance planning	Leave system	Employee Welfare Committee	Recreational activities	Other
<ul style="list-style-type: none"> Labor insurance National health insurance Employer's liability insurance 	<ul style="list-style-type: none"> 3 to 30 days for every 6 months 	<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 Health educational lectures Employee uniform Library Day care service

⑥ Employee Stock Ownership Trust (ESOT): under discussion.

3.1.4 Employee Communication Platform

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.



3.1.4.1 Employee Complaints

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

Implementation Status The Bank had 2 employee complaint cases in 2018, both of which were settled in accordance with the procedures of the Bank's *Employee Complaint Notice*.

3.1.4.2 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 a total of 7 employee proposals in 2018, 3 of which were awarded; the rest were not awarded.

3.1.4.3 Exchange of Opinions with Employees

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

Implementation Status The Bank did not receive any emails from employees in 2018. If any employee email is received, it will be properly handled by the relevant department according to the rules.

3.1.4.4 Employee Satisfaction Survey

In order to understand the needs of employees, the Bank conducted an employee questionnaire survey on in-service employees in 2018, which were divided into five aspects: job duties, workplace, salary and appraisal, education and training, and health examination and consultation services. The survey was optional and was conducted online. The survey results showed that employees were satisfied with the first four aspects, and the opinions provided by employees on the aforementioned aspects will be used as reference for the establishment of Bank's future personnel management strategy. In addition, for health examination and consultation, the Bank will strengthen the promotion in the future occupational safety training courses or health promotion campaigns, as to encourage colleagues to take advantage of this program.



3.1.5 Education and Training

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 planned comprehensive financial professional courses according to the overall business goals and plans of the year. In addition to the organizing courses such as credit extension, foreign exchange, deposit and remittance, legal compliance, wealth management, digital banking and operation and management training, the Bank also established reserve AO personnel and foreign exchange personnel training programs, and sent personnel to study abroad, so as to cultivate international financial talents and accumulate human capital.



3.1.5.1 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 (elementary/advanced) 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 690 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.

Training Accomplishments

As of December 31, 2018, the total number of training hours conducted was 405,911 hours (an increase of 2,842 hours compared to 2018), with an average of 61.91 training hours per employee. Described as follows according to the internal training (offline/online), external training and self-development categories:

Training Method	Online Learning	Offline Course		
	Internal Training	Internal Training	External Training	Self-development*
Hour (s)	219,809	150,548	35,465.5	88.5
Total (hours)	405,911			

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

Offline Training Status

Gender	Total number of enrollments		Total number of hours		Average hours	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
Male	2,946	5,008	23,786.5	43,377	49.87	22.87
Female	3,832	10,572	32,507.5	86,431	50.48	24.60
Total	6,778	15,580	56,294	129,808	50.22	23.99

Online Learning Status

Gender	Total number of enrollments		Total number of hours		Average hours	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
Male	17,873	58,507	19,844	57,799	41.60	30.47
Female	23,038	120,323	26,093	116,073	40.52	33.03
Total	40,911	178,830	45,937	173,872	40.98	32.13

3.1.5.2 Personnel Transformation in Response to FinTech

In response to the wave of digital banking and FinTech, from warm-up to integration, the Bank introduced digital banking expertise, actively cultivated digital banking professionals, fully assisted employees in extensive learning, and enhanced employees' digital banking application skills in cooperation with business development and innovation, in order to build a sturdy foundation for talent cultivation, and improve the digital competitiveness of the Bank's business step by step.

Implementation Status

- ① Sent personnel to participate in professional training, seminars and lectures organized by various training institutions in Taiwan.
- ② Established the *Chang Hwa Commercial Bank FinTech Club*.
- ③ Supported the development of digital banking business and continued to organize digital banking courses.

Outlook and Future

Going deeper and deeper from the essentials and solidly learning about various topics, employees are encouraged to enhance their cross-disciplinary skills, and the Bank constructs a digital banking environment, assists employees in smooth transformation, and cultivates in-service employees' financial expertise to embrace the coming of the digital banking era.

3.1.5.3 Educational Clubs

① FinTech Research Club—NEW

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 the monthly offline FinTech lecture, industry experts lead the topic-focused exchange of FinTech knowledge. At the same time, the lectures are live broadcasted in the internal Facebook group, so that sharing and learning are not limited by time and space.

② Chinese Reading Club

In the twinkling of an eye, the Chinese Reading Club has already celebrated its first anniversary. From the first book *Thoughtfulness in a Second* read when it was

first established in August 2017, to the book in March 2019 *Procrastination: Why You Do It and What to Do About It NOW*, the members have read 16 books together up to date, and 2 outdoor events and 2 lectures have been organized. The magic of reading has enriched the body, mind, and spirit of every participant!

③ English Reading Club

The Bank established the Toastmasters International Chang Hwa Commercial Bank Club. In addition to the regular meetings, it participates in the holding of English speech contests and table topics contests in Taiwan every spring; holds the humorous speech contests and evaluation contests in Taiwan every autumn; and also organizes regular networking and outdoor activities, etc., to enhance the friendship and the sense of identification and coherence of employees.



3.1.6 Healthy Workplace

GRI 403-1, 403-4, 410-1

3.1.6.1 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 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 2018 to assist the promotion of the Bank's occupational safety policy.

3.1.6.2 Operating Status

- ① Safety and Health Related Issues Covered by Official Union Agreements
The *collective agreement* signed by the Bank and the CHB Corporate Union was renewed on May 14, 2018, in which a total of 11 articles are related to employee safety and health, accounting for 17.5% of all provisions.
- ② Monitoring of Operational Environment
In the first and second half of 2018, professional institutions were commissioned to implement two types of operational environment monitoring for 186 units of the Bank: indoor carbon dioxide and lighting. In 2018, monitoring for a total of 372 units 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.
- ③ Occupational Health and Safety Related Education and Training
The Bank has appointed occupational safety and health operation supervisors, first-aid personnel, and fire fighting 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 2018: 310, with a total of 2,223 hours.

Type		Number of people	Hour(s)	Total number of hours
Occupational safety and health business supervisor	First-time training	30	35	1,050
First-aid personnel	Re-training	243	3	729
Fire fighting management personnel	First-time training	37	12	444
Total		310	-	2,223

Security guard education and training:

Number of people trained in 2018: 810, with a total of 3,240 hours.

Time of the Training	Number of people	Hour(s)	Total number of hours
Q1	204	4	816
Q2	202	4	808
Q3	202	4	808
Q4	202	4	808
Total	810	-	3,240

④ Accredited Healthy Workplace

On July 19, 2018, the Bank applied with the Health Promotion Administration, Ministry of Health and Welfare and was obtained the *Badge of Accredited Healthy Workplace* on December 6, 2018. For the sustainable protection of employees' health, the Bank will continue to strive for the *Badges of Health Promotion and Excellent Healthy Workplace*, and other related certifications in the future, which help the Bank become a happy workplace.



⑤ Healthy Diet

In order to strengthen the healthy diet knowledge of the employees, develop good eating habits, and balance the intake of six major food groups, thereby reducing the incidence rate of chronic diseases, the Bank cooperated with the employee cafeteria and held the *Eating Healthy Together* healthy diet campaign from November 12, 2018 to December 22, 2018. During the campaign duration, response by employees was quite good; not only did their metabolism improve, but some even successfully lost weight!

⑥ 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 appointed professional psychologists from professional psychological counseling organizations since December 1, 2018 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. As of the end of 2018, there were 4 cases. This service is paid for by the Bank to certain extent.

⑦ Be Smoke-free

Since May 2018, the Bank has been promoting the smoking cessation campaign *Be Addiction-Free – Quit Smoking for Love*, urging colleagues to quit smoking for love and stay smoke-free. This campaign obtained splendid results, with a total of 24 participants. Among them, 20 people won the *Early Bird Incentive Award* for 5 consecutive days of non-smoking, and in the end, 17 people persevered, refrained from smoking for 4 consecutive weeks, and successfully quit smoking; a wrap-up presentation was held.

In addition, in order to enhance the professional knowledge of colleagues with regard to tobacco hazards prevention, Dr. Chen Jin-Shing, Chairman of the *Taiwan Lung Foundation*—the most authoritative institution in the treatment of lung cancer in Taiwan that has spared no effort in promoting the prevention and treatment of lung diseases—was invited to give lecture on “Taiwan’s New National Disease—Screening, Prevention and Treatment of Lung Cancer” at the Bank. The lecture was recorded and uploaded to the e-learning network for employees to refer to.



3.2 Social Welfare

Management Policy

With the ideal of a “happy family”, and through people-oriented care, the Bank continues to care for the disadvantaged groups, strengthen the organization of public welfare activities, and actively promotes participation by employees in corporate volunteer services, thereby implementing social care through practical actions, and fulfilling Bank’s corporate social responsibility.

GRI 203-1, 203-2, 413-1, FS13, FS14, FS16

3.2.1 Caring for Disadvantaged Groups

Campaign	Accomplishments in the Most Recent Year
 <p>Caring for the disadvantaged in remote rural villages</p>	<ul style="list-style-type: none"> 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. 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. 
 <p>Disadvantaged families</p>	<ul style="list-style-type: none"> We participated in the <i>2018 Taiwan Lantern Festival</i> held by the Chiayi County Government, and gifted the small lanterns of the Festival to the social welfare groups in Chiayi and Yunlin to care for the economically disadvantaged families and let them feel the love and caring from society. 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. 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.  

Campaign	Accomplishments in the Most Recent Year
 Disadvantaged families	<ul style="list-style-type: none"> In order to increase the number of mobile e-banking users, promote Taiwan Pay mobile payment, and enhance the social image of the Bank, Chang Hwa Bank and Orphan Welfare Foundation jointly launched the project <i>Love from Chang Hwa Bank—Helping Orphans with Actions</i>. Chang Hwa Bank took the lead in donating NT\$200,000 to attract others into participating as well. When people donated money to the Orphan Welfare Foundation through Taiwan Pay CHB Wallet, Chang Hwa Bank would donate NT\$5 for each donation of more than NT\$50. In this project, a total of 16,520 donations were made by the public through the Taiwan Pay CHB Wallet, the total donation amounted to NT\$1,067,508 in combination with the Bank's donations. The project struck a chord with the public and had extraordinary significance. 
 Caring for the Elderly	<ul style="list-style-type: none"> Sponsored the 6th <i>Love the Elders and Stay Active</i> charity event of Huashan Social Welfare Foundation, and acted as volunteers on the day of the event to accompany the elders to have fun and pass the challenges, as well as encourage the vulnerable elders to live and be active. 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. 
 Post-disaster Reconstruction	<ul style="list-style-type: none"> Made donations to Hualien County Government, which supported related disaster relief and reconstruction work after strong earthquake happened in Hualien area. Made donations to Social Affairs Bureau of Chiayi County to assist post-disaster reconstruction work of floods in Southern Taiwan on August 23, 2018.
 Poverty Subsidy	<ul style="list-style-type: none"> 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. Made donations to the program—"Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association. As support to "2018 Internship Program for the Financially Self-reliance Youths" organized by Youth 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.
 Development Rewards	<ul style="list-style-type: none"> Made donations to the various athletes training programs organized by Taitung County Athletics Committee, which assisted the development of sports and athletics. 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. 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. 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.

3.2.2 Community Engagement

The Bank regularly holds lectures every year and invites customers and locals to participate, integrating financial knowledge and daily life, as to enhance interaction with the public.

Campaign	Date of the Campaign	Goals of the Campaign	Number of Participants
Banking Bureau On-campus Financial Knowledge Promotion Campaign	March 26, 2018	Measures to enhance financial knowledge of the public	200 people in Dongshan High School
<i>Formosa Smart Wealth Management</i> High-net-worth Customer Lecture	From May 23 to May 29, 2018	In addition to explaining the current market overview and investment trends to customers, the Bank specially invited Charlie Chu, director of <i>Formosa 3D</i> , who was awarded the Creative Arts Awards, to share with the invited customers his experience and concept of using special filming techniques to record the beauty of Taiwan.	A total of 400 attendants in the Taipei, Taichung, Tainan, and Kaohsiung sessions
<i>Travel in Taiwan and Enjoy Life</i> High-net-worth Customer Lecture	From September 25 to October 17, 2018	Mr. Lin Lung, a well-known tour guide, was invited to take the customers to enjoy the beauty of Taiwan and travel in Taiwan through his many years of field experience.	A total of 400 attendants in the Taipei, Taichung, Tainan, and Kaohsiung sessions



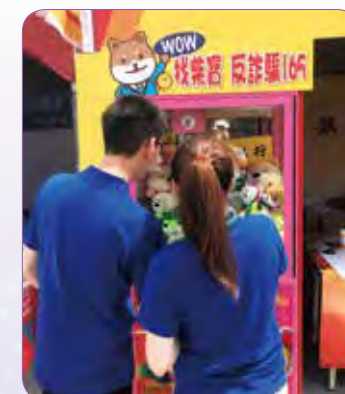
3.2.3 Development of Supporting Industries

The Bank also actively supports business activities and industrial development, attaches importance to the development of the capital market and local cultural and creative industry, and continues to encourage the development of relevant talents.

In 2018, the following projects were organized:

- ① The *Dreams-come-true SME Financing in Keelung* was launched to help small and medium enterprises in Keelung successfully obtain the funds needed for their operations.
- ② The *Financing for Young Farmers' Entrepreneurship and Agricultural Enterprises in Taichung* was launched to assist young farmers and agricultural enterprises in Taichung to obtain funds needed for their entrepreneurship.

- ③ 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.
- ④ Made donations to “Overseas Credit Guarantee Fund,” which helped overseas Chinese and Chinese enterprises obtain funding in ASEAN countries from Chinese financial institutions.
- ⑤ Sponsored Taipei Foundation of Finance in organizing “23rd Cross-strait Banking Collaboration Conference.”
- ⑥ Participated in “2018 Financial Services for charitable Carnival” held by Taiwan Financial Services Roundtable in Keelung and Taoyuan to promote financial knowledge and education.
- ⑦ 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.
- ⑧ Participated in “2018 Taiwan Lantern Festival” held by Chiayi County Government to be actively involved in local cultural activities.
- ⑨ 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.
- 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.



4

Environmental Aspect

- 4.1 Management of Energy and Resource Consumption 79
- 4.2 Greenhouse Gas Emissions 83
- 4.3 Supply Chain Environment Management 84
- 4.4 Equator Principles (EPs) 87



Management Guidelines

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 “healthy living, eco-friendliness and love for our 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, and 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 2018, the Bank did not commit any violations of environmental regulations.



- Our environmental management system obtained ISO 14001 certification
- Our goal for reducing water and electricity consumption is 1.5% per year



- Our energy management system obtained ISO 50001 certification
- Our goal for the five-year average power saving rate is more than 5%
- We have established an energy policy and Supplier’s Code of Corporate Social Responsibility



- We have expanded greenhouse gas reduction and management to all domestic branches and offices
- ISO 14064-1 Greenhouse Gas Inventory certification



- Inventory of waste and resource recycling and reduction, and setting of reduction goal
- Filled out the CDP questionnaire for the first time

Energy Conservation and Carbon Reduction Plan



Policy

The Bank promoted the environmental policy of “healthy living, eco-friendliness and love for our planet”, implemented various resource and energy conservation measures as well as greenhouse gas reduction strategies, and actively introduced various international management systems to achieve the goal of carbon emission reduction.



Implementation

The Bank's greenhouse gas 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; regularly reviewing environmental protection issues; and continuously promoting improvement measures to achieve greenhouse gas reduction goals.



Review

Record the consumption information of the various resources (water, electricity, fuel, natural gas, etc.) and wastes monthly. When there is non-compliance with 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 greenhouse gas emission inventory is conducted every year to examine the reduction situation and increase management measures.

Goals	Key Accomplishments in 2018
<ul style="list-style-type: none"> Annual carbon emission reduction of approximately 33,000~60,000kgCO₂e. 	<ul style="list-style-type: none"> The head office in Taipei replaced 556 lamps with LED lamps, reducing carbon emissions by approximately 59,972 kgCO₂e in total (Note 1).
<ul style="list-style-type: none"> Obtained ISO 14064-1: 2006 Greenhouse Gas Inventory international certification. 	<ul style="list-style-type: none"> The greenhouse gas inventory operations of domestic branches and offices obtained the ISO 14064-1: 2006 Greenhouse Gas Inventory certification in 2018.
<ul style="list-style-type: none"> Continue to promote international certification of ISO 14001 Environmental Management System and ISO 50001 Energy Management System. 	<ul style="list-style-type: none"> The environmental management system obtained ISO 14001: 2015 re-certification. Completed energy management system's ISO 50001: 2011 third-year certification.
<ul style="list-style-type: none"> Regularly record the waste and recycling amount, and establish reduction measures. 	<ul style="list-style-type: none"> The amount of waste from the Bank's Taipei head office in 2018 was confirmed by a third party to be: general waste of 124.61 metric tons, and recycling waste of 13.728 metric tons (approximately 1.414 metric tons for PET bottles and 12.314 metric tons for paper). Set the goal of reducing the amount of waste by 1% every year.
<ul style="list-style-type: none"> Increase the amount spent on green procurement. 	<ul style="list-style-type: none"> The Bank's 2018 green procurement amount reached approximately NT\$13.61 million, an increase of 47.13% compared with 2017. Green procurement in 2018 was awarded the <i>Excellent Green Procurement Enterprise Award</i> by the Department of Environmental Protection, Taipei City Government.

Note: (98 W-31 W)*2,650 HR*234 lamps/1,000=41,546.7 kWh/Year
 (98 W-25 W)*2,650 HR*322 lamps/1,000=66,705.8 kWh/Year
 (41,546.7+66,705.8)*0.554 electricity emission factor=59,972

4.1 Management of Energy and Resource Consumption

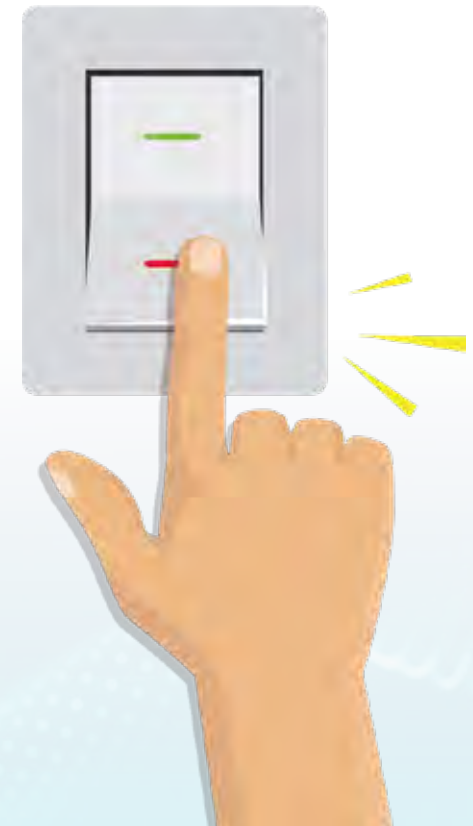
GRI 102-12, 302-1

4.1.1 Goals





The Bank follows relevant laws, regulations and international standards to gradually establish an environmental and energy management system. Through ISO management operational procedures, the Bank has established documents and record systematization measures; regularly reviewed environmental issues; continuously promoted improvement plans; and set the goal of 1% water consumption reduction, 1% electricity consumption reduction, and the reduction of carbon emissions by more than 33,000~60,000 kgCO₂e every year. In 2018, the annual certification for ISO 14001: 2015 Environmental Management System and ISO 50001: 2011 Energy Management System was completed.

4.1.2 Energy Conservation and Carbon Reduction Plan

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”. In addition, the Bank supported CITY FM’s “Under the Moonlight” initiative of turning off the lights during Mid-autumn Festival, as to promote the concept of energy conservation and carbon reduction, and contribute to global environmental protection.



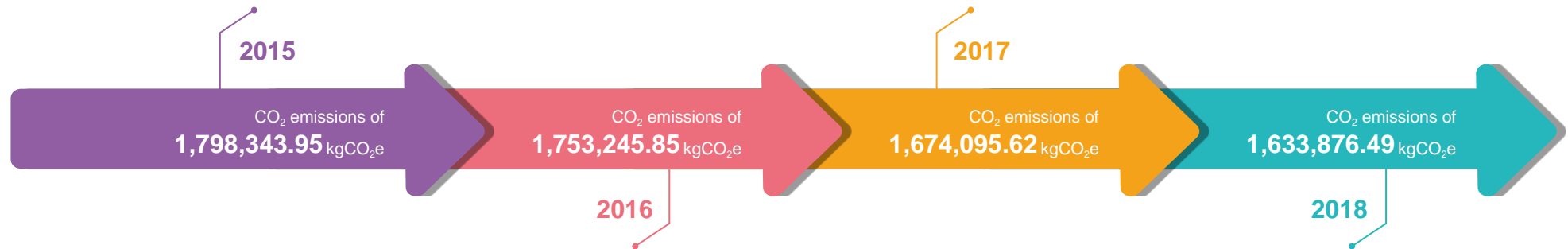
The Bank's energy conservation and carbon reduction measures are as follows:

Energy/Resource Type	Energy Conservation and Carbon Reduction Plan
 Water Resources	<ul style="list-style-type: none"> • 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 100% from 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 overall impact on water sources. After use, wastewater is treated and discharged via sanitary sewers to rivers and the sea.
 Electricity	<ul style="list-style-type: none"> • 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.
 Fuel	<ul style="list-style-type: none"> • 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. • Incorporate daily usage information of gasoline and diesel into management to improve control efficiency of energy conservation.
 Natural Gas	<ul style="list-style-type: none"> • 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. • Inspect natural gas facilities and equipment from time to time to check if they are old or damaged and are prone to leakage.

4.1.3 Energy Consumption and Intensity

4.1.3.1 Carbon Reduction Results

In order to achieve the goal of developing a sustainable environment, the Bank has adopted various energy conservation, carbon reduction and environmental protection management measures to reduce greenhouse gas emissions and waste of resources. In 2018, taking the head office in Taipei as example, the overall carbon emissions were reduced by 40,219.13 kgCO₂e, a decrease of 2.40% compared with 2017, reaching the Bank's carbon reduction goal. The implementation results are as follows:



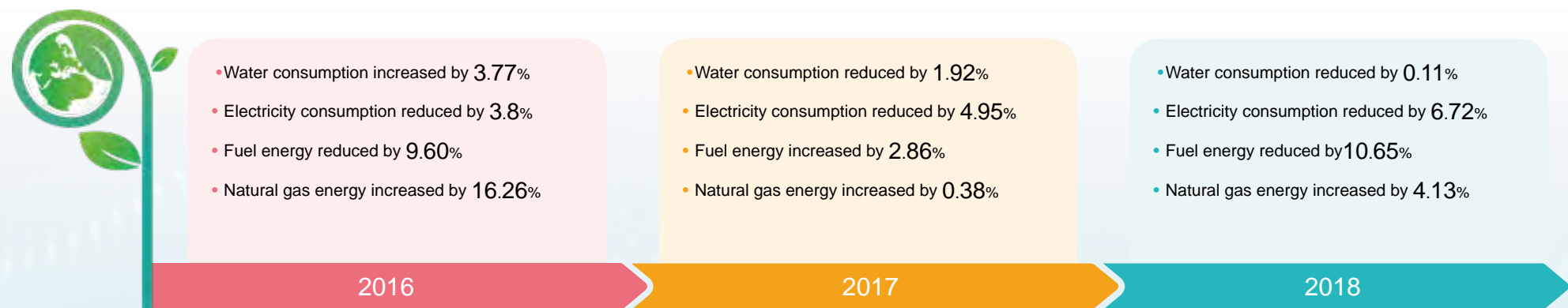
4.1.3.2 Energy Conservation and Carbon Reduction performances

Type of Energy	Unit of Consumption	2018	2017	2016	2015
Water Resources	kL	19,598	19,619	20,004	19,277
Electricity	kWh	2,832,000	3,036,200	3,194,200	3,323,200
Fuel	kJ	500,087,187.6	559,684,944	544,113,024	601,912,474.8
Natural Gas	kJ	513,270,576	492,909,872	491,034,544	422,350,656

Note 1: This table is based on the data of the head office in Taipei.

Note 2: The energy consumption of fuel and natural gas contained in the 2017 Corporate Social Responsibility Report of the Bank is based on the information on the following website: <http://www.onlineconversion.com/energy.htm>; in 2018, the greenhouse gas emission factor management table of the Environmental Protection Administration, Executive Yuan was adopted (version 6.0.3 dated January, 2017)

Taking the Bank's head office in Taipei as example, by implementing various energy conservation and carbon reduction management measures, such as replacing conventional office lamps with LED lamps, the electricity consumption in 2018 was reduced by 6.72% compared with 2017. As for the fuel, through long-time advocacy of taking public transportation and management measures for company vehicle car-pools, in 2018, energy use reduced by 10.65% compared to 2017. And regarding natural gas, due to the needs of employee education and training and the promotion of healthy lunch boxes, the employee cafeteria was commissioned by the Bank to make lunches to promote the health of colleagues, which caused the frequent use of natural gas, and in 2018, energy use increased by 4.13% compared with 2017.



4.1.4 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 stopped issuing green electricity certificates. The Bank thus purchased renewable energy certificates of 67,000 kWh (carbon emissions of approximately 37,118 kgCO₂e), accumulating a total reduction in carbon emissions of up to 142,818 kgCO₂e. In the future, the Bank will also evaluate the increase in the purchase of renewable energy certificates and actively support the implementation of the UN's Sustainable Development Goals (SDGs), depending on business needs and market conditions.

Note: "Electricity emission factor" is based on the standards announced by the Bureau of Energy, Ministry of Economic Affairs, which are 0.528 (2016), 0.529 (2017), and 0.554 (2018) kgCO₂e/kWh.

4.1.5 Waste Management

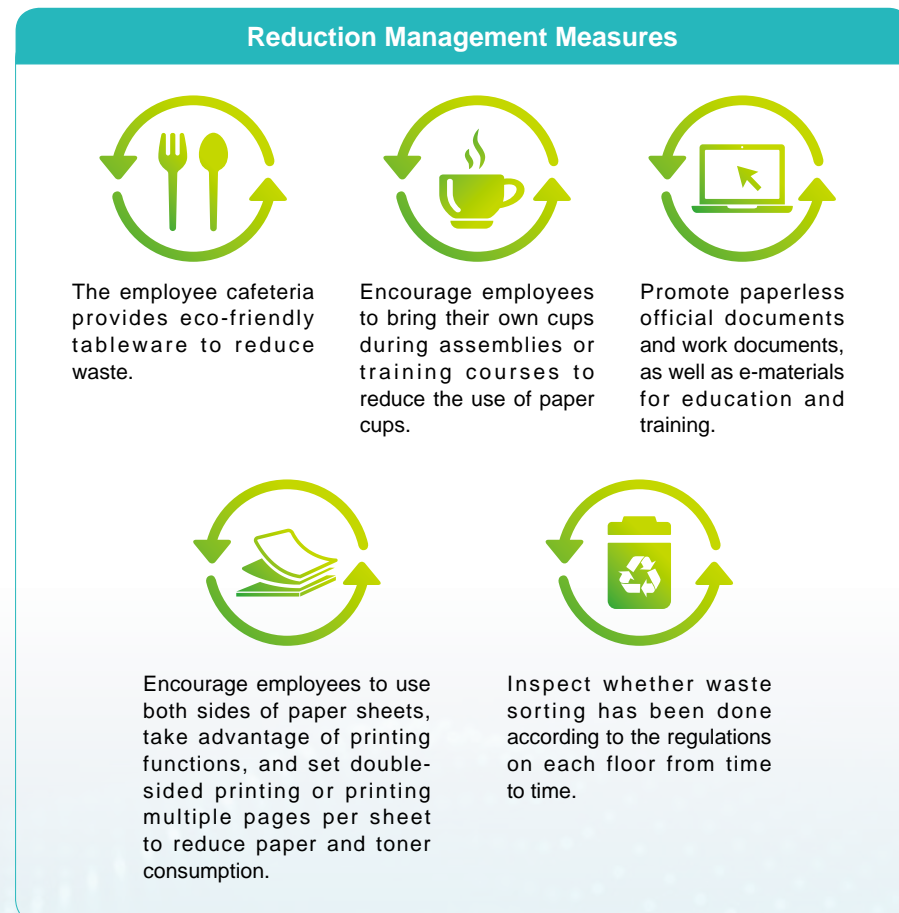
4.1.5.1 Waste Disposal

In 2018, the Bank took the initiative to manage waste, promoted energy conservation and waste reduction activities, actively implemented recycling and sorting by source management, and recorded the amount of waste regularly. In 2018, the amount of waste from the Bank's head office in Taipei was confirmed by a third party to be: general waste of 124.61 metric tons and recycling waste of 13.73 metric tons.

Sorting of Waste	Disposal Method
General Waste	<ul style="list-style-type: none"> 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.
Recycling	<ul style="list-style-type: none"> 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. Donate the waste that can be recycled and reused, such as empty toner cartridges, to the <i>Syinlu Social Welfare Foundation</i> every year.

4.1.5.2 Waste Management Goals and Measures

Taking 2018 as the base year, the Bank set the waste reduction goal of 1% for 2019, and expects to increase the recycling rate to reduce the amount of waste. To achieve the reduction goal, reduction management measures were promoted:

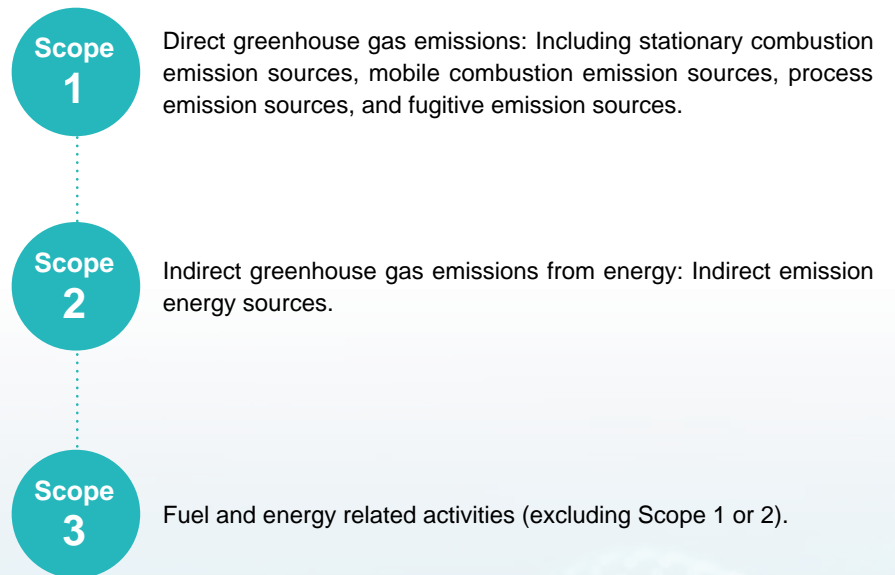


4.2 Greenhouse Gas Emissions

GRI 102-12, 305-1, 305-2

4.2.1 Greenhouse Gas Inventory Scopes

Taking 2017 as the base year, the Bank initiated greenhouse gas inventory operations voluntarily, and completed the inventory of greenhouse gas emissions for Scope 1 and Scope 2. In 2018, Scope 3 greenhouse gas emission inventory was added, and the energy conservation and carbon reduction plan was continuously established to improve energy efficiency and reduce greenhouse gas emission intensity.



4.2.2 Greenhouse Gas Inventory Performance

2017 and 2018 Greenhouse Gas Emission Statistics

item	2018	2017
Scope 1 emissions (metric tons of CO ₂ e) ^{Note 1}	1,717.69	1,999.7486
Scope 2 emissions (metric tons of CO ₂ e) ^{Note 2}	15,621.01	15,257.4040
Scope 1 + Scope 2	17,338.70	17,257.153
Scope 3 emissions (metric tons of CO ₂ e) ^{Note 3}	3,335.21	-
Total carbon emissions	20,673.91	17,257.153

Note 1: Scope 1 emissions are mainly fuel consumption of company vehicles, diesel for generators, gas, CO₂ fire extinguishers, and refrigerant filled in air conditioners, water dispensers, and refrigerators.

Note 2: Scope 2 emissions are mainly power consumption.

Note 3: In Scope 3, fuel and energy-related activities excluding Scope 1 and Scope 2 are calculated based on the 2018 fuel and energy-related activity data multiplied by the life cycle emission factor announced by the Environmental Protection Administration minus the combustion emission factor.

Note 4: The increase in carbon emissions in 2018 (Scope 1 + Category 2) is due to the increase in the electricity and fuel factor from 0.529 to 0.554.

Note 5: The choice of emission factor is based on the greenhouse gas emission factor management table of the Environmental Protection Administration, Executive Yuan (version 6.0.3 dated January, 2017). The GWP value used is also based on version 6.0.3 of the greenhouse gas emission factor management table in the IPCC Fifth Assessment Report.

4.3 Supply Chain Environment Management

GRI 102-9, 204-1, 308-1, 414-1

4.3.1 Supply Chain Management Mechanism


To promote the balance of economic, social and environmental spheres and sustainable development, in addition to actively fulfilling its own corporate social responsibility, the Bank also promotes such practices among its suppliers by devising the *Supplier Corporate Social Responsibility Policy*, 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\$1 million, the Bank also requests suppliers to sign a declaration to abide by such Policy. The Bank hopes to work together with suppliers to implement corporate social responsibility.

- ✓ In 2018, a total of 69 suppliers signed the *Supplier Social Responsibility Declaration* with the Bank, a signing rate of 100%.
- ✓ From time to time, the Bank randomly checked the corporate social responsibility implementation status of signees and found no violations.



The operating status of the supply chain environment management of the Bank is as follows:

Item	Description
Scope of Supply Chain	<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, renovation, architectural design, etc.</p> 
Related Regulations	<ol style="list-style-type: none"> 1. The Bank has established the <i>Supplier's Code of Corporate Social Responsibility</i>, which clearly stipulates that the Bank and suppliers should jointly follow the relevant laws and regulations on occupational health and safety, labor rights and interests, and environmental protection. 2. The Bank has established the <i>Regulations on Procurement</i> to improve procurement efficiency and functionality in accordance with fair and open procurement procedures, as to ensure procurement quality.
Scope of Application	The major suppliers cooperating with the Bank shall refer to any counter party in a transaction of purchase of goods or construction and maintenance specified in the Bank's <i>General Affairs Management Rules</i> involving the amount of NT\$1 million (inclusive) or more.

Item	Description
Commitments	<p>1. When signing a contract with a supplier, the Bank shall fully understand its business integrity status. Except where the laws and regulations or the competent authority stipulates otherwise, contents of the contract shall implement and comply with the Bank's <i>Ethical Management Guidelines</i>, and stipulate compliance with the corporate social responsibility policy of both respective parties. The <i>Supplier Social Responsibility Declaration</i> with the Bank shall be signed, which shall stipulate compliance with the corporate social responsibility policy of both respective parties, and it shall be undertaken to abide by the following:</p> <p>(1) Business integrity: The undersigned agrees to abide by the principles of business integrity and conduct business activities in a fair and transparent manner.</p> <p>(2) Labor rights and human rights:</p> <ol style="list-style-type: none"> ① Prohibition of child labor. ② Prohibition of forced labor on employees. ③ Prohibition of any form of discrimination. ④ Ensure that employees' working hours, overtime and salaries meet statutory standards, and provide reasonable breaks and overtime pay for employees. ⑤ Observe occupational safety and health regulations. <p>(3) Environmental protection: Comply with relevant solid wastes, waste gas and wastewater management standards, and any waste, pollutants and other environmental hazards shall be handled in compliance with statutory requirements.</p> <p>2. In the procurement of goods and equipment, the Bank has added a provision stating that "the supplier undertakes to fulfill the due care of a good manager, manage the operations of relevant personnel according to the nature of the work, pay attention to work safety and comply with labor and environmental regulations, separately purchase labor safety related insurance, and pay attention to environmental protection" for the commitments and warranties of the bidding supplier in the procurement specifications, thus requiring all suppliers to comply with relevant labor and environmental regulations.</p>
Punishment for Violation	The Bank is entitled to terminate or cancel the contract at any time if the supplier is found to have violated its corporate social responsibility policy or caused significant impacts on the environment or society surrounding the supplier's location.
Progress and Results	<p>1. In 2018, 100% of the Bank's procurement expenses came from local suppliers.</p> <p>2. In 2018, among the counter parties in the Bank's purchase of goods or construction and maintenance projects reaching the amount of NT\$1 million (inclusive) or more, a total of 69 suppliers signed the <i>Supplier Social Responsibility Declaration</i> with the Bank, i.e., a rate of 100%.</p>

4.3.2 Green Procurement

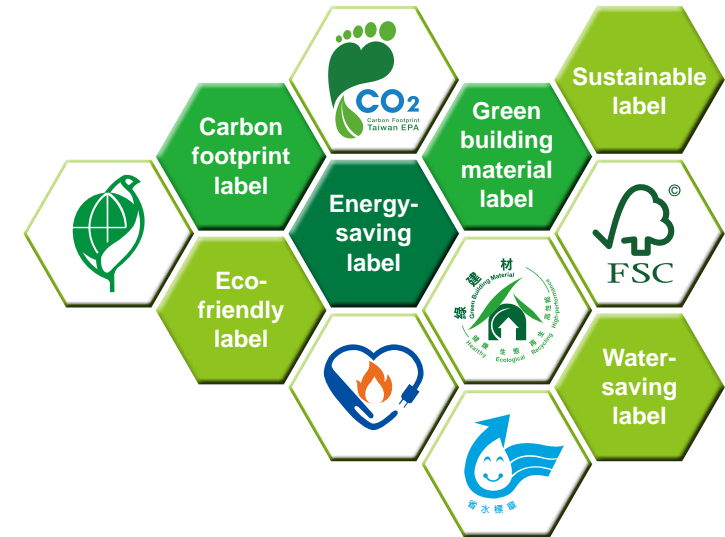
To show our emphasis on environmental protection, the Bank's procurement prioritizes eco-friendly products with eco-friendly labels, carbon footprint labels, energy-saving labels, water-saving labels, green building material labels, sustainable labels, etc., to reduce environmental impact.

The Bank's green procurement amount reached NT\$13.61 million in 2018, an increase of 47.13% over 2017, and was awarded the *Excellent Green Procurement Enterprise Award* by the Department of Environmental Protection, Taipei City Government.

4.4 Equator Principles (EPs)

4.4.1 Prior Review

Since August 2017, the Bank has extended the scope of application of the Equator Principles to all corporate loans from the original scope of corporate loan applications with credit amount of US\$10 million (inclusive) or more or the equivalent in NTD. 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.



4.4.2 Post-loan Management

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 *Code of Practice for Corporate Loan Early Warning System*. If after evaluation it is necessary to put such obligor under surveillance and control, in addition to regular monitoring, stricter incremental application processes, and inclusion in the review list, the use of the respective credit line may be suspended when necessary depending on the seriousness of the case.

In addition, in order to fulfill corporate social responsibility, the Bank has further requested that the business units shall inquire whether the company obligor and its responsible person are involved in criminal prosecution cases upon verdict, or whether there has been violation of laws or negative media reports, etc. for reference when approving or rejecting a loan.

4.4.3 Implementation Status

○○ Holdings Group intends to apply with the Bank for the purchase of €○○ million in position transfers by the Bank to ○○ Commercial Bank. There were no negative news about the borrower, the borrower was not on any sanctions lists, and the transaction counter party ○○ Commercial Bank obtained S&P BBB+ rating, so the credit risk is not high. However, there were a lot of negative news regarding the beneficial owner of the borrower (holding more than 50% of the equity of the borrower's parent company), e.g., illegal operations, insider trading, bribing of officials and other crimes, and such beneficial owner had been sentenced to more than 10 years of imprisonment and substantial fines, leaving a bad impression on society. After evaluation, the Bank decided not to undertake such business.



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A. Independence Assurance Statement

INDEPENDENT ASSURANCE OPINION STATEMENT

Chang Hwa Bank 2018 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 Chang Hwa Bank only for the purposes of verifying its statements relating to its sustainability, 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 followings:

1. The assurance scope is consistent with the description of Chang Hwa Bank 2018 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 AA1000AS (2008) with 2018 Addendum sustainability assurance engagement.

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

Opinion Statement

We conclude that Chang Hwa Bank 2018 Corporate Social Responsibility report provides a fair view of the Chang Hwa Bank programmes and performances during 2018. 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 Chang Hwa Bank and the sample taken. We believe that the 2018 economic, social and environmental performance indicators are correctly represented. The CSR performance indicators 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 assessors in accordance with the AA1000 Assurance Standard (2008) with 2018 Addendum. 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 AA1000 Assurance Standard (2008) with 2018 Addendum and their self-declaration of 'in accordance' with GRI Standards: Core option were fairly stated.

Methodology

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

- 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
- a top level review on Chang Hwa Bank's approach to stakeholder engagement. Moreover, we had sampled one external stakeholders to conduct interview
- interview with 20 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 company's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000 AP (2018)

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and sustainability performance information as well as GRI Standards 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, for that appropriate planning and target setting can be supported. In our professional opinion the report covers Chang Hwa Bank's inclusivity issues and has demonstrated social (responsible) conduct supported by top management and implemented in all levels among company.

Materiality

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 Chang Hwa Bank's management and performance. In our professional opinion the report covers 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 Chang Hwa Bank is developed and continually provides the opportunity to further enhance Chang Hwa Bank's responsiveness to stakeholder concerns. In our professional opinion the report covers 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 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 this scope. In our view, the data and information contained within Chang Hwa Bank 2018 Corporate Social Responsibility report are reliable based on procedures undertaken by means of checking, re-checking, 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 the GRI Standards disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers Chang Hwa Bank's social responsibility and sustainability topics.

Assurance level

The moderate level assurance provided is in accordance with AA1000 AS(2008) with 2018 Addendum (in our review), as defined by the scope and methodology described in this statement.

Responsibility

This CSR report is the responsibility of 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 14004 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 Fu
Managing Director BSI Taiwan
2019-05-24



Taiwan Headquarters: 30 Hsiao An, 30 Ji-Hu Rd., 30th Floor, Taipei 100, Taiwan, R.O.C.

BSI Taiwan is a subsidiary of British Standards Institution.

B. GRI Standards Index

GRI 102: General Disclosure 2016

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102-3	Location of headquarters	Governance Aspect	23
102-4	Location of operations	Governance Aspect	23-25
102-5	Ownership and legal form	Governance Aspect	23
102-6	Markets served	Governance Aspect	23
102-7	Scale of the organization	Governance Aspect	23
102-8	Information on employees and other workers	Social Aspect	53
102-9	Supply chain	Environmental Aspect	84-86
102-10	Significant changes to the organization and its supply chain	No Material Change	-
102-11	Precautionary Principle or approach	Governance Aspect	30, 35
102-12	External initiatives	Environmental Aspect	79, 83
102-13	Membership of associations	Governance Aspect	29
102-14	Statement from senior decision-maker	Message from the Chairperson	3
102-15	Key impacts, risks, and opportunities	Governance Aspect	14-17, 23
102-16	Values, principles, standards, and norms of behavior	Governance Aspect	32
102-18	Governance structure	Governance Aspect	26
102-19	Delegating authority	Governance Aspect	7
102-40	List of stakeholder groups	Governance Aspect	9
102-41	Collective bargaining agreements	Social Aspect	53, 58

GRI 102: General Disclosure 2016

Series	Disclosure	Chapter/Description	Page
102-42	Identifying and selecting stakeholders	Governance Aspect	9
102-43	Approach to stakeholder engagement	Governance Aspect	9
102-44	Key topics and concerns raised	Governance Aspect	9
102-45	Entities included in the consolidated financial statements	About this Report	2
102-46	Defining report content and topic Boundaries	Governance Aspect	9
102-47	List of material topics	Governance Aspect	9
102-48	Restatements of information	No Significant Change	-
102-49	Changes in reporting	Governance Aspect	9
102-50	Reporting period	About this Report	2
102-51	Date of most recent report	About this Report	2
102-52	Reporting cycle	About this Report	2
102-53	Contact point for questions regarding the report	About this Report	2
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	2
102-55	GRI content index	Appendix	90
102-56	External assurance	Appendix	2

GRI 103: Management Approach 2016

Series	Disclosure	Chapter/Description	Page
103-1	Explanation of the material topic and its Boundary	Materiality Analysis	9, 14-21
103-2	The management approach and its components	2018 Management approach and its components	91-92
103-3	Evaluation of the management approach	2018 Management approach and its components	93

C. 2018 Management approach and its components

High-level Concern Issues	Management Methods
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.
Business Integrity	The Bank has established the <i>Ethical Management Guidelines</i> , <i>Code of Ethics</i> and <i>Employee Code of Conduct</i> 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.
Corporate Governance	The Bank has established the <i>Corporate Governance Best Practice Principles</i> , which specify 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.
Anti-money Laundering	The Bank has established the <i>Chang Hwa Bank AML/CFT Policy</i> and <i>Guidelines Governing AML/CFT</i> for the purpose of anti-money laundering and countering terrorism financing.
Business Performance	The Bank has established the <i>Measures for Implementation of Business Performance Appraisal of Management Units in the Head Office</i> , <i>Directions for Implementing Business Performance Appraisal of Regional Centers and Business Units</i> , and <i>Directions for Implementing Business Performance Appraisal of Foreign Business Units</i> , 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.
Transaction security	The Bank has established personal information management relevant regulations, 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.
Customer rights and interests	The Bank has established <i>Chang Hwa Bank Financial Consumer Protection Policy</i> , <i>Chang Hwa Bank Financial Consumer Protection Guidelines</i> , and <i>Chang Hwa Bank Consumer Complaint Handling Guidelines</i> , providing customers with transparent complaint channels to strengthen the protection of financial consumers' rights and interests.
Human Rights	The Bank signed a collective agreement with the CHB Corporate Union to fulfill its corporate social responsibility, thus upholding our people-oriented principle to protect 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, or union affiliation.
Development of Supporting Industries	The Bank cooperates with the government's economic and trade policies, promotes domestic industrial upgrading, and joins efforts to revitalize the economy. The Bank provides necessary funds for operations, actively promotes business activities and industrial development, attaches importance to the development of the capital market and local cultural and creative industries, and continues to encourage the cultivation of relevant talents to expand its business foundation.
Greenhouse Gas Emissions	The Bank complies with the standards of ISO 14064-1: 2006. The greenhouse gas inventory operation has been initiated as a reference indicator for carbon reduction strategies, thereby improving energy efficiency, reducing greenhouse gas emission intensity, and achieving the goal of environmentally sustainable management.
Energy Consumption Management	The Bank has an environmental protection policy of "healthy living and love for our planet", and continues to promote energy conservation and carbon reduction plans to mitigate the impact of climate change and achieve the goal of environmentally sustainable management.

Establishment Purpose of Management Guidelines	Relevant Policies	Performance and Results (page number)	Complaint Mechanisms
To ensure effective management of legal compliance.	<i>Measures for Implementation of the Legal Compliance System, Implementation Policy for Legal Compliance Risk Management and Supervision</i>	30-31	0800-365-889, 412-2222
To create a corporate culture of business integrity and put an end to any corruption.	<i>Ethical Management Guidelines, Code of Ethics, and Employee Code of Conduct</i>	32-34	0800-365-889, 412-2222
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.	<i>Corporate Governance Best Practice Principles</i>	26-30	0800-365-889, 412-2222
In order to optimize the Bank's anti-money laundering and counter terrorism financing mechanisms, and strengthen the suspicious transaction monitoring procedures.	<i>AML/CFT Policy, Guidelines Governing AML/CFT</i>	32	0800-365-889, 412-2222
To strengthen the business structure and enhance profitability to ensure the achievement of assigned goals.	<i>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</i>	25-26	0800-365-889, 412-2222
To protect the security of customers' personal information and respect the rights and interests of customers.	<i>Personal Information Management Regulations, Personal Information File Maintenance Plan</i>	39-42	0800-365-889, 412-2222
To protect the rights and interests of financial consumers.	<i>Financial Consumer Protection Policy, Financial Consumer Protection Guidelines, Consumer Complaint Handling Guidelines</i>	43-47	0800-365-889, 412-2222
To protect the rights and interests of employees.	<i>Collective Agreement, Chang Hwa Commercial Bank Safety and Health Work Rules</i>	58-61	0800-365-889, 412-2222
To expand the Bank's business foundation.	<i>Credit Chapter, Credit Investigation Chapter</i>	74-75	0800-365-889, 412-2222
To reduce the intensity of greenhouse gas emissions.	Greenhouse Gas Inventory ISO 14064-1: 2006	83-84	0800-365-889, 412-2222
To mitigate the impact of climate change and achieve the goal of environmentally sustainable management.	Environmental policy of "healthy living, eco-friendliness and love for our planet", energy conservation and carbon reduction plans, ISO 50001 Energy Management System	79-83	0800-365-889, 412-2222

Evaluation of 2018 Management Approach

Material Topics	Evaluation Mechanism	Evaluation Results (page number)	Relevant Adjustments
Legal Compliance	Corporate governance evaluation, supervision of the competent authority Performance appraisal of the compliance Unit	30-31	None
Business Integrity	Internal audit, complaint mechanisms, corporate governance evaluation Performance appraisal of the compliance Unit	32-34	None
Corporate Governance	Corporate governance evaluation, performance evaluation of the Board of Directors	26-30	None
Anti-money Laundering	Statement of AML/CFT Internal Control, special audit	32	None
Business Performance	Performance appraisal	25-26	None
Transaction security	Complaint mechanisms, internal audit, audit by the competent authority	39-42	None
Customer rights and interests	Complaint mechanisms, supervision of the competent authority, Financial Ombudsman Institution	43-47	None
Human Rights	Corporate union, complaint mechanisms, Personnel Review Committee	58-61	None
Development of Supporting Industries	Domestic banks enhance the handling of SME lending program	74-75	None
Greenhouse Gas Emissions	ISO 14064-1: 2006 international certification	84	None
Energy Consumption Management	Energy Management System ISO 50001: 2011	81	None

D. Specific Topics

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	23-26
	201-3	Defined benefit plan obligations and other retirement plans	Social Aspect	53, 61
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Social Aspect	53, 61
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services provided supported	Social Aspect	72
	203-2	Significant indirect economic impact	Products Aspect	47, 72
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Environmental Aspect	84-86
* GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Governance Aspect	32
	205-2	Communication and training about anti-corruption policies and procedures	Governance Aspect	32
	205-3	Confirmed incidents of corruption and actions taken	Governance Aspect	32
GRI 206: Anti-Competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None	-

GRI 300: Environmental Series

Series	Disclosure	Description	Chapter/ Description	Page
* GRI 302: Energy 2016	302-1	Energy consumption within the organization	Environmental Aspect	79
* GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Environmental Aspect	83
	305-2	Energy indirect (Scope 2) GHG emissions	Environmental Aspect	83
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Environmental Aspect	30, 77
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Environmental Aspect	84-86



GRI 400: Social series

Series	Disclosure	Description	Chapter/ Description	Page
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Social Aspect	53
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social Aspect	61
	401-3	Parental leave	Social Aspect	53
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management–worker health and safety committees	Social Aspect	69
	403-4	Health and safety topics covered in formal agreements with trade unions	Social Aspect	69
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Social Aspect	58, 66-68
	404-2	Programs for upgrading employee skills and transition assistance programs	Social Aspect	58, 66-68
	404-3	Percentage of employees receiving regular performance and career development reviews	Social Aspect	58, 66-68

GRI 400: Social series

Series	Disclosure	Description	Chapter/ Description	Page
* GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees to men	Governance Aspect	26, 53
	405-2	Ratio of basic salary and remuneration of women	Social Aspect	61
* GRI 406: Nondiscrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Social Aspect	53, 58
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	Social Aspect	69
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	None	53
* GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	Governance & Social Aspect	32, 58
	412-2	Employee training on human rights policies or procedures	Governance Aspect	32

GRI 400: Social series

Series	Disclosure	Description	Chapter/ Description	Page
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Social Aspect	72
★ G4 Local Communities	FS13	Access points in low-populated or economically disadvantaged areas by type	Social Aspect	72
	FS14	Initiatives to improve access to financial services for disadvantaged people	Social Aspect	72
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Environmental Aspect	84-86
* GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Products Aspect	43

GRI 400: Social series

Series	Disclosure	Description	Chapter/ Description	Page
★ G4 Product Portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Products Aspect	48-49
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each businessline broken down by purpose.	Products Aspect	48-49
	FS15	Policies for the fair design and sale of financial products and services.	Products Aspect	43
	FS16	Initiatives to enhance financial literacy by type of beneficiary.	Social Aspect	72
* GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	Products Aspect	39
* GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area.	Governance Aspect	30

* Materiality Issues

★ Disclosure index for Global Reporting Initiative (GRI) G4 Financial Services Sector Supplement.

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