

# Chang Hwa Bank Stewardship Principles

Enacted on December 11, 2018

## Chapter 1 General Provisions

### Article 1 (Purpose)

To comply with “Stewardship Principles for Institutional Investors” in order to increase the maximum benefits of capital providers (including entrusted customers and bank shareholders) and beneficiaries, these Principles are established.

### Article 2 (Applicable Scope of Business and Monitoring Investee Companies)

According to the investment purpose, cost and effect, the applicable scope of business and monitoring investee companies for the establishment of these Principles are as follows:

- (I) Investment in domestic stocks (excluding those of the nature of creditor’s rights or options) according to Article 74-1 of the Banking Act of the Republic of China and approved by the competent authority, with the holding period exceeding one year and the amount reaching NTD (or equivalent value) 300 million or shareholding percentage exceeding 5%.
- (II) Domestic long-term equity investment performed according to Article 74 of the Banking Act of the Republic of china.
- (III) Where the Bank acts as the trustee having the utilization decision right on the trust assets, the domestic stock investment among such trust asset with the holding period exceeding one year and amount reaching NTD (or equivalent value) 300 million or shareholding percentage exceeding 5%.

## Chapter 2 Stewardship Policy

### Article 3 (Stewardship Compliance)

Prior to performing the business described in the preceding article, it shall be handled according to “Chang Hwa Bank Investment Policy”, “The Operational Guidelines of Investment Securities for Chang Hwa Bank”, “Chang Hwa Bank Long-Term Equity Investment Business and Subsidiaries Management Principles” and relevant handling procedures. In addition, operational

procedures such as analysis, decision making, execution, change and review of investment shall be incorporated into the internal control system, unless otherwise provided by other laws or rules prescribed by the Competent Authority.

#### Article 4 (Fulfillment Methods)

Based on the purpose of investment, cost and benefit, the Bank determines the manner, degree and frequency of the stewardship actions, and continuously monitor on the stewardship actions adopted by investees on the aspect of corporate governance.

Regarding the methods for fulfillment the stewardship actions, in addition to monitor on the operation status of investees, the Bank also communicate with management of the investee companies through conference calls, face-to-face meetings, participation in institutional investors' roadshows or attendance at shareholders' meetings or significant extraordinary general meetings.

For the equity investment transactions and trust assets, the Bank shall participate in the shareholders' meeting of investees through the method of fulfillment stewardship action method and shall also exercise the voting rights according to the regulations.

### Chapter 3 Management Policy for Prevention of Conflict of Interest

#### Article 5 (Management of Conflict of Interest)

To prevent occurrence of conflict of interest, the Bank has established "Chang Hwa Bank Code of Conduct", "Chang Hwa Bank Ethical Corporate Management Best Practice Principles" and "Chang Hwa Bank Code of Ethical Conduct" and the contents include the principles and rules required for compliance during the execution of duties as well as requirements for compliance of relevant laws in order to prevent occurrence of conflict of interest.

To ensure that during the transactions other than loaning engaged between the Bank and the stakeholders, internal control and conservatism operation principle are complied with in order to prevent conflict of interest and to prevent occurrence of non-arm's length transactions, the Bank has established "Chang

Hwa Bank Operating Regulations for transactions with Stakeholders other than credit extension”.

In order to provide guidance to the Bank in handling such type of transactions.

## Chapter 4 Voting Policy

### Article 6 (Principle of Exercise Shareholders’ Meeting Voting Rights)

Based on the maximum benefits of capital providers and beneficiaries, the Bank establishes the definite principle for exercising shareholders’ meeting voting rights and participate the operation in the investees to be a proactive voter at shareholders’ meetings. The main contents of the principle of exercising voting rights are as follows:

- (I) The process of attending shareholders’ meetings for internal decision making and assignment of personnel to exercise voting rights of the Bank shall be handled according to relevant regulations of the internal relevant rules of the Bank.
- (II) The exercise of the share voting rights of the Bank shall be based on the maximum benefits of the company, capital providers and beneficiaries, and unless the laws and these Principles specify otherwise, the Bank shall not directly or indirectly participate in the operation or improper arrangements of the investees.
- (III) When the Bank receives the meeting convention notice of an investee, within the convention time-limit of the shareholders’ meeting, the business supervising unit shall perform relevant operation procedures of the assignment of attending personnel, voting rights exercise strategy etc., and shall preserve documents for 5 years for recordation.
- (IV) For the exercise of voting right, define types of motions which the Bank may support, oppose to or may only deliver its abstention from in principle, and a statement that the Bank does not necessarily support motions proposed by management.
- (V) The Bank shall handle the directors’/supervisors’ appointment and management of investees according to “Chang Hwa Bank Long-Term Equity Investment Business and Subsidiaries Management Principles”.

#### Article 7 (Voting Method of Shareholders' Meeting)

The Bank shall exercise the voting rights via the method in writing or electronic method according to the regulations of the Company Act. Where shareholders' meeting of an investee adopt electronic votes, except where a shareholders' meeting requires attendance in person due to business needs, the electronic voting method shall be adopted in principle.

The Bank's personal letter of appointment to the shareholders' meeting of the investee company or the electronic voting records with the exercise of voting rights in electronic method shall be preserved in writing or in electronic method for a period of 5 years.

#### Article 8 (Disclosure Method and Frequency)

Attendance at shareholders' meetings of investee companies and voting activities shall be disclosed by the Bank on the Bank's website once annually.

### Chapter 5 Supplementary Provisions

#### Article 9 (Approval Hierarchy)

These Principles shall be approved by the board of directors, followed by implementation thereof. The same requirements shall be applied to amendments or abolishment of these Principles.