

Chang Hwa Bank Remuneration Committee Charter

Established in 21st Meeting of 22nd term of Board of Directors' Meeting on May 27, 2011
Amended in 24th Meeting of 22nd term of Board of Directors' Meeting on August 23, 2011
Amended in 6th Meeting of 23rd term of Board of Directors' Meeting on March 21, 2012
Amended in 4th Meeting of 23rd term of Extraordinary Shareholders' Meeting on October 8, 2012
Amended in 5th Meeting of 24th term of Board of Directors' Meeting on March 27, 2015
Amended in 20th Meeting of 24th term of Board of Directors' Meeting on June 30, 2016

Article 1 (Principle)

To strengthen the corporate governance of the Chang Hwa Bank (hereinafter referred to as the "Bank") and to ensure a sound system for compensations of all directors and managerial officers, the Bank establishes the Remuneration Committee (hereinafter referred to as the "Committee"), and establishes this Charter for compliance.

Article 2 (Organization Hierarchy)

The Committee is under the Board of Directors, and its composition of members, number of members, term of office, power, rules of procedure for meetings and resources to be provided by the Bank during exercise of powers of the Committee shall comply with the requirements specified in this Charter.

Article 3 (Purpose)

The purpose of the Committee is to assist the Board of Directors of the Bank to evaluate and review the overall compensation system of the Bank, the performance evaluation of directors, president, vice President, chief audit officer, legal compliance manager of head office, consultants, managers of head office departments and branches, as well as to establish the remuneration.

Article 4 (Composition of committee members, number of members and term of office)

- I. The number of Committee members shall not be less than three, and shall be appointed by resolution of the Board of Directors. At least one of the Committee members shall be an independent director. The convener of the Committee and the meeting chair shall be elected by a Committee member elected by all of the Committee members and shall be equipped with the qualification of an independent director.
- II. The term of the Committee members shall be the same as that of the board of directors by whom they are appointed. When a member of the Committee is dismissed for any reason, resulting in there being less than three members, a new appointment shall be made within three months from the date of occurrence.
- III. In the event of appointment and change of Committee members, announcement and report shall be made on the information reporting website designed by the competent authority within two days from the date of the occurrence.

Article 5 (Qualification Criteria of Committee Members)

- I. A Committee member shall satisfy any one of the following professional qualification criteria and shall also be equipped with more than five years of working experience:
 - (I) An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university.
 - (II) A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.
 - (III) Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.
- II. A person to whom any of the following circumstances applies may not serve as a Committee member, or if already serving in such capacity, shall ipso facto be dismissed:
 - (I) Any of the circumstances in the subparagraphs of Article 30 of the Company Act.
 - (II) During the two years before being elected or during the term of office, a committee member may not have been or be any of the following:
 1. An employee of the Bank or any of its affiliates.
 2. A director or supervisor of the Bank or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Bank, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
 3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Bank or ranking in the top 10 in holdings.
 4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding Subparagraphs 1~3.
 5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Bank or of a corporate shareholder that ranks among the top five in shareholdings.
 6. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Bank.
 7. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse thereof; provided, this restriction does not apply to Committee members exercising duties according to Article 6.
- III. The requirement of the preceding paragraph in relation to "during the two years before being elected" does not apply where a Committee member has served as an independent director of the Bank or any of its affiliates, or of a

specified company or institution that has a financial or business relationship with the Bank, as stated in Item 2 or Item 6 of the preceding Subparagraph 2, but is currently no longer in that position.

- IV. The term "specified company or institution" as described in Item 6 of Subparagraph 2 of Paragraph 2, means a company or institution that has one of the following relationships with the Bank:
 - (I) It holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Bank;
 - (II) It holds shares, together with those held by any of its directors, supervisors, and shareholders holding more than 10 percent of the total number of shares, in an aggregate total of 30 percent or more of the total number of issued shares of the Bank, and there is a record of financial or business transactions between it and the Bank. The shareholdings of any of the aforesaid persons include the shares held by the spouse or any minor child of the person or by the person under others' names.
 - (III) It and its group companies are the source of 30 percent or more of the operating revenue of the Bank.
- V. For the purposes of Paragraph 2 and Paragraph 4, the terms "parent", "subsidiary", and "group" shall have the meanings as determined under International Financial Reporting Standards 10.

Article 6 (Duties and Compliance Principle)

- I. The Committee shall act as a prudent administrator with due care to perform the following duties faithfully:
 - (I) Assess and review the overall remuneration policy of the Bank.
 - (II) Establish and periodically review the performance evaluation of the directors, president, vice president, chief audit officer, legal compliance manager of head office, consultants, managers of head office departments and branches, as well as remuneration policy, system, standard and structure.
 - (III) Periodically assess and establish the remuneration of the directors, president, vice president, chief audit officer, legal compliance manager of head office, consultants, managers of head office departments and branches.
 - (IV) Review the following matters of subsidiaries of the Bank:
 1. Determination on the remuneration of the managerial officers of directors, supervisors, chairman, president, vice president etc.
 2. Establishment and amendment of rules for the employee salary, bonus and compensation.
- II. The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:
 - (I) Performance evaluation and compensation levels of directors, president, vice president, chief audit officer, legal compliance manager of head office departments, consultants, managers of head office and branches shall take into account the general pay levels in the industry. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Bank's operational performance and future risk exposure.
 - (II) There shall be no incentive for the directors, president, vice president, chief audit officer, legal compliance manager of head office, consultants,

managers of head office departments and branches to pursue compensation by engaging in activities that exceed the tolerable risk level of the Bank.

(III) For directors, president, vice president, chief audit officer, legal compliance manager of head office, consultants, managers of head office departments and branches, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of this Bank's business.

III. "Compensation" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with the compensation for directors, supervisors, and managerial officers as set out in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

Article 7 (Rules of Meeting Procedures)

- I. The Committee secretary operation is under the Human Resource Division and is responsible for assisting the Committee for the meeting agenda preparation, convention notice, meeting procedure, meeting minutes and other relevant matters.
- II. Committee shall convene at least two meetings annually, and extraordinary meetings may be convened depending upon the needs.
- III. In case where the convener of the Committee cannot convene a meeting due to leave or reasons, the convener shall appoint another Committee member with the qualification of an independent director in the Committee to act as a proxy thereof. When there are no other Committee members with the qualification of an independent director in the Committee, the convener shall appoint other Committee members in the Committee to act as a proxy thereof. Where the convener fails to appoint a proxy, the other Committee members shall elect one Committee member to act as a proxy thereof.
- IV. The Committee meeting agenda is established by the convener, and other Committee members may also submit proposals for the Committee's discussion. The meeting agenda shall be provided to all members of the Committee in advance.
- V. To convene a Committee meeting, a notice indicating the reasons of convention shall be provided to inform all Committee members seven days before the meeting is convened. However, in emergency circumstances, such restriction shall not be applied.
- VI. All members of the Committee shall attend the Committee meetings in person. When a member cannot attend in person, he or she may appoint another Committee member to attend as his or her proxy, and a proxy shall be limited to accept the appointment from one Committee member only. For attendance of the meeting via video conference, it is deemed to attend the meeting in person.
- VII. A member of the Committee appointing another Committee member to attend the Committee meeting shall in each instance give to that Committee member a written proxy stating the scope of authorization with respect to the items on the meeting agenda.
- VIII. Resolutions at meetings of the Committee shall be adopted with the consent of

one half or more of the entire membership. When a matter comes to a vote at a Committee meeting, if upon inquiry by the meeting chair no member voices an objection, the matter will be deemed approved, with the same effect as approval by vote. The result of the vote under the preceding paragraph shall be made known immediately and recorded in writing. In addition, after the meeting, the proposals made shall be submitted to the board of directors for discussion.

- IX. The Committee may request directors, relevant department managerial officers, internal auditors, certified public accountants (CPA), legal counsels, or other personnel to attend the meeting as nonvoting participants and provide pertinent and necessary information;
- X. When a Committee meeting is held, an attendance book shall be made ready for signature by Committee members attending the meeting and thereafter made available for future reference.

Article 8 (Board Meeting Resolution Procedure)

- I. When the board of directors' meeting is discussing the recommendations made by the Committee, it shall comprehensively consider matters of the amount the remuneration, payment method and the future risk of the company etc.
- II. When a board of directors' meeting does not accept or corrects the recommendation made by the Committee, the board of directors' meeting shall be attended by more than two-thirds of all of the directors, and shall be executed based on the consent of a majority of the attending directors. In addition, during the resolution, it shall specifically explain whether the remuneration approved is superior than the recommendation made by the Committee according to the comprehensive consideration described in the preceding paragraph.
- III. If the remuneration approved by the board of directors' meeting is superior than the recommendation made by the Committee, in addition to recording the difference and the reasons thereof in the board of directors' meeting minutes, it shall also be announced and reported on the information reporting website designated by the competent authority within two days from the date of the approval by the board of directors' meeting.

Article 9 (Meeting Minutes)

- I. Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:
 - (I) The session, time, and place of the meeting.
 - (II) The name of the meeting chair.
 - (III) Attendance of the Committee members at the meeting, specifying the names and the number of members present, excused, and absent.
 - (IV) The names and titles of those attending the meeting as non-voting participants.
 - (V) The name of the minute taker.
 - (VI) The matters reported at the meeting.
 - (VII) Agenda items: For each proposal, the method of resolution and the result, and any objections or reservations expressed by the Committee members.
 - (VIII) Extraordinary motions: The name of the mover; the method of resolution and the result for each motion; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting; and any objections or reservations expressed.
 - (IX) Other matters required to be recorded.

- II. For a resolution passed by the Committee, if there is any matter about which a Committee member expresses dissenting or qualified opinions and there is a record or written statement, it shall be stated in the meeting minutes, and shall also be announced and reported on the information reporting website designated by the competent authority within two days from the date of the occurrence.
- III. The attendance book constitutes part of the minutes for each meeting of the Committee.
- IV. The minutes of each meeting of the Committee shall bear the signature or seal of both the meeting chair and the minute taker. A copy of the minutes shall be distributed to each member on the Committee within twenty days after the meeting, and shall be presented to the board of directors and retained as important corporate records for five years.
- V. If, before the expiration of the retention period under the preceding paragraph, any litigation arises in connection with any matter relating to the Committee, the meeting minutes shall be preserved until the conclusion of the litigation.
- VI. The meeting minutes described in Paragraph 1 of this Article may be produced and distributed in electronic form. If the meeting is held via telecommunications, the audio and video materials also constitute part of the meeting minutes.

Article 10 (Determination of Remuneration of Subsidiaries)

For the remuneration matters of the subsidiaries of the Bank described in the following subparagraphs, when such matters determined according to the delegation of authority of the subsidiaries requiring the approval of the board of directors the Bank, the Committee is requested to provide recommendations on such matters first before submitting to the board of directors' meeting for discussion:

- (I) Determination on the compensation for the managerial officers of directors, supervisors, chairman, president, vice president etc.
- (II) Establishment and amendment of rules for the employee salary, bonus and compensation.

Article 11 (Appointment for Audit or Providing Consultation)

The Committee, by resolution, may retain legal counsel, CPA, or other professionals on behalf of the Bank to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Bank.

Article 12 (Execution Operation)

Regarding matters through the resolution of the Committee, for the relevant execution of works thereof, the convener or other members of the Committee may be authorized to continue the handling of such matters, and written reports shall be submitted to the Committee during the execution period, and when it is considered necessary, reports to the Committee shall be made in the next meeting for ratification or reporting thereof.

Article 13 (Amendment of Charter)

This Charter shall be implemented after the approval of the board of directors, and the same requirements shall be applied to amendments thereof.