

# **Chang Hwa Bank Ethical Corporate Management Best Practice Principles**

## **Article 1 (Purpose of establishment and applicable scope)**

To thoroughly implement ethical corporate management policies and to actively prevent unethical conducts, the Bank establishes these Principles according to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and relevant laws in order to specifically regulate personnel of the Bank in performing commercial activities based on the ethical principles and corporate ethic of the Bank the execution of duties, and to establish proper corporate governance and risk control mechanism, thereby creating a management environment of sustainable development.

These Principles are applicable to the subsidiaries of the Bank and other institutions or judicial persons which are substantially controlled by the Bank (referred to as the “affiliated organizations”).

## **Article 2 (Applicable subject)**

The personnel of the Bank described in these Principles refer to directors, supervisors, managers, employees, mandataries of the Bank and affiliated organization and persons having substantial control over the Bank.

Employees of the Bank offer, promise to offer, request or accept any improper benefits through a third party shall be determined to be an act committed by the employees of the Bank.

## **Article 2-1 (Corporate ethics)**

Personnel of the Bank shall properly implement the philosophy of honesty, fairness, respect, openness and transparency within the scope of business activities. During the performing of all duties, personnel shall uphold the aforementioned corporate ethics core value, and comply with all relevant laws, regulations and company policy, in order to ensure conducts and behaviors complying with the professional ethics and moral.

### Article 3 (Prohibition of unethical conduct)

The personnel of the Bank are prohibited to engage in unethical conducts. The unethical conducts described in these Procedures and Guidance shall mean that personnel of the Bank directly or indirectly offer, accept, promise or request for any improper benefits or commit other acts breaching ethics, illegal or breach of fiduciary duty for purposes of acquiring of mainlining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Any material violation or sabotage of accounting systems and internal control systems of the Bank which jeopardizes the Bank's ethical corporate management will also be deemed as an unethical conduct.

### Article 4 (Type of benefits)

The term "benefits" described in these Principles means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name. However, benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

### Article 5 (Legal compliance)

The board of directors and management level of the Bank shall actively implement these Principles in order to use such Principles as the code of conduct, and shall properly execute it in the internal management and external commercial activities.

The Bank and personnel of the Bank shall comply with the "Company Act", "Securities and Exchange Act", "Business Entity Accounting Act", "Political Donations Act", "Anti-Corruption Statute", "Government

Procurement Act”, “Act on Recusal of Public Servants Due to Conflicts of Interest”, TWSE/GTSM listing rules, or other laws or regulations related to commercial activities, as the underlying basic premise to facilitate ethical corporate management.

#### Article 5-1 (Commitment and execution)

The board of directors and senior management of the Bank shall issue a Statement of Compliance with the Ethical Management Policy (ANNEX 1) and the Bank shall require in the terms of employment that employees comply with such policy or issue a Commitment Letter of Ethic and Integrity (ANNEX 2).

The Bank shall clearly specify in the rules and external documents and on the Bank’s website the ethical corporate management policies and the commitment of the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

The Bank shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.

The term " senior management” described in these Principles means the Bank’s managers (including the President, the Senior Vice President, the Chief Auditor, the Chief Compliance Officer, the Division Head or the head of equivalent department, managers, and personnel appointed in accordance with Article 29, Paragraph 1, Item 5 of Company Act).

#### Article 6 (Organization and responsibility)

The personnel of the Bank shall exercise the due care of good administrators to urge the Bank to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of these Principles.

In order to implement the ethical corporate management policies, the Committee for Sustainable Development of the Bank (referred to as the “Committee”) is the ethical corporate management dedicated unit and designates the Compliance Division to be responsible for ethical corporate

management policies related affairs pursuant to the Ethical Corporate Management Best Practice Principles and assist the Bank in implementing the supervision and prevention of unethical behavior related regulations in charge of the following matters, and shall report to the Committee and the board of directors periodically (at least once a year):

I. Assisting relevant units to cooperate with regulatory system in order to incorporate ethics and moral values into the company's business strategy and adopt relevant prevention measures against corruption and malfeasance in order to ensure ethical management.

II. Assisting the relevant units to analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and adopt relevant regulations to prevent such unethical conducts.

III. Assisting the inspection of the internal organization, staffing and job duties, establish mutual supervision and balance mechanisms for operating activities of relatively higher unethical conduct risk in the scope of business.

IV. Promoting and coordinating ethical policy promotion and training.

V. Planning a complaint filing system and ensuring its operating effectiveness.

V. Assisting the board of directors and management level in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and periodically preparing reports on the assessment of compliance with ethical management in operating procedures.

#### Article 7 (Recusal of conflict of interest)

For resolutions listed by the board of directors' meeting, the personnel of the Bank shall comply with the relevant regulations of the "Rules of Procedures for Board of Directors' Meeting," "Operation Regulations for Transactions with Stakeholders regarding Credit Operation," and "Operating Regulations for Transactions with Stakeholders Other Than Credit Operation"

etc., and to prevent conflict of interest. The directors shall practice self-discipline and must not support one another in improper dealings.

The personnel of the Bank shall not take advantage of their positions or influence in the Bank to obtain improper benefits for themselves, their spouses, parents, children or any other person.

During the execution of duties, in case where the personnel of the Bank discovers situation of conflict of interest in one's own position or judicial person represented by them, or where their own, spouse, parents, children or related persons in conflict of interest may obtain illegal benefits, they shall report relevant matters to their direct supervisors and the Compliance Division. The direct supervisor shall also provide appropriate guidance.

The personnel of the Bank shall not use the resources of the Bank in commercial activities outside the Bank, and shall not affect their job performance due to the participation in the commercial activities outside the Bank.

#### Article 8 (Commercial activities for ethical corporate management)

The Bank shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Before developing a commercial relationship with another party, the Bank shall evaluate the legality and ethical management policy of an agent, supplier, customer, or other counterparty in commercial dealings, and shall ascertain whether they have any record of involvement in unethical conduct first according to relevant regulations of the Bank in order to ensure the fairness, transparency of the business management method, and shall not request, offer or accept bribes.

The personnel of the Bank, when engaging in commercial activities, shall make a statement to the trading counterparty about the Bank's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

The personnel of the Bank shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement these Principles.

During the signing of contract with others, the Bank shall sufficiently understand the ethical management status of the transaction counterparties. Unless the laws or competent authority specify otherwise such that such regulations shall be complied, the contract content shall be in conformity with these Principles and shall include relevant clauses specifying that the Bank may terminate or rescind contracts at any time in case where the transaction counterparty involves in any unethical conduct.

#### Article 9 (Prevention programs)

When establishing the relevant programs to prevent unethical conducts, the Bank shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and enhance relevant preventive measures and review prevention programs adequacy and effectiveness on a regular basis.

The prevention programs described in the preceding paragraph shall at least include preventive measures against the following:

- I. Offering and acceptance of bribes.
- II. Illegal political donations.
- III. Improper charitable donations or sponsorship.
- IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
- V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
- VI. Engaging in unfair competitive practices.

VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 10 (Prohibition on offering and acceptance of bribes)

The Bank and the personnel of the Bank shall not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11 (Prohibition on offering illegal political donation, prohibition on illegal donation or sponsorship)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, or offering charity donations or sponsorship, the Bank and the personnel of the Bank shall comply with the relevant laws of the Political Donations Act and the “Regulations for Offering Donations to External” of the Bank, such that the Bank and the personnel of the Bank shall not seek to gain business benefits or trading advantages, and shall not engage in disguised bribes.

Article 12 (Prohibition on offering or acceptance of illegal benefits)

The Bank and the personnel of the Bank shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

When the personnel of the Bank directly or indirectly provide, accept, commit or request the benefits specified in Article 4 of these Principles, except for the conditions described in the following subparagraphs, the personnel shall handle such matter in compliance with relevant procedures specified in these Principles:

- I. Where it is based on the business needs, during the domestic (overseas) visits, reception for guests, promotion of business and communication and coordination, performed according to the local courtesy, common practice or custom.
- II. Where it is based on the normal social etiquette, business purpose or promotion of relationship or participation or invitation of others in normal social etiquette activities.
- III. Where guests are invited or personnel being invited to participate in particular business activities and factory visits etc. according to the business needs, and the expense bearing method, number of participants, accommodation level and period etc. for the aforementioned activities have been specified.
- IV. Participation in publicly organized custom festival activities and the general public is also invited to such activities.
- V. Reward, remedy, condolences or appreciation gifts etc. provided by supervisors.
- VI. Other actions complying with the regulations of the Bank, such as “Employees Code of Conduct” of the Bank.”

#### Article 13 (Handling procedure for acceptance of illegal benefits)

Where the personnel of the Bank encounter the benefit described in Article 4 of these Principles directly or indirectly offered or committed by others, except for the conditions specified in the Sub-paragraphs of Paragraph 2 of the preceding Article, it shall be handled according to the following procedures, and the “Donation Registration Form” specified in Article 27 of the “Employees Code of Conduct” of the Bank shall be completed accordingly:

- I. Where the person making the offer or commitment is not subject to any conflict of interest in the job position, then it shall be reported to the unit supervisor and the legal compliance supervisor within three days from the date of acceptance of the benefit. When it is considered necessary, the Compliance Division shall be informed.



II. Where the person making the offer or commitment is subject to conflict of interest in the job duties, then the benefit shall be returned or rejected, and shall also report to the unit supervisor and the legal compliance supervisor as well as inform the Compliance Division. If the benefit cannot be returned, then it shall be forwarded to the Compliance Division for handling within three days from the date of acceptance of the benefit.

The condition of “being subject to conflict of interest in the job duties” described in the preceding paragraph refers to one of the following:

- I. Having the relationship of business dealings, directive supervision or fee subsidy (compensation) etc.
- II. Currently seeking, performing or already engaging in contracted works, sale and purchase or other contractual relationships.
- III. Other matters that may cause advantageous or disadvantages due to the decision, performance or non-performance of the business of the Bank.

The Compliance Division shall propose recommendation on return, payment for the accepted benefits, treated as company asset, further donation to charity institutions or other appropriate recommendations according to the nature and value of the benefit described in Paragraph 1, and shall report to the President for approval before the execution thereof.

#### Article 14 (Prohibition on infringement of intellectual property rights or trade secrets of the Bank)

The Bank and personnel of the Bank shall comply with the intellectual property rights related laws, the regulations and contractual provisions of the Bank, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder, and shall not disclose any learned intellectual property rights of trade secrets, trademarks, patents, copyrights etc. of the Bank to others, or seek, collect intellectual property rights of trade secrets, trademarks, patents, copyrights etc. of the Bank not related to one’s job duties.

Article 15 (Prohibition on engaging in unfair competitive practices)

The Bank shall engage in business activities in accordance with the “Fair Trade Act” and relevant competition laws, and shall not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16 (Disclosure of consumer rights and interest protection policy)

The Bank shall disclose the protection policies for rights and interest of consumers or other stakeholders on the company website or annual report, and shall implement such policies in the operational activities in order to prevent products or services from directly or indirectly damaging the rights and interest, health and safety of consumers or other stakeholders.

Article 17 (Prohibition on offer or commitment in facilitation payment and handling for others engaging in ethical conducts on the Bank)

The Bank shall neither provide nor promise any facilitating payment.

In case where the personnel of the Bank are subject to threat or intimidation to offer or commit facilitation payment, the process shall be recorded and reported to the direct supervisor, and the Compliance Division shall be informed.

After the Compliance Division receives the notice described in the preceding paragraph, the Compliance Division shall handle the matter immediately, and shall review relevant situations in order to reduce the risk of re-occurrence thereof. In case where any illegal situation is found, the judicial or prosecutors’ office shall be informed immediately.

Article 18 (Prohibition of insider trading)

The personnel of the Bank shall adhere to the provisions of the “Securities and Exchange Act”, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party,

in order to prevent other party from using such information to engage in insider trading.

#### Article 19 (Non-disclosure agreement)

Any other organization or person outside of the Bank that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Bank shall be required to sign a nondisclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Bank acquired as a result, and that they may not use such information without the prior consent of the Bank.

#### Article 20 (Accounting and internal control)

The Bank shall establish effective accounting systems and internal control systems, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal auditors of the Bank shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs.. The internal auditors may engage a certified public accountant to carry out the audit and may engage professionals to assist, if necessary.

The audit results produced in the preceding paragraph shall be submitted to the Chairman of the board, the President, and the Committee (referred to as the “Submitted Target”), and the internal auditors of the Bank shall submit the audit reports to the board of directors; nevertheless, if any of the Submitted Target has a personal interest or conflict of interest in the audit result, such person shall be excluded.

#### Article 21 (Complaint filing and disciplinary action for unethical conducts)

The Bank encourages the complaint filing for unethical conducts. When any personnel of the Bank is found to have any unethical conducts, complaint shall be filed to the Bank. Where a complainant satisfies the “Employees Reward and Discipline Implementation Regulations” of the Bank and rewards may be provided according to the actual conditions. In case of any false report or hostile accusation, disciplinary actions may be imposed according to the regulations and for major violation, such complainant may be dismissed from the job position.

The Bank shall establish and announce the complaint mailbox or direct line on the company website or intranet for the use of the complainants.

Complainants shall provide at least the following information. In case where such information is not provided, the Bank may reject the complaint filed:

- I. Name of the complainant (anonymous, alias, name of others or submission on behalf of others are not permitted) and contact address, telephone or email.
- II. Name and unit of job position (if known) of the party being complained, or other information sufficient to identify characteristics the party being complained.
- III. Fact content of the complaint (shall be case related to crime, fraud or violation of laws, and shall not be illegal matters of hostile attacks, false and deceptive, or without specific content etc.), occurrence time and location, and shall submit specific evidence for investigation.

Except for regulatory compliance or cooperating with investigation of official agencies, or except for information known to the general public, the Bank shall keep the identity of the complainant and the complaint content confidential, and shall guarantee to protect the complainant from dismissal, discharge, downgrade and transfer, reduction of salary, and damages of interests entitled to the complainant according to the laws, contract or custom, or other inappropriate disposition.

In case of inappropriate or illegal matters where the complainant is aware of the falseness of the facts reported, or where the complaint case is found to

have false content and involves hostile attacks on the Bank or personnel of the Bank through investigation, then the rules of protection described in the preceding paragraph shall not be applicable.

After a complainant files a complaint, unless the handling of complaint case specifies other rules, the “Regulations for Handling Internal Complaints” of the Bank.

Where the aforementioned complaint matter is verified to be true after investigation, disciplinary action shall be imposed according to relevant regulations of the Bank. For major violation, the party being complained may be dismissed from the job position or his/her employment may be terminated, and be reported to the competent authority or referred to the judicial authority, if necessary. In addition, the information of the job title, name, violation date, content of violation and handling status etc. of the violating person is disclosed in the intranet of the Bank.

Where the internal audit unit of the Bank verifies the complaint matter to be true, it shall request relevant units to review the internal control system and operation procedure, and propose improvement measures in order to prevent re-occurrence of the same conduct, and shall report the handling method and subsequent improvement measures reviewed to the board of directors. However, for complaint cases applicable to the “Regulations for Handling Internal Complaints” of the Bank, such cases shall be summarized periodically for reporting to the audit committee and the board of directors.

The aforementioned complaint acceptance, investigation process, investigation result shall be preserved with written documents, and shall be preserved for five years. The preservation method may be made in electronic method. In case where, before the end of the preservation period, any litigation arises in connection with the complaint content, relevant documents shall continue to be preserved until the litigation is concluded.

## Article 22 (Educational training and evaluation)

The Chairman, President or senior management level of the Bank shall communicate the importance of ethics to its directors, managers, employees and mandataries.

The Bank shall organize educational training and promotion related to ethical management.

The Bank shall incorporate the ethical management into the employee performance evaluations and human resources policy, and shall establish clear and effective systems for rewards, discipline and complaint system.

#### Article 23 (Information disclosure)

The Bank shall continue to assess the ethical policy promotion outcome, and shall disclose the ethical management implementation status on the company website or annual report, and shall also disclose these Principles on the Market Observation Post System (MOPS).

#### Article 24 (Review and amendment of these Principles)

The Bank shall be aware of the development of domestic and foreign ethical management related regulations at all time, and shall encourage the personnel of the Bank to propose recommendations in order to review and improve ethical management related regulations of the Bank, thereby improving the ethical management outcome.

#### Article 25 (Independent directors' opinion)

These Principles shall be reviewed by the Committee first, followed by reporting to the board of directors. When these Principles are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting.

## Article 26 (Implementation and amendment)

These Principles shall be implemented after the board of directors grants the approval through resolution. The same requirements shall be applied to amendments thereof.

ANNEX 1

Statement of Compliance with the Ethical Management  
Policy

Pursuant to Article 5-1 of Chang Hwa Bank Ethical Corporate Management Best Practice Principles, the Declarant hereby solemnly declares and affirms that the Declarant is willing to abide by Chang Hwa Bank Ethical Corporate Management Best Practice Principles, Taiwan Stock Exchange Corporation / GreTai Securities Market listing rules, and other laws or regulations regarding ethical management; the Declarant shall neither directly or indirectly offer, promise to offer, request or accept any improper benefit, nor commit unethical and illegal acts or breach of fiduciary duty for the purposes of acquiring or maintaining benefits in conducting the business operation.

To Chang Hwa Commercial Bank, Ltd.

Declarant : (Signature or Stamp)

ID No. :

Date ( Year/Month/Day ) :



ANNEX 2
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## **Commitment Letter of Ethic and Integrity**

I, the undersigned (hereafter referred to as the "Undersigned"), commits and agrees to abide by the Commitment Letter of Ethic and Integrity (hereafter referred to as the "Letter") during the employment period of Chang Hwa Commercial Bank, Ltd. (hereafter referred to as the "Chang Hwa Bank").

### **I. Commitment**

**The Undersigned undertakes to comply with the following:**

- 1. The Undersigned strictly abide by Chang Hwa Bank Ethical Corporate Management Best Practice Principles, Code of Conduct, and all relevant internal rules and regulations.**
- 2. The Undersigned shall neither take advantage of Undersigned or other people to demand, agree to accept, accept, or use any bribe, nor to obtain any improper benefits, including but not limited to brokerage, commission, stock, insider trading, share of profits, improper gifts or entertainment (hereafter referred to as the "Improper Benefits") under applicable laws and business ethics from Chang Hwa Bank's client or counterparty (including its employees), client's or counterparty's (including its employees') spouse, parents, children, siblings, grandparents, grandchildren, and other close relatives or friends (hereafter referred to as the "Related Person"), and (or) their designated person.**
- 3. The Undersigned shall not have any behavior of corruption, false, deceit, counterfeit, alteration during execution of duties; shall not embezzle, misappropriate, or steal Chang Hwa Bank's assets when handing, safekeeping, contacting, or using any tangible or intangible asset of Chang Hwa Bank.**
- 4. Without prior authorization, the Undersigned shall not disclose any data or information regarding Chang Hwa Bank, regardless of whether it is valuable, disclosed, taken or being taken confidentiality measures in oral, written or any form whatsoever.**
- 5. The Undersigned shall not engage in any activity which will infringe Chang Hwa Bank's rights and interests for the benefit of Undersigned or other people; shall not abet or induce any other Chang Hwa Bank's employee to resign, breach the employee's duty, or infringe Chang Hwa Bank's rights and interests.**

## **II. Breach of Commitment**

**If Undersigned breaches any provision of I. Commitment Matters, in addition to assume all legal liabilities and compensate all losses of Chang Hwa Bank (including but not limited to any obligation, claim, action, litigation, criminal fine, administrative fine, damage, loss, settlement, attorney fees and any other cost in connection of the breach), Undersigned shall pay Chang Hwa Bank an amount equal to twenty times of involved Improper Benefits as a penalty.**

## **III. Duty of Cooperation**

If Undersigned acknowledges other employee or counterparty of Chang Hwa Bank acts in violation of this Letter, Undersigned shall file a complaint to the internal complaint dedicated unit of Chang Hwa Bank and provide corresponding evidence. If the complaint has been verified by Chang Hwa Bank and has beneficial results, rewards may be provided according to the actual situation.

## **IV. Jurisdiction**

Undersigned irrevocably agrees this Letter shall be governed by and construed in accordance with laws of Republic of China (Taiwan), and agrees that Taiwan Taipei District Court shall have exclusive jurisdiction.

## **V. Severability**

The provisions in this Letter is separable, and if any provision of this Letter is held to be invalid or unenforceable by a court of competent jurisdiction, to the extent of such invalidity or unenforceability without affecting the remaining provisions.

To

Chang Hwa Commercial Bank, Ltd.

Undersigned :

ID Number :

Address :

Date ( Year/Month/Day ) :