

Chang Hwa Bank Stewardship Principles

Established in the 18th meeting of the 25th board dated December 11, 2018

Amended in the 7th meeting of the 26th board dated December 15, 2020

Chapter 1. General Provisions

Article 1. (Purpose)

The Stewardship Principles are established in compliance with the "Stewardship Principles for Institutional Investors" to increase the overall benefits of the funding contributors (including clients, beneficiaries, or shareholders of the Bank; hereinafter referred to as "funding contributors").

Article 2. (Applicable business scope and targets)

The Bank established the following applicable business scope and targets in accordance with the purpose, cost, and benefits of investment:

- I. Where the investment amount in a domestic stock (excluding those of the nature of creditor's rights or options) approved in accordance with Article 74-1 of the Banking Act and authorized by the competent authority for investment exceeds NTD 100 million (or foreign currency of an equivalent value) or where the percentage of shares held exceeds 5%;
- II. Long-term equity investments processed in accordance with Article 74 of the Banking Act;
- III. Where the Bank serves as a trustee who holds voting rights for trust assets, investment in domestic stocks held by the trust assets for more than one year with an amount of more than NTD 300 million (or foreign currency of an equivalent value) or where the percentage of shares held exceeds 5%;
- IV. Where an investment in a single company or bond issued by a financial institution exceeds 1% of the net worth of the Bank after final calculation for the preceding fiscal year.

Chapter 2. Stewardship Policy

Article 3. (Stewardship compliance)

The Bank shall follow the "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 related operating procedures when engaging in the aforementioned businesses. It shall also consider the

environmental, social, and governance (ESG) risks and performance of the investees. Except where otherwise required by laws or the competent authority, the Bank shall include trading analysis, decision making, execution, modification, review, and other operating procedures in the internal control system.

Article 4. (Implementation method)

The Bank decides the method, level, and frequency of its stewardship activities based on the objectives, costs, and benefits of an investment and continues to pay close attention to the investees' corporate governance activities.

The Bank pays close attention to the operations of investees to perform its stewardship responsibilities and engages management teams of investees through conference calls, visits, and attendance at investor conferences and general and extraordinary shareholders' meetings.

With regard to equity investment transactions and trust assets, the Bank shall fulfill stewardship responsibilities by attending shareholders' meetings of investees and exercising voting rights in accordance with regulations.

Chapter 3. Management Policy for the Prevention of Conflicts of Interest

Article 5. (Patterns of conflicts of interest)

- I. Decisions and actions taken by the Bank or employee for personal benefits that are detrimental to the funding contributors;
- II. Decisions and actions taken by the Bank or employee to benefit specific funding contributors that are detrimental to other funding contributors or stakeholders;
- III. Other patterns of conflicts of interest prescribed in laws and regulations.

Article 6. (Management of conflicts of interest)

The Bank implements the policy through education, division of responsibilities, and information management to ensure that the Bank executes business operations for the interest of the funding contributors. The Bank has established the "Chang Hwa Bank Code of Conduct", "Chang Hwa Bank Ethical Corporate Management Best Practice Principles", and "Chang Hwa Bank Code of Ethical Conduct" to prevent conflicts of interest. In addition, the Bank's related personnel must comply with the following regulations when engaging in matters related to this

Principle:

- I. Except where authorization is granted, employees of the Bank may not disclose or discuss any information regarding completed transactions, imminent transactions, or transactions that are being discussed with any third party which does not require such knowledge in the execution of their duties.
- II. Except where required by related laws and regulations, employees of the Bank may not disclose the Bank's transaction information or confidential business information of investees.
- III. Employees of the Bank may not conduct personal transactions through related transactions.
- IV. Employees of the Bank may not gain unlawful interest for themselves or others by abusing their powers and the following actions are prohibited:
 - (I) Use of their powers to manipulate stock prices to benefit themselves or others;
 - (II) Enter an agreement with a transaction counterparty to share profits or losses;
 - (III) Request for kickbacks or commissions.

The Bank has established the "Chang Hwa Bank Operating Regulations for Transactions with Stakeholders Other than Credit Extension" to ensure that the Bank and stakeholders meet requirements of internal control and stable management principles in transactions other than credit extension, prevent conflicts of interest, and avoid non-arm's length transactions. The Operating Regulations provide guidance for the Bank when it processes such transactions.

Article 7. (Description of conflicts of interest)

In response to incident with a material conflict of interest, the Bank shall provide funding contributors with an explanation of the causes of and responses to the incident on a regular or ad hoc basis on the Bank's official website.

Chapter 4. Voting Policy and Engagement

Article 8. (Principles for exercising voting rights in shareholders' meetings)

The Bank expressly specifies the principles for exercising voting rights in shareholders' meetings to protect the interests of the Bank and funding contributors. It also actively exercises voting rights in

shareholders' meetings and participates in the corporate governance of investees. The principles for exercising voting rights and main contents are as follows:

- I. The internal decision-making process for the Bank's attendance at shareholders' meetings and the assignment of personnel to exercise voting rights shall be processed in accordance with the Bank's related internal regulations.
- II. The Bank's voting rights must be exercised based on the overall interests of the Bank and funding contributors. Except where it is otherwise provided in laws and regulations and this Principle, the Bank may not directly or indirectly participate in the operation of investees or engage in other inappropriate arrangements.
- III. After the Bank receives a meeting notice from an investee, the business management unit shall assign the attendee within the deadline for the shareholders' meeting and retain information on operations and procedures for 5 years for reference.
- IV. The exercise of voting rights for decision-making is defined as the support, opposition, or mere abstention of the exercise of rights on proposals. We hereby state that it should not be taken for granted that the Bank will always agree with the management team's proposals. The Bank respects the professional operations of investees and supports their effective development. As a principle, we support the proposals by the management in shareholders' meetings, but do not support proposals that may damage the interests of the Bank and funding contributors, violate corporate governance principles and affect investees' sustainable development, or have a negative impact on society.
- V. The Bank's appointment and management of the directors and supervisors of investees shall be processed in accordance with the "Chang Hwa Bank Long-Term Equity Investment Business and Subsidiaries Management Principles".

Article 9. (Voting methods for shareholders' meetings)

The Bank shall exercise voting rights in writing or electronically in accordance with the Company Act. Where an investee adopts electronic voting for shareholders' meetings, the Bank shall, as a principle, use electronic voting except where attendance in person at the shareholders' meeting is necessary due to business requirements.

The Bank's assignment form for attendance at person at shareholders'

meetings of investees or records of the exercise of electronic voting rights shall be kept in printed or physical format for 5 years for reference.

Article 10. (Engagement activities)

Where an investee damages the overall interests of the Bank and funding contributors and seriously violates related ESG issues, the Bank shall express its position and requests to the investee and may join other investors with similar views in expressing concerns.

The Bank may adopt the following methods for dialogue and interaction with investees:

- I. Using letters, emails, telephone, or verbal communication;
- II. Express opinions in shareholders' meetings, investor conferences, or meetings of the Board of Directors;
- III. Submit proposals in shareholders' meetings;
- IV. Participate in voting at shareholders' meetings.

Chapter 5. Method and frequency of disclosure

Article 11. (Method and frequency of disclosure)

The Bank shall disclose all stewardship and voting activities in a year on its website every year.

Chapter 6. Supplementary Provisions

Article 12. (Level of approval authority)

This Principle shall take effect after the approval of the Board of Directors. The same applies to all subsequent amendments or revocation.