



**2020**

**Fulfillment of Stewardship  
Responsibilities and Votes**

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# Compliance Statement

- Chang Hwa Commercial Bank, Ltd. upholds its social responsibility investment ideals by updating and signing the "Statement of Compliance with Stewardship Principles for Institutional Investors" on December 15, 2020.
- This Report is the disclosure of the fulfillment status of stewardship responsibilities to funding contributors by Chang Hwa Commercial Bank Ltd. in accordance with Principle 6 of the "Stewardship Principles for Institutional Investors".

# Corporate Social Responsibility Organizational Structure



# Fulfillment of Stewardship Responsibilities

## I. Determine investment target

### ➤ Long-term equity investments

Chang Hwa Commercial Bank, Ltd. (hereinafter referred to as "the Bank") shall evaluate requirements of policies, industrial and economic environment, business prospects, and the Bank's business requirements as the basis for evaluating investments, and the Bank shall engage in investments within the scope authorized by the competent authority.

### ➤ Short-term equity (Listed stocks) and Bond investment

The procedures for investment are as follows:



- Exclusion of pornography, tobacco, arms, gambling, and other unethical industries

# Fulfillment of Stewardship Responsibilities

## II. Investment target portfolio analysis

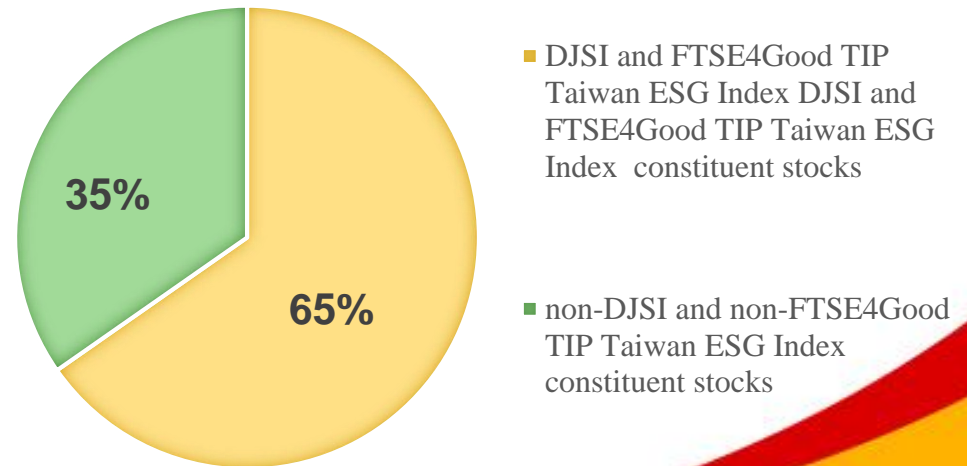
- In 2020, the Bank invests in 33 domestic listed companies including **18** constituents of the Dow Jones Sustainability Index (DJSI) and FTSE4Good TIP Taiwan ESG Index which account for **65%** of total investments.

**NUMBER OF INVESTING  
IN LISTED COMPANIES**



Source: self-statistics

**PROPORTION OF TOTAL  
INVESTMENTS IN LISTED  
COMPANIES**



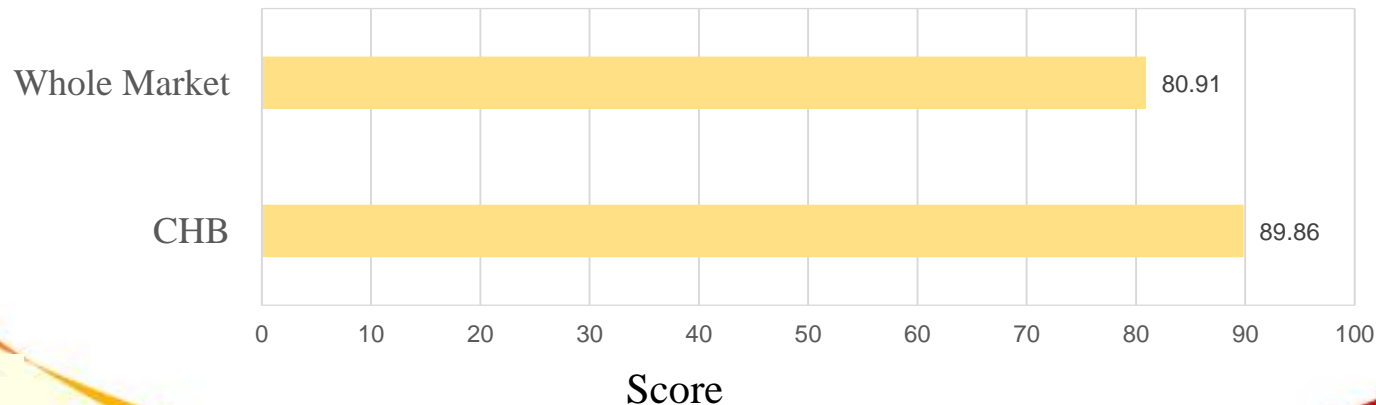
Source: self-statistics

# Fulfillment of Stewardship Responsibilities

## II. Investment target portfolio analysis(Cont.)

- According to the classifications in every year Corporate Governance Evaluation conducted by the TWSE and TPEX, the Bank's score based on the analysis results in the "Corporate Governance Evaluation Investment Rating" in 2020 was 89.86 points which was higher than the whole market average rating of 80.91 points.

### CHB AND THE WHOLE MARKET DUE DILIGENCE GOVERNANCE SCORE



Source: TDCC

# Fulfillment of Stewardship Responsibilities

## III. Post-investment Follow-up management

- After selecting investment targets, the Bank continues to focus on the related news, operational strategies, operational status, financial performance, industry profile, environmental protection, social responsibilities, labor rights, and corporate governance issues. The Bank actively attends institutional investors' conferences of investees through the telephone or face-to-face meetings, and assigns personnel to attend meetings of the board of directors or supervisors, general shareholders' meetings, or extraordinary shareholders' meetings. The Bank has appointed individuals with expertise in related fields to investees for which the Bank may appoint directors and supervisors in accordance with internal procedures.
- 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 or assesses to reduce the investment.

# Fulfillment of Stewardship Responsibilities

## III. Post-investment Follow-up management (Cont.)

- Long-term equity investment and evaluation of the proposals and voting in shareholders' meetings

Where an investee organizes a merger, capital reduction, dissolution, division, transfer, or acceptance of all or major parts of operations or assets, or other major financial plans, the exercise of the Bank's shareholders' equity shall be based on a review and evaluation of whether the proposal benefits the shareholders and the development of the investee. The Bank shall prepare a recommendation for voting and submit it to the Bank's Board of Executive Directors for review before implementation.



# Fulfillment of Stewardship Responsibilities

## IV. Failure to comply with stewardship principles

- No case in 2020.

## V. Management of conflicts of interest

- No material conflicts of interest occurred in 2020.
- The Bank organized two internal education and training program related to conflicts of interest in 2020.

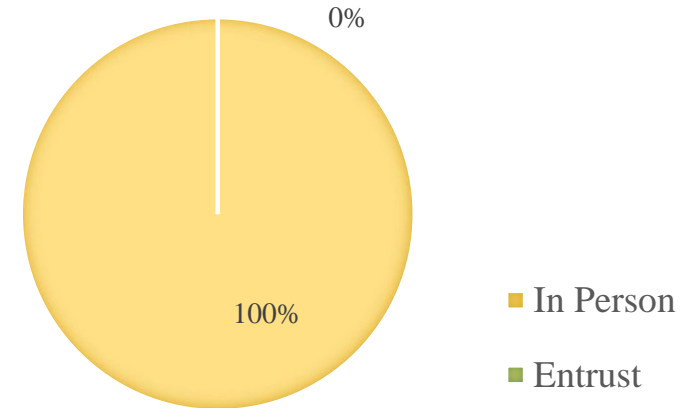
# Fulfillment of Stewardship Responsibilities

## VI. Dialogue and interaction with investees

The Bank's interactions with investees in 2020 were mainly conducted through attendance at shareholders' meetings. Related interaction data are as follows:

|               | <b>Attendance of voting at shareholders' meetings</b> | <b>Attendance of investor conferences</b> |
|---------------|-------------------------------------------------------|-------------------------------------------|
| <b>Number</b> | 49                                                    | 43                                        |

**ATTENDANCE OF SHAREHOLDERS' MEETINGS**



As of the end of Dec. 2020, the Bank has appointed directors and supervisors of 9 investees.

# Fulfillment of Stewardship Responsibilities

## VII. Actual case studies of engagement with investees

The Bank uses various communication channels and methods for dialogue and interaction with investees to gain a deeper understanding of the ESG actions of the investees and evaluate whether the Bank needs to interact with or engage the investees on various issues to actively fulfill the Bank's duties as an institutional investor. Case studies of engagement between the Bank and investees are as follows:

### ➤ **Interaction contents (issues and reasons)**

The FSC amended the "Regulations Governing Investments in Other Enterprises by Commercial Banks" on November 14, 2018. Article 2, Paragraph 1, Subparagraph 6 specifies that "a commercial bank and its invested enterprises shall develop self-disciplinary standards to prevent conflicts of interest and insider trading". The Bank concluded in its evaluation that in addition to the establishment of internal regulations on the prevention of conflicts of interest and insider trading, it must also supervise investees' establishment of internal regulations on preventing conflicts of interest and insider trading. The Bank therefore issued a letter in 2019 to remind investees and investigate whether investees have established related regulations to ensure that the investees of the Bank improve their corporate governance systems.

# Fulfillment of Stewardship Responsibilities

## VII. Actual case studies of engagement with investees(Cont.)

### ➤ **Impact on investees and follow-up tracking**

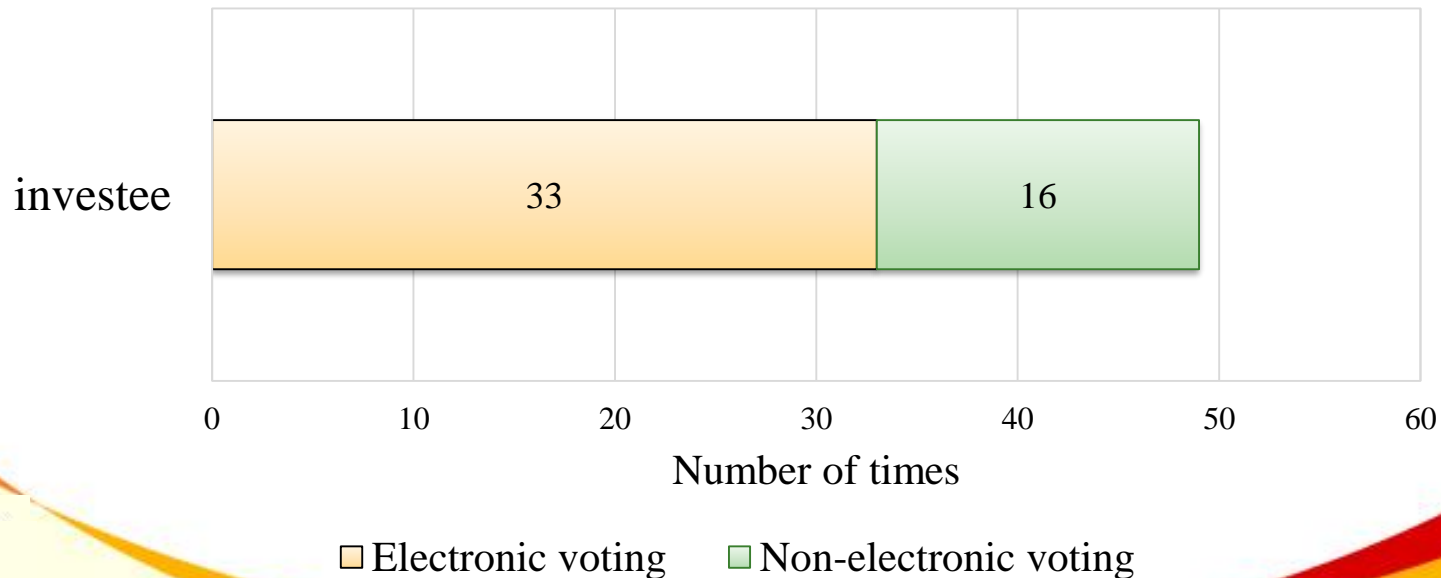
According to investigations and follow-up on 23 investees, 21 investees have completed the establishment of internal regulations to prevent conflicts of interest and insider trading as of the end of 2019. One investee stated that the regulations have not yet been established. One investee had no actual operations. With regard to the investee who responded that it had not yet established such regulations, the Bank issued another letter in 2020 to follow up on the investee which had not yet established the regulations.

## Disclosure of voting in shareholders' meetings in 2020 year

The Bank actively attends the shareholders' meeting and votes on proposal of investees and uses real actions to exert the shareholders' influence on decisions of investees.

➤ The methods of exercising voting rights this year were as follows:

### VOTING RIGHTS METHODS



# Disclosure of voting in shareholders' meetings in 2020 year

➤ The voting conditions by proposal type in shareholders' meetings this year were as follows:

| Type                                  | Proposal                                                                                                                                              | Total number of proposals | Voting status |            |            |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------|------------|------------|
|                                       |                                                                                                                                                       |                           | Affirmative   | Dissenting | Abstention |
| Operational and Financial Performance | Adoption of the business report and financial statements                                                                                              | 47                        | 47            | 0          | 0          |
|                                       | Profits distribution or deficit compensation                                                                                                          | 49                        | 49            | 0          | 0          |
|                                       | Amendment to the articles of incorporation or operating procedures                                                                                    | 55                        | 54            | 1          | 0          |
| Corporate Governance                  | Election of directors or supervisors (number of voters)                                                                                               | 23                        | 22            | 1          | 0          |
|                                       | Discharge of directors or supervisors                                                                                                                 | 1                         | 1             | 0          | 0          |
|                                       | Release the prohibition on directors from participating in competitive businesses                                                                     | 43                        | 43            | 0          | 0          |
| Labor Rights                          | Issuance of restricted stock awards                                                                                                                   | 0                         | 0             | 0          | 0          |
|                                       | Issuance of employee stock option certificates at a price lower than the market price                                                                 | 0                         | 0             | 0          | 0          |
|                                       | Transfer of treasury stocks to employees at a price lower than the actual average repurchase price                                                    | 0                         | 0             | 0          | 0          |
| Operational Strategy                  | Dissolution, merger, acquisition, share conversion or demerger of the company                                                                         | 1                         | 1             | 0          | 0          |
|                                       | Capital increase (capital increase transferred from earnings/capital reserve/ bonus distribution or issuance of new shares for cash capital increase) | 5                         | 5             | 0          | 0          |
|                                       | Private placement of securities                                                                                                                       | 0                         | 0             | 0          | 0          |
|                                       | Capital reduction/cash capital reduction (compensate deficit or return of cash)                                                                       | 0                         | 0             | 0          | 0          |
|                                       | Exercise of disgorgement                                                                                                                              | 0                         | 0             | 0          | 0          |
| Others                                | Others                                                                                                                                                | 0                         | 0             | 0          | 0          |
|                                       | Total proposals                                                                                                                                       | 224                       | 222           | 2          | 0          |

## Disclosure of voting in shareholders' meetings in 2020 year

### ➤ Voting policy

- ✓ When the Bank votes on proposals in the shareholders' meetings of investees, the unit responsible for the vote reviews the issues prior to the vote. 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 environment or society.

## Disclosure of voting in shareholders' meetings in 2020 year

### ➤ Voting policy (Cont.)

- ✓ In 2020, a certain investee proposed to amend its Articles of Incorporation to reduce the number of director and supervisor seats to one and dissolve the board of directors. In response to the proposal, the Bank concluded that the Bank's interests may be harmed if the company's future operations are controlled by the chairman alone without checks and balances by other directors. Therefore, the Bank exercised its right to objection and voted against the amendment of the Articles of Incorporation and the election of directors and supervisors.



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Please contact us if you have any opinions or questions regarding this Report:

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