

Implementation of Ethical Corporate Management and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons.

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and program				
1-1 Does the Bank have policies and practices for ethical corporate management passed by the Board of Directors and clearly state them in regulations and publicly available documents? Do the Board of Directors and senior management make commitments to actively implement those business policies?	✓		1-1 To implement the policy of ethical corporate management, and actively guard against unethical behavior, the Bank has formulated the "Ethical Corporate Management Best Practice Principles" and approved by the Board of Directors, stipulating that the Bank's personnel (including directors, supervisors, managerial officers, employees, appointees, etc.) 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, and establish proper corporate governance and risk control mechanism, thereby creating a management environment of sustainable development. 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.	1-1 No deviation.
1-2 Does the Bank establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Bank have any plan which at least includes the precautionary measures prescribed in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		1-2 a. The Bank implements unethical behavior and internal fraud risk assessment mechanism, regularly analyzes and assesses unethical behavior and internal fraud risks in every aspect of business operation. According to related documents and data of the Bank's and other bank's unethical behavior and internal fraud cases, and the current year's operating conditions, internal audit results, inspections by competent authorities, and the results of the Personnel Review Committee's review results, etc., to comprehensively assess the residual risks, and based on the assessment results, the Bank's business supervision unit will formulate and revise relevant preventive measures. The relevant content covers various behavior's preventive measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies." The Bank's "Ethical Corporate Management Best Practice Principles" which stipulates: that the Bank's personnel shall not provide or receive, either directly or indirectly command or require any unreasonable presents, hospitality or other improper benefits; that they shall abide by related regulations pertaining to intellectual property rights, the Bank's guidelines and contract regulations; nor can they engage in unfairly competitive conduct; that they shall comply with the "Securities and Exchange Act" and shall not use privileged and undisclosed information to engage in inside trading, or disclose it to any third party in order to prevent other parties from using such undisclosed information for inside trading, etc. Meanwhile, relevant business management units have also added or strengthened existing control measures and procedures for higher-risk projects. b. The Bank's "Employee Code of Conduct" stipulates the following related guidelines: (a) Employees need to obtain the Bank's permission before taking part in political campaign activities, political fund-raising activities, charitable activities, non-for-profit activities or volunteer activities in the name of the Bank. (b) Employees shall not promise customers on sharing interest and undertaking financial losses, and refrain from demanding, offering or receiving, directly or indirectly, any improper funds, things of value, donations, hospitality or other benefits, which may impact their professional judgment and the objectivity of executing duties. (c) Employees shall protect the Bank's assets as well as other assets under his / her dutiful custody. (d) Employees shall provide premium customer with service and innovative products, and shall not seek competitive benefits via unethical or illicit business activities, and shall not promise customer on providing specific interest, consideration, undertaking losses, promoting investment of specific financial products. c. The Bank has formulated the "Regulations for External Donation," stipulates any donation shall be examined beforehand, each business division which is being a donor shall examine eligibility of the donee, donation purpose, rationality of the donation amount, and shall assess whether the donation is benefit for the morality, which have substantial benefits or devotions for the Bank's corporate image and business promotion are allowed to perform or recognize. In 2022, relevant donations meet standard of the Bank's relevant regulations, none of them are provided with illicit political donations, charitable donations, bribes in disguise.	1-2 No deviation.

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1-3	Does the Bank establish any program that clearly define operating procedures, behavior guidelines, punishment and complaint systems for violations in the unethical conduct prevention plan, and implement them, regularly review and revise the program?	✓		1-3 a. The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and the relevant regulations to guard against unethical conduct, which include the "Rules of Procedures for Board of Directors Meetings," "Code of Ethical Conduct," "Employee Code of Conduct," "Work Rules," "Directions for Treasury Division to Conduct Financial Transactions," "Operation Regulations for Transactions with Stakeholders regarding Credit Operation," "Operating Regulations for Transactions with Stakeholders Other Than Credit Operation," etc., in order to prevent unethical conduct, and regularly review aforesaid related regulations. b. The Bank has also adopted the "Employees Reward and Discipline Implementation Regulations" as a basis for punishments and remedies; any employee who is found and proved to have committed an unethical conduct will be transferred to the Personnel Review Committee for punishment. If the employee subject to disciplinary action refuses to accept the result of the disciplinary action, he or she may state the reasons and file an appeal with relevant evidence.	1-3 No deviation.
2.	Implementation of ethical corporate management				
2-1	Does the Bank evaluate the business partner's ethical records and include ethics-related clauses in the business contracts signed with counterparties?	✓		2-1 The Bank's "Ethical Corporate Management Best Practice Principles" stipulates that prior to engaging commercial relations with any third party, the Bank shall examine whether the parties have been implicated in prior incidents of unethical conduct in accordance with the Bank's related rules and regulations (for example: Guidelines for Suppliers' Corporate Social Responsibility), and shall formulate terms with respect to good faith in contracts (for example: related activity contracts of retail channel, etc.) Relevant clauses were included in important commercial contracts established by all divisions of the Bank in the year.	2-1 No deviation.
2-2	Does the Bank have a specialized unit that promotes ethical management and report its performance to the Board of Directors on a regular basis (at least once a year) of integrity operation policy and program of preventing unethical conduct and implementation of monitoring?	✓		2-2 The Bank's "Sustainable Development Committee" is instituted under the Board of Directors and is responsible for promotion of ethical corporate management, and designates Compliance Division to report to Sustainable Development Committee and the Board of Directors annually and shall responsible for the following matters: a. 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. b. Assisting the relevant units to analyze and assess on a regular basis business activities within their business scope which are at a risk of being involved in unethical conduct, and adopt relevant regulations to prevent such unethical conducts. c. 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. d. Promoting and coordinating ethical policy promotion and training. e. Planning a complaint filing system and ensuring its operating effectiveness. f. 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. The Bank's FY 2022 ethical corporate management performance was reported to the Sustainable Development Committee and the Board of Directors on January 7 and January 18, 2023 for their recognition.	2-2 No deviation.
2-3	Does the Bank have any policy that prevents conflict of interest, and provide appropriate reporting channels and implement such policy?	✓		2-3 a. The Bank's "Ethical Corporate Management Best Practice Principles" specifically stipulates articles for recusal of conflict of interest, as the Bank's Board of Directors, management and all employees shall abide by relevant regulations such as the Bank's "Code of Ethical Conduct," "Rules of Procedure for Board of Directors Meetings," "Operation Regulations for Transactions with Stakeholders regarding Credit Operation," "Operating Regulations for Transactions with Stakeholders Other Than Credit Operation," "Stewardship Principles" and "Chang Hwa Bank Long-Term Equity Investment Business and Subsidiaries Management Principles" in order to prevent conflict of interest. The Directors shall practice self-discipline and must not support one another in improper dealings. b. The Bank's "Rules of Procedures for Board of Directors Meetings" stipulates if a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Bank, that Director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.	2-3 No deviation.

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			<p>c. The Bank's "Employee Code of Conduct" outlines its policy against conflict of interest, specifically requiring employees to prioritize seeking the best interest of the Bank in performing their business operations, as well as to prevent conflict or contradiction between an employee's personal interest and the Bank's interest, including possible conflict of interest involving customers, trading counterparties, competitors or other employees as a result of the performance of duties on his/her post. Once employee alerts incidents happen stipulated in "Employee Code of Conduct," or other possible incidents involved in conflict of interest, he/she shall refuse and resort confirmation to manager or compliance supervisor of the unit at once, and make sure after exclusion of possible conflict of interest, employee shall proceed to former conduct or activity.</p> <p>d. The Bank shall comply with relevant regulations set forth by the Banking Act and stipulated by competent authority when conducting credit-rendering business with the Bank's stakeholders. In 2022, the Bank did not have any conflict of interest violations.</p> <p>e. Article 26 of the Corporate Governance Best Practice Principles of the Bank stipulates that when the Bank and its stakeholders or shareholders enter into financial and business transactions between each other shall be made in accordance with related regulations of the Bank, for significant transactions, the proposal should be submitted to the board meetings for approval, and Shareholders' Meeting for approval/report.</p>	
2-4 Has the Bank implemented effective accounting system and internal control system for maintaining ethical corporate management? Are these systems formulated with related audited plan according to the result of unethical conduct risk, and apply it to prevent unethical conduct of implementation of program, or by external auditors?	✓		<p>2-4 a. The Bank establishes its accounting policies and amended it in a timely manner in accordance with regulations as bookkeeping guidelines for business operations and management. Furthermore, multiple layers of authority and accountability have been implemented to ensure sound internal control so that all employees can conduct the Bank's various business operations in good faith.</p> <p>b. The Bank's "Ethical Corporate Management Best Practice Principles" stipulates: "The Bank shall establish an effective accounting system and internal control system, and shall not keep external books or retain secret accounts. Furthermore, it shall review these systems at all times in order to ensure the continued effectiveness of the design and enforcement of these systems. The Bank's internal audit units shall audit whether the aforementioned systems are in compliance with a regular basis and compile audit reports for submission to the Board of Directors." In line with the aforementioned regulation, the Bank's internal audit has planned and implemented related audit plan based on the unethical behavior and internal fraud risk assessment.</p>	2-4 No deviation.
2-5 Does the Bank organize internal or external training regarding ethical management on a regular basis to maintain business integrity?	✓		<p>2-5 a. The Bank regularly conducts education training in relation to ethical corporate management, in FY2022, the Bank conducted the "Ethical Corporate Management Best Practice and Code of Conduct" training course (including compliance with laws and regulations, "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct for Employees," "Internal Reporting Rules," and "Prohibition of Insider Trading"), 6,693 employees attended this course and adding up to 3,212 person-hours. Moreover, for deepening the employees' understanding of occupational fraud of financial industry and expecting the employees to implement precautionary measures during routine works, the Bank appointed external consultants to record "The Analysis of Recent Fraud Cases of Financial Institution and Fraud risk Management Framework" training course, 6,410 employees attended this course and adding up to 15,191 person-hours.</p> <p>b. The Bank collects the material disciplinary actions in the financial industry announced by the FSC for references of business units to evaluate the legality of their business operations, and publishes those disciplinary actions on the Bank's internal website.</p> <p>c. In order to strengthen the anti-fraud ability of the person in charge of the business unit, internal training courses such as self-assessment are regularly held every year. In addition to in-depth review of the causes of fraud incidents in financial institutions and explanations of the Bank's related internal control operations, the content of the course also discusses the key points of fraud prevention and monitoring for effectively implement self-inspection work, strengthen internal control of business units, and prevent the occurrence of dishonest behavior.</p>	2-5 No deviation.
3. Implementation of a complaint filing system				
3-1 Has the Bank stipulated a specific complaint and reward system, established channels to facilitate complaint, and assigned appropriate personnel to handle party being complained?	✓		<p>3-1 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," setting up address, mailbox, hotlines, related channel for complaints. In the circumstances of unethical behavior is identified, including commit crime, misconduct, violation of regulation, the Bank's Internal Auditing Division which is the receiving unit shall designate appropriate personnel to deal with the incident. If the whistle-blower meets the standard of "Implementation Regulations of Employees Reward and Punishment," the Bank would give reward based on practical circumstance.</p>	3-1 No deviation.

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3-2 Has the Bank implemented any standard procedures, subsequent measures after the procedures, or confidentiality measures for handling reported complaint?	✓		3-2 a.The Bank has formulated "Rules of Internal Whistle-blowing," which clarified on the investigated whistle-blowing cases, organization responsibilities of the reviewing unit, recusal of interest, whistleblower protection, file management. The investigation of whistle blowing cases' review or reexamination which identifies to be true would be proceeded by the aforementioned regulation, related investigative unit shall review its internal control system and operational procedure, and submit improvement measures to prevent from occurrence of identical conduct. In addition, respondent and relevant respondent are required to stop doing related behavior and shall be proper handled by related personnel management regulation, and shall be handled by legal procedure for loss claim or dealing by prosecution authority. Receiving unit of complaints shall summarize and report, results of review, related information of improvement measures suggested by relevant unit, should submit to the Audit Committee and the Board of Directors regularly. In 2022, the Bank did not receive any report of violations of ethical conduct. b.The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of the identity of whistle-blowers and the content of complaints, while investigations in line with regulations and public announcement by competent authority should be revealed.	3.2 No deviation.
3-3 Does the Bank take measures to protect whistleblowers from being improperly dealt with for whistleblowing?	✓		3-3 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of all information with regard to whistle-blowers; the Bank also makes sure that they will not suffer improper treatment including not to be fired, dismissed, degraded, salary reduction, and shall not be deprived from entitled interest of its legal regulations, contracts or habits, and other inadequate arrangements.	3-3 No deviation.
4. Enhancing information disclosure Has the Bank disclosed its Ethical Corporate Management Best Practice Principles and result of implementation on its website and MOPS?	✓		The "Ethical Corporate Management Best Practice Principles" formulated by the Bank is disclosed on the Bank's official website as well as MOPS. In addition, the Bank's implementation of ethical corporate management is also disclosed in the "Corporate Governance Report" section of the Annual Report as well as on the Bank's official website. An electronic version of the Annual Report is also disclosed on the Bank's official website and MOPS.	4. No deviation.
5. If the Company has established its own ethical corporate management principles based on the "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies," please describe the Company's implementation of the principles and any deviation therein and explain: The Bank has stipulated "Ethical Corporate Management Best Practice Principles" according to "Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies," and has conducted according to the principles and there is no deviation.				
6. Other information to understand more about the Bank's Ethical Corporate Management practice: (such as reviews over the Bank's Ethical Corporate Management Best Practice Principles, etc.) The Bank shall follow the development of domestic and international guidelines regarding ethical corporate management as a basis for review and improvement of the Bank's ethical corporate management regulations, and for its implementation, to improve the effectiveness of ethical corporate management.				

