

# 2021 ESG INSIGHT



## □ Sustainability Governance

In order to tackle risks faced with international sustainable developmental trend and climate change, TCFHC has committed itself to sustainable development by implementing the “Sustainability Policy”, the “Sustainable Financial Policy”, and the “Sustainability Best Practices” that combine environmental, social, and governance (ESG) efforts with business operational policies.

### □ Sustainability Development Committee

TCFHC has created the Sustainable Development Committee as well as a full-time Sustainability Office to assist the committee in overseeing implementation of the Group's sustainability policies, systems, and plans. The Sustainable Development Committee is chaired by the chairman of TCFHC and formed by the presidents of TCFHC and its subsidiaries. The Sustainable Development Committee regularly holds meetings and reports results regularly to the Board of Directors.

The Sustainable Development Committee met 3 times in 2021, agendas include:

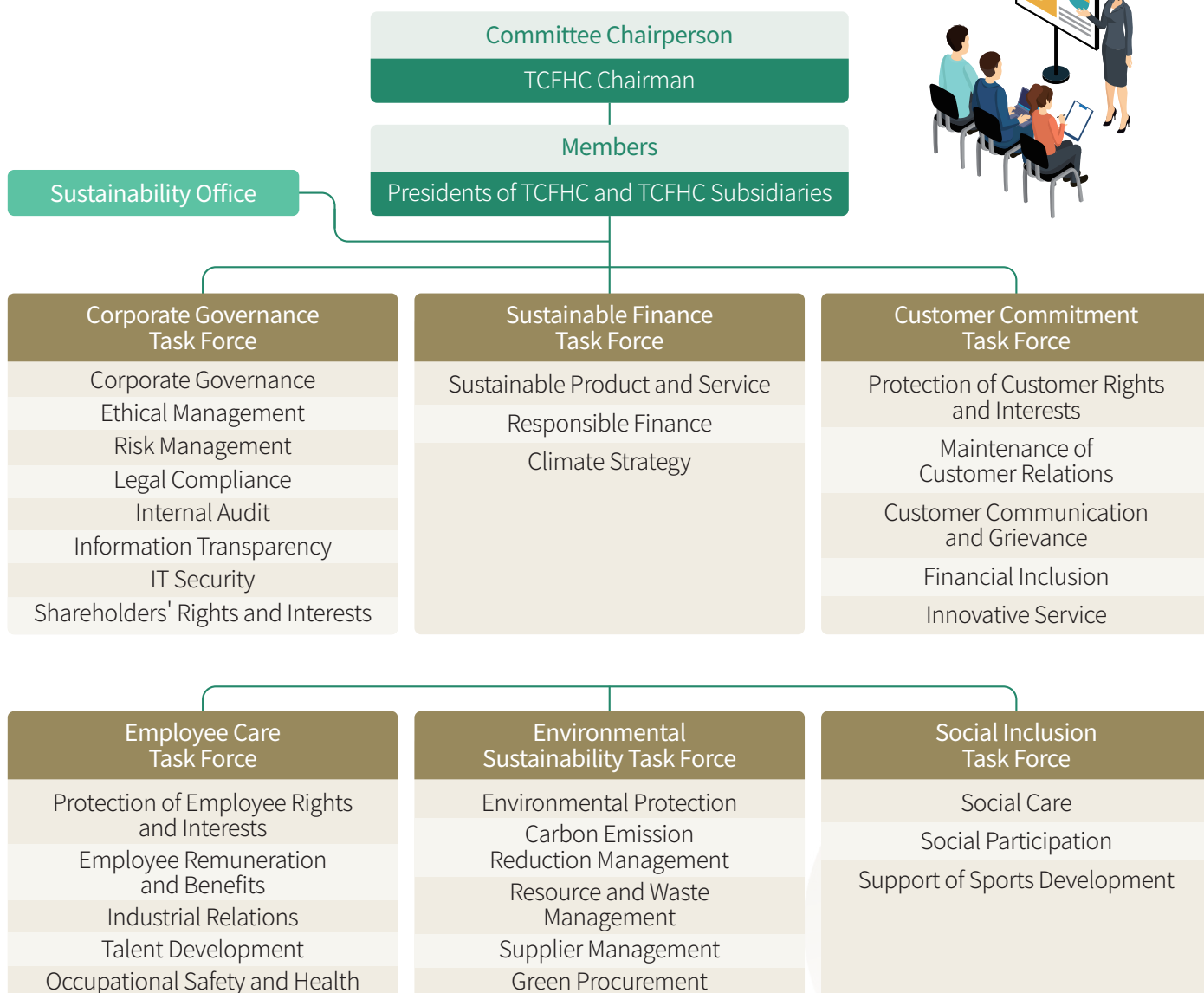
Changes of organizational structure

(e.g. sustainability office and task forces)

Setting annual targets for the task forces

Tracking progress

Reviewing ESG policies



## Major Awards & Recognitions

### Constituent Stocks

- MSCI ESG Indexes
- FTSE4Good Emerging Index
- TWSE's "FTSE4Good TIP Taiwan ESG Index"
- TWSE RAFI Taiwan High Compensation 100 Index
- TWSE RA Taiwan Employment Creation 99 Index
- TWSE Corporate Governance 100 Index

### Rated As

- BSI "Sustainability Excellence Award"
- Carbon Disclosure Project (CDP) "B Management Level"
- TWSE Top 5% companies of the 8<sup>th</sup> term Corporate Governance Evaluation

### Management Certifications

- Environmental Data: ISO 14064-1 (BSI), ISO 50001 (BSI), ISO 14001 (BSI)
- Governance Data: BS 10012:2017 (BSI), TPIPAS (BSI), TIPS (IDB of MOEA)
- Occupational Health and Safety Data: ISO 45001 (BSI)
- Information Security Management: ISO 27001 (BSI)

The scope of this report covers primarily operating activities in Taiwan, where "TCFHC" in this report refers to Taiwan Cooperative Financial Holding Co., Ltd. and "TCFHC Group" refers to TCFHC and its 7 subsidiaries.

## Credit Ratings

Legal Entity	Rating Agency	Long-term Credit Rating	Short-term Credit Rating	Rating Outlook
Taiwan Cooperative Financial Holding Co., Ltd.	Standard & Poor's	BBB	A-2	Stable
	Taiwan Ratings	twAA-	twA-1+	Stable
Taiwan Cooperative Bank, Ltd.	Standard & Poor's	A+	A-1	Stable
	Taiwan Ratings	twAAA	twA-1+	Stable
Taiwan Cooperative Securities Co., Ltd.	Taiwan Ratings	twAA-	twA-1+	Stable
Co-Operative Assets Management Co., Ltd.	Taiwan Ratings	twA+	twA-1	Stable
Taiwan Cooperative Bills Finance Corporation, Ltd.	Fitch Ratings	AA+(tw)	F1+(tw)	Stable
BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Taiwan Ratings	twAA-	-	Stable



# Environmental

## Climate Action

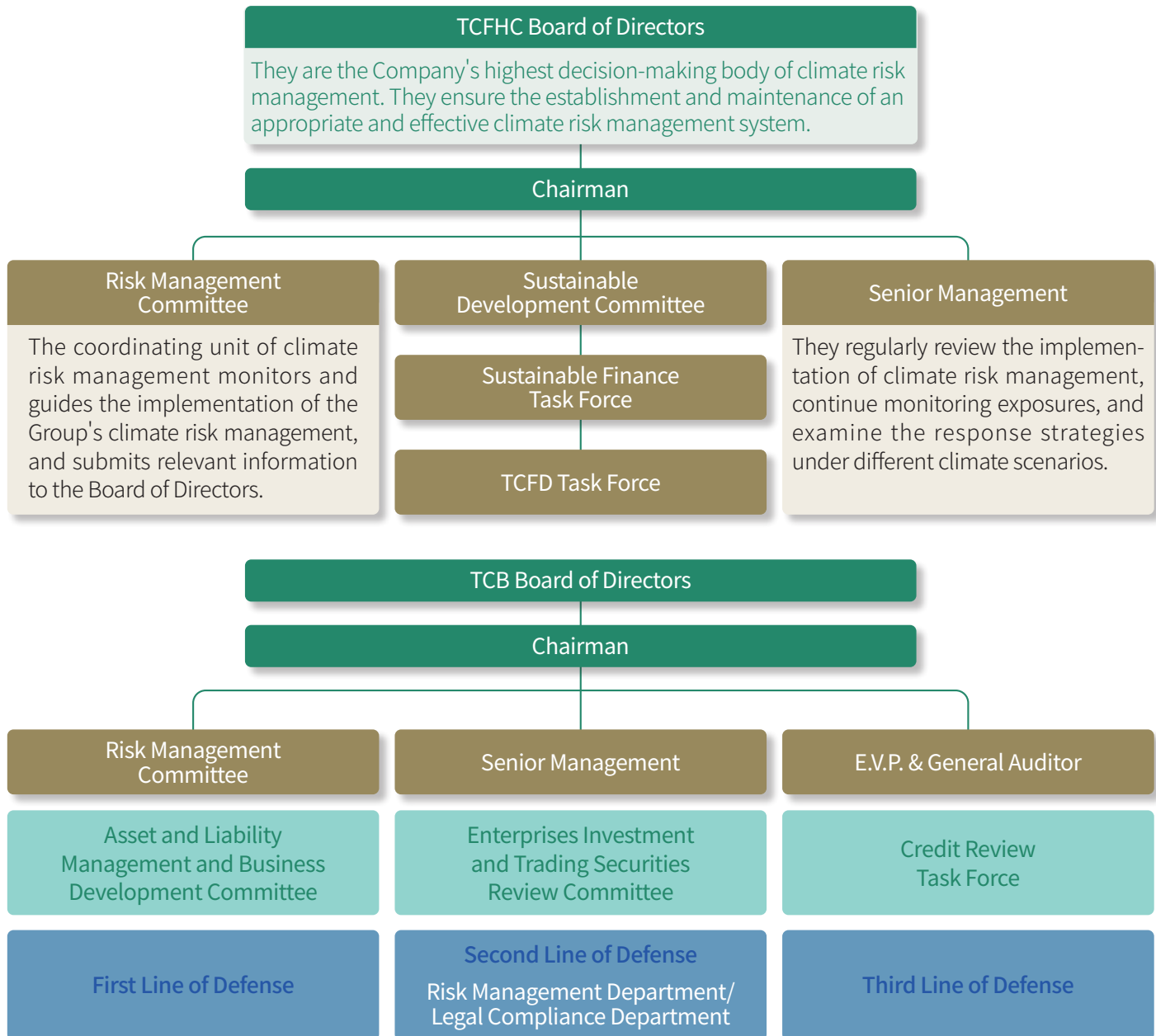
Being highly concerned with climate change-related issues, the Company became a TCFD Supporter in December 2020 and established a cross-subsidary TCFD Task Force within the Group.

## Climate-related Indicators and Targets

Aspect	Category	Implementation Progress in 2021	Mid-term Targets from 2022 to 2026	Long-term Goal
GHG emissions	Own operations - Category 1, 2 (scope 1, 2)	<ul style="list-style-type: none"> <li>Carbon emissions: 27,723 tCO<sub>2</sub>e</li> </ul>	<ul style="list-style-type: none"> <li>The carbon reduction target has been set according to the Science Based Targets (SBT) methodology, and we expect to submit the target in 2023.</li> <li>Internal carbon pricing rules are set by the end of 2025.</li> </ul>	<ul style="list-style-type: none"> <li>TCFHC Group actively sets financing targets according to SBTi and devises related mid-term emission reduction targets. TCFHC Group expects to submit goals for review as required by SBTi in the future.</li> <li>In support of the global transition to net zero and the 2050 net zero path in Taiwan, TCFHC Group will follow the net zero path in Taiwan and the net zero requirements of SBTi, and evaluate the suitability of implementing the SBTi net zero standards with the aim to achieve TCFHC Group's long-term goal of decarbonization in investing and financing activities and complete net zero transition.</li> </ul>
	Investment and financing - Category 5.4 (scope 3 category 15)	<ul style="list-style-type: none"> <li>Carbon emission: 3,666,418 tCO<sub>2</sub>e</li> </ul>		
	Internal carbon pricing	<ul style="list-style-type: none"> <li>Discussed reasonable prices for internal carbon pricing and research the method of use.</li> </ul>		
Energy usage	Renewable energy usage	<ul style="list-style-type: none"> <li>A solar panel power generation system was installed at the building of TCB Headquarters, which has generated a total of 28,346 kWh of electricity and help reduced a total of 14.23 tCO<sub>2</sub>e in 2021.</li> </ul>	<ul style="list-style-type: none"> <li>We procured 1 million kWh of green power by the end of 2022. The green power used in the headquarters offices will reach 30% by the end of 2027.</li> </ul>	
Green finance	Financing of renewable energy	<ul style="list-style-type: none"> <li>The total installed capacity of approved renewable energy financing projects reached 2,162 MW as of the end of 2021.</li> </ul>	<ul style="list-style-type: none"> <li>The total installed capacity of TCB approved renewable energy financing projects will reach 1,980MW at the end of 2022. From 2023 onwards, the target is to increase 130MW per year, and the total installed capacity of approved renewable energy financing projects is expected to reach 2,650MW by the end of 2027.</li> </ul>	
	Green investment	<ul style="list-style-type: none"> <li>TCB invested in green energy businesses and issued sustainability bonds, green bonds, and social bonds for a total of NT\$60.9 billion to be invested in green finance as of the end of 2021.</li> <li>In 2021, TCVC passed and implemented the environmental friendliness and marine ecological conservation project, and the investment amount reached 20% of the newly increased investment amount.</li> </ul>	<ul style="list-style-type: none"> <li>In 2022, TCB plans to issue sustainability bonds, with a total of NT\$65 billion to be invested in green finance. From 2023 onwards, TCB expects to issue at least 1 sustainable bank debenture (select one from green/social / sustainability bond) per year. TCB expects that the investment in green finance will increase by 3% every year compared with the previous year.</li> <li>TCVC to plan to use 10% out of the total annual newly increased investment amount on green investment from 2023 onwards.</li> </ul>	

## TCFHC Climate Risk Governance Framework

The management and monitoring of climate-related risks by the Board of Directors and senior management is the cornerstone of climate governance to create corporate value. The Company and TCB have formulated the "Climate Risk Management Guidelines", with the Board of Directors as the highest decision-making body of climate risk management.



## Linking of Climate Management Performance and Rewards Mechanism

The Group links the annual rewards, salary, and position adjustment of the subsidiaries' Chairman and president by following its "Regulations for Operations, Management, and Evaluation of Subsidiaries" to strengthen relevant management of the whole Group on climate change.

## GHG Management

TCFHC and all head offices of its subsidiaries passed the "ISO 14064-1 Greenhouse Gas Inventories" certification in 2021.

### GHG Inventory Commitments

Item	Commitment
GHG inventories according to ISO 14064-1	Every year
GHG inventory (Scope 1 and 2) of all domestic and overseas offices	By end of 2022
Set GHG reduction targets (Scope 1 and 2)	

## Key Environmental Goals and 2021 Results

Aspect	Reduction Target	2020 (baseline)	2021	Target Met
Purchased Electricity (MWh)	To reduce electricity consumption by 500 MWh or more every year compared to the baseline year starting in 2021	46,643.77	49,097.01	✗ Note 1,2
Water consumption (Kiloliters)	To reduce water consumption by 10,000 Kiloliters or more every year compared to the baseline year starting in 2021	307,569	288,706	✓
Fuel Consumption (liters)	To reduce fuel consumption by 10,000 liters or more every year compared to the baseline year starting in 2021	395,495	341,354	✓
Waste Management	To reduce waste processed by 2% every year compared to the baseline year starting in 2021	238.88	300.23	✗ Note 3

Notes:

- The increased electricity consumption in 2021 comparing to 2020 is due to the first time count of the overseas branches with 1,729,818 MWh.
- The higher average annual temperature and the impact of the epidemic raises the frequency of air conditioning use and operating hours in each unit, resulting in higher electricity consumption.
- The increased waste in 2021 is due to the impact of the epidemic, the use of food and various packaging items has increased in all units.

## Environmental Metrics

Item		Unit	2018 <small>Note 1</small>	2019 <small>Note 2</small>	2020 <small>Note 3</small>	2021 <small>Note 3</small>
GHG Emissions						
Category 1 (Scope 1) <small>Note 6</small>	GHG Emissions	tCO <sub>2</sub> e	259.30	398.20	543.51	2,574.55
	Coverage rate	%	0.30	3.02	6.93	100.00 <small>Note 4</small>
Category 2 (Scope 2 - location based) <small>Note 5, 6</small>	GHG Emissions	tCO <sub>2</sub> e	3,843.47	7,255.78	9,141.44	25,163.33
	Coverage rate	%	0.30	3.02	6.93	100.00 <small>Note 4</small>
Scope 1+2 emission intensity <small>Note 7</small>		(tCO <sub>2</sub> e/NT\$ million net revenue)	-	-	-	0.5098

Item		Unit	2018	2019	2020	2021
Category 3 - Transportation	Upstream transportation and distribution	tCO <sub>2</sub> e	-	-	0.08	0.21
	Downstream transportation and distribution		-	-	61.31	97.20
	Business travel		-	-	42.74	52.46
Category 3 - Subtotal		tCO <sub>2</sub> e	-	-	104.13	149.87
Category 3 - Coverage rate <a href="#">Note 8</a>		%	-	-	6.93	91.89
Category 4 - Use of sold products	Purchased goods and services (upstream)	tCO <sub>2</sub> e	-	-	2,033.73	4,673.07
	Waste generated in operations (composting, incinerating)		-	-	87.29	122.48
Category 4 - Subtotal			-	-	2,121.02	4,795.55
Category 4 - Coverage rate <a href="#">Note 8</a>		%	-	-	6.93	91.89
Energy Consumption						
Total fuel consumption		MWh	3,235.33	3,087.08	3,585.52	3,094.67
Total electricity consumption			43,209.22	43,768.21	46,643.77	49,097.01
Total non-renewable energy consumption			46,444.56	46,855.29	50,229.29	52,002.97
Total renewable energy consumption			28.83	27.52	27.76	28.35
Coverage rate (%) <a href="#">Note 8</a>			92.73	92.45	92.17	100.00 <a href="#">Note 9</a>
Water Resources						
Water consumption		Kiloliters	266,125	263,857	307,569	288,706
Coverage rate <a href="#">Note 9</a>		%	92.73	92.45	92.17	91.89
Waste						
Total waste disposed		tons	-	-	238.88	300.23
Waste landfilled			-	-	15.92	20.01
Waste incinerated with energy recovery			-	-	222.96	280.22
Waste incinerated without energy recovery			-	-	-	-
Waste otherwise disposed			-	-	-	-
Total waste recycled/reused			-	-	205.45	178.69
Coverage rate <a href="#">Note 9</a>		%	-	-	92.17	91.89

Notes :

- Scope 1 and Scope 2 GHG emissions in 2018 are based on conversion by 0.000533 (tCO<sub>2</sub>e/kWh), the electricity carbon emission factor for 2018 as released by the Bureau of Energy of MOEA, and rounded to 2 decimal places.
- Scope 1 and Scope 2 GHG emissions in 2019 are based on conversion by 0.000509 (tCO<sub>2</sub>e/kWh), the electricity carbon emission factor for 2019 as released by the Bureau of Energy of MOEA, and rounded to 2 decimal places.
- Scope 1 and Scope 2 GHG emissions in 2020 and 2021 are based on conversion by 0.000502 (tCO<sub>2</sub>e/kWh), the electricity carbon emission factor for 2020 as released by the Bureau of Energy of MOEA, and rounded to 2 decimal places.
- The coverage rate in 2021 is based on the ratio of offices of TCFHC and 7 subsidiaries that took inventories in the current year. The calculation includes domestic and overseas offices of TCFHC and its seven subsidiaries.
- There are no market-based Scope 2 data.

6. Scope 1 and Scope 2 reduction targets are to be set in Q4 2022.
7. Scope 1 and Scope 2 emission intensity = Scope 1 and Scope 2 emissions/NT\$ million net revenue. In 2022, the 2021 inventories of all domestic and overseas offices of TCFHC and 7 subsidiaries were completed. The net revenue in 2021 was NT\$544.13 million.
8. The calculation of the coverage rate is based on the percentage of offices of TCFHC and 7 subsidiaries having undergone inventory in the current year. These offices include domestic and overseas offices of TCFHC and 7 subsidiaries.
9. The calculation of the coverage rate is based on the percentage of offices of TCFHC and 7 subsidiaries having undergone inventory in the current year. These offices include the domestic offices of TCFHC and 7 subsidiaries.

## □ Sustainable Finance

As Taiwan's first financial institution to sign the Equator Principles (EPs) as a financial holding company at the end of March 2022, TCFHC extended the scope of the EPs to include all subsidiaries.

The Group followed the **"Partnership for Carbon Accounting Financials (PCAF) guidelines"** to conduct carbon inventories of financial assets from 2021. It includes long-term loans, financing of power generation projects, commercial mortgage-backed loans, and carbon emissions from stock and bond investment portfolios, assessing the distribution of carbon emissions in the overall financial assets positions.

### Proportion of Carbon Emission Distribution of TCFHC Group Financial Assets

Item	2020	2021
Carbon emission (tCO <sub>2</sub> e)	4,189,232.16	3,666,418.39
Carbon emission intensity (tCO <sub>2</sub> e/NT\$ million)	6.70	6.21
Data quality	2.96	2.90
Percentage of positions	17.83%	15.91%

Asset Category	(tCO <sub>2</sub> e/NT\$ million)			
	Carbon Emission Intensity		Data Quality	
	2020	2021	2020	2021
Group investment	10.58	9.40	2.39	2.35
Loans provided by legal persons	4.52	3.90	3.22	3.22
Commercial mortgage-backed loans	1.56	1.42	4.00	4.00
Financing of power generation projects	0.00	0.00	3.00	3.00

### Carbon Avoidance Performance in Financing of Renewable Energy Generation Projects

Item	2020	2021
Carbon avoidance (tCO <sub>2</sub> e)	5,371.44	6,961.05

TCFHC Group is not engaging in any mining of coal or shale or polar oil at present. The Group will try to engage customers in nonconventional oil and coal industries on low carbon transition.

The Group plans to set new financing thresholds for these 2 industries at the end of 2022 and assess the deadline for withdrawing financing every year.

## Regulations for Sustainable Finance

Sustainable Investment	ESG Assessments for Investment Targets	<ul style="list-style-type: none"> <li>ESG assessment is included in the investment analysis, decision-making, and regular reviewing process.</li> </ul>
Sustainable Financing	ESG Loan Reviews	<ul style="list-style-type: none"> <li>TCB's sustainable finance risk management incorporated the KYC process of financing businesses.</li> <li>TCB not only reviews anti-money laundering and counter terrorism financing but also notes in the credit application and approval letter whether the creditor has been listed in the pollutant release and transfer register (PRTR) in the recent year.</li> <li>TCB also examines whether there are any arrear wage payment funds or workers' retirement reserve funds and negative events related to ESG.</li> </ul>
	General Project Financing	<ul style="list-style-type: none"> <li>For project financing cases, TCB follows the "Rules for Handling Project Financing".</li> <li>When undertaking project financing, TCB also conducts due diligence. TCB should also assess the feasibility and risk of the project plans' finance, laws, insurance, technology, and tax.</li> <li>External experts, lawyers, accountants, professional consultants, or third-party testing and certification bodies should be commissioned to handle and issue reports when necessary.</li> </ul>
	Equator Principles	<ul style="list-style-type: none"> <li>The Company signed the "Equator Principles (EPs)" in March 2022 and formulated the "Guidelines for Equator Principles".</li> <li>If creditors violate the spirit of the "Equator Principles" and have no reasonable reasons, they are ineligible for new loans or to increase the loan amount, and their amount or the period for the original loan will be reduced, or part or the whole credit amount will be deemed as matured. These conditions are clearly listed in the credit agreement to strengthen the monitoring of creditors' responsibilities.</li> </ul>
	Guideline for Renewable Energy & Solar Power and Biomass Energy	<ul style="list-style-type: none"> <li>To support transitions of green industries, TCB has formulated "Guidelines for Processing the Loans to Renewable Energy Generator Facility", "Guidelines for Processing Loans on Solar Photovoltaic Power Generator Facility", and "Guidelines for Processing Loans on Biomass Energy Generator Facility" to help financing the purchase or installation of machinery equipment, capital expenditures, and working capital.</li> </ul>
Sustainable Financial Products and Services	ESG Risk Assessment (including AML, PEPs and KYC)	<ul style="list-style-type: none"> <li>To control and management the ESG risk assessment of individual customers, TCB conducts KYC procedures based on the customer identities. In addition to including the review of AML and PEPs, TCB also examines whether there are any negative news (the process is also applicable to general financing of sustainable financing mentioned above for ESG reviews).</li> </ul>



For details and process flows regarding sustainable finance, please refer to our website.

## Human Rights Protection

TCFHC has complied with relevant regulations of "Universal Declaration of Human Rights", "United Nations Global Compact", and "International Labor Convention". We formulate "Human Rights Policy" to express the determination of maintaining and guarding basic human rights as well as to shoulder the responsibility of respecting and protecting human rights. The president signs a human rights statement on behalf of all employees, declaring that the Company supports and abides by the human rights policy.

In addition, the TCFHC also abides by local labor-related regulations and the "Act of Gender Equality in Employment" wherever the operation is located. The Company implements the same pay for the same work and avoids the occurrence of differentiated treatments due to different gender or sexual orientation or any form of discrimination so as to ensure diversity and fairness in the workplace.

*In 2021, TCFHC Group did not receive any human rights-related complaints such as sexual harassment, employing child labor, gender or sexual orientation discrimination, violation of freedom of association, and any coerced or forced labor.*

### Human Rights Commitment and Survey

In 2022, TCFHC and TCB conducted human rights due diligence targeting all employees. Mainly focused on five aspects:

Implementing diversity in the workplace

Occupational safety and health

Gender equality

Work overtime

Maternal health protection

8,449 questionnaires were sent out to all employees, and 7,711 valid questionnaires were returned. The questionnaires' effective response rate was 91.26%. **The overall risk ratio of the survey results was relatively low.** The Company has formulated mitigation measures for the 4 potential human rights risk issues identified with relatively high value at risk (VAR):

#### Issue of Concern

#### Execution Results

##### Promote Diversity in the Workplace

In 2021, 1 case of TCB employee complaint has been properly handled. Promotions will be strengthened in the future.

##### Gender Equality

Continued to conduct gender equality and human rights education and training courses for new hires and invited external lecturers to give lectures. 427 employees were trained in 2021.

##### Maternal Health Protection

TCB employed contracted specialist physicians and arranged onsite and online health services to provide regular medical consultation/services. In 2021, the health services were provided 146 times with 438 hours.

##### Work Overtime

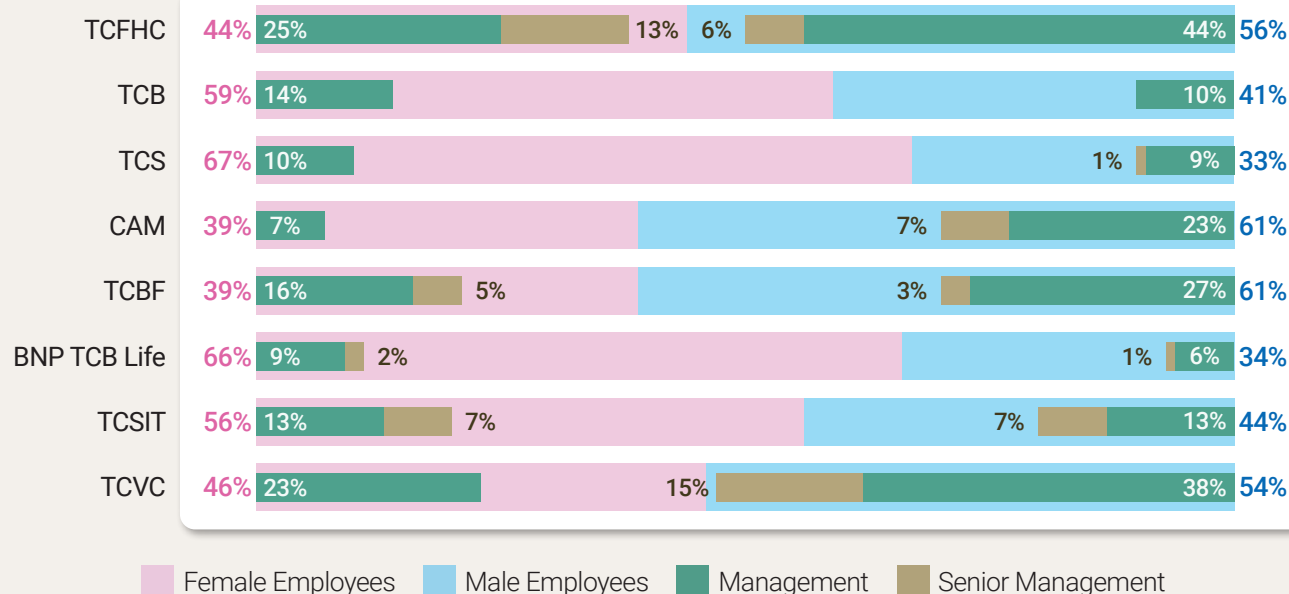
In 2021, TCB continuously promoted to the employees to make good use of the system that has pre-arranged annual paid leaves function.



For details and process flows regarding human rights commitments, please refer to our website.

## □ Diversity and Equality

### Employee Structure



### Goals for Management Diversity

Item	%	Target for 2023
Percentage of women to all employees in the workplace	59.23	Not less than 50%
Percentage of women to management (including junior, middle and senior management)	56.76	Remain at or not less than 50%
Percentage of women to all junior management	57.54	Not less than 50%
Percentage of women to all senior management	40.00	Remain at or not less than 40%
Percentage of women to managers in revenue-related units	57.84	Not less than 50%
Percentage of women in science, information engineering, and mathematics (STEM) related positions	33.11	Increased at least 1.89% to 35%

### Gender Pay Gap

#### Remuneration Ratio by Gender of TCFHC and TCB in 2021

		Male (%)	Female (%)
Senior Management <small>Note 1</small>	Salary	93.82	100
	Salary and Bonus	95.45	100
Other Management <small>Note 2</small>	Salary	97.96	100
	Salary and Bonus	98.04	100
Non-management <small>Note 3</small>	Salary	98.33	100

Notes :

1. Senior management is the executive vice president or above. They can report directly to the CEO and has a certain degree of influence on the Company's decision-making.
2. Management excludes the senior management in the preceding paragraph.
3. Non-management refers to employees with a level of less than 10 or does not hold a managerial position.

## Turnover Rates

The Percentage of TCFHC Group's Terminated Employees by Category Note 1

Unit : %

		2018	2019	2020	2021
By gender	Female	3.36	2.13	2.03	2.64
	Male	4.12	2.54	2.50	2.67
By age group	< 30	1.30	1.09	1.02	1.28
	30 ~ 50	2.25	1.28	1.38	1.45
	> 50	3.93	2.30	2.13	2.58
By race	Taiwanese	7.07	4.23	4.17	4.93
	Foreigners	0.38	0.44	0.36	0.38
	Indigenous People	0.03	0	0	0
By region	Domestic	7.10	4.23	4.14	4.90
	Overseas	0.38	0.44	0.39	0.41
By positions <small>Note 2</small>	Managerial Position	1.85	0.59	0.41	1.38
	Non-managerial Position	5.63	4.08	4.12	3.93

Notes :

1. The type of termination includes retirement, resignation, death, and lay off. The turnover rates (including retirements and resignations) from 2018 to 2021 are 7.15%, 4.56%, 4.39% and 5.16%, respectively. If excluding retirements, the turnover rates are 3.7%, 2.52%, 2.39% and 2.84%, respectively.
2. Managerial position refers to employees who are responsible for management.

## Freedom of Association

■ Union Members    ■ Non-union Members

TCB 8,312

168

98.02% of Employee  
Joining Labor Union

TCS 341

61

84.83% of Employee  
Joining Labor Union

Note : The total number of TCB employees at the end of the year was 8,697, of which 4 were temporary employees, and 213 employees were not employed in Taiwan; therefore, they were not eligible to join the labor union.

## 2021 Employee Training

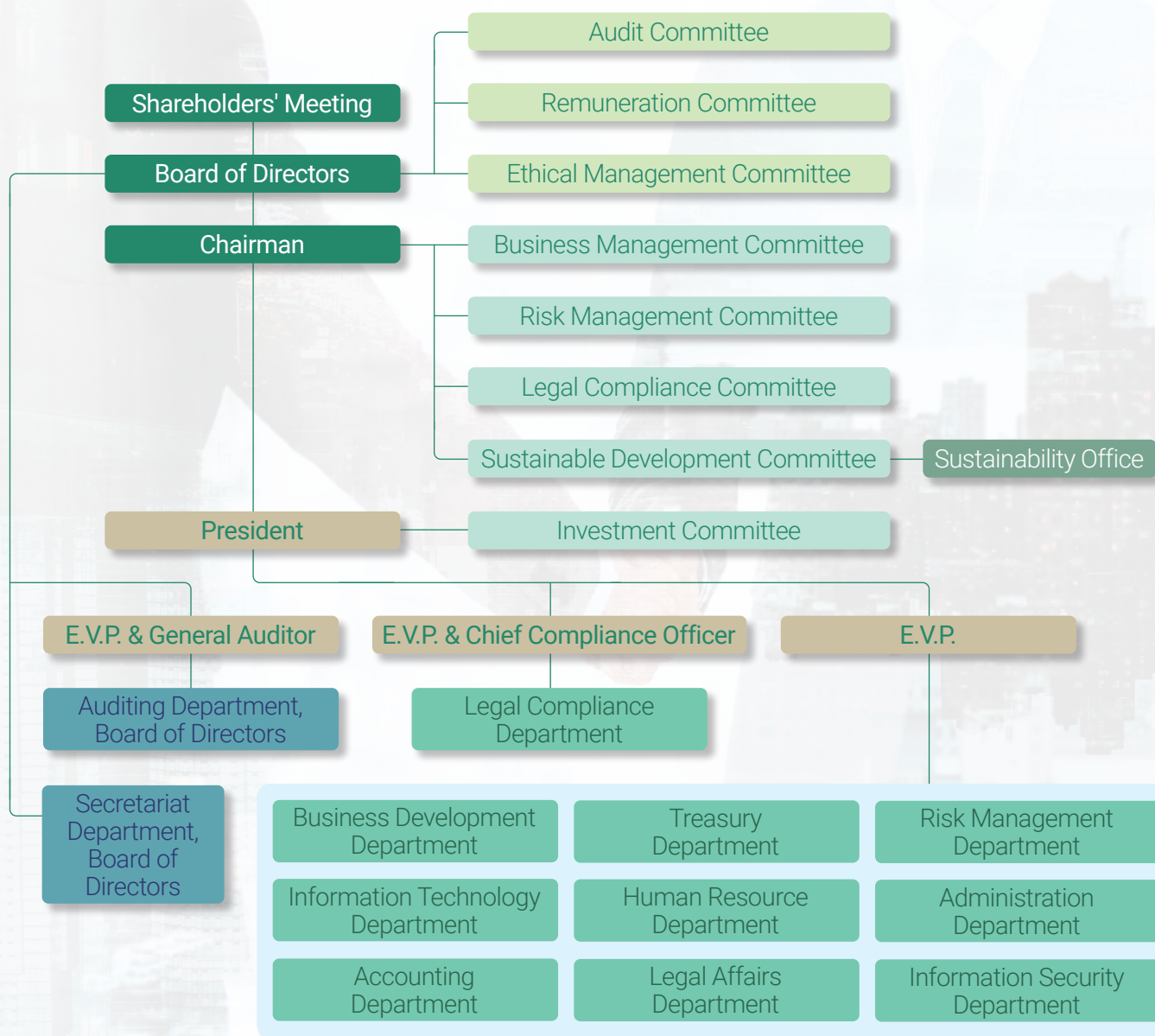
TCFHC Group general training includes ESG Training topics such as Information Security, Ethical Corporate Management Human Rights and Equality, Suggestions on Task Force on Climate Related Financial Disclosure (TCFD), Green Finance, and Environmental Education.

	Hours	Participants
General Training	372,319	9,175
AML/CFT Training	123,471	73,115
Gender Equality and Human Rights	4,216	2,731
Information Security Training	28,688	9,154
Safety Protection Drill	1,620	810(times)
Safety Maintenance and Occupational Safety Operation Lecture	8,142	8,142
Regular personal information protection training		
Risk management personnel for Climate-related education		100% Coverage & Completion Rate
Treating customers fairly training (TCB, TCS, TCBF, BNP TCB Life, TCSIT)		

For 2021, industry-academia collaboration programs with colleges and universities (internships) return rate as full-time employees was 80% (72/90 interns).

# Governance

## Corporate Governance Framework



## Diversity of the 4<sup>th</sup> Board of Directors (2020/6/24 – 2023/6/23)

In 2021, 12 Board meetings and 3 special Board meetings were held. The average attendance rate was 91.56%. The average term of the members of the current Board of Directors is 4.38 years.

*20% Female Board Representation*

Title	Name	Gender	Age
Director	Paul C. D. Lei	M	≥61
Director	CHEN, Mei-tsu	F	50-60
Director	DEN, Yen-dar	M	50-60
Director	CHIANG, Jui-tang	M	≥61
Director	CHOU, Hui-mei	F	50-60
Director	HSU, Kuo-lang	M	50-60
Director	MAI, Shen-gang	M	≥61
Director	YANG, Dong-liang	M	≥61
Director	CHUNG, Chih-hsi	M	50-60
Director	FU, Cheng-hua	M	50-60
Director	CHEN, Jong-rong	M	≥61
Independent Director	LIN, Hsuan-chu <small>Note</small>	M	<50
Independent Director	Arthur Shay <small>Note</small>	M	50-60
Independent Director	CHANG, Min-chu <small>Note</small>	F	50-60
Independent Director	LIN, Hann-chyi <small>Note</small>	M	≥61

Note: The independent directors of TCFHC comply with Article 3 of the "Regulations Governing Appointment of Independent Directors".

## □ Functional Committees

Committee	Members	2021 Meetings Held	Average Attendance
Remuneration Committee	All of which consist of the 4 independent directors:	7	100%
Audit Committee	<ul style="list-style-type: none"> <li>• LIN, Hsuan-chu</li> <li>• Arthur Shay</li> </ul>	12	97.92%
Ethical Management Committee	<ul style="list-style-type: none"> <li>• CHANG, Min-chu</li> <li>• LIN, Hann-chyi</li> </ul>	2	100%

## □ Performance Evaluation

Internal evaluation shall be performed at least once a year, and external performance evaluation shall be performed by external professional and independent agencies or a team of specialists once every 3 years.

The most recent external evaluation was conducted in 2020 and the Company was rated "Advanced" in all 3 aspects of the board, "Structure", "People", and "Process and Information".

## □ Continued Education of Directors

In 2021, the directors completed a total of 191 hours of training encompassing corporate governance, FinTech, information security, anti-money laundering, risk management, and internal auditing.

For details of courses that the TCFHC directors have participated, please visit:



## □ Integrity and Ethics

At least once a year, the **Ethical Management Committee** reports the status of ethical management in the relevant units and the results of investigations regarding tip-off cases.

100% of the members of the 4<sup>th</sup> Board of Directors and the executive management team have signed up the **Declaration on the Compliance of Ethical Management by Directors and Senior Management** in 2021.

100% of the employees of the Company and TCB have signed the **Statement of Employee Code of Conduct** in 2022.

All subsidiaries report the status of compliance with the **Ethical Corporate Management Best Practice Principles** to their respective Board of Directors every year. The status of 2021 was all reported to the respective Board of Directors in 2022.

### Ethical Management Training

TCFHC holds ongoing ethical management-related educational training every year and requires all employees to undergo the training.

*In 2021 there was not any TCFHC subsidiary violating the principle of ethical management or making any flaw with significant impact. Neither did any of TCFHC subsidiaries commit any conduct involving fraud, insider trading, anti-competition, anti-trust, or monopoly, nor such conduct as manipulating the market, or making inappropriate charity donations or sponsorships in violation of the code of conduct. The number and value of relevant lawsuits are both 0.*

## □ Whistleblowing System

TCFHC established the "Measures for Whistleblowing" in 2018.

If any employee with TCFHC or its subsidiaries is engaged in any conduct that may break the integrity or entrusted compulsory or has been suspected of committing a crime or fraud.

Anyone can report such cases to the Ethical Management Committee through the designated email address on the website or internal hotline.

The Auditing Department of the Board of Directors or other designated units in charge will carry out the investigations.



*Allows for anonymous reporting*



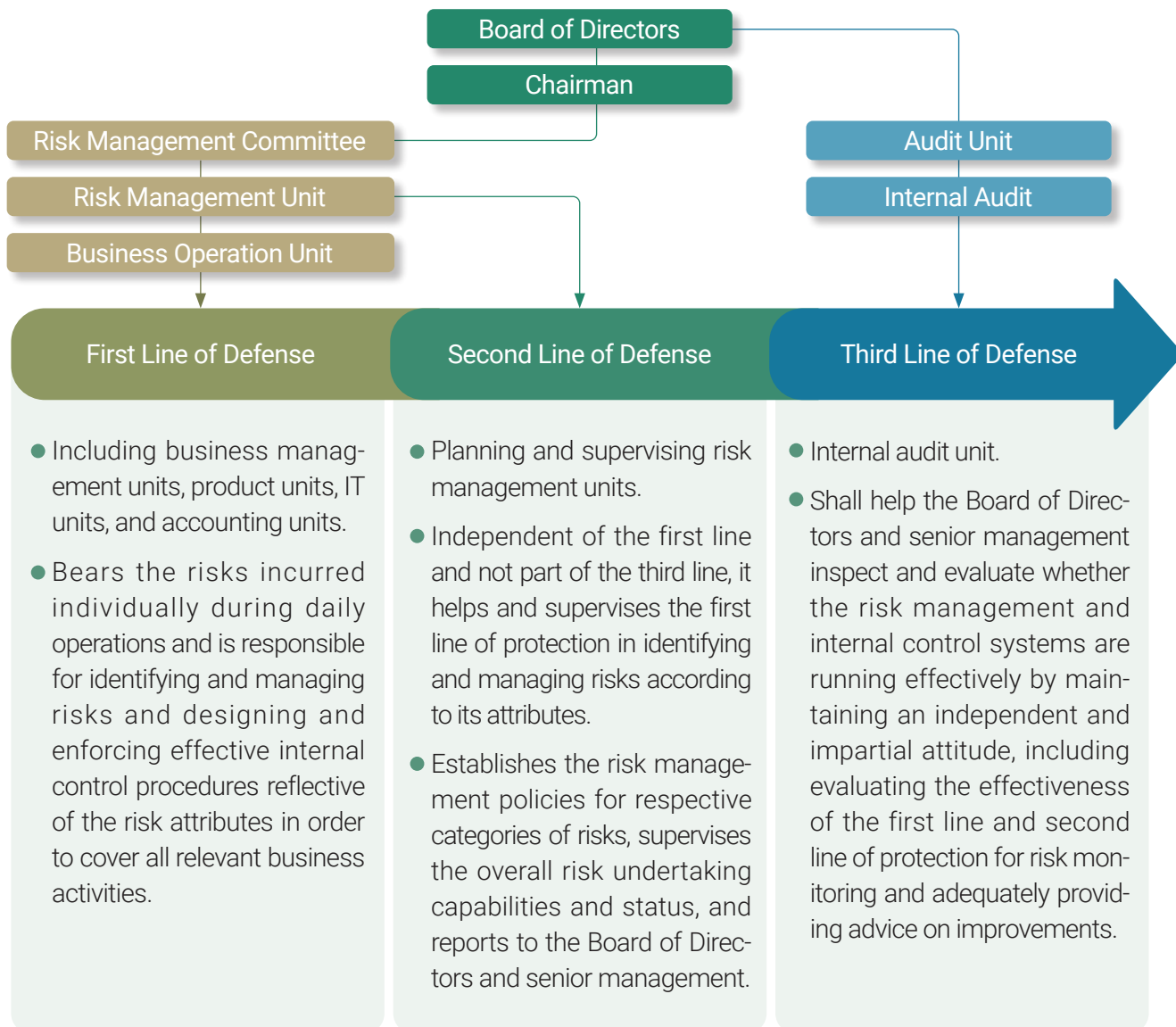
*Non-retaliation policy*

All the procedures of investigation and results regarding tip-off cases shall be properly documented and then be submitted to the Ethical Management Committee for reference as well as be reported to the Board of Directors. The identity of the whistleblower shall be kept confidential and neither should there be any damage to the rights and interests of nor any adverse act against the whistleblower.

*In 2021, there was a total of 4 cases being reported via the tip-off email address, and all of the cases had been investigated and closed without having any evidence of violation found.*

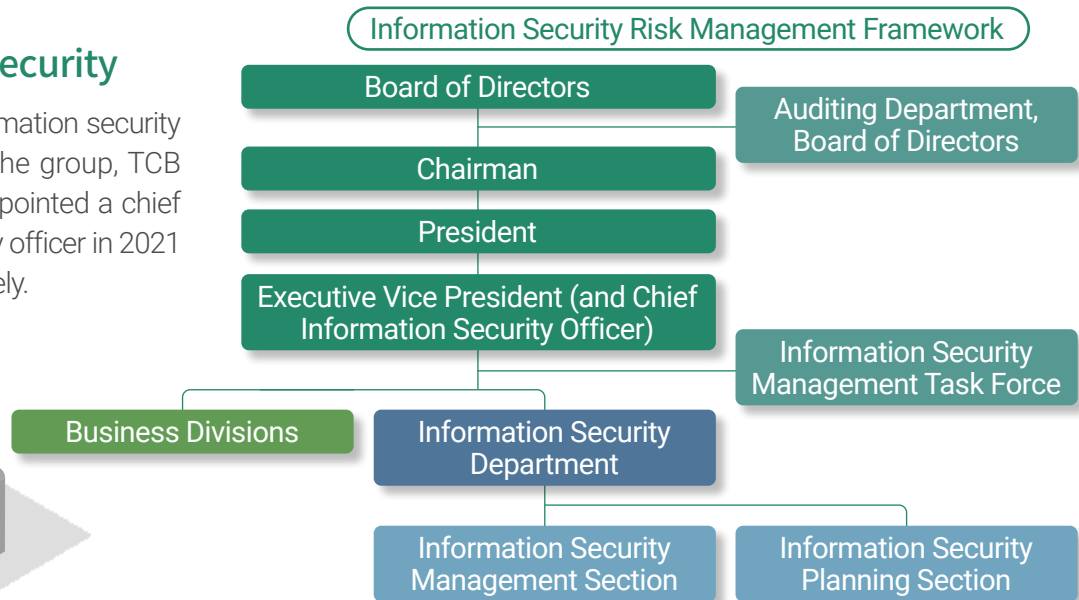
## □ Risk Management and Internal Audits

Risk Management Committees	Internal Audit
<ul style="list-style-type: none"> <li>TCFHC and major subsidiaries are equipped with Risk Management Committees, conducting meetings on a quarterly basis.</li> <li>The Company's "Risk Management Committee" is composed of the Chairman, President, Executive Vice Presidents, Department Heads, and Presidents of all subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>TCFHC has established a general auditor system to oversee overall audit operations.</li> <li>The Auditing Department reports updates on audit operations to the Audit Committee and the Board of Directors on a monthly basis.</li> </ul>



## Information Security

To strengthen information security and protection in the group, TCB and TCFHC has appointed a chief information security officer in 2021 and 2022 respectively.



Notes : Above framework applicable only to TCB. TCFHC does not have outward facing systems with customer information, and TCFHC information security equipment and services are managed by the Information Security Department of TCB subsidiary.

### Information Security Training and Social Engineering Exercises

TCFHC continues to organize group-wide information security training every year. Both “social engineering email attack drills” and “DDoS attack drills” were held to strengthen the ability to respond to email and network attacks.

*The completion rate of employees' information security training was **100%** in 2021.*

*The open rate and the click-to-open rates for links and attachments in the “social engineering email attack drills” were all **under 3%** for the Group in 2021.*

### Personal Information Protection

#### Management Systems in Place

In 2021, TCB and BNP TCB Life passed the **BS 10012: 2017 Personal Information Management System** certification and TCS also passed the update verification by **Taiwan Personal Information Protection & Administration System (TPIPAS)**.

#### Training Programs in Place

In 2021, the ratio of employees receiving a full course of training on personal information protection across the TCFHC Group was **100%**.

#### Operation Procedures in Place

Where it involves customer information and is classified as material event, the **Crisis Management Task Force** will be assembled to perform post-incident response measures while staying in close communication with the customer, and issue a standard news release if necessary.

*In 2021, TCFHC Group encountered **NO** data leakage incidents, **NO** percentage of data leakage incidents related to personal information, and **NO** number of customers affected or violation of personal influence protection.*

## Tax Governance

In response to the growing prevalence of tax governance worldwide, TCFHC has implemented the “Tax Governance Policy” and the “Transfer Pricing Policy” to establish the Company's corporate tax culture and govern and manage tax affairs.

TCFHC and its subsidiaries do not adopt anti-tax avoidance business practices. TCFHC and its subsidiaries refuse to set up offices in tax havens or low-tax regions to reduce tax burdens and prohibit manipulation of profits or losses through any non-arm's length transaction or special transaction structure.