

# 2021-2022

## ESG INSIGHT



臺灣企銀  
Taiwan Business Bank



# ENVIRONMENTAL

TBB strives to become a good citizen on Earth. While expanding its business, TBB also steadily strengthens the foundation for environmental sustainability, including keeping abreast of the use of energy, establishing systematic procedures for energy and resource management, and setting management targets to continuously implement energy conservation policies.

## Climate Change Risks and Opportunities

- ◆ TBB became a TCFD Supporter in November 2021, and launched the 2021 TCFD report in 2022, which received the highest level of certification (Level 5+) by the British Standards Institution (BSI).
- ◆ Board of Directors: Incorporate climate risk factors into the Bank's risk appetite, strategy, and business plan, including identification of climate-related risks and opportunities and their impact on the Bank's strategy and plan, and continue to monitor the Bank's management and disclosure of climate risks effectively.
- ◆ Risk Management Committee: Supervise and review the implementation and effectiveness of climate risk governance.
- ◆ Risk Management Department: Regularly perform the identification and analysis of climate change risks and opportunities and make the TCFD analysis report.
- ◆ TBB identified and prioritized important climate related risks and opportunities.

### Risks

Rank	No.	Risk	Impact	Time period	Risk level
1	R13	Stricter credit standards resulting in loss of customers	Transitional	Medium	Medium
2	R6	Long-term climate change impacts	Physical	Long	Medium
3	R15	Emissions Regulations: resulting in a decrease in the Bank's investment income	Transitional	Long	Medium
4	R14	Emissions Regulations: increasing difficulty in the Bank's debt recovery	Transitional	Medium	Medium
5	R11	Investment positions undergoing low-carbon transitions	Transitional	Long	Medium
6	R5	Long-term climate change and its effects on value of real estate collateral	Physical	Long	Medium
7	R10	Financing positions undergoing low-carbon transitions	Transitional	Long	Medium
8	R3	Asset damage of financing positions	Physical	Medium	Medium
9	R7	The Bank's failure to timely respond to sustainable financial needs	Transitional	Medium	Medium
10	R16	Increasingly stringent environmental regulations and policies	Transitional	Long	Medium
11	R2	Asset damage of investment positions	Physical	Medium	Medium
12	R8	Negative news such as environmental pollution regarding the Bank's investment or financing positions, indirectly affecting the Bank's reputation	Transitional	Medium	Medium
13	R12	Digital finance, paperless, low carbon, energy saving transition	Transitional	Medium	Medium
14	R9	Unsatisfactory performance of the Bank's sustainable performance, affecting willingness of customers to do business	Transitional	Long	Medium
15	R4	Rise in average temperature or sea levels, affecting daily operations	Physical	Long	Low
16	R1	Natural disasters that suspend or disrupt production	Physical	Medium	Low

## Opportunities

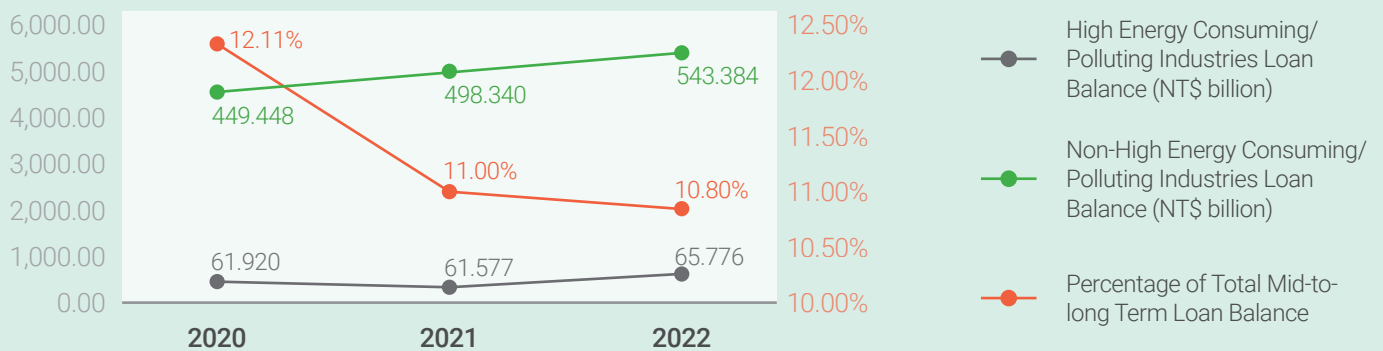
Rank	No.	Opportunity	Time period	Risk level
1	01	Development of climate-related project loans	Medium	Medium
2	03	Responding to sustainable finance trends, promote green financial products and develop new business opportunities	Medium	Medium
3	02	Increase investment in climate-related industries	Medium	Medium
4	04	Optimize digital financial services, reduce energy/resource consumption of operations and customers, in-turn help increase customer base	Short	Medium
5	06	Purchase of new energy-saving equipment to improve energy efficiency	Medium	Medium
6	07	Increase the use of renewable energy	Medium	Medium
7	05	Hold internal and external energy conservation competitions, establish incentives, education and training	Short	Medium

## Identification of High Energy Consuming/Polluting Industries Credit Risk Exposure

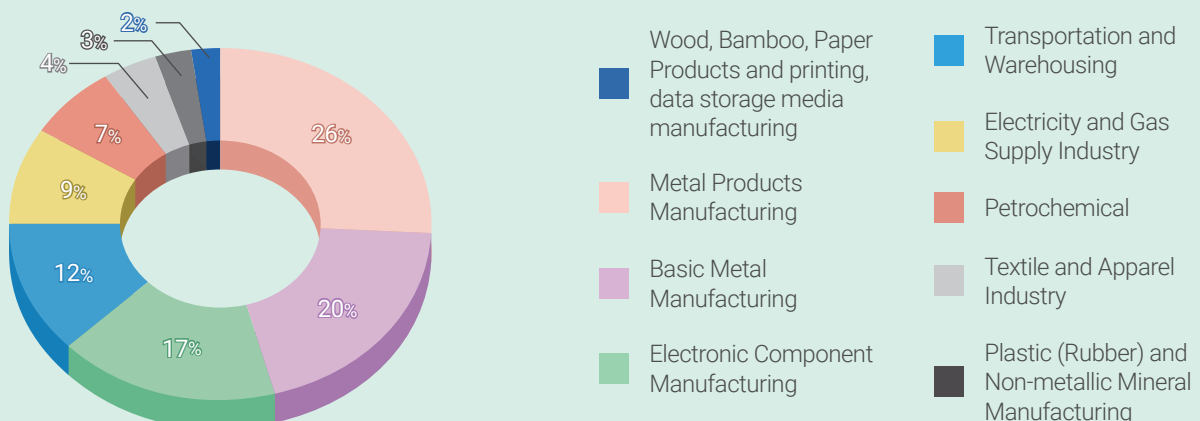
To effectively control climate-related risks, TBB considers list of companies under the “GHG Registry of the Environmental Protection Administration”, and also industry peers with high climate-related risks; to identify “High Energy Consuming/Polluting Industries”. As of end 2022, high energy consuming/polluting industries’ mid-to-long term loans balance is roughly NT\$65.776 billion, accounting for 10.80% of the total mid-to-long term loan balance and the Bank’s carbon-related risk exposure.

The most recent 3-year trends for high energy consuming/polluting industries credit risk exposure is as follows:

High energy consuming/polluting industries loan balance trend



2022 Proportion of loan balance of high energy consuming/polluting industries



## Equator Principles in Loan Policies

TBB has completed the signing of the Equator Principles in 2022, and incorporate the principles into loan criterion for credit and financing evaluation:

1. Review whether the operations of a company have significant negative impact on the environment, whether a company has violated environmental protection laws and regulations, or other matters of note for environmental protection. If a loan customer was penalized by an environmental protection unit, the Bank shall verify its subsequent improvements. Companies that have caused material environmental pollution or engaged in other acts that undermine the environment are required to submit improvement plans. If the plans involve financing needs, we will provide assistance in the planning of appropriate funding.
2. Review whether a loan customer has violated the Labor Standards Act and received penalties, and disclose it in the credit report, as a reference for approval/rejection of the loan case.
3. We examine the “labor pension reserve fund payment allocation status” and “arrear wage debts fund payment allocation status” of each enterprise loan customer and verify whether the customer has fulfilled corporate social responsibilities. If the customer has failed to make sufficient contribution to the labor pension reserve, which undermined workers’ interests, TBB shall request the customer to make improvements as quickly as possible.

## Financing Environmental Impact

TBB launched a number of environmentally friendly loan projects such as “Green Energy Sustainable Project Loan” and “Machinery and Equipment Upgrade Loan”, actively assist in the financing of solar cell manufacturing, solar photovoltaic, offshore wind power and other industries, and help customers obtain funds needed for purchasing renewable energy, pollution prevention, energy conservation and other relevant equipment.

### Amount of Environmentally-friendly Loans Provided

Unit: NT\$ billion

Project		2019	2020	2021	2022
Environmental and Energy	Project Loans for Green Energy Sustainability	0.961	1.862	7.279	11.758
	Machinery and Equipment Upgrading Loans <sup>●</sup>	6.413	5.110	5.509	6.066
Industry Assistance	SME Production Upgrade Loans <sup>●</sup>	23.957	23.957	23.957	23.957
	Research and Development Project Loans <sup>●</sup>	2.960	2.965	2.965	2.960
	Small and Medium Enterprise Innovation Development Project Loans	2.637	2.67	2.67	2.671
	Six Core Strategic Industries Loans- Green and Renewable Energy Industry <sup>●</sup>	-	-	-	150.644 (Loan Balance)

● Ranked first among all banks.

● The project has commenced in April 2022.

## ➤ Responsible Investing

TBB established its Institutional Investor Stewardship Policy in 2018.

TBB targets for annual investment in green bonds or green-related industries or products to increase year-on-year by 3%.



*The investment amount in 2022 increased by 7.3% compared with that in 2021.*

## ➤ Environmental Metrics

### Energy Consumption and Intensity (Entire Bank)

Year	Electricity consumption (kWh)	Number of people	Electricity consumption intensity (kWh/person)	Electricity consumption per unit of net revenue (Kwh/NT\$ thousand)	Solar power generated (kWh)	Proportion of renewable energy usage
2019	20,562,615	5,221	3,938	0.8859	59,867	0.29%
2020	20,235,864	5,256	3,850	0.9253	75,083	0.37%
2021	18,395,878	5,273	3,489	0.7631	143,546	0.78%

2022 Energy consumption/intensity target: reduce by 1% from previous year.

### Water Consumption and Intensity (Head Office and Entire Bank)

Year	Water consumption (cubic meter)	Number of people	Water consumption intensity (cubic meter/person)	Verification scope
2019	17,008	755	22.53	Head Office
2020	16,414	764	21.48	Head Office
2020	122,930	5,256	23.39	Entire Bank
2021	115,560	5,273	21.92	Entire Bank

The mid-term target (2026) for water consumption: reduce by 3% from base year (2021).



### Waste (Head Office)

Year	Quantity of Waste from the Head Office (metric tons)
2019	109
2020	106
2021	103.8
2022	83.3

Due to increases in reporting scope to encompass the entire bank, targets will be disclosed after waste accounting.



## GHG Emissions

TBB engaged SGS, a third-party certification institute, for the certification of ISO 14064-1: 2018 Greenhouse Gases in 2021. The scope is widened to include the Head Office building as previous years and additionally 125 domestic branches for 2021.

	2019		2020		2021		
	Greenhouse gas emissions (tons CO <sub>2</sub> e)	Percentage of total emissions (%)	Greenhouse gas emissions (tons CO <sub>2</sub> e)	Percentage of total emissions (%)	Greenhouse gas emissions (tons CO <sub>2</sub> e)	Percentage of total emissions (%)	
Scope 1	154.9056	11.23%	153.3216	11.44%	1,062.26	8.39%	
Scope 2	1224.1944	88.77%	1186.988	88.56%	9,234.73	72.98%	
Scope 3	-	-	-	-	Type 3		
						10.3532	0.08%
					Type 4		
					2,346.21	18.54%	
<b>Total</b>	<b>1379.100</b>	<b>100%</b>	<b>1340.310</b>	<b>100%</b>	<b>12,653.55</b>	<b>100%</b>	

2022 Target for GHG emissions: reduce by 1% from previous year.

Note: 1. Scope of GHG inventory increased in 2021, the Head Office and 125 domestic branches of the Bank were subject to the inspection and included based on ISO 14064-1:2018 Greenhouse Gas Inspection Operations, and the data covers the period from January 1, 2021 to December 31, 2021

2. Type 3 – Generated from transportation; Type 4 – Products used by the organization

## Green Procurement

Year	Green Procurement (NT\$ million)
2019	90.31
2020	98.22
2021	99.12
2022	115.28

## Energy Management Systems

ISO 50001:2018	ISO 14001	ISO 14064-1: 2018
Energy Management System	Environment Management System	Greenhouse Gas Inventory
		

# SOCIAL

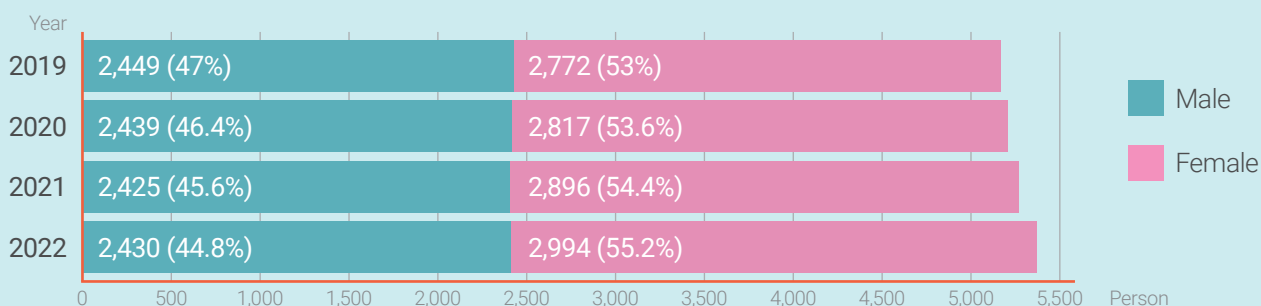
## Labour Force

### Employee Structure and Diversity

TBB is committed to and supports the values and fundamental principles of human rights protections from internationally accepted standards, such as the Universal Declaration of Human Rights, the UN Global Compact and International Labour Organization. Employees of all business premises are protected by the TBB Human Rights Policy and we commit that employees will not be treated differently by gender, race, age, marital and family status, etc., and will implement equality in remuneration, employment conditions, training and promotion opportunities, and protect the legitimate rights and interests of employees.

*No human rights violations in 2021.*

Number of People in the Recent 3 Years



### Employee Hire and Turnover

	2019	2020	2021	2022
New Hires	604	342	472	634
New Hire Rate	11.22%	6.33%	8.59%	11.69%
Turnover	465	320	407	531
Turnover Rate	8.89%	6.07%	7.63%	9.79%



### Employee Remuneration

Personnel of the same grade and the same rank are paid the same salary, and there is no difference due to gender. "Taiwan Business Bank Employee Salary Payment Guidelines"

#### Full-time Non-managerial Employee Salaries

Items	2020	2021	Growth Rate
Number of non-managerial full-time employees (Persons)	4,929	5,040	2.25%
Average salary of non-managerial full-time employees (NT\$1,000)	1,127	1,195	6.03%
Median salary of non-managerial full-time employees (NT\$1,000)	1,007	1,069	6.16%

#### Entry Level Wage

Entry-level personnel ranked between Grade 5 and 7	
Starting salary for entry-level personnel	Between NT\$35,234 and NT\$45,828
Statutory minimum salary	NT\$25,250
Percentage	Between 139.54% and 181.50%

## Labor Relations

100% employees protected by Collective Bargaining Agreement.

100% employees joined Union.

TBB convenes at least 4 labor-management meetings each year as well as ad hoc negotiation meetings to fully communicate on issues related to employees' interests or benefits.

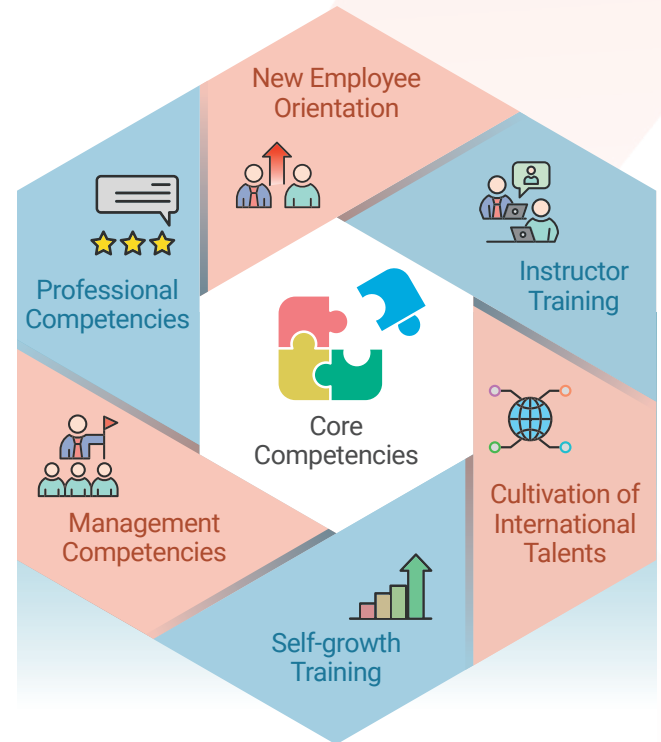
## Human Capital Development

TBB formulates the annual "Employee Training Program" each year to improve the service quality and professional quality of employees, reduce operational risks, cultivate excellent management personnel, and improve the business performance of TBB. We plan and implement various training courses based on different positions and qualifications of employees.

### Employee Training Hours

	Male	Female
Number of hours	141,831.9	171,786.5
Percentage (%)	44.80%	55.20%
Number of employees (person)	2,430	2,994
Average hours of training per employee (hours)	57.38	57.38

Note: Calculated based on overall training statistics of TBB in 2022-By Gender



## Talent Development Objectives and Plans

2021 Objectives	2022 Objectives	Medium and Long-term Objectives
<ul style="list-style-type: none"> <li>Improve the job competency of management associates</li> <li>Cultivate digital finance skills of employees</li> <li>Industry-academia collaboration – basic talent cultivation</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen professional training in digital finance and professional skills</li> <li>Enhance the information related knowledge of the business planning managers and personnel at the head office to lay a solid foundation for digital transformation</li> <li>Continue to promote the "industrial-academic cooperation programs" with colleges and universities</li> </ul>	<ul style="list-style-type: none"> <li>Enhance diverse and professional skills training in digital finance</li> <li>Increase employees' professional skills in different sectors</li> <li>Enhance training for overseas talents</li> </ul>

## Employee Complaint Channels

TBB has established employee complaint announcements which are posted by all units at prominent locations. Employee complaints can be filed verbally and must, as a principle, be filed internally first. If the internal complaint is not adequately processed, the employee may submit a written complaint to the county, municipal government or labor inspection agency of each unit.

### Complaint Channels

- TBB's managers at all levels
- Representative or the person in charge of operation of TBB
- TBB Union
- County/city governments or labor inspection agencies to which each unit belongs



## Financial Inclusion

### Products and Services

TBB has launched multiple financial friendly services, providing online reservations and at-home services based on the requirements of people with different types of disabilities. We also encourage people with disabilities to use suitable transaction methods and operating procedures to complete financial services.

We respond to the government's policies and promote microinsurance, providing products and services to disadvantaged people or specific individuals to expand the scope of care of microinsurance and affording them with basic protection against specific risks.

We work to encourage such underprivileged groups to self-check their needs for protection and to transfer risks to reduce social burdens while continuing to plan and provide financial services and products that can protect disadvantaged groups and the elderly.

Our service encompasses loans for youth groups, customers with financial difficulties, new residents, the disabled and the elderly and urban renewal of dangerous/old buildings. For details of loans, see Section 2.1.6 of TBB's 2021 Sustainability report.

By the end of 2021, the number of loan cases for youth entrepreneurship ranked the highest in the industry.

### Education and Consulting Services

To promote the information of financial goods and services and strengthen the understanding of financial knowledge of different ethnic groups, the Bank fully cooperates with the government's local care policy, hold various lectures, assist entrepreneurship in local communities, and provide consulting services.

Detailed activities and sessions available in Section 2.3 of TBB's 2021 Sustainability Report, service target groups include:

◆ Youth and Community people

◆ Retirees

◆ The Elderly

◆ SMEs



## Assistance with SME Development

### The Program of Doubling Small and Micro Enterprise Loan Customers in Three Years

Unit: NTD/Number of customers

Items	Target (from May 2019)	2019	2020	2021	Completion Rate	As of end 2022
Number of small and micro enterprise loan customers	Increase of 25,000 customers in three years (24,000 customers at the end of April 2019)	30,829 customers (Additional 6,829 customers)	53,452 customers (Additional 29,452 customers)	65,096 customers (Additional 41,096 customers)	164.38% target achieved early	66,901 customers
Small and micro enterprise loan balance	-	NT\$213.9 billion	NT\$258.2 billion	NT\$299.7 billion	-	NT\$301.3 billion
Number of SME loan customers	-	33,897 customers	56,946 customers	69,092 customers	-	71,234 customers
SMEs loan balance	Increase of NT\$100 billion in three years (NT\$508 billion at the end of April 2019)	NT\$533.9 billion (Increase of NT\$25.9 billion)	NT\$623.4 billion (Increase of NT\$115.4 billion)	NT\$709.3 billion (Increase of NT\$201.3 billion)	201.30% target achieved early	NT\$731.9 billion

Note: 1. Micro and small enterprises refer to enterprises with a capital of less than NT\$30 million.

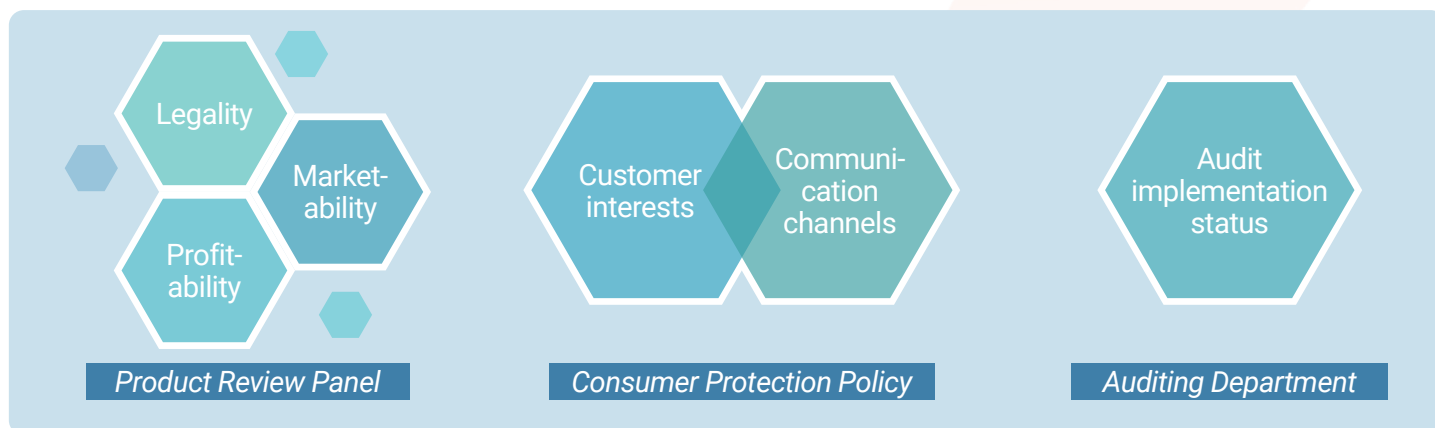
2. The number of loan customers shown in this table was calculated based on the aggregated data of loan customers.

## Strengthening Compliance

TBB continues to strengthen compliance training, including pre-employment and on-the-job trainings on anti-money laundering and compliance, awareness of regulations, legal liabilities of employees, and ethical management.

TBB organizes personal data protection awareness training for new employees. In addition to organizing compliance training on the Personal Data Protection Act, Money Laundering Control Act, and other compliance training in the reporting period, TBB also enhanced employees' awareness of legal values regarding personal data protection so that all employees can fully comply with regulations in related laws in business operations.

## Consumer Financial Protection



### Product Review Panel

The "Product Review Panel" to ensure that the products and services provided by TBB match the needs of financial consumers, and also established diverse review mechanisms before marketing products to review the compliance, marketability, profits, related fees to be collected, and other related items of the products to protect customer interests.

TBB's advertisements and promotions for products and services meet regulatory requirements. TBB strictly controls the overall quality and contents of advertisements and materials and fully ensures the truthfulness of the financial consumption information and contents to avoid misleading customers.

We also specify related rights and interests in customer data collection, processing, and usage in the service and product contracts for customers to fully understand them.

For a full list of product specifications and protection of customer interests, please refer to Section 2.4.3 of TBB's 2021 Sustainability Report.

### Customer Communication Channels

TBB set up toll-free service numbers and published them at prominent locations in business venues and on ATMs for related units to immediately accept and process customer complaints.

Relevant internal procedures:

- ◆ "Procedures for Processing Customer Complaints",
- ◆ "Procedures for Processing Trust Business Disputes", and
- ◆ "Procedures for Processing Credit Card Business Disputes"

"Debt Negotiation Contact Unit (i.e., the individual contact window of the financial institution)" to provide consultation and facilitate guidance debt related issues.



## Privacy & Data Security

In 2022, there were no penalty case imposed by the competent authority due to the personal data violation incident. According to statistics of 2022, there were no personal data-related cases in customer complaint cases, and there was no issue of leaking personal data of customers.

### Data Leakage Incidents 2022

SASB: FN-CB-230a.1	2022
Number of confirmed data leakage incidents during the reporting period	0
Proportion of leakage incidents involving personal identity information	0%
Number of customers affected by personal data leakage incidents	0

## Cybersecurity

The Cyber Security Management Committee is set up according to Cyber Security Management Policy approved by the Board of Directors. The Committee is convened by the Chief Information Security Officer. 6 meetings were held in 2022.

Every year, the dedicated cyber security unit will summarize the implementation of the Bank's annual cyber security protection mechanism, the notification of cyber security incidents, feedbacks from internal/external stakeholders, and the results of assessments conducted by third-party organizations on the integrity of the Bank's overall cyber security implementation, and report to the Board of Directors.

	Name	Validity
ISO 27001:2013	Information Security Management System	Nov 6, 2025
ISO 22301:2019	Business Continuity Management System	Jan 30, 2024

## Supplier Management

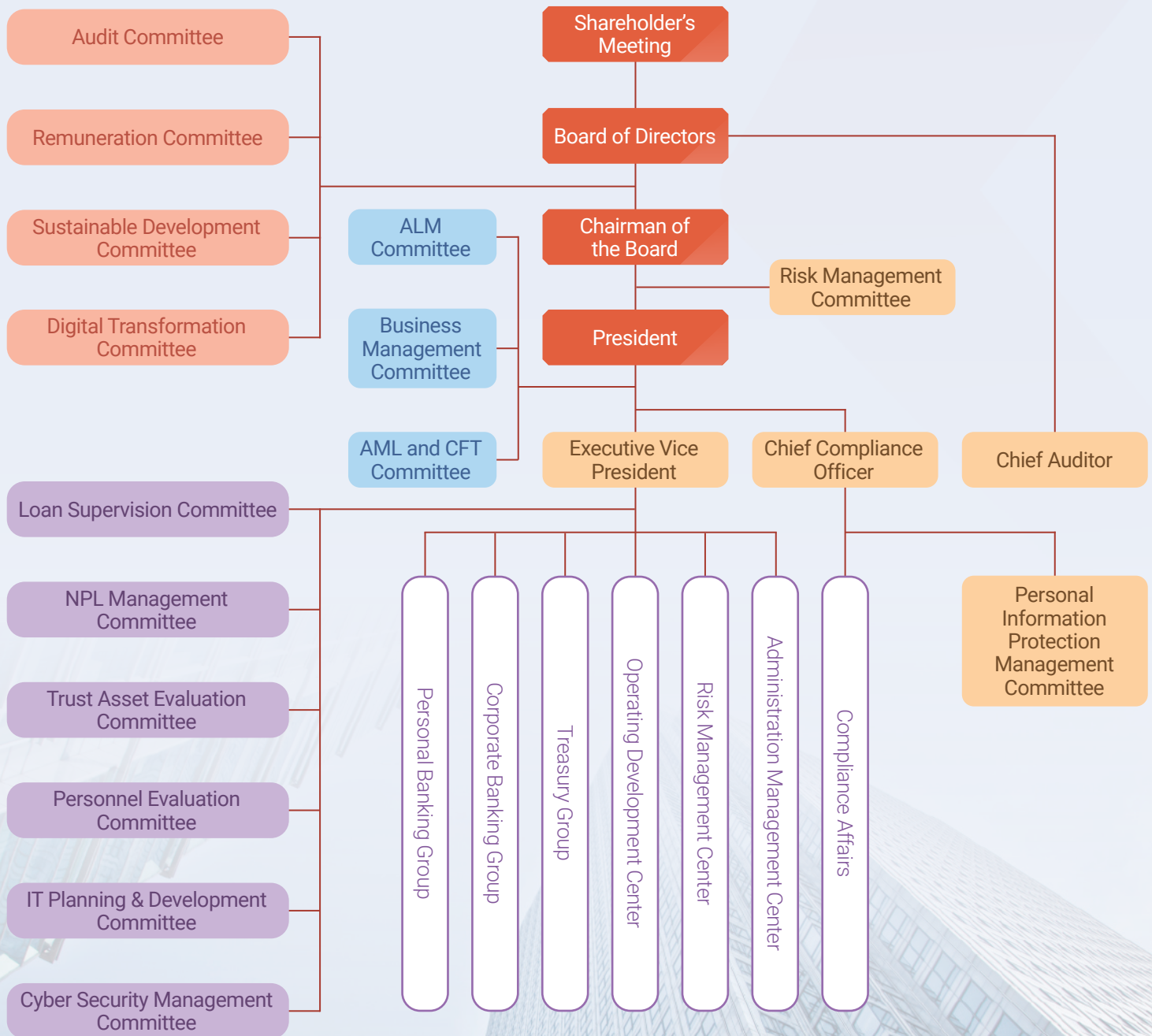
TBB suppliers include equipment and service providers and construction contractors.

Service items include printers, electronic equipment, telecommunications, security, insurance, building design, and operational water and electricity.

- ◆ Supplier Management Regulations formulated in Dec 2020.  
Includes basic labor rights, occupational safety and health, environmental protection, social welfare protection, ethical operation and disclosure of corporate social responsibility information.
- ◆ Implementation plan of the Supplier Management Regulations in 2022.
- ◆ New Suppliers:
  - ◇ All construction and procurement contracts signed by the Bank with new suppliers include **social responsibility clauses** that include environmental protection, social security, and occupational safety issues.
  - ◇ New Environmental Standards: New suppliers should fill out the supplier energy performance evaluation report form, requiring them to give priority to the use of items and materials certified with energy efficient labels and environmental labels, and green building materials.
- ◆ Assessment:
  - ◇ All new suppliers of the Bank have adopted the new environmental standards.
  - ◇ A total of 137 suppliers were contracted in 2022. The Bank conducts ESG reviews on suppliers whose purchase amount exceeds NT\$10 million. Among them, 2 suppliers have been identified as having significant or potential negative impacts; after advisory, both suppliers have taken remedial measures and made improvements.

# GOVERNANCE

## Corporate Governance Framework



Supporter:



Signatory:



Sustainability Disclosures:





## Board of Directors

The 16<sup>th</sup> Board of Directors was elected on July 20<sup>th</sup> 2021. TBB Board comprises of 15 Directors and adopts the candidate nomination and cumulative voting system. In addition, in order to enhance the Board independence and reduce the possibility of conflicts of interest, the number of Independent Directors of the 16<sup>th</sup> Board was increased from 3 to 5 seats. Current board diversity and composition:

- ◆ 33.3% independent directors (5 members)
- ◆ 13.3% female directors (2 members)
- ◆ 20% concurrently work as employees (denoted with ●)

The attendance rate for the 16<sup>th</sup> Board of Directors is 100%.  
The Board of Directors as of Jan 9, 2023:



Title	Name	Name of the Legal Entity Represented	Gender	Age
Chairman	Chien-Hao Lin	Ministry of Finance	M	61-70
Managing Director & President	Chih-Chien Chang ●	Ministry of Finance	M	61-70
Managing Director	Chun-Hsien Yeh	National Development Fund, Executive Yuan	M	51-60
Managing Director	Hsin-Tzu Hu	Bank of Taiwan	F	61-70
Managing Director (Independent Director)	Xin-Wu Lin	-	M	51-60
Director	Hung-Sheng Yu ●	Ministry of Finance	M	51-60
Director	Tzu-Hao Tsai	Bank of Taiwan	M	<50
Director	Che-Nan Wang	-	M	>70
Director	Ho-Chyuan Chen	Bank of Taiwan	M	51-60
Director	Wen-Hsiang Ma ●	TBB Union	M	<50
Director	Tung-Fu Lin	Ministry of Finance	M	51-60
Independent Director	Jin-Long Liu	-	M	61-70
Independent Director	Yung-Cheng Chuang	-	M	51-60
Independent Director	Shao-Yuan Chang	-	M	>70
Independent Director	Chiou-Mien Lin	-	F	51-60



## Functional Committees

### Audit Committee

Audit Committee comprises on **5 independent directors**. For 2022, 14 meetings were held by the Audit Committee with an attendance rate of 100%.

Title	Name
Committee Chair	Jin-Long Liu
Member	Xin-Wu Lin
Member	Yung-Cheng Chuang
Member	Shao-Yuan Chang
Member	Chiou-Mien Lin

### Remuneration Committee

Remuneration Committee comprises on **5 independent directors**. For 2022, 4 meetings were held by the Remuneration Committee with an attendance rate of 100%.

Title	Name
Committee Chair	Xin-Wu Lin
Member	Jin-Long Liu
Member	Chiou-Mien Lin
Member	Yung-Cheng Chuang
Member	Shao-Yuan Chang

### Digital Transformation Committee

The authority of this committee is to review the application of digital technology to TBB's operating procedures, business innovation and research and development, organization and management, and cross-business cooperation, etc., to improve the TBB's operating performance and expand its business scale. For 2022, 2 meetings were held by the Digital Transformation Committee with an attendance rate of 100%.

Title	Position	Name
Committee Chair	Chairman	Chien-Hao Lin
Member	Managing Director & President	Chih-Chien Chang
Member	Managing Director (ID)	Xin-Wu Lin
Member	Independent Director	Jin-Long Liu
Member	External Member	Chia-Chung Chen
Member	External Member	Wen-Nan Tsan

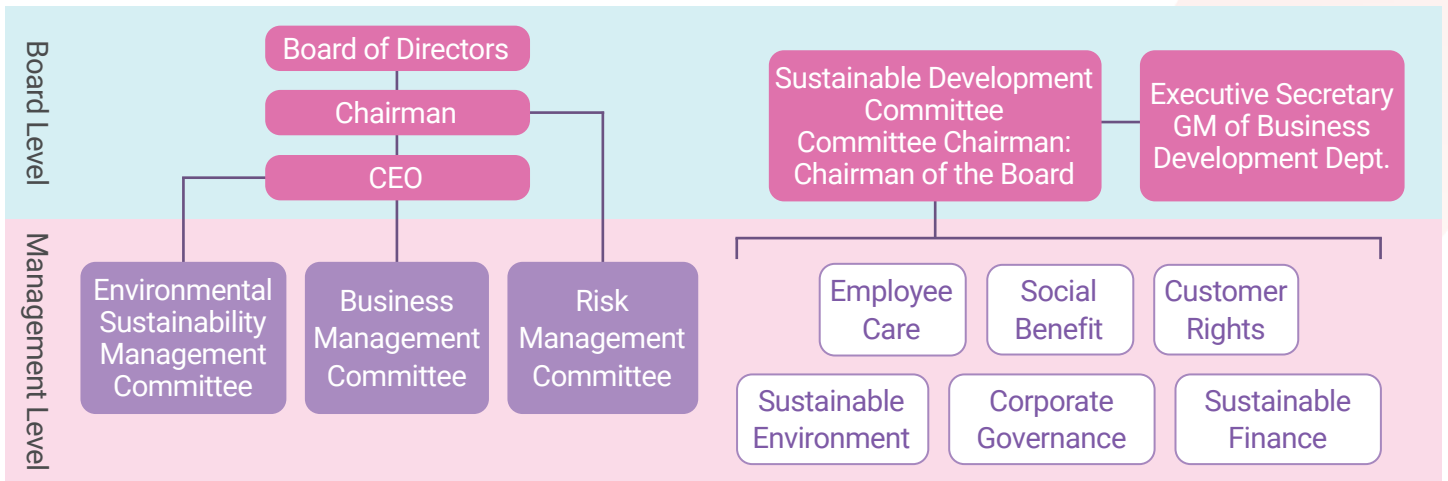
### Sustainable Development Committee

On December 15, 2021, the Strategy Development Committee was merged with the CSR Committee and renamed the "Sustainable Development Committee". For 2022, 3 meetings were held by the Sustainable Development Committee with an attendance rate of 100%.

Title	Position	Name
Committee Chair	Chairman	Chien-Hao Lin
Member	Managing Director & President	Chih-Chien Chang
Member	Managing Director (ID)	Xin-Wu Lin
Member	Independent Director	Jin-Long Liu
Member	Independent Director	Yung-Cheng Chuang

The Sustainable Development Committee as a functional committee of the Board oversees the entire banks' sustainability implementation strategies and covers climate management systems, which is closely interlaced with corporate governance, risk management, climate change, responsible investment, credit due diligence and environmental sustainability issues. In conjunction, the control of risks (including climate change risks) are monitored through the Risk Management Department.

## Board of Directors Climate Change Governance Structure



## › Ethical Management

TBB upholds the principles of fairness, honesty, trustworthiness, and transparency in its business activities. TBB's Sustainable Development Committee is the dedicated unit for ethical operations. The Secretarial Department is responsible for the amendment, interpretation, and consultation services for TBB's Ethical Corporate Management Best Practice Principles.

To implement ethical corporate management, TBB's Directors and the senior management members have issued a statement of compliance with the ethical corporate management policy, incorporated the ethical corporate management into the employment conditions and adopted it as a quality that employees need to internalize, and offered basic courses on integrity and compliance for new recruits.

## › Compliance

TBB's compliance policy is implemented to ensure that businesses and operations meet regulatory requirements to promote sound management and ensure that the Board of Directors, senior management, and the entire staff are jointly responsible for compliance.

Each management unit shall collect information on additional (amended) regulations related to its operations and notify related units where necessary. Regulatory impact on business operations and management is discussed in a timely manner, as well as evaluation of the adequacy of self-assessments and update various operation and management regulations.

All units shall implement self-evaluations for compliance every six months. The Compliance Department shall compile deficiencies from the compliance self-evaluation results of all units, which shall be reported by the Chief Compliance officer of the head office to the Audit Committee and the Board every six months.

There were no legal proceedings involving anti-competitive behavior, anti-trust and monopoly behavior; no violations of environmental laws and regulations; no violations of laws and voluntary regulations on the labeling of goods and services or violations of laws, regulations, or voluntary standards related to marketing and promotions (including advertising, promotion, and sponsorship) in 2022.

## › Risk Management

The scope of risk management covers credit risks, market risks, operational risks, IRRBB, funding liquidity risks, and capital adequacy management.

### ◆ Risk Management Committee

#### Basis of establishment

The Bank established the Risk Management Committee in accordance with Article 5 of the "Taiwan Business Bank Risk Management Policy" to take charge of reviewing various risk management indicators, response plans for exceeding management indicators, and risk analysis and measurement methodology. The Bank also coordinates and supervises the risk management implementation units to pursue profitability and sustained growth of the Bank's value.

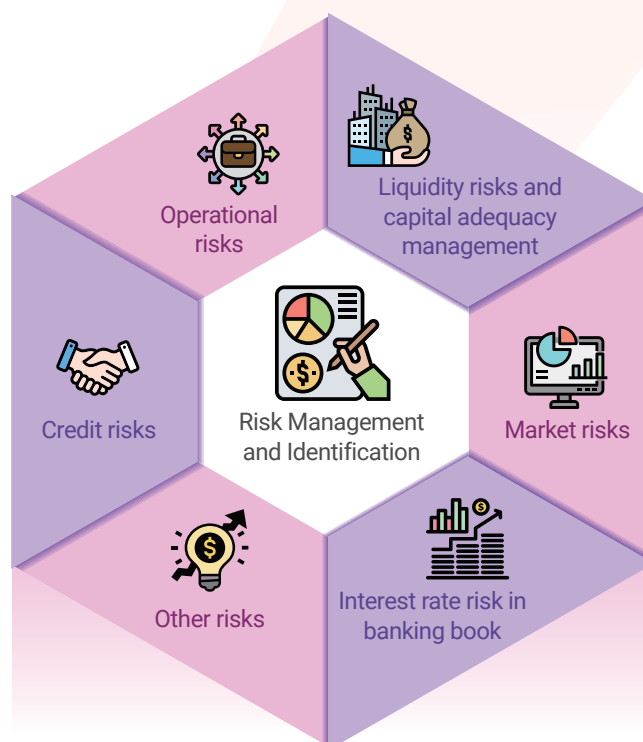
#### Members of the Committee

To implement the Bank's risk management and monitoring system, the Chairman of the Committee shall be assigned by the Chairman of the Board of Directors and the members of the Committee shall include the President, Executive Vice Presidents, and managers of related units.

#### Description of duties

- ◆ As a principle, meetings of the Risk Management Committee shall be convened each month. Where necessary, the Chairman of the Committee may convene extraordinary meetings.
- ◆ The "Risk Management Department" is a staff unit of the Risk Management Committee. It reports important resolutions and risk exposure items to the Board of Directors (Managing Directors) each quarter.

### ◆ Risk Management and Identification



Include climate change, information security, money laundering, and other emerging risks which are clarified in other chapters.

## › Crisis Management

The Bank has established the "Guideline for Material Contingencies Handling Mechanisms." In the event of an incident or natural disaster, fraud, bank run, material robbery, material property loss, media report that impacts the Bank's reputation, a bounced check with an amount of more than NT\$100 million, information security incident, or other material incidents.

## › Anti-Money Laundering/ Counter Financing of Terrorism

#### ◆ Education and Training

In 2022, the statutory on-the-job AML/CFT education and training for employees have been completed and met the requirement on the annual statutory on-the-job training hours.

#### ◆ Monitoring of Money Laundering and Terrorism Financing Risk and Crime

In order to strengthen the continuous monitoring measures on customers' transactions, we have established monitoring scenarios for suspected money laundering or terrorism financing transactions based on the nature of each business and adopt information systems to help identify suspicious transactions. In 2022, 707 suspicious transactions were reported to the Investigation Bureau of the Ministry of Justice, and 21 cases were completed according to feedbacks of the distribution and application results of financial information provided by the Investigation Bureau of the Ministry of Justice.

#### ◆ Continuously Review and Strengthen the Internal Control System

- ◇ Comprehensive money laundering and terrorism financing risk assessment report prepared each year is reviewed and approved by the Audit Committee and the Board, then submitted to FSC.
- ◇ Evaluate the implementation of the Internal Control System for AML/CFT and issues a statement declaring that effectiveness and compliance with laws and regulations signed by Chairman and disclosed publicly on website.
- ◇ CPAs conducts annual project audit on the AML/CFT mechanism, submitted to Audit Committee and the Board for approval, then submitted to FSC.

#### ◆ Policies and Identification, Regular Review and Monitoring of High Risk Customers such Politically Exposed Persons (PEPs)

### › Whistleblowing System

TBB established the “Taiwan Business Bank Regulations Governing the Handling of Whistleblowing Cases”. Reporting channel is available through TBB’s official website under “Report staff’s inappropriate behaviors or illegal conducts” (<https://www.tbb.com.tw/web/guest/-489>) and the integrated portal webpage of the internal system, and has set up a reporting mailbox and a dedicated hotline (02)2558-7855 for reporting matters by the Bank’s internal and external personnel. Dedicated personnel are appointed by the Compliance Department to handle matters reported.

If the reported matter is verified to be true, the Bank shall instruct relevant units to review the internal control system and operation procedures, and submit improvement measures to prevent the same behavior from happening again. If it is a Material Contingencies case or illegal case, the Bank will take the initiative to inform or report to the relevant competent authority.

TBB shall keep confidential regarding the information about the whistleblower, including the name, age, residence, and identity, and may not carry out dismissal, discharge, demotion, pay-cut regarding the whistleblower, or form damages to the rights that the whistleblower is entitled to according to laws and regulations, contracts, or practices, or other adverse actions.

*In 2022, 5 named reporting cases were accepted (completed), none of which involved dishonesty after investigation.*