



2020 SCSB

Corporate Social Responsibility Report



處處為您著想

上海商業儲蓄銀行

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

2020

SCSB Corporate Social Responsibility Report

About the Report

The Shanghai Commercial and Savings Bank, Ltd. (hereinafter referred to as SCSB) has been concerned with the trend in corporate social responsibility (hereinafter referred to as CSR) and sustainable development for a long time. The SCSB has been actively facilitating and carrying out relevant measures.. The first CSR report was published in 2007 and this report is the 14th CSR report published by the SCSB, disclosing the efforts being made for CSR and relevant outcome. Visit the SCSB's website (https://www.scsb.com.tw/content/csr/csr_03a.jsp) to download and read the reports published by the SCSB these years. The SCSB wishes to use the report as a communication tool to respond to the issues which stakeholders from all sectors are concerned with. The aim is to keep annual growth and sustainable development of the SCSB.

Reporting Period

The SCSB's CSR report is published annually. This report primarily discloses the material issues of the SCSB on CSR and sustainable development in 2020 (1/1/2020—12/31/2020) and the performance information on actions and responses to such issues. The SCSB seeks to ensure that this report meets the six quality principles in the GRI Sustainability Reporting Guidelines: accuracy, balance, clarity, comparability, reliability and timeliness. Some contents are traced back to 2017 to enable readers to gain more understanding of the information in this report.

- Time of report publication for the previous year (2019): June 2020
- Time of report publication for the current year (2020): June 2021
- Scheduled time of report publication for the next year (2021): June 2022

Scope of the Report

This report discloses the performances of SCSB on sustainable development. Among these aspects, governance, economy, environment and society completely cover SCSB's locations of operations in Taiwan and overseas branches except for overseas representative offices or subsidiaries. Scopes of other disclosed data different from the aspects above are noted in the associated chapter. All financial figures are calculated in NT dollars and the calculation of relevant statistical figures is based on the international standard indicators generally applied. Due to statistical completeness, the scope of disclosure of some performance data will be specified in the report.

Basis of the Report and Information Assurance

This report is compiled on the basis of the GRI Standards and Sector Disclosures published by the Global Reporting Initiative (hereinafter referred to as GRI), GRI Standards, Sector Supplement, Sustainability Accounting Standards Board (SASB) and the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies issued by the Taiwan Stock Exchange (TWSE). All disclosures are in accordance with the Core Option. To ensure accuracy of the information disclosed, this report is provided by the senior managers of the relevant units of the CSR team after they have completed the fact check. Summarization and internal reviews are performed by the Head Office to ensure accuracy and consistency of information.

The financial information in this report has cited the annual financial report attested to by a CPA and adopted by the SCSB. In addition, to ensure that this report conforms with the disclosure principles of the GRI Standards Core Option, the accounting firm Deloitte & Touche has been entrusted to provide limited assurance to this report in accordance with the Statement of Assurance Engagements Standards No. 1 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (based on the International Standards on Assurance Engagements (hereinafter referred to as ISAE) 3000 Revised) issued by the Accounting Research and Development Foundation. See the appendix of this report for the CPA's independent assurance statement.

Contact Information

For any concerns or opinions on this report or suggestion on the implementation of CSR, please advise as necessary.

- Add. of the Headquarters : 3-12F., No. 149, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City

- Tel. : (02)2581-7111 #5210
- Email : service@scsb.com.tw
- Spokesperson : Peng, Kuo-kuei, First Executive Vice President
- Deputy Spokesperson : Yen Wei Kuo, Executive Vice President

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SCSB CSR Website

This report has been published as an interactive PDF, allowing readers to move quickly and easily to pages in the report, and including shortcuts to related web pages.

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Message from the Chairman



Yung, Hung-Ching, Chairman

In 2020, the COVID-19 pandemic has spread all over the world. The unprecedented economic impact incurred is greater than the disputes from the U.S.–China trade war. Economic growth stayed at 3.11% and the economy is booming thanks to the excellent pandemic prevention in Taiwan. The SCSB continues to follow government measures on pandemic prevention, adapt to circumstances and develop business steadily. When the epidemic broke out at the beginning of 2020, the SCSB responded to the epidemic quickly and diligently by implementing the Severe Pneumonia with Novel Pathogens Prevention Plan in January 2020. The President set up an emergency response team in February to monitor pandemic trends and carry out countermeasures. Temperature measurement, face mask provisions and purchase of epidemic prevention materials have been put in place. Employees of domestic and overseas branches, operations departments, business departments and supporting departments took turns to work from home, hold video conferences and keep social distancing. Transparent partitions were installed at counters to ensure operating continuity and minimize the pandemic impact on our employees, customers and business. The SCSB followed the relief and economic stimulus schemes for industries provided by the government and actively helped domestic sectors weather the storm.

The SCSB promoted ESG in an organized, systematic way, fulfilled the idea of sustainable operations and integrated ESG with the DNA of corporate culture. This year the SCSB founded the Sustainable Operation Executive Committee. The President serves as the convener. The Committee consists of six functional teams, environmental sustainability, social charity, customer rights, responsible finance, employee care and corporate governance. The Committee formulates sustainable operating policies and short-, mid- and long-term goals, strengthens supervision by the Board of Directors on corporate sustainability and creates a sustainable environment and value.

The SCSB always sticks to sincere and steady operations, attaches importance to internal control and compliance, enhances self-supervision and management and increases public reliability and trust on our integrity operations. Anti-money laundering and counter-terrorism is pre- dominantly focused around the world. The SCSB has established a group anti-money laundering policy and the relevant procedure. A dedicated "Anti-Money Laundering and Counter-Terrorism Financing

Center" has been established under the Compliance Department with a responsible officer and an inter-departmental "Anti-Money Laundering and Counter-Terrorism Financing Committee" has also been established at the Headquarters. Supervisory officers for anti-money laundering and counter-terrorism financing have been appointed to all business units to build a complete top-down hierarchical management system. Besides this, the SCSB implements a risk-oriented internal audit mechanism and improves business development.

To adapt to changes of external operating environment and market competition in 2020, the SCSB continues to focus on customers, improve research and development, reinforce business competitiveness and increases customer satisfaction. As for corporate banking, the SCSB advocates government policies by encouraging return of funds by Taiwanese investors overseas back to the island. The SCSB promotes credit guarantee loan for development, startup and government project finance to support industrial development. The SCSB offers micro enterprise e-loan to customers for convenient loan application. The SCSB cooperates with other banks to launch the global trade sharing block chain to increase corporate financing efficiency. As for personal finance, the SCSB offers flexible product portfolios and packages to strengthen consumer finance. The SCSB also provides online loan application and smart mortgage estimation to customers. The SCSB launches overseas structured notes, dual currency deposits, target maturity bond trust collective management account, long-term care trust, estate planning and retirement insurance policy for customer finance to satisfy financial management needs.

To strengthen deposit services, the SCSB continues to enhance marketing plans, promote retail savings and current savings, accelerate the launch of digital trade, offer third-party payment platform and enhance touch-free service. As for digital finance, the SCSB increases the usage of Taiwan Pay, introduces the e-commerce platform, offers mobile transfer and collaborates with the third-party service providers to offer businesses of the second stage of open banking. Meanwhile, the SCSB carries out system upgrade of online and mobile bank, and enhances smart services to increase competitiveness in digital finance.

The SCSB continues to deploy banks in in Asia-Pacific region and expand international business. Wuxi Branch was opened in December, bringing in more business. The establishment of Bac Ninh Province Representative Office was authorized by the State Bank of Vietnam. In the same year, the second-stage equity transaction of AMK Microfinance Institution Plc., our Cambodian subsidiary, was completed, increasing shareholdings ratio to 99.99%. The SCSB gained complete business dominance. In order to cope with the policy of Financial Supervisory Commission on establishing the international finance platform, the SCSB set up the wealth inheritance finance group under the Wealth Management Department and became one of the first banks allowed to provide HNW wealth management services. To adapt to the policies by competent authorities, the Smart Wealth Management Team has been set up to specialize in planning and implementation of smart property management system. In addition, the Industrial Finance Implementation Team was founded to specialize in planning and implementation of startup and trend industries. The SCSB also founded the Trust 2.0 Implementation Team to specialize in planning and implementation of Trust 2.0.

In 2020, the SCSB was honored with the MSCI ESG Grade A and TCSA – Corporate Sustainability Report Golden Award. Besides this, the SCSB has also been included in the TWSE RA Taiwan Employment Creation 99 Index, signifying recognition from all sectors on our sustainable development. In the future, the SCSB will continue to cope with FSC's policies to carry out six measures for increasing profits, attract talents from diverse backgrounds, cultivate innovative talents, promote social responsibility, enhance corporate image, integrate the resources of domestic and overseas channels with new thinking and balance the development of corporate finance, personal finance, wealth management, financial marketing, digital finance and deposits. The SCSB will deepen its relationship with the core customers, build a good customer base, generate customer values, seek innovative digital finance, promote financial inclusion and boost profit growth. The SCSB maintains a balance between business and management and considers internal control compliance, risk management and information security are equally important.

The SCSB's 2020 CSR report describes the efforts the SCSB has put into fulfilling its CSR and the achievements. The report seeks more effective communication with customers, employees, shareholders and all sectors of society. Through the report, the SCSB expresses its gratitude for the supports and concerns from customers, employees, shareholders and all sectors of society. The SCSB will remain committed to its corporate citizen responsibility, show its care toward environmental protection and society, pro-actively participate in activities promoting environmental protection and public interest, and take corporate governance into consideration. The SCSB hopes to receive and appreciate any kind of advice from any sector of society.

Yung, Hung-Ching, Chairman
June 2021

2020 SCSB Sustainable Performance Summary

Governance and Economy



Operating Performance

- The net profit after tax was NT\$ **13.46 billion**, an **8%** decrease from the previous year
- The EPS after tax was NT\$ **3.01**, a **14%** drop from the previous year (note)
- Being included in the **TWSE RA Taiwan Employment Creation 99 Index**

Note: The main reason is that the net profit after tax was decreased and the share capital has increased for increased cash capital in the previous year.



Corporate Governance

- The first corporate governance evaluation has been completed.
- The internal performance evaluation of the Board of Directors and Functional committee has been completed.



Anti-money laundering

- A total of **8,027 people** passed the **AML course** and **compliance exam** in 2020
- A total of **73.4%** of the supervisors of dedicated units and domestic business units own **CAMS**



Digital Banking

- New application services on the website and online have been set up
- **Open API** business is available. **Corporate confirmation** service was launched in November 2020
- Mobile payment continues to be developed. **OneCode GO**, a multi-payment service with integration of payment receipt, is provided to help stores conveniently manage payments

Environment

Green finance



- The outstanding balance for solar power industry and green energy industry is NT\$ **1.381 billion** and NT\$ **22.721 billion**, respectively
- Foreign bond investment associated with sustainability exceeded NT\$ **2.15 billion**. Domestic corporate bond investment associated with ESG exceeded NT\$ **14.6 billion**. Corporate stock investment exceeded NT\$ **2.37 billion**

Green operations



- **Total energy consumption** of SCSB in 2020 was **10% lower** than the previous year.
- Continue to promote paperless services. Approximately **10.2 tons** of **carbon emission equivalent** has been reduced
- Actively purchase **water saving equipment** and the products with the **water conservation certificate**

Society

Employee development



- The promotion rate of participants of the Branch Operating and Management Talent Workshop is **49%**
- According to the filing rules stipulated by the FSC, the number of full-time non-managerial employees is **2,356**. The average salary of non-managerial employees is NT\$ **1,261,000**. The median of the salary of non-managerial employees is NT\$ **1,168,000**, an increased by **1.83%** compared to the last year

Financial inclusion



- The Financial Knowledge Promotion in Campuses and Communities was held **54 times**, benefiting **5,643 people**. It is ranked **second** in the banking sector
- The outstanding balance for micro-businesses and SMEs is NT\$ **235.8 billion**, about **31%** of the total outstanding balance

Social participation



- NT\$ **28.78 million** in scholarships are offered and the number of volunteer hours is **1,784**

Sustainability Strategy and Management

SCSB CSR REPORT 2020



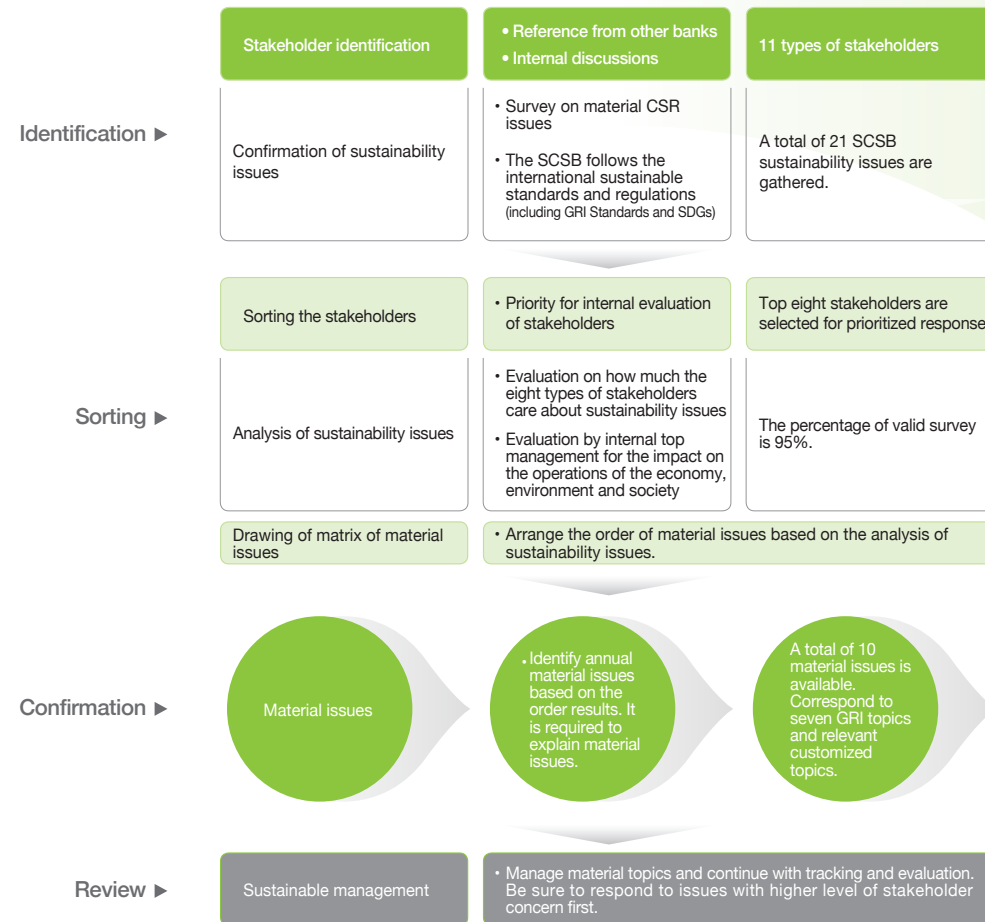
Correspondent Chapter



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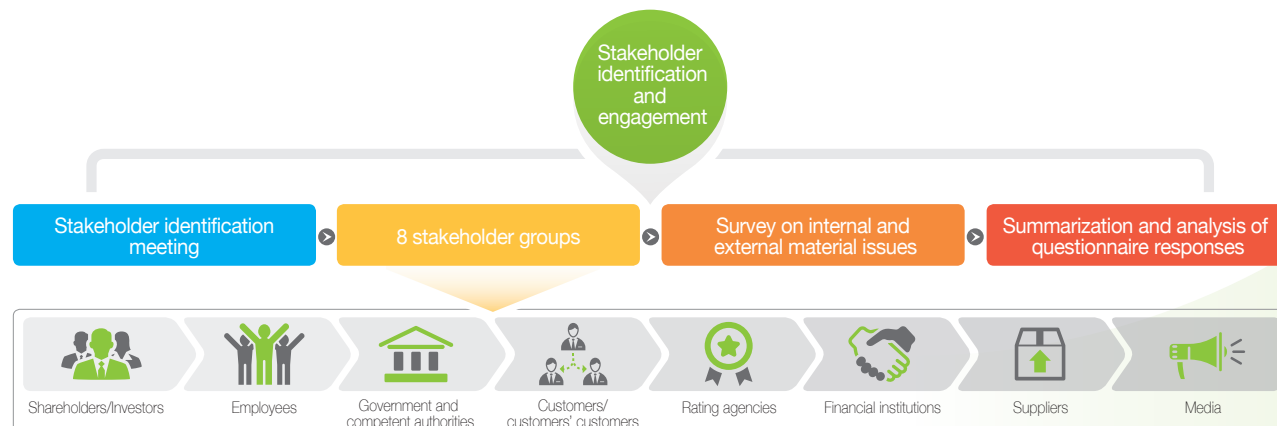
Stakeholder and materials issue

(I) Identification process



(II) Stakeholder Identification and Engagement

After internal discussion on the survey and reference from other banks on stakeholder identification and engagement, the SCSB identifies 11 types of possible stakeholder groups and arranges stakeholder priority through internal evaluation work. The SCSB determines eight stakeholders must be responded to in priority, shareholders/investors, employees, government and competent authorities, customers/customers' customers, rating agencies, financial institutions, suppliers and media. To understand the level of concern shown by stakeholders toward sustainability issues, the "Questionnaire for the Evaluation on the Concerned Issues of Corporate Sustainable Development" has been designed and distributed to the stakeholder groups to be completed. The questionnaire can also be filled out on the SCSB's website.



(III) Results of stakeholder identification

| Stakeholder | Materiality | Communication channel | Communication frequency | Issues of concern | Corresponding sections |
|--------------------------------------|---|---|---|--|---|
| Shareholders/Investors | Thanks to the long-term and strong support from shareholders, the SCSB is able to achieve its current size of operations and market competitiveness. | Regular shareholders' meeting Release of public information | Annually, regularly and irregularly | <ul style="list-style-type: none"> Ethical management Compliance Privacy information protection Corporate Governance Risk management | 1.3 Stable Governance 1.4 Ethical Management 1.5 Risk Management 1.7 Customer Relationship |
| Employees | Since its establishment, the SCSB has focused on talent cultivation and spared no efforts in providing on-the-job training to employees to enhance the overall competitiveness of the SCSB. | Morning meetings by the department Labor-management meetings President's email iTalking | Weekly Quarterly Real-time Real-time | <ul style="list-style-type: none"> Employee treatment and welfare Workplace health and safety Ethical management Risk management Information security | 1.4 Ethical Management 1.5 Risk Management 1.8 Information Security 3.3 Workplace Health and Safety 3.4 Employee Care and Welfare |
| Government and competent authorities | The financial industry is closely supervised by the government and the SCSB attaches great importance to its compliance with the requirements of all applicable laws and regulations. | The SCSB cooperates with the competent authorities conducting audits. Filing of all kinds of reports and public information | Irregularly regularly and irregularly | <ul style="list-style-type: none"> Compliance Information security Ethical management Risk management Privacy information protection | 1.4 Ethical Management 1.5 Risk Management 1.7 Customer Relationship 1.8 Information Security |
| Customers/customers' customers | In preparing business guidelines and manuals, the five business departments of the SCSB (Corporate Banking, Personal Banking, Customer Finance, Treasury, Deposits) have taken customer factors into account. | Service quality survey by a third party A customer service center and e-mail box Discussions and meetings with the customer relationship managers (RM) Anonymous satisfaction survey | Annually Immediately Irregularly Irregularly | <ul style="list-style-type: none"> Ethical management Privacy information protection Information security Compliance Workplace health and safety | 1.4 Ethical Management 1.7 Customer Relationship 1.8 Information Security 3.3 Workplace Health and Safety |
| Rating agencies | Rating agencies can examine the operational and service level of financial institution from a professional aspect and offer objective opinions. | Credit rating meeting | Annually | <ul style="list-style-type: none"> Corporate Governance Ethical management Compliance Risk management Operating performance | 1.2 Operating Performance 1.3 Stable Governance 1.4 Ethical Management 1.5 Risk Management |
| Financial institutions | Although the SCSB competes with other financial institutions in the market, sometimes cooperation happens. Different experiences can help the SCSB make progress. | The SCSB shares experience with other banks in the associations where it has membership. | Irregularly | <ul style="list-style-type: none"> Operating performance Workplace health and safety Employee treatment and welfare Employee training and career development Corporate Governance Ethical management | 1.2 Operating Performance 1.3 Stable Governance 1.4 Ethical Management 3.2 Employee Management 3.3 Workplace Health and Safety 3.4 Employee Care and Welfare |
| Suppliers | All the contracted suppliers are vital partners in the sustainable management and growth of the SCSB. | Clear requirements for communication are announced during tender invitation and bidding. | Each time signing contract | <ul style="list-style-type: none"> Ethical management Customer relationship management Risk management Privacy information protection Compliance | 1.4 Ethical Management 1.5 Risk Management 1.7 Customer Relationship |
| Media | By taking part in charitable activities, the SCSB is able to feel the real pulse of society and discover more opportunities to implement the ideas of CSR. | Financial promotion and community charity activity | Each time an event is held | <ul style="list-style-type: none"> Compliance Privacy information protection Risk management Information security Employee treatment and welfare | 1.4 Ethical Management 1.5 Risk Management 1.7 Customer Relationship 1.8 Information Security 3.4 Employee Care and Welfare |

(IV) Participation of associations

In addition to active communication and peace negotiation with stakeholders, the SCSB takes part in important associations relevant to financial industry for exchange on important issues and collaboration. It is expected to facilitate stable development of financial industry.

| Name of association | Role of the SCSB |
|--|------------------|
| Asian Bankers Association (ABA) | Member |
| Chinese Financial Research and Development Association (CHFRDA) | Member |
| The Bankers Association of the Republic of China | Member |
| Computer Audit Association | Member |
| Chinese Human Resource Management Association | Member |
| Securities Investment Trust & Consulting Association of the R.O.C. | Member |
| Trust Association of R.O.C. | Member |

| Name of association | Role of the SCSB |
|---|------------------|
| R.O.C. Bills Finance Association | Member |
| Taiwan FinTech Association | Member |
| Financial Planning Association of Taiwan (FPAT) | Member |
| International Swaps and Derivatives Association, Inc. (ISDA) | Member |
| Society for Worldwide Interbank Financial Telecommunication (SWIFT) | Member |
| American Bankers Association | Member |
| Bankers Association for Finance and Trade (BAFT) | Member |

(V) Identification of material issues

STEP 1 | GRI Standards

The GRI Standards contains four principles, Materiality, Sustainability Context, Stakeholder Inclusiveness and Completeness. The SCSB follows these principles and international integrated reporting structure. Furthermore, the SCSB examines international trend of sustainability development, and material issues of international corporation and top domestic banks to create a list of our sustainability issues. Next, the SCSB identifies material issues via the analysis of sustainability issues.



STEP 2 | Internal senior management to conduct assessment

The SCSB invited its internal senior management to conduct assessment and complete questionnaires concerning the likely levels of impact from sustainability issues. Material issues were identified based on the results of surveys regarding the levels of stakeholder concern and levels of impact from sustainability issues.

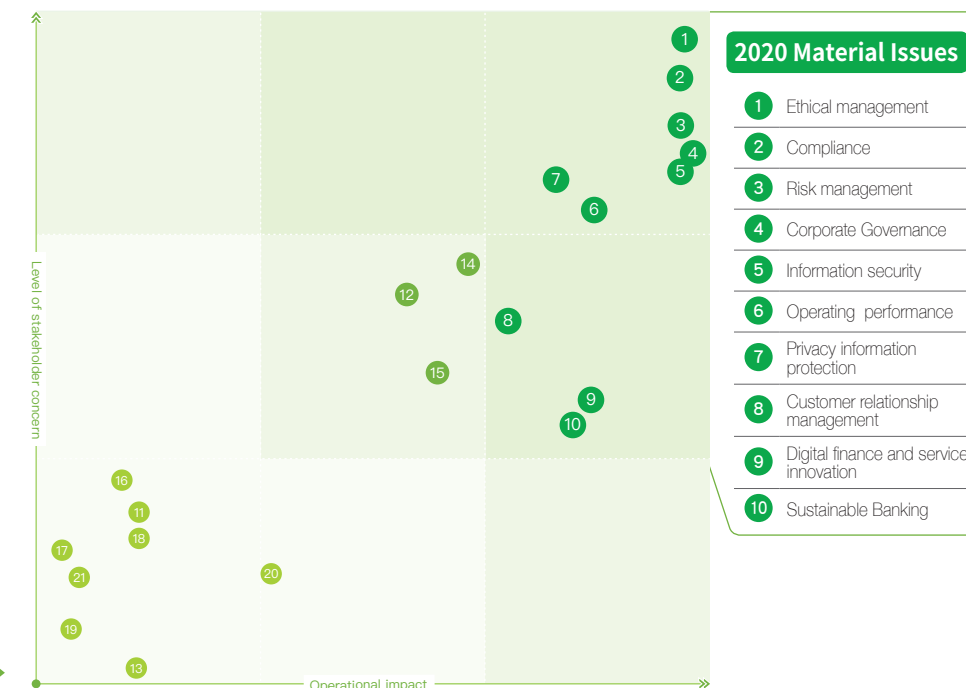


STEP 3 | Result for Material issues identification

Ten material issues in 2020 were identified, Ethical management, Compliance, Risk management, Corporate governance, Information security, Operating performance, Privacy information protection, Customer relationship management, Digital finance and service innovation and Sustainable banking.



Matrix of material issues



| No. | Material Issues | No. | Material Issues | No. | Material Issues |
|-----|--------------------------------|-----|---|-----|---|
| 1 | Ethical management | 8 | Customer relationship management | 15 | Employee cultivation and career development |
| 2 | Compliance | 9 | Digital finance and service innovation | 16 | Social participation |
| 3 | Risk management | 10 | Sustainable Banking | 17 | Financial education |
| 4 | Corporate Governance | 11 | Human rights and equality | 18 | Financial inclusion |
| 5 | Information security | 12 | Workplace health | 19 | Green operation |
| 6 | Operating performance | 13 | Climate change response | 20 | Multinational business finance |
| 7 | Privacy information protection | 14 | Employee cultivation and career development | 21 | Responsible procurement |

Description of material issues

| Material issues | Correspondence to material GRI topic | Meaning to the SCSB | Impact boundary | | | | | | | | Our important measures and corresponding chapter |
|----------------------|--|---|-------------------------|-----------|--------------------------------------|---------------------------------|-----------------|------------------------|-----------|-------|--|
| | | | Shareholders/ investors | Employees | Government and competent authorities | Customers/ customers' customers | Rating agencies | Financial institutions | Suppliers | Media | |
| Ethical management | <ul style="list-style-type: none"> Anti-corruption Anti-competitive behavior | The SCSB cares about ethical corporate culture and stipulates and implements ethical management policies. | ● | ● | ○ | ○ | ○ | ○ | ● | ○ | Code of Ethical Conduct and principles of ethical management have been stipulated and implemented. No corruption occurred in 2020. Refer to 1.4 Ethical Management in detail. |
| Compliance | <ul style="list-style-type: none"> General disclosures (ethics and integrity) About environmental compliance Marketing and Labeling Socioeconomic compliance | The SCSB believes that complying to business regulations is critical to corporate sustainable development. By adhering to other environmental, social and economic regulations, our compliance work is better than the scope required by a single financial industry. | ○ | ○ | ● | ○ | ○ | ○ | ○ | ○ | Through effective compliance management and audit system, the SCSB complies with all kinds of regulations, sets up a dedicated unit Anti-Money Laundering and Counter-Terrorism Financing Center and assigns dedicated managers. Refer to 1.4 Ethical Management |
| Risk management | <ul style="list-style-type: none"> General disclosures (strategy) | The SCSB has established the Risk Management Committee charged with formulating risk management policies to improve the functions of the Board of Directors and strengthen the risk management mechanism. | ● | ○ | ○ | ○ | ○ | ○ | ○ | ○ | Risk management is performed via risk-oriented internal audit mechanism by FSC and identification of climate change risk. Refer to 1.5 Risk Management and 2.1 Risks and Opportunities of Climate Change. |
| Corporate Governance | <ul style="list-style-type: none"> General disclosures (ethics and integrity) Anti-corruption Anti-competitive behavior Socioeconomic compliance | Through design and implementation of systems, the SCSB is able to enhance management effectiveness while taking into account the interests of other stakeholders and winning the support and trust of customers in the end. | ● | ○ | ○ | ○ | ○ | ○ | ● | ○ | Corporate governance managers have been assigned. Guidelines on Evaluation of the Performance of the Board of Directors have been designated. Refer to 1.3 Stable Governance |
| Information security | <ul style="list-style-type: none"> General disclosures (ethics and integrity) | Our financial development relies on stable information system. International information security standard is adopted for better protection. | ● | ○ | ○ | ● | ○ | ○ | ○ | ○ | The Information Security Committee has been established. ISO27001 certification have been acquired. Refer to 1.8 Information Security |

Note: ● Direct impact ○ Indirect impact

| Material issues | Correspondence to material GRI topic | Meaning to the SCSB | Impact boundary | | | | | | | | Our important measures and corresponding chapter |
|--|--|---|-------------------------|-----------|--------------------------------------|---------------------------------|-----------------|------------------------|-----------|-------|--|
| | | | Shareholders/ investors | Employees | Government and competent authorities | Customers/ customers' customers | Rating agencies | Financial institutions | Suppliers | Media | |
| Operating performance | <ul style="list-style-type: none"> Economic performance | Sustainable management and steady growth are the basic management policies. The SCSB continues to pursue the maximization of shareholders' interests and its market value, seek adequate capital and adjust the lending structure in line with government policies. | ● | ● | ○ | ● | ○ | ○ | ○ | ○ | The annual management strategy and development goal have been planned. Sustainability taxation will be disclosed starting from this year. Refer to 1.2 Operating Performance |
| Privacy information protection | <ul style="list-style-type: none"> Customer privacy | The SCSB cares about customer privacy information management and makes sure that customer information will not be used for illegal purposes. | ○ | ○ | ○ | ● | ○ | ○ | ○ | ○ | Personal data protection policies have been stipulated. Refer to: 1.4 Ethical Management 1.7 Customer Relationship in detail. |
| Customer relationship management | <ul style="list-style-type: none"> General disclosures (stakeholder engagement) | The SCSB has always adopted a customer-first approach. With the service idea of "always placing customers' needs first" in mind, the SCSB aims to provide customers with high-quality services that are "considerate, efficient and respectful." | ○ | ○ | ○ | ● | ○ | ○ | ○ | ○ | Consumer protection guidelines have been stipulated. The SCSB has been honored the Global Views: Five-Star Service Awards. Refer to 1.7 Customer Relationship in detail. |
| Digital finance and service innovation | <ul style="list-style-type: none"> Indirect economic impact | To adapt to financial development trend, the SCSB implements innovative and extensive use of FinTech, improves accessibility and immediacy of financial service for the public and enhances customer experience. | ● | ● | ○ | ● | ○ | ● | ● | ○ | Eight smart branches have been established. The application of FinTech continues to be strengthened. Refer to 1.6 Smart Banking for detail. |
| Sustainable Banking | <ul style="list-style-type: none"> Custom theme | Financial products complying to sustainable operation or ESG have been launched. Low-interest funding services are offered to industries facilitating sustainable development. | ● | ○ | ○ | ● | ○ | ○ | ○ | ○ | The SCSB expands the scope of sustainable financial service in line with the Green Finance Action Plan 2.0. Refer to 2.2 Sustainable Banking in detail. |

Note: ● Direct impact ○ Indirect impact

Material Topic Management Policies

| Material issues | material GRI topic | Policies and commitments | Actions and performance evaluation |
|--|--|---|---|
| Ethical management | <ul style="list-style-type: none"> General disclosures (ethics and integrity) Anti-corruption Anti-competitive behavior | <ul style="list-style-type: none"> To stipulate ethical management policies based on regulations. These policies include Ethical Management Guidelines, Code of Ethical Conduct and Procedures for Ethical Management and Guidelines for Conduct. | <ul style="list-style-type: none"> In 2020, the Guidelines on Processing of Whistleblowing Cases were amended and the amendment was announced to encourage employees to report cases of violations. The result of enforcement was reported to the Board of Directors in Q1 2020. |
| Compliance | <ul style="list-style-type: none"> General disclosures (ethics and integrity) About environmental compliance Marketing and Labeling Socioeconomic compliance | <ul style="list-style-type: none"> To stipulate the Compliance Policies and the Compliance Regulations as the guidelines for compliance management and supervision. | <ul style="list-style-type: none"> The Compliance Department is established under the President for planning, management and implementation of the compliance system. Every SCSB unit has a compliance officer responsible for legal awareness and compliance implementation. In 2020, 97% of our employees took part in anti-corruption education training. |
| Risk management | <ul style="list-style-type: none"> General disclosures (strategy) | <ul style="list-style-type: none"> To establish the Risk Management Policy and formulate further risk policies based on the business and operational characteristics, e.g., Credit Risk Management Policy, Country Risk Management Guidelines and Capital Operations Authorization Guidelines. | <ul style="list-style-type: none"> All members of the Board of Directors received six hours of risk education training in 2020. Our employees received 9,638 hours of education training on risk management throughout the year. The risk management report is submitted to the Board of Directors every quarter. |
| Corporate Governance | <ul style="list-style-type: none"> General disclosures (ethics and integrity) Anti-corruption Anti-competitive behavior Socioeconomic compliance | <ul style="list-style-type: none"> To establish well-designed standards for corporate governance, e.g., Rules on the Scope of Responsibilities of Independent Directors, Rules of Procedure for the Board of Directors and Procedures for Ethical Management and Guidelines for Conduct. | <ul style="list-style-type: none"> The SCSB improves the structure of corporate governance by establishing the Remuneration Committee, Audit Committee, Risk Management Committee and Nominating Committee under the Board of Directors. Independence and diversity of directors are considered for director nomination. |
| Information security | <ul style="list-style-type: none"> General disclosures (ethics and integrity) Customer privacy | <ul style="list-style-type: none"> To formulate information security policies and objectives. | <ul style="list-style-type: none"> The ISO27001 certification was acquired. An inter-departmental Information Security Committee is established to assess the status of information security management on a quarterly basis. Vulnerability scanning test, DDoS attack drill, social engineering drill and penetration testing have been completed. |
| Operating performance | <ul style="list-style-type: none"> Economic performance | <ul style="list-style-type: none"> To innovate financial products and services with a customer-centric approach based on customer needs, strengthen the application of FinTech and develop innovative digital finance services. | <ul style="list-style-type: none"> To formulate annual operating strategies and development focuses (see 1.2 Operational Performance of this report for more details). To consider corporate banking as the core business while also paying attention to personal finance, wealth management, financial marketing, deposit services and digital finance. The SCSB is one of the first banks allowing to provide new financial management programs for HINWI. |
| Privacy information protection | <ul style="list-style-type: none"> Customer privacy | <ul style="list-style-type: none"> To stipulate the Regulations Governing Reporting and Handling of Personal Information Security Incident. | <ul style="list-style-type: none"> To set up the Personal Information Protection Management Team. To perform drills of the process of reporting and handling the personal information incident. No complaint about substantiated violation of customer privacy was filed in 2020 by external or regulatory authority. |
| Customer relationship management | <ul style="list-style-type: none"> General disclosures (stakeholder engagement) | <ul style="list-style-type: none"> To establish the Bank Customer Information Management Guidelines to regulate the processing of information provided by customers. | <ul style="list-style-type: none"> To carry out real-time interaction with consumers through popular social networking sites such as Instagram, Facebook and YouTube (e.g., Pukii Fan Page). To set up a customer feedback mailbox/complaints hotline. Satisfaction analysis is conducted through mystery shopping surveys. |
| Digital finance and service innovation | <ul style="list-style-type: none"> Indirect economic impact | <ul style="list-style-type: none"> To pay attention to customer needs, continue to use big data analysis to keep track of needs and create a convenient digital life for customers via integrated innovative services. | <ul style="list-style-type: none"> The growth rate of digital accounts in 2020 was 1,480%. To continue to increase the efficiency of small-amount cross-border remittance program service. To extend the coverage of mobile payment and OneCode GO. |
| Sustainable Banking | <ul style="list-style-type: none"> Custom theme | <ul style="list-style-type: none"> To include ESG factors into all kinds of our financial business goals. | <ul style="list-style-type: none"> Business in critical startup industries and green energy industries has grown. To increase the investment in credit extension of circular economy industry. |

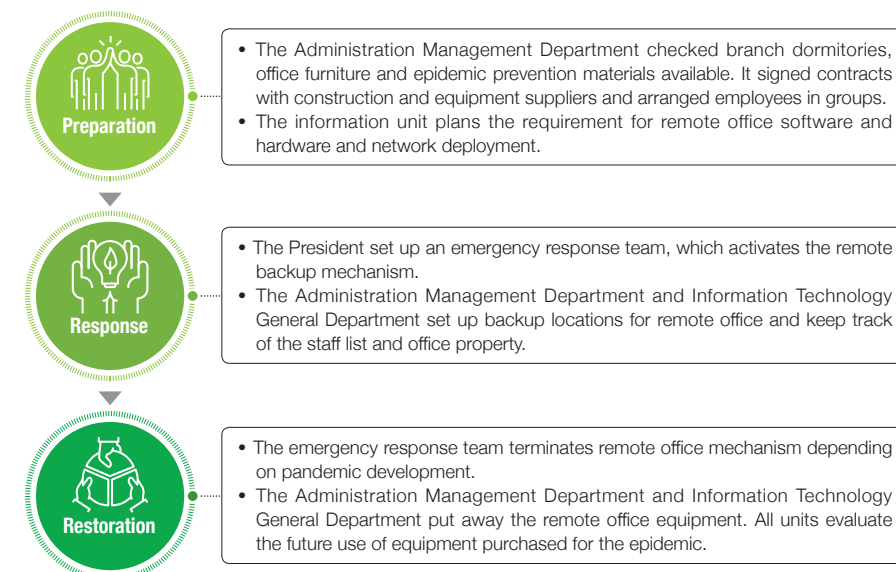
Countermeasures
for COVID-19
Pandemic

Quick actions were taken by the SCSB to respond to COVID-19 that broke out at the beginning of 2020 according to the new regulations for disaster response stipulated by the SCSB. Required security and health measures have been planned based on the Communicable Disease Control Act and relevant government policies. The SCSB performs countermeasures for sporadic community-acquired infection in the Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19) stipulated by Taiwan CDC to minimize the pandemic impact on SCSB. Remote office backup measures have been stipulated. They are divided into three stages and carried out depending on epidemic development to ensure health and safety of employee and customer and ensure our business continuity.

Our major epidemic prevention measures are as follows:



Our remote backup measures



During remote work, staff assigned to remote work are not allowed to make physical contact unless necessary. They must make contact online, by phone or other communication equipment instead of visiting each other's office. All units perform rolling review for the process operation and maintain our operating efficiency.

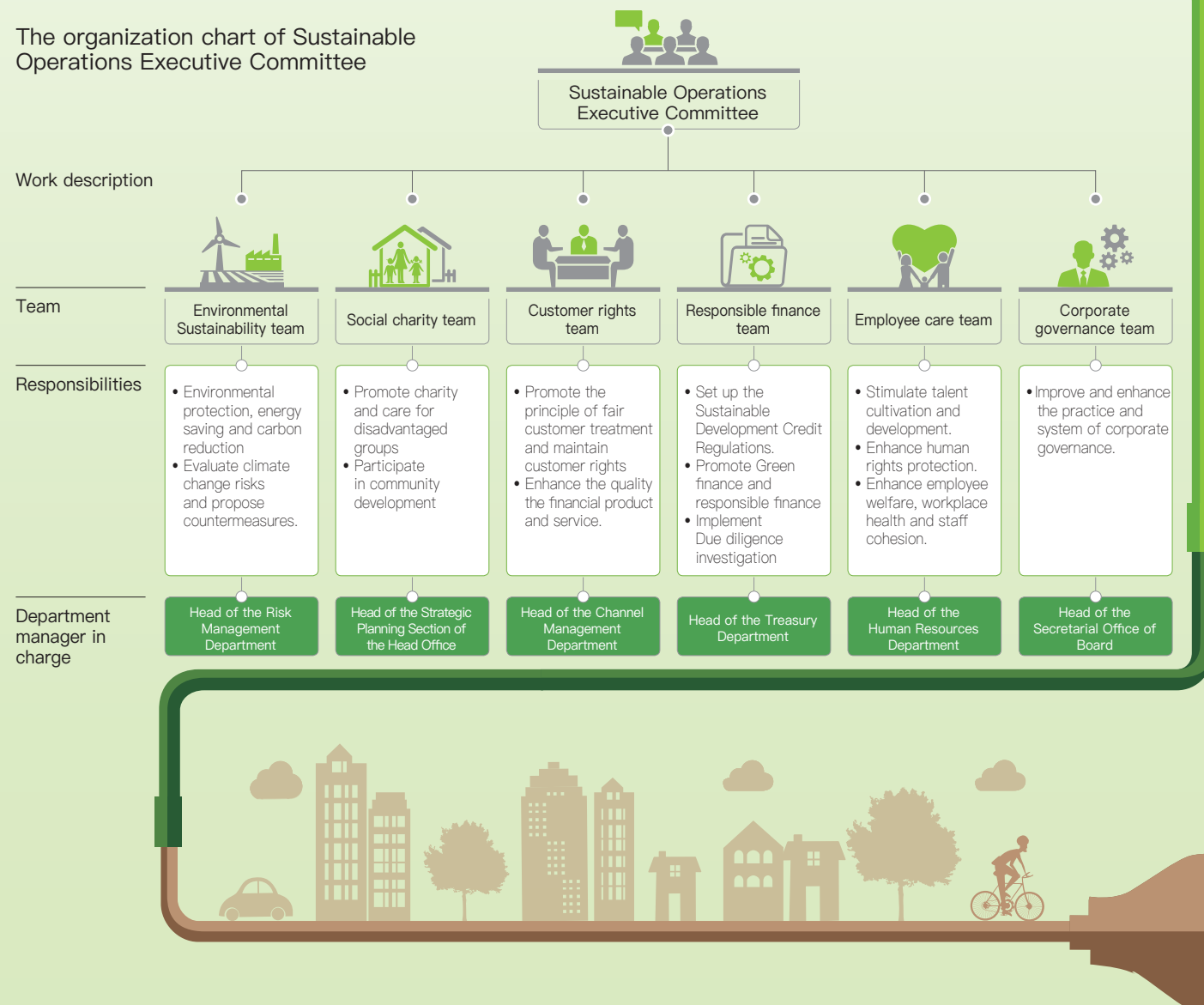


Corporate sustainability management



The highest governance body of the SCSB is the Board of Directors. It plays the role of a supervisory body and the top decision-making unit regarding CSR issues. To implement and facilitate corporate sustainability management systematically, the SCSB stipulated the Regulations for the Establishment of Sustainable Operation Executive Committee. The members include the President (convener), Executive Vice-Presidents of all levels, the head of the Corporate Banking Department, Personal Banking Department, Wealth Management Department, Trust Department, Insurance Agency Department, Deposits Department, Treasury Department, Channel Management Department, Human Resources Department, Risk Management Department, Compliance Department and Administration Management Department, the strategic planner of Head Office and the head of the Secretarial Office of Board. The Committee is in charge of sustainable strategy planning and result review. Six functional teams were set up based on sustainable operations, including environmental sustainability, social charity, customer rights, responsible finance, employee care and corporate governance. All sustainable operating tasks can be performed top-down in the organization effectively and thoroughly. The Committee presents regular reports to the Board of Directors regarding the status of implementation and related proposals.

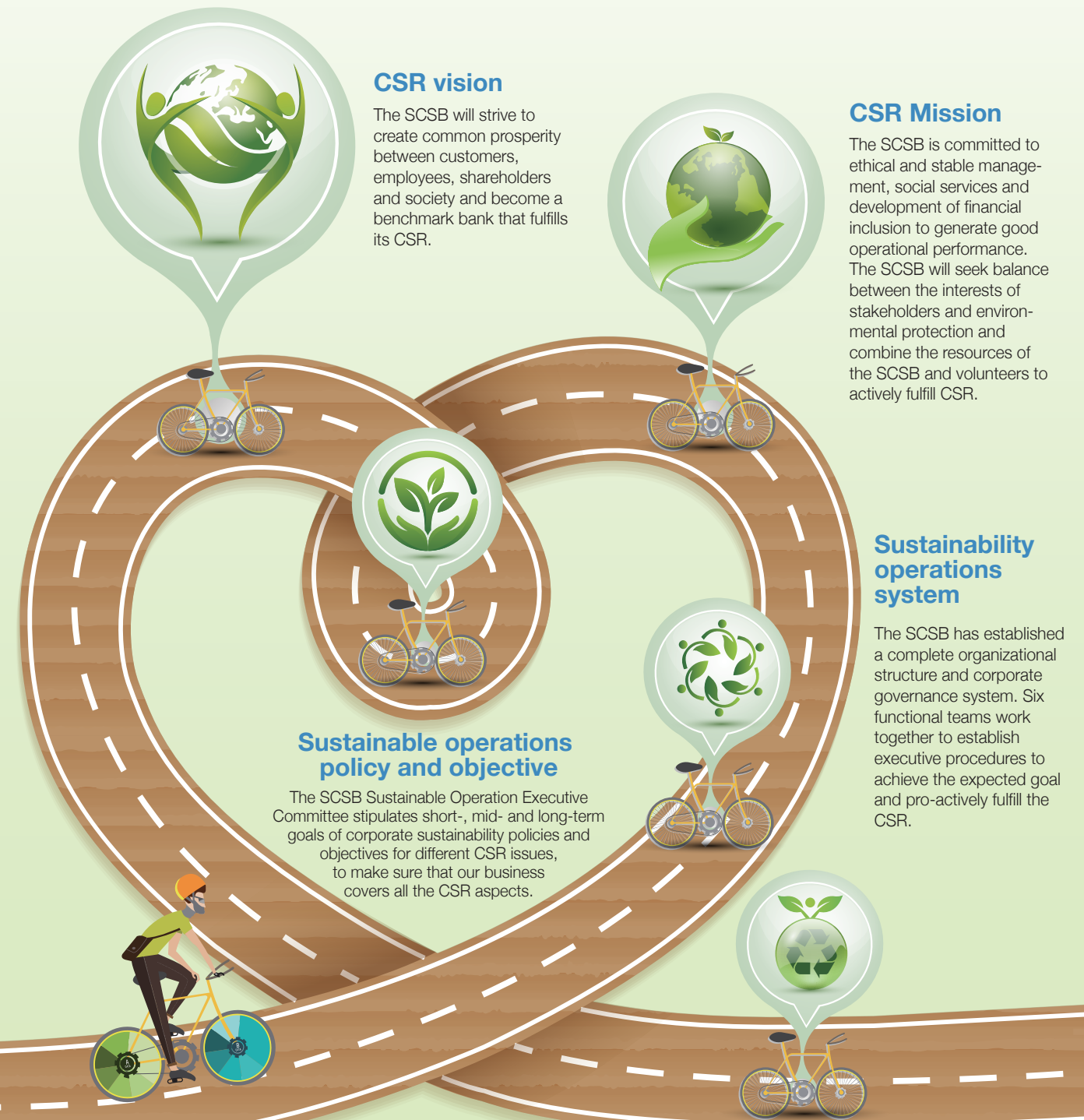
The organization chart of Sustainable Operations Executive Committee



Strategies of sustainable development

To actively fulfill its CSR in line with the international trend of balanced development in the environmental social and corporate governance (ESG), the SCSB has formulated the CSR Missions, Vision, Policy System, Management Policies and Implementation Plan approved by the Board of Directors as the basis and guidelines for the fulfillment of CSR.

Structure of sustainability strategy



CSR management approach

The SCSB laid down the SCSB CSR Best-Practice based on the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies as the management approach for examining our CSR progress and performance.

Six Functional Teams of Sustainable Operation/SDGs

Environmental sustainability

- To deal with environmental impact incurred from climate change, the SCSB put climate risk assessment into consideration of the entire operating risk. The TCFD (Task Force on Climate-related Financial Disclosure) was cited to analyze major transformation and physical risk incurred from climate change and propose countermeasures.



Social charity

- Adhering to the idea of “whatever is taken from society must be used for society,” the SCSB has established the Cultural & Educational Foundation and Charitable Foundation through donations. The SCSB has also combined the resources of the SCSB and its volunteers for active participation in charitable activities organized by communities to show its care for the disadvantaged groups with the aim to further the development of social harmony and common good.



Responsible finance

- The SCSB strives for expanding the scope of green finance, investing in startup service or sector which benefits to both the economic prosperity and the climate stability, and indirectly assisting in social economic development and mitigation of environmental impact. By working with suppliers to build a green operating activity chain, the SCSB attains the goal of responsible finance development.



Customer rights

- Committed to the purpose of “to serve society, to support industry, and to promote international trade” and ethical management, the SCSB seeks to build a corporate culture focusing on fair treatment of customers in accordance with the laws and regulations protecting financial consumers in the financial sector. The aim is to provide customers with high-quality financial products and services and ensure protection of personal information.



Employee care

- The SCSB is active in protecting human rights, attracting talents from diverse backgrounds and offering a well-designed remuneration system and welfare measures that employees can benefit from operational performance or results. In addition, the SCSB considers talent cultivation to be essential and has established training programs for the career development of employees and management trainees to achieve our goals of talent recruitment, cultivation and retention and create an abundant reserve of human capital.






















Corporate Governance

- The SCSB built a good corporate governance system, offered transparent operating information and set up a spokesperson system to maintain good interaction and connection with all kinds of stakeholders.



Strategic Planning

| Aspect | Correspondence to the six functional teams of sustainable operation | Correspondence with UN SDGs | Implementation by 2020 | Key points to short-term strategy (in one year) | Direction for mid-term strategy (in two to three years) | Direction for long-term strategy (in five years) | Corresponding material issues and chapters |
|---|---|--|--|---|--|---|---|
|  Environmental Sustainability | Environmental Sustainability |       | 1. Held the Love Earth Charity Event twice. 2. Identify TCFD risks. 3. Reconstruction of Headquarters passed the inspection of silver level green building. | 1. The SCSB held the event for encouraging energy saving and carbon reduction, promoted the idea of energy saving and carbon reduction, and reduced carbon progressively. 2. The SCSB applied for joining the TCFD Supporter. 3. The SCSB carried out the physical scenario of the risk of TCFD based on the hazard/vulnerability/exposure of the location of business unit. | 1. Reduce waste by 2% comparing to 2020. 2. Add a new risk identification procedure that is more comprehensive. 3. Acquire a green building certificate for commercial building | 1. Reduce waste by 4% comparing to 2020. 2. Achieve energy saving and carbon reduction effectively by reducing the use of automobile and diesel car. 3. Sign the Equator Principles. 4. The merchandise stock of ESG is at least 2% of the fund stock. 5. Launch the housing loan online service. | Risk management 2.1 Risks and Opportunities of Climate Change 2.3 Energy and Resource Management 2.4 Sustainable Supply Chain Management |
| | Responsible Finance |     | 1. The amount for green credit is NT\$ 24,102 million. 2. The amount for green investment is NT\$ 16,970 million and US\$ 2.15 billion. 3. Continue to provide charitable trust service. | 1. Green credit (including the credit for renovation and reconstruction of old buildings) will be 10% higher than the end of 2020. 2. The amount for green investment is 10% higher than the end of 2020. 3. Specify the KPI for the number of care trust cases (1,000). 4. The sales for trust and financial products of ESG reached NT\$1.5 billion. | 1. As for corporate finance, the ESG loan grew by 10% and above year by year. 2. Plan for issuing green bonds. 3. Include the training for financial advisor trainee into the annual ESG concept course at least once a year. | 1. Add manual ESG examination for high risk industry to the investment process. Armament industry is excluded starting from the first year and tobacco company starting from the second year. 2. Continue to promote trust products in line with government policies and release one to two reward programs a year. 3. Launch the housing loan online service. 4. The merchandise stock of ESG is at least 2% of the fund stock. | Sustainable Banking 2.2 Sustainable Banking |
|  Social | Customer Rights |       | 1. The SCSB aims to be evaluated as the top 20% for the principle of fair customer treatment by FSC two years in a row. 2. Carry out the mystery client service survey. 3. Hold the financial education seminar. | 1. Perform customer satisfaction survey. Collect at least 1,500 customer satisfaction surveys. 2. The SCSB aims to be evaluated as the top 20% for the principle of fair customer treatment by FSC. 3. Reduce 5% of number of customer complaints. 4. Increase the number of digital accounts by 29 thousand. 5. Increase the number of transactions of digital accounts by 1.18 million. | 1. Collect at least 1,800 customer satisfaction surveys. 2. Reduce 10% of number of customer complaints. 3. Increase the annual growth rate of digital account openings by 30%. 4. Increase the number of transactions of digital finance by 8% per year. | 1. Collect at least 2,000 customer satisfaction surveys. 2. Continue to reduce the number of customer complaints by 10%. 3. Increase the CAGR of digital account opening by 25%. 4. Increase the CAGR of transactions of digital finance by 8%. | Compliance Privacy information protection Customer relationship management Digital finance and service innovation 1.1 Overview of the Group 1.7 Customer Relationship in detail 3.6 Financial Inclusion |
| | Social Charity |      | 1. Completed the CSR and assurance report of 2019. 2. The volunteer team held nine public welfare events. 3. The SCSB collaborated with the SCSB Cultural & Educational Foundation, our volunteers, employees of China Travel Service (Taiwan), our subsidiary, and New Life Social Welfare Development Association, to hold the social welfare event Love Earth twice. 4. Held the event of Financial Knowledge Promotion in Campuses and Communities in line with the policy of FSC 54 times. 5. Held the 2020 Financial Service Charity Carnival twice, which was organized by Taiwan Financial Services Roundtable, to adapt with the policy of FSC. 6. Held seven charitable trust | 1. Win the Golden Award in the First Group of TCSA and rank up. 2. Integrate the resources of volunteer team and the Foundation to continue to promote the social charity event associated with banking business and SDGs. 3. Continue to correspond to the charity events held by competent authorities and Taiwan Financial Services Roundtable. | 1. Enhance the result of DJSI review. 2. Win the Platinum Award in the First Group of TCSA. | Be qualified for DJSI. | Sustainable Banking 3.6 Financial Inclusion 3.7 Social Care |
| | Employee Care |      | 1. Employee's Learning for Raise Plan/Capability for Raise Plan/STEP BY ME Plan 2. The Employee Assistance Programs (EAPs) has been established. 3. Carried out numerous employee health and safety measures for COVID-19 (mask, alcohol, partition, remote work and avoiding peak hours). | 1. Carry out training for staff in business department specialized in data analysis to cultivate digital finance talents 2. Offer trust for employee stock ownership. 3. Amend the scope of human rights policies by including suppliers and customers into the scope. | 1. Cultivate digital finance talents via digital finance MA. 2. Perform the employee engagement survey to enhance staff cohesion. 3. Set up the internal human rights identification procedure for employees to protect human rights. | 1. With the training of big data talents at the Headquarters, cultivate digital financial talents. 2. Promote workplace health and safety programs 3. Establish measures to improve the internal human rights risks of employees | Compliance 3.2 Employee Management 3.3 Workplace Health and Safety 3.4 Employee Care and Welfare Topic - Countermeasures for COVID-19 Pandemic |
|  Governance | Corporate Governance |      | 1. The first corporate governance evaluation has been completed. 2. The internal performance evaluation of the Board of Directors and Functional committee will continue. 3. The SCSB was included in the TWSE RA Taiwan Employment Creation 99 Index and rated Grade A for MSCI ESG. | 1. Plan to add director diversity policy to the corporate governance code. 2. Formulate the director independence statement and enact it during director reelection. 3. Comply with the requirements for corporate governance evaluation to improve the corporate governance section on our website. | 1. Implement improvement of cross-departmental corporate governance evaluation. 2. Help directors take the function development course. 3. Formulate and set up the database for corporate governance affairs. | 1. Help establish communication between directors, employees and stakeholders. 2. Review and manage the information of corporate governance for subsidiaries. 3. Integrate the director function with our development strategy and make planning for the integration. | Corporate Governance 1.1 Overview of the Group 1.3 Stable Governance |

Chapter 1

Governance - Always Ethical

SCSB CSR REPORT 2020



Correspondent Chapter



| | |
|---|----|
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CHAPTER 1

Governance – Always Ethical

1



The SCSB always believes that ethics and integrity are the most important principles of corporate operation. Relevant operating policies and regulations have been stipulated, such as Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles and Codes of Ethical Conduct. The SCSB strictly requires all staff to comply with these operating policies and regulations. Through clear responsibilities and division of labor of the departments and enhanced horizontal coordination and integration, the SCSB takes into account the requirements of the internal control system and financial laws and regulations and create an ethical corporate culture. Besides this, the SCSB continues to enhance transparency and integrity of information disclosure to respond to expectation and trust on us from shareholders, customers, the public and government agencies.

1.1 Overview of the Group

Mr. K. P. Chen founded the SCSB on June 2, 1915 and it was located on Ningbo Road in Shanghai. The SCSB is committed to the purpose of “to serve society, to support industry, and to promote international trade” and it has been in business over a hundred years. The SCSB holds the service tenet “Always placing customers’ needs first” in mind and continues to seek changes with a social and customer-centric approach. The SCSB was the first bank providing leading financial services such as “Open a Savings Account with One Dollar,” “Unit Teller” and “Small Amount Unsecured Loan,” very popular and widely trusted among the public. Our business continues to grow steadily. Fitch Ratings, Taiwan Ratings and Standard & Poor’s rated the SCSB as excellent and stable.

A total of 72 domestic branches have been set up by the end of 2020. Our overseas service locations include the Hong Kong Branch, Vietnam Dong Nai Branch, Singapore Branch, Wuxi Branch, Thailand Bangkok Representative Office, Cambodia Representative Office, Indonesia Jakarta Representative Office, Shanghai Commercial Bank, the SCSB subsidiary in Hong Kong and AMK Microfinance Institution Plc., the SCSB subsidiary in Cambodia. The second-stage equity transaction of AMK Microfinance Institution Plc., our Cambodian subsidiary, was completed, increasing shareholding ratio to 99.99%. The SCSB gained complete business dominance. The Bac Ninh Representative Office was authorized in June 2020 and went into business in May 2021. The SCSB was rated Grade A for MSCI ESG and included in the TWSE RA Taiwan Employment Creation 99 Index in 2020.

To reinforce corporate governance and sustainable operation, the SCSB set up the Sustainable Operations Executive Committee with the President as the convener. The Committee includes six functional teams, environmental sustainability, social charity, customer rights, responsible finance, employee care and corporate governance. It formulates policies of sustainable operation for the SCSB and strengthens supervision on corporate sustainability.

Looking into the future, to follow the trend in financial liberalization, internationalization and digitization, the SCSB will keep training financial professionals, strengthen risk management, utilize FinTech and enhance innovative financial products and services to take advantage of its competitiveness and expand the niche business. The SCSB will wait for opportunities to continue establishing domestic and overseas branches in order to fulfill the SCSB’s vision of “becoming the best Chinese bank in the Asia-Pacific region.”

Company Information

| | |
|--|---|
| Official company name | The Shanghai Commercial and Savings Bank, Ltd. |
| Location of headquarters | 3-12F, No. 149, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City |
| Primary types of products or services | Deposits, loans, foreign exchange, offshore banking services (OBU), trusts, credit cards, bills finance, proprietary dealing and underwriting of bonds, derivative financial instruments, factoring of accounts receivable, safe deposit boxes, investment, digital finance, insurance agency and other banking services. |
| Major country or market (including the distribution of location of operations) | <ul style="list-style-type: none"> Taiwan: The SCSB provides its services across Taiwan. By the end of 2020, 76 business units have been established in Taiwan (72 branches (including OBUs), International Department, Business Department, Trust Department and Insurance Agency Department, excluding the Credit Card Center). Overseas: The overseas business locations include the Hong Kong Branch, Vietnam Dong Nai Branch, Singapore Branch, Wuxi Branch, Thailand Bangkok Representative Office, Cambodia Representative Office and Indonesia Jakarta Representative Office, Bac Ninh Representative Office. Subsidiary in Hong Kong: Shanghai Commercial Bank Subsidiary in China: SCSB Leasing Co., Ltd. Subsidiary in Cambodia: AMK Microfinance Institution Plc. |
| Nature of company ownership and legal form | The SCSB is a private company limited by shares. It was formally listed on the TWSE on October 19, 2018 and its common stock code is 5876. |
| Total number of employees | By December 31, 2020, the SCSB had a total of 2,655 employees*. |
| Paid-in capital | NT\$ 44,816,031 thousand |

*The employees include three contract employees, excluding the ones in overseas branches or subsidiaries.

Service Network



Major events throughout the years

Founding
stage

- 1915** • The SCSB was founded by Mr. K. P. Chen on June 2.
- 1931** • The Headquarters was built in Shanghai and its design was the most modern bank building at that time.
- 1944** • The SCSB establish its Headquarters in Chongqing and formed separate boards of directors and supervisors.
- 1950** • The Hong Kong Branch was reorganized into the Shanghai Commercial Bank with permission from the Hong Kong Government and went into business on January 1, 1951.

Quickly
developed

Operation resumed in Taiwan and quickly developed

- 1965** • The SCSB resumed operations in Taiwan.
- 1966** • The Savings Department was set up.
- 1971** • The Kaohsiung Branch was established.
- 1980** • The new building of the SCSB's Headquarters on Renai Rd. opened.
- 1990** • The SCSB made donations to set up the SCSB Cultural & Educational Foundation.
- 1991** • The SCSB's Headquarters was moved to the intersection of Minchuan E. Rd. and Zhongshan N. Rd. in Taipei City.
- The SCSB initiated the "24-Hour E-Bank Services Zone."
- 1997** • The SCSB became the first bank to provide online banking transfer services.
- 1999** • The SCSB became the first bank to provide online fund trading services.
- 2000** • The SCSB became the first bank to provide online small-amount foreign exchange remittance services.
- 2002** • The SCSB became the first bank to allow direct remittances to financial institutions in China.
- 2003** • The SCSB became the first bank to allow OBUs to grant loans to Taiwanese businesses in China and allow OBUs/DBUs to make direct remittances to financial institutions in China.
- 2006** • The Dong Nai Representative Office in Vietnam was established. It was the first overseas office of the SCSB.
- 2008** • The Hong Kong Branch was established. It was the first overseas branch of the SCSB.
- 2010** • The SCSB made donations to set up the SCSB Charity Foundation.
- 2011** • The Dong Nai Branch in Vietnam was established.
- 2012** • The SCSB Leasing Co., Ltd. was established in Shanghai.
- The Bangkok Representative office in Thailand and Phnom Penh Representative office in Cambodia were established.

Actively
developed

2000
online small-amount
foreign exchange
remittance
services



1999
online fund
trading services

2003
OBUs to grant loans
to Taiwanese
businesses
in China



2002
direct
remittances to
financial institutions
in China

1997
banking transfer
services

Stable
rise

- 2014** • The SCSB's stocks started to be traded in the OTC market.
- The Remuneration Committee was set up under the Board of Directors.
- 2015** • The Jakarta Representative Office in Indonesia was established. Shanghai Commercial Bank, the SCSB subsidiary in Hong Kong, set up a branch in the Shanghai Pilot Free Trade Zone.
- The Audit Committee was set up as a replacement for supervisors.
- 2016** • The Singapore Branch was established.
- The Risk Management Committee and Nominating Committee were set up.
- The North Kaohsiung Branch was relocated and became the SCSB's first smart branch. Later, the Lung Shang, Erh Chung and Yuan Lin Branches were transformed into smart branches.
- The SCSB launched the subsidiary brand of digital finance "Cloud Bank by SCSB."
- The SCSB received the international certifications of BS10012 Personal Information Management System (PIMS) and ISO27001 Information Security Management System.
- 2018** • The public listing of SCSB's stocks was completed.
- The SCSB became a constituent stock of the Taiwan 50 Index.
- The SCSB bought 80% percent of AMK Microfinance Institution Plc., the SCSB subsidiary in Cambodia.
- The corporate governance officer was assigned.
- 2019** • The Insurance Agency Department was set up.
- The SCSB invested more into AMK Microfinance Institution Plc., the SCSB subsidiary in Cambodia and bought 84.9% percent of the shares.
- Chu ko Smart Branch, Yongji Smart Branch and Linkou Smart Branch were set up.
- The SCSB acquired the construction permit from Chinese competent authorities for building Wuxi Branch.
- The Whistle-blowing Affair Review Committee and Consumer Protection Committee were established.
- The SCSB is included into the MSCI Taiwan Index and the Taiwan High Compensation 100 Index.
- The Headquarters on Min Chuan E. Rd. will be renovated and relocated to the Headquarters on Min Sheng E. Rd.
- 2020** • The SCSB invested more into AMK Microfinance Institution Plc., the SCSB subsidiary in Cambodia and bought 99.9% percent of the shares.
- Wuxi Branch went into business.
- Grade A for MSCI ESG
- The SCSB has been included in the TWSE RA Taiwan Employment Creation 99 Index.
- The SCSB is one of the first banks allowing to provide new financial management programs for HNWI.





For more details of awards,
please visit SCSB's website

Important Awards Received During the Most Recent 5 Years

2016

- The SCSB won the Best Customer Satisfaction Award presented by Business Today for the "10th Wealth Management Bank and Securities Evaluation."
- The SCSB received the Personal Information Management Award at the Annual Conference on Management Standards held by the BSI Standards in UK.
- The SCSB received a certificate of appreciation and the third prize from the Financial Supervisory Commission for the event of "Financial Knowledge Promotion in Campuses and Communities."
- The SCSB received a first prize cup from the Financial Supervisory Commission for sponsorship of creative industries.
- The SCSB received the "Diamond Award for Bank Transaction Growth" and the second prize for the "Diamond Award for Bank Transactions" from TAIEX.
- The SCSB received the "Best Innovation Award of Excellence for Electronic Payment Service" from the Financial Information Service Co., Ltd.
- The SCSB received first prize for the "Top 100-299 with Excellent Performance in Cancer Prevention at Workplace" and the "Award of Best Partner in Cancer Prevention at Workplace" from the Department of Health, Taipei City Government.



2017

- The SCSB received fifth prize from the Financial Supervisory Commission for the event of "Financial Knowledge Promotion in Campuses and Communities."
- The SCSB won the Special Award for Sponsorship of Creative Industries presented by the Financial Supervisory Commission.
- The SCSB took part in the "Competition on Rewards of ACH Business Promotion of Financial Institutions" and "2017 Financial Collection Real-time Service Platform Reward Event" organized by the Taiwan Clearing House and won the Excellence Award for the Competition on Total Number of eACH Credit/Debit Transactions and the first prize for the 2017 Financial Collection Real-time Service Platform Reward Event (eFCS Payment Platform).



2018

- The SCSB won second prize as a non-government-owned class A bank among financial institutions with excellent performance in loans to key startup industries. The SCSB actively participated in the event of "Financial Knowledge Promotion in Campuses and Communities" and won the sixth prize.
- The SCSB received the Award for Undertaking Bank with Excellent Performance from the Overseas Credit Guarantee Fund.
- The SCSB was ranked first under the category of "Finance and Banking" of the 16th Five-Star Service Awards presented by Global Views Monthly.
- The SCSB chairman Mr. Yung won the 2018 Taiwan Financial Award presented by the Wealth Magazine.
- The SCSB won the 4th Futures Diamond Award.
- The SCSB received the Best Innovation Award of Excellence for Electronic Payment Service from the Financial Information Service Co., Ltd.



2019

- The SCSB won the TCSA (Taiwan Corporate Sustainability Awards) – Corporate Sustainability Report Golden Award.
- The SCSB was ranked second under the category of "Finance and Banking" of the 17th Five-Star Service Awards presented by Global Views Monthly.
- The SCSB was ranked first for the "e-Commerce Financing Special Award of the Strengthened SME Loan Provided by the Domestic Bank (13th term)" honored by the Financial Supervisory Commission. It won the third place in Startup Group B among financial institutions with excellent performance in loans to the key startup industry.
- The SCSB was recognized for excellence in fair customer treatment by Financial Supervisory Commission.
- The SCSB did excellent job in the third evaluation of anti-money laundering by APG. It was awarded by Su Tseng- Chang, Premier of Executive Yuan and Koo, Li-Hsiung, Chairman of Financial Supervisory Commission.
- The SCSB ranked second for the Best Financial Advisor Team presented by Business Today and the Best Wealth Accumulation Award.



2020

- The SCSB won the TCSA (Taiwan Corporate Sustainability Awards) – Corporate Sustainability Report Golden Award.
- The SCSB has been included in the TWSE RA Taiwan Employment Creation 99 Index starting from July 16, 2020.
- The SCSB was honored with the Total Insurance Finance Capital Amount Excellence Award and the Excellence Award of the Amount Financed for New Southbound Policy Country. Dong Nai Branch in Vietnam, Shizheng Branch and Chung Hsiao Branch were honored with the Excellence Award for Number of Insurance Applications and Amount Financed.
- The SCSB was rated A regarding the loan for key startup industry.
- The SCSB received third prize from the Financial Supervisory Commission for the event of "2019 Financial Knowledge Promotion in Campuses and Communities."
- The SCSB is one of the five banks rated the top 20% for the principle of fair customer treatment by Financial Supervisory Commission two years in a row.
- The SCSB ranked first for the Best Customer Trust Award, second for the Best Financial Advisor Team Award, second for the Best Wealth Management Image Award, second for the Best Risk Management Award and third for the Best Product Award. All of these awards were presented by Business Today for the "14th Wealth Management Bank and Securities Evaluation."
- The SCSB received the third prize regarding the Diamond Award for Bank Transaction Growth of the Futures Diamond Award.
- The SCSB received the You Know the Best Award regarding the Most Friendly Financial Company for Startups from Taiwan FinTech Association.



Note: Refer to our website for awards we received in detail <https://www.scsb.com.tw/news/scsbweb/content/econtent/honors.jsp>

1.2 Operating Performance

"smart finance for innovation and sustainability" is the theme of our operations strategy in 2020. It reinforces connection with smart technology, accelerates digital development, promotes financial inclusion, actively fulfills the CSR and creates sustainable values. As for business development, we consider corporate banking as our core business while also paying attention to personal banking, wealth management, treasury marketing, and deposits and to strengthen the development of digital banking. As for marketing, we promote integrated marketing and work with sales staff from different business lines to perform co-marketing. We work on customers with core value, develop relationship with potential customers, pay attention to consumer consumption and treat customers fairly.

(I) Financial performance

The implementation results of the SCSB's 2020 business plan and operating strategy are reflected in the growth of the main business and profits. For instance, the average deposit balance was NT\$1,016.3 billion, a 6.3% increase from the previous year. The average loan balance was NT\$751.6 billion, up 6.1% from the previous year. The net profit before tax was NT\$14.77 billion, a 10.8% decrease from the previous year. The net profit after tax was NT\$13.46 billion, an 8.2% decrease from the previous year. The EPS after tax was NT\$3.01, a 14.0% decline from the previous year. The after-tax return on assets was 1.03% and return on net worth was 8.72% due to the lower revenue and earning incurred from reduction of interest rate made by central banks in different countries for the COVID-19 epidemic.

Individual financial performance for the past three years

Unit: The EPS is in NT dollars and the others are in 1000s of NT dollars

| Item | 2018 | 2019 | 2020 |
|---|------------|------------|------------|
| Interest income | 20,507,106 | 22,420,443 | 18,514,299 |
| Interest expense | 7,619,083 | 9,493,144 | 6,892,369 |
| Net non-interest income | 10,273,783 | 11,922,301 | 11,189,057 |
| Operating expense | 6,922,696 | 7,685,967 | 7,138,359 |
| Employee welfare expense | 3,984,297 | 4,570,509 | 4,384,983 |
| Depreciation and amortization | 385,741 | 725,079 | 615,362 |
| Other business and management expenses | 2,552,658 | 2,390,379 | 2,138,014 |
| Bad debts, undertakings and guaranteed liability provisions | 499,993 | 599,728 | 900,000 |
| Net profit before tax | 15,739,117 | 16,563,905 | 14,772,628 |
| Income tax | 2,027,146 | 1,902,794 | 1,309,683 |
| Net profit after tax | 13,711,971 | 14,661,111 | 13,462,945 |
| EPS | 3.37 | 3.50 | 3.01 |

(II) Tax policy

Transparency of corporate tax disclosure is getting more attention nationally and internationally these years. The SCSB set up the Guidelines for Inter-Affiliate Financial and Business Contact. In 2020, the SCSB formulated the tax governance policy, which echoes to our spirit that we carry out the operating strategy for expanding business scope based on our core principles, which are integrity and stability. It responds to our vision for CSR. The SCSB fulfills CSR and creates common prosperity with society by filing taxes. Meanwhile, the SCSB complies with international policies requiring corporations to fulfill tax liabilities, effectively manage tax risk and create long-term value for the company. The tax governance policy is explained as follows:

Compliance



Comply with local tax laws and the spirit of the laws, calculate tax correctly, file tax before statutory deadline, fulfill tax obligations and adhere to the international tax standard and the Arm's Length Principle.

Tax planning



Draw up an optimal tax policy for our entire tax liability that complies with laws. Carefully evaluate tax risk and countermeasures against regulatory change of international tax.

Information transparency



Ensure transparency of tax information. Comply with rules for financial reporting standards and annual report disclosure. Consult with external professional institutions in time to control tax risks.

Talent cultivation



Cultivate talents via national and international education training to enhance professional competence of taxation.

Comply with economic substance



Related party transaction must meet rational business purposes. Pricing of transaction should be able to reflect economic substance. Transactions shall not be made for tax avoidance. It is not allowed to use tax havens for tax planning.

Honest communication



Maintain a relationship of mutual trust and honest communication with taxation agencies. Join tax seminars to exchange ideas and views on industrial practice. Assist in improvement of taxation environment and system.

Our Accounting Department is our tax management unit. It reports to the Board of Directors regularly to ensure that the governance unit fully understands taxation risk and countermeasures. Refer to the following for our tax governance policy: http://www.scsb.com.tw/newscsbweb/content/about/files/about17/about17_1.pdf

The following explains taxation information in 2019 by country

Unit: people, in NTD 100 million

| Business region | Primary operating activity | Number of employees | Net interest income in 2019 | Sales revenue in 2019 | Net profit before tax in 2019 | Income tax expense in 2019 | Income tax paid/ income tax payable in 2019 |
|-----------------|------------------------------------|---------------------|-----------------------------|-----------------------|-------------------------------|----------------------------|---|
| Taiwan | Financial service under regulation | 2,636 | 129 | 177 | 94 | 19 | 6 |
| Hong Kong | Financial service under regulation | 1,858 | 157 | 216 | 148 | 29 | 19 |
| Other regions | Financial service under regulation | 3,441 | 13 | 17 | 4 | 1 | 1 |
| Total | | 7,935 | 299 | 410 | 246 | 49 | 26 |

The following explains taxation information in 2020 by country

Unit: people, in NTD 100 million

| Business region | Primary operating activity | Number of employees | Net interest income in 2020 | Sales revenue in 2020 | Net profit before tax in 2020 | Income tax expense in 2020 | Income tax paid/ income tax payable in 2020 |
|-----------------|------------------------------------|---------------------|-----------------------------|-----------------------|-------------------------------|----------------------------|---|
| Taiwan | Financial service under regulation | 2,655 | 116 | 166 | 85 | 13 | 8 |
| Hong Kong | Financial service under regulation | 1,906 | 135 | 194 | 128 | 24 | 4 |
| Other regions | Financial service under regulation | 3,617 | 13 | 18 | 3 | 0 | 1 |
| Total | | 8,178 | 264 | 378 | 216 | 37 | 13 |

Our effective tax rate, statutory tax rate and the gap between them for the past two years are described below.

Unit: people, in NTD 100 million

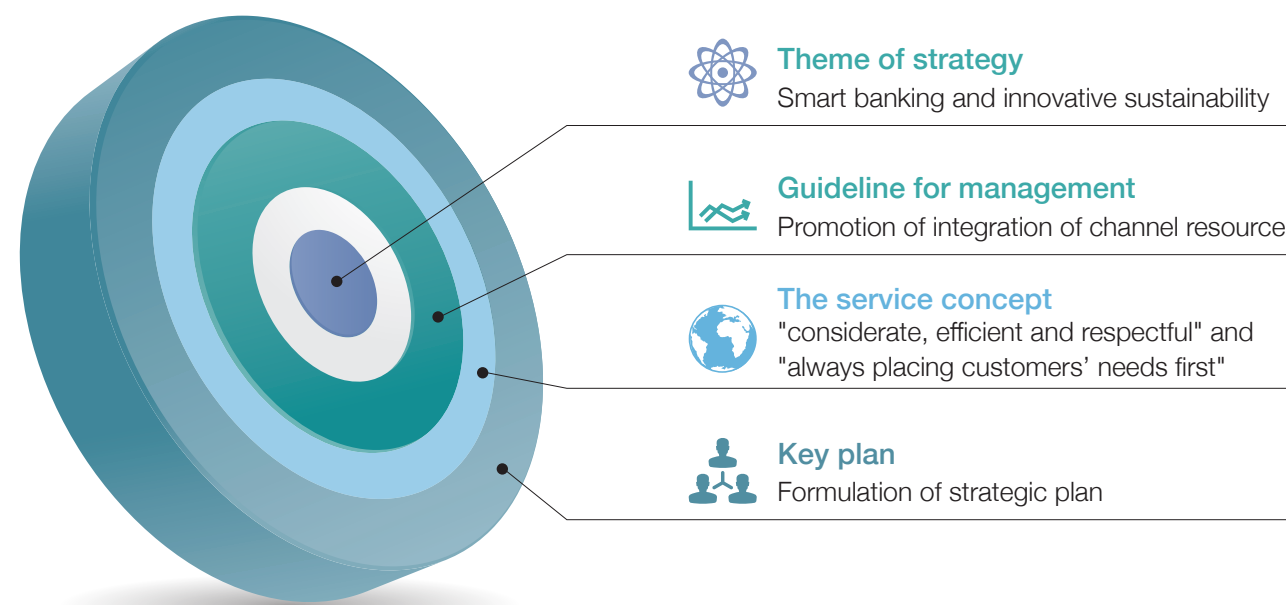
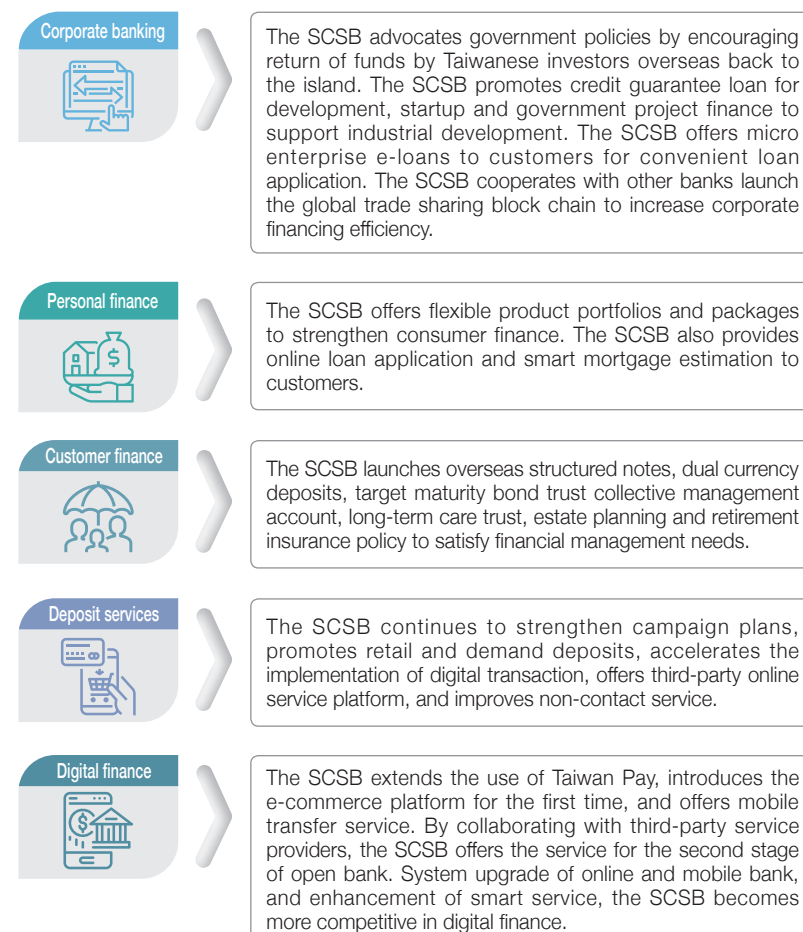
| Fiscal year | Net profit before tax | Income tax expense | Number of adjustments (Note 1) | Effective tax rate (after adjustment) | Income tax paid | Cash tax rate (Note 2) |
|-------------|-----------------------|--------------------|--------------------------------|---------------------------------------|-----------------|------------------------|
| 2019 | 246.31 | 49.06 | -6.33 | 22.49% | 29.44 | 11.95% |
| 2020 | 215.54 | 37.39 | +1.24 | 16.77% | 50.90 | 23.61% |

Note 1: The number of adjustments refers to the number affected by deferred income tax liabilities due to exchange rate fluctuation.

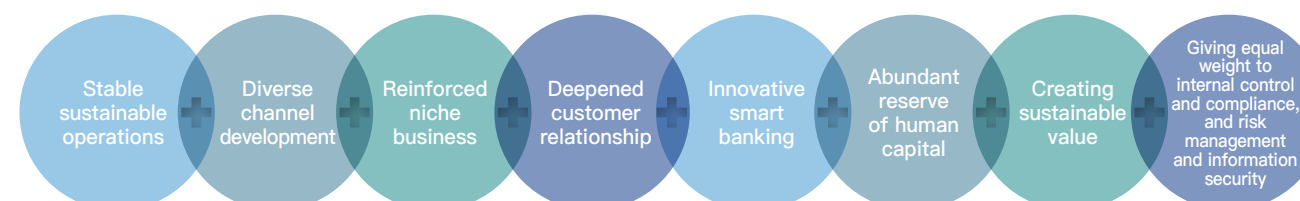
Note 2: The difference of cash tax rate refers to the number affected by the difference of time for taxation.

(III) Management strategy

To adapt to changes of external operating environment and market competition in 2020, the SCSB continues to focus on customers, improve research and development, reinforce business competitiveness and increases customer satisfaction. The management strategy for all kinds of businesses is described below:



Theme of Strategy: Smart Finance for Innovation and Sustainability

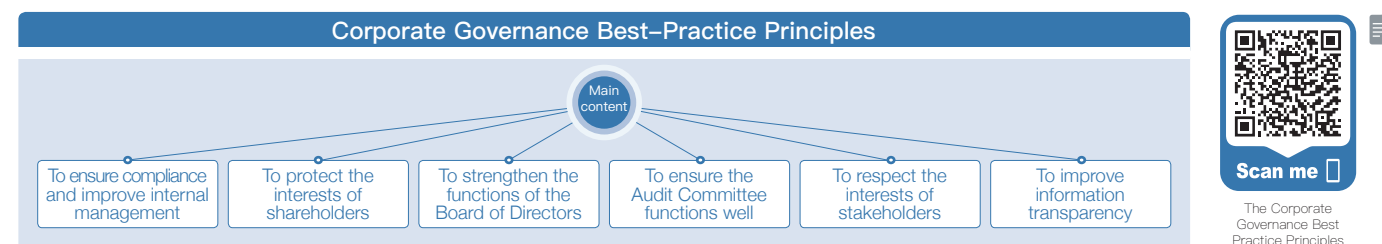


Looking into 2021, "Digital transformation, innovation and sustainability" will be the theme of our strategy considering external competition, regulatory environment and overall operating environment. The following are the strategies for key business development in the theme:

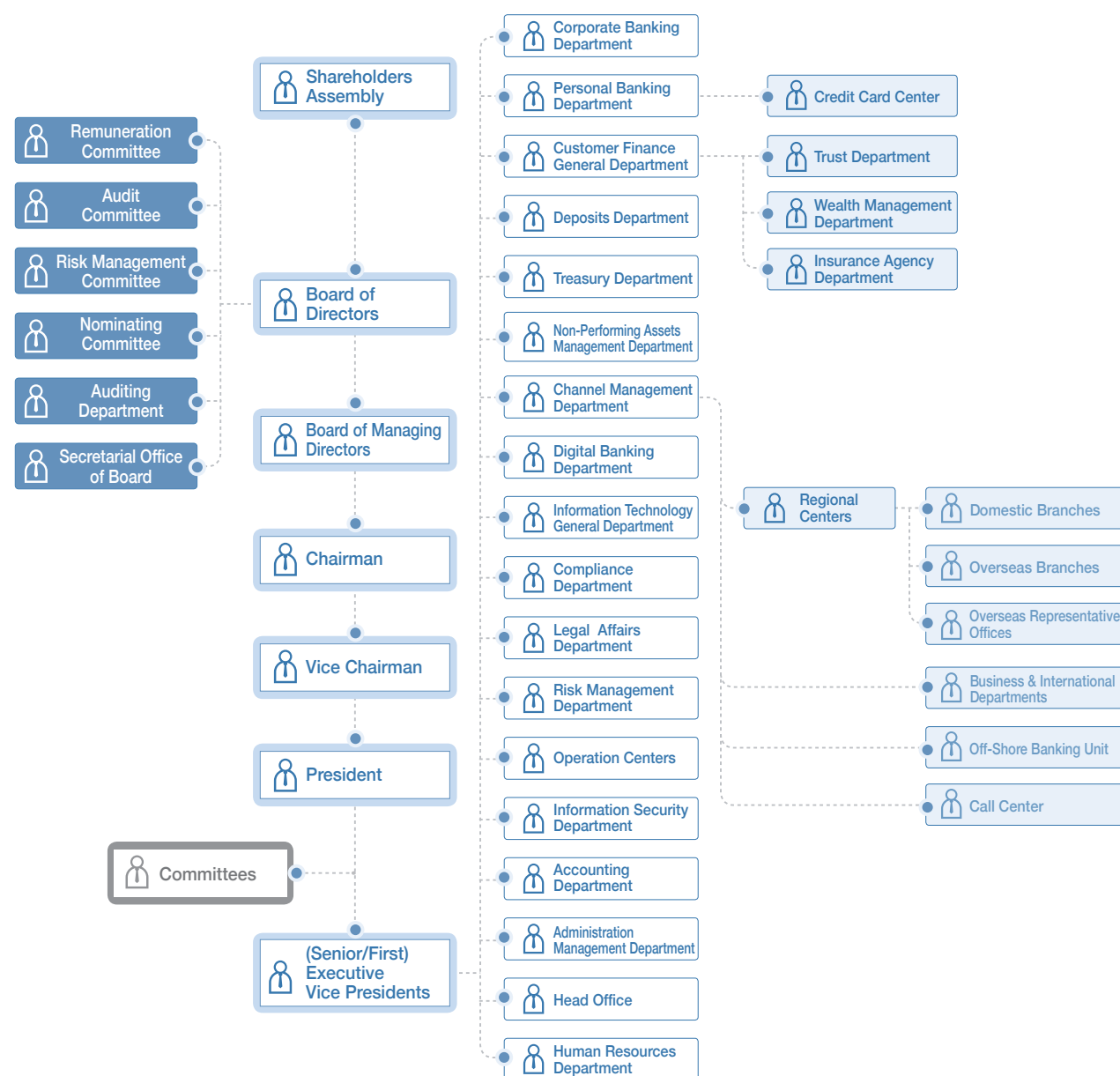


1.3 Stable Governance

The financial market is getting international. Stakeholders are caring more about corporate operational performance and risk management, information transparency disclosure. In order to implement corporate operating responsibility, the SCSB continues to improve corporate governance measures. Besides stipulating Corporate Governance Best-Practice Principles and continuously reinforcing the function of the Board of Directors and that of Functional Committees under the Board of Directors, the corporate governance officer has been assigned since 2018. It is expected that complete system and organizational structure can help increase management performance of corporate strategy and supervise the behavior of manager. By ensuring that the Board of Directors and management can achieve the operational objective in the way that the benefit of company and all shareholders is maximized, the SCSB is able to improve overall competitiveness.



(I) The organizational structure of SCSB



Responsibilities of key units

| Unit | Responsibilities |
|--|--|
| Auditing Department | Internal auditing |
| Secretarial Office of Board | Management of the affairs of the Shareholders Assembly, Board of (Managing) Directors, Remuneration Committee, Audit Committee, Risk Management Committee and Nominating Committee, and corporate governance |
| Corporate Banking Department | Operational planning for corporate loans and foreign exchange |
| Personal Banking Department | Operational planning for personal mortgages, consumer loans and credit card services |
| Credit Card Center | Credit card services |
| Customer Finance General Department | Operational planning for trust (Trust Department), wealth management (Wealth Management Department) and insurance agency (Insurance Agency Department) |
| Deposits Department | Operational planning for deposits, domestic remittance and safe deposit boxes |
| Channel Management Department | Channel integration and operational management for Regional Centers, Domestic and Overseas Branches, Overseas Representative Offices and call center |
| Regional Centers | Supervision and management of business development and budget implementation with respect to regional business units |
| Business and International Departments, Domestic and Overseas Branches, Off-Shore Banking Unit | Development and agency of deposits, loans, foreign exchange and wealth management |
| Overseas Representative Offices | Information collection, customer consultation and market survey |
| Digital Banking Department | Digital finance |
| Operation Centers | Credit investigation, loans, credit review, check clearing and collection and settlement |
| Risk Management Department | Management of integrated credit risks, market risks, operational risks and capital adequacy |
| Compliance Department | Planning, management and implementation of the compliance system, anti-money laundering and counter-terrorism financing |
| Legal Affairs Department | Advice on legal affairs and management of litigation and non-litigation cases |
| Non-Performing Assets Management Department | Management of non-performing loans, non-accrual loans, bad debts and other non-performing debts |
| Accounting Department | Accounting, budgeting, final accounting and taxation |
| Treasury Department | Fund transfer and management and financial services for securities products, bills and bonds |
| Information Security Department | Information security planning, monitoring and implementation of information security maintenance |
| Information Technology General Department | Information technology planning, system development and construction, technology R&D, information project management, operational monitoring and computer operations |
| Human Resources Department | Employee recruitment, appointment/dismissal, remuneration, rewards, service quality, training and development, employee performance management and human resources planning |
| Administration Management Department | Documentation, investor relations, procurement, fixed assets management and safety maintenance and management |
| Head Office | Organizational and strategic planning, business planning, corporate relationship, corporate identity system planning and management, marketing and advertising, bank history and records management, customer experience management, implementation and promotion of strategic projects, overseas financial affairs and confidential matters |

(II) Composition of the Board of Directors

1. Members of the Board of Directors

The SCSB's Board of Directors performs its functions in accordance with applicable laws, the Articles of Incorporation and resolutions of the Shareholders Assembly. The Board currently consists of nine directors and three independent directors who hold meetings on a quarterly basis. Each director serves as the director for 20.75 years on average. Among the directors, four are elected as managing directors (including one independent managing director) who hold meetings on a monthly basis.

Record date: 12/31/2020

| Title | Nationality | Name | Gender | Educational background and experience | Date of first election | Attendance of the Board of Directors in 2020 |
|-------------------------------|-------------------|--|--------|---|------------------------|--|
| Chairman | Republic of China | Hung-Ching Yung | Male | Work experience: Director, Managing Director, Vice Chairman and Chairman of SCSB, Chairman of China Travel Service (Taiwan) Limited, Director of Nanyang Cotton Mill Ltd. Academic degree: University of Shanghai | 3/26/1967 | 100% |
| Vice-Chairman | Singapore | Stephen Ching-Yen Lee | Male | Work experience: Director and Managing Director of SCSB, Director and Vice-Chairman of Temasek Holdings Private Limited, Chairman of Board of Singapore Airlines Limited Academic degree: MBA, Northwestern University | 3/20/1979 | 100% |
| Managing Director | Republic of China | Yih-Pin Chen | Male | Work experience: Senior Executive Vice President, President, Director and Managing Director of SCSB, Supervisor of Waterland Securities Co., Ltd., Director of Silks Place Taroko Academic degree: Master, University of Denver | 3/28/1991 | 100% |
| Independent Managing Director | Republic of China | Yung-San Lee | Male | Work experience: Chairman of Taipei Exchange (TPEX), Minister of Ministry of Finance, R.O.C., Chairperson of The Bankers Association of the Republic of China, Chairman of Chang Hwa Commercial Bank Ltd., Chairman of International Commercial Bank of China, Chairman of Farmers Bank of China, Director and Research Fellow of Institute of Economics, Academia Sinica, Professor of Department of Economics, National Taiwan University Academic degree: PhD, Department of Economics, University of Wisconsin | 6/5/2015 | 100% |
| Director | Republic of China | Lincoln Chu-Kuen Yung | Male | Work experience: Manager of Citi Bank Hong Kong, Chairman of Shanghai Commercial Bank Limited, Director and Managing Director of SCSB Academic degree: MBA, University of Chicago | 3/28/1991 | 100% |
| Director | Republic of China | Kar-Wah Cheng | Male | Academic degree: The Chinese University of Hong Kong Work experience: Executive Vice President, Senior Executive Vice President, Director and Supervisor of SCSB, Director of Taiwan Finance Corporation, Bachelor of Commerce | 3/28/1991 | 100% |
| Director | Hong Kong | John Con-Sing Yung ¹ (Representative: Magnetic Holdings Limited) | Male | Academic degree: MBA, University of Chicago Work experience: Chase Bank Hong Kong Senior Vice President, Deputy Executive Vice President, CIO, Executive Vice President and First Executive Vice President and Senior Executive Vice President of SCSB | 4/25/2003 | 100% |
| Director | Republic of China | George Chao-Chi Gu | Male | Work experience: Executive Vice President of First Life Insurance Co., Ltd., Director of Integrated Memory Logic Ltd., Director of Global Wool Alliance Pvt. Ltd., Director of Interlink Electronics Inc., Director of Intron Scientific Co., Ltd., Chairman of GTM Corporation, President of GTM Holdings Corporation, Chairman of SoundOn Inc. Academic degree: MBA, Columbia University | 4/25/2003 | 100% |
| Director | Republic of China | Yi-Jen Chiou | Male | Work experience: Vice President, Deputy Executive Vice President, CIO, Executive Vice President and President of SCSB, Director of China Travel Service (Taiwan) Limited Academic degree: MBA, National Sun Yat-sen University | 4/21/2006 | 100% |
| Director | Republic of China | Shan-Chung Chen ² | Male | Work experience: Senior Vice President, Deputy Executive Vice President, Executive Vice President, Senior Executive Vice President and President of SCSB Academic degree: Soochow University | 4/24/2012 | 100% |
| Independent Director | Republic of China | Miles King-Hu Hsieh | Male | Work experience: Partner of Deloitte & Touche, Supervisor of TSRC Corporation, Independent Director of CX Technology Corporation Academic degree: Bachelor of Commerce, Department of Accounting, Soochow University | 6/5/2015 | 100% |
| Independent Director | Republic of China | Mu-tsai Chen | Male | Work experience: General Manager of Economic Research and Credit Analysis of The City Bank of Taipei, Director General of Department of Monetary Affairs, Director General of Bureau of Monetary Affairs, Administrative Deputy Minister of Ministry of Finance, R.O.C., Chairman of Farmers Bank of China, Chairman of Bank of Taiwan, Chairman of China Industrial Development Bank, Chairman of China Development Financial Holding Corporation Academic degree: Master of Economics National Taiwan University | 6/15/2018 | 100% |

Note 1: He is the SCSB CIO and Senior Executive Vice-President.

Note 2: He was the SCSB President.

Note 3: Evaluation on the experience of director in the industry was performed based on GICS Level 1. Shan-Chung Chen, formerly the SCSB President and John Con-Sing Yung, the SCSB CIO and Senior Executive Vice-President have experience in Financials sector. There are seven directors having experience in Financial and Industrials sectors.

Note 4: George Chao-Chi Gu serves as the director of another public company. The rest of the directors do not concurrently serve as the director of other public companies.

2. Diversity and independence of directors

The SCSB has established a comprehensive system for nomination and election of directors which has taken into account the diversification of directors (diversification in nationality, gender, race, socio-economic class, age or marital and family status). In addition to diversification, professional knowledge and skills of the director have also been put into consideration. The members of the Board of Directors possess expertise in commerce, information technology, legal affairs, finance, accounting, banking and other areas. The Board of Directors is composed of financial, academic and industrial experts to ensure the quality of decision making. For the details of external independence of director, refer to the following table and the annual report in 2020 or visit: (https://www.scsb.com.tw/newscsbweb/content/econtent/files/governance_03/governance_03_14.pdf)



| Criteria Name | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Criteria(Note) | | | | | | | | | | | | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|-----------------------|---|--|---|-----------------------------|---|---|---|---|---|---|---|---|----|----|----|---|
| | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of SCSB in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of SCSB | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of SCSB | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Hung-Ching Yung | — | — | v | v | — | — | — | v | v | — | — | v | — | v | v | 0 |
| Stephen Ching-Yen Lee | — | — | v | v | — | — | v | v | v | — | — | v | v | v | v | 0 |
| Yih-Pin Chen | — | — | v | v | — | v | v | v | v | — | — | v | v | v | v | 0 |
| Yung-San Lee | v | — | v | v | v | v | v | v | v | v | v | v | v | v | v | 0 |
| Lincoln Chu-Kuen Yung | — | — | v | v | — | — | — | v | v | v | v | v | — | v | v | 0 |
| Kar-Wah Cheng | — | — | v | v | — | v | v | v | v | v | — | v | v | v | v | 0 |
| John Con-Sing Yung | — | — | v | v | — | — | — | — | v | — | — | v | — | v | — | 0 |
| George Chao-Chi Gu | — | — | v | v | — | v | v | v | v | v | v | v | v | v | v | 0 |
| Yi-Jen Chiou | — | — | v | v | — | v | — | v | v | v | — | — | v | v | v | 0 |
| Shan-Chung Chen | — | — | v | v | — | v | — | v | v | v | — | — | v | v | v | 0 |
| Miles King-Hu Hsieh | — | v | v | v | v | v | v | v | v | v | v | v | v | v | v | 0 |
| Mu-Tsai Chen | — | — | v | v | v | v | v | v | v | v | v | v | v | v | v | 0 |

Note: Please tick the corresponding boxes if the directors have been any of the following during the two years prior to being elected or during the term of office.

- Not an employee of SCSB or any of its affiliates.
- Not a director or supervisor of SCSB or its affiliates (however, this restriction does not apply to such an individual who also holds a concurrent position of an independent director appointed by SCSB and its parent company, subsidiary, or subsidiaries under the same parent company in accordance with the Securities and Exchange Act or the laws of the country in which the affiliation is located).
- Not a director or supervisor of SCSB or any of its affiliates. Not applicable in cases where the person is an independent director of SCSB, its parent company, or any subsidiary in which SCSB holds, directly or indirectly, more than 50% of the voting shares.
- Not a manager listed in (1), or a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to any person listed in (2) or (3).
- Not a director, supervisor, or employee who directly holds 5% or more of the shares issued by SCSB, or is a top-5 shareholder, or is a corporate shareholder who acts as SCSB's director or supervisor designated in accordance with Article 27, Paragraph 1 or Paragraph 2 of the Company Act (however, this restriction does not apply to such an individual who also holds a concurrent position of an independent director appointed by SCSB and its parent company and subsidiary, or subsidiaries under the same parent company in accordance with the Securities and Exchange Act or the laws of the country in which the affiliation is located).
- Not a director, supervisor or employee of another company in which more than half of the shares held by directors or those with voting rights are controlled by the same person (however, this restriction does not apply to such an individual who also holds a concurrent position of an independent director appointed by SCSB and its parent company, subsidiary, or subsidiaries under the same parent company in accordance with the Securities and Exchange Act or the laws of the country in which the company is located).
- Not a director, supervisor or employee who concurrently holds or is the spouse of the holder of an equivalent position of chairman or president in another company or institution (however, this restriction does not apply to such an individual who also holds a concurrent position of an independent director appointed by SCSB and its parent company, subsidiary or subsidiaries under the same parent company in accordance with the Securities and Exchange Act or the laws of the country in which the affiliation is located).
- Not a director, supervisor, or manager, or a shareholder holding 5% or more of the shares of a specific company or institution that has financial or business relationship with SCSB (however, this restriction does not apply to such an individual who also holds a concurrent position of an independent director in a specific company or institution that holds no less than 20% and no more than 50% of the shares issued by SCSB, appointed by SCSB and its parent company, subsidiary or subsidiaries of the same parent company in accordance with the Securities and Exchange Act or the laws of the country in which the affiliation is located).
- Not a professional who provides audits or commercial, legal, financial, accounting, or other related services with compensation totaling no more NT\$500,000 within the past two years to SCSB or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to SCSB or its affiliates. However, this restriction does not apply to a member of a remuneration committee, take-over bid review committee, or special committee of merger and acquisition that exercises its duties in accordance with relevant provisions in the Securities and Exchange Act and Business Mergers and Acquisitions Act.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of SCSB.
- Not been a person of any conditions defined in Article 30 of the Company Act.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

In order to establish a good corporate governance and independent director system, the SCSB has formulated the Rules Governing the Scope of Powers of Independent Directors to ensure that the independent directors have power over the operation of the Board of Directors and company. None of our directors concurrently serves as the independent director of other publicly owned corporations. (https://www.scsb.com.tw/newscsbweb/content/econtent/files/governance_03/governance_03_3.pdf)

3. Recusal of directors over conflict of interest

In order to establish a good governance system of Board of Directors, strengthen the supervisory function and enhance management function, the SCSB stipulated the Rules of Procedure for Board of Directors Meetings (https://www.scsb.com.tw/newscsbweb/content/econtent/files/governance_03/governance_03_1.pdf) Article 15 of the Rules of Procedure for Board of Directors Meetings specified recusal of directors over conflict of interest stated that the director or the entity at stake, which the director represented, shall not participate in discussion or voting. The director shall recuse himself and must not vote on behalf of other directors to effectively deter this director from transferring illegal benefits by exercising his power and jeopardizing the company benefits. In 2020, the SCSB's Board of Directors and Board of Managing Directors functioned well, and the directors complied with the applicable requirements in recusing themselves from decisions in which they had stakes.



The Rules Governing the
Scope of Powers of
Independent Directors



The Rules of Procedure for
Board of Directors
Meetings

(III) Functional Committees

To ensure effective functioning of the Board of Directors and improve the quality of its decision making, the Remuneration Committee, Audit Committee, Risk Management Committee and Nominating Committee have been established under the Board.

| Record date: 12/31/2020 | | | |
|---------------------------|---|---|------------------------|
| Committee | Duties | Members and the attendance of 2020 | Basis of establishment |
| Remuneration Committee | <ul style="list-style-type: none"> To assist the Board of Directors in formulating and regularly reviewing the policies, system, standards and structure of performance evaluation and remuneration for directors and managers. To regularly assess and establish the system, standards and structure of remuneration for directors and managers. | Yung-San Lee, Independent Managing Director 100% Mu-sai Chen, Independent Director 100% Miles King-Hu Hsieh, Independent Director 100% | |
| Audit Committee | <ul style="list-style-type: none"> To fairly present the SCSB's financial statements. To selection (dismiss) CPAs and evaluate their independence and performance. Appointment of the manager for finance, accounting or internal audit To effectively implement the SCSB's internal control. To ensure the SCSB's compliance with applicable laws, regulations and rules. To control the existing or potential risks of the SCSB. | Yung-San Lee, Independent Managing Director 100% Mu-sai Chen, Independent Director 100% Miles King-Hu Hsieh, Independent Director 100% | |
| Risk Management Committee | <ul style="list-style-type: none"> To review the risk management policy. To review the risk management strategy, including risk appetite and limits. To review the appropriateness of risk management mechanisms and structures to ensure adequate resources and systems for the implementation of risk management. To review the risk management reports submitted regularly by the management, including credit risk, interest rate risk, market risk, country risk, operational risk, liquidity risk, capital adequacy management, risk pressure testing and risk assessment for transactions of derivatives. To review the risk management mechanisms for new types of business To review all matters related to risk management that shall be reported to the Board of Directors pursuant to the requirements of domestic and foreign competent authorities. | Yih-Pin Chen, Managing Director 100% Kar-Wah Cheng, Director 100% Miles King-Hu Hsieh, Independent Director 100% | |
| Nominating Committee | <ul style="list-style-type: none"> To review the list of candidates for independent directors. To review the candidates for senior managers (job grade of 12 or higher) based on the standards of diverse backgrounds including the professional knowledge, skills and experience required for senior managers. To evaluate the performance of senior managers and regularly review the succession plan. | Hung-Ching Yung, Chairman 100% Stephen Ching-Yen Lee, Vice Chairman 100% Mu-sai Chen, Independent Director 100% | |

SCSB's Remuneration Committee was established to perfect the Bank's remuneration system for directors and managers. It is responsible for regular reviews of the policies, system, standards, and structures of directors and managers' performance evaluation and their remuneration, as well as regular assessment and proposal of the remuneration for directors and managers.

The proposals are subject to the review and approval of the Board of Directors. In addition, SCSB, conducts market surveys on remuneration every year to confirm the market standards for managers' remuneration and maintain our competitiveness in remuneration. The variable pay for managerial personnel is implemented in accordance with the Bank's remuneration policies, the Regulations Governing Remuneration Management, Regulations Governing the Distribution of Employee Compensation, and Regulations Governing Employee Service Compensation. These compensations are correlated to business performance to a considerable extent, and their assessment criteria include goal accomplishment rate, profit before tax, return on equity (ROE), earnings per share (EPS), and other financial indicators, as well as non-financial indicators such as risk management policies, customer policies, internal control and regulatory compliance.

(IV) Remuneration policy for the Board of Directors

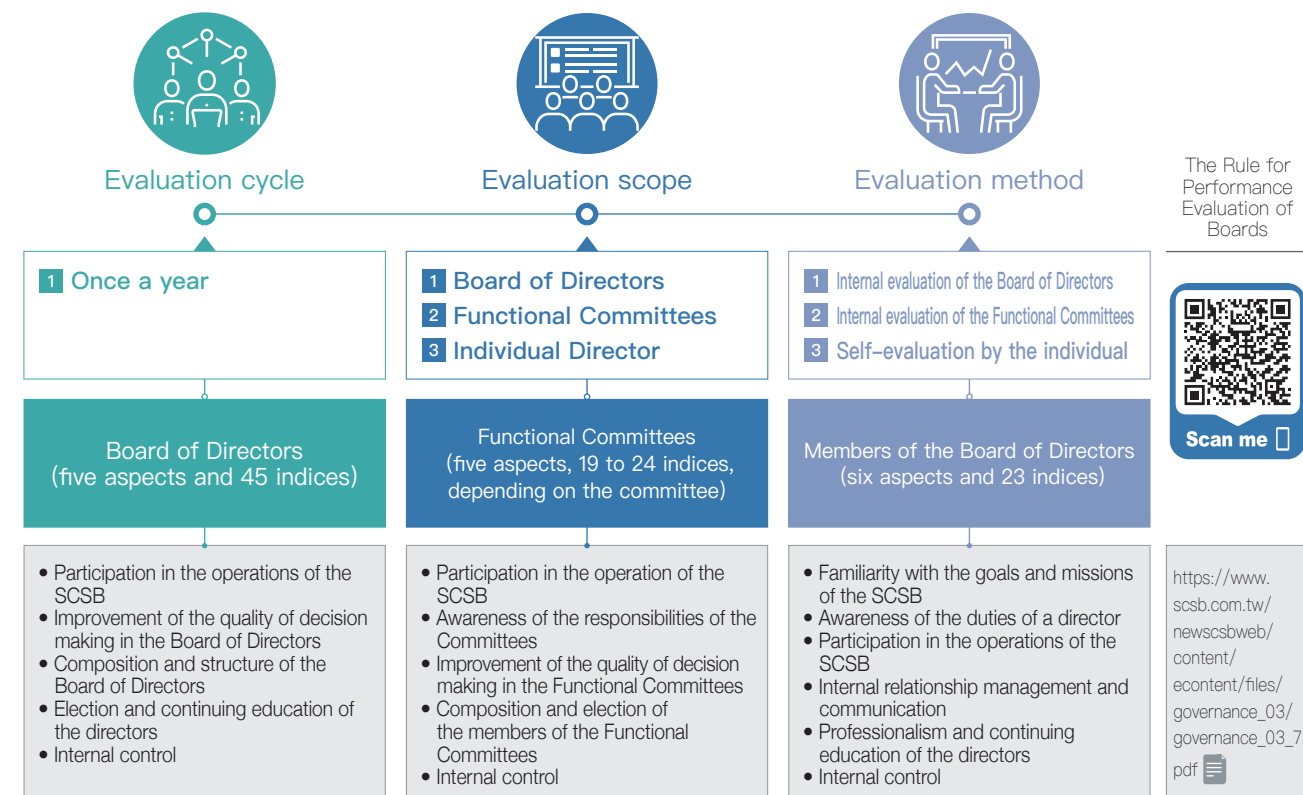
In accordance with the SCSB's Articles of Incorporation and applicable laws and regulations, an amount of legal reserve is set aside from the annual net operating profit as remuneration for the directors of the SCSB after all taxes have been paid and after the losses of the previous years have been offset. An amount of special reserve is then set aside or reversed pursuant to applicable laws and regulations or based on operational needs. Any remaining profit shall be included together with the undistributed profit accumulated during the previous years in a proposal for distribution to be approved by the Board of Directors and submitted to the regular meeting of the Shareholders Assembly for ratification. If the SCSB has earned any profit during the current year, an amount of no more than 0.6% of the profit for that year shall be distributed as the directors' remuneration. However, if the SCSB still has any accumulated losses, it shall be offset

In addition, the remuneration for the Board of Directors puts the result of performance evaluation for the Board of Directors and each director into consideration. The degree of understanding of the overall goal and mission, operating engagement and internal control by the Board of Directors and each director are assessed. The assessment includes our goal and strategy for sustainability development and ESG (Environmental, Social, Governance), to ensure that the directors understand our sustainability risk and effectiveness of supervision.

In 2020, the directors' remuneration amounted to NT\$58 million (excluding the employee part of remuneration for directors who also took the position of our employees) which accounted for approximately 0.43% of the profit for that year.


(V) Evaluation of the Performance of the Board of Directors

To implement corporate governance, enhance the functions of the Board of Directors, set performance objectives and improve the operational efficiency of the Board, the SCSB established the "The Rule for Performance Evaluation of Boards" in early 2019. Internal evaluation will be conducted annually on the status of operation of the Board and Committees and the performance of the Board members. In addition, evaluation shall be conducted by external independent organizations or expert teams every three years.



¹ unless the legal reserve has reached the total amount of capital.

Internal performance evaluation was carried out for the Board of Directors and Committees in 2019 for the first time. It was still performed in 2020 and the result is shown below. The evaluation result is deliberated by the Nominating Committee and reported to the Board of Directors as the reference for director election or nomination and remuneration formulation. (Evaluation method adopted a 5-point scale for grading.)

| Evaluation item | | Average score | website |
|---|---------------------------|-----------------|--|
| Performance evaluation for the Board of Directors | | 4.73 on average |  Implementation of the Board Performance Assessment |
| Performance evaluation for the Functional Committees | Audit Committee | 5 on average | |
| | Remuneration Committee | 5 on average | |
| | Risk Management Committee | 4.94 on average | |
| | Nominating Committee | 4.8 on average | |
| Performance evaluation for individual directors | | 4.86 on average | |

(VI) Assignment of the corporate governance manager

In order to effectively assist members of the Board of Directors obtain information required for exercise of their function to ensure that the Board of Directors can exercise their function efficiently, the SCSB appointed the unit manager of the Secretarial Office of Board to serve as our corporate governance officer in August 2018. The Corporate Governance Best-Practice Principles was amended in 2019, explicitly specifying that the unit senior officer of the Secretarial Office of Board will assume the chief corporate governance officer, the top officer in charge of our corporate governance affairs. The SOP for handling the tasks required by the directors was formulated to build a complete operating procedure. In 2020, the corporate governance officer enhanced the amendment of our corporate governance regulations. Also in 2020, he provided regulation information to directors, continued to implement performance evaluation of director, and arranged the corporate governance course for all directors. https://www.scsb.com.tw/news/sbweb/content/econtent/files/governance_03/governance_03_7.pdf



Corporate governance officer:

First Deputy Executive Vice President, the head of the Secretarial Office of Board. He has a total of ten years of experience as the manager of legal affairs, business branch unit and the department associated with the meeting by the Board of Directors. He is in charge of corporate governance.

| | | | | | |
|--|--|--|--|---------------------------------|--|
| Carry out issues associated with the meeting by the Board of Directors and shareholders. | Make meeting minutes for the Board of Directors Meeting and Shareholders' Meeting. | Help directors when they take office and provide continuing education to them. | Offer directors the information required for carrying out tasks. | Assist directors in compliance. | Assist in other issues specified according to articles of incorporation or contract. |
|--|--|--|--|---------------------------------|--|

The corporate governance manager completed 110 hours of class for corporate governance course in 2020.

1.4 Ethical Management

The SCSB stays committed to ethical management. Besides following all kinds of regulations strictly, the SCSB continues to enhance the system and process. In order to strengthen our ethical management culture, the SCSB formulated the Ethical Management Best Practice Principles, "Code of Ethical Conduct" and "Procedures for Ethical Management and Guidelines for Conduct". These three rules specify precautions for employees when carrying out tasks and strictly require the operations management team and employee to adhere to ethical management regulations, including prohibition of unjust enrichment, corruption, illegal charitable givings and illegal political donations. Regulations and donation amount are openly disclosed for public view. (Refer to the link below. 3.7 Social Care for detail.) Via education training and campaign and in-depth implementation of three lines of defense for internal control, the SCSB continues to enhance thorough and transparent information disclosure, internal control and audit system. Through internalization of ethical management into corporate culture, external stakeholders have more faith in us. The Secretarial Office of Board assesses ethical management compliance and reports the assessment result to the Board of Directors regularly.

| Title | Main content | For more information |
|---|---|--|
| Code of Ethical Conduct | <ul style="list-style-type: none">• To prevent conflicts of interest |  <div>Scan me</div> |
| | <ul style="list-style-type: none">• To prevent any opportunity to seek personal gain | |
| | <ul style="list-style-type: none">• Duty of confidentiality | |
| | <ul style="list-style-type: none">• Fair trade | |
| | <ul style="list-style-type: none">• To protecting and properly use the assets of the SCSB | |
| | <ul style="list-style-type: none">• Compliance with applicable laws and regulations | |
| | <ul style="list-style-type: none">• To encouraging the reporting of any act that is illegal or violates the Code of Ethical Conduct | |
| | <ul style="list-style-type: none">• Penalty measures | |
| Ethical Corporate Management Best-Practice Principles | <ul style="list-style-type: none">• Prohibition of Improper benefit /corruption/illegal charitable givings |  <div>Scan me</div> |
| | <ul style="list-style-type: none">• Prohibition of illegal political donations | |
| | <ul style="list-style-type: none">• Protection of trade secret | |
| | <ul style="list-style-type: none">• Prohibition of unfair competition | |
| | <ul style="list-style-type: none">• Protection of consumer rights and interests | |
| | <ul style="list-style-type: none">• Whistleblowing system | |
| | <ul style="list-style-type: none">• Risk assessment | |
| | Procedures for Ethical Management and Guidelines for Conduct | |
| <ul style="list-style-type: none">• Regulations for whistleblowing of corruption, bribery and unethical conduct | | |
| <ul style="list-style-type: none">• Regulations for political donation | | |
| <ul style="list-style-type: none">• Procedures for charitable giving | | |
| | | |

Donation to SCSB associated with political/policy impact

| | | | | Unit: NTD | |
|---|------|------|------|-----------|------|
| Donation and expenditure | Year | 2017 | 2018 | 2019 | 2020 |
| Policy lobbyist, lobbying organization and lobbying interest group | | 0 | 0 | 0 | 0 |
| Political organization and candidate | | 0 | 0 | 0 | 0 |
| Industrial trade associations and think tank groups affecting campaign or legislation | | 0 | 0 | 0 | 0 |
| Others, such as expenditure for election issue and referendum | | 0 | 0 | 0 | 0 |
| Total | | 0 | 0 | 0 | 0 |
| Scope | | 100% | 100% | 100% | 100% |

(I) Compliance

The SCSB conducts its business in accordance with government policies and applicable laws and regulations. The Compliance Department established under the President is responsible for planning, management and implementation of the compliance system, anti-money laundering and counter-terrorism financing. A senior manager is appointed as chief compliance officer of the Headquarters to coordinate compliance matters and report to the Board of Directors and Audit Committee regarding the status of compliance implementation. The report shall include the causes, possible impact and improvement suggestions analyzed by each unit for cases of major defects or malpractice in compliance.

Financial industry is a franchising industry under high supervision by competent authorities. It has to take adequate action proactively to adapt to regulatory change and requirement by competent authorities to avoid penalties by competent authorities due to violation, impacting corporate image and business promotion. Designated persons at the Compliance Department will collect the latest laws and regulations and send them via the "Legal News" system to the relevant units to revise the regulations and manuals for the business concerned in accordance with the updated laws and regulations. The Compliance Department will use the system for follow-up and management to make sure all relevant operational and management regulations are timely updated.

Every SCSB unit has a compliance officer responsible for legal awareness and implementation of compliance operation. The Compliance Department will oversee the introduction and implementation of the relevant regulations by the compliance officer of every unit. It will also organize related training courses on a quarterly basis and continue to hold legal awareness and training sessions for the compliance officers of all units.

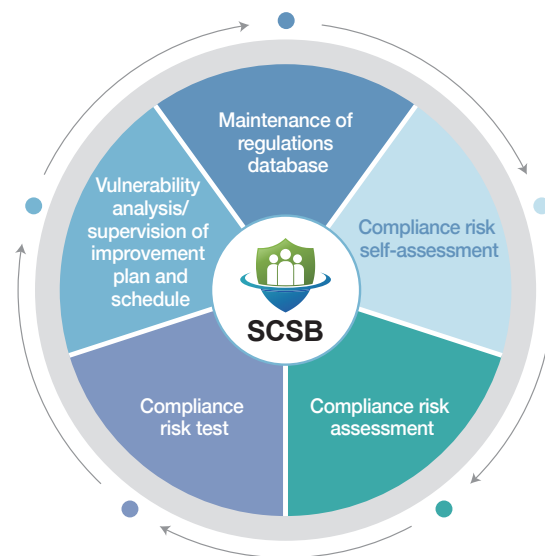
Every unit will conduct compliance self-evaluation on a semiannual basis to help promote legal awareness and compliance among the employees. In addition, written audits will be conducted on an irregular basis to strengthen the awareness and implementation of compliance in all units. Overseas branches will be required to submit monthly reports regarding the status of compliance and hold quarterly conference calls with the compliance officers of the overseas branches in order to strengthen communication with and oversight of the overseas branches.

To adapt to amendment to the regulation, in 2020 the SCSB continues to carry out campaign and track the update of regulations. Meanwhile, compliance risk assessment was conducted for relevant units and management and supervision were executed for high-risk items. Whistleblowing system was adjusted in 2020 by changing the whistleblowing method and channel. Email was the only way for whistleblowing, but now whistleblowing reporting is allowed in written and email form. The handling of whistleblowing is enhanced.

Compliance risk assessment process

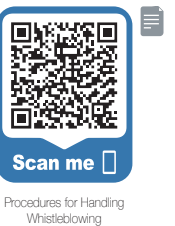
The following describes our process for compliance risk management and supervision:

- The Compliance Department assigned staff for collection and inventory of regulations and creating regulatory data file for compliance risk management. Based on the advice on update or adjustment of the content in the regulatory database, the relevant management unit reports the Compliance Department to update compliance data file.
- Based on our Guidelines for Compliance Risk Management and Supervision Structure, the Compliance Department deliberates the key of financial inspection carried out by competent authorities, major inspection faults caused by banks in Taiwan, competitor sanction case and our internal and external financial inspection faults. By carrying out comprehensive evaluation and selection for management issues, the Compliance Department created the self-assessment survey of compliance risk for every unit to perform self-evaluation of compliance risk.
- If the self-assessment result shows high risk, the unit performing the self-assessment proposes improvement measures and the Compliance Department tracks further improvements.
- The Compliance Department summarized the self-assessment result by every unit, and integrated other objective evaluation factors (e.g., maintenance of compliance database, compliance defect or risk incident of the business) to execute the procedure for compliance evaluation.
- If the result of compliance evaluation indicates high risk or the result of compliance evaluation is significantly different from the self-evaluation result of compliance risk, the compliance test procedure will be activated. If the result is acceptable or poor for a certain unit, this unit shall propose improvement plans. If the Compliance Department believed that the unit needs to be improved, it may require the unit to formulate or modify the plan and track the execution of improvement plan.



(II) Communication and Reporting

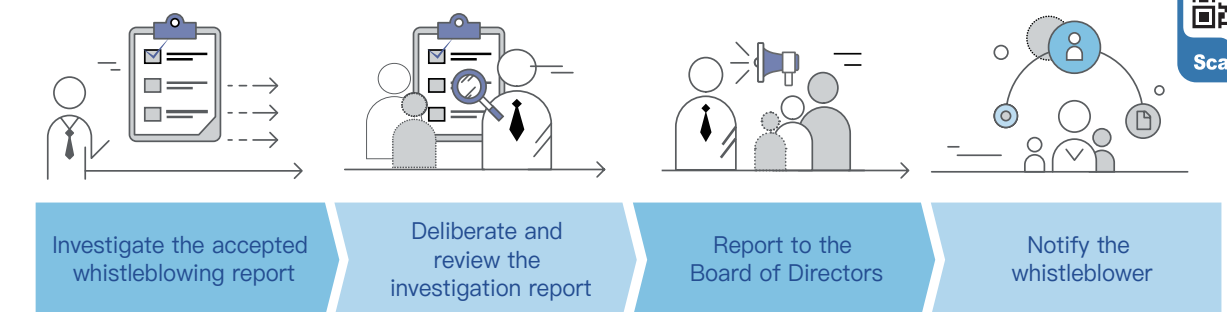
The SCSB has established the "Guidelines on Processing of Whistleblowing Cases (https://www.scsb.com.tw/news/scsbweb/content/econtent/files/governance_19/governance_19_7.pdf) to encourage employees to report specific violation. The SCSB will do its best to protect the safety of whistleblowers, including ensuring whistleblower right to anonymity and preventing whistleblower right from being impacted. Furthermore, the SCSB promotes anti-corruption regulations through intra-bank information notices, unit manager notices, business notices, morning meetings, and promotion of precaution of Ethical Corporate Management Best-Practice Principles to ensure all SCSB employees understand such regulations. The SCSB also engages in communication with the members of the Board of Directors regarding anti-corruption through corporate governance forums. Training courses on anti-corruption are planned based on the job grades and business types of employees. The following is the information related to such courses organized in 2020.



| Areas | Course target | Number of employees taking the course | Number of participants | Percentage of participants among the course target |
|---|--------------------------|---------------------------------------|------------------------|--|
| Taiwan, Hong Kong, Vietnam, Singapore, China (Wuxi), Thailand, Cambodia and Indonesia | Non-managerial employees | 2,225 | 2,285 | 97% |
| | Managerial employees | 364 | 370 | 98% |
| | Director | 12 | 12 | 100% |

Whistleblowing report handling procedure

https://www.scsb.com.tw/news/scsbweb/content/about/files/about15/about15_10.pdf



* The accepted whistleblowing report refers to the whistleblowing report that shall be accepted according to the "Guidelines on Processing of Whistle blowing Cases". No whistleblowing case was received by the independent director mailbox or compliance manager mailbox in 2020. Both of the mailboxes are included in SCCB's internal whistleblowing system.

The SCSB stays committed to the basic principles of ethical management and conducts operating activities in a fair and transparent fashion. The SCSB will pay attention to the development of internal and external regulations on ethical management and review and amend the relevant regulations at any time. The SCSB will encourage the directors, managers and employees to make suggestions as basis for review of the direction of ethical management to improve the SCSB's performance in ethical management.

(III) Incident regarding violation against ethical management

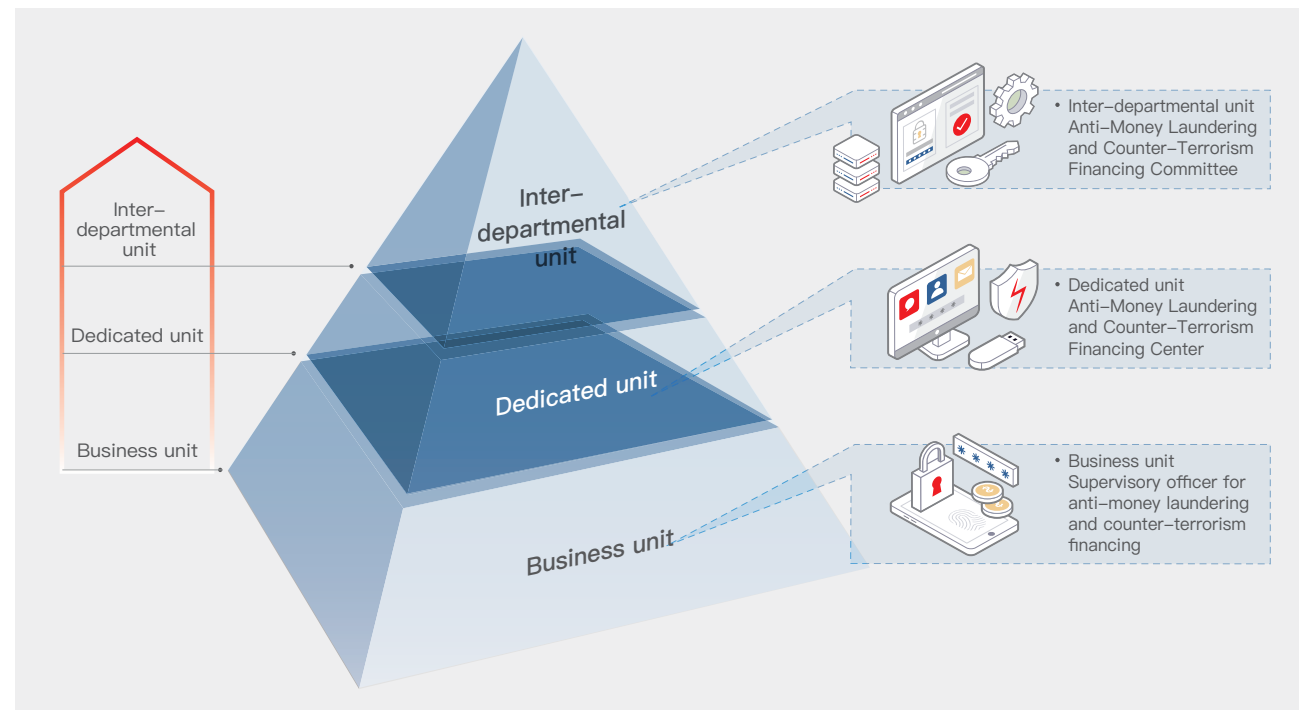
Zero tolerance policy is adopted for violation against internal work rules such as relevant regulations, Code of Ethical Conduct and Ethical Corporate Management Best-Practice Principles. The violation will be reported to the arbitration committee for penalty if it was true. The handling record will be kept. Warning and admonishment will be made, and a demerit will be recorded, depending on severity. No whistleblowing case was received this year. However, 31 cases of violation have been confirmed and reported to the arbitration committee for penalty via internal audit line of defense. Three of them were individual violations against external regulations, and 27 of them were violations against our internal operation regulations. None of these cases involved infringement of ethical management, including corruption, information confidentiality, anti-money laundering, insider trading, conflict of interest, workplace discrimination, workplace violence or invasion of privacy. One case involved non-compliance to Procedures for Ethical Management and Guidelines for Conduct. Employees have been admonished. Internal knowledge promotion and management mechanism have been reinforced later on.

The competent authority examines the cause of all kinds of violations aining and knowledge promotion have been reinforced for similar incidents to prevent recurrence.

In 2020, the SCSB was not involved in corruption, bribery, fraud, insider trading, anti-competitive behaviors, anti-trust and monopoly practices or market manipulation. No litigation or sanction was imposed.

(IV) Anti-Money laundering

The Financial Supervisory Commission tightens its requirements concerning anti-money laundering and counter-terrorism financing, internal control and compliance in banks. Therefore, the SCSB has established a group anti-money laundering policy and the relevant procedure. A dedicated "Anti-Money Laundering and Counter-Terrorism Financing Center" has been established under the Compliance Department with a responsible officer, and an inter-departmental "Anti-Money Laundering and Counter-Terrorism Financing Committee" has also been established. Supervisory officers for anti-money laundering and counter-terrorism financing have been appointed to all of our business units to build a top-down hierarchical management system. In addition, the SCSB has hired external professional advisers and enhanced the system functions to strengthen the operating standards, systems and monitoring mechanisms for anti-money laundering and counter-terrorism financing. Every year, the SCSB authorizes the external independent audit unit to conduct a special audit on anti-money laundering and counter-terrorism financing.



The SCSB implemented three lines of defense for anti-money laundering and counter-terrorism financing. For the first line, the business unit conducts customer and trade review and self-evaluation. (The business exclusive to the business unit is conducted by the business unit.) For the second line, the Anti-Money Laundering and Counter-Terrorism Financing Center (dedicated unit) and all business departments carry out supervision. In addition to operation planning for anti-money laundering and counter-terrorism financing, the Center and all of these business departments execute activity spot check and assessment for business units and business management units. (The KPI item for the business unit and its compliance manager includes tasks for anti-money laundering and counter-terrorism financing.) For the third line, the internal audit is conducted at least once a year and the third-party verification by an external independent unit is also conducted once a year.

Besides, the Anti-Money Laundering and Counter-Terrorism Financing Center of Headquarters and managers of all branches discussed on anti-money laundering and counter-terrorism financing issues at quarterly legal affairs meeting. If any business unit has any concerns on the implementation of anti-money laundering and counter-terrorism financing, it may report its concern to the Anti-Money Laundering and Counter-Terrorism Financing Center via one-way internal counseling. Through the establishment of an internal counseling system, the SCSB can reinforce the effectiveness of three lines of defense and communication between lines of defense.

Anti-money laundering and counter-terrorism financing in the SCSB are conducted properly. In 2018, the SCSB is assigned to take part in the third-round verification of Asia-Pacific Group on Money Laundering (APG) as a representative of Taiwan. During evaluation, the SCSB offered cases of anti-money laundering and counter-terrorism financing and the SCSB was highly praised by the evaluator.

In order to continue to help employees learn more about anti-money laundering and counter-terrorism financing, the SCSB held 133 seminars with a total of 15,760 hours for anti-money laundering and counter-terrorism financing in 2020 and all staff were required to attend the seminars. To build a culture that emphasizes anti-money laundering and counter-terrorism financing, the SCSB offers subsidies to help staff become the CAMS international anti-money laundering specialists or take the exams organized by domestic institutions recognized by the Financial Supervisory Commission for Anti-Money Laundering and Counter-Terrorism Financing Specialists. Via E-LEARNING and weekly morning meeting, education training for anti-money laundering and counter-terrorism financing is provided by sharing ideas on a topic. A total of 27 sessions were held during morning meeting in 2020. (A total of 89 sessions were held from May 2017 to the end of 2020.)

Column — Strengthening of SCSB's cultural DNA of anti-money laundering and counter-terrorism financing

The SCSB continues to promote the education training of anti-money laundering and counter-terrorism financing gradually. Besides courses for relevant staffs required by regulations, education training in anti-money laundering and counter-terrorism financing is provided to all staffs via all kinds of physical courses, E-LEARNING, exams and sharing at meetings. The courses are updated regularly. External experts have been invited to deliver speeches at SCSB's compliance quarterly meeting. Six hours of external training have been provided to compliance managers. We aim to gear our anti-money laundering and counter-terrorism financing policy to the latest international trend. These measures helped us create a culture of anti-money laundering and counter-terrorism financing and a significant outcome has been achieved:



E-LEARNING and AML annual exam

Anti-Money Laundering and Counter-Terrorism Financing Center records training courses every year. All staff join training and take quizzes. The AML exam is held based on the course to examine the training outcome.



Encourage and guide employees to acquire the CAMS certificate and the license for counter-terrorism financing

In order to enhance the anti-money laundering capability of staff to the international level, the SCSB encourages and subsidizes staff to take the CAMS exam. The Anti-Money Laundering Center hired a lecturer to teach a course. A total of 245 staff acquired CAMS, about 10% of all the staff, and 73.4% of the supervisors of the dedicated unit and domestic business unit are CAMS certified.



Continue to promote the education for anti-money laundering and counter-terrorism financing

The Anti-Money Laundering and Counter-Terrorism Financing Seminar is held every weekly morning meeting at each unit. A topic is assigned to each seminar, and the compliance manager of each unit (i.e. the supervisor for anti-money laundering and counter-terrorism financing) leads staff to share the case and idea of anti-money laundering and counter-terrorism financing.



Guide staff to take the exam for the certification of anti-money laundering and counter-terrorism financing

Employees are encouraged to learn about AML regulations. The SCSB guided employees to take the exam for the certification of anti-money laundering and counter-terrorism financing and 1,300 staff have obtained the certificate by the end of 2020, approximately 50% of all the staff. Up to 98% of the supervisors of the dedicated unit and domestic business unit passed the exam.



1.5 Risk Management

(I) Risk Control

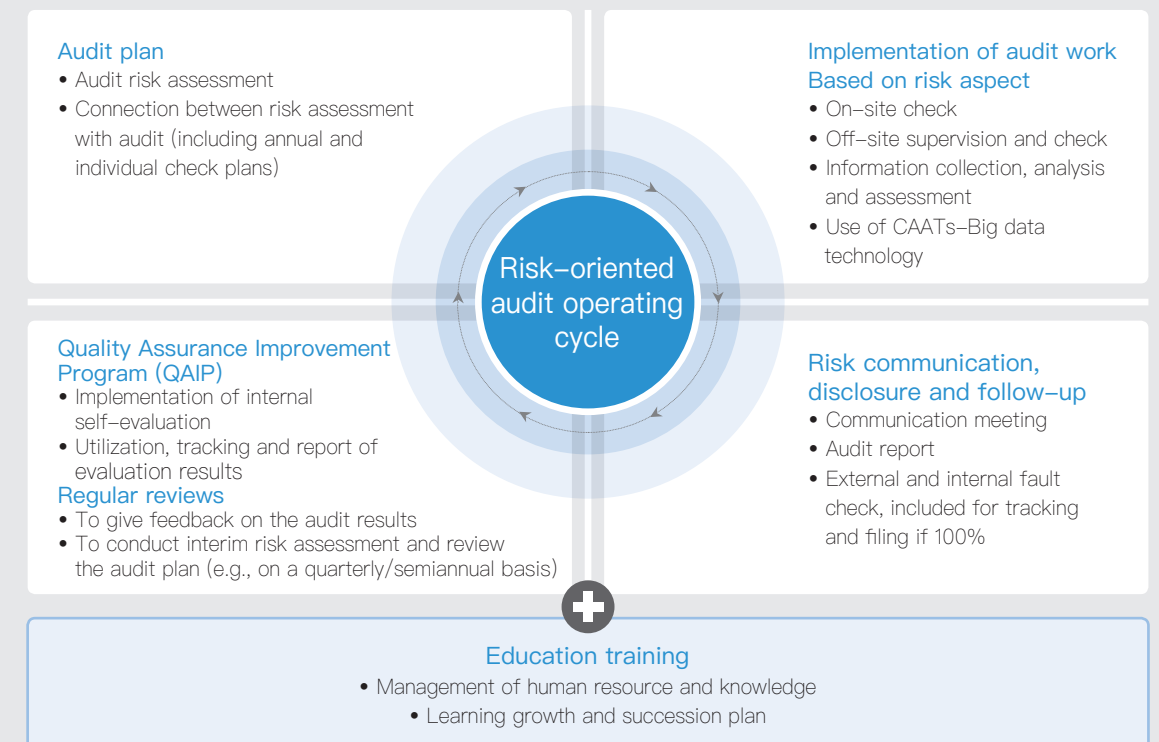
In the SCSB's risk management organizational structure, the Board of Directors is the highest management authority. All the directors must take at least six hours of risk courses a year to learn about risk management issues on anti-money laundering, anti-corruption and information security. The Risk Management Committee established under the Board of Directors is responsible for bank-wide risk management. The Risk Management Department established under the President is responsible for building a bank-wide risk management mechanism and independently performing its duties for bank-wide risk management. Every responsible unit shall appoint risk managers based on its size, significance and complexity to conduct risk management for the unit. In addition, the Loan Review Committee and Investment Review Committee established under the President are responsible for loan risk management and investment risk management respectively.



The internal audit system, self-check system, compliance system and risk management mechanism have been established in the SCSB to maintain effective, proper operation of internal control system. The SCSB entrusts the accountant for check of internal control system every year. Risk-oriented internal audit mechanism has been implemented for now. The SCSB draws up and conducts the internal audit plan based on the risk assessment result. Risk-oriented internal audit mechanism is described below:

Risk-oriented internal audit mechanism

Risk-oriented internal audit mechanism has been implemented in the SCSB. Risk assessment is carried out once a year. Based on risk property, internal control and audit implementation, the SCSB utilized auditing staff to formulate the audit plan for the next year according to the risk assessment result and regulations before the end of every fiscal year. The audit plan is submitted to the Audit Committee/Board of Directors for approval and filed to the competent authority as required for enforcement purposes. Differentiated check is performed based on the risk level of the checked item. Regular examination and adjustment is made depending on the actual situation. The key is to focus on major risks, distribute the audit resources in an effective way and conduct audits. The SCSB seeks to improve its internal control system and strengthen its management structure. Self-assessment of internal audit quality is performed and the evaluation result is used for keep improving the audit activity.



The SCSB has 12 directors by 2020 and ten of them are non-executive directors. All of the directors took the courses below.

| Course target | Course name | Total number of participants | Total hours of training |
|------------------------|--|------------------------------|-------------------------|
| Non-executive director | Corporate governance forum – Trend and impact of risk-oriented anti-money laundering (three hours) | 10 | 30 hours |
| | Corporate governance course – Information security and risk management of FinTech (three hours) | 10 | 30 hours |

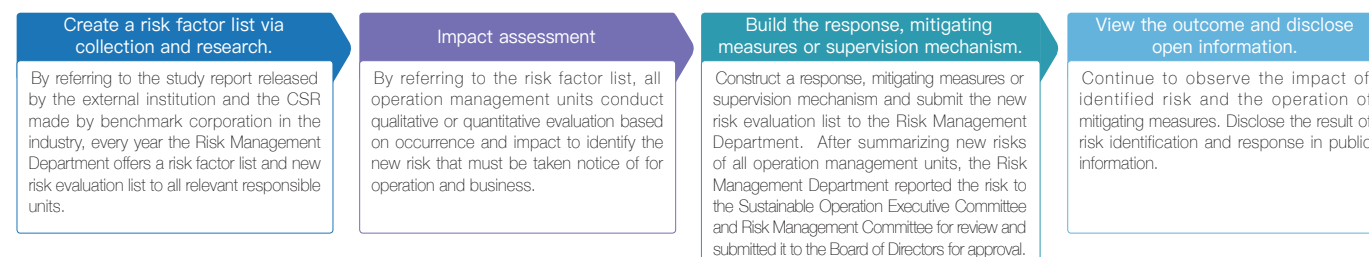
Note 1: All of SCSB non-executive directors took six hours of risk education training in 2020.













(II) Risk Identification and Responses

A complete risk identification and response process has been set up. In addition to control on material risk items such as market, credit, country, operation, asset and liability, the SCSB continues to pay attention to emerging issues, including climate change and human rights, in all ESG aspects these years. The SCSB formulated the response, mitigating measures or supervision mechanism for handling the new risk. The occurrence of risk or impact on us will be minimized.

New risk identification procedure:



| Type of risk | Description of risk | Impact or effects on the SCSB | Type of risk | Response measures |
|--|---|---|--|--|
| New communicable disease  | Global virus pandemic spreads unexpectedly and changes global economy, commerce and lifestyle. | <ol style="list-style-type: none"> 1. Because of fast exchange, communication and spread, the risk of global infection increases. 2. If the number of infections in Taiwan increases, corporate loan clients face suspension, output reduction, capacity drop, revenue and profit cutback and low figures in financial statements. Our credit business is plummets accordingly. 3. Staff are forced to work in shifts or remotely. Risk of transmission during commute gets higher and capacity shrinks. | New communicable disease  | To strengthen the internal system function and performance of the bank. To provide a user-friendly network interface and information for transaction. To offer a free, safe digital financial platform for clients to make transaction smoothly without face-to-face. |
| Information technology risks  | <ol style="list-style-type: none"> 1. Data fraud or theft 2. Major virus attacks | <ol style="list-style-type: none"> 1. Data fraud or theft may cause leakage of the SCSB's trade secret and personal data, affect the information security of the SCSB and lead to possible losses. 2. In case of major and concentrated virus attacks, the bank system will not be able to function normally and all connections will fail. The rights and interests of customers will be affected and a business reputation crisis is likely to ensue. | Information technology risks  | <ol style="list-style-type: none"> 1. To introduce an advanced persistent threat (APT) protection system to detect and provide protection against unidentified external malicious threats. 2. To plan for introduction of an information security management platform (SIEM) to analyze information and detect and lower the risk of data fraud or theft. 3. To continue analysis of the employees' online behavior and Internet traffic for timely reporting and denial to prevent data theft. 4. To ensure the anti-virus software is able to provide protection against malware attacks and to install more malicious program detection software on personal workstations. 5. To prevent leakage of personal data through encryption and the content filtering mechanism in the e-mail security protection system. 6. To conduct social engineering drills on a regular basis, raise the awareness of information security/personal data education, strengthen information security control and carry out drills on the emergency response plan for the personal information breach system. |
| Compliance risks  | Because the regulations governing supervision of loans, transactions, product sales to customers and other business activities advance with the times, the risk for failing to meet the compliance requirements of the competent authorities of domestic or overseas branches will increase if human or operational resource is insufficient. | Domestic and overseas institutions have been subject to restriction of business development or penalties due to their failure to comply with the laws and regulations promulgated by the competent authorities regarding the interests of customers and shareholders, financial stability, anti-money laundering and information security. Such a situation has affected the confidence of the competent authorities, credit rating agencies, depositors and investment institutions in the SCSB. | Compliance risks  | <ol style="list-style-type: none"> 1. To set up an independent compliance unit to strengthen and coordinate bank-wide compliance risks. 2. Every unit shall appoint a compliance officer focusing on the compliance risks of the relevant business in the unit. 3. To assign designated personnel to collect amended regulations and inform relevant units of the amendments. To follow how management units have added and amended internal regulations according to the regulations. 4. To set up the mechanism for compliance counseling, coordination and communication for all units. 5. To hold regular legal awareness meetings based on needs, update legal knowledge on a timely basis and enhance compliance awareness among all staff members. 6. To supervise all units to complete compliance self-assessment and examine and adjust compliance self-evaluation items according to regulation amendment and organizational change. 7. To conduct the compliance risk and supervision mechanism, report compliance to the Audit Committee, the Board of Directors as required and competent authorities. 8. To require examination of particular matters for handling of material particulars regarding key points to financial supervision and the error check by other banks, in order to discover compliance deficiency in time. 9. To supervise the business department to conduct compliance check, urge the business management to find out and keep track of omission in the existing management mechanism, and take improvement or preventive measures. |
| Climate change and corporate image  | <ol style="list-style-type: none"> 1. Temperature rises 2. Extreme climate changes more often and the degree of extremity increases. 3. Providing loans to high polluting corporations might cause pollution and climate change indirectly. | <ol style="list-style-type: none"> 1. The market price of the collateral of loan client is impaired due to climate change disaster. 2. Sanction due to violation against environmental regulations stipulated by competent authorities and negative reporting due to pollution cause damage to our reputation. | Climate change and corporate image  | <ol style="list-style-type: none"> 1. To put social and environmental impacts into consideration as reference for case approval. 2. To pay attention to environmental issues and strictly evaluate financing needs by high pollution industries. 3. To offer incentive loans to industries improving environmental quality and effectively control pollution. |
| Global political and economic changes (including the U.S.-China Trade War)  | Any political or economic change will cause heavy fluctuations in the interest and foreign exchange rates of a country or a drop in its credit and lead to an increase in its business default risks. | Drastic political or economic change in any major economy or country will cause heavy fluctuations in the interest and foreign exchange rates of the country and a drop in its credit or lead to an increase in its business default risks. As a result, the SCSB will incur losses in investment and loans. | Global political and economic changes (including the U.S.-China Trade War)  | <ol style="list-style-type: none"> 1. The SCSB has established the "Credit Risk Management Policy" to undertake loans and investments and regulate the concentration risk. 2. The SCSB has established the "Country Risk Management Policy" to set the risk limit for a country based on factors including the ranking, credit rating and economic scale of the country. The SCSB also monitors political and economic changes in the country and adjusts the limit of the country on a dynamic basis at any time. 3. The SCSB has established the "Capital Operation Authorization Guidelines" to set the limit of an investment based on the credit status of the investment target and adjusts the limit on a dynamic basis based on any political, economic or credit change. |

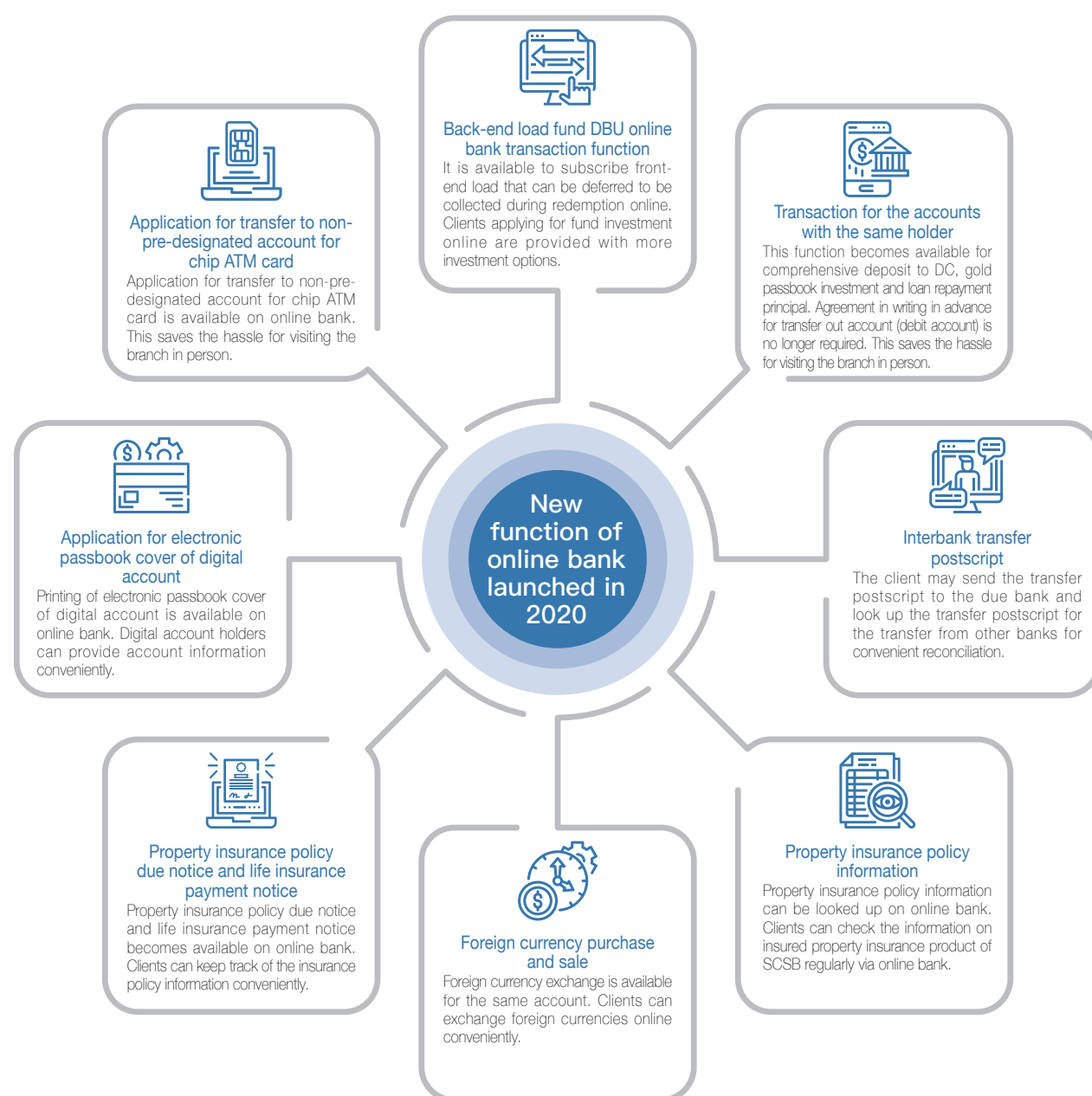
1.6 Smart Service

In 2020, the main strategy of SCSB was “smart finance for innovation and sustainability.” To embrace the trend of e-finance and financial environment mobilization as well as the era of digital bank 4.0, SCSB stayed on top of developing trends of the Internet and mobile communication, social media, big data analytics, cloud technology, block chain and robot-advisory. We improved our FinTech application, sped up the establishment of the e-finance service to replace the walk-in service, and collaborated with other companies of other fields on the app for a better service. Moreover, SCSB improved the community management to strengthen our brand competitiveness. We made good use of the big data analysis to build deeper connections with our key clients and rebuilt the branches based to show our innovative research and development idea. SCSB hoped to improve our competitiveness in the new digital era. Our mobile app will be revised in three stages entirely. Modification and reinforcement of system function, convenience and user experience will be conducted. Smart customer service will be expanded along with establishment of smart branch.

(I) Digital service

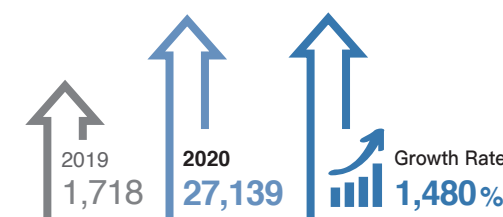
1. Online bank and digital account

In the era of the Internet, the SCSB knows that customers need the most immediate, convenient service. In 2020, the SCSB will continue to introduce numerous new functions in online banking service, which has been highly popular among corporate and personal users.



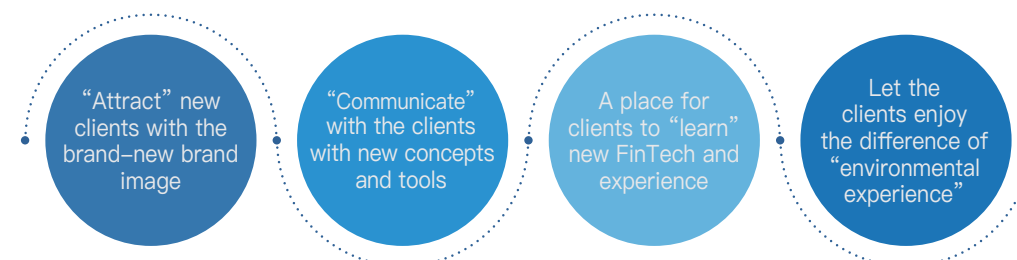
Along with the innovation and growth of online service in domestic financial industry these years, our online digital account opening procedure is improved. The client enters account information and credit card information when opening an account. Identification authentication is completed online immediately. The client can enjoy a convenient, fast account opening experience. Foreign currency digital account opening is available for the client to open digital accounts in New Taiwan dollars and U.S. dollars at once. Due to the pandemic in 2020, the SCSB proactively promotes digital service to cope with the epidemic and meet customer needs. The client can rely more on digital service to open digital accounts and meet other financial needs. We had only 1,718 digital accounts opened in 2019 but surged to 27,139 by 2020, grew by 1,480%.

The number of digital accounts opened



2. Smart branch

SCSB spares no effort on becoming the smartest bank in Taiwan. We provide the most comfortable service environment and adopt new concept and tools to “interact” with our clients. As a result, the client can enjoy the “smartest” service. We hope that the establishment of the smart branch will allow us to:



Eight SCSB smart branches are available to provide a comfortable environment and complete digital experience to clients. Queuing and preprocessing transaction save waiting time. The paperless queuing service provides online queuing, which is eco-friendly and waiting time is updated. Digital signage offers information on finance and products, and smart text customer service. Verbal communication with customer service robot is also available. Tablet and the computer for online bank are available at the lobby. More services and transaction methods are available for clients. Different interactive games and a kid’s zone are provided, depending on the location. The smart branch can be a great help in daily life.

Besides this, smart branch is equipped with a large interactive wall. Paperless queuing and real-time interest and exchange rate lookup are provided. The client can scan the QR Code on the navigation touch screen for queuing or interest and exchange rate lookup on phone to save time for waiting. The client can also register transaction information beforehand and the transaction will be prioritized when he visits the branch and takes his number. The teller can get the transaction information when he calls the client’s number. This explicitly shows that smart branch processes client’s request in advance, split clients in different intervals, and then loads transaction information automatically. Via multimedia queuing system integration, service efficiency and customer satisfaction are improved.

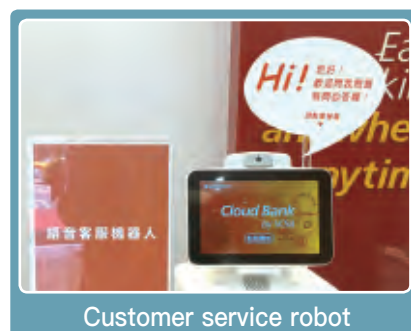
QR Code smart service saves more time for clients



SCSB Smart Branch



The smart customer service provides smart text customer service system. NLP engine integrated with text mining automatically replies customers. 24-hour service was launched on our website and mobile app in 2018. In 2020, the smart customer service will be extended to social media such as FB Messenger and LINE. The client can ask questions online through the social media they often use. In addition, the four smart branches set up in 2020 provides smart customer service via navigation signage to clients without mobile device. Customer service robot is available in these four branches. The client asks questions and the robot replies via monitor and voice.



Customer service robot



Virtual teller machine (VTM)



110 inches of motion-sensing interactive wall

3. Social media marketing and interaction

To maintain interaction with clients and all potential stakeholders, the SCSB opened a fan page, interacts with online users, releases our latest news anytime and accepts public opinions and feedback in real-time.

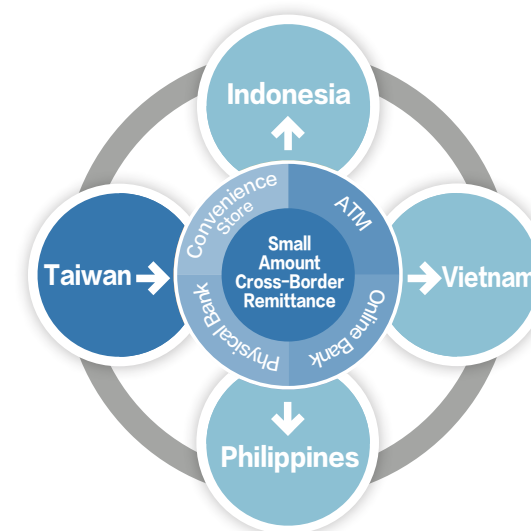


(II) Innovative Fintech

The SCSB has been founded over a hundred years and advance with the times throughout the history of financial innovation. It stays committed to the idea of customer first, pursues enhancement and services the public. Meanwhile, the SCSB takes care of customer groups with special financial service needs and keeps creating new financial service with social benefits.

1. Small amount cross-border remittance sandbox program

It is inconvenient for foreign workers in Taiwan to make deposits due to transportation, work, language and time. The current banking service cannot satisfy their needs and service charge is required. In 2019, the SCSB worked with EMQ, a Hong Kong financial company, to launch a program Small Amount Cross-Border Remittance FinTech Innovation Experiment. Users of this service can make payments at our ATM, online bank, physical bank and convenient store. It is cheaper than counter remittance and can be done in one day, saving lots of time. Since launch in April 2019, the use of the service grows every month.







2. Mobile payment

To cope with the target of the Ministry of Finance that the percentage of mobile payment shall reach 90%, SCSB uses the basis of the "mobile payment" app. We create digital payment flow service within the country and across countries. SCSB has gone international and collaborates with the Financial Information Service Company on the "Taiwan Pay" service. In the meantime, SCSB collaborates with technology company to provide the "OneCode GO" (multi-payment service with integration of payment receipt) service for businesses.








Via the "OneCode GO" (multi-payment service with integration of payment receipt) service, stores only need one QR Code and one-time interfacing to cope with diverse mobile payment tools. Consumers can use their favorite payment tool (e.g., Taiwan Pay, Line Pay, Easy Wallet, Pi Wallet, Alipay and credit card) and stores save a lot for interfacing different mobile payment apps. It is no longer required to put the QR Code for different mobile payment apps on the counter. All the physical stores, e-commerce stores and micro stores with VAT number may apply for OneCode GO.

- Convenience: Integrated multiple payment tool into one QR Code without changing the custom of the customers
- No cash risks: Reduced the burden of dealing with cash and avoid the risk of Counterfeit money
- Reduced connection cost: It only required connection for one time and therefore greatly reduced the individual connection fee for mobile payment company
- Clear accounting: Offered back-end system to compile different mobile payment accountings. The business could manage easily and the accounting is clear.
- Wide application: To fulfill the need for different customers, the diversifying payment could support both physical stores and online stores.

| Taiwan Pay | | OneCode GO | |
|--|--|--|--|
| User | Consumer | User | Business |
| Introduction | It includes "remote" and "proximal" transaction services. | Introduction | It integrates multiple mobile payment services. That allows the business to not have to present different QR codes from different companies. |
|  Scan me |  |  Scan me |  |
| | | | |

New business districts joining OneCode GO in 2020 are Songjiang Market, Taipei City Mall, Gift of Yeliou, Lehua Night Market and Nanya Night Market. Franchises joining OneCode GO in 2020 are Teatop, 99Boutique, JORDAN JDJP Hair Design/Salon New's and JDJP JD&ALL JAPAN HAIR SALON.

Location or type of contract stores included in 2020

| | | |
|---|------------------|---|
|  | Night market | Nanshijiao Xingnan Night Market, Lehua Night Market, Nanya Night Market, Anhe International Sightseeing Night Market, Shu Lin Sing Ren Garden Night Market, Xingren Night Market and Tamsui Zhongzheng Food Court |
|  | Wet market | Huannan Market, Songjiang Market, Taipei City Mall, Shilin Night Market and Gift of Yeliou |
|  | Franchise | Ikari Coffee, Chien Tu, Tomato Brunch & Cafe, Teatop and 99Boutique |
|  | Hair salon | Showlin Beauty Salon, MINGLIU Hair Salon, JORDAN JDJP Hair Design/Salon New's, and JDJP JD&ALL JAPAN HAIR SALON |
|  | Paid parking lot | The parking lot of New Taipei San-Chung Commercial and Industrial Vocational High School |
|  | Religious group | Fo Guang Culture and Di Shui Fang Museum of Fo Guang Shan |
|  | Charity group | Sunshine Social Welfare Foundation |

3. Open API and confirmation block chain

The SCSB is one of the first banks launched during the first stage for FISC's open API platform. It was honored the E-Cash Flow – Best Service Innovation Award. In 2018, the SCSB was the first bank in Taiwan using the financial block chain technology to complete CPA confirmation. It offered the corporate audit confirmation service in November 2020. This service allows the internal audit unit of a corporation to inquire the correspondence bank for its own financial account information through the financial block chain platform built by FISC. The corporation can quickly obtain the latest information replied by all correspondence banks and no longer needs to rely on the financial unit. This avoids information tampering or missing. Security design including block chain technology and electronic signature is utilized. Corporations have more confidence in the platform. The needs of information timeliness and accuracy of the audit unit are satisfied.



(III) Shanghai, Hong Kong, Taiwan Campus FinTech Hackathon

The idea for holding the competition is to foster student creativity and reduce the difference between academics and practice. It is hoped that Hackathon can encourage students to show their creativity and expand their FinTech vision. In future we will provide a platform for the students to convert creative, excellent ideas into products and services in the market. Meanwhile, students get a chance to work with the SCSB or other banks in days to come. Therefore, our client banking experience will be expanded. The chance for developing new applications with industries in other sectors will increase. A three-win situation will be achieved.

We suspended the Campus FinTech Hackathon in 2020 due to the pandemic. The champion of the first year has founded FaceHeart Inc, applying facial recognition technology to numerous scenarios, such as transportation, medical treatment and finance. As for smart banking application, the facial image processing technology detects physiological information, emotion change and facial occlusion. This system can be installed at the ATM and counter to monitor the withdrawer closely. It warns the teller if detecting any abnormality to prevent financial crime or fraud.

This image physiological information detection system technology has been introduced to all of our new smart branches. It is used for ATM fraud prevention and VIP service. This innovative service was originated from the idea winning the competition and it has been realized successfully.

(IV) Digital Financial transformation

The financial development becomes digitalized. Our Digital Banking Department puts more weight on digital talent cultivation. In 2020, we assigned entry-level tellers to take external education training. Teller trainees were arranged to take part in external education training in 2020. They shared the key point and thought of the training with other staff. It is the most effective way for helping us to keep up with industrial development trend in digital financial service.

| Month and year | Organizer | Course title | Number of participants |
|----------------|---|---|------------------------|
| 06.2020 | Taiwan Academy of Banking and Finance | FinTech critical issue seminar series | 2 |
| 06.2020 | Taiwan Academy of Banking and Finance | Core talents in banking industry – FinTech personnel series | 2 |
| 11.2020 | Taiwan Academy of Banking and Finance | International FinTech Forum – business opportunity and challenge of financial scene in the era of API economy | 5 |
| 06.2020 | NTU School of Professional Education and Continuing Studies | Big data and commercial analysis – marketing chapter | 2 |
| 10.2020 | Taiwan Financial Services Roundtable | FinTech Taipei Forum 2020 | 15 |

1.7 Customer Relationship

With the service ideas of “always placing customers’ needs first” and “considerate, efficient and respectful” in mind, the SCSB focuses on customer-oriented innovative, convenient service and proactively improves service quality. Currently the SCSB established a “Client Relationship Management Team” in the Channel Management Department. It is responsible for integrating the feedback channels for clients’ messages, following up and analyzing consumer disputes and client complaints and reporting improvement measures to the senior management. The SCSB set up the Consumer Protection Commission to continue to improve our service quality.

(I) Consumer service and protection

By adhering to the nine principles of fair customer treatment by Financial Supervisory Commission, the SCSB believes that we must start from the beginning for customer service. First of all, we must understand customer needs, achieve KYC (Know Your Customer) and KYP (Know Your Product), and examine and tailor financial planning for customers meticulously. We are committed to the idea of customer first and “Warm, easy and respectful” will be our best corporate image.

The SCSB stipulated the Guidelines for Consumer Protection (https://www.scsb.com.tw/news/scsbweb/content/about/files/about04_1.pdf) and formulated the consumer protection policy and strategy based on the principle of fair customer treatment. The service provided, the transaction, and all kinds of standard form contracts and terms formulated, are based on fair and reasonable, equality and mutual benefit and ethical principles. In addition, the SCSB offers all kinds of customer opinion and appeal channels. Based on the rules for appeal protection principles, the SCSB set up dedicated departments and assigned adequate staff for customer appeal. The SCSB ensures that relevant staff adhere to the SOP, handle appeals by financial consumers properly and protect rights of financial consumers.



- We have been the top 20% banks for the principle of fair customer treatment by Financial Supervisory Commission two years in a row and honored by Financial Supervisory Commission on August 10.



- The SCSB ranked first for the Best Customer Trust Award, second for the Best Financial Advisor Team Award, second for the Best Wealth Management Image Award, second for the Best Risk Management Award, and third for the Best Product Award. All of these awards were presented by Business Today for the “14th Wealth Management Bank and Securities Evaluation.”

1. Listen to the clients

SCSB collects the clients’ opinions from diverse channels. We established the “Management Guidelines for Client’s Message” to set up relevant regulations for handling procedures, reply timeframe, client information confidentiality, follow-up audit and personnel training regarding the suggestions the clients brought up. The appeal channels for clients to bring up the event of consumer’s right include a 24/7 telephone line, email or hard copy (with the name) submission to the Bank. The procedures of appeal handling, investigation and appeal reply will be recorded and a handling schedule will be provided to make sure the effectiveness of the consumer dispute handling mechanism.

Smart customer services on the SCSB’s website

- Quick inquiry and relevant links and contents are provided here. The client can input the question he/she wants to inquire or search for relative topics through help.
- Text and voice bot query services are provided.



Feedback mailbox

- Designated personnel will collect the client’s opinions and try to handle it as soon as possible per the related regulations.
- service@scsb.com.tw



24-hour service hotline

- Designated personnel will collect the client’s opinions and try to handle it as soon as possible per the related regulations.
- (02) 2552-3111
- Free line: 0800-003-111

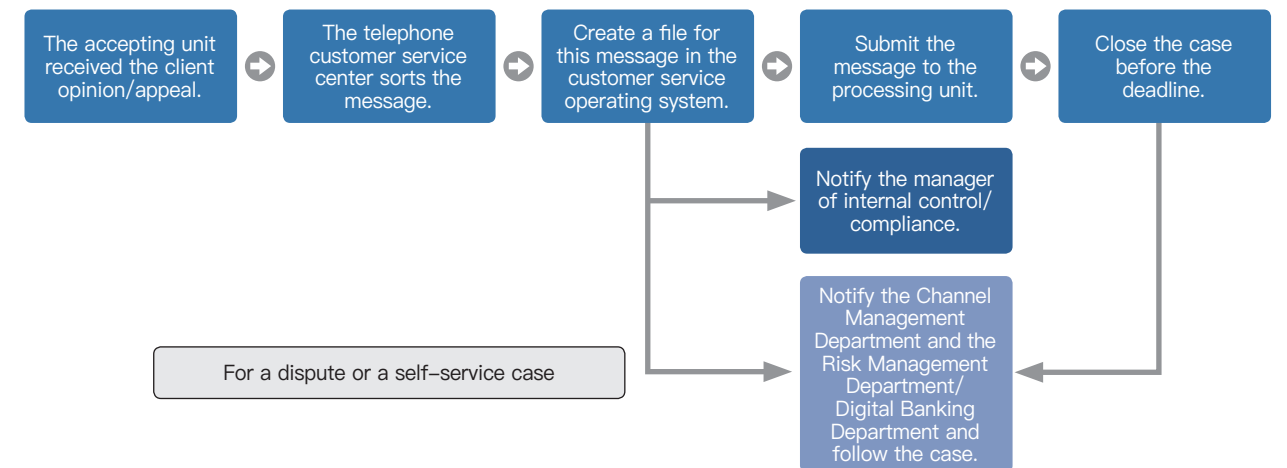


SCSB’s LINE@ account

- Personal LINE account binding, announcement of latest news and discounts



Client opinion handling procedure



2. Improve the customer service

Over the hundred years of SCSB’s operation, the service DNA has been blended in our operation details. For example, we ask the new employees to take at least five hours of manner training. We established the “5 Heart to Heart Rules Manual in the Business Hall.” It establishes the key coping points for welcoming the guest, the waiting area, walk-in service, transaction and walking the client out respectively. Besides this, the SCSB wants to know how customers think about all kinds of businesses and services we provided, in order to take corrective and preventive measures for customer’s advice and needs, and enhance our ESG outcome. Compliance managers of all branches help the staff in each unit to conduct customer satisfaction survey based on the business type adequate for the subjects by counter, visit or mail. This year, the SCSB designed seven questions in the survey for deposit customers, financing customers, and corporate and individual financing customers. It distributed the survey to the 73 domestic business units (including OBU and the Business Department). About 1,900 surveys were collected, 26 from each business unit and the response rate was 100%. Furthermore, customer satisfaction survey is made for wealth management every year and 271 valid surveys have been collected. As for these two surveys, the satisfaction survey result this year is calculated by weighted average. The average is 95.1%, showing that our annual goal, 90%, has been achieved. The SCSB hired a third-party organization to carry out the mystery shopper survey. The survey gives us the idea of the client treating status of the branch, and improvement will be made based on the results. We hope we can always see the need of the client to provide the most considerate service.

Mystery shoppers’ survey

The SCSB performed an implementation and satisfaction survey analysis to check service quality on 75 branches and 38 logistics departments through on-site investigation and phone survey in 2020. By boosting service quality and coping ability of employee, our brand value continues to be strengthened and customer experience continues to be enhanced, maximizing customer satisfaction.



Highlights in the 2020 mystery shoppers survey (enumeration)

| Branch | Satisfaction survey analysis |
|------------------------|---|
| Shimao Branch | 1. The security guard asked a customer what he needs. He measured the forehead temperature and handed the number to the customer with both hands. He guides the customer to the writing desk to fill out the form he needs and leads the customer to take the seat at the counter when it is his turn. 2. The financial planning personnel asked a customer his investment experience and analyzed factors affecting the current market trend. While showing product information on the screen, he also offers hardcopy for customers to take home. After the customer finished his business, the personnel showed that he will be glad to help if the customer still needs anything. He walked the customer to the lobby and said, "Happy Moon Festival. Thank you and take care. Bye!" |
| Shihlin Branch | A customer wished to redeem his traveler's check to New Taiwan dollars. The service personnel listened to his request attentively and asked the staff in charge of this service to explain the procedure, fee and handling process to the customer. He replied to the customer in detail and reminded him to think about if it is a good deal. He was sharp and he said he will be glad to help if the customer still needs anything. |
| North Xinzhuang Branch | The financial planning personnel asked a customer his investment experience. He was well-learned and replied quickly. His speech speed and volume were adequate when interacting with the customer. He kept eye contact during the whole conversation. He used the vegetable planting theory to explain the principle of investment diversification to help customers understand. He was quick on the draw and coherent without using any big word. |

Triple Stimulus Voucher redemption service — column

The Triple Stimulus Voucher was released by the MOEA. To help the business operator redeem the Voucher, the SCSB spared no effort in planning relevant operations and preparing for redemption.

For anti-counterfeiting, the SCSB asked the vendor to upgrade and calibrate the counterfeit detector before the first day of redemption to ensure accuracy and safety of redemption. In the meantime, the redemption system was deployed and tested before launch to ensure smooth redemption. Furthermore, to make sure that business operators redeem the Voucher smoothly at any of our business location, internal education training and redemption drill were held to help the responsible staff become familiar with redemption. Information on the Voucher was summarized on the Triple Stimulus Voucher Column on our website (web: <https://www.scsb.com.tw/content/link/link19.jsp>) for clients to look up information quickly.



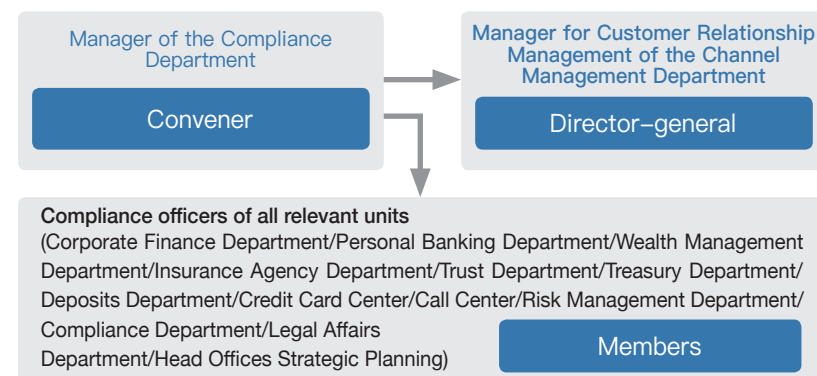
To provide a comprehensive service during redemption, when helping the business operator redeem the Voucher by counter, the responsible staff helped the business operator check the Voucher and reminded, guided him to fill out the back of the Voucher and redemption form. The business unit followed the SOP for Triple Stimulus Voucher redemption formulated by the Bank of Taiwan. The redeemed Vouchers were sorted, arranged, paid and delivered to the branch designated for recheck. The settlement billing of Voucher was verified precisely.



3. Consumer protection is realized

The inter-departmental Consumer Protection Committee has been established to fulfill the principle of fair customer treatment and handle and track the dispute over financial products.

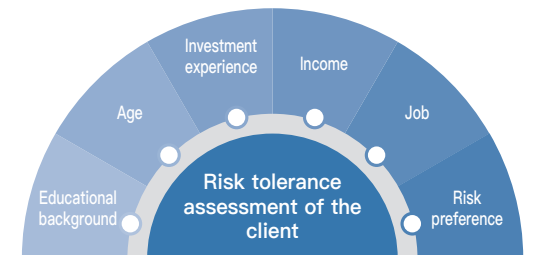
Composition of the Consumer Protection Committee



Functions

- Review the assessment result of fair treatment principles
- Review the measures and tracking process for the improvement of the procedure for handling the financial consumption dispute
- Verify the handling and tracking process for handling the financial consumption dispute
- Review the amendment/correction of the regulations for consumer protection approved by the Board of Managing Directors and above.
- Review other issues associated with financial consumer protection.

In addition, before the launch and sale of any financial management products, the compliance officer and the compliance department in SCSB will review the product to see if it complies with relative laws and legislations. A product review team will be formed for specific products and the Headquarters as well as the representative of business management department will assess and review the content, legality and risk attribution of the product. The product can only be launched for sale after its review is approved. The product review mechanism is for the protection of the investors' rights. The mechanism serves a medium for SCSB to realize the corporate social responsibility. When a client desires to purchase a financial product, he/she needs to finish the KYC (Know Your Customer) survey. The purpose is for the Bank to assess the risk tolerance of the client before providing relative financial services. The sales control mechanism regulates the salesperson to recommend the suitable product (KYP, Know your product) to the client based on his/her investment attributes. The trading system of online bank platform and branch verifies whether the product risk capacity is suitable for the client. The mechanism will help realize the goodness of fit review of the product. The salesperson is responsible for carefully helping the client assess the investment and financial management products to be purchased. These will help the client not to exceed the investment risk he/she can tolerate. To fully know the client and provide the financial management service that fits the client's need, SCSB established a control mechanism for the after sales service. We will regularly and occasionally review the client's investment status to secure the client's investment assets.



4. Maintaining client privacy

Personal data protection policy and measures

The SCSB Group Personal Data Protection Policy has been drawn up to set up the basic management structure of personal data protection system in SCSB and its subsidiary. The Policy also guarantees the rights of the owner of personal information. In addition, the SCSB formulated the SCSB Personal Data Management Policy and relevant management guidelines based on the Personal Data Protection Act. The SCSB and its suppliers must comply with the Policy to realize and reinforce personal data protection. Our personal data protection system was certified for Personal Information Management System (PIMS) in 2016. The SCSB set up the Personal Data Protection Team. Via risk evaluation, security regulations, system management, process improvement and education training, the SCSB continues to conduct Plan-Do-Check-Act (PDCA Cycle) to strengthen and protect client's personal data obtained during the personal data life cycle. Meanwhile, the SCSB adopted the three lines of defense of the international management Best-Practice to guarantee client privacy through systematic group risk management procedure. Collection, handling and use of personal data at the SCSB complies with the Personal Data Protection Act.



- 1st line of defense: All units shall execute the internal control procedure effectively for daily work associated with personal data protection. They shall implement self-check and correct and improve the defects during self-check immediately.
- 2nd line of defense: Be responsible for setting up the personal data protection mechanism and evaluating the effectiveness of implementation. Regularly report the outcome for implementation of personal data protection mechanism to the Board of Directors or top management.
- 3rd line of defense: The audit unit is in charge of checking the compliance to and implementation of our internal regulations and internal control system every year. Client privacy is listed as one of the essential check items. Defects during check will be rechecked and improvement must be guaranteed.

Furthermore, during the Compliance Risk Assessment (CRA) in 2020, the issue Personal Data Protection was listed for the self-evaluation of compliance risk. All units conduct self-evaluation of compliance risk. An improvement plan has been proposed for the unit graded as high risk and improvement has been made accordingly. The compliance unit determined that there was no unit grade considered high risk based on the compliance risk evaluation made by all the units performing self-check.

To avoid client data leakage and enhance response capacity to personal data infringement, the Regulations Governing Reporting and Handling of Personal Information Security Incident has been formulated. For any personal data security incident, the compliance manager of unit shall report to the unit manager as soon as possible, determine the incident level initially and report to the Personal Information Protection Management Team instantly. The compliance manager of unit properly handles the personal data safety incident, protects client's rights at all costs, negotiates with the client on compensation and other necessary issues to be handled. The security incident review meeting will be held later on. Managers of relevant units will attend the meeting to formulate corrective and preventive action. Staff involved in the incident are subject to punishment according to internal regulations.

Reporting level of incidents on all levels

| Incident level | Rules for judgment | Reporting level |
|------------------|---|---|
| Level 1 incident | 1. Theft, tampering, damage, missing, leakage, or illegal collection, handling or use, of personal data, occurred to at least ten clients a day. 2. At least 100 personal (natural person's) data entries leaked in one incident. 3. Media attention or coverage. 4. A client filed a litigation or the law enforcement authority requested for investigation. 5. Normal operation or the rights of lots of subjects is endangered. | Personal Information Protection Management Team and Auditing Department |
| Level 2 incident | 1. Less than 100 entries of personal data (natural person's) were leaked (including theft, tampering, damage, missing, leakage or illegal collection, handling or use) in the same incident. No competent authority paid attention to the leakage or no media coverage has been made. 2. Illegal collection, handling or use of personal data occurred to less than ten clients in a day. | Personal Information Protection Management Team |

We follow the “Standards Governing the Security of Personal Data Files for the Designated Non-government Agency” established by the Financial Supervisory Commission to establish relative internal regulations for the personal file security maintenance and to regulate the disposal of personal file after the business is over. To prevent personal information from being accessed inappropriately, control measures have been established for the regulations and systems of related operations. These will effectively secure the personal information, protect the client's right of personal information security, and maintain the information security and privacy.

The SCSB pays great attention to security of personal data protection. Since 2017, we have been adhering to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The CPA conducted the on-site investigation on the design and implementation of our personal data management system. Results are submitted to the Financial Supervisory Commission for verification. The executive report issued by the CPA in 2020 indicated no material abnormality to personal data protection. Advice on some of the operating procedures were stated in the report. The SCSB is responsible for protecting client's information. In 2020, it received a complaint filed through competent authorities and not associated with personal information leakage. We explained to the client and confirmed that no confirmed personal information leakage occurred.

Customer rights notification

To respect the client's rights of personal data use, the SCSB observes the Personal Data Protection Act.

The client is informed of the purpose, type, interval, region, subject and way of personal data use. The SCSB also tells the client his rights and ways to exercise his rights according to Article 3 of the Personal Data Protection Act. The SCSB also notifies him how would his rights be impacted if he did not provide personal information while he can decide whether to provide his personal information.

On our website, the SCSB's Notification for the Contents of the Obligation to Inform the Practice based on Article 8, Paragraph 1 of the Personal Data Protection Act stated the following:

- The type of personal data collected
- The purpose and use of personal data collected
- Our retention period of collected personal data based on regulations and purpose of business
- The subject and situation of use of personal data by third party

The SCSB notified the client that he/she has the right to opt-in, right to opt-out, demand access to the data we preserved, demand for correction, request for deletion, termination the handling or use of data.

In addition, to help the client learn more about our personal data protection measures, the SCSB set up the Personal Data Protection Mechanism Q&A on our website. In an easy, understandable Q&A, the client can easily and quickly understand our mechanism for personal data protection management.

Our secondary use of client's personal data means that our partner calls clients for telemarketing according to relevant regulations such as the Personal Data Protection Act. We called approximately 6.27% of the natural person clients and corporate clients for telemarketing out of all the clients. Internal regulations have been specified for the aforementioned operation, which is conducted complying with the following principle:

1. Agreement in writing or permission by the client
2. Evaluate confidentiality capacity of client data of our partner deliberately before building a relationship for cross-selling with our partner.
3. Transfer client's data to partners encrypted and only the authorized person may handle the data for business purposes.
4. Check on our partner regularly/periodically and examine whether or not their operation complies with the regulations.

1.8 Information Security

Digital financing has become more and more common. The safety of personal data and information security have become the key issues that the financial industry has had to pay attention to recently. SCSB knows the importance of the issue; thus, our information security management system has been certified for the ISO27001 Information Security Management System (ISMS). SCSB established the information security targets and a cross-department Information Security Committee. The Committee convenes quarterly and manages affairs such as the information security policies, risk assessment, related event investigation and report, improvement measures and relevant regulations.

(I) Structure and function of the Information Security Management Committee

The cross-department Information Security Committee discusses and supervises the implementation of major businesses and important issues on intra-bank information security regularly. It plans for the implementation of information security control measures for the entire bank. In addition, the Committee appointed the members of the Board of Directors as the advisors for information security. The members assist in the governance of information security and show support for information security.



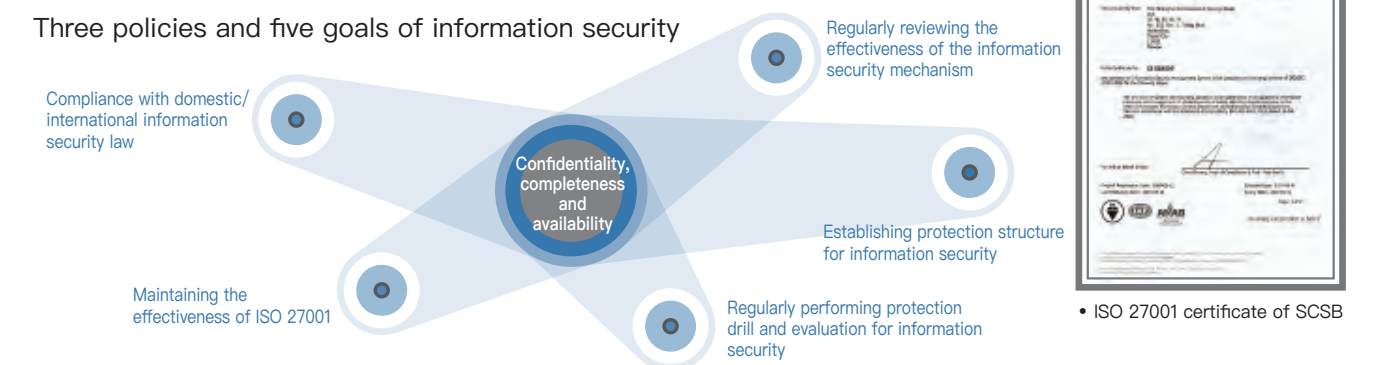
The functions of the Information Security Management Committee are as follows:

| | |
|---|---|
| Deliberating on the information security policy. | Deliberating on the investigation report of the information security event and improvement measure. |
| Deliberating on the issue related to information security. | Deliberating on the information security management matters that the domestic/international authorities demand to report to the board of directors. |
| Deliberating on the information security risk assessment report and the acceptable level of risk. | Deliberating on the result of the operation related to information security. |

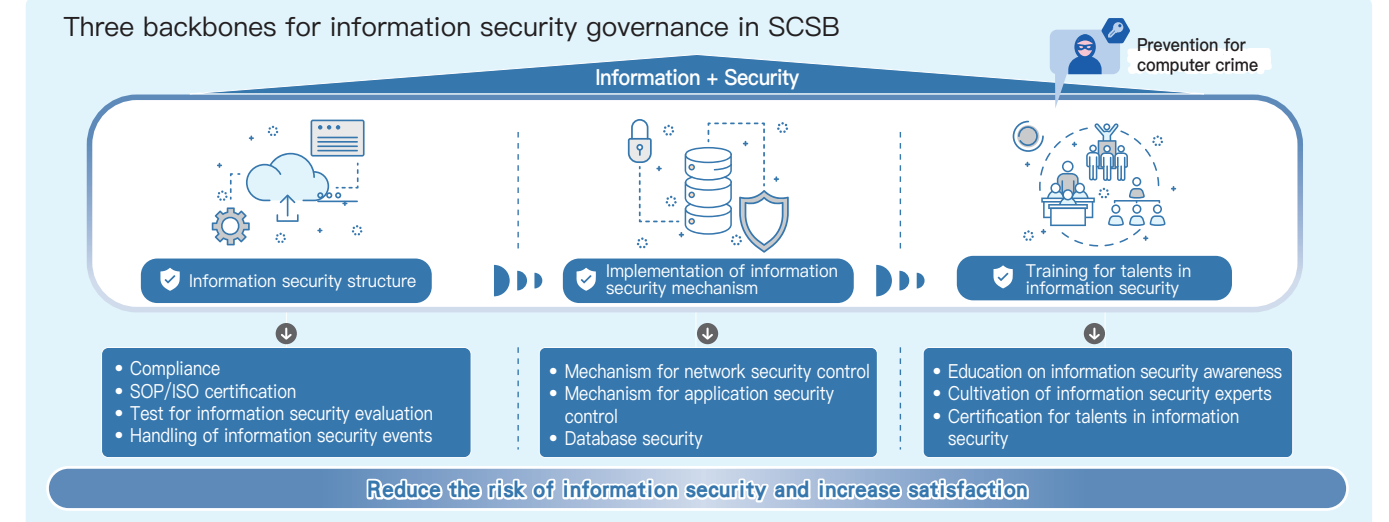
(II) Keys to information security governance and implementation

To ensure our information security management, we strengthen information security awareness by and management of all our employees via information security protection, establishment of relevant mechanism and control mechanism, and talent training.

Three policies and five goals of information security



Three backbones for information security governance in SCSB



Our internal information security education training is subject to the Management Regulations for Information Security Education we formulated. Courses and training are planned for different types of staff, including new employees, regular employees and the staff of the Information Security Department. The information security education training plan of the year is submitted to the Information Security Committee by the Information Security Department. After approval, the plan is handed to the President for approval. It will be announced and put into practice by the President after approval. The outcome of education training is handed to the Information Security Department for evaluation of management outcome. In 2020, the SCSB organized three hours of basic information security training for new employees and four sessions of information security courses with three hours each for the directors and all employees. The courses cover the information security awareness, application and risk of emerging technology information security, social engineering and IoT information security. The SCSB provided 15 hours of training for the staff of Information Security Department, including internal and external seminars. Meanwhile, we perform social engineering drill for the employees and Board of Directors every year. We will assist the department that performs significantly below our expectation based on the result of the drill. We will perform the drill again to evaluate the effectiveness and to ensure the maintenance of information security.



Items of the drill for information security in 2020

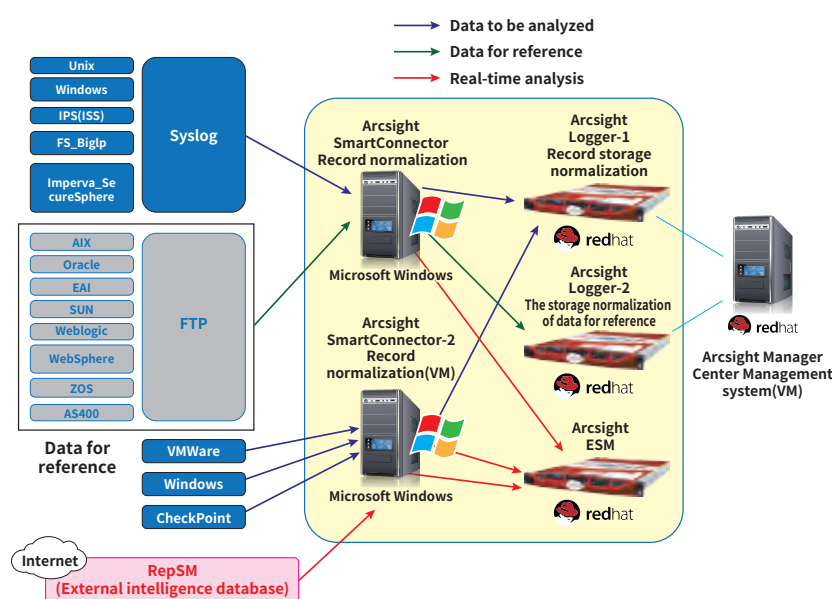
Three information security drills were held in 2020 to help all employees become familiar with response to information security incident and enhance their adaptability to changes.

| DDoS drill | Penetration testing | Social engineering drill |
|--|---|--|
| November 2020 | September to December 2020 | Preliminary test in September 2020 and recheck in October 2020 |
| The test was about the situation that when the SCSB was under the DDoS attack, whether existing reporting and response processes for invasion can effectively reduce or mitigate hacking and reduce the scope of impact. | Simulated network penetration technology and invasion technology are used to test the vulnerability of external service website. Risk evaluation is performed for our existing security control mechanism and the protection capacity of operating environment, to ensure confidentiality, completeness and availability and maintain competitive advantages. | Through email social engineering drill tool and test email template, we forged a legal sender to send a test email to all employees to check their awareness of prevention of email social engineering attacks. Meanwhile, we carry out reinforcement of internal education training as the basis for enhanced further management. |

Establishment of Security Incident Event Management (SIEM)

The SCSB aims to strengthen our capacity of log analysis, information security monitoring, and warning. In 2020, the SCSB extended ArcSight Log, the existing centralized retention equipment, purchased the Security Incident Event Management (SIEM) platform module, and extended and adjusted the system structure software license to establish our Security Incident Event Management (SIEM) platform. The purpose was to adapt with future needs of retention, analysis and monitoring of information security incident log.

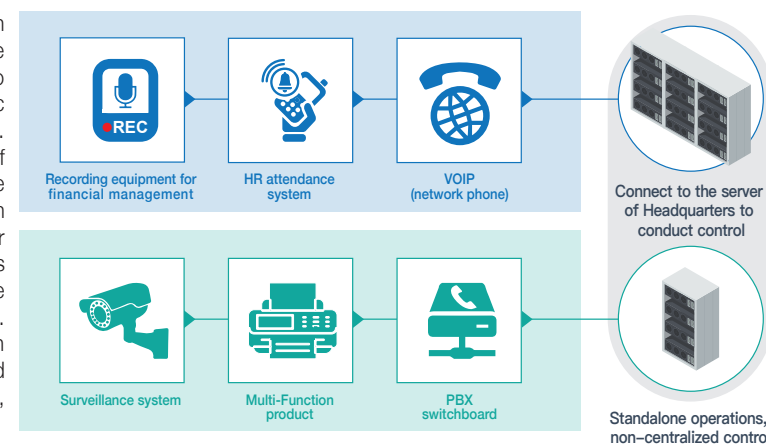
Besides this, to reinforce information security for business needs, in 2020 the SCSB activated the establishment project of IoT equipment network segmentation. The targeted benefit is to meet the requirement for IoT physical segmentation specified by the competent authorities. The goal is also to use firewalls to separate the WAN in the branch based on the operating status. It would be convenient for identification and management, and beneficial to overall enhancement of information security protection for IoT equipment.



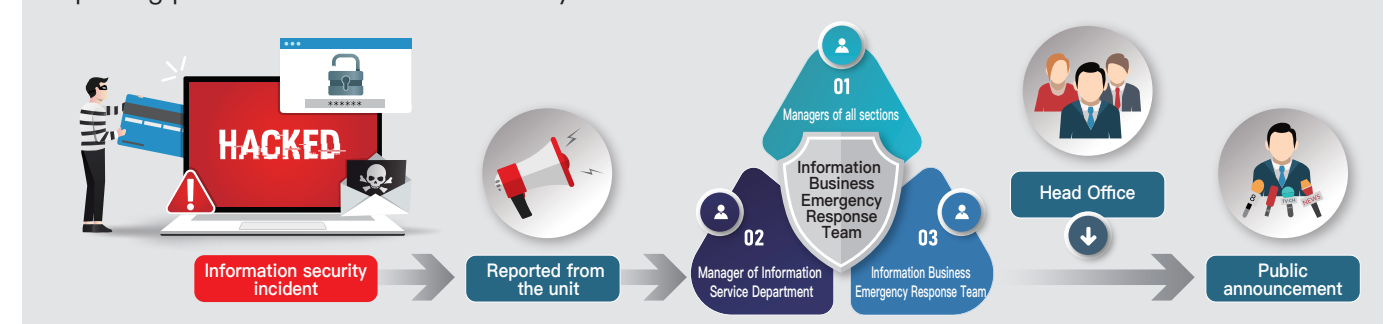
Reinforcement of information security control of IoT

In order to manage the IoT equipment used for the business operation, the SCSB continues to strengthen information security of IoT information system, raise the awareness of correct information security, improve the habit of information security, and avoid information security incidents such as sensitive data exposure.

The SCSB explicitly specified the Regulations Governing Information Security Incident to define the reporting process and response guidelines for information security incident. The SCSB is able to resume operation quickly and effectively according to systematic processing procedure and take required improvement measures. When an information security incident occurred, the manager of Information Service Department, managers of all sections, and the manager of Information Security Department formed the Information Business Emergency Response Team. This team is responsible for taking emergency response measures and activating the continuous operation plan of relevant business. Meanwhile, this team helps the Head Office prepare for the press release and explain to the public. In the past three years, no violation occurred in the SCSB. Such violation includes breach of information and network security and client information exposure, due to unauthorized acquisition, reading, use or disclosure of relevant data.



Reporting process for information security incident



(III) Establishment of a smart green engine room

In 2020, no financial loss occurred and no fine was imposed due to IT infrastructure. To further strengthen operating efficiency and security of our information hardware and follow the green trend of energy saving and carbon reduction in the meantime, the SCSB introduced the design concept of green engine room. The four themes are as follows:

Intelligence

This engine room has the operating control ability. It is integrated with environmental control data and has the ability of capacity management. It monitors and adjusts resources, changes the management ability, and notifies the bottleneck and impact encountered during use. It possesses the efficiency management ability. We are able to find the current condition and change the future.

Flexible

The modular design has been adopted. The engine room can be expanded along with business growth. The modular extension of the air conditioning system is carried out. Efficiency has been enhanced. Energy saving is ensured. Numerous energy saving measures have been carried out to achieve the standard for green engine room.

Secure

The space design complies with requirements. Access control, monitoring and security control mechanism, and quakeproof measures for the host used for core operation have been established. The IP KVM operation has been recorded. The engine room complies with ISO 27001.

Reliable

The Tier 3 design is adopted for the power system, UPS and air conditioning system. The Tier 4 design is adopted for pipeline planning. The graphical environmental control monitoring system is implemented.



Chapter 2

Environment – Always Sustainable

SCSB CSR REPORT 2020



Correspondent Chapter



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CHAPTER 2

Environment – Always Sustainable

» 2



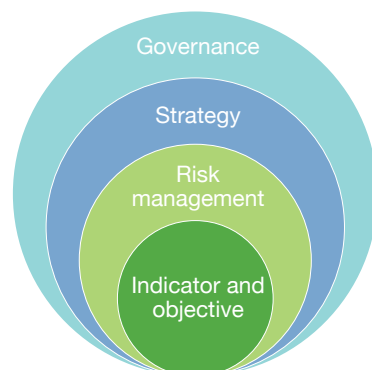
People attach more importance to environmental protection and climate change issues for the past few years. The SCSB expected to develop green, sustainable products and services via the influence of financial industry, and help Taiwan enter the low carbon economy. For our operation, we actively implement energy saving and carbon reduction. Besides conducting all types of paperless services, green building design has been introduced into the Headquarters under construction, to strive for green sustainability paradigm. The scenario analysis was introduced in 2020 to further explore the impact of climate change on our operation.

2.1 Risks and Opportunities of Climate Change

Global climate change issues become more important. Numerous investors behind the corporations start to focus on how corporations respond to financial risks and opportunities brought by climate change. On that account, the Financial Stability Board (FSB) released the Task Force on Climate-related Financial Disclosures in July 2017, directing corporations to disclose governance of climate risk and opportunity, actual and potential climate impact, way of identification, evaluation and management of climate risk, the indicator and objective for evaluation and management of climate issue. Climate financial disclosures are concluded into four core factors, governance, strategy, risk management and indicator and objective.

Disclosure structure of TCFD was initially introduced by the SCSB in 2019. This year, we will further explore the impact of climate change, introduce scenarios to assess risk and opportunities, and formulate effective management measures, to increase resilience to correspond with climate change.

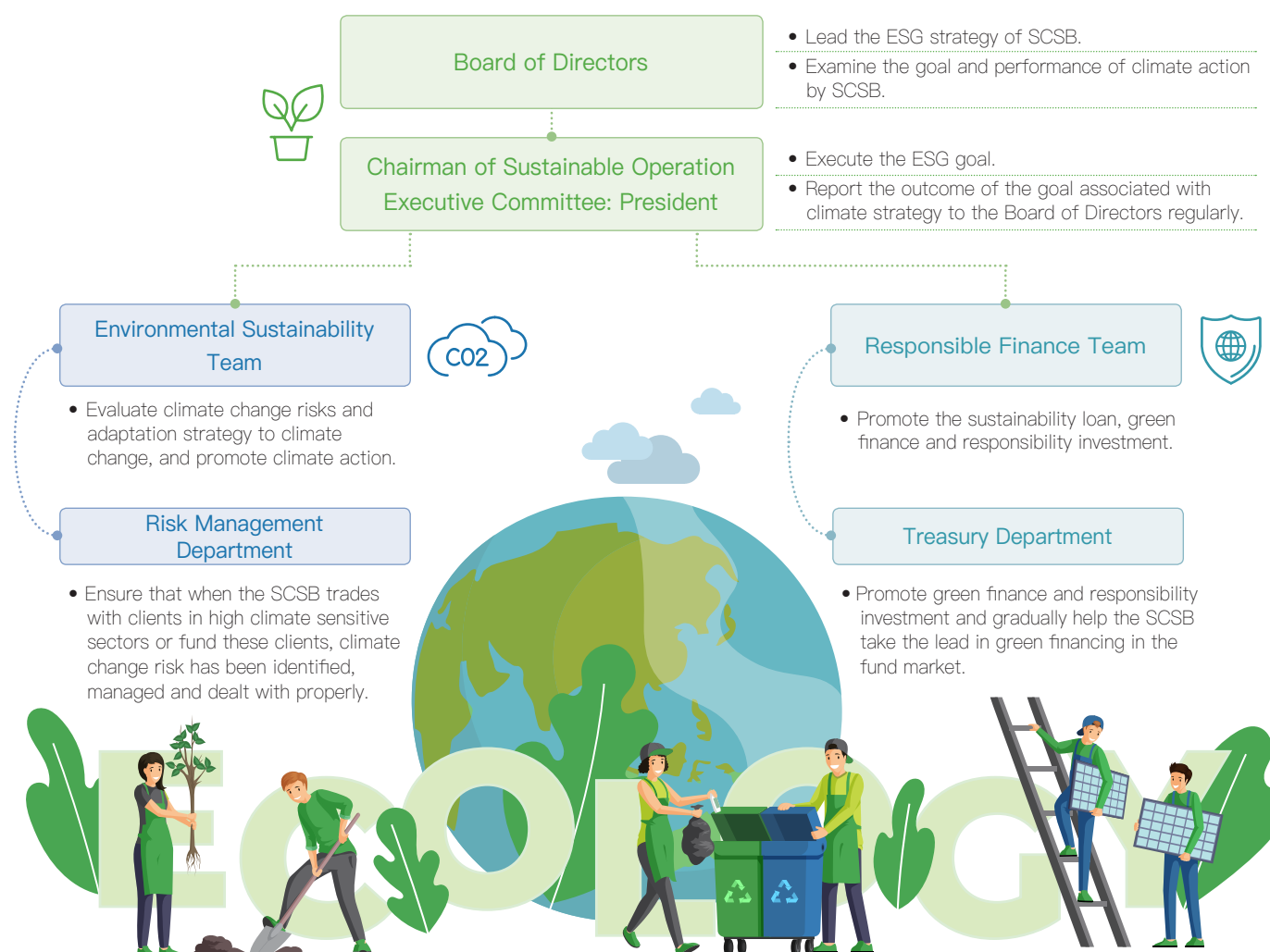
Climate change is an important risk issue catching global attention. Discovering the risk and opportunity incurred from operation due to climate change is an important issue for corporate sustainable operation. The SCSB has been assessing and corresponding to new risk for a long time. Climate change risk is an important factor for our sustainable operation. The SCSB conducted comprehensive assessment for climate risks and opportunities based on the TCFD structure. It analyzed possible transformations and physical risks assuming global warming and below 2°C regarding NDC (RCP2.6). Analysis on our possible transformations and physical risks has been conducted. We will put possible opportunities into consideration. After submitting a report to the Risk Management Committee for review, the President designated relevant units to set up management strategies and objectives. Our work progress report of TCFD in 2020 is as follows:



» 1. Governance

Through the Board of Directors, the SCSB set up the strategy of overall climate change and the annual goal. The strategy and goal will be put into practice by the Sustainable Operation Executive Committee. The SCSB believed that it is required to integrate pro-active commitment to climate change, and concrete actions for developing sustainable banking and green credit into our overall governance structure because it is the only way to mitigate the uncertainty of SCSB's continuous development incurred from climate change. We aim to ensure that the SCSB can protect the rights of shareholders and investors and respond to expectation from stakeholders sufficiently via continuous, stable, resilient operating plan.

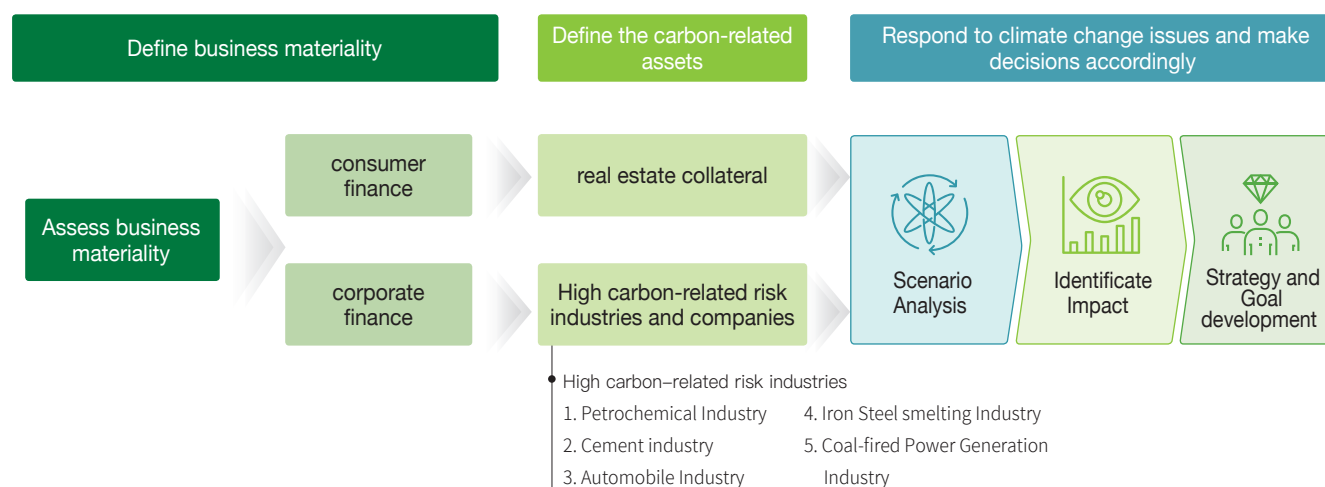
The following is our structure diagram of climate change governance. The Board of Directors leads the SCSB to follow our ESG strategies on environment, society and governance and examines goal and performance of the action for climate regularly. The President is the chairman of the Sustainable Operation Executive Committee, responsible for reporting progress of climate strategy goal to the Members of the Board of Directors regularly. The Environmental Sustainability Team in the Committee is led by the Risk Management Department. Through group risk management policies integrated with climate risk, the Team ensures that climate change risk has been identified, managed and responded to properly while we trade with clients in highly climate-sensitive industry or provide funds to them. We ensure that our action is consistent with our strategic direction for development of sustainable finance. The Responsible Finance Section promoted green finance and responsible investment, gradually gaining leadership in green financing in the fund market.



2. Strategy

To cope with uncertainty in climate change, the SCSB observes the disclosure guidance suggested by TCFD for the banking industry to consider the credit exposure of carbon-related assets associated with credit extension or other indirect financial activity. Through scenario analysis, the SCSB evaluates that in different scenarios, what potential impact and challenge may incur from credit exposure on our business development, strategy and financial performance. Therefore, the SCSB can cope with possible conditions in future with greater flexibility and resilience. Investors and shareholders will find out how well does the SCSB respond to climate change issues and make decisions accordingly.

The process and outcome of climate change risk evaluation carried out by the SCSB are as follows:



★ Define business materiality:

Credit business accounts for majority of the SCSB's revenue and the largest proportions are consumer finance (personal finance) and corporate financial business (roughly 54% of the total income). To ensure that the SCSB is able to develop climate strategies via systematic evaluation regarding climate change risk, the SCSB prioritizes personal and corporate finance business for scenario analysis object.

★ Define SCSB's carbon-related assets:

Carbon dioxide emission is one of the primary factors of global warming. Global warming increases the chance and frequency of extreme climate events. Collaterals in flooding areas or where slope failure disasters occurred might be depreciated and bank credit risk increases. Therefore, the SCSB included real estate collateral into our major carbon-related assets to drawn up strategies for climate change accordingly.

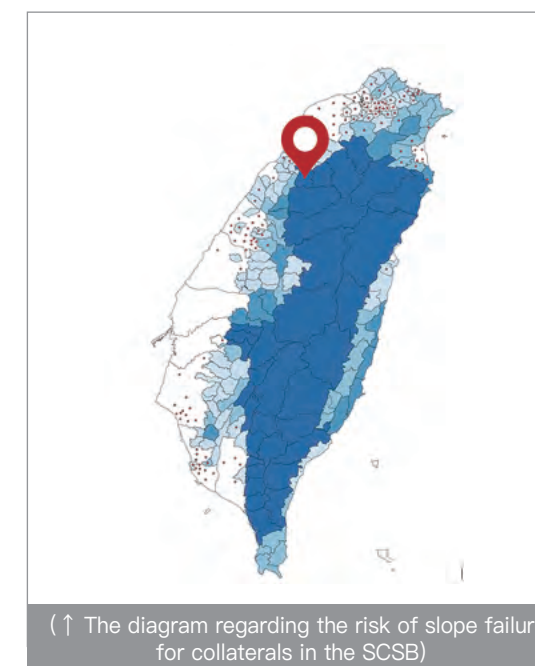
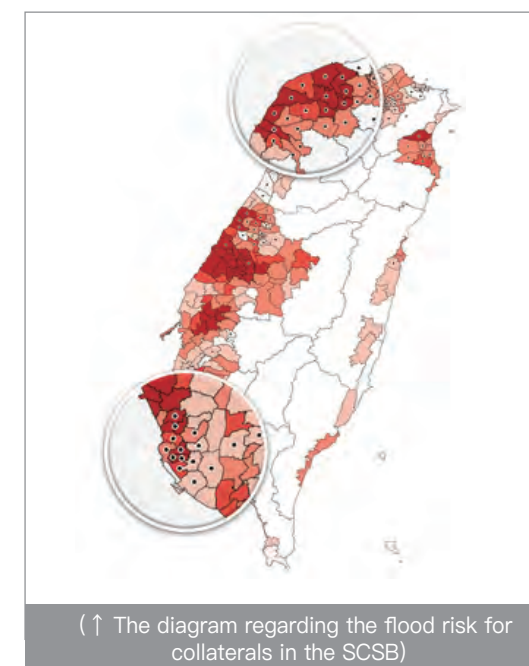
To evaluate our transition risk of climate change completely, the SCSB defined five industries with high climate sensitivity for our corporate finance lending and loan based on the portfolio of industries applying for credit extension among the entire group, and the percentage of carbon emission of the industries to global carbon emission. The five industries are petrochemical Industry, cement industry, automobile industry, iron and steel smelting, and coal-fired power generation industry. This ensures that in the scenario of climate change transition, the SCSB's credit exposure to industries with high climate sensitivity stays consistent with our risk management policy.

★ Scenario analysis by the SCSB on carbon-related assets:

• Physical risk assessment:

The SCSB conducted the physical risk assessment considering the credit exposure period of consumer finance and the durable years of real estate collateral. In addition, the SCSB collaborated with external consultants selected RCP 8.5 and scenario for collateral damage risk based on the future climate change scenario defined in Representative Concentration Pathways (RCPs) in Assessment Report 5 (AR5), published by Intergovernmental Panel on Climate Change (IPCC). Based on the information on TCCIP under MOST, Executive Yuan, the SCSB analyzed the impact on our real estate collaterals located in high-risk geographic areas based on the three dimensions of climate disaster risk (hazard, vulnerability and exposure). In the meantime, the SCSB refers to the fixed assets durable years formulated by the National Taxation Bureau, Ministry of Finance to make sure that the duration of credit of collateral covers the value continuity of collateral asset. Therefore, the evaluation result of physical risk is able to describe the impact of climate physical risk we encountered as clearly as possible.

Note: There are four hypothetical scenarios in AR5, including RCP2.6, RCP4.5, RCP6 and RCP8.5, which represent an increase of 2.6, 4.5, 6, and 8.5 watts per square meter of radiative forcing in 2100.



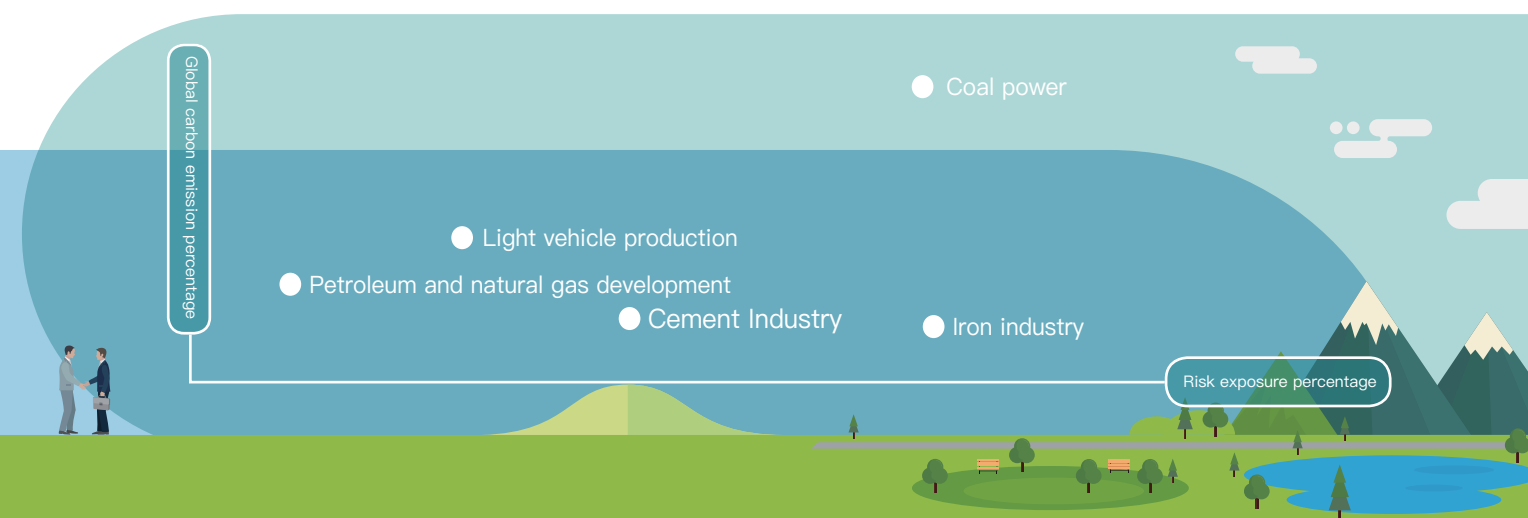
The analysis result shows that about 13% of our collaterals are located in regions in Taiwan with potential high risk of flooding and slopeland disaster. (They are mostly located in Taoyuan and Zhongli Districts of Taoyuan, and Sanmin and Qiaotou Districts of Kaohsiung.) Collateral capacity might be insufficient and default rate might rise for the collaterals of the client due to climate disaster loss, resulting in the rise of our credit risk. To reduce our credit risk, we integrated the process for climate disaster risk evaluation into the customer due diligence process. We will assess whether to reject or require more security for collaterals if we discovered that the amount of guarantee is low for the collateral.

In addition, the SCSB performed evaluation for all locations of operations and the Headquarters expected to be open in 2023 through this model. The result indicates that approximately 9% of the branches are located in high risk areas by the end of 2020. The Headquarters is not located in any high risk area. To ensure uninterrupted operation, the SCSB stipulated the Emergency Disaster Response Measures for all locations of operations and set up the measures for business continuity and customer rights. For instance, set up the emergency temporary office and checked the disastrous damage to equipment. The emergency response team formulated follow-up measures for remote backup.

• Assessment of transition risk:

The SCSB identified five industries with high climate sensitivity (petrochemical industry, cement industry, automobile industry, iron and steel smelting industry, and coal-fired power generation industry). Refer to the following diagram for evaluation result of credit exposure impact. Based on the assumption on IEA 2DS sustainability scenario, the assessment on the evaluation made by the SCSB on climate transition risk in regulation, technological development and market was made. Refer to the following for the evaluation result of corporations currently in the coal-fired power generation industry and steel industry and have higher credit exposure impact and frequent business dealings with the SCSB:

SCSB carbon sensitive industry analysis



| Global warming to 2°C | Key assumption of a scenario | Expected industrial change under the 2DS scenario | Expected financial implication | Prediction made by the SCSB for the risk and opportunity of the industry |
|---------------------------|--|---|--------------------------------|---|
| Power generation industry | High-carbon technology is transformed into low-carbon technology. | Acquire the renewable energy power plant. | Credit risk ↓ ↓ | <ul style="list-style-type: none"> • Opportunity The need for low carbon energy is high. Long-term contract is required for power supply. If the power company has been transformed smoothly and provides stable renewable energy supply, granting loans to such clients brings us stable revenue. |
| | | Continue to use coal. | Credit risk ↑ | |
| | The primary energy sources are solar and wind power. | Sell renewable energy. | Credit risk ↓ ↓ | <ul style="list-style-type: none"> • Risk If an electricity generating corporation has no long-term stable funding for transformation and encounters resistance from high carbon tax or high carbon emission energy, it will not receive stable operating cash revenue. As a result, default rate will rise and our loan revenue will be impacted. |
| | | Continue to use coal for power generation. | Credit risk ↑ | |
| | The government enacts the high carbon tax and demands for increasing efficiency of energy conversion. | Enhance the efficiency of energy conversion. | Credit risk ↓ | |
| | | Maintain the current efficiency of energy conversion. | Credit risk ↑ | |
| Iron and steel industry | High-carbon technology is transformed into low-carbon technology. The government enacts high carbon tax regulations. | Enhance the SEC performance of EAF. | Credit risk ↓ ↓ | <ul style="list-style-type: none"> • Opportunity Low carbon transformation is imperative because of mandatory regulations. This is advantageous for companies with highly efficient equipment. These companies will gain stable benefits and bring us stable interest revenue. |
| | | Keep using lots of coal for energy source. | Credit risk ↑ | <ul style="list-style-type: none"> • Risk 1.Massive infrastructure will be replaced during transformation. To replace equipment or expand factories (old and new equipment in concurrent operation), companies might raise massive funds in the capital market. If the loan interest rate in the market increases but the iron and steel companies did not hedge the market risk, the interest rate might rise. 2.If the transformation is slow, the price for highly efficient equipment set by the supplier might rise. Iron and steel companies might also encounter higher risk of purchase price. If the market risk takes a greater proportion in the percentage of revenue, the ECL of iron and steel companies might increase. As a result, default rate will rise and our loan revenue will be impacted. |

The SCSB integrated 5C ((moral character (Character), loan repayment capacity (Capacity), capital strength (Capital), collateral (Collateral), enterprise outlook(Condition)) with 5P (personal factor (Personal), loan purpose (Purpose), repayment (Payment), guarantee (Protection) and prospect (Perspective)), during credit checking, to evaluate the impact of granting loans to carbon-sensitive industry on our credit risk. Due to the reciprocal effect between the operational risk and financial risk for the client, and our credit risk, we regularly carry out post loan management (e.g., examination of fluctuations in EBIT) after granting the credit line. We manage the transformation risk impact of climate change risk on our loan for carbon-sensitive industry properly.

3. Risk management

• Climate risk

| Type of risk | Risk source | Financial implication | Risk management measures |
|--------------|----------------------------|---|---|
| Physical | Depreciation of collateral | ECL increases. | The climate risk map indicates that about 13% of our collaterals are located in the level 5 high risk areas. These collaterals might be depreciated due to impact of climate change disaster and our ECL might increase. In response to the depreciation, relevant internal control points during credit analysis have been specified in the <Credit Policy>, <Risk Management Policy> and <Credit Risk Management Policy>. This ensures that when frontline business personnel review credit extension, they can examine collateral estimation from the aspect of climate risk and guide credit extension clients to adjust the estimation when necessary. |
| | Operational interruption | Indirect cost increases. (e.g., personnel expenses) | With regards to immediate physical risks, all of SCSB's business locations have drawn up the response plan, disaster prevention process, and preparation plan for data backup. They aim to minimize the damage brought by short-term natural disaster and maintain the post-disaster operation. |
| Transition | Policies and laws | | The SCSB will keep collecting information from all sectors (including the academic circle, government unit and industrial representative) to learn about the property of specific energy project and draw up adequate investment policies. |
| | Technological development | Increase of credit risk leads to increase of ECL. | Track the trend of development of climate sensitive industry. Collect and study the report on evaluation of domestic and international industries. Adjust the percentage of credit exposure of credit extension. |
| | Market change | | Actively keep in line with government financial policies. Develop the green financial service. Integrate transition into the idea of sustainable operation. When reviewing the corporate credit extension, we evaluate whether or not the loan client is a company with high carbon emission and pollution, and put the evaluation into consideration in terms of granting of loans. |

• Climate-related opportunity

| Factor of climate-related opportunity | Financial implication | Development strategy for climate-related opportunity |
|---------------------------------------|---|---|
| Product and service | Comparing to economic activities with high-carbon emissions, the economy with low carbon emissions derived from market transition opens new market opportunities for industries in all sectors. | Income increases. |
| | | The SCSB observes the national policy and action plan of Green Finance 2.0. It breaks into the new market of low-carbon economy proactively via fund operation methods such as green credit, green bond, green investment and incentive loan. The SCSB aims to assist in low-carbon transition of credit client, and become a robust power stabilizing global climate storm. In addition, the SCSB invests in the 5+2 innovative industries in line with the government's strategy, consisted of green energy technology (solar and wind power generation industries) and circular economy. |

4. Indicator and Objective

The SCSB stipulated the following climate objectives to alleviate the climate risk impact, assist corporate clients in low-carbon transition and mitigate deterioration of global climate situation:

(1) Short-term (in one year):

- Achieve 10% growth of green credit lending comparing to the end of 2020.
- The amount for green investment reaches 10% higher than the end of 2020.
- The green loan for personal finance granted reaches 10% higher than that at the end of 2020.
- The sales for trust and financial products of ESG reaches NT\$1.5 billion.
- The SCSB becomes the TCFD Supporter.
- The SCSB holds the event for encouraging energy saving and carbon reduction, promotes the idea of energy saving and carbon reduction, and reduces carbon progressively.

(2) Mid-term (in two to three years):

- The green and ESG loans grow by 10% and above year by year.
- Issue green bonds.

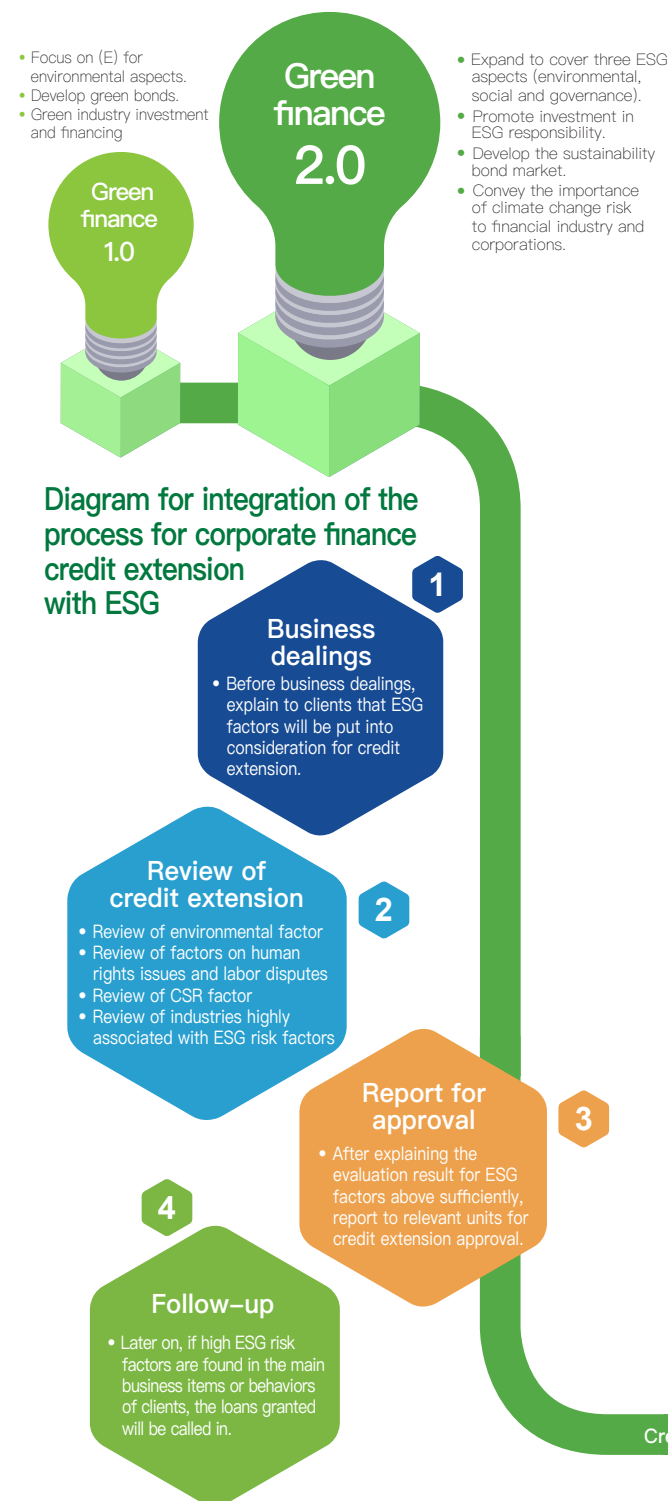
- Cultivate professionals in ESG credit extension. Introduce the idea of ESG credit analysis into the training for financial advisor trainee.
- Reduce waste by 2% comparing to 2020.
- Help one building at an operating location to acquire green building certification.

(3) Long-term (in five years):

- Add checkpoints for high ESG risk industry in the investment process.
- The investment product stock of ESG is at least 2% of the overall fund stock.
- Reduce waste by 4% comparing to 2020.
- The SCSB replaces automobile and diesel company cars with hybrid or electric company cars gradually.
- Sign the Equator Principles.

2.2 Sustainable Banking

SCSB works hard to carry out the idea of sustainable banking and fulfill the corporate social responsibility. After the government implemented the 5 + 2 Industrial Innovation Plan, the SCSB came up with products and services based on the green finance aspect in line with government policy. The SCSB supports development of all types of industries, including solar industry, green technology industry, key startup industry and creative industry in broad scale. In 2020, the Financial Supervisory Commission promoted the Green Finance Action Plan 2.0, hoping to raise the attention of corporations and investors on environmental, social and corporate governance (ESG) issues via the financial mechanism. The SCSB complies with this policy to develop and plan for green finance, expand and strengthen the foundation of sustainable finance required for sustainable development in the industry. For the investment, SCSB established the "Due Diligence Guidelines for Institutional Investors." We give full consideration to the environment, society, the corporate governance and the ESG corporate sustainable operation factor of the investment objective. We increase the external investment value and stability and see the long-term benefit of corporate sustainability as our goal. Considering that wealth management clients have learned more about sustainable finance when handling asset allocation. The SCSB offers relevant fund products as new investment options for clients.



| Type of industry | Loan balance by 12/31/2020 (NTD in 100 million) | Number of loans in 2020 |
|--|---|-------------------------|
| Creative industry | 164.13 | 2,184 |
| Key startup industry (5+2 industry) | 903.87 | 10,681 |
| Green technology industry (solar power excluded) | 215.15 | 1,999 |
| Solar power industry | 12.06 | 47 |
| Circular economy | 332.18 | 2,984 |
| Biotech industry | 57.86 | 578 |



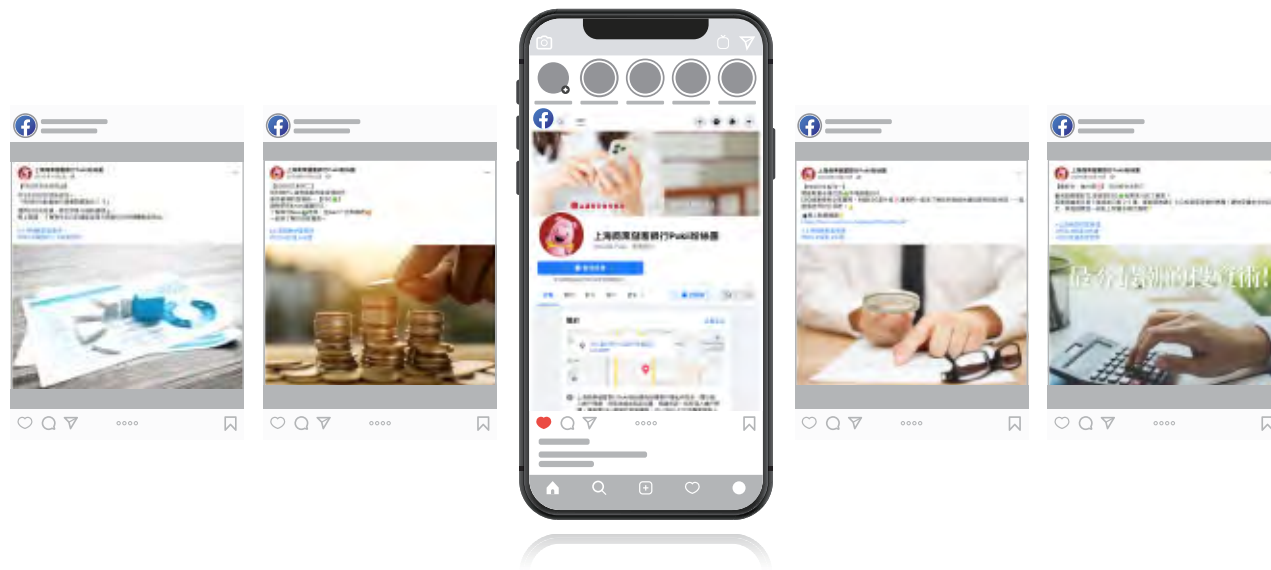
(I) Sustainable credit and loan

The key points of strategy for the SCSB's credit extension business include that we abide by economic development and government finance policies while ensuring security, liquidity, growth, profitability and public welfare of our business principles. We are committed to following regulations and Equator Principles to diligently evaluate whether or not loan borrowers have achieved environmental protection, conducted corporate ethical management and fulfilled social responsibility.

The SCSB specified the ESG risk factors shall be evaluated for credit extension of corporate KYC. It is required to explain evaluation of ESG risk factor to corporate clients for credit extension, to ensure that corporations understand our requirement on ESG credit extension. The communication rate is 100%. There were two clients A and B. Client A is in the tobacco industry. The main shareholders of Client B are involved in concerns with ethical and public health issues. Both of the clients fall short of sustainability spirit and the SCSB rejected credit extension they requested. With regards to project finance, we reviewed nine projects based on ESG standards in 2020, 2.57% of total project finance loans. We did not reject any project finance loan. We made no financial close for project finance loan.

The SCSB has been devoted to corporate finance and credit extension loan and awarded numerous times. In 2020, the Financial Supervisory Commission enacted the Reward Program for Key Startup Industry Loan Granted by Domestic Banks. The SCSB has been rated as excellent performance in the first, second and third phases.

In addition to corporate credit extension, the SCSB actively includes ESG factors into personal credit extension. During Know Your Customer (KYC) verification process, factors such as AML have been included into the review. In case of business item or behavior of an enterprise imposing material adverse impact on environment, society and corporate governance, the SCSB rejects the credit extension application by the superintendent of the enterprise. The SCSB actively posts the ESG Good Article Series on our Facebook page and communicates ESG risks and opportunities to personal finance clients. The total number of viewers reached is 17,200.

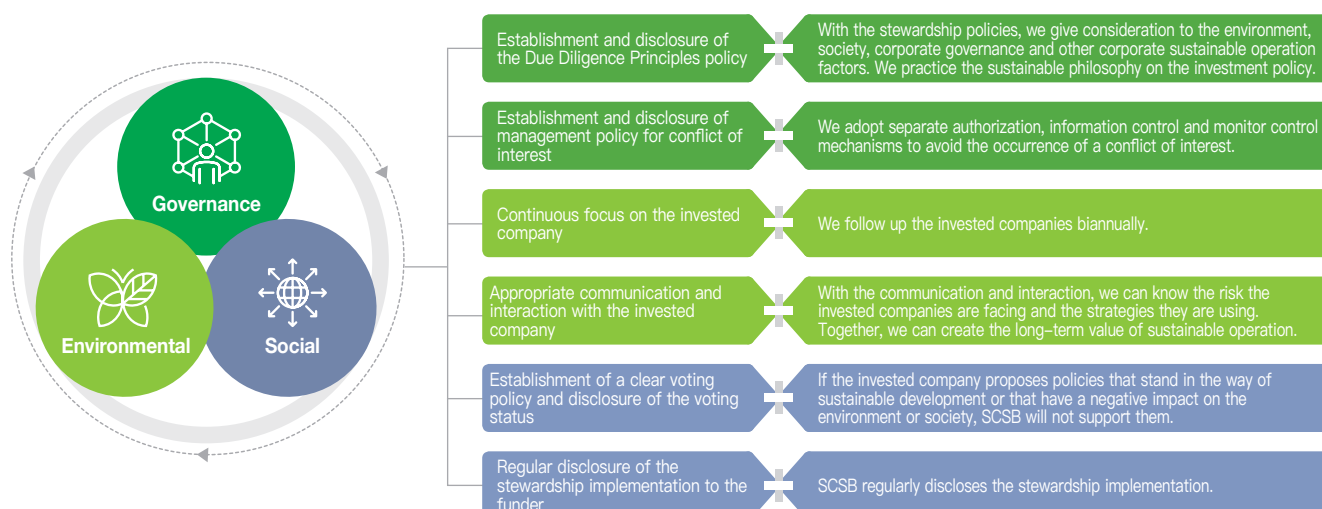


In 2019, the SCSB took part in the offshore wind power syndicated loan and granted project finance of NT\$one billion to support sustainable development market and new low-carbon economic market. In addition, the Environmental Protection Administration, Executive Yuan, stipulated the Measures of Trade-in Large Diesel Car Loan Interest Allowance to improve pollution emissions of large diesel cars effectively. To adapt to this policy, the SCSB formulated the Rules for the Measures of Loan Interest Allowance for Trade-in Large Diesel Car Stipulated by the Environmental Protection Administration to offer concessional loan interest rate. In 2020, the credit extension balance for the concessional loan program for replacement of large gas car was NT\$3,940,000.

Furthermore, the SCSB offers concessional green building loan and encourages purchase of green building by offering loans. The credit extension balance by the end of 2020 was about NT\$87.2 million.

(II) Sustainable investment

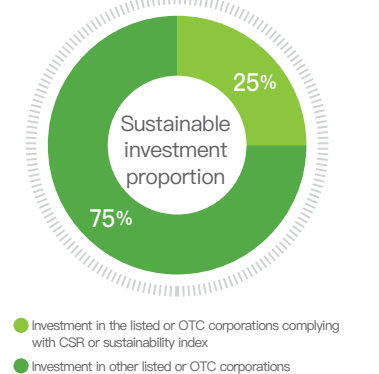
The SCSB complies with six principles in the "Due Diligence Guidelines for Institutional Investors" statement to make investment with its own funds. (<https://www.scsb.com.tw/content/link/src/link17-1.pdf>).



The discretionary asset management companies that SCSB has contracts with have all signed the statement of the Due Diligence Principles for Institutional Investors. 100% of the discretionary companies incorporate the environmental risk, governing risk and social risk into the investment process. The investment objects are screened based on whether the objects have been listed in DJSI and Bloomberg.

SCSB decides whether to invest a company or not based on whether the company is selected by the DJSI constituent stock. Moreover, we make investment in the bond that fits the sustainable index in the database of Bloomberg L.P. Our investment in foreign currency bonds associated with sustainability exceeded US\$2.15 billion by the end of 2020. The domestic corporate bond investment with CSR properties exceeded NT\$14.6 billion. Our investment in domestic corporate stocks complying with the type of sustainability benchmark exceeded NT\$2.37 billion, over 60% of the total investment position of the stock.

Sustainable investment proportion in 2020



| | Investment type | Currency | Amount of Money |
|----------|---|----------|-----------------|
| Overseas | Foreign currency ESG bonds | USD | 2,151,118,091 |
| | Corporate bonds with ESG disclosure completed | USD | 1,072,195,703 |
| | Index green bonds | USD | 28,332,568 |

| | Investment type | Currency | Amount of Money |
|----------|---|----------|-----------------|
| Domestic | NTD CSR corporate bonds | NTD | 14,625,893,387 |
| | Stock investment in industrial sustainability benchmark | NTD | 2,373,381,259 |

(III) Sustainable wealth management

Numerous studies these years indicated that corporations with high sustainability performance can create long-term values and reduce risks. According to BNP Paribas' ESG Global Survey 2019, investors believed that corporations with higher sustainability performance have better LTR and brand reputation and lower investment risk. Therefore, the SCSB officially introduced the first ESG quantitative bond fund in Taiwan at the beginning of 2020. The investment strategy and allocation goal of the fund are high credit rating. The average credit rating is investment grade. The objective focuses on ESG enterprise bond of mature countries. The fund offers sustainable asset allocation options. Based on the assets under management (AUM), the AUM of ESG fund above and below NT\$30 million is about NT\$2,157.02 million and NT\$2,143.37 million, respectively.



2.3 Energy and resource management

Environmental impact of climate change increases steadily these years. All nations have gradually become aware of impact of extreme climate. International organizations, governments and industries gradually reinforce action on energy saving and carbon reduction gradually to alleviate the impact of climate risk on economic development. As a member of the financial industry, the SCSB pro-actively introduces the TCFD structure to analyze climate risks, and continues to work on reducing the potentially direct negative impact on the environment and the footprint. By performing various voluntary actions and improvement measures, we reduce the energy, paper and water resource consumption.

(I) Energy and greenhouse gas emissions

The main direct energy consumption of the business locations of SCSB includes the purchase of electricity, natural gas and gasoline for the company cars. The scope of statistics is the temporary building of Headquarters (on Min Sheng E. Rd.) and locations of all branches. Energy consumption of the entire bank in 2020 (56,690 GJ) was reduced by about 10% comparing to 2019 (63,244 GJ). Reduction of purchase of electricity and usage of natural gas is the main reason of reduction. The main reason for reduced purchase of electricity is that the capacity of the temporary building of Headquarters is lower than the former building of Headquarters. Some units were moved to our other buildings, resulting in lower power consumption. The reason for less usage of natural gas is that no kitchen or cooking facility was available in the building on Min Sheng E. Rd. No natural gas was consumed after relocation and the annual usage of natural gas was reduced accordingly.

The overall statistics system was built in 2019 to record consumption of all kinds of energies at all branches. The summarized records can be used to calculate the GHG emissions. The SCSB tracks carbon emissions of the overall operating process year by year for annual comparison and analysis, and further formulation of carbon reduction and energy saving actions.

The SCSB's energy consumption in the past four years (GJ and KWH)

| Energy (unit) | 2017 ⁴ (GJ) | 2018 ⁴ (GJ) | 2019 ⁴ (GJ) | 2020 ⁴ (GJ) | 2020 ³ (MWH) | Goal for 2020 ⁴ (MWH) |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|-------------------------------------|
| Purchase of electricity ¹ | 10,040 | 10,333 | 55,223 | 49,602 | 13,778.40 | |
| Natural gas ² | 734 | 856 | 559 | 0 | 0 | |
| Gasoline ² | 559 | 537 | 7,455 | 6,953 | 1,931.54 | |
| Diesel ² | - | - | 7 | 135 | 37.45 | |
| Total | 11,333 | 11,726 | 63,244 | 56,690 | 15,747.39 | 17,300.00 |
| Data coverage | 20.07% | 20.86% | 20.65% | 100% | 100% | 100% |

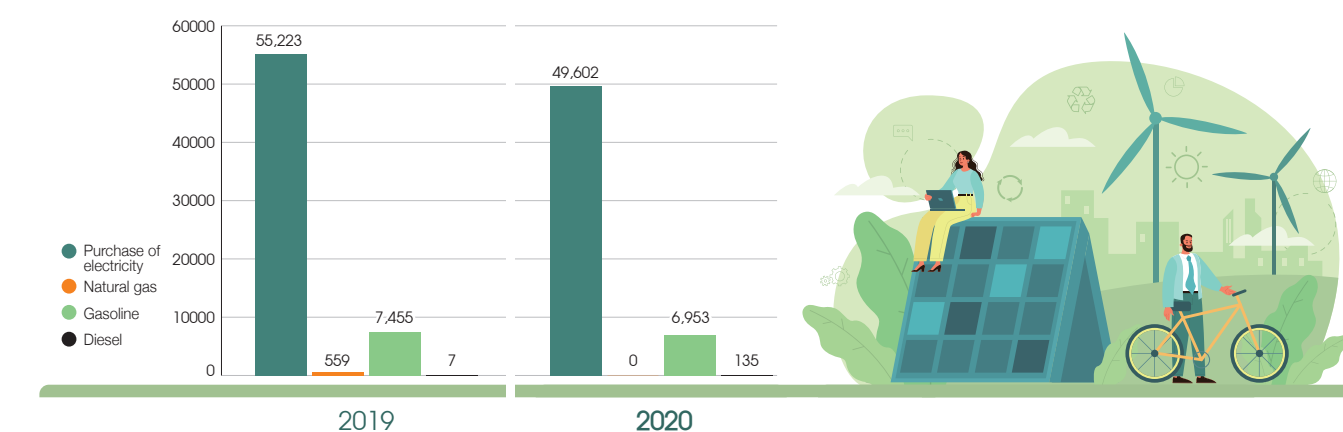
Note 1: Heating value of the purchased electricity: 3,600 GJ/GWh.

Note 2: The conversion was made based on the Energy Product Unit Heating Value Table published by the Bureau of Energy, Ministry of Economic Affairs. Refer to the heating value published by the Bureau of Energy for imported natural gas, automotive gasoline and automotive diesel, which is 9,000 kcal/m³, 7,800 kcal/L and 8,400 kcal/L, respectively.

Note 3: Conversion of energy unit: 1 cal = 4,184 J, 1GJ=0.2778 MWH.

Note 4: In 2017 and 2018, only the data on the Headquarters was recorded. In 2019 and 2020, data on all business locations were recorded. (Wuxi Branch went into business in mid-December 2020. The data on this branch will not be included this year, considering that it does not have much effect on the total energy consumption.)

The SCSB's energy consumption



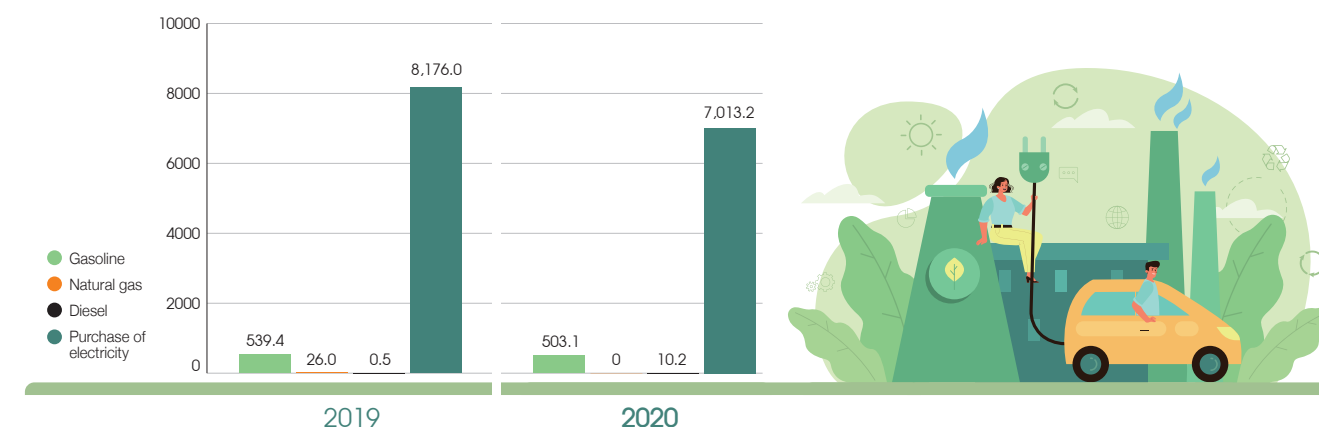
The energy consumption in of the Headquarters in 2020 can be calculated and transferred into CO₂ equivalent. The "Operational Control Approach" is used as the principle for performing greenhouse gas investigation and disclosing the greenhouse gas emissions of scope 1 (gasoline and natural gas) and scope 2 (purchase of electricity). The calculation adopts the "GHG Emission Reporting Form (Version 3.0.0)" Published by the Environmental Protection Administration, Executive Yuan." The greenhouse released in 2020 included CO₂, CH₄ and N₂O. The global warming potential (GWP) value originates from the statistics in IPPC AR4 in 2007. The electricity emission factor is 0.509 kg CO₂e/kWh announced by the Bureau of Energy, Ministry of Economic Affairs, in 2019.

| Type of emission source | 2017 | | 2018 | | 2019 | | 2020 | | Goal for emission equivalent in 2020 (CO ₂ e ton/year) |
|---|--|------------|--|------------|--|------------|--|------------|--|
| | Equivalent (CO ₂ e ton/year) | Percentage | Equivalent (CO ₂ e ton/year) | Percentage | Equivalent (CO ₂ e ton/year) | Percentage | Equivalent (CO ₂ e ton/year) | Percentage | |
| Gasoline (Scope 1) | 39.8 | 2.5% | 38.8 | 2.3% | 539.4 | 6.17% | 503.1 | 6.68% | |
| Natural gas (Scope 1) | 36.2 | 2.2% | 42.8 | 2.6% | 26.0 | 0.3% | 0 | 0% | 520 ² |
| Diesel (Scope 1) | - | - | - | - | 0.5 | 0.0% | 10.2 | 0.14% | |
| Purchase of electricity (Scope 2) | 1,545.0 | 95.3% | 1,590.2 | 95.1% | 8,176.0 | 93.53% | 7,013.2 | 93.18% | 8,090 |
| Total | 1,621.0 | 100% | 1,671.8 | 100% | 8,742.0 | 100% | 7,526.5 | 100% | 100% |

Note 1: Only the data on Headquarters in 2017 and 2018 were recorded. Data on other business locations have also been recorded since 2019.

Note 2: By reviewing the emission records, it was founded that over 95% of the emission in Scope 1 for the SCSB is petrol emission by company car during business travel. In 2019, the goal for emission in Scope 1 for 2020 was based on the emission incurred from business travel.

The SCSB's emission source



We are in the financial service industry. The following explains the environmental impact of our operating activity. The primary resource we consume is paper. We reduced paper usage by promoting electronic form, encouraging using electronic documents for the meeting, and paper reuse and sorting. Water, electricity and petroleum gas for company cars are our primary direct and indirect sources of energy consumption. By limiting the time for turning on aisle lighting and air conditioning, controlling the water flow, managing the usage of company car and maintaining the company car regularly, the environmental impact can be alleviated. The SCSB abides by the environmental regulations to protect nature. When carrying out the operating activity and internal management, the SCSB strives for enhancing efficiency of all types of resources. Associated environmental policies include: (1) Endeavor to cut down the usage of water, electricity and petroleum gas. (2) Promote electronic operations for lower paper consumption. (3) Prioritize green purchase. Use products with the green mark. (4) Promote recycling and dispose the waste adequately.

The energy management of SCSB in 2020 is as follows:

1. Review and analyze the utilization capacity in the contract annually to avoid the punishment for breaking the contract.
2. The advertising signboard on the wall will be lit appropriately based on the weather conditions. A timer control switch will be installed to reduce energy consumption.
3. For the inspection and repair of the AC system, SCSB regularly cleans the air filter, cooling tower, cooling water pipe and heat exchanger. The refrigerant reserve is checked monthly to maintain the efficiency of the AC system. The systematic check is performed annually.
4. We remind all departments to remove the removable plugs of the electronic devices before the Spring Festival and holidays. Such as: Water dispenser, refrigerator, computer, printer.
5. Set the AC temperature above 26° C and turn off the main power 30 minutes before the shift is over. Leave only the ice water pump on and set the leaving water temperature higher to reduce the energy consumption of the main engine.
6. Replace lots of lighting equipment with LED and stop using traditional conventional fluorescent tubes. A total of 1,538 LED tubes have been installed and it is estimated that about 590 MWH will be reduced per year.

(II) Water resource

The water SCSB used is 100% from the Taiwan Water Corporation. There is no other water source supply like using the groundwater. Water consumption is calculated based on water bills. The water usage at the offices and the business locations are for our employees and clients. The operating process of the business location has no direct impact on the water source. The used wastewater will be released to the sewage systems. The systems collect the wastewater to the sewage treatment plant for processing. As a result, the operation does not cause any pollution to other surface water body. In addition, SCSB has purchased the water saving equipment for the restroom device and other water using device. We use the products with the water conservation certificate. The overall statistics system was built in 2019. Besides tracking energy consumption as described earlier, water consumption at all branches is recorded. It is beneficial to analysis and comparison, and planning of water conservation measures every year.

| Type of water resource | 2017 | 2018 | 2019 | | | 2020 | Goal for 2020 |
|---------------------------|------|------|--------------|--------------------------|-----------|------|---------------|
| | | | Headquarters | Other business locations | Sub-total | | |
| Tap water (Million liter) | 20.2 | 23.6 | 23.0 | 46.7 | 69.7 | 53.5 | 60 |

Note 1: WRI Aqueduct's database indicates that Taiwan is not a water stress area. It is affirmed that SCSB has not withdrawn water from water stress area.

Note 2: Based on the Tap Water Quality Standards, it is reckoned that the water withdrawn by the SCSB is freshwater.

Note 3: Only the data on Headquarters in 2017 and 2018 were recorded. Data on other business locations have also been recorded since 2019.

(III) Waste management

The SCSB is in the financial field. The wastes we produce are mainly domestic waste (non-hazardous wastes). We encourage the employees to do recycling. The Headquarters and all branches have the recycle area for waste sorting. SCSB hires a qualified recycling company to clean up wastes. Other wastes are recycled, incinerated or buried. Waste produced during our operations does not cause severe pollution to the environment. In 2019, our overall statistics system began to require all branches to report the total waste. It summarized the reported volume for annual analysis and reference for implementing waste management policies.

| Type of waste | 2018 | 2019 | 2020 | Goal for 2020 |
|--|--------|------|------|---------------|
| A: Total weight (ton) | 70 | 260 | 205 | |
| B: Total weight of recycled/re-used waste (ton) | 7 | 62 | 65 | |
| Total waste (ton) (A-B) | 63 | 198 | 140 | |
| Data coverage | 20.65% | 100% | 100% | 100% |
| Method of re-use and weight of non-hazardous waste (ton) | 2018 | 2019 | 2020 | |
| Recycle | 7 | 62 | 65 | |
| Incineration (massive combustion) | 63 | 198 | 140 | |

Note 1: The data collection mechanism was not established in 2017, hence no data was available. In 2018, only the data on the Headquarters was recorded. In 2019, data on all business locations were recorded. (Wuxi Branch went into business in mid-December 2020. The data on this branch will not be included this year, considering that it does not have much effect on the total waste.)

Note 2: Reuse of non-hazardous waste is only performed by recycling and incineration. Neither reuse, composting, reclamation, deep-well injection, burial or on-site storage has been performed.

(IV) Paperless service

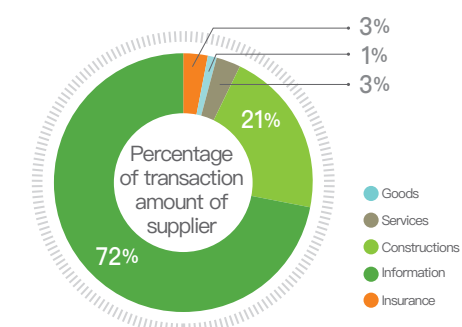
To reduce paper consumption, the SCSB continues to encourage clients to use e-bills and apply for credit cards online. Annual fee is waived three years for clients applying for Minions Credit Card online. Statistics shows that the total number of accounts receiving e-statement was increased by 20,503 in 2020. Therefore, the total number of accounts receiving e-statement was 572,084 by 2020. At least 572,084 pieces of paper for statement and 572,084 envelopes have been saved. The Carbon Footprint Information Platform created by the Environmental Protection Administration, Executive Yuan announced that, the carbon emission of a piece of A4 paper is 0.0056 kg of CO2 equivalent. In 2020, the reduced usage of envelopes helps reduce 6,407 kg of carbon emissions. Based on the estimation method suggested by the IPCC, it is estimated that about 6.32 (±0.09) kg of CO2 is generated for delivery of each hardcopy statement. The e-statement service reduced about 3,616 kg of carbon emissions during hardcopy delivery in 2020. Since the e-statement service has been launched, we reduced 10,023 kg of CO2 equivalent in total in 2020. 48% of the credit card applications were filed online in 2020, 15,710 in total. At least 15,710 hard copy applications have been reduced. If two pieces of A4 paper are required for each hard copy application, the online application service has reduced approximately 176 kg of CO2 equivalent.

2.4 Sustainable Supply Chain Management

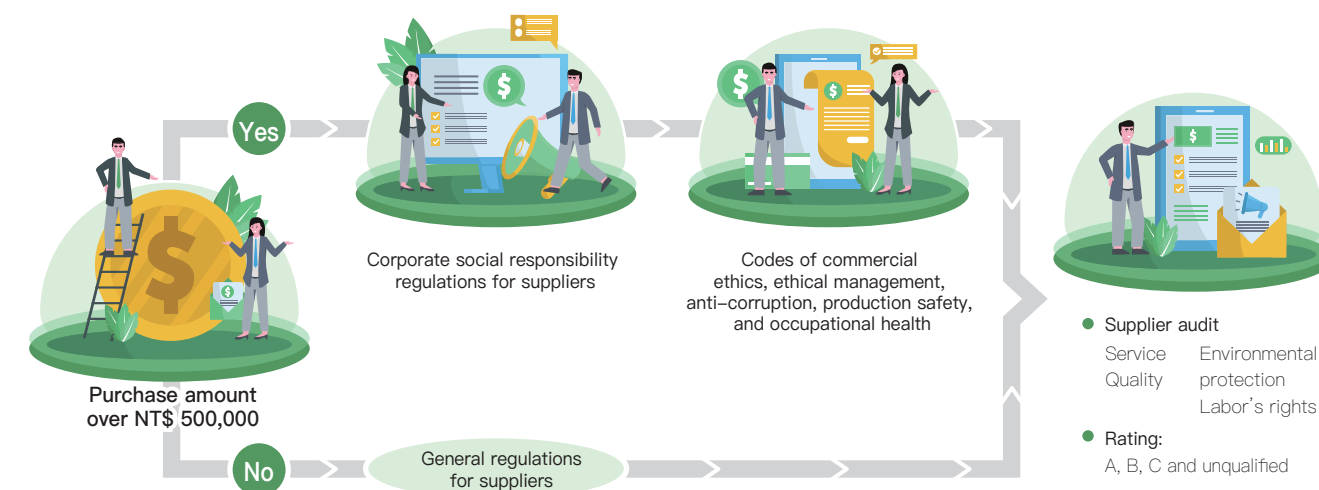
The main suppliers of the SCSB are suppliers of goods, services, constructions, information and insurance. The information suppliers took up the most percentage of the transaction amount with SCSB in 2020, which was 72%. The respective percentages of construction, services, insurance and goods were 21%, 3%, 3% and 1%.

| Supplier Type | Description | Total transaction amount in 2020 |
|---------------|---|----------------------------------|
| Goods | Office equipment, gift | 5,290,244 |
| Services | External course, workers from staffing company | 23,319,325 |
| Construction | Office completion and finishing work, building construction | 163,922,153 |
| Information | Information software/hardware equipment | 552,235,338 |
| Insurance | Life/property insurance | 22,398,014 |

Percentage of transaction amount of supplier in 2020



For the management of suppliers, the SCSB requires the supplier to comply with the government's laws and regulations. We have established regulations such as Regulations for outsources internal operation, Management regulations for outsourcing supplier, Guidelines on selecting outsourcing organization, Procurement regulations, and Management rules for procurement suppliers. These regulations ensure that the contract does not violate against legally mandated or forbidden issue. Suppliers are required to add good faith clause and anti-corruption statement in the supplier contract. We make sure that the suppliers comply with the Banking Act, anti-money laundering, Personal Information Protection Act, Consumer Protection Act and other regulations. SCSB as well as our partners/suppliers should hold account of corporate sustainability together.



SCSB performed on-site audits on 32 suppliers out of the 362 suppliers in 2020. All suppliers were rated to be qualified. We selected 12 new suppliers based on the environmental and social standards in 2020. They took up 30.8% of the new-in suppliers in 2020.

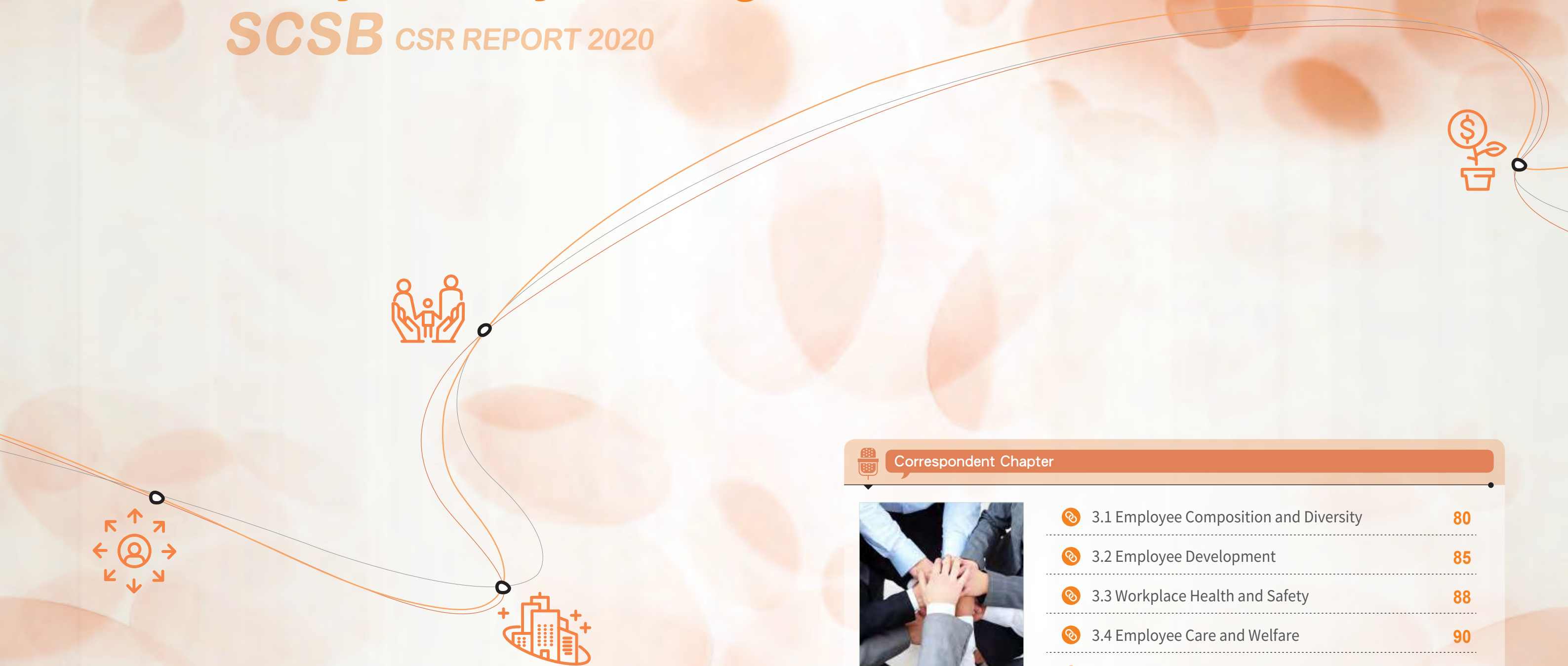
| Supplier management for SCSB in 2020 | |
|---|-------|
| Total supplier count | 362 |
| On-site audit count | 32 |
| Desk-top audit count | 32 |
| 2020 newly added supplier count | 39 |
| 2020 newly added supplier count (selected with environmental and social standards) | 12 |
| 2020 newly added supplier percentage (selected with environmental and social standards) | 30.8% |

Our procurement suppliers are mainly local suppliers. Besides taking their product quality and the on-time delivery into account, we select the eco-friendly and energy saving products first. We include the concept of eco-friendly and energy saving for the procurement of office equipment and facilities. We select products with energy saving and eco-friendly certificate, such as the by Financial Supervisory Commission certified copier paper and water-saving faucets. In the future, we will keep raising the percentage of the energy saving product procurement. We hope to foster the growth of the green market and create green benefits by green procurement. This way, we can have a greater contribution to energy saving and carbon reduction.

Chapter 3

Society – Always Caring

SCSB CSR REPORT 2020



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CHAPTER 3

Society –Always caring

» 3



The SCSB always adheres to the idea of social inclusive development with the society. As for employee care, the SCSB to assist in continuous career development of employees by providing a good working environment and complete training structure. With regards to financial inclusive products and services, the SCSB starts from helping disadvantaged groups learn about finance and providing them with convenient services. The SCSB has been advocating the event Financial Knowledge Promotion in Campuses and Communities organized by the Financial Supervisory Commission and the event Finance service Charity Carnival organized by Taiwan Financial Service Roundtable for a long time. Numerous financial seminars and PukiiBank Financial Institute Children Finance Camp to help participants build the correct concept of consumption and finance. Accessible facilities are available in most of the branches for customers with physical disabilities. In addition, many financial products delivering positive benefits to society have been launched. The SCSB proactively offers digital financial services and ensures inclusive banking.

3.1 Employee composition and diversity

“Employee” is one of the major factors for creating our vision of corporate social responsibility for building a society with common prosperity. Besides building a happy working environment, the Company actively recruits talents of new generation and offers diverse recruitment channels, always hoping to maximize employee diversity. In addition, human rights and equality values are highly valued for recruitment, no discrimination to any gender, species, age group, political bias, marital or family status. A total of 15 employees with disabilities were hired in Taiwan by 2020 (approximately 0.56% of employees). The following is the overview of employment, age group distribution, number of new and resigned employees and diverse recruitment in individual areas in 2020.

(I) Employee structure

The contract types of all employees in individual areas can be classified into general employment (indefinite contract) and definite term employment (definite term contract). The statistics are as follow:

| Gender | Employment contract | | Employment type | |
|--------|---------------------|-------------------------|---------------------|---------------------|
| | General employees | Definite term employees | Full-time employees | Part-time employees |
| Female | 1,402 | 0 | 1,400 | 2 |
| Male | 1,250 | 3 | 1,251 | 2 |
| Total | 2,652 | 3 | 2,651 | 4 |

| Areas | Employment contract | | Total |
|----------------|---------------------|-------------------------|-------|
| | General employees | Definite term employees | |
| Taiwan | 2,580 | 3 | 2,583 |
| Overseas areas | 72 | 0 | 72 |
| Total | 2,652 | 3 | 2,655 |
| Ratio | 99.89% | 0.11% | 100% |

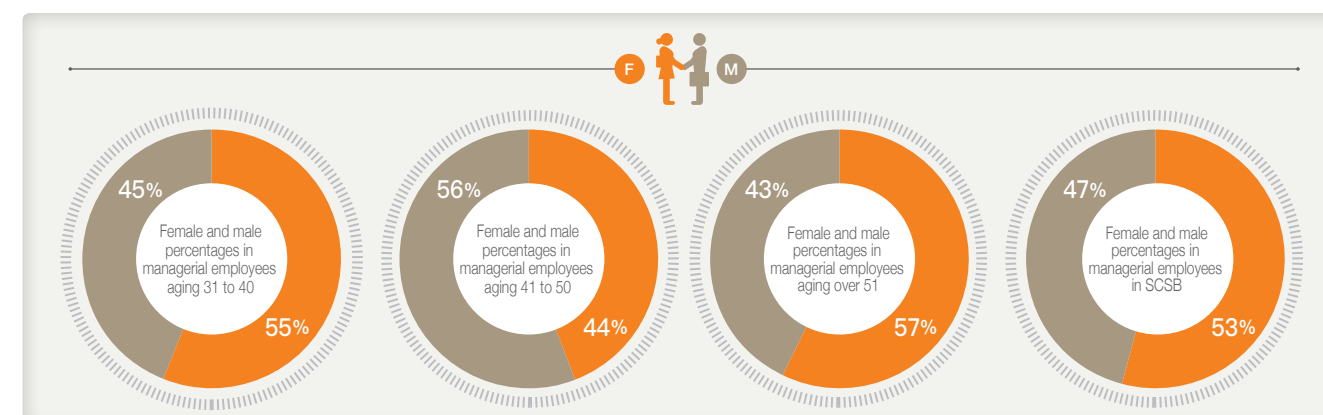
SCSB had 2,655 employees in total by December 31, 2020, including 370 managerial employees. The overall female and male percentages in managerial employees were 47.03% and 52.97%. The group of the age between 31 and 40 and the group of the age over 51 had more males. The group of the age between 41 and 50 had more females with the percentage of 55.96%. This indicates that gender distribution becomes more balanced.

Approximately 21.51% of the employees are under the age of 30 and most of them are female. The female to male ratio is about 1.94:1. About 56.38% of the employees are aged between 31 and 50. Approximately 22.11% of the employees are aged above 51, most of them are male, and the female to male ratio is roughly 0.61:1.

► Female and male managerial employee numbers and percentages

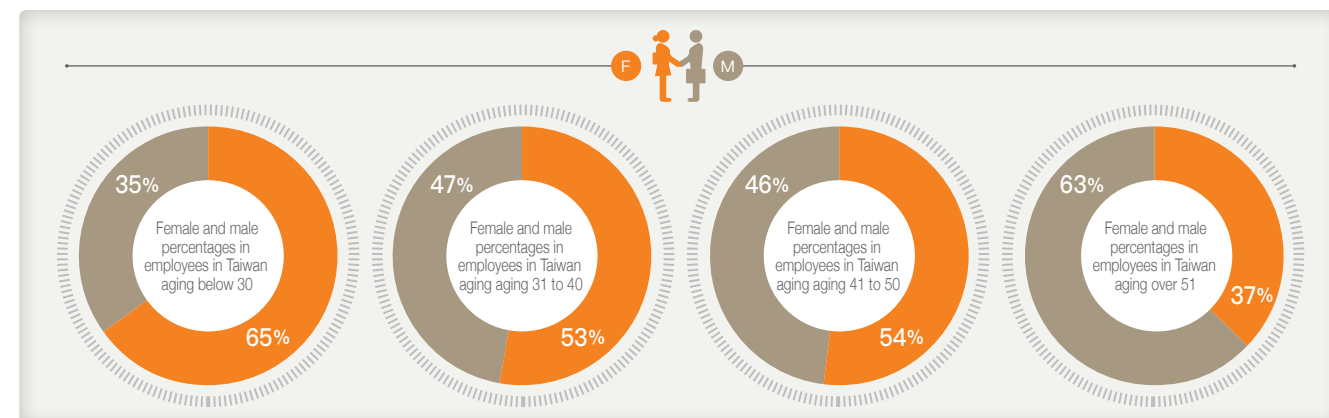
| Age | Female | Male | Total | Percentage in managerial employees |
|--------------|--------|--------|-------|------------------------------------|
| Under 30 | 0 | 0 | 0 | 0% |
| Age of 31–40 | 5 | 6 | 11 | 2.97% |
| Age of 41–50 | 61 | 48 | 109 | 29.46% |
| Over 51 | 108 | 142 | 250 | 67.57% |
| Total | 174 | 196 | 370 | 100% |
| Percentage | 47.03% | 52.97% | | |

Note: The definition of a managerial employee is a person whose job grade is above 8 with the job title of “officer” and leads the subordinates.



Most of our employees work in Taiwan, 2,583 employees in total. The overall percentage of female and male employees is 52.34% and 47.66%, respectively.

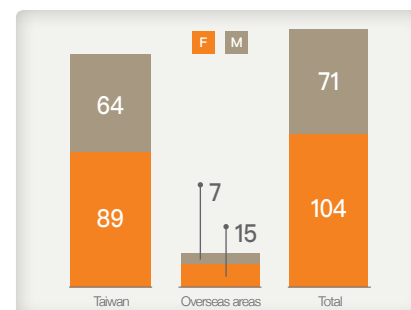
| Areas | Age | Female | Male | Total | |
|----------------|--------------|--------|--------|-------|--------|
| Taiwan | Under 30 | 350 | 185 | 535 | 20.71% |
| | Age of 31-40 | 393 | 345 | 738 | 28.57% |
| | Age of 41-50 | 392 | 339 | 731 | 28.30% |
| | Over 51 | 217 | 362 | 579 | 22.42% |
| | Total | 1,352 | 1,231 | 2,583 | 100% |
| | Percentage | 52.34% | 47.66% | | |
| Areas | Age | Female | Male | Total | |
| Overseas areas | Under 30 | 27 | 9 | 36 | 50.00% |
| | Age of 31-40 | 13 | 11 | 24 | 33.33% |
| | Age of 41-50 | 4 | 0 | 4 | 5.56% |
| | Over 51 | 6 | 2 | 8 | 11.11% |
| | Total | 50 | 22 | 72 | 100% |
| | Percentage | 69.44% | 30.56% | | |



The SCSB continues to improve the gender equality in the workplace through the recruiting strategies. Out of the 175 new employees, 104 of them are female, 59.43% of all new employees. The total employee turnover rate in 2020 was 4.11% in average, lower than the average of the financial sector in Taiwan.

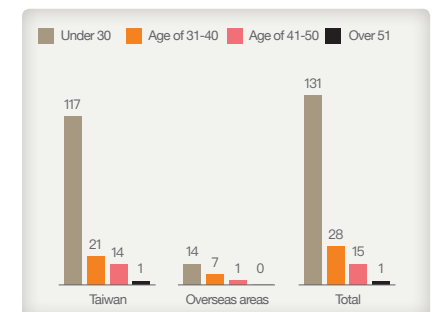
2020 newly recruited female and male employees

| Areas | Female | Male | Total |
|-------------------------------|--------|-------|-------|
| Taiwan | 89 | 64 | 153 |
| Overseas areas | 15 | 7 | 22 |
| Total | 104 | 71 | 175 |
| Percentage in total employees | 3.92% | 2.67% | 6.59% |



2020 newly recruited employee numbers in all areas and in the age groups

| Areas | Under 30 | Age of 31-40 | Age of 41-50 | Over 51 | Total |
|-------------------------------|----------|--------------|--------------|---------|-------|
| Taiwan | 117 | 21 | 14 | 1 | 153 |
| Overseas areas | 14 | 7 | 1 | 0 | 22 |
| Total | 131 | 28 | 15 | 1 | 175 |
| Percentage in total employees | 4.93% | 1.05% | 0.57% | 0.04% | 6.59% |

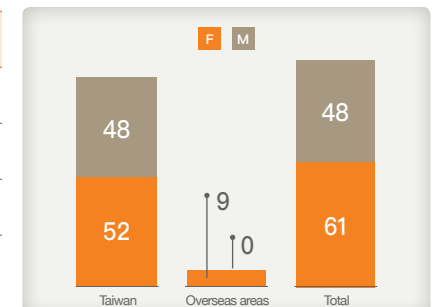


SCSB's internal fill rate in the past four years

| | 2017 | 2018 | 2019 | 2020 |
|------------------------|-------|-------|-------|-------|
| Internal fill rate (%) | 50.4% | 45.1% | 29.1% | 34.5% |

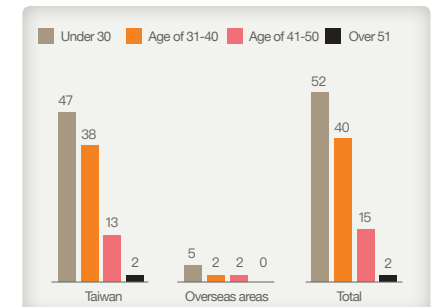
2020 female and male resigned employee numbers

| Areas | Female | Male | Total |
|-------------------------------|--------|-------|-------|
| Taiwan | 52 | 48 | 100 |
| Overseas areas | 9 | 0 | 9 |
| Total | 61 | 48 | 109 |
| Percentage in total employees | 2.30% | 1.81% | 4.11% |



2020 resigned employee numbers in the age groups

| Areas | Under 30 | Age of 31-40 | Age of 41-50 | Over 51 | Total |
|-------------------------------|----------|--------------|--------------|---------|-------|
| Taiwan | 47 | 38 | 13 | 2 | 100 |
| Overseas areas | 5 | 2 | 2 | 0 | 9 |
| Total | 52 | 40 | 15 | 2 | 109 |
| Percentage in total employees | 1.96% | 1.51% | 0.56% | 0.08% | 4.11% |



Employee turnover rate in the past four years

| | 2017 | 2018 | 2019 | 2020 |
|------------------------------|-------|-------|-------|-------|
| Total employee turnover rate | 4.65% | 5.46% | 5.08% | 4.11% |
| Voluntary turnover rate | 4.61% | 5.35% | 4.82% | 4.11% |

In the SCSB, the gender distribution in all management levels is even. The female and male percentages in employees in 2020 was about 1:1. The female and male percentages in all management levels and business department were close to 1:1. Male and female employees have fair chance in competition and development.

➤ Diversity indices for employees in 2020

| Diversity indices | Percentage of employees |
|--|-------------------------|
| Percentage of female employees | 52.81% |
| Percentage of females in low, middle, and high management levels | 47.03% |
| Percentage of females in low management level | 60.68% |
| Percentage of females in high management level | 23.50% |
| The number of females in management levels in all the departments generating income | 48.26% |
| Percentage of female employees with duties associated with science, technology, engineering and math (percentage of total number of positions in STEM) | 23.81% |

Due to the characteristics of the financial service industry, the percentage of female workers tends to be higher. About 47% and 53% of the employees were male and female in 2020. To ensure diverse promotions, it is expected to increase the percentage of male employee serving in entry management before 2025. The SCSB keeps the percentage of both of male and female employees in entry management at 60% and below to enhance gender equality in promotion opportunities.

➤ Diversity indices for employees

| group | Percentage of the employee in this ethnic group | Percentage of the employee in this ethnic group in management |
|------------------------------|---|---|
| Han | 98.64% | 99.46% |
| Taiwanese indigenous peoples | 0 | 0 |
| Taiwanese new immigrants | 0 | 0 |

Note: This table includes overseas local hires. It is calculated based on the ethnic group. Considering that the ethnic group at overseas locations is diverse, the percentage of employee for each ethnic group at overseas locations is evidently less than the percentage of employee for each ethnic group in Taiwan. Therefore, this chart focuses on the ethnic group of employees in Taiwan.

(II) Diverse recruitment

The SCSB offers a connection between school and workplace to students. By following the annual key strategy "recruitment of diverse talents" and using three diverse channels, including academic-industry collaboration, overseas referral and NPO, the SCSB offers internships for students to learn about operation in banking industry in advance. Students taking the internships can become full time employees without recruitment exam. Since 2018, the SCSB has initiated the Pre-work Preparation Plan and collaborated with National Taipei University, Tamkang University, Soochow University, National Taipei University of Business, Fu Jen Catholic University, Shih Hsin University, and Chung Yuan Christian University by 2020. The SCSB expected to work with more colleges in 2021, Tunghai University, National Central University and National Sun Yat-sen University. Seniors in college and sophomore in graduate school in these ten colleges can take internships in our company. We observe their performance during internships and recruit them as full-time employees if they did well during internships and we have positions available for them. We aim to recruit diverse, excellent financial talents.

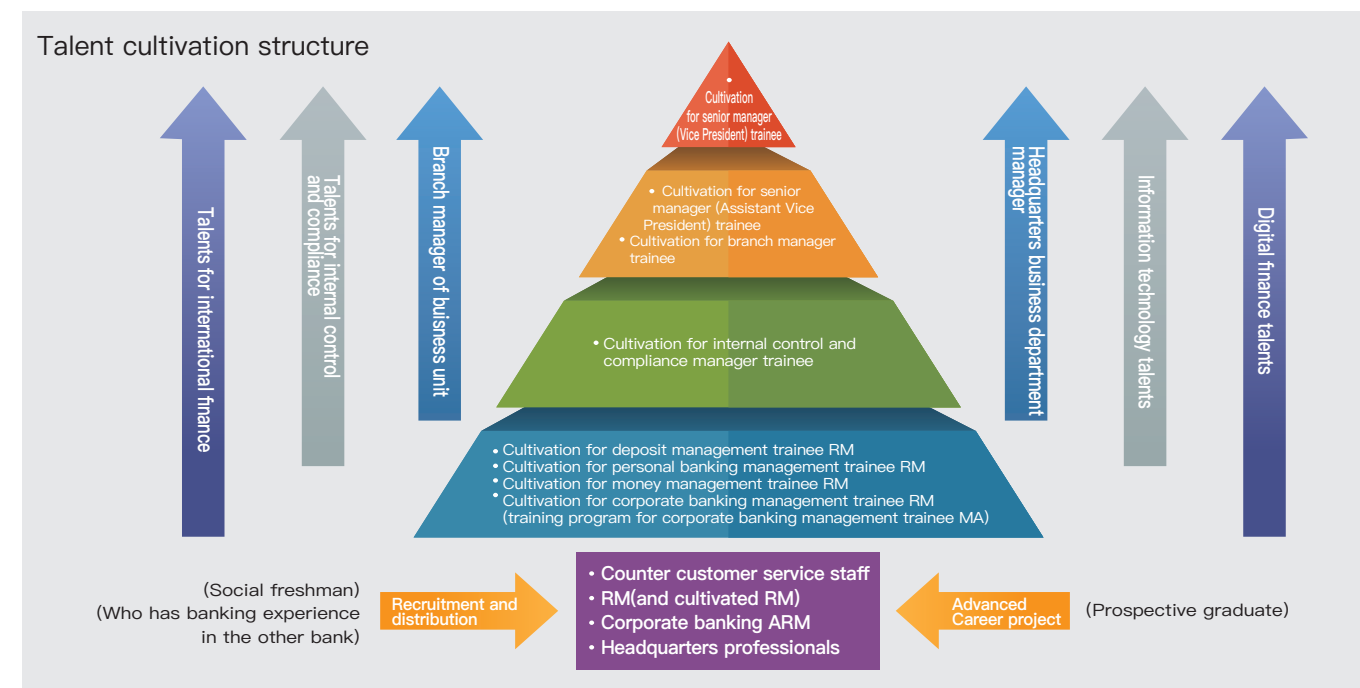


| Recruitment channel | Method | Effective in 2020 |
|--------------------------------|---|--|
| Industry-Academe collaboration | The SCSB set up the "Advanced Career Project", offered internships to seniors in college and sophomore in graduate school in their second semester for cultivating financial talents. | <ul style="list-style-type: none"> ✓ A total of 16 students took the internships ✓ Seven colleges took part in academe-industry collaboration ✓ A total of 56% in the "Advanced Career Project" have been recruited as full-time employees. |

COVID-19 pandemic broke out in 2020. 14-day quarantine is required for travelers abroad. Internships for Overseas referrals and NGO are suspended for now. Most of the new employees major in finance and information. To help industries severely impacted by the COVID-19, such as aviation and tourism industries. In 2020, the SCSB expected to recruit talents in these two industries during the large recruitment campaign at the beginning of 2021, to enhance the service for HNWI(High Net Wealth Investment) customers and increase diversity of employees.

3.2 Employee Development

The SCSB stays committed to the vision of "cultivating core skills and creating the abundant reserve of human capital." This vision is the strategic key point to talent development and cultivation. Our top-down talent cultivation has been planned carefully and the modern online education training course has been offered. It is believed that corporate growth is based on human capital. Every employee is a valuable investment asset. The regulations governing education training has been drawn up. Talent cultivation structure, strategic goal, and talent development needs have been put into consideration. As for explicit training needs and objectives, the SCSB arranged annual education training plan and evaluated the outcome.



(I) Talent skill development plan

We hope that employees enjoy at work and challenge themselves. Besides transfer within the unit, our employees performing extraordinarily and with full development potential will be included in our talent pool. Inter-unit-transfer and overseas training have been planned, including senior manager cultivation plan, trainee cultivation plan and innovative talent cultivation plan. The SCSB helps employees gain more experience, become talents for strategic key cultivation and realize the career planning goal. The SCSB carried out the Learning for Raise Plan for entry-level employees of business unit. This plan encourages employees to take our e-learning course. For employees with job grade from 4 to 7, the SCSB conducted the Capability for Raise Plan to encourage employees to acquire certificates. In 2020, the SCSB also offered the STEP BY ME Employee Enhancement Plan. A unit manager recommends a great staff, who can select the course as he/she wishes and gain points. The SCSB offers a complete plan for capability development and puts his/her performance into consideration for promotion.

| Program plan | Method |
|--------------------------------------|--|
| Learning for Raise Plan | <ul style="list-style-type: none"> The employee is encouraged to use the e-learning online course plan to set the foundation of financial profession. After taking the digital course, the employee can sign up for the exam. He/She will win the Learn for Raise Reward and Learning Day Off Reward, depending on the number of subjects he/she passed. |
| Capability for Raise Plan | <ul style="list-style-type: none"> For the employee with job grade from 4 to 7, his/her points for each capability are added up. A certain percentage of the employees on the same job grade in the ranking of the same job cluster will get a raise because of their capability. Capabilities to be considered <div> Professional license Progress of advanced studies Foreign language proficiency Serve as an internal lecturer Proposal for improvement Lateral move </div> |
| STEP BY ME employee enhancement plan | <ul style="list-style-type: none"> The manager of a unit recommends a staff from his/her unit. The staff gains points during learning and growth. The employee can select the way he/she prefers for self-growth and gain points for promotion. This plan stimulates the employee to achieve self-actualization. Six aspects <div> Work performance Foreign language proficiency Professional license Internal and external advanced studies Project implementation Contribution in the unit </div> |

| Employee development plan | Internal management trainee cultivation development plan | Seminar for operation management talents in branches | The learning motivation program for employees of operating unit whose job grade are from 4 to 5 |
|--|---|---|---|
| Expected benefit | <ul style="list-style-type: none"> Help young employees become more professional and confident. Improve flexibility of overall human resource allocation and development of internal talent. | <ul style="list-style-type: none"> The managerial talents are mostly selected within the department to reduce recruitment cost. The new manager has gained positive feedback for his/her competence and compatibility with corporate culture, and his operating management capability has been enhanced. Employees who worked as the business staff of the four lines, performed well and who are ambitious about their future can join this training program to become an operation management trainee. | <ul style="list-style-type: none"> The SCSB e-learning is used for providing exams and managing learning progress. This effectively saves the cost for holding physical exams and the commuting time and cost for attending the exam. After taking the digital course corresponding to the exam subject and the specified reference materials, employees can sign up for the exam. They will win the Learn for Raise Reward and Learning Day Off Reward, depending on the number of subjects they passed. This increases the retention rate and reduces the recruitment cost. |
| Impact of benefit quantification | <ul style="list-style-type: none"> Ten employees completed the training, which ended in August 2020. All of them took office as the relationship manager of corporate banking (100%) and are still at their post. | <ul style="list-style-type: none"> The Branch Operating and Management Talent Workshop has been held five times from 2016 to 2020 and the promotion rate of participants of the Workshop is 49%. | <ul style="list-style-type: none"> Comparing to the subsidy for attending the exam held by the Taiwan Academy of Banking and Finance, it saves about NT\$ 669,673 by holding the exam ourselves. The increased retention rate reduces the recruitment cost. (The total turnover rate is 2.95%. The turnover rate of the employees whose job grade are from 4 to 5 signed up for the exam resigned is 0.36%.) |
| Percentage of the work hours full time workers spent on the Workshop (%) | <ul style="list-style-type: none"> A total of 13 staff members joined the program, 0.5% of the staff. | <ul style="list-style-type: none"> A total of 67 staff members joined the program, 2.5% of the staff. | <ul style="list-style-type: none"> A total of 577 staff members joined the program, 21.77% of the staff. |

(II) Employee training

To meet the needs for training of employee development, we provided basic courses at all branches and departments, and established the SCSB e-College as the learning platform without time restriction. We provide diverse training methods and open learning classes. They are convenient and the learning space has no restriction. The employees can join the professional or content courses on the e-learning system through the Internet, e.g. anti-money laundering, compliance, information security, and risk awareness. This way, the employees will not be restricted by time or space. They get to use the convenient and efficient learning method based on their own needs. In addition, language skills are the key elements for our employees to participate in international exchange events. Therefore, we established the subsidy standards for language skills. SCSB offers a fixed amount of language subsidy. Approximately 1,800 staff members have acquired certificates of all kinds of language by the end of 2020. We adapt with Financial Supervisory Commission's policy for creating a bilingual financial service environment and 62.6% of employees passed the English aptitude test. Besides the language subsidy, departments can evaluate themselves and apply for subsidies for other certificates required at work. After the application is approved, they can get additional subsidies.

上銀e學院
Learning

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2020 average employee training hours

| Classification | Employee type | Average training hours (hour) | Total training hours (hour) |
|---|--------------------------|-------------------------------|-----------------------------|
| Gender | Male | 47.5 | 49.9 |
| | Female | 52.0 | |
| Managerial employees/ Non-managerial employees | Managerial employees | 50.0 | |
| | Non-managerial employees | 49.9 | |
| Age | Under 30 | 60.4 | 49.9 |
| | 31-50 | 49.4 | |
| | Over 51 | 40.8 | |
| Training type | Physical course | 16.0 | 49.9 |
| | Online course | 33.8 | |

Note 1: The definition of a managerial employee is a person whose job grade is above 8 with the job title of "officer" and leads the subordinates.
Note 2: The data covers all employees.

2020 average expense of employee training

Total training expense in average (NTD)

\$7,863

Note: The data covers all employees.

In order to build a talent cultivation structure, the SCSB created online training courses to cultivate innovative talents in international finance, internal control and compliance, information technology and digital finance. All units and branches correspond to our policy accordingly. Over 90% of the staff passed the course. The SCSB evaluated the learning outcome based on the benefit of online course.

Important basic courses and pass rate

| Course | Training outcome |
|-----------------------|---|
| Anti-corruption | <ul style="list-style-type: none"> A total of 8,434 employees and 1,747 managers took part in the anti-corruption education training in 2020. All members of the Board of Directors learned about the communication and received training of anti-corruption policy in 2020. |
| Anti-money laundering | <ul style="list-style-type: none"> A total of 8,027 people passed the AML course and compliance exam in 2020. By 2020, a total of 245 employees have obtained the CAMS certificate and the license for counter-terrorism financing. A total of 73.4% of the supervisor of dedicated unit and domestic business unit owns CAMS. A total of 133 sessions of anti-money laundering and counter-terrorism financing were held, and sum up to 16,608 hours. |
| Information security | <ul style="list-style-type: none"> All employees passed the IoT information security awareness and education training. All employees joined the Education Training on Origin and Response Measures of Deepfake – 2020 All Employee Training and passed the training exam. All employees took the Education Training on Computer System Information Security Evaluation – Information Security Awareness and passed the training exam. |
| Risk management | <ul style="list-style-type: none"> All employees joined the training for overseas market operating risk control and passed the training exam. All employees joined the training for risk management of derivative financial instrument development and passed the training exam. |

Note: Temp workers, resigned and retired staffs are excluded.

3.3 Workplace Health and Safety

The SCSB puts a lot of emphases on the safety of the employees in the workplace. To create a fine and friendly working environment, we regularly hold on-job training courses about occupational safety and health, firefighting security and robbery simulation drill. Considering the employee's working environment, SCSB proposes an ergonomic hazard prevention project in the structure of four plans of labor health service, to eliminate occupational injury and illness, and protect the safety and health of the employees. The prevention project uses the knowledge in the ergonomics field to prevent repetitive work, inappropriate working posture, inappropriate working environment or other hazardous factors that might cause skeletal disorders. We offer injury investigation, hazard identification and evaluation and use improvement measures, to keep all employees safe and healthy via administrative control. The SCSB offers information on employee health promotion and organizes health promotion courses and seminars occasionally. When the COVID-19 pandemic broke out in 2020, the health seminar was held to convey clear, correct public health knowledge to employees. The SCSB continues to arrange contracted doctors and nurses to provide labor health services on site.

On-site labor health service provided by contracted doctors and nurses

| Location | Frequency of contracted service |
|----------------------------------|---|
| Headquarters on Min Sheng E. Rd. | <ul style="list-style-type: none"> Doctors serve employees four times a year and three hours each time. Contracted nurse specialists are available. |
| Neihu building | <ul style="list-style-type: none"> Doctors serve employees three times a year and two hours each time. Nurses serve employees three times a year and two hours each time. |
| Personal finance building | <ul style="list-style-type: none"> Doctors serve employees twice a year and two hours each time. Nurses serve employees twice a year and two hours each time. |
| Chiaxin building | <ul style="list-style-type: none"> Doctors serve employees twice a year and two hours each time. Nurses serve employees twice a year and two hours each time. |



Our units registered with VAT number have assigned a manager for occupational safety and health according to the Regulations Governing Occupational Safety and Health. The construction of new Headquarters building began in 2020 at the same location of the old Headquarters building. The Headquarters was relocated to the building on Min Sheng E. Rd. in 2019. Some of the units of Headquarters were relocated to buildings beside the building on Min Sheng E. Rd temporarily. To ensure workplace safety of all our employees, a manager for occupational safety and health is also assigned outside the building on Min Sheng E. Rd. A free health checkup exceeding the regulation is held every three years. We cooperate with a medical institution suitable for the physique of labor and certified for health checkup to hold tour health checkup. Employees can find out their health condition and prevent illness.

In 2020, no one suffered from occupational illness or permanent disability or died due to occupational accident. No major occupational accident occurred. In 2020, the average absence rate was 0.35 %, lower than 0.5%, the goal for 2020.

Under the structure of four plans of labor health service drawn up by the MOL, labor health risk assessment is conducted at our locations of operations. The Prevention Plan of Unlawful Infringement During Duty has been drawn up to prevent unlawful infringement on physical and mental condition of employee due to their duty. This Plan includes physical, verbal and mental violence, and sexual harassment. The Prevention Plan of Abnormal Workload-triggered Disorders has been formulated to manage the groups with potential risk properly.

| Health risk assessment | Our corresponding management measures |
|--------------------------------------|--|
| Workplace violence/Sexual harassment | <p>The Sexual Harassment Prevention, Appeal and Penalty Measures, and the Plan for Unlawful Infringement Prevention on Duty, have been formulated. This Plan declares that no unlawful infringement is acceptable. A section for sexual harassment prevention has been set up on our website. A complete declaration and handling mechanism has been provided:</p> <ol style="list-style-type: none"> 1. Immediately assign staffs to perform investigation to ensure fair treatment for all parties, and respect and protection of privacy. 2. Our Human Resources Department will set up an investigation team, consisting of labor representatives. Ask police to interfere when necessary to ensure independent and fair investigation. If the investigation result shows that an internal unlawful infringement has occurred, the infringement will be reported to the SCSB's Personnel Review Committee for review. In case of external unlawful infringement, this will be handled by judicial authorities. 3. If the unlawful infringement or sexual harassment has been verified, the SCSB may transfer, demote, cut pay, punish employees or impose other punishments on the employees based on relevant regulations such as working rules, depending on the severity. <p>During the annual education training, the SCSB provided education training on prevention of unlawful infringement and workplace violence. It ensures that employees may report the authority immediately when unlawful infringement and workplace violence occurs. The SCSB handles and responds to workplace violence/sexual harassment cautiously. In 2020, no report on unlawful workplace infringement or sexual harassment was received.</p> |
| Abnormal workload/Long work hours | <p>A complete overtime application process has been formulated. Overtime hours have been monitored regularly. We care employees with irregular overtime hours, find the reason of overtime and adjust the workload. No work hour violation against the Labor Standards Act occurred in 2020.</p> |

¹Note: Absence rate = ((injury and sick leave + sick leave + personal leave/total work hour) x 100%
Absence of employees on long-term sick leave is excluded this year.

Topic of health seminar

- Reminder for COVID-19 prevention
- Health myth breaking
- Ergonomic hazard
- Health care for middle-aged and elderly people
- Psychological adjustment



The followings are the appeal channel handling unlawful workplace infringement during duty and sexual harassment:

🗨️ Dedicated management unit: Human Resources Department 📞 Hotline: 02-25319206 ✉️ E-mail: hr@scsb.com.tw



To ensure good working condition and enhance the working condition of female employees, the Maternal Health Protection Plan was proposed under the structure of four plans of labor health service. This plan is applicable to our female staffs and the ones doing labor work under our command or supervision, while they are pregnant, after delivery and within one year from delivery. Female workers who are breastfeeding over one year from delivery may also request for the maternal health protection measures.



3.4 Employee Care and Welfare

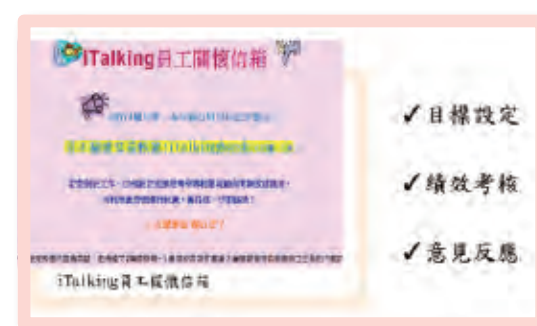
The SCSB is committed to the sustainable strategy "Balanced, Ordered Growth." As for talent capital management, talent retention is very important, besides selection, cultivation and use of talents. Our Employee Welfare Committee organizes employee clubs and all kinds of activities, and provides various benefits. Welfare fund is allocated from revenue to offer diverse subsidies and bonuses. Remuneration mechanism is available. In 2020, the EAP was set up to offer more communication channels. The SCSB adheres to all kinds of regulatory policies and systems to show all-round care to employees.

(I) Employee care

The SCSB treats the employees as family and insists to provide the best care and welfare such as employee tour allowance, medical subsidy and education subsidy. We care about physical and mental development of employees, regularly perform many welfare measures including the health examination for all employees and have a variety of club activities and travel subsidies for employees to enhance the interpersonal relationship between each other after work and relieve stress. Meanwhile, we care about employee's opinions and set up iTalking. It is a safe, private space for any inquiry, suggestion, concern or request for help. Through this channel, we learn more about employee needs and take employee's opinion into consideration to adjust relevant strategies and measures, and enhance staff cohesion.



iTalking Employee Care Mailbox

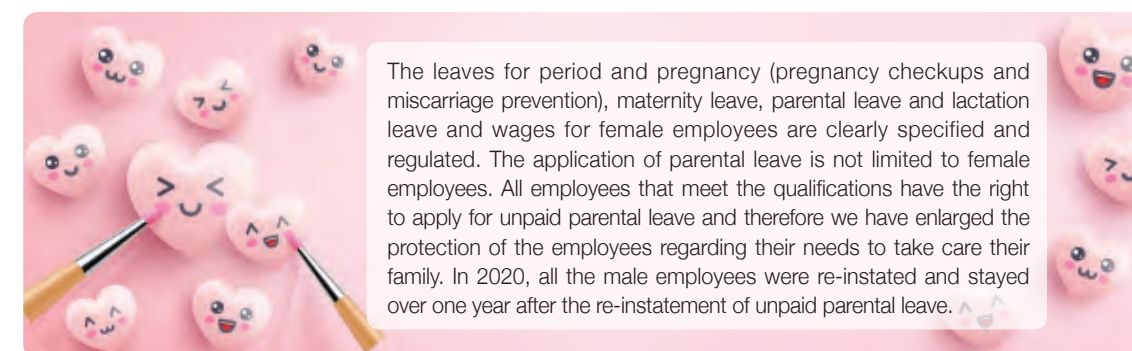


Starting from October 2020, we cooperate with an external professional consultancy institute, Taiwan Institute of Psychotherapy, to set up EAPs, expecting to build a workplace great for mental and physical health. The counseling service our EAPs provide covers legal issues such as work, family, parenting, gender, interpersonal relations, self-exploration, emotion management, housing transaction, car accident dispute, divorce alimony and property inheritance. Employees may use this resource by toll-free number, email or face-to-face counseling. The Human Resources Department held the online course EAP and You to help all employees learn about this employee assistance program. The physical course Manager Mindset Training is held five times in northern, central and southern Taiwan, to help managers learn about the steps and skills of caring, and build a caring organization atmosphere top-down. The Human Resources Department uses the Mindset Rest section to share EAPs articles every month. It is hoped that employees can re-set their mind by reading different topics and improve mental and physical health. Our EAPs offer a channel for stress relief and relaxation and help employees with work-life balance.



Employee welfare (full-time employees)

| Welfare item | Taiwan | Overseas areas |
|---|---|---|
| Life insurance | Employee group insurance | Employee group insurance |
| Health insurance | Employee group insurance | Employee group insurance |
| Club allowance | Based on the regulations on the allowance for club activities by the Employee Welfare Committee (table tennis club, Taijiquan club, golf club, yoga club, softball club, Chinese boxing club, basketball club, badminton club, art club and saxophone club). | Based on the regulations on the allowance for club activities by the Employee Welfare Committee |
| Guaranteed annual salary of 13 months | Staff on active duty by the end of the year are paid two months' salary at late December. The payment is calculated based on the percentage of the number of days on active duty for the year. Festival bonus, company anniversary bonus and year-end bonus are available. | The Performance linked incentive is no less than one-month's pay. |
| Employee's bonus savings deposit | During tenure of full-time employees | - |
| Employee's bonus loan | Full-time employees with five-year tenure | - |
| Subsidy measure for pension | The pension applicable to the old system is conducted based on the regulations of the work rules of SCSB. The pension applicable to the new system is conducted based on the Labor Pension Act. | Implementation is based on the regulations of overseas areas |
| Flexitime | Due to specific business needs, some units or employees work in flexible hours or shift in based on written agreement. | The SCSB may adjust the time for going to work or getting off work flexibly for all departments depending on the business needs. |
| Work from home | - | To cope with pandemic prevention, we assign employees of some departments to work from home to ensure employee health in 2020. |
| Maternal health protection | Female workers during pregnancy and breastfeeding (including the ones breastfeeding over one year after delivery), and after delivery, are applicable to the Maternal Health Protection Plan. | - |
| Medical allowance | Hospitalization and surgery subsidy for employees and their spouses, their underage children and their children in school are available. | - |
| Children education allowance | Children education allowance is provided for each child of employee by semester from kindergarten to graduate school. | - |
| Travel allowance better than the regular amount among other companies | Full-time employees with one-year tenure Allowance of NT\$ 20 thousand issued by the Employees Welfare Committee is available for employees applying for the tour offered by our subsidiary, China Travel Service (Taiwan) Limited. | - |
| Other welfare | On-site counseling, health education and health guidance offered by doctors and nurses | - |
| | Massage station in the Headquarters | - |
| | The welfare is provided based on the implementation rules of employee special welfare and the regulations on the retirement, wedding and funeral subsidy and emergency allowance of the Employees Welfare Committee. It is better than the welfare benefits specified in the regulations. | The welfare is provided based on the implementation rules of employee special welfare and the regulations on the retirement, wedding and funeral subsidy and emergency allowance of the Employees Welfare Committee. It is better than the welfare benefits specified in the regulations. |
| | Year-end party, sporting event, anniversary event and EAP | Year-end party, sporting event, anniversary event and EAP |



Parental leave

| Item | Female | Male | Total |
|---|--------|---------|--------|
| Number of employees applying for unpaid parental leave in 2020 | 29 | 5 | 34 |
| Number of employees to resume from unpaid parental leave in 2020 (A) | 19 | 5 | 24 |
| Number of employees actually resuming from unpaid parental leave in 2020 (B) | 18 | 4 | 22 |
| Number of employees resumed from unpaid parental leave in 2019 (C) | 8 | 3 | 11 |
| Number of employees resumed from unpaid parental leave in 2019 and stayed over a year in 2020 (D) | 6 | 3 | 9 |
| Return rate of the parental leave % = B/A | 94.74% | 80.00% | 91.67% |
| Retention rate of the parental leave % = D/C | 75.00% | 100.00% | 81.82% |

(II) Salary and rewards

The SCSB refers to the compensation level in the market to offer competitive salary for the employees and provide bonuses on Dragon Boat Festival and Mid-Autumn Festival every year according to the surplus of the current year. The year-end bonus of the performance is based on the performance-oriented evaluations to review the implementation status of the annual performance targets and the comprehensive behavior and performance of the employee at the end of the year. After the interview between the officer and the employee, the grade of the annual performance evaluation is approved as the reference for the year-end bonus of the performance. Employees with excellent performance will be given additional chance of promotion and wage adjustment. Besides this, we refer to the state-owned financial institutions to provide preferential interest rates for limited deposit of employees and grant housing loans to employees according to the regulations of the Banking Act of The Republic of China. The average salary ratio of female and male general employees was about 0.90:1.00 in 2020 while the average salary ratio of female and male managerial employees or above was about 0.74:1.00. According to the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" issued by the Taiwan Stock Exchange, the number of full-time in non-managerial employees is 2,356 and the average of salary is NT\$1,261,000 and the medium of the salary is NT\$1,168,000.

Average salary ratio of female and male

| | General employee | Ratio | Managerial employee | Ratio |
|--------|------------------|-------|---------------------|-------|
| Taiwan | Female | 0.9 | Female | 0.74 |
| | Male | 1 | Male | 1 |

The average salary and medium of the salary of non-managerial employees

| Item | 2019 | 2020 | Difference |
|---|-----------|-----------|------------|
| Number of full-time non-managerial employees (person) | 2,330 | 2,356 | 26 |
| Taiwan Average salary of full-time non-managerial employees (NTD) | 1,245,000 | 1,261,000 | 16,000 |
| Medium of the salary of full-time non-managerial employees (NTD) | 1,147,000 | 1,168,000 | 21,000 |

Salary ratio of female and male on all levels

| | Salary ratio of female and male |
|---|---------------------------------|
| Salary for managers on executive level | 0.79 : 1 |
| Salary for managers on general management level | 0.74 : 1 |
| Remuneration for managers on general management level | 0.74 : 1 |
| Salary for non-management employees | 0.90 : 1 |

Gender pay indicator

| Item of gender pay indicator | Gender difference % |
|------------------------------|---------------------|
| Difference of average salary | 16.36% |
| Difference of median salary | 9.05% |
| Difference of average prize | 17.38% |
| Difference of median prize | 11.74% |

1. There is no gender difference in salary management at the SCSB. Based on male-female salary rate on all job grades and analysis result of gender pay indicator, two aspects are associated with the cause for difference. The executive and general management are described as follows:

- (1) Only one Vice President is female out of the managers on executive level (Vice President and above). Her tenure is short and her salary would be lower than the rest.
- (2) Salary and remuneration for the general management and non-management levels: Analysis shows that the average seniority of male employees is 15 years and for female employees it is 13 years. Most of the male employees are business personnel. The branch managers are mostly promoted from the (corporate finance) business personnel. Therefore, the salary would be different for male and female employees.

2. To bridge the gender pay difference, the SCSB will evaluate the possibility for carrying out guidance planning. The SCSB will continue to encourage female employees to occupy a position in sales position and higher management.

(III) Fair performance appraisal

All full-time employees who passed probation period must take part in regular performance appraisal. Fair appraisal on the performance of employees on levels is conducted via goal management and performance ranking.

Percentage of employees receiving appraisal

| Method of performance appraisal | Percentage of employees receiving appraisal (Note) |
|---------------------------------|--|
| KPI goal management | 97% |
| Performance ranking | 97% |

Note: 3% of the employees are consultants, security guards and part-time workers.

(IV) Freedom of association

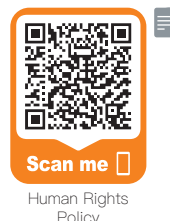
Our employees enjoy freedom of association and have the right to join the trade union. We do not discriminate members of trade unions (including but not limited to salary, remuneration, training, transfer, or promotion). By the end of December 2020, 12.78% of the employees join the trade union, 0.6% higher than during the same period in 2019.

(V) Result of the employee engagement survey in 2020

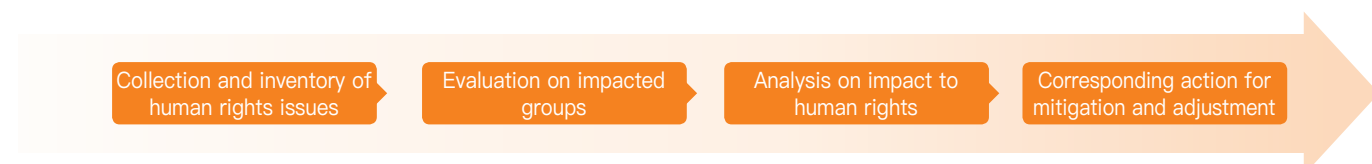
| Result of the employee engagement survey for SCSB employees in 2020 | | |
|---|---|---|
| Data coverage | Subject | SCSB employees in Taiwan (excluding appointing managers, police, workers or students) |
| | Percentage | 37.6% |
| Engagement of all employees | | 95.8% |
| Engagement of male employees | | 95.3% |
| Engagement of female employees | | 96.2% |
| Engagement of employees aging below 30 | | 95.3% |
| Engagement of employees aging 31 to 50 | | 95.5% |
| Engagement of employees aging over 51 | | 96.6% |
| Definition and survey method of employee engagement | <ul style="list-style-type: none"> The subjects are general employees of backend unit (excluding appointing managers, police, workers or students) in Taiwan. A total of 1,023 subjects took part in the survey, 43.2% of the general employees in Taiwan. 890 of them responded to the survey and the response rate was 87.1%. Employee engagement aspects are as follows. A five-point grading scale is used: <ol style="list-style-type: none"> Strategy and implementation - Implementation of the strategy and goal of SCSB Sense of work achievement - Understand how one can contribute himself to SCSB's goal Atmosphere of the organization - Joy of working, and health and safety at workplace Harmony encourages creativity - Inspire creativity of partners and feel positive energy from partners. Career development - Training on competence for the current /future position and feedback on the training The result of the employee engagement survey is based on the people who replied "Actively care" and "Care." | |
| | Grading scale | Five-point grading scale (5 Actively care, 4 Care, 3 Normal, 2 Do not care, 1 Do not care at all) |

3.5 Human rights protection

To fulfill the corporate social responsibility, protect the basic human rights of employees, suppliers and business partners (e.g. clients), we create an environment ensuring human rights, and adhere to regulations of global branches where they are located. We agree to and support various principles disclosed in the International Bill of Human Rights, including International Bill of Human Rights, ILO Core Conventions on Labor Standards and The United Nations Global Compact. We preclude infringement and violation against human rights and sufficiently realize the responsibility for respect and protection of human rights. The SCSB Human Rights Policy was formulated accordingly.



The SCSB's due diligence process on human rights risks



Inventory of human rights issues: Information on human rights has been collected from all employees. The information includes forced or compulsory labor, human trafficking, child labor, freedom of association, labor management negotiation, equal pay for work of equal value, discrimination, overtime hour, and mental health at workplace. Identify responses to potential or occurred concerns about human rights, including overtime hour and mental health at workplace.

Evaluation on impacted groups: Based on possible groups impacted by issues we concerned, we evaluated possible risk source of the issues and analyzed impact on human rights.

Analysis on impact to human rights and corresponding action for mitigation/adjustment:

| Issues on human rights risk | Impacted groups | Risk source | Percentage of the people recognized that might be affected by the risk of human rights | Type of compensation | Corresponding action for mitigation/adjustment | Percentage of the people that have performed relevant improvement measures |
|-----------------------------|-----------------|--|--|----------------------------------|--|--|
| Overtime hours | All employees | 1. Adapt with specific business needs 2. Personal reason for the employee | 2.9% ^{Note 1} ($\frac{75}{2583}$) | Injury prevention | The SCSB complies with the labor regulations. The attendance rules are specified explicitly in SCSB's Work Rules, Regulations Governing Employee Service and Treatment and Guidelines for Overtime Applications. | 100% ^{Note 2} ($\frac{75}{75}$) |
| | | | | Injury prevention Restoration | Care employees who delayed punch out for 30 hours in total per month. Remind unit directors to adjust their workload to ensure their work-life balance. | |
| Mental health at workplace | All employees | 1. Sensitivity of leaders to employees who need care 2. Mental health of the employee is under high risk 3. Work environment | 1.3% ^{Note 3} ($\frac{33}{2583}$) | Injury prevention | The SCSB offers the EAPs to recruit external professional employee counselors to help staff find and solve the issues affecting three personal aspects, work, life and health. These issues include job adaptation, career services, interpersonal relations, marriage and parenthood, law and counseling. It is hoped that these counselors can enhance the work and life quality of employees. | 100% ^{Note 4} ($\frac{33}{33}$) |
| | | | | Injury prevention | The courses EAP and You and Manager Mindset Training are held to build a caring organization atmosphere that encourages employees to care for each other and create a great workplace for mental and physical health. | |

Note 1: The total number of employees exceeding 30 work hours incurred from late punch-out per month from January to December 2020/all employees of SCSB in 2020 (excluding locals at overseas branches)

Note 2: In 2020, 75 employees worked 30 hours overtime per month. After we care them and adjust their workload, all of their overtime situation has been improved. We did not violate the overtime hour rules specified in the Labor Standards Act.

Note 3: The number of cases covered by the employee assistance plan that were closed in 2020/all employees of SCSB in 2020 (excluding locals at overseas branches)

Note 4: A total of 33 cases covered by the employee assistance plan were closed in 2020. The external, professional employee counselor helped employees find out and solve the issues affecting three aspects, work, life and health of individual.

Meanwhile, the SCSB actively conveys relevant concepts to staff. Based on the key strategic point "Fulfill social responsibility and build a good image", the SCSB continued to hold the human rights education training in 2020.

Educational/training in the field of human rights

| Trained employee number | Trained employee percentage | Total training hours | Average training hour per person |
|-------------------------|-----------------------------|----------------------|----------------------------------|
| 2,592 | 98% | 23,545 | 9.1 |

3.6 Financial inclusion

Financial inclusion is one of the important sustainability issues for the financial industry in recent years. SCSB has promoted multiple programs to increase the accessibility of financial services for the disadvantaged people. These programs include financial education and financial services with social benefits. Groups we serve include children, the public, diverse groups and elderly people. We strive for realization of the spirit of inclusive finance.

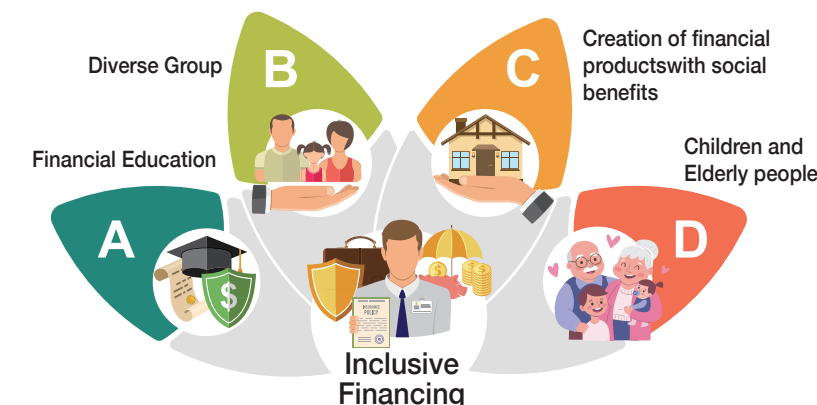


Chart for business and social benefit of inclusive financing

record date: 12/31/2020

| Type | Keys to promotion | Social benefit | Business benefit |
|---|--|---|--|
| Financial education | The SCSB introduces financial knowledge on campus and in community. Client seminar and trust service course are held by the Wealth Management Department. | To prevent people from having financial problems in future due to poor financial mindset, the SCSB offers diversified financial education for different groups and 15,935 people have been benefitted so far. | Our brand reputation and public image are enhanced. Future business opportunities await us. |
| Creation of financial products with social benefits | The SCSB offered loans to micro businesses and SMEs. It also offered the reverse mortgage program, first-time purchase program for youths, student loan program, charity and care trust, I pay I Decide Program, housing betterment loan subsidy, low-interest housing loan, owner's cash loan program, and small-scale business relief grant. | To help disadvantaged people who cannot be benefitted from existing products, the SCSB offers various financial products social contribution. A total of 27,566 people have been benefitted. | Our service has reached disadvantaged people who we weren't able to serve. The balance in total is about NT\$ 250,525 million. |

(I) Financial education

Since 2006, the SCSB has actively corresponded to the Financial Supervisory Commission to hold the "Financial Knowledge Promotion in Campuses and Communities" with the cooperation of the Bankers Association of the Republic of China, Taiwan Academy of Banking and Finance and the National Federation of Credit Co-operatives. The event aimed at students and the public to teach them the correct financial knowledge including the concept of money and credit cards, financial management, debt management and the prevention of fraud. The SCSB has been honored by the Financial Supervisory Commission publicly and received the certificate of appreciation from the Financial Supervisory Commission ten years in a row since 2010. In 2020, the SCSB held 54 seminars all over Taiwan, ranking second place in domestic banking industry. A total of 5,643 people benefitted from the event. The seminars were held in various places, such as school, army, farmer's service agency and local prosecutors office.

Financial Knowledge Promotion in Campuses and Communities — Outcome statistics

| Groups to be served | Number of courses | Total number of participants |
|---|-------------------|------------------------------|
| Middle and elementary school students | 20 | 1,969 |
| College students | 2 | 230 |
| Military and police departments | 17 | 2,117 |
| Veteran agencies | 10 | 1,060 |
| Special education units | 1 | 127 |
| Communities (public transportation offices and foundations) | 4 | 140 |



PukiiBank Camp for Kids

The SCSB aims to hold a financial education seminar for children in summer. Therefore, we organize PukiiBank Money Camp for Kids to build up good financial knowledge for children under 12 years old via many interesting games. With the preferential interest rate for the "PukiiBank Deposit Account," we develop the saving habit of the children by clearly stating each saving and expenditure. As for the adult, we arrange quality financial lecturers to give speeches on the international financial trends so that the parents can go home with fruitful results when they accompany children at our money camp for kids. In 2020, PukiiBank Money Camp for Kids, which has been held many years, was suspended due to COVID-19. To continue to teach children financial knowledge, the Camp was held online. We cooperated with TV station, finished recording at the end of 2020 and held the Camp online in 2021. Small-scale physical activities, Little Anchor and Children Financial Planning Seminar, were held for children to get a chance to visit the TV station and parents can get a chance to guide children to learn about new idea of financial planning.



Professional financial knowledge promotion seminar

Our Corporate Banking Department, Personal Banking Department and Insurance Agency Department hold financial knowledge promotion events every year based on our expertise for target or potential customer groups. In 2020, we held the Seminar for Taxation on the Inward Remittance of Overseas Funds at the Headquarters on August 12 and December 4. Sung Hsiu Ling, the Director-general of the National Taxation Bureau of Taipei, Ministry of Finance, was invited as the keynote speaker of the seminar. The topic of the seminar was "Remit Overseas Funds Back to Taiwan Safely – Secured Correspondence, Continue to Strive for Success," explaining regulations for the special law and Q&As during practice.



Co-branded credit card with Taipei Dental Association

Our Credit Card Center has issued the co-branded credit card with Taipei Dental Association for years. We organize volunteer and clinic and seminar of dental health with dentists. We also have held financial knowledge activities required for dentists or attract the attention of dentists for years. During the events, we tell how clinics plan for protection of employer, employee accident protection, taxation of health and non-health insurance and dental material purchased and relevant taxation. In 2020, we only took part in the International Dental Exhibition & Convention in Hsinchu and Greater Taipei due to COVID-19 pandemic. We set up a dentist VIP service counter in the exhibition. Oral health, volunteer clinic and financial seminar for dentists were suspended.



The client seminar organized by the Wealth Management Department this year is held online due to the epidemic. Four online seminars with a different topic for each were organized by internal and external professionals. They were uploaded to Pukii Fan Page for anyone who's interested in wealth management.

Online client seminar held by the Wealth Management Department

| Date | May 20 | May 21 | May 22 | July 6 |
|--------------|---|---|--|--|
| Session | Pukii Fan Page | Pukii Fan Page | Pukii Fan Page | Pukii Fan Page |
| Viewer count | 2,537 | 1,946 | 1,799 | 3,750 |
| Topic | Share epidemic prevention strategy to ensure that investment does not go to zero | Dollar-Cost Averaging is the best way for stable investment | Check this out for withdrawal of interest rate to grasp opportunities in the bond market | Online financial planning seminar for future trends of stay-at-home business opportunity |
| QR Code | | | | |
| Lecturer | 1. Chung Hsiang Jung, Assistant Vice President of Wealth Management Department 2. Lo Yu Mei, Senior Vice President, Franklin Templeton | | | 1. Chung Hsiang Jung, Assistant Vice President of Wealth Management Department 2. Liu Kun Hsi, Chairman of Shin Kong Investment Trust |

掌握契機 穩住局勢

中午12點 請點上海商銀PUKII粉絲團

上海商銀 財富管理部
陳麟威

上海商銀 財富管理部
仲向榮 協理

富蘭克林證券投顧研究部
羅尤美 副總經理

5/20(三) 投資不歸零 防疫策略大公開

5/21(四) 穩穩投資 定期定額最給力

5/22(五) 領息看這裡 掌握債券市場契機

2020 上海商銀・富蘭克林 全球投資展望

(II) Creation of financial products with social benefits

With the service idea of "Always placing customers' needs first" in mind, SCSB aims at social needs and supports the development of SMEs by launching various financial products that create social benefits, such as micro-business start-up loans, reverse mortgage program, first-time purchase program for youths and charitable trust services etc. AMK, the SCSB's subsidiary, offers agricultural microfinance, and enhances income and standard of living for locals. In the future, we will keep striving to introduce financial products that not only satisfy the social needs but also accomplish a greater and harmonious society.

In order to support numerous domestic enterprises, 7,258 loans (23,886 accounts) were undertaken in Taiwan in 2020 (offshore companies excluded). The total loan balance was NT\$ 283.9 million and 6,998 of the loans (22,828 accounts) were micro-business loans and SME loans. The loan balance of micro-business loans and SME loans was NT\$ 235.8 million, 31% of the total loan balance, 9% higher than the balance in 2019.

To help investors learn more about loans with social benefits, the SCSB discloses the information on non-performing loans and non-accrual loans for micro-businesses and community development. While creating social benefits, the information also indicates risk control of loan to investors.

Corporate loan in Taiwan (excluding overseas and offshore companies)

Amount unit: NT\$ 100 million

| Types of enterprises | Loan balance by the end of 2020 | Number of loans in 2020 | Number of benefitted accounts in 2020 | Percentage of loan balance by the end of 2020 |
|------------------------|---------------------------------|-------------------------|---------------------------------------|---|
| Micro-business | 855 | 13,344 | 4,696 | 30.11% |
| SME | 1,504 | 9,484 | 2,302 | 52.97% |
| Large-scale enterprise | 481 | 1,058 | 260 | 16.92% |
| Total | 2,840 | 23,886 | 7,258 | 100.00% |

Note: SMEs are the ones complying with the definition specified by the Financial Supervisory Commission. Micro-businesses are the ones with the amount of capital below NT\$ 30 million.





| Types of credit | Number of non-performing loans | Non-performing loan balance | Number of non-accrual loans | Non-accrual loan balance |
|-----------------------|--------------------------------|-----------------------------|-----------------------------|--------------------------|
| Micro-business | 1 | 3,654,378 | 11 | 93,965,594 |
| Community development | 0 | 0 | 0 | 0 |

Personal and micro-business accounts in Taiwan

Unit: NT\$ 100 million

| | Personal | Micro-business |
|-----------------------------|-----------|----------------|
| Number of checking accounts | 64,625 | 29,154 |
| Amount in checking account | 24 | 23 |
| Number of cash accounts | 1,715,422 | 99,622 |
| Amount in cash account | 1,767 | 472 |
| Number of loans | 43,866 | 4,696 |
| Loan balance | 2,807.56 | 855 |

Financial products with social benefits

| Product name | Philosophy | Accomplishment | QR CODE |
|--|---|---|---|
| Reverse mortgage | Concerning the aging society of Taiwan, the SCSB assists and takes care of the elderly with real estate in a pragmatic way but not eligible for low-income subsidy by offering the reverse mortgage program, which takes care of the daily life of the elderly. In this case, the elderly can obtain the amount for daily expenses every month via their house property to support themselves. | Four loans have been undertaken in 2020. The loan balance by the end of 2020 was NT\$ 3.22 million, 2.68 times more than the loan balance in 2019. |  |
| First-time purchase program for youths | We provide housing subsidies for the youths to meet their demand of funds so that the youths in Taiwan can purchase their own home at ease. Floating interest rate is applied for two-year interest rate of postal savings. The purpose of this program is to assist the youths to purchase their own real estate during the period of extravagant housing prices. | The loan total amount of this program exceeded NT\$ 792 million by the end of 2020 and 2,289 loans have been undertaken. |  |
| Student loan program | The SCSB offers loans to students for study. | The loan total amount of this program exceeded NT\$ 41.53 million by the end of 2020 and 95 loans have been undertaken. | - |
| Charitable trust | For customers that willing to engage in the public welfare, they may hesitate due to the strict regulations and the establishment threshold of the foundation, or they may want to provide resources to society as feedback, but the resources are eventually wasted on the enormous operation of the organization. The small amount provided by the customer may meet the demand of specific public welfare by the charitable trust. SCSB assists the customers to fulfill their idea in public welfare and makes efforts to build a society full of ease, happiness and warmth. | Four charitable trusts were established (Education Fund Charitable Trust of Fu Pei Mei Dietary Culture, Qinen Education Fund Charitable Trust of Rotary Club of Taipei, Holistic Care Social Welfare Fund Charitable Trust and Social Fund Charitable Trust of TBLC) with an amount totaling over NT\$ 25.97 million by 2020. |  |
| I pay I Decide Program | The diverse housing loan repayment program provides options other than principal and interest amortization or interest payment only. The client can choose the best way for amortization to use funds flexibly. | A total of 218 loans were undertaken and the amount was NT\$ 1,556 million in 2020. | - |
| Housing betterment loan subsidy | We offer lower interest rate and credit line, and long repayment period for self-occupied house loan and housing betterment loan to disadvantage nationals aged 20 and above with interest subsidy certificates issued by competent authorities or disadvantaged groups qualified for disadvantaged status. | In 2020, 82 self-occupied house loans were granted and the amount was about NT\$ 166 million. Five housing betterment loans were undertaken and the amount was about NT\$ 2.84 million. |  |
| Low-interest housing loan | For our construction company clients who need land and construction financing and good construction projects developed by the branch, we offer low housing interest rates and credit line and long repayment period. | In 2020, 1,406 loans were undertaken and the total amount was about NT\$ 11.93 billion. | - |
| Owner's cash loan program | To continue to encourage domestic startup economy, the registered responsible person of a store or stand in operation over a year, and the corporate responsible person with company and business registered over a year, are eligible for the program. | In 2020, 105 loans were undertaken and the total amount was about NT\$ 41.43 million. | - |

Column – COVID-19 relief grant

In 2020, COVID-19 continued to influence the world. We fulfill the social responsibility, proactively adapt to government policies, and offer relief and financing plans to clients. As for corporate financing, we offer corporate relief in line with the policy of the Financial Supervisory Commission. We offer the SME loan program financing service formulated by the CBC. As for personal finance, we offer personal debt negotiation service in line with the policy of the Financial Supervisory Commission. We also provide small-scale business owner simply loan formulated by the CBC, and the labor relief loan drawn up by the MOL. With regards to credit card, we support Face Mask Real Name Registration 2.0 stipulated by the government. Therefore, we held the event "Easy Epidemic Prevention, Minions Face Mask Takes Care of You" during the first two rounds of face mask pre-order. It is a plan with 100% credit card feedback for face mask pre-order. Up to 2,500 cardholders were benefitted from the event. We carry out epidemic prevention with everyone during the emergency period.



Small-scale business relief loan is based on the Regulations Governing CBC's SME Loan Program Financing for Severe Pneumonia with Novel Pathogens Undertaken by the Bank." The loan helps small-scale businesses apply for business relief for COVID-19 and survive the pandemic. Furthermore, our relief loans are granted to non-public companies (mostly SMEs). We granted loans to 2,052 companies in 2020, approximately NT\$ 8,626.43 million in total.

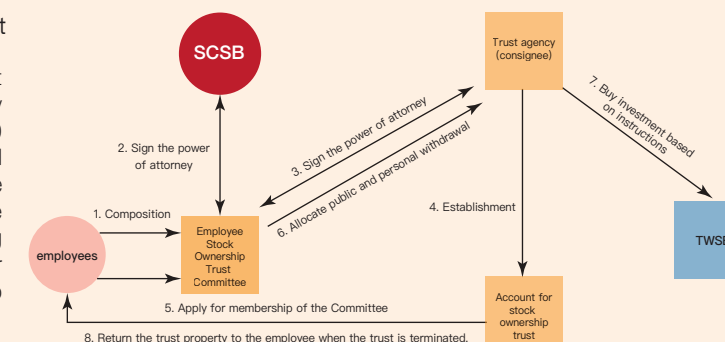
The SCSB proactively conducted the Trust 2.0 Promotion Plan, set up Trust 2.0 Promotion Team, and carried out two programs, Strategic Alliance and Trust Helper. Strategic Alliance focuses on promotion of Trust 2.0. Trust Helper helps clients solve concerns with trust.

Column – Trust 2.0 Program

| Important Financial Supervisory Commission measures | Our work planning and progress |
|---|--|
| 1. We guide employers to enhance the function and organizational structure of Trust Department gradually. | 1. We continue to recruit more professionals in Trust Department. We have recruited two at the end of 2020 and expect to recruit four trust planners in 2021. We will set up an expert team with the Wealth Management Department and Insurance Agency Department to provide an all-round service to clients. 2. To cope with the planning by the competent authorities, our Top Management Consensus Camp passed the proposal that the Trust 2.0 Promotion Task Force will be set up in 2021 to take charge of promotion of Trust 2.0. |
| 2. Amend the principles of stipulation and appraisal of remuneration system in trust industry. | Increase the percentage of annual strategic score of Trust Department. Include promotion of trust business into the appraisal for branches or personnel. The Trust Department plans for remuneration programs to increase incentives for trust business promotion. |
| 3. Encourage the enterprise to provide employee welfare trust. | The Human Resources Department discussed on employee stock ownership trust. |
| 4. Promote Elderly Financial Planning Consultant, the professional certification system of trust. | In order to encourage employees to acquire professional licenses, our Top Management Consensus Camp passed the proposal that starting 2021, employees will get a raise by taking the class for Trust 2.0 Professional License, applying for the exam subsidy and acquiring trust license. |
| 5. Promote Family Trust Planning Consultant, the professional certification system of trust. | |
| 6. Collaborate with social welfare group, care agency and medical agency. | 1. Work with more partners, promote care trust and hold seminars on care trust. 2. Set up a care trust platform on our website to integrate information from various parties and form a strategic alliance. |

Promote the service for employee stock ownership trust

We aim for greater employee coherence, retention of great employees and lower turnover rate. The Financial Supervisory Commission implemented Trust 2.0 – All-round Trust in 2020 to encourage enterprises to provide employee welfare trust and include employee welfare trust into the corporate governance assessment indicators. Therefore, we began to provide employee stock ownership trust in 2021 to offer more investment financing plans, allow employees to enjoy stable earnings of shareholder value sufficiently, and further enhance employee welfare and help employees with life planning after retirement or resignation.






Column — Charitable Trust



| Our philosophy | Facing the tide of globalization, it is important to preserve our culture. SCSB has established the "Education Fund Charitable Trust of Fu Pei Mei Dietary Culture" to preserve and inherit the Chinese culture. In the meantime, we care about the rights of the disadvantaged students, women and children, the elderly and the people with disabilities and therefore established three charitable trusts epically for the groups mentioned above. Refer to the following in detail: | |
|--|---|---|
| Title | Description | 12/31/2020 Total amount (Unit: NTD) |
| Education Fund Charitable Trust of Fu Pei Mei Dietary Culture | Promotion of the Chinese dietary culture and lifestyle to achieve a family with harmony and happiness. | 7,041 |
| Qinen Education Fund Charitable Trust of Rotary Club of Taipei | Focusing on the education and physical and mental development of the student who lost their parents, we provide scholarships for excelling domestic university/college students and support payments for the disadvantaged students. | 21,730,929 |
| Holistic Care Social Welfare Fund Charitable Trust | Donation and sponsoring of the child and youth welfare, women's welfare, seniors' welfare, welfare services for people with disabilities or other related social welfare. | 4,068,569 |
| Social Fund Charitable Trust of TBLC | Donation and sponsoring of the child and youth welfare, women's welfare, seniors' welfare, welfare services for people with disabilities or other related social welfare in Taipei. | 171,139 |
| Total | | 25,977,678 |

Column — Other charitable trust concerning public welfare



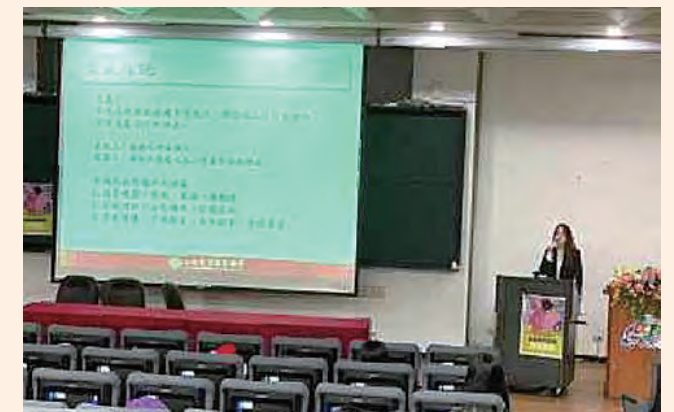
| Types of trust | How do we do | How do we think |
|--|--|--|
|  Care trust | <ul style="list-style-type: none"> Cooperate with hospitals and social welfare organizations to establish trust supervisor and construct a comprehensive trust plan. Implement professional division of labor to enable the social workers or the CNAs to concentrate on the visits and caring work without managing the financial affairs. Reduce the economic pressure of the children and enable the elderly to live with dignity via the advanced trust planning. In 2020, we offered the care trust service to 17 clients and the total amount was NT\$ 77,965,419. | What both the elderly or people with disabilities needs most is the caring of people and the protection of assets. By the planning of care trust, customers can enjoy the time with their grandchildren at ease or receive proper care at the nursing home without worrying about the security of their assets. |
|  Insurance trust | <ul style="list-style-type: none"> Protect the great amount of insurance properly and make the funds more secured. Available to choose the financial institution depositing the insurance in the future as the deposit or make agreement on the investment objective in advance to solve the problem of insurance application. Make agreement on the distribution of insurance in advance to leave love to the world. Managed by experts and supervised by the government to make the insurance more secured. Available to customize exclusive trust contract to meet the demand in different cases. | Worrying about unexpected accidents, many parents may buy insurances and make their children the beneficiary to preserve funds for them. However, many news outlets reported that the claims settlement did not really benefit the underage children after the accident happened. Therefore, beholding the spirit of placing ourselves in other's position, we strive to meet the demand of the customers as close as possible and reduce the expenses in the hope of solving their problem when we have chance to plan the insurance trust for customers. |
|  Trust for renovation and reconstruction of old building | <ul style="list-style-type: none"> Natural disasters occur frequently in Taiwan. There are lots of old buildings with poor earthquake proof. To improve life and property safety and urban landscape, relevant ordinances for urban renewal and reconstruction of dangerous and old buildings have been laid down gradually. To make construction companies and landowners trust each other during reconstruction, Development-Oriented Real Estate Trust associated with reconstruction of old and dangerous buildings and urban renewal plays an important role during reconstruction. The benefits of the Trust are: <ul style="list-style-type: none"> We minimize the risk during construction. Win trust from financing bank. Segregate risks for construction project and company via trust to reduce the risk that construction might not be completed. | Urban renewal facilitates expected redevelopment and reuse of urban land, recovers urban function, improves residential environment and enhances public interest. To respond to potential disasters, renovation and reconstruction are required for accelerating reconstruction of dangerous and old buildings in the scope of urban plan, improving residential environment, and enhancing construction safety and quality of life of nationals. However, sitting tenants might not be familiar with reconstruction or might not trust the construction company. Urban renewal or reconstruction of dangerous and old buildings will be put off. Concern on risks of joint construction from both sides can be reduced via trust. Landlords would be more agreed to reconstruction, ensuring property safety. |

Column – Protection of people with disabilities



We provide special trust services to people with disabilities and their families, with or without disabilities by offering trust plans for wealth management. Off-site contract service is available for people who are unable to visit the branch. Furthermore, we offer accessibility apps, online bank, accessible website, 36 times of interbank withdrawal per year for free, and accessible ATM. 282 accessible ATMs are available by the end of 2020 and 122 of them are also visual-impairment friendly ATMs.

| Course for trust service | Number of courses | Number of participants |
|--|-------------------|------------------------|
| Parents' Association for Persons with Intellectual Disability, Taiwan – Promotion and Description of Trust Business | 2 | 38 |
| Kai Li Te Construction Co. Ltd. and landlord renewal - Seminar for the Trust of Real Estate Reconstruction | 1 | 40 |
| Reconstruction for Dangerous and Old Buildings Associated with National Real Estate – Seminar for the Trust of Reconstruction of Dangerous and Old Real Estate | 2 | 40 |
| Reconstruction of Dangerous and Old Real Estate for Self-construction on Self-Possessed Land in Songshan District of Taipei | 1 | 10 |
| ONE WORLD Community Services Center – Care Trust Presentation | 1 | 16 |
| Elderly Lifestyle Planning Association, R.O.C. – Property Planning and Trust System for Elders | 1 | 16 |
| Department of Marketing and Distribution Management, Taipei City University of Science & Technology – Basic Property Trust and Case Studies | 1 | 150 |





(III) Insurance agency

To offer better services to clients and integrate marketing resources, the SCSB was authorized by the Financial Supervisory Commission for providing personal and property insurance agency service. Subsidiaries SCSB Personal Insurance Agency and SCSB Property Insurance Agency were merged into the Insurance Agency Department, taking over the rights and obligations of these two subsidiaries. After integration, the Department can offer better services and satisfy the needs of insurance, risk management and financial planning of all age groups. Meanwhile, the Department introduces an all-round financial insurance service for the personal and asset security, retirement life planning and asset inheritance for the public.

Primary services of life insurance include allocating insurance products by customizing risk planning, offering adequate advice and analyzing client needs. The insurance products include health insurance, whole life insurance, endowment insurance, principal repayment life insurance, investment insurance, annuity insurance, the housing loan life insurance for housing loan clients and the group and personal injury insurance for corporate clients. Primary services of property insurance cover the risk of plant, cargo transportation, trade credit, and director's liability, for corporate clients. In 2020, we offered solar equipment insurance service for professional insurance planning and fire insurance, car insurance, all kinds of liability insurance, accident and health insurance, for personal and family clients. The SCSB works with domestic and overseas property insurance companies and reinsurance companies with good image, robust financial base, competitive products, and abundant resources. Therefore, our clients would feel secure and protected.

For social feedback and protection of the rights of disadvantaged people, the SCSB provides insurance sponsorship to all kinds of disadvantaged people every year. The sponsorship amount was NT\$ 95,445 and 505 beneficiaries were benefitted in 2020.

| List of product types | | See More |
|----------------------------|--|---|
| Life insurance product | Savings insurance, pension insurance, protection insurance, investment insurance, medical insurance QR Code: https://www.scsbins.com.tw/scsbins/personal/index.html |  |
| Property insurance product | Car insurance, fire insurance, health insurance, accident insurance, cargo insurance, engineering insurance, liability insurance QR Code: https://www.scsbins.com.tw/scsbins/property/index.html |  |

Solar equipment insurance

SCSB holds the operation philosophy of "Being thoughtful in all aspects" in mind and provides the most attentive risk planning and insurance advice to clients from the client's aspect. Currently Taiwan promotes the green energy policy actively. The need for installation of solar panel increases significantly. In 2020, the SCSB started to provide property insurance for solar equipment.

In this insurance policy, the insured objects are solar panel, inverter and distribution box. The insurance coverage includes:

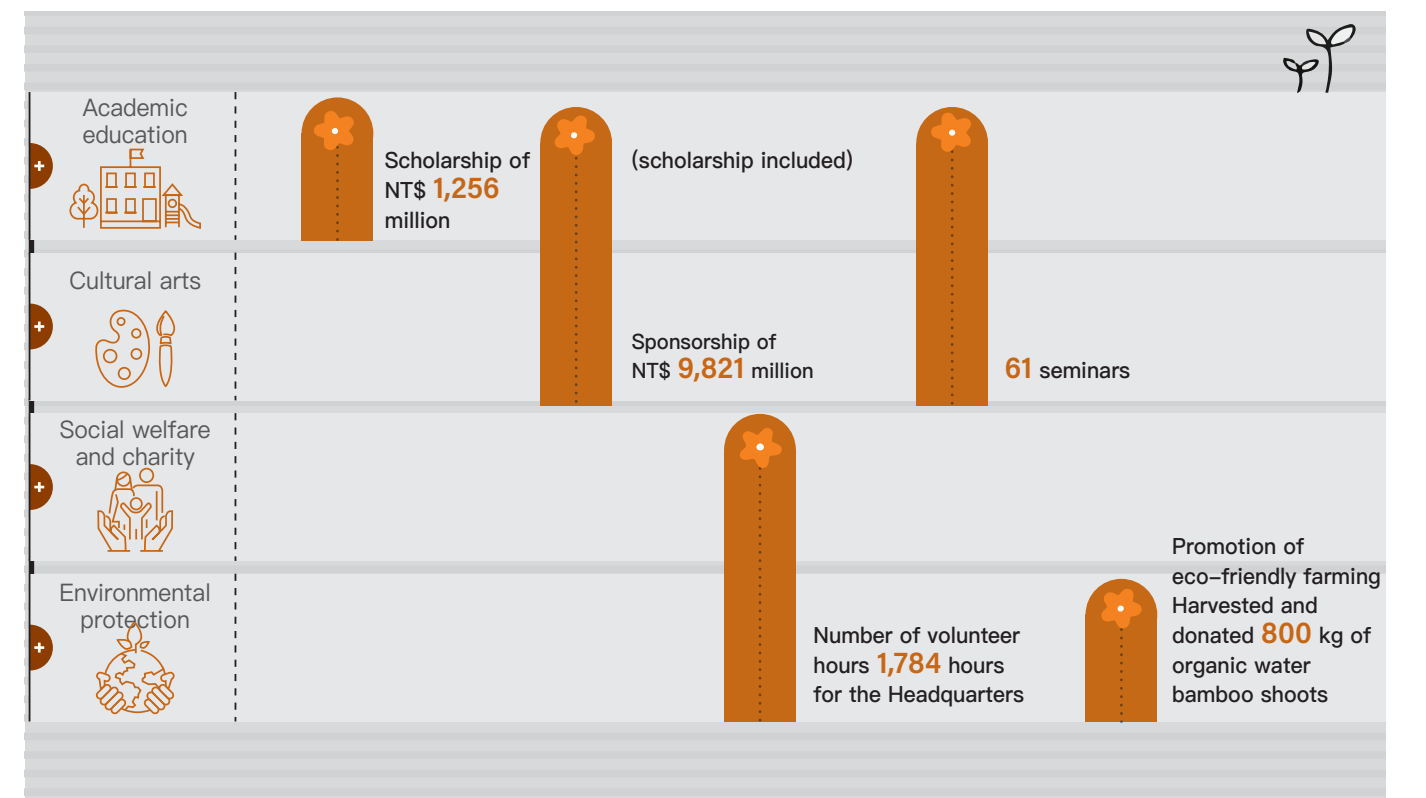
1. Electronic device damage
2. Damage to external data storage of computer device
3. Extra cost for the computer device



3.7 Social Care

Beholding the aim of "To serve society" the SCSB was established in 1915 to focus on the promotion of public welfare activities for a long time. We provide the elderly, the youth and the people with disabilities a more secured life via various programs and dedicate to build a friendlier society. The SCSB hopes that goodwill can reach every corner in society. In 1990 and 2010, the "SCSB Cultural and Educational Foundation" and "SCSB Charity Foundation" were founded, respectively. These years the SCSB pro-actively participated in charity events by integrating our business with credit card feedback or Career Identity Card, to expand social influence effectively. The SCSB holds the social feedback philosophy "Whatever is taken from society must be used for society" and therefore organized the SCSB volunteer team to spread goodwill together all around Taiwan.

Accomplishment in 2020



To manage the benefit of input and output for our social engagement effectively, in 2020 the SCSB began to use systematic analysis of LBG (London Benchmarking Group) Guidance 1 to divide the social programs with the participation of SCSB into charitable donations, community investments and commercial initiatives. Through quantitative outcomes, the SCSB evaluated our input and output for social charity program, hoping to distribute our resources invested into social charity engagement properly, increase efficiency of resource conversion, prolong the development of charity project, and ensure that our idea for growing kindness and goodwill in society will live longer.

| | | Unit: NTD thousands | |
|-------------------------|-------------------------------------|---------------------|---------------------------------|
| Types of charity events | Percentage of aggregate expenditure | Type of donations | Amount of aggregate expenditure |
| Charitable Donations | 0.10% | Cash donations | 97,765.00 |
| Community Investments | 83.29% | Work hours | 1,129.33 |
| Commercial Initiatives | 16.61% | Goods donations | 590.80 |
| Total | 100% | Management expense | 1,027.90 |
| | | Total | 100,513.03 |

(I) SCSB's charity strategy

The SCSB has been founded over a hundred years. It always wishes to become a business bank helping people purchase their own home and helping corporations for longevity since its founding. The SCSB holds the core philosophy "Being thoughtful in all aspects, heritage throughout generations." Therefore, it actively integrates its resources, strengthens partnership between client and supply chain and takes the needs and expectation of social stakeholders into consideration. Through three charity strategies "Care and love society," "Take action to cherish the Earth" and "Invest in the future in a smart way," we combine our core financial strength to create the maximum social influence.



Care and love society

Take action to cherish the Earth

Invest in future in a smart way

Meaning to us

Spreading goodwill is our belief. Our employees, business and even clients are our partners who can respond to social needs and offer resources to society together. Our exchange and connection will be strengthened during the process.

Earth and environment are non-renewable resources. Putting an end to consumption of natural resources and maintaining economic development of ecologically sensitive community are the only ways ensuring sustainability and co-prosperity for us and all business partners.

"Knowledge is power" – Francis Bacon
We know well that knowledge is the influence created by the society. Excellent labor force, economy with stable growth, ability to help the public think about issues, are the way to maintain the momentum of civilization of human society. The social investment will definitely contribute to our business. It provides great talents and clients in stable partnership with us. Human civilization and us will make advancement together.

Corresponding SDG

SDG-2 – Zero hunger, achieve food security and improved nutrition and promote sustainable agriculture (2.1, 2.2)
SDG-8 – Promote sustainable economic growth (8.5, 8.8, 8.10)

SDG-2 – Zero hunger, achieve food security and improved nutrition and promote sustainable agriculture (2.3 and 2.4)
SDG-8 – Promote sustainable economic growth (8.3, 8.10)
SDG-12 – Ensure sustainable consumption and production (12.8)

SDG-4 – Ensure equitable quality education and promote lifelong learning (4.3, 4.5, 4.7)
SDG-11 – Inclusive, safe, resilient and sustainable (11.4, 11.7)
SDG-13 – Respond to climate change (13.2, 13.3)

Authority

- SCSB Head Office
- SCSB volunteer team and
- SCSB Charity Foundation

- SCSB Head Office

- SCSB Head Office
- SCSB volunteer team
- SCSB Cultural and Educational Foundation

Communication mechanism

- The SCSB Head Office merges business resources, collects data on client behavior and national policy behavior and facilitates social stability during the epidemic.
- The SCSB volunteer team and SCSB Charity Foundation visit social welfare agencies, check their needs and ensure efficiency of resource use.

- The SCSB Head Office creates a list of ecological issues and ecologically sensitive community. By participating in events at different locations regularly, we find out and mitigate the community economy impact incurred by vulnerable local environment.

- The SCSB volunteer team visits remote areas and check the needs of children in these areas. It also offers the learning environment and opportunity that accepts quality education, ensures equity and efficiency of social resource allocation.
- The SCSB Head Office and SCSB Cultural & Educational Foundation find out what kinds of knowledge seminar the material stakeholders need (ex-cons, retired military officers, disadvantaged women, people with disabilities) and hold relevant seminars. They also spread financial knowledge and provide basic management knowledge need for startup.

Goal for the next three to five years

- The SCSB continues to correspond to the charity events held by competent authorities and Taiwan Financial Services Roundtable. At least 50 events will be held per year.
- The SCSB aims to be evaluated as the top 20% for the principle of fair customer treatment by Financial Supervisory Commission.
- The SCSB continues to promote inclusive financing and holds seminars for Trust 2.0.

- The SCSB holds the event for encouraging energy saving and carbon reduction.
- Reinforcement of paperless promotion
- The SCSB replaces automobile and diesel company cars with hybrid or electric company cars.
- The SCSB improves its capability of risk scenario analysis and response of TCFD.

- The SCSB collaborates with the Cultural and Educational Foundation to continue to promote eco-activities and ESG knowledge.
- Cultivate digital finance talents.

1. Care and love society



2020 Financial Service Charity Carnival

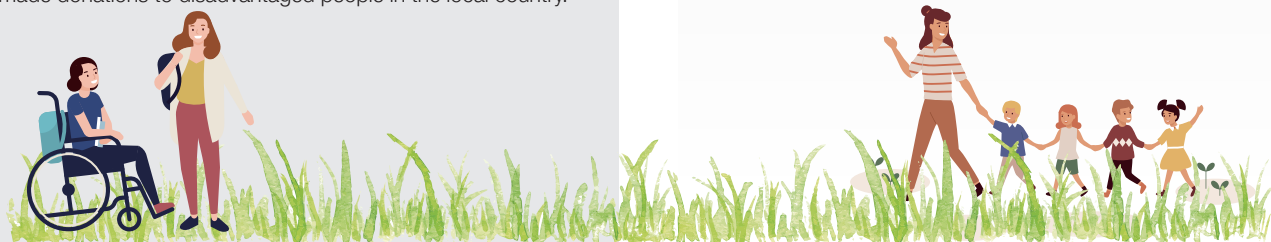


Chiayi session



Pingtung session

The 2020 Financial Service Charity Carnival was organized by the Taiwan Financial Services Roundtable under the guidance of Financial Supervisory Commission (Pingtung Session in October and Chiayi Session in November). The Digital Banking Department and the stands claimed by volunteers in southern region participate in promotion of financial knowledge and innovative digital financial services such as Taiwan Pay. Their goal is to promote inclusive finance and fulfill social responsibility. The SCSB Cultural and Educational Foundation made donations to disadvantaged people in the local country.



Charity care



The SCSB Cultural and Educational Foundation and SCSB Charity Foundation are devoted to welfare for the elderly, people with physical and mental disabilities, women and children. We worked with our volunteer teams in different regions to visit social welfare agencies in different locations and hold volunteer team visit activities nine times in 2020. Almost a hundred volunteers donated goods, replaced old equipment in homes for disabled, and conveyed the idea of gratitude and care.



2. Take action to cherish the Earth



Love for Earth — Eco-friendly farming



The Love for Earth events are our important activities these years for promotion of environmental protection. In 2020, the SCSB Cultural and Educational Foundation, SCSB volunteer team and the staff of our subsidiary, China Travel International (Taiwan), cooperated with New Life Social Welfare Development Association to hold the Love for Earth – Eco-friendly Environmental Charity Event, promoting the idea of eco-friendly farming and saving the Earth with environmental protection. We supported food with less carbon emissions, and purchased gift sets from Cherish Mom, a local micro-enterprise, to facilitate inclusive, sustainable economic growth. On that day, volunteers visited the field of white bamboo shoots in Sanchih to learn the importance of eco-friendly farming. They harvested 800 kg of water bamboo shoots and donated them to New Life Social Welfare Development Association to make free lunchboxes.



Love for Earth — Painting Charity Event in Shihmen



Over 200 employees and their familiars joined us and we worked with New Life Social Welfare Development Association once again to hold the painting charity event in Shihmen. We painted the parking lot of Laomei Green Reef, a popular scenic spot at Taiwan's Northern Coast. Besides promoting the idea of environmental protection, we assisted in community beautification as well. New Life Social Welfare Development Association invited numerous workers from Cherish Mom to teach visitors making taro balls during the event. Half of the taro balls made during the event were used for making sweet soup for local disadvantaged people. These workers were paid for their hard work and it was a great job opportunity for them.





3. Invest in future in a smart way

Cultural arts seminar series

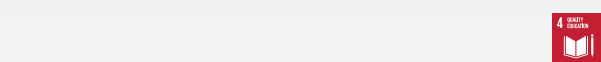


To build a society that embraces literature, create the idea of lifelong learning, and enhance cultural education in Taiwan, since 2002, the SCSB holds knowledge, practical speeches with different themes every month, including Enrich your life series, Our literary dream series, Corporate manager advanced study group, LOHAS series, Learn the beauty of music series, Wealth management series, and Literature Theater series. Over ten thousand people took part in these events by December 31, 2020 and these events are popular among the public.



We always care about employee health. In 2020, we held daily healthcare and medical seminars. In particular, we held COVID-19 health seminars and invited lecturers to talk about health management for COVID-19.

Establishment of scholarship



SCSB Cultural and Educational Foundation Scholarship, China Scholarship and Malaysian Chinese Scholarship were set up. We helped students applying for all kinds of scholarships and stipends, encouraged students and cultivated professionals. In 2020, 409 students received scholarship, NT\$ 12.56 million in total.

Attachment

SCSB CSR REPORT 2020

| | |
|---|-----|
| 1. Comparison Table for GRI Standards Disclosure Items | 110 |
| 2. Sector Disclosure of Financial Services | 114 |
| 3. Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies | 114 |
| 4. Comparison Table for Sustainability Accounting Standards Board (SASB) Disclosure Items | 115 |
| 5. Independent Auditors' Limited Assurance Report | 116 |

1. Comparison Table for GRI Standards Disclosure Items

| No. | Disclosure Items | Correspondent Chapter | Page |
|---|--|--|-------------|
| GRI 102: General Disclosures of 2016 | | | |
| 102-1 | Name of the organization | 1.1 Overview of the Group | 23 |
| 102-2 | Activities, brands, products and services | 1.1 Overview of the Group | 23 |
| 102-3 | Location of headquarters | 1.1 Overview of the Group | 23 |
| 102-4 | Location of operations | 1.1 Overview of the Group | 23 |
| 102-5 | Ownership and legal form | 1.1 Overview of the Group | 23 |
| 102-6 | Markets served | 1.1 Overview of the Group | 23 |
| 102-7 | Scale of the organization | 1.1 Overview of the Group 1.2 Operating Performance | 23 28 |
| 102-8 | Information on employees and other workers | 1.1 Overview of the Group 3.1 Employee composition and diversity | 23 80-82 |
| 102-9 | Supply chain | 2.4 Sustainable Supply Chain Management | 77 |
| 102-10 | Significant changes to the organization and its supply chain | No significant changes this year | - |
| 102-11 | Precautionary Principle or approach | 1.4 Ethical Management | 41 |
| | | 1.5 Risk Management | 44 |
| | | 1.8 Information Security | 59 |
| 102-12 | External initiatives | No participation in any external initiatives | - |
| 102-13 | Membership in Associations | Sustainable strategy and management | 10 |
| 102-14 | Statement from senior decision-maker | Message from the Chairman | 2-3 |
| 102-16 | Values, principles, standards and norms of behavior | Message from the Chairman 1.4 Ethical Management | 2-3 39 |
| 102-17 | Mechanisms for advice and concerns about ethics | 1.4 Ethical Management | 41 |
| 102-18 | Governance structure | Sustainable strategy and management 1.3 Stable Governance | 14 34 |
| 102-23 | Chair of the highest governance body | 1.3 Stable Governance | 34 |
| 102-36 | Process for determining remuneration | 1.3 Stable Governance | 36-37 |
| 102-40 | List of stakeholder groups | Sustainable strategy and management | 9 |
| 102-41 | Collective bargaining agreements | SCSB has established the trade union but not signed the collective bargaining agreement yet. | - |
| 102-42 | Identifying and selecting stakeholders | Sustainable strategy and management | 8 |
| 102-43 | Approach to stakeholder engagement | Sustainable strategy and management | 9 |
| 102-44 | Key topics and concerns raised | Sustainable strategy and management | 9 |
| 102-45 | Entities included in the consolidated financial statements | About the Report | 0 |
| 102-46 | Defining report content and topic Boundaries | About the Report Sustainable strategy and management | 0 11 |
| 102-47 | List of material topics | Sustainable strategy and management | 10-11 |

| No. | Disclosure Items | Correspondent Chapter | Page |
|--------|--|---|---------|
| 102-48 | Restatements of information | No such matter in this year | - |
| 102-49 | Changes in reporting | No such matter in this year | - |
| 102-50 | Reporting period | About the Report | 0 |
| 102-51 | Date of most recent report | About the Report | 0 |
| 102-52 | Reporting cycle | About the Report | 0 |
| 102-53 | Contact point for questions regarding the report | About the Report | 0 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | About the Report | 0 |
| 102-55 | GRI content index | Attachment 1. Comparison Table for GRI Standards Disclosure Items | 110-113 |
| 102-56 | External assurance | About the Report | 0 |

GRI 103: Management Approach 2016

| | | | |
|-------|--|-------------------------------------|-------|
| 103-1 | Explanation of the material topic and its Boundary | Sustainable strategy and management | 11-12 |
| 103-2 | The management approach and its components | Sustainable strategy and management | 11-12 |
| 103-3 | Evaluation of the management approach | Sustainable strategy and management | 11-12 |

GRI 201: Economic Performance 2016

| | | | |
|-------|---|---------------------------|----|
| 201-1 | Direct economic value generated and distributed | 1.2 Operating Performance | 28 |
|-------|---|---------------------------|----|

GRI 205: Anti-corruption 2016

| | | | |
|-------|--|---|----------|
| 205-2 | Communication and training about anti-corruption policies and procedures | 1.4 Ethical Management | 41 |
| | | 2.4 Sustainable Supply Chain Management | 77 |
| 205-3 | Confirmed incidents of corruption and actions taken | Sustainable strategy and management 1.4 Ethical Management | 11 41 |

GRI 206: Anti-corruption 2016

| | | | |
|-------|--|-----------------------------|---|
| 206-1 | Legal actions for anti-competitive behavior, anti-trust and monopoly practices | No such matter in this year | - |
|-------|--|-----------------------------|---|

GRI 207: Anti-corruption 2019

| | | | |
|-------|----------------|---------------------------|-------|
| 207-1 | Tax guidelines | 1.2 Operating Performance | 28-29 |
|-------|----------------|---------------------------|-------|

GRI 302: Energy 2016

| | | | |
|-------|--|---|----|
| 302-1 | Energy consumption within the organization | 2.3 Energy and Resource Management No renewable energy was used this year at the SCSB. | 74 |
|-------|--|---|----|

GRI 303: Water and Effluents 2018

| | | | |
|-------|------------------|------------------------------------|----|
| 303-3 | Water withdrawal | 2.3 Energy and Resource Management | 76 |
|-------|------------------|------------------------------------|----|

| No. | Disclosure Items | Correspondent Chapter | Page |
|--|--|--|---|
| GRI 305: Emissions 2016 | | | |
| 305-1 | Direct (Scope 1) GHG emissions | 2.3 Energy and Resource Management | 75 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 2.3 Energy and Resource Management | 75 |
| GRI 306: Wastewater, sewage and waste 2016 | | | |
| 306-2 | Waste divided by type and disposal method | 2.3 Energy and Resource Management | 76 |
| GRI 307: Environmental Compliance 2016 | | | |
| 307-1 | Non-compliance with environmental laws and regulations | No such matter in this year | - |
| GRI 308: Supplier Environmental Assessment 2016 | | | |
| 308-1 | New suppliers that were screened using environmental criteria | 2.4 Sustainable Supply Chain Management | 77 |
| GRI 401: Employment 2016 | | | |
| 401-1 | New employee hires and employee turnover | 3.1 Employee composition and diversity | 82-83 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 3.4 Employee Care and Welfare | 91 |
| 401-3 | Parental leave | 3.4 Employee Care and Welfare | 91-92 |
| GRI 403: Occupational Health and Safety 2016 | | | |
| 403-9 | Occupational injury | 3.3 Workplace Health and Safety | No contractor injury occurred, nor the total number of work hours of contractor was calculated in 2020. We plan to record the number of work hours of contractor in future. |
| GRI 404: Training and Education 2016 | | | |
| 404-1 | Average hours of training per year per employee | 3.2 Training and Education | 86-87 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | All employees receive regular performance reviews. | - |

| No. | Disclosure Items | Correspondent Chapter | Page |
|---|--|---|----------------------|
| GRI 408: Child Labor 2016 | | | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labor | SCSB strictly prohibits the hiring of child labor and our suppliers have no significant risk for incidents of child labor. | - |
| GRI 409: Forced or Compulsory Labor 2016 | | | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | The operations and suppliers have no violation of forced or compulsory labor. | - |
| GRI 412: Human Rights Assessment 2016 | | | |
| 412-2 | Employee training on human rights policies or procedures | 3.5 Human rights protection | 94 |
| GRI 414: Supplier Social Assessment 2016 | | | |
| 414-1 | New suppliers that were screened using social criteria | 2.4 Sustainable Supply Chain Management | 77 |
| GRI 417: Marketing and Labeling 2016 | | | |
| 417-1 | Requirements for product and service information and labeling | 1.4 Ethical Management 1.6 Smart Service 1.7 Customer Relationship 100% of the products were assessed for compliance. | 40 48-51 54-58 |
| 417-2 | Incidents of non-compliance concerning product and service information and labeling | No such matter in this year | - |
| 417-3 | Incidents of non-compliance concerning marketing communications | No such matter in this year | - |
| GRI 418: Customer privacy 2016 | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 1.8 Information Security No such matter in this year | 61 |
| GRI 419: Socioeconomic Compliance 2016 | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | SCSB has not identified any significant non-compliance with laws and regulations (Significant non-compliance with laws and regulations identified by SCSB: the fine reaches NT\$100,000 or above or the company is penalized by being suspended from practice). | - |

2. Sector Disclosure of Financial Services

| | | Disclosure Items | Correspondent Chapter | Page |
|---|------|---|--|-----------------|
| DMA | FS1 | Policies with specific environmental and social components applied to business lines | 2.2 Sustainable Banking 3.6 Financial Inclusion | 70–71 95 |
| | FS2 | Procedures for assessing and screening environmental and social risks in business lines | 2.2 Sustainable Banking 2.4 Sustainable Supply Chain Management | 70–71 77 |
| | FS5 | Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities | 2.2 Sustainable Banking 2.4 Sustainable Supply Chain Management | 70–73 77 |
| | FS9 | Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures | 2.2 Sustainable Banking 2.4 Sustainable Supply Chain Management | 70–73 77 |
| | FS15 | Policies for the fair design and sale of financial products and services | 2.2 Sustainable Banking | 70 |
| | FS16 | Initiatives to enhance financial literacy by type of beneficiary | 1.6 Smart Service 3.6 Financial Inclusion | 48 95–97 |
| Full text for the financial services sector disclosures | FS6 | Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector | 3.6 Financial Inclusion | 97–98 |
| | FS7 | Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose | 2.2 Sustainable Banking 3.6 Financial Inclusion | 70–73 98–101 |
| | FS8 | Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose | 2.2 Sustainable Banking | 70–73 |
| | FS10 | Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues | 2.2 Sustainable Banking | 70–73 |
| | FS14 | Initiatives to improve access to financial services for disadvantaged people | 3.6 Financial Inclusion | 95 |

3. Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies

| | Disclosure Items | Correspondent Chapter | Page |
|--|---|--|-------------|
| Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies | The financial insurance businesses shall disclose their management approaches, disclosure items and reporting requirements concerning major themes of the sustainable baking. Their reporting requirements shall at least include products and services designed to deliver a social or environmental benefit for each business line. | 2.2 Sustainable Banking 3.6 Financial Inclusion | 70–71 95 |
| Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies | A listed company shall disclose the number of full-time employees in non-managerial positions, the average and median of the salaries of the full-time employees in non-managerial positions, and difference of the three items mentioned above in comparison with those of the preceding year. | 3.4 Employee Care and Welfare | 92 |
| Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies | The corporate governance of climate risk and opportunity, actual and potential climate impact, way of identification, evaluation and management of climate risk, the indicator and objective for evaluation and management of climate issue | 2.1 Risks and Opportunities of Climate Change | 64–89 |

4. Comparison Table for Sustainability Accounting Standards Board (SASB) Disclosure Items

| | | Disclosure Items | Correspondent Chapter | Page |
|--|--------------|--|--|-------|
| Information security | FN-CB-230a.1 | Quantification (1) Number of data entries leaked, (2) Percentage of data leaked that contains PII, (3) Total number of account holders being impacted | 1.8 Information Security No data leakage occurred in 2020. | – |
| | FN-CB-230a.2 | Quantification Describe the method for identifying and handling data security risk. | 1.8 Information Security | 59–61 |
| Financial inclusion and capacity building | FN-CB-240a.1 | Quantification Match the (1) quantity and (2) amount of outstanding loan facilitating the development of micro-business and community. | 3.6 Financial Inclusion | 97 |
| | FN-CB-240a.2 | Quantification Match the (1) quantity and (2) amount of outstanding loan of the overdue loan and non-accrual loan facilitating the development of micro-business and community. | 3.6 Financial Inclusion | 98 |
| | FN-CB-240a.3 | Quantification The number of checking accounts provided for clients who are unable to use banking service or have problem with access to banking service for free | Refer to 3.6 Financial Inclusion in 2020 CSR for the financial service provided for specific groups. The number of checking accounts is not disclosed for now due to personal information confidentiality. | – |
| | FN-CB-240a.4 | Quantification The number of people participated in providing financial knowledge education to clients who are unable to or have problem with access to banking service | 3.6 Financial Inclusion | 95 |
| | FN-CB-410a.1 | Quantification Exposure for loan to industry and commerce divided by career | 2.1 Risks and Opportunities of Climate Change | 66–67 |
| The method for integrating ESG factor with credit analysis | FN-CB-410a.2 | Quantification The method for integrating ESG factor with credit analysis | 2.1 Risks and Opportunities of Climate Change | 66–67 |
| | FN-CB-510a.1 | Quantification The amount of financial loss incurred from fraud, insider trading, monopoly practices, anti-competitive behaviors, market manipulation, and other legal procedures associated with financial industry laws | 1.4 Ethical Management | 40–41 |
| Business ethics | FN-CB-510a.2 | Quantification Describe the whistleblowing policy and procedure. | 1.4 Ethical Management | 41 |
| | FN-CB-550a.1 | Quantification G-SIB score divided by category | The SCSB is not a G-SIB. Therefore, this information is not disclosed. | – |
| System risk management | FN-CB-550a.2 | Quantification Describe the method for including the outcome of mandatory or voluntary stress test into capital adequacy plan, long-term company strategy and other business activities. | Refer to the financial statement of 2020 for disclosure of capital adequacy management. | – |
| | FN-CB-000.A | Quantification The (1) number of and (2) amount in checking and savings accounts classified by (a) individual and (b) micro-business | 3.6 Financial Inclusion | 98 |
| Activities index | FN-CB-000.B | Quantification The (1) number of and (2) amount in checking and savings accounts classified by (a) individual and (b) micro-business | 3.6 Financial Inclusion | 98 |

5. Independent Auditors' Limited Assurance Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel: +886 (2) 2725-9988
Fax: +886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT

The Board of Directors and Stockholders
The Shanghai Commercial and Savings Bank Co., Ltd.

We have performed a limited assurance engagement on the selected subject matter information (see Appendix A) in the Corporate Social Responsibility Report ("the Report") of The Shanghai Commercial and Savings Bank Co., Ltd. ("the Company") for the year ended December 31, 2020.

Responsibilities of Management for the Report

Management is responsible for the preparation of the Report in accordance with Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies and GRI Standards and Sector Guidance published by the Global Reporting Initiatives (GRI) and other applicable rules according to its sector features, and for such internal control as management determines is necessary to enable the preparation of the Report that are free from material misstatement.

Auditors' Responsibilities for the Limited Assurance Engagement Performed on the Report

We conducted our work on the selected subject matter information (see Appendix A) in the Report in accordance with the International Standard on Assurance Engagements 3000 (revised) (ISAE 3000 (revised)) to issue a limited assurance report on the preparation, in all material respects, of the Report. The nature, timing and extent of procedures performed in a limited assurance engagement are different from and more limited than a reasonable assurance engagement and, therefore, a lower assurance level is obtained than a reasonable assurance.

We applied professional judgment in the planning and conduct of our work to obtain evidence supporting the limited assurance. Because of the inherent limitations of any internal control, there is an unavoidable risk that even some material misstatements may remain undetected. The procedures we performed include, but not limited to:

- Obtaining and reading the Report.
- Inquiring management and personnel involved in the preparation of the Report to understand the policies and procedures for the preparation of the Report.
- Inquiring the personnel responsible for the preparation of the Report to understand the process, controls, and information systems in the preparation of the selected subject matter information.
- Analyzing and examining, on a test basis, the documents and records supporting the selected subject matter information.

Inherent Limitations

The subject matter information includes non-financial information, which is under more inherent limitations than financial information. The information may involve significant judgment, assumptions and interpretations by the management, and the different stakeholders may have different interpretations of such information.

Independence and Quality Controls

We have complied with the independence and other ethical requirements of the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, which contains integrity, objectivity, professional competence and due care, confidentiality and professional behavior as the fundamental principles. In addition, the firm applies Statement of Auditing Standard No. 46 "Quality Control for Public Accounting Firms" issued by the Accounting Research and Development Foundation of the Republic of China and, accordingly, maintains a comprehensive system of quality controls, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected subject matter information in the Report are, in all material respects, not prepared in accordance with the above mentioned reporting criteria.

Other Matters

We shall not be responsible for conducting any further assurance work for any change of the subject matter information or the criteria applied after the issuance date of the Report.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

June 2, 2021

Notice to Readers

For the convenience of readers, the independent auditors' limited assurance report and the accompanying summary of selected subject matter information have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' limited assurance report and summary of selected subject matter information shall prevail.

APPENDIX A

SUMMARY OF SELECTED SUBJECT MATTER INFORMATION

| # | Rules/ Standards | Descriptions of Indicators | Corresponding Sections | Applicable Criteria |
|----|---------------------------|---|---------------------------------------|--|
| 1. | GRI 302-1: 2016 | Energy consumption within the organization | 2.3 Energy and resource management | Total fuel consumption within the organization from purchase of electricity, gasoline, diesel and natural gas. |
| 2. | GRI 303-3: 2018 | Water withdrawal | 2.3 Energy and resource management | Total volume of water (Tap water) withdrawn with a breakdown by the sources. |
| 3. | GRI 305-1: 2016 | Direct (Scope 1) GHG emissions | 2.3 Energy and resource management | The total GHG emissions of Scope 1 (gasoline, diesel and natural gas) |
| 4. | GRI 305-2: 2016 | Energy indirect (Scope 2) GHG emissions | 2.3 Energy and resource management | The total GHG emissions of Scope 2 (purchase of electricity) |
| 5. | GRI 306-2: 2016 | Waste by type and disposal method | 2.3 Energy and resource management | Total weight of waste with a breakdown by the disposal methods, hazardous and non-hazardous. |
| 6. | Designated indicator 1 | The absence rate of the employees | 3.3 Workplace health and safety | The statistical results and calculations of employee's absence. |
| 7. | Designated indicator 2 | The numbers and dollar amounts of products in inclusive financing (Loans for Micro-business, Charity trust, "I Pay I Decide" and Mortgage discount program) | 3.6 Financial inclusion | The number and dollar amount of Loans for Micro-business, Charity trust, "I Pay I Decide" and Mortgage discount program. |
| 8. | Designated indicator 3 | Confirmed incidents of the Code of Ethical Conduct violation; and the total number of governance body and employees that have received training on anti-corruption | 1.4 Ethical management | The total number and nature of Confirmed incidents of the Code of Ethical Conduct violation; and the total number of governance body and employees that have received training on anti-corruption. |

