

2019-Ethical Corporate Management

Evaluation Item	Implementation Status			Deviation from <u>Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</u> and Reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Bank establish business integrity policies approved by its board of directors and state in its regulations or external correspondence about the policies and practices it has in place to maintain business integrity? Are the Board of Directors and the management committed to fulfilling this commitment?	✓		The SCSB Ethical Corporate Management Best Practice Principles, approved by the Board of Directors, sets forth the policies and practices for ethical corporate management, and the promises of the Board of Directors and the management to implement such policies. Amendments are regularly checked on an annual basis.	No Difference
(2) Does the Bank establish an assessment mechanism for risks of dishonest conduct, and do it regularly analyze and evaluate operating activities that contain higher risks of dishonest conduct within the scope of its business? Does the Bank develop dishonest conduct prevention plans based on such mechanisms and taken measures to prevent occurrences including at least those listed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		A. The SCSB Work Rules requires all employees to maintain high standards of ethics and integrity. It is prohibited to engage in malpractice, seek illicit gains, or accept gifts or other improper benefits. Violations of the Rules are subject to internal discipline to maintain SCSBs ethical corporate management. B. Relevant preventive control measures shall be formulated for individual business categories according to their respective natures to reduce the risk of dishonest conduct.	No Difference

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(3) Does the Bank stipulate, implement, and regularly review and revise operating procedures, behavioral guidelines, disciplinary actions, and complaint systems in its dishonest conduct prevention plans?	✓		SCSB has drawn up the Ethical Corporate Management Best Practice Principles, approved by the Board of Directors, that have control measures for unethical conduct and specify matters to be observed by SCSB's staff when performing business duties. Violations of the Principles are handled by the Human Resources Committee in accordance with the Principles. Amendments are regularly checked on an annual basis.	No Difference
2. Fulfill ethical corporate management				
(1) Does the Bank evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		Suppliers are assessed annually, and integrity clauses are added to the contracts signed with suppliers.	No Difference
(2) Does the Bank establish a unit affiliated to the Board of Directors and dedicated to promoting business integrity which regularly (at least once per year) reports on the implementation of its business integrity policies and dishonest conduct prevention plans and supervision?	✓		SCSB's Secretarial Office of the Board is responsible for developing policies and preventative measures for ethical corporate management and for supervising their implementation, which is regularly reported to the Board of Directors on a yearly basis.	No Difference
(3) Does the Bank establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The SCSB Rules of Procedure for Meetings of the Board of Directors set forth a director recusal clause, which all directors abide by.	No Difference

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(4) Does the Bank establish an effective accounting and internal control systems in order to implement integrity management? Does its internal audit unit develop relevant audit plans based on dishonest conduct risk assessment results and check or assign external CPAs to check compliance with dishonest conduct prevention plans based on such audit plans?	✓		<p>A. SCSB has established a rigorous accounting system and a dedicated accounting department. All financial reports are checked or reviewed by CPAs to ensure the fairness of the financial statements.</p> <p>B. SCSB has established an internal audit system, self-check system, legal compliance system, and risk management mechanism to maintain the effective and appropriate operation of the internal control system. In addition, CPAs are commissioned to conduct internal control system checks every year.</p> <p>C. SCSB's Auditing Department has formulated relevant audit plans. During the general audit process of each auditee, the risk of unethical conduct of each auditee was evaluated according to the nature of each auditee and the scope, categories, and frequency of each audit. The results have been disclosed in the audit report of each auditee, so that executive management and key Board members can be promptly informed of whether any personnel were involved in unethical or improper misconduct, and evaluate whether the preventive measures established to realize ethical corporate management have been operating effectively.</p> <p>D. SCSB's Auditing Department has regularly conducted assessments of ethical corporate management and has regularly reported the results in the business reports submitted to the Board of Directors.</p>	No Difference

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(5) Does the Bank regularly hold internal and external educational trainings on ethical corporate management?	✓		<p>A. A total of 432 new staff members and business unit personnel have taken physical or online courses.</p> <p>B. The head of each unit communicates with the entire body of employees SCSB's Ethical Corporate Management Best Practice Principles Advocacy and Commitment during morning meetings. Suppliers that provide products, equipment, or services are also required to make appropriate communications.</p> <p>C. In addition, executive managers have communicated requirements for ethical corporate management in internal meetings.</p>	No Difference
<p>3. Operation of the integrity channel</p> <p>(1) Does the Bank establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	✓		<p>SCSB has established Regulations for Handling Whistle-blowing Cases, which include rules for rewards and punishments according to individual circumstances after the whistle-blowing case is proven to be factually true. SCSB has established and announced a separate whistle-blowing mailbox on its Internet and intranet websites as a channel for internal and external whistle-blowers. SCSB's Compliance Department acts as the responsible unit for handling and investigating in whistle-blowing cases.</p>	No Difference

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(2) Does the Bank develop any standard operating procedures, follow-up measures required after investigations, and confidentiality measures for handling whistle-blowing matters? Has the Bank developed any standard operating procedures, follow-up measures required after investigations, and confidentiality measures for handling whistle-blowing matters?	✓		SCSB's Regulations for Handling Whistle-blowing Cases has stipulated the standard operating procedures for handling whistle-blowing cases, which include the following matters: initiation of investigations; review and secondary review of investigation reports; reporting to the Board of Directors; and notification to whistle-blowers. Also provided in the Regulations is that the accused shall be offered an opportunity to make his/her case before a decision on the case is made. According to the Regulations for Handling Whistle-blowing Cases, the relevant personnel of a whistle-blowing case shall promise in writing to maintain the confidentiality of the whistle-blower's identity and the contents of his/her report. Unless required by law or the litigation, information that is sufficient to identify the whistle-blower may not be disclosed.	No Difference
(3) Does the Bank provide proper whistleblower protection?	✓		SCSB keeps the identity of a whistle-blower and the content of his/her report confidential, and promises to, except when the whistle-blower commits malicious libel, treat the whistle-blower fairly regardless of the condition of the case.	No Difference

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4. Strengthening information disclosure Does the Bank disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		SCSB's Ethical Corporate Management Best Practice Principles is available on the SCSB website and the MOPS.	No Difference
5. If the Bank has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation. Most of the activities follow the SCSB Ethical Corporate Management Best Practice Principles.				
6. Other important information to facilitate a better understanding of the Bank's ethical corporate management policies (e.g., review and amend its policies). SCSB operates with full integrity and honesty and conducts all business activities in a fair and transparent manner. Internal policies and procedures are reviewed from time to time and amended, if necessary, in response to regulatory changes. Recommendations from directors, managers and employees regarding business conduct are encouraged to further enhance the effectiveness of its ethical corporate management.				