

# 2019

## 企業社會責任報告書

CORPORATE SOCIAL  
RESPONSIBILITY REPORT





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## **About this Report**

King's Town Bank Co. Ltd. (hereinafter referred to as KTB) adheres to Building a Different Bank's business philosophy and upholds the mission "Take from society, give back to society." KTB actively promotes and practices Corporate Social Responsibility (CSR) to progressively realize the business objectives of becoming a local community bank, and in turn, to steer the society towards a more sustainable future.

### **Reporting Principles**

The report has been prepared following the Global Reporting Initiative (GRI) Standards Core Options issued in 2016 and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

It has been six years since KTB issued its first CSR Report in 2015. The previous report was issued in June 2019, and the next issue is expected to be released in June 2021. As we advance, KTB will continue to publish annual CSR reports.

The CSR reports issued by the Bank over the years can be downloaded from KTB's corporate website "About KTB - CSR" section, and they were uploaded simultaneously to the Taiwan Stock Exchange Market Observation Post System (MOPS) for reference for all stakeholders, with the prospect of promoting more enterprises' interest in CSR. The report also serves to improve understanding and trust in the performance resulting from our CSR efforts.

### **Reporting Period**

This report discloses information and performance of KTB in 2019 (January 1, 2019 - December 31, 2019) in economic, social, and environmental aspects and the management approaches of, and responses to, material issues.

### **Scope and Boundaries of the Report**

This report's financial data shares the boundaries of the consolidated financial data of KTB, covering the parent company, KTB, and its two affiliated entities (King's Town International Leasing Co., Ltd, and King's Town International Real Estate Management Co., Ltd.). For this report, information related to environmental, social, and human resource aspects is mainly based on the parent company while the scope is predominantly focused on operational activities in Taiwan. Any inconsistencies in the

scope will be specifically indicated.

### **External Certification**

This report is externally audited by an independent third party, British Standards Institution (BSI), regarding levels of consistency with GRI Standards' core options. The independent audit report by BSI is also included in the appendix of this report.

### **Contact Us**

King's Town Bank Strategy Planning Department

Address: No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City.

Telephone: +886 6 213-9171

Email: [H15@mail.ktb.com.tw](mailto:H15@mail.ktb.com.tw)

URL: <https://customer.ktb.com.tw/new/about/b0b73fac>

## Chairman's Message

"**KTB 2019 CSR Report**" is the sixth consecutive year in which the Bank is compiling and disclosing a CSR report. Every year, with the report's preparation, we reviewed our performance in environmental, social, and governance (ESG) aspects of sustainable management to provide the public a greater level of understanding in KTB's visions and actions well as to address our stakeholders' expectations.

In terms of business performance, in 2019, building on our existing business, KTB had actively rolled out various innovative financial services and accelerated digital transformation, driving the overall profit growth. In 2019, the net profit after tax was NT\$3.4 billion, Earnings per Share (EPS) was NT\$2.90, Return on Assets (ROA) and Returns on Equity (ROE) were 1.21% and 8.93%, respectively.

In respect of asset quality, our strategy is to take a steady approach, and we maintained robust asset quality in 2019 to cushion our capacity to take risks. The capital adequacy ratio was 15.04%, Tier 1 capital ratio was 14.56%, the NPL coverage ratio was 1.44%, the Non-Performing Loans ratio was 0.01%, and the coverage ratio was 9,917.55%, all of which have maintained excellent performance. Fitch Ratings also rated us with "A+ (tw)" for the sixth consecutive year, with a stable outlook.

As for promoting CSR, we established a CSR Task Force in December 2015 as the highest directing entity for CSR implementation throughout the Bank. The Vice-Chairman serves as the convener, and regular meetings are held to review and discuss CSR progress and directions. Under domestic and international sustainable operations evaluation indicators, self-assessments are conducted to facilitate continuous improvement of sustainable operations.

For corporate governance, the Bank has established a Corporate Governance and Nomination Committee since November 2017 and instituted Rules for Evaluating Board of Directors and Functional Committee Performance to enhance the operational efficiency of our Board of Directors. In 2019, the Bank enlisted the services of EY Business Advisory Services to perform an external appraisal. According to EY's assessment, the Bank was graded as "Advanced" for overall performance in areas of Board Structure, Members of the Board, and Process and Information. In the 6th

Corporate Governance Review (for the Year 2019), for the third consecutive year, the Bank was recognized by Taiwan Stock Exchange as one of the top 5 percent among all listed companies and ranked in the top 10 percent of finance and insurance category. We shall uphold our philosophy for sustainable business and enhance operational capabilities of corporate governance and CSR-related work.

About community engagement, financial literacy outreach has been the core of our social participation activities in recent years. Starting from communities around our branches, we leveraged our core professional competencies in the financial sector to disseminate the seeds of financial knowledge. In 2019, a total of 22 sessions of financial education were held. The target audience was also extended from primary school students to students from advanced education institutes and community residents.

On the subject of the effectiveness of fraud prevention advocacy, our colleagues have maintained a high degree of vigilance and sincerity while serving the clients. In 2019, we collaborated with the police to intercept 113 fraud cases worth a total of nearly NT\$15 million, safeguarding our clients' fortune. Our efforts were also recognized in the form of numerous awards from various government agencies. We continue to implement relevant operational regulations for anti-money laundering and unceasingly worked in tandem with various law enforcement agencies to prevent crimes. In 2019, the Bank co-organized two "Tainan District Prosecutors Office and Tainan City Financial Institutions Crime Prevention Talk" sessions with the Tainan District Prosecutor Office. Through the seminars, prosecutors, judicial police, and financial industry practitioners were provided a platform to share their respective professional perspectives and exchange cross-industry insights. During the seminar, the Bank gave a presentation on anti-money laundering on behalf of the financial sector, highlighting our remarkable achievements in the area.

As for employee care, the Bank has instituted its Human Rights Policies since November 2018 to protect all our employees, clients, and stakeholders' fundamental human rights. The Bank passed the Ministry of Labor TTQS Talent Development Management System (Enterprise version) evaluation in 2018, reflecting our talent development quality's reliability and appropriateness in various indicators. The

employee stock ownership trust system commenced in 2010 to assist employees in reaping the benefits from the Bank's long-term growth and securing a stable lifestyle when they retire or leave the Bank. In addition to employees set aside a fixed amount monthly from their salaries to obtain the Bank's shares as long term investments, the Bank also allocates investment incentives based on employees' performance in the preceding year. In 2019, participation for the employee stock ownership trust plan was 83%.

On the environmental sustainability front, in 2016, the Bank issued a set of Energy Conservation and Environmental Protection Code of Conduct Implementation Guidelines to establish a code of conduct concerning material energy-consuming equipment such as air conditioning, lighting, elevators, etc. to facilitate the implementation of environmental protection and energy-saving measures. A target of reducing energy consumption and greenhouse gas emission in 2022 by 15% from 2017 levels was set. With enthusiastic involvement across all our employees, the energy conservation rate of end 2019 was 10.32%. We were conferred the Ministry of Economic Affairs Energy Saving Leadership Award - Excellent Energy Saving Enterprise Award, and the award was a morale boost for us to work towards our 2022 target. The Bank also passed the certification for ISO50001 Energy Management assessment in November 2011. By promoting the reasonable and efficient use of energy and preventing energy waste, we endeavor to match the international trends in corporate governance principles and practices.

Looking forward to 2020, to keep pace with global financial developments, we will actively deploy two material business lines of corporate finance and digital financial services, thereby maintaining the steady growth in our operation. At the same time, to ensure sustainable development of our enterprise and that of the society, we will dedicate more effort to positive interactions with all stakeholders, continue to promote core competency activities, expand our scope of impact, and pay close attention to the impact of climate change on the environment.

## About King's Town Bank

### Company Profile

Company Name	King's Town Bank Co., Ltd.
Company Type	TWSE listed company
Establishment Date	1948/11/01
Company Philosophy	Building a different bank
Headquarters Address	No.506, Section 1, Ximen Road, Tainan City
Paid-in Capital	NT\$ 11,312,342,650
Total Number of Employees	968
Number of Branches	66
Location	Taiwan
Businesses	<ul style="list-style-type: none"> <li>• Wealth management.</li> <li>• Trust Service.</li> <li>• Lending business.</li> <li>• Deposits business.</li> <li>• Foreign exchange.</li> <li>• Investment.</li> </ul>

### Affiliated Company Profile

Company Name	King's Town Bank International Leasing Co., Ltd
Establishment Date	2015/01/22
Headquarters Address	No. 167, Dunhua North Road, 8F Taipei City
Paid-in Capital	NT\$ 653,230,000
Businesses	Financial leasing.

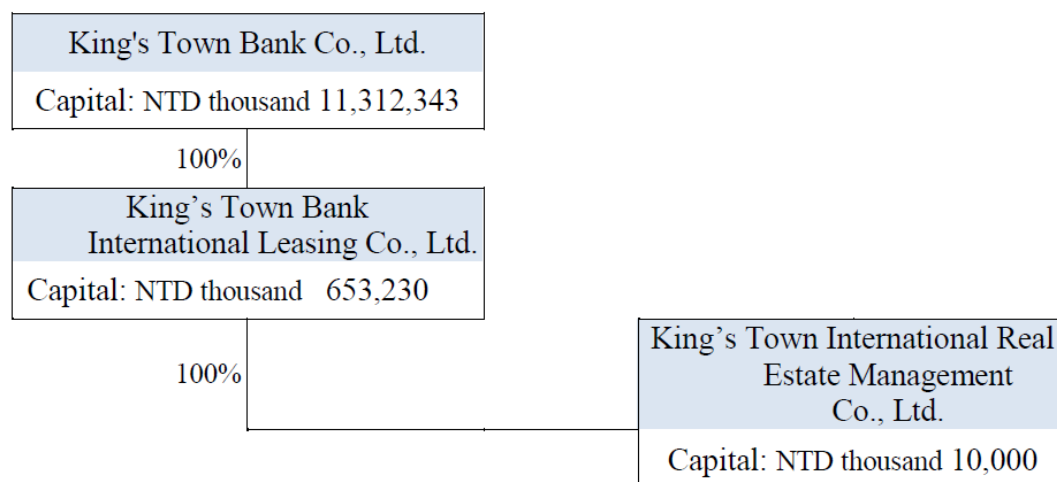
Company Name	King's Town International Real Estate Management Co., Ltd
Establishment Date	2016/12/07
Headquarters Address	No. 167, Dunhua North Road, 8F Taipei City
Paid-in Capital	NT\$ 10,000,000
Businesses	Real estate management

### Participation in Industry Associations

The Bank is a member of The Bankers Association of The Republic of China, The Bankers Association of Tainan City, Trust Association of The Republic of China, R.O.C. Bills Finance Association, and The Insurance Agency Association of the Republic of China.

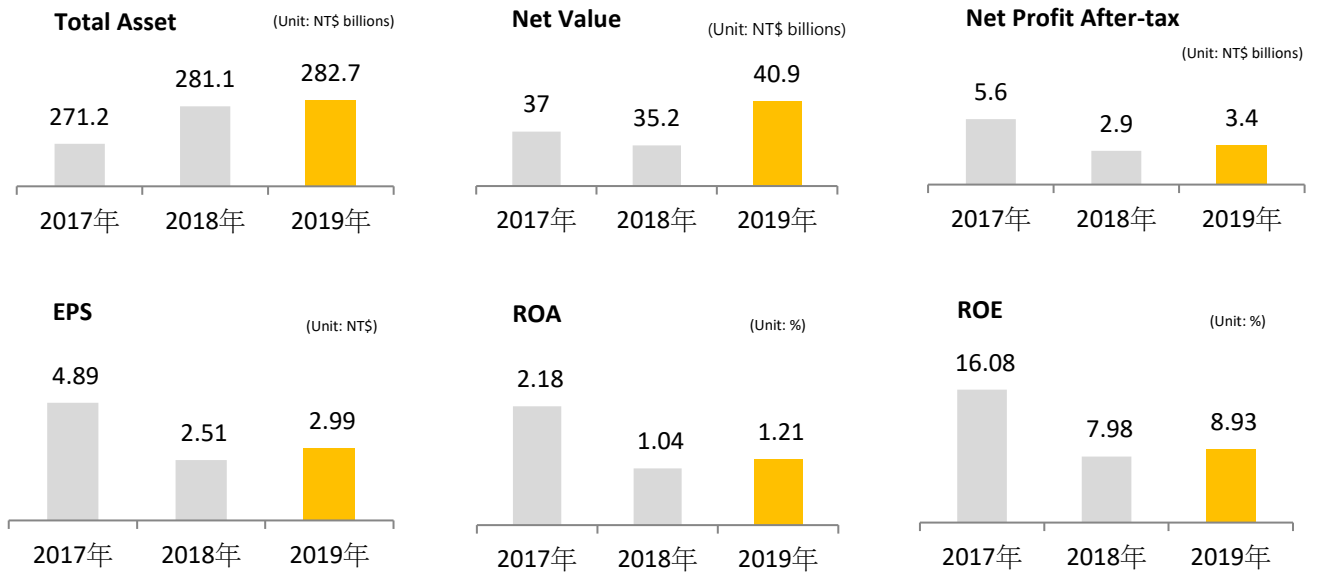


## Organizational Chart of Subsidiaries

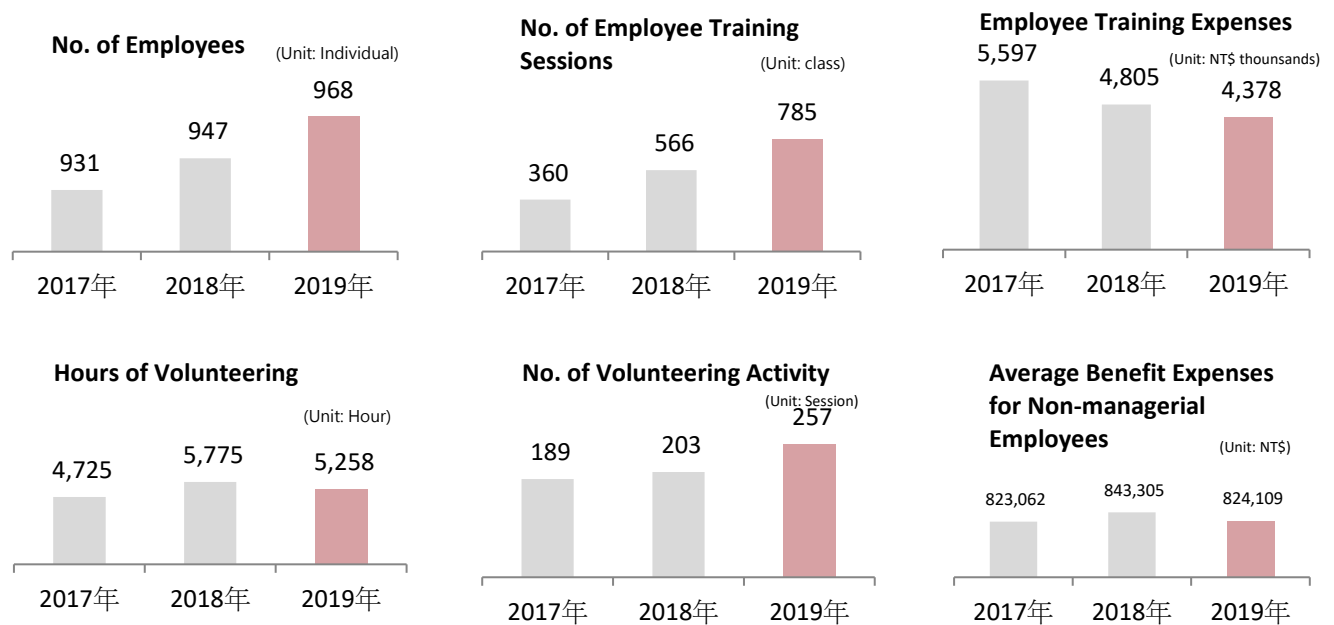


## 2019 CSR Achievement

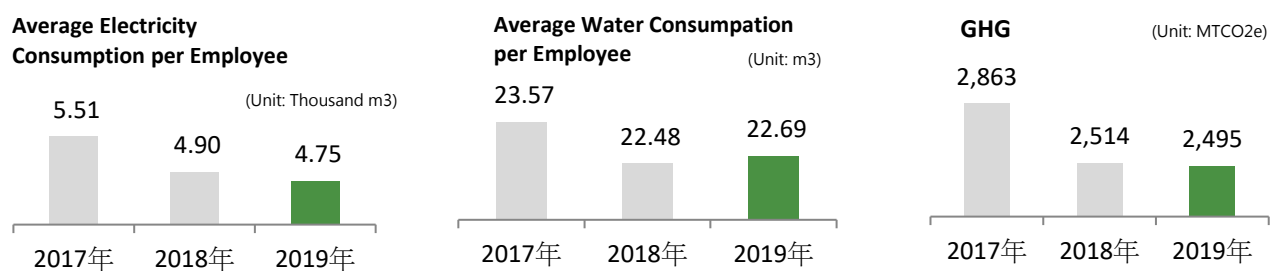
### Economic



### Social



### Environmental



## Corporate Governance

- ◆ The Bank, having established Rules for Evaluating Board of Directors and Functional Committee Performance, shall conduct an internal performance assessment of the Board of Directors and Functional Committees at least once a year, and an external performance assessment of the Bank's board shall be conducted by an external independent professional institution at least once every three years. Since 2017, the internal performance of the Executive Board and Functional Committees has been self-assessed. In 2019, the Bank enlisted the services of EY Business Advisory Services to perform an external assessment. After a comprehensive evaluation, the Bank's overall performance in terms of board structure, membership of the board, and process and information was graded as "Advanced."
- ◆ To thoroughly implement an ethical management policy and actively prevent unethical conduct, the Board has adopted Ethical Corporate Management Best Practice Principles and Procedures for Ethical Management and Guidelines for Conduct to provide the directors, managerial officers, employees, mandataries, and persons having substantial control of the Bank and the Group's enterprises and organizations with clear directions for the performance of their duties. In August 2019, the board of directors, senior management, and all employees signed a Declaration of Ethical Conduct.
- ◆ A Corporate Governance and Nomination Committee has been set up under the Board of Directors as a dedicated unit to drive ethical management of the Bank. The Committee assists in incorporating ethics and moral values into the Bank's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management compliance with the requirements of laws and regulations. The committee also reports regularly to the board of directors on the supervision of ethical management policy implementation and unethical behavior prevention plans.
- ◆ Regular training on ethical management was organized for board directors, senior management, and all employees. The advocacy and training sessions included topics such as Whistle-blowing System, Procedures for Internal Handling of Important Information and Self-Regulatory Rules on Disclosure of Merger and Acquisition Information, Customers Fair Treatment Principles by Financial Service Enterprises, Anti-money Laundering and Counter Financing of Terrorism Act,

Personal Data Protection Act, Regulatory compliance, etc. In 2019, a total of 24,619 individuals were trained for a total of 22,176 person-hours.

- ◆ Continue to strengthen the board structure and operations. In June 2019, all board directors were covered under Directors and Officers Liability Insurance, realizing sustainable management philosophy.
- ◆ On February 25, 2019, the Board of Directors approved the appointment of Assistant Vice President, Mr. Yang Chien-Ko, as the Bank's Corporate Governance Officer. Mr. Yang has more than three years of experience managing financial, investment, and administrative matters and was put in charge of handling board meetings, shareholder meetings, and other related matters under regulatory requirements. In 2019, Assistant Vice President Mr. Yang Chien-Ko clocked a total of 33 hours for training related to corporate governance.

### **Economic Development**

- ◆ Return on Assets (ROA) for 2019 was 1.21%, Return on Equity (ROE) was 8.93%, and net profit after tax was NT\$3.4 billion.
- ◆ Excellent asset quality with a coverage ratio of 9,917.55%, Non-Performing Loans Ratio at 0.01%, and overall loan coverage at 1.44%.
- ◆ The average profit per employee was NT\$3.9731 million, ranked third highest for domestic banks.
- ◆ Received A+ (tw) National Long Term Rating from Fitch Ratings in 2019 with a "stable" outlook.

### **Environmental Sustainability**

- ◆ To fulfill corporate social responsibilities together with suppliers and to highlight an excellent image, Supplier Management Regulations are formulated based on the corporate objectives of achieving economic, social, and environmental balance and sustainable development.
- ◆ Material suppliers are invited to sign the Undertaking for Human Rights and Environmental Sustainability Clauses, which document a CSR implementation commitment. For suppliers with procurement values more than NT\$10 million in 2019, the signing rate for the undertaking was 100%.
- ◆ A Supplier CSR Self-assessment Form is formulated to understand the state of suppliers' CSR implementation via the self-evaluation mechanism. The

information is also taken into consideration while reviewing the renewal of the procurement relationship with the supplier. Among the 62 material suppliers for procurement made in 2019, 13 suppliers completed the self-assessment, and all the self-assessment results were not in violation of the Bank's CSR philosophy.

- ◆ For suppliers involved with high-risk tasks, relevant advocacy efforts are made following Notice on Hazardous Factors for Contractor Handover during the kick-off meeting. In addition to requiring contractors to comply with Occupational Health and Safety Regulations, on-site personnel was provided with occupational safety and health training and outreach and guidance on preventing hazardous events from reducing workplace injuries. A total of 5 outreach sessions were organized in 2019, and there were no casualties due to workplace accidents.
- ◆ Indoor air quality maintenance and management plan are devised, inspections are carried out at the headquarters' service lounge, and SGS certification has been obtained.
- ◆ A target of reducing energy consumption and greenhouse gas emission in 2022 by 15% from levels of 2017 was set. The total annual energy consumption for 2019 was 4,599kWh, saving 10.32% compared with that in 2017. The Bank was conferred the Ministry of Economic Affairs Energy Saving Leadership Award - Excellent Energy Saving Enterprise Award, and the award was a morale boost for us to work towards our 2022 target.
- ◆ The Bank also passed the certification for ISO50001 Energy Management assessment in November 2011. Through the promotion of reasonable and efficient use of energy and preventing energy waste, we endeavor to match the international trends in corporate governance principles and practices.

## Community Engagement

- ◆ The Corporate Governance and Nomination Committee has been designated as the CSR supervision unit, and a CSR Task Force was also set up to formulate and review CSR policies, systems, and management approach, and to consolidate and plan CSR activities for the head office and various business units. A total of 4 CSR Task Force meetings were held in 2019, and the implementation plans and results were discussed by the Corporate Governance and Nomination Committee before presented to the Board of Directors.
- ◆ The foci for CSR outreach activities are Financial Literacy and Anti-fraud Advocacy.



In 2019, the number of outreach sessions were 22 and 86, respectively.

- ◆ A total of 257 volunteering events were held, with participation hours totaling 5,258 hours and 56,410 beneficiaries.
- ◆ In collaboration with the police, 113 frauds were thwarted in 2019, an increase of 48 over the previous year, with a total value of about NT\$15 million being intercepted.
- ◆ As of the end of 2019, participation for the employee stock ownership trust plan was 83%.

## Honors and Achievements

- ◆ 6th Corporate Governance Evaluation (for the Year 2019) Top 5% of all listed companies.



- ◆ 2019 Ministry of Economic Affairs Energy Saving Leadership Award - Excellent Energy Saving Enterprise Award

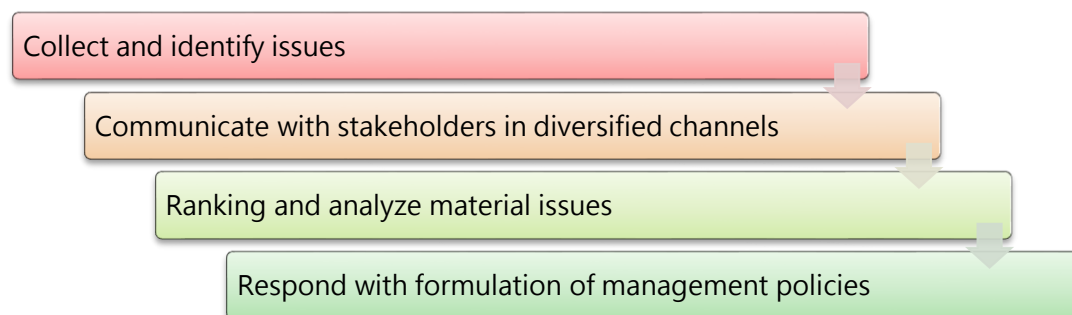


- ◆ 2019 Excellent Bank for SME Loans
- ◆ Numerous awards in recognition of the Bank's employees for intercepting frauds in 2019



## Stakeholder Engagement

The Bank published the CSR report to address matters of concern to stakeholders. To fully grasp the matters that stakeholders are concerned with and internalize the issues into driving forces for improvements, we conducted analysis and evaluation of stakeholders and material issues through the following four steps.



## Stakeholder Identification

KTB and its subsidiaries provide banking, leasing, construction management, and other forms of business services. Hence stakeholders are defined as internal and external organizations and individuals that have an impact on or are affected by the operation of KTB. In 2019, based on our operating conditions, through CSR Task Force meetings, we identified six key stakeholder categories, namely investors/shareholders, government agencies, employees, clients, suppliers, community residents/organizations.

### ◆ 2019 Stakeholder Identification

Target	Stakeholder	Importance to KTB
Investors / Shareholders	<ul style="list-style-type: none"><li>General shareholders</li><li>Institutional shareholders</li><li>Foreign investors</li><li>Credit rating agencies</li></ul>	A responsible company ought to emphasize the rights and interests of shareholders and investors to enhance the trust of investors and maintain the stability of the company's equity.
Government agencies	<ul style="list-style-type: none"><li>Financial Supervisory Commission (Banking Bureau, Insurance Bureau, Financial Examination Bureau,</li></ul>	The financial industry is a highly regulated industry where government agencies' relevant regulations must be adhered to and government policies actively observed. Transparent two-way communication channels have to be built.

	<p>Securities and Futures Bureau)</p> <ul style="list-style-type: none"> <li>Banking Association/Trust Association</li> <li>Stock exchange</li> <li>Taiwan Clearing House</li> <li>Financial Information Service Co. Ltd.</li> <li>Other relevant government agencies</li> </ul>	
Employees	<ul style="list-style-type: none"> <li>Newly recruited employees</li> <li>Existing employees</li> <li>Interns (potential employees)</li> </ul>	Employees are the Bank's most important partners for sustained operations. We need to protect their rights at work, respect and care for each employee, actively nurture talents, and value our employees' career development.
Clients	<ul style="list-style-type: none"> <li>Existing clients</li> </ul>	Clients are the Bank's main source of revenue. We must listen to their needs, provide professional financial services to enable our clients to achieve their objectives, and grow hand in hand with our clients.
Community residents / Organizations	<ul style="list-style-type: none"> <li>Residents staying within the vicinity of our branches</li> <li>Community residents</li> <li>NPO and NGO</li> </ul>	Community is the foundation of the Bank. Thus, it is imperative to understand the community's needs, collaborate with the community, invest in communities, and improve positive impact.
Suppliers	<ul style="list-style-type: none"> <li>Third-party suppliers</li> <li>Contractors</li> <li>Purchasers</li> <li>Partners</li> </ul>	The Bank must carefully select high-quality vendors and develop a sustainable supply chain where the Bank can leverage on our strength to influence suppliers to fulfill corporate social responsibilities together.

## Communication with Stakeholders

To understand stakeholders' expectations for KTB's CSR report disclosures, we establish a stakeholder section on the Bank's corporate website. Also, we build appropriate communication mechanisms with various stakeholders through multiple channels. These channels enable the Bank to effectively respond promptly and serve as the main input sources for identifying stakeholders' issues and the degree of concern for the issues. Only through smooth communication channels can we listen to the real opinions of stakeholders. Different units are held accountable for communications with stakeholders, constantly paying close attention to issues that stakeholders are concerned about to determine the direction in which the Bank's CSR would advance.

### Communication Mechanisms with Stakeholders in 2019

Stakeholder	Feedback Gathering Channel	Communication Frequency
Investors / Shareholders	• Market Observation Post system. (Annual Reports and Financial Statements)	As needed
	• Institutional investor conference	As needed
	• Roadshow/IR Conference	As needed
	• Shareholders' meeting	Annually
	• Investor relations webpage in Chinese and English	As needed
Government agencies	• Information declarations	As needed
	• Supervision and audit activities	As needed
	• Policy advocacy meetings and symposiums	As needed
	• Phone, e-mails, letters	As needed
Employees	• Employee Welfare Committee	Quarterly
	• Supervisory Committee for Labor Retirement Reserve	
	• Labor-Management Meeting	
	• Employee satisfaction survey	Annually
	• Human rights commitment and risk assessment management	Annually
	• Annual performance appraisals	Annually
Clients	• General Manager's Mailbox	As needed
	• Customer service hotline and online mailbox	As needed
	• Customer satisfaction surveys	Annually
	• Facebook page	As needed



	<ul style="list-style-type: none"> <li>• KTB Line@</li> <li>• KTB's blog</li> </ul>	
Community residents / Organizations	• Branch community care activities	As needed
	<ul style="list-style-type: none"> <li>• Financial education</li> <li>• Financial management seminars</li> </ul>	As needed
	• Anti-fraud outreach	As needed
Suppliers	• Undertaking for Human Rights and Environmental Sustainability Clauses	As needed
	• Supplier's self-assessment	Annually
	• Training for suppliers	As needed
	• Audit on suppliers	As needed

## Analysis of Material Issues

The Company updated its 2019 list of issues to stakeholders based on the financial industry's nature, previous experience in report preparation, material events, and the financial industry's development trends. A total of 22 issues were identified, of which 7 were on corporate governance, 5 on employee welfare, 3 on customer service, 2 on social engagement, and 5 on environmental sustainability. Several approaches, including the 2019 stakeholder questionnaires, regular employee and customer satisfaction surveys, and reviews of official correspondences from financial authorities, were taken to identify stakeholders' material issues. The results of the analyses and surveys were discussed during CSR Task Force's meetings. Considering the two principles of "stakeholders' level of concern" and "impact on sustainable development," the issues were ranked, and primary issues to each stakeholder were identified to finalize the matrix of material issues.

### ◆ Issue Identification for 2019

Corporate Governance	Employee Care	Customer Service	Community Engagement	Environmental Sustainability
Operational performance	Occupational safety and health	Financial product innovation/digital finance	Financial inclusiveness and education	Green procurement
Regulatory compliance	Employee talent development	Quality of customer service	Social welfare	Green financing
Anti-money laundering and counter financing of terrorism	Labor relations and employee communication	Customer privacy and information security		Energy management/energy conservation and carbon emission reduction

Risk management	Human rights protection and gender equality			Supplier management
Corporate governance and ethical corporate management	Employee benefits and remuneration			Responsible stewardship and investment
Transparency of information disclosure				
Stakeholder communication and response mechanism				

◆ **Key issues of Concern for Each Stakeholder**

Level of Concern	Investors / Shareholders	Government agencies	Employees	Clients	Community residents / Organizations	Suppliers
<b>High</b> ↓ <b>Low</b>	Risk management	Regulatory compliance	Employee benefits and remuneration	Customer privacy and information security	Customer privacy and information security	Corporate governance and ethical corporate management
	Operational performance	Anti-money laundering and counter financing of terrorism	Employee talent development	Quality of customer service	Quality of customer service	Operational performance
	Regulatory compliance	Stakeholder communication and response	Corporate governance and ethical corporate	Corporate governance and ethical corporate	Corporate governance and ethical corporate	Customer privacy and information security

Level of Concern	Investors / Shareholders	Government agencies	Employees	Clients	Community residents / Organizations	Suppliers
		mechanism	management	management	management	
	Corporate governance and ethical corporate management	Quality of customer service	Customer privacy and information security	Transparency of information disclosure	Risk management	Financial product innovation/digital finance
	Transparency of information disclosure	Corporate governance and ethical corporate management	Occupational safety and health	Risk management	Transparency of information disclosure	Supplier management

#### ◆ Materiality Matrix

Degree of stakeholder concern (High → Low)	<ul style="list-style-type: none"> <li>Transparency of information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Labor relations and employee communication</li> <li>Anti-money laundering and counter financing of terrorism</li> </ul>	<ul style="list-style-type: none"> <li>Customer privacy and information security</li> <li>Quality of customer service</li> <li>Corporate governance and ethical corporate management</li> <li>Risk management</li> </ul>
	<ul style="list-style-type: none"> <li>Human rights protection and gender equality</li> <li>Financial inclusiveness and education</li> </ul>	<ul style="list-style-type: none"> <li>Employee benefits and remuneration</li> <li>Stakeholder communication and response mechanism</li> <li>Operational performance</li> </ul>	<ul style="list-style-type: none"> <li>Employee talent development</li> <li>Regulatory compliance</li> <li>Financial product innovation/digital finance</li> </ul>
	<ul style="list-style-type: none"> <li>Social welfare</li> <li>Energy management/energy conservation and carbon emission reduction</li> </ul>	<ul style="list-style-type: none"> <li>Responsible stewardship and investment</li> <li>Green financing</li> </ul>	-

<ul style="list-style-type: none"> <li>• Supplier management</li> <li>• Green procurement</li> </ul>		
Impact on sustainable development (Low → High)		

Based on analyses of the 2019 Materiality Matrix, we defined the scope and boundaries of the impact of 14 issues that stakeholders are highly concerned with and significantly impact the Bank's sustainable development progress. These material issues were also compared against GRI material topics to illustrate the boundaries of such impact. These 14 material issues were mainly in corporate governance, customer service, and employee care aspects. As the Bank's operating activities in the financial industry have a relatively low negative impact on the environment, environmental sustainability and social participation were regarded as voluntary disclosure issues. Concerning material issues, we will disclose their short, medium, and long-term goals, how issues related to a topic were managed, and the evaluation mechanism and performance outcomes.

Compared with 2018, there are three more material issues in 2019, including the addition of Anti-money Laundering and Counter Financing of Terrorism, Transparency of Information Disclosure, Workplace Health and Safety, Employee Benefits and Remuneration while the issue of Brand Image was removed.

#### ◆ 2019 Material Issues and Boundaries of Impact

Aspect	Material Issue	Corresponding GRI Topic-specific and Standards	Chapter	Boundaries of Impact	Page
				③②①②③④⑤⑥	
Corporate Governance	Corporate governance and ethical corporate management	102 General Disclosures 205 Anti-Corruption (205-2, 205-3)	Corporate Responsibility Governance	③ ①②③④⑤⑥	36
	Risk management	102 General Disclosures	Risk Management	③④⑤⑥①②③④⑤⑥	53
	Regulatory compliance	102 General Disclosures 419 Socioeconomic Compliance (419-1)	Regulatory Compliance	③④⑤⑥①②③④ ⑥	58



Aspect	Material Issue	Corresponding GRI Topic-specific and Standards	Chapter	Boundaries of Impact	Page
				①②③④⑤⑥	
	Anti-money laundering and counter financing of terrorism	102 General Disclosures 205 Anti-Corruption (205-2, 205-3) 419 Socioeconomic Compliance (419-1)	Regulatory Compliance	③ ①②③④	58
	Stakeholder communication and response mechanism	102 Disclosures	Operational performance	③ ①②③④⑤⑥	15
	Operational performance	102 Disclosures 201 Economic Performance (201-1)	Operational Performance	③④⑤①②③ ⑥	50
	Transparency of information disclosure	102 Disclosures 417 Marketing and Labeling (417-1, 417-2, 417-3)	Corporate Responsibility Governance	③ ①② ④	46
Customer Service	Customer privacy and information security	418 Customer's Privacy (418-1)	Consumer Rights Protection	③④⑤①②③④⑤⑥	80
	Quality of customer service	102 Disclosures	Consumer Rights Protection	③ ② ④⑤	75
	Financial product innovation/digital finance	102 Disclosures	Financial Innovation / Digital Finance	③ ② ④ ⑥	63
Employee Care	Employee talent development	404 Training and Education (404-1, 404-2, 404-3)	Employee Training	③ ③	100
	Labor relations and employee communication	102 Disclosures 402 Labor/Management Relations (402-1) 405 Diversity and Equal Opportunity (405-1, 405-2)	Labor Relations	③ ②③	93

Aspect	Material Issue	Corresponding GRI Topic-specific and Standards	Chapter	Boundaries of Impact	Page
				①②③④⑤⑥	
		406 Non-discrimination (406-1) 412 Human Rights Assessment (412-1, 412-2)			
	Occupational safety and health	403 Occupational Health and Safety (403-2, 403-3)	Labor Relations	④ ②③	96
	Employee benefits and remuneration	201 Economic Performance (201-1, 201-3) 401 Employment (401-1, 401-2, 401-3)	Labor Relations	④ ③	88

Internal: ④ KTB ⑤ KTB's Subsidiaries

External: ① Investors / Shareholder ② Government agencies ③ Employees ④ Clients ⑤ Community residents / Organizations ⑥ Suppliers

Impact: ■ Direct Impact ■ Indirect Impact ■ Business Relation Impact

### ◆ The Management Approach for Material Issues, Assessment Mechanism, and Performance Outcomes in 2019.

Corporate Governance and Ethical Corporate Management		
<b>Importance to KTB</b>	The financial industry is responsible as the custodian of people's assets. Upholding ethical management is one of our core values, and we strive to gain the trust and support of our clients.	
<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Corporate Governance Best Practice Principles</li> <li>✧ Ethical Corporate Management Principles</li> <li>✧ Procedures for Ethical Management and Guidelines for Conduct</li> <li>✧ Employee's Service Ethics and Codes of Ethical Conduct for Life</li> <li>✧ Regulations for Supplier Management</li> <li>✧ Complaint mechanism: customer service hotline, online mailbox, stakeholder webpage</li> </ul>	
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals</li> <li>1. Complete annual training related to corporate governance and ethical corporate management.</li> <li>2. Board directors, senior management, and all employees to sign the</li> </ul>	

	<p>Declaration of Ethical Conduct.</p> <p>3. Evaluate performance for the board and all functional committees.</p> <p>✓ Mid and long term goals</p> <p>1. Appoint dedicated personnel as Corporate Governance Officer.</p> <p>2. Continue to strive to be ranked top 5% of TWSE listed companies for corporate governance.</p>
<p><b>Assessment</b></p> <p><b>Mechanism and Performance</b></p> <p><b>Outcome</b></p>	<p>➤ Regularly organized training related to corporate governance and ethical corporate management. In 2019, 24,619 individuals underwent training for a total of 22,176 person-hours.</p> <p>➤ In August 2019, board directors, senior management, and all employees signed a Declaration of Ethical Conduct.</p> <p>➤ Reviewed and amended initiatives for the prevention of unethical behavior regularly on an annual basis.</p> <p>➤ Designated Corporate Governance and Nomination Committee under the Board as a dedicated unit to report regularly to the Board of Directors on an annual basis on ethics management policies and initiatives to prevent unethical behavior and supervise the implementation.</p> <p>➤ In February 2019, the Board of Directors approved the appointment of Assistant Vice President, Mr. Yang Chien-Ko, who has more than three years of experience in managing financial, investment, and administrative matters, as the Bank's Corporate Governance Officer.</p> <p>➤ In the 6th Corporate Governance Review (for the Year 2019), the Bank was recognized by Taiwan Stock Exchange for the third consecutive year to be one of the top 5 percent among all listed companies. It ranked in the top 10 percent in the finance and insurance category.</p> <p>➤ An external assessment was conducted in 2019 on the performance of the Board and all Functional Committees. After a comprehensive evaluation, the Bank's overall performance in terms of the board of director structure, membership of the board, and process and information were graded as "Advanced."</p>
<b>Risk Management</b>	
<p><b>Importance to KTB</b></p>	<p>As dealing with a crisis can be extremely costly, adopting risk management practices can reduce the probability of a crisis occurring. Robust risk management can reduce the likelihood of a crisis occurring and, in turn, boost</p>

	the competitiveness of the Bank.	
<b>Management</b>	✧	Establish a comprehensive risk management organization structure.
<b>Approach</b>	✧	Formulate <u>Risk Management Regulations</u> , which explicitly sets out risk management policies and procedures to ensure sustainable management and safeguard capital assets.
	✧	Formulate policies and procedures based on different types of risk. For example, Crediting Policy, Regulations for Approval and Authorization of Various Credit Facilities, Risk Management Regulations, etc., where separate management guidelines were formulated according to the policies and regulations as required.
	✧	Formulate Risk Management Self-Assessment System to develop a bank-wide corporate culture emphasizing intrinsic risk management and adheres to risk management mechanism.
<b>Goals for</b>	✓	Short-term goals
<b>Material Topic</b>	1.	The capital adequacy ratio is higher than the mean value of domestic banks.
	2.	Tier 1 Capital proportion higher than the mean value of domestic banks.
	✓	Mid and long term goals
	1.	Maintain credit rating as a long-term credit rating of A+ (twn).
	2.	Bank-wide risk incident resolution at 100%.
<b>Assessment</b>	➤	Well-functioning risk management organization.
<b>Mechanism and Performance</b>	➤	Capital adequacy ratio of 15.04% in 2019 was higher than the mean value of domestic banks at 14.07%.
<b>Outcome</b>	➤	Tier 1 Capital proportion of 14.56% in 2019 was higher than the mean value of domestic banks at 12.10%.
	➤	Excellent risk management performance, with six consecutive years of receiving A+ (twn) long-term credit rating from Fitch Ratings.
	➤	Monitored risk effectively, executed risk valuing, stress test, and other risk management mechanisms regularly, and results were duly reported to the Board of Directors.
<b>Regulatory Compliance</b>		
<b>Importance to KTB</b>	An effective regulatory compliance system is an important line of defense for internal control. Strict compliance with regulatory norms can mitigate operational risks and reduce losses due to judicial investigations, penalties, and	

negative media exposure.	
<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Institute regulatory compliance department under the President's direct purview to ensure the Bank's regulatory compliance system's implementation.</li> <li>✧ Conduct all business and operation activities under the relevant regulations issued by the competent authority.</li> <li>✧ Monitor cases of adjudication and penalties meted out to industry peers by the competent authorities to understand the risk of violation of law and regulations.</li> <li>✧ Effective internal audit system.</li> </ul>
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals</li> <li>1. Develop a communication platform for regional law enforcement and peers.</li> <li>2. Regularly complete training for regulatory compliance and advocacy efforts for laws and regulations.</li> <li>✓ Mid and long term goals</li> <li>1. Prevent incidents of penalties by the competent authorities.</li> </ul>
<b>Assessment Mechanism and Performance Outcome</b>	<ul style="list-style-type: none"> <li>➤ Regularly organized regulatory compliance workshop training and advocacy for laws and regulations. In 2019, 22,678 individuals completed online and offline regulatory compliance workshops.</li> <li>➤ Regularly conducted regulatory compliance self-assessments.</li> <li>➤ Regularly compiled incidents of penalties meted out to industry peers and further supplemented the correct legal norms and operating procedures for such incidents to prevent colleagues from making the same mistakes.</li> <li>➤ Regularly collated the important specifications and operation procedures issued by various departments and offices to fortify the concept of regulatory compliance among the Bank's employees.</li> <li>➤ Regularly executed internal audit and internal control processes.</li> <li>➤ Participated in two Tainan District Prosecutors Office and Tainan City Financial Institutions Crime Prevention Talk sessions, which were co-organized by Tainan District Prosecutors Office and the Bank in 2019.</li> </ul>
<b>Anti-money Laundering and Counter Financing of Terrorism</b>	
<b>Importance to KTB</b>	Banks are responsible for the prevention of money laundering and countering the financing of terrorism. Hence it is imperative to exercise caution and prevent



the Bank from becoming an environment for illicit activities.		
<b>Management Approach</b>	✧	Institute <u>Guidelines for Anti-Money Laundering and Countering Terrorism Financing</u> .
	✧	Institute <u>Policies and Procedures for Identifying, Assessing, and Managing Money Laundering and Terrorism Financing Risks</u> .
	✧	Institute management policies for <u>Procedures for Account and Transaction Monitoring</u> , and <u>Standard Operating Procedures for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates, and Persons on Negative Watch List</u> .
	✧	Institute management policy for <u>Standard Operating Procedures for Cash Transaction Reports above Certain Thresholds and Suspicious Transaction Confirmation</u> .
	✧	To prevent human error, leverage information systems to counter-check transaction parties' names, and complement monitoring for suspicious transactions.
<b>Goals for Material Topic</b>	✓	Short-term goals
	1.	Organize 66 sessions of fraud prevention outreach activities annually.
	2.	Regularly delivered money-laundering prevention workshops to achieve a training rate of 100%.
	✓	Mid and long term goals
	1.	Continue to intercept frauds to protect the assets of clients.
<b>Assessment Mechanism and Performance Outcome</b>	➤	Continuously referred to High-Risk Jurisdictions subject to a Call for Action issued by Financial Action Task Force on Money Laundering (FATF) to reinforce customer review measures for financial transactions in high-risk countries.
	➤	Regularly delivered online and offline training on anti-money laundering to achieve a 100% training rate.
	➤	Organized 86 sessions of anti-fraud outreach activities in 2019 with 11,533 beneficiaries.
	➤	Successfully thwarted 113 frauds in 2019, intercepting nearly NT\$15 million of swindled money.
	➤	Reinforced cross-industry collaboration with prosecutorial, investigative, and police authorities and participated in two crime prevention seminars

in 2019.	
<b>Stakeholder Communication and Response Mechanism</b>	
<b>Importance to KTB</b>	Establishing effective two-way communication channels and elevating transparency levels can boost stakeholders' trust for KTB and improve stakeholders' satisfaction level.
<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Maintain effective and two-way communication channels such as customer service hotline, online mailbox, stakeholder webpage.</li> <li>✧ Disclose information in a timely and transparent manner.</li> <li>✧ Implement risk management, taking a preemptive approach against risks that could adversely affect the Bank.</li> <li>✧ Emphasize service quality and customer rights.</li> </ul>
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals               <ol style="list-style-type: none"> <li>1. Maintain the efficiency and accuracy of reporting and disclosure of information.</li> <li>2. Maintain smooth communication channels with various stakeholders.</li> </ol> </li> <li>✓ Mid and long term goals               <ol style="list-style-type: none"> <li>1. Complete development of the English corporate website by the end of 2020.</li> <li>2. Publish the English version of the CSR Report by the end of 2020.</li> </ol> </li> </ul>
<b>Assessment Mechanism and Performance Outcome</b>	<ul style="list-style-type: none"> <li>➤ Actual performance of communication with various stakeholders in 2019, such as resolved all customer complaints, recognized as top 5% of TWSE listed companies for corporate governance, completed 257 community engagement activities, etc.</li> <li>➤ In 2019, the efficiency of declaration and disclosure of various information was 100%, and with perfect accuracy.</li> </ul>
<b>Operational Performance</b>	
<b>Importance to KTB</b>	Profits and growth are fundamental goals of operating enterprises. Creating long-term stable operational performance can facilitate the sustained development of an enterprise.
<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Provide investors/shareholders with timely and transparent information.</li> <li>✧ Develop direct and fast communication channels with investors/shareholders.</li> <li>✧ Appropriate asset allocation and investment strategies to create maximum benefits for investors/shareholders.</li> </ul>

	✧	Emphasize shareholder and investors' rights.
<b>Goals for</b>	✓	Short-term goals
<b>Material Topic</b>	1.	The ROA in 2019 has grown compared to 2018.
	2.	The ROE in 2019 has grown compared to 2018.
	✓	Mid and long term goals
	1.	Maintain stable operations performance.
<b>Assessment</b>	➤	The relevant units regularly submitted investment reports, branch operating reports, subsidiary performance evaluation reports, etc., to the management as reference for decision-making to ensure stable profitability.
<b>Mechanism and</b>		
<b>Performance</b>	➤	Monitored financial performance indicators.
<b>Outcome</b>	➤	In 2019, the ROA, ROE, and net profit after tax were 1.21%, 8.93%, and NT\$3.4billion, respectively, all of which have grown compared to 2018.
	➤	Excellent asset quality with coverage ratio at 9917.55%, Non-Performing Loans Ratio at 0.01%, and overall loan coverage at 1.44%.
<b>Transparency of Information Disclosure</b>		
<b>Importance to KTB</b>		The establishment of smooth communication channels, clear product risk disclosures, and elevating the transparency and efficiency of information disclosure can increase clients' understanding of the products, boost stakeholders' trust and loyalty to the Bank, and strengthen relations with stakeholders.
<b>Management Approach</b>	✧	Handle the Bank's marketing and labeling of products and services following the relevant regulations and circulars of the competent authorities and international standards.
	✧	Institute <u>Policies and Strategies for Fair Treatment of Customers</u> , <u>Regulations for Consumer Protection</u> , and <u>Operational Guidelines for Handling Customer Grievances</u> to set out the measures to be implemented in consumer protection policies. Appointment of a dedicated unit to review the consumer protection mechanism's effectiveness and regularly report to the Board of Directors.
	✧	Establish a Legal Compliance Review Committee
<b>Goals for</b>	✓	Short-term goals
<b>Material Topic</b>	1.	Organize two corporate briefings in 2019.
	2.	File monthly revenue and quarterly, semi-annual, and annual financial

	<p>reports earlier than the statutory disclosure schedule.</p> <p>3. Publish annual report and CSR report annually.</p> <p>✓ Mid and long term goals</p> <p>1. Avoid incidents of non-compliance with laws and regulations concerning product and service information and labeling and avoid non-compliance with laws and regulations concerning marketing communications.</p>
<b>Assessment</b> <b>Mechanism and</b> <b>Performance</b> <b>Outcome</b>	<p>➤ Organized two corporate briefings and was invited to participate in two investor briefings organized by brokerage firms in 2019.</p> <p>➤ All declarations and disclosures were made within the period set by the competent authorities in 2019.</p> <p>➤ Regularly conducted consumer protection advocacy.</p> <p>➤ Regularly conducted self-assessments of the effectiveness of bank consumer protection.</p> <p>➤ The responsible unit regularly reviewed the consumer protection mechanisms' effectiveness and reported to the Board of Directors.</p> <p>➤ Well-functioning and effective Legal Compliance Review Committee.</p> <p>➤ Timeliness and effectiveness of information updates.</p>
<b>Customer Privacy and Information Security</b>	
<b>Importance to</b> <b>KTB</b>	<p>Creating a safe financial environment for clients is the Bank's responsibility. We ought to emphasize customers' privacy and ensure security controls are in place for an online transaction environment to prevent leakage of personal data leakage and possible risks for online transactions, avert the operational crisis, and being subjected to legal penalties liability for damages.</p>
<b>Management</b> <b>Approach</b>	<p>✧ Establish Task Force for Implementing Personal Data Protection Management.</p> <p>✧ Institute management policies such as <u>Measures for the Security and Protection of Personal Data Files</u>, Guidelines for Personal Data Risk Assessment Process, Guidelines for Crisis Management during Personal Data Leakage, Operational Specifications for Customer Transaction Data Security and Confidentiality, Self-regulatory Guidelines for Customer Data Confidentiality, etc.</p> <p>✧ Establish an Information Security Management Committee and improve the Bank's information security management system by referring to the ISO27001 Information Security Management System framework.</p>

	<ul style="list-style-type: none"> <li>✧ Institute IS-2-009 Info-communications Security Incident Management Procedure Guide, IS-3-013 Information Office Information Security Incident Reporting Guide, IS-3-014 Information Office Handling of Denial-of-Service Attack Guide, IS-3-016 Open System Backup Drill Plan Guide, etc.</li> </ul>
<b>Goals for</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals</li> </ul>
<b>Material Topic</b>	<ol style="list-style-type: none"> <li>1. Regularly complete personal data leakage emergency response contingency drill.</li> <li>2. Regularly complete training for customer privacy and information security.</li> </ol> <ul style="list-style-type: none"> <li>✓ Mid and long term goals</li> </ul> <ol style="list-style-type: none"> <li>1. Ensure compliance to Standards for the Security Management Operation of Electronic Banking Business of Financial Institutions and meet 100% of the competent authority requirements.</li> <li>2. Avoid incidents of personal data leakage.</li> </ol>
<b>Assessment Mechanism and Performance Outcome</b>	<ul style="list-style-type: none"> <li>➤ Regular meetings for Task Force for Implementing Personal Data Protection Management and provided self-assessment results for safeguarding personal data security to the board of directors annually.</li> <li>➤ Regularly conducted personal data leakage emergency response contingency drill.</li> <li>➤ Regularly conducted social engineering drills, strengthened information security/personal data advocacy to heighten employees' sensitiveness for information security.</li> <li>➤ Regularly conducted information security training and assessment tests to bolster employees' awareness of information security.</li> <li>➤ Regularly conducted information security emergency response contingency drills and reported the annual overall information security implementation to the directors' board.</li> <li>➤ Regularly updated the relevant software services for information security equipment to facilitate timely detection and deflection of network attacks.</li> </ul>
<b>Quality of Customer Service</b>	
<b>Importance to KTB</b>	<p>Clients are one of the most important stakeholders of the Bank. We are constantly concerned about their feelings, thus protecting their rights and interests, avoiding possible disputes and grievances, improving customer satisfaction, and strengthening loyalty.</p>

<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Formulate <u>Policies and Strategies on Fair Treatment of Customers</u> based on Principles for Fair Treatment of Customers in the Financial Service Industry issued by the Financial Supervisory Commission to ensure service quality.</li> <li>✧ Establish Product Review Task Force and devise financial product-related management audit mechanisms to monitor risks.</li> <li>✧ Institute Guidelines for Handling Customer Grievance Incidents to protect consumers' rights.</li> <li>✧ Review the causes of complaints and make necessary refinements. Information on the incidents is then recorded and provided to front-line service personnel from time to time for reference.</li> </ul>
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals               <ol style="list-style-type: none"> <li>1. Resolve all customer complaints received in 2019.</li> <li>2. Above 90% satisfaction level for 2019 Wealth Management Business Service Quality Survey.</li> </ol> </li> <li>✓ Mid and long term goals               <ol style="list-style-type: none"> <li>1. Protect customers' rights and maintain service quality.</li> </ol> </li> </ul>
<b>Assessment Mechanism and Performance Outcome</b>	<ul style="list-style-type: none"> <li>➤ Regularly conducted training to enable employees to have a clear understanding of product features and regulatory requirements—conducted a total of 785 in-house training sessions (inclusive of both online and offline courses) in 2019.</li> <li>➤ Invited clients to provide satisfaction ratings after completion of transactions at branch counters.</li> <li>➤ The effectiveness of handling customer complaints was perfect in 2019, and all complaints have been resolved.</li> <li>➤ The 2019 Wealth Management Business Service Quality Survey revealed a satisfaction rate above 90%.</li> <li>➤ Regularly collated status of complaint resolution as reports to the Chairman and Board of Directors.</li> <li>➤ Regularly conducted customer satisfaction surveys.</li> </ul>
<b>Financial Innovation / Digital Finance</b>	
<b>Importance to KTB</b>	Financial services that keep pace with times and virtuous cycles of continuous innovation and breakthrough are created inextricably by introducing innovative products. Competitive edge can only be gained by accelerating the pace of digitalization.

<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Incorporate digital technologies into traditional businesses to stimulate new practices, new services, and new financial experience to elevate added value.</li> <li>✧ Cross-divisional digital services meetings to integrate digital business and information related resources demonstrated the resolute to drive digital financing.</li> </ul>
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals</li> <li>1. Complete development of 4 new business categories or products in 2019.</li> <li>2. Achieve a 20% penetration rate for digital banking in 2019.</li> <li>✓ Mid and long term goals</li> <li>1. Develop digital banking accounts.</li> <li>2. Actively drive various innovative digital services.</li> </ul>
<b>Assessment Mechanism and Performance Outcome</b>	<ul style="list-style-type: none"> <li>➤ Regularly organized digital services meetings to discuss directions for digital services development and drive the initiative.</li> <li>➤ Delivered a total of 6 product service offerings in 2019, namely cardless cash deposit, online application for waiver of inter-bank ATM transaction fees for persons with disabilities, cross-border electronic payment platform, LINE messaging platform, SET Money Transfer app for intermediary settlement, newly added inter-bank transfer comment column. The annualized achievement was 150%.</li> <li>➤ The penetration rate of 21.75% for digital banking in 2019.</li> <li>➤ Actual performance for social media management.</li> </ul>
<b>Employee Talent Development</b>	
<b>Importance to KTB</b>	The Bank's growth is dependent on talents. Excellent nurturing for talents is key to the ability to thrive sustainably in the increasingly competitive industry.
<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Conduct training according to the organization's plans and willingness of the talents.</li> <li>✧ Establish management mechanisms to reward employees with outstanding performances and potential after annual appraisal.</li> </ul>
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals</li> <li>1. Regularly complete employees' function-related training.</li> <li>2. The retention rate of 75% for new employees who completed one year of appointment.</li> <li>✓ Mid and long term goals</li> <li>1. Employee training courses to increase with each passing year.</li> </ul>



<b>Assessment Mechanism and Performance Outcome</b>	<ul style="list-style-type: none"> <li>➤ Assess total training cost, total training hours, satisfaction levels for training sessions, and other measures to ascertain the effectiveness of training and provide the basis for follow-up refinement planning.</li> <li>➤ Passed Ministry of Labor TTQS Talent Development Management System (Enterprise version).</li> <li>➤ Conducted 785 training sessions in 2019, 219 more than in 2018. The total amount invested in talent development was NT\$4,378,000.</li> <li>➤ The retention rate of new employees who completed one year of appointment was 92% in 2019.</li> </ul>
<b>Labor Relations and Employee Communication</b>	
<b>Importance to KTB</b>	Creating a diverse, open, equal, and harassment-free work environment inevitably protects the rights and interests of employees and ensures harmonious labor relations.
<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Employees are the Bank's most important assets, and excellent communication channels ought to be developed.</li> <li>✧ Provide employees with an excellent work environment so that they can have work-life balance.</li> <li>✧ Institute <u>Human Rights Policy</u> to protect the fundamental human rights of all employees, clients, and stakeholders.</li> <li>✧ Institute <u>Sexual Harassment Prevention Measures, Grievance, and Disciplinary Guidelines</u> to prevent sexual harassment behavior at the workplace and safeguard gender equality and human dignity.</li> </ul>
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals               <ol style="list-style-type: none"> <li>1. Regularly hold labor-management meetings.</li> <li>2. Regularly complete employee engagement surveys.</li> <li>3. Employ more persons with disabilities than set out in the Act.</li> <li>4. Human rights risk was assessed to be 0% based on Human Rights Assessment Management Form, and no human rights violations have occurred.</li> </ol> </li> <li>✓ Mid and long term goals               <ol style="list-style-type: none"> <li>1. Improve employee engagement survey scores.</li> </ol> </li> </ul>
<b>Assessment Mechanism and Performance</b>	<ul style="list-style-type: none"> <li>➤ Promoted gender equality in employees' structure, where female ratio to male in management roles was 54% to 46% in 2019.</li> <li>➤ Employed 11 persons with a disability, higher than the number set out in</li> </ul>

<b>Outcome</b>	<p>the Act.</p> <ul style="list-style-type: none"> <li>➤ Organized quarterly labor-management meetings, Employee Welfare Committee, and Pension Supervisory Committee meetings to facilitate two-way conversations and reviews.</li> <li>➤ Human rights risk is assessed to be 0% based on Human Rights Assessment Management Form, and no human rights violations occurred in 2019.</li> </ul>
<b>Occupational Safety and Health</b>	
<b>Importance to KTB</b>	Employees need to be healthy physically and in good psychological states before bringing greater value to the Bank. Hence the need to build a healthy and safe workplace where employees will feel at ease to work.
<b>Management Approach</b>	<ul style="list-style-type: none"> <li>✧ Strive to create a healthy and safe workplace and elevate the quality of the work environment.</li> <li>✧ Set up friendly workplace facilities.</li> </ul>
<b>Goals for Material Topic</b>	<ul style="list-style-type: none"> <li>✓ Short-term goals               <ol style="list-style-type: none"> <li>1. Regularly organize family day and activities to care for employees' physical and mental health.</li> <li>2. Regularly implement labor safety training and hold drills for self-defense fire hazard organizations.</li> </ol> </li> <li>✓ Mid and long term goals               <ol style="list-style-type: none"> <li>1. Build a friendlier and healthier working environment</li> </ol> </li> </ul>
<b>Assessment Mechanism and Performance Outcome</b>	<ul style="list-style-type: none"> <li>➤ Regularly arranged for free health checks for employees and organized family day activities to holistically take care of employees' mental and physical health.</li> <li>➤ Engaged health promotion officer at headquarter to provide employees with relevant health management services.</li> <li>➤ Delivered two labor safety training, and held drills for self-defense and fire hazard organization.</li> <li>➤ Staff cafeteria at headquarters provided employees with nutritious food and a safe dining environment.</li> </ul>
<b>Employee Benefits and Remuneration</b>	
<b>Importance to KTB</b>	Having a reasonable remuneration system can boost employees' efficiency and create a good working atmosphere, thereby lifting the retention rate of key talents.
<b>Management</b>	✧ Institute policies such as <u>Work Rules</u> , <u>Employee Promotion Rules</u> ,

<b>Approach</b>	<p><u>Employee Remuneration Rules</u>, and <u>Employee Retirement Rules</u> to safeguard employees' legitimate rights and interests.</p> <p>✧ Constitute Company Subsidy and Employee Mutual Assistance Fund, and established Employee Welfare Committee. 0.5% of employees' salaries and 0.1% of the operating income are deducted monthly and channeled towards a welfare fund. The committee will coordinate the use of the funds for employee's welfare-related matters. Employees may apply for the employee's mutual assistance fund and company subsidy for events such as marriage, childbirth, funeral, illness, or injury according to the provisions.</p>
<b>Goals for</b> <b>Material Topic</b>	<p>✓ Short-term goals</p> <p>1. Maintain participation for employee stock ownership trust plan at above 80% in 2019.</p> <p>2. Organize family day and various welfare measures.</p> <p>✓ Mid and long term goals</p> <p>1. Continuously enhance the well-being of employees to create a happy enterprise</p>
<b>Assessment</b> <b>Mechanism and</b> <b>Performance</b> <b>Outcome</b>	<p>➤ Implemented employee stock ownership trust system and strengthened employee cohesion such that when employees retire or leave the Bank, they can reap the benefits from the Bank's long-term growth. In 2019, participation for the employee stock ownership trust plan was 83%.</p> <p>➤ Regularly organized family day and CSR related activities to strengthen cohesion among employees and core function value of employees.</p> <p>➤ Provided group insurance for employees and optional additional coverage for dependents under the group insurance arrangement to enable employees and their family members to have comprehensive coverage.</p>

## **Corporate Responsibility Governance**

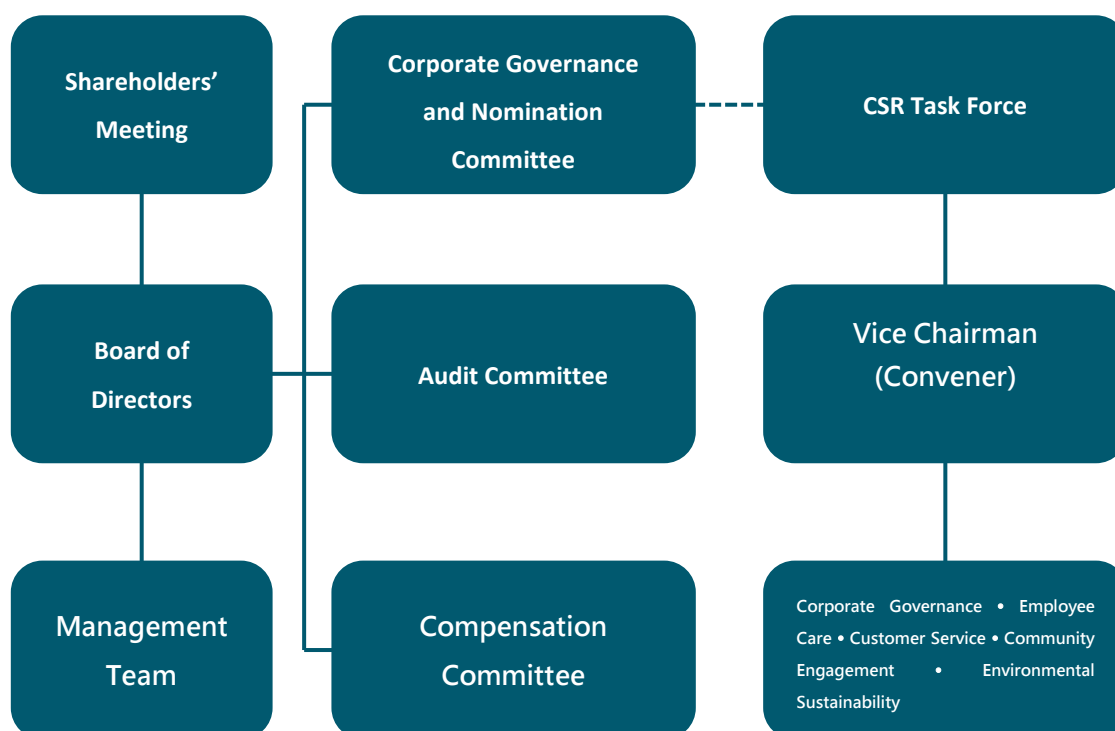
CSR is one of the Bank's core values, and we established a CSR Task Force in December 2015 as the highest guiding unit for the implementation of CSR throughout the Bank. With the Vice-Chairman as the convener, the task force comprises the President and Directors from the Human Resource Department, Administration Department, Digital Services and Channel Management Department, Strategic Planning Department, etc.

The task force, resolutions for annual CSR issues or initiatives were passed, data for CSR were collated and tracked, and the CSR report was compiled. We hope that awareness for CSR will permeate each department's responsibilities such that long-term competitiveness can be maintained.

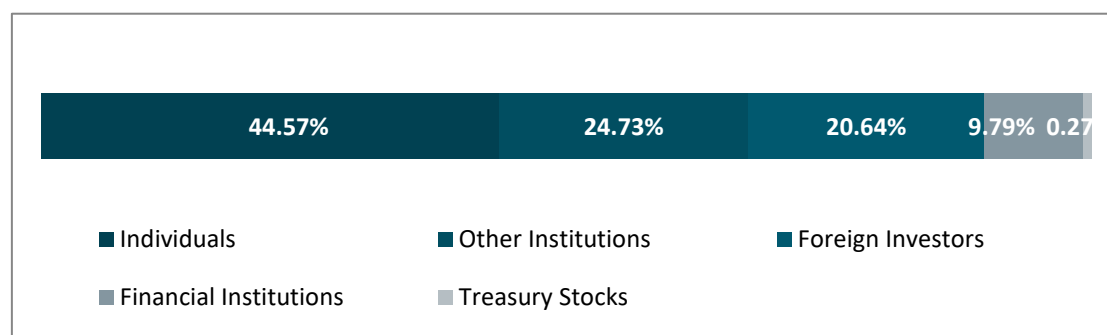
We firmly believe that the foundation of a company's sustainable management lies in the ethics and transparency of corporate governance. To that end, we continue to deepen all aspects of corporate governance, established an effective corporate governance structure, improved internal management, strengthened the board of directors' functions, and increased information transparency.

In November 2017, to improve the functions of the Board of Directors of the Bank, enhancing the management mechanism, and implementing ethical management, we set up a "Corporate Governance and Nomination Committee." The Committee is composed of at least three directors elected within and by the Board of Directors, of which more than half must be independent directors. The Committee is responsible for the search, review, and nomination of board members and senior executives and shall supervise the implementation of the corporate governance system, ethical management policies, and implementation status for CSR.

## Corporate Governance Structure



## Shareholder Structure



## Corporate Governance Operation

There are 7 directors in the KTB Board of Directors, of whom three are independent. To ensure a well-functioning corporate governance system, the Audit Committee and Compensation Committee were established in 2011, while the Corporate Governance and Nomination Committee was established in 2017 to strengthen the supervisory and management functions of the Board.

### ◆ Policy to Ensure Diversity of Board Members

The Bank has instituted Corporate Governance Best Practices Principles, in which

Article 4 Strengthen Board Functions clearly sets out the policy of diversification of board members. The nomination and election of members of the Board of Directors of the Bank follow the provisions of the Company Act's articles and adopt a board nomination system. Besides evaluating the candidates' qualifications, Procedures for Election of Directors and Corporate Governance Best Practices Principles are observed to ensure the diversity and independence of directors.

None of the seven directors of the current Board of Directors possess employee status, and three independent directors constitute 43% of the Board. Two independent directors have less than 3 years, while one has a tenure of 7-9 years.

The board members possess extensive experience in financial accounting, industry knowledge, and operation management. In terms of professional competence and industrial experience, Mr. Tai, Chen-Chih and Mr. Tsai, Chiung-Ting specialize in bank management, financial analysis, and overall economic analysis; Mr. Chuang, Chin-Chung specializes in construction and land development with various practical experience; Mr. Wang, Hsien-Tsung, and independent directors Mr. Chen, Ming-Tai and Mr. Chiang, Hung-Liang specialize in risk management, marketing, and financial affairs; while Mr. Chen, Chao-Lung specializes in medical research and international development cooperation. The board members are diverse and complementary, which is beneficial to the development of the Bank's deposit business and enterprise financing and investment business.

#### ◆ **Specific Management Objectives and Implementation of the Diversification Policy for Board Members**

Directors should generally possess the necessary knowledge, skills, and qualities to perform their duties. The specific management objectives of the Bank's diversity policy are as follows: among the nine competencies of the Board of Directors, each competency must be possessed by at least three directors, and each director must possess at least five competencies. This was achieved in all board members in 2019, and the implementation status is as follows.

Diversity Standards  Name of Director	Fundamental Metrics							Ability								
	Nationality	Gender	Age			Tenure of Independent Director		Operational Judgment	Accounting and financial analysis	Business management capabilities	Risk management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision-making
			45 ~ 50	51 ~ 60	61 ~ 70	< 3 years	3 ~ 9 years									
Tai, Chen-Chih	R.O.C	Male			√			√	√	√	√	√	√	√	√	√
Tsai, Chiung-Ting	R.O.C	Male	√					√	√	√	√	√	√	√	√	√
Wang, Hsien-Tsung	R.O.C	Male		√				√	√	√	√	√	√	√	√	√
Chuang, Chin-Chung	R.O.C	Male			√			√		√	√	√	√	√	√	√
Chen, Ming-Tai	R.O.C	Male			√		√	√	√	√	√	√		√	√	√
Chen, Chao-Long	R.O.C	Male			√	√		√		√	√	√	√	√	√	√
Chiang, Hung-Liang	R.O.C	Male		√		√		√	√	√	√	√	√	√	√	√

#### ◆ Board Meeting Attendance and Status of Continued Education

A total of 23 board meetings were convened in 2019, with the average attendance rate of board members at 90.68% and 100% for independent director Mr. Chiang, Hung-Liang. The attendance rate complies with the requirement that at least one independent director should attend each board meeting in person.

To encourage newly appointed or reappointed directors of the Bank to continuously enrich their knowledge and compelling directors of the Bank to enhance their professional knowledge and legal literacy, Guidelines for Further Education for Directors was instituted. The Bank will arrange for further education courses based on the directors' needs. In 2019, the directors attended a variety of courses, including Discussion of Developments in International and Domestic Anti-Tax Avoidance and Responses for Enterprises, Operation Strategies and Talent Development for Sustainable Management of Enterprises, Risks of Fintech and Regulatory Compliance, Laws and Regulations for Digital Banking and Open Banking, New Edition of Corporate Governance Blueprint and Business Evaluation Workshop, Corporate Governance and Criminal Risk Management, Latest Developments for Domestic Insider Trading and Prevention Responses for Enterprises, Legal Awareness for Board Members Supervising Enterprises, and Strategic Patents Planning, etc. In 2019, the total number of training hours for all directors was 48 hours, and each director had met the statutory standard of 6 hours per year.

## **Functional Committees**

### **◆ Audit Committee**

The Audit Committee is composed of all independent directors, and its supervision items are:

1. Ensuring propriety of financial statements.
2. Hiring/dismissal of certified public accountants and ensuring their independence and performance.
3. Effective implementation of the Bank's internal controls.
4. The Bank's compliance with laws and regulations.
5. The Bank's management of current and potential risks to the Bank.

### **◆ Compensation Committee**

The Compensation Committee is composed of all independent directors, and its main responsibilities are:

1. Regularly review the charter and make recommendations for amendments.
2. Formulate and regularly review the Bank's policies, systems, standards, and directorial and managerial performance evaluation and remuneration structure.
3. Regularly assess the degree to which performance goals for the directors and managerial officers of the Bank have been achieved, setting the types and amounts of their individual compensation.

### **◆ Corporate Government and Nomination Committee**

The Corporate Government and Nomination Committee consists of the Vice Chairman and all independent directors. Its main responsibilities and authority are:

1. Set out the standards of independence and diversity of background, such as expertise, skills, experience, gender, etc., required of board members and senior executives, and to search, review and nominate candidates for directors and senior executives based on such standards.
2. Establish and develop the board and each committee's organizational structure, evaluate the performance of the board, each committee, and each director and senior executive, and the independence of the independent directors.
3. Establish and review regularly further education plans for directors, and directors and senior executives' succession plans.
4. Research, analysis, implementation, and recommendation of plans for the



corporate governance system and regularly review corporate governance standards and related regulations.

5. Review of the effectiveness of the implementation of the corporate governance system.
6. Set out and supervise the implementation of ethical corporate management policies and plans to prevent unethical conduct.
7. Adopt CSR policies, systems, or related management approach.
8. Supervise CSR's implementation and status matters, and the management executives shall regularly report to the Board of Directors

The Administration Department of the Bank serves as the dedicated corporate governance unit. In February 2019, passed by resolution of the board, Assistant Vice President Mr. Yang, Chien-Ko, Director of the Administration Department, was appointed as Corporate Governance Officer to protect the rights and interests of shareholders and strengthen the functions of the board of directors. Assistant Vice President Yang, Chien-Ko possesses more than three years of experience in managing finance, shareholder services, and administrative matters of public companies. The Corporate Governance Officer's main responsibilities are to provide the board of directors' information to perform business activities, assist the directors and independent directors in regulatory compliance, and handle matters related to board meetings and shareholders' meetings following legal norms.

### **■ Performance Evaluation for Corporate Governance**

To realize corporate governance and elevate the effectiveness of the board, and establish performance objectives to enhance the operational efficiency of the board of directors, the Bank amended the Rules for Evaluating Board of Directors and Functional Committee Performance on May 14, 2018, to include functional committees in the scope of performance evaluation. Performance shall be evaluated regularly in accordance to five major aspects, namely the degree of participation in the Bank's operations, improvement to the quality of decision making by the board of directors/committee, composition and structure of the board of directors/committee, the election of the directors/committee members and their continuing professional education, and internal controls.

The self-evaluation result of the board of directors' performance evaluation in 2019 was "Excellent" and reported to the Board of Directors on February 24, 2019. In 2019, the Bank enlisted the services of EY Business Advisory Services to perform the external appraisal process. The evaluation covered three major dimensions, structure, people, and processes, and information. The scope covered eight major aspects: board structure and processes, board members, corporate and organizational structure, roles and responsibilities, behavior and culture, director training and development, risk control supervision, reporting and disclosure, and performance supervision. After a comprehensive evaluation, the Bank's overall performance for three major dimensions was graded as "Advanced," and the evaluation results were reported to the Board of Directors on May 20, 2019.

In addition, the Bank participates in the corporate governance evaluation conducted by the TWSE every year. For three consecutive years, in the fourth (2017), fifth (2018), and the sixth (2019) editions, the Bank was ranked as the top 5 percent of listed companies. With the aim of continuously strengthening the structure and operation of the board, all directors were covered under Directors and Officers Liability Insurance, actualizing the philosophy of sustained management.

◆ **Operation of the Board of Directors and Functional Committees in 2019**

Organization	Convener	No. of meetings	Average attendance rate of all committee members
Board of Directors		23	90.68%
Audit Committee	Chen, Ming-Tai Independent Director	6	100%
Compensation Committee	Chen, Ming-Tai Independent Director	4	93.33%

## **Ethical Management**

To establish a corporate culture of ethical management and catalyze the business's sound development, the Bank has instituted guiding principles such as Ethical Corporate Management Best Practice Principles, Corporate Governance Best Practice Principles, Employee Service and Code of Conduct Guidelines, Regulations for Supplier Management, etc. These guiding principles clearly specify matters that bank employees and suppliers focus on when performing business activities, proactively preempt unethical behavior, and serve as the basis for the implementation of ethical management for KTB and its suppliers. The Bank designated the Corporate Governance and Nomination Committee under the Board as the dedicated unit for ethical management to assist in the integration of ethics and moral values into the Bank's business strategies, to formulate relevant anti-fraud measures for ethical management following laws and regulations, and to regularly report to the Board every year.

### **◆ Ethical Corporate Management Best Practice Principles**

The Bank's Ethical Corporate Management Best Practice Principles clearly stipulated that in engaging in business activities, the Bank's personnel shall exercise the diligence and care of a good custodian to supervise and prevent unethical behavior, and shall conduct business activities fairly and transparently based on the principles. In July 2019, the Bank referred to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies to amend the ethics policy and was passed by the board's resolution. In August 2019, the Bank's board of directors, senior management, and all employees signed the Declaration of Ethical Conduct, and the Undertaking for Ethical Management, Anti-Corruption, & Anti-Bribery Policy was disclosed on the corporate website.

### **◆ Corporate Governance Best Practice Principles**

In addition to focusing on capital adequacy, asset quality, business management capabilities, profitability, asset liquidity, and risk sensitivity, the establishment of the corporate governance system shall adhere to the following principles:

1. Establishment of an effective corporate governance structure.
2. Comply with the regulations and strengthen internal management.
3. Protect the rights and interests of shareholders.

4. Strengthen the functions of the Board of Directors.
5. Fulfill the function of the Audit Committee.
6. Respect the rights and interests of stakeholders.
7. Enhance information transparency.

The Bank has established an Auditing Department under the Board of Directors, which maintains its independence in performing auditing affairs, reports regularly report to the Board of Directors, and the Audit Committee. Every year, the Bank and the chief auditor's directors shall hold a forum at least once a year to fully communicate on issues such as internal control and internal audit business, etc. The minutes shall be submitted to the Board of Directors, while the Chief Auditor shall report to the Audit Committee on implementing audit business at least semi-annually.

#### ◆ Communications Between Independent Directors and Chief Auditor

Date	Key Points of Communication	Recommendations and Results
<b>2019.02.25</b> <b>Audit Committee meeting</b>	Audit report for the second half of 2018	To submit a report to the Board of Directors after the Audit Committee has reviewed and granted approval.
<b>2019.03.25</b> <b>Audit Forum</b>	Review of internal control system deficiencies in 2018.	No objection
<b>2019.09.09</b> <b>Audit Committee meeting</b>	Audit report for the first half of 2019	To submit a report to the Board of Directors after the Audit Committee has reviewed and granted approval.
<b>2020.02.24</b> <b>Audit Committee meeting</b>	Audit report for the second half of 2019	To submit a report to the Board of Directors after the Audit Committee has reviewed and granted approval.

#### ◆ Procedures for Ethical Management and Guidelines for Conduct

The Bank's Procedures for Ethical Management and Guidelines for Conduct clearly prohibit the Bank's personnel from providing or receiving improper benefits, divulging trade secrets, conducting insider trading, and providing or promising any facilitation fee. Written records shall be kept for decisions on political contributions and charitable donations. In the event of a conflict of interest when performing business activities,

said personnel should seek recusal. Additionally, internal and external parties are encouraged to whistle-blow on any illegal behavior that contravenes the ethical corporate management principles and code of ethics. The legal rights of the whistle-blower and all related parties shall be protected.

Mailbox details of independent directors, chairman, and chief auditor are made available on the Bank's corporate website to receive reports from internal and external parties. Internal parties can also lodge a report, verbally or in writing, to all managers, all business units responsible, the Director of Human Resources, or the President. There were no incidents of bribery and corruption in 2019.

#### ◆ **Employee Service and Code of Conduct Guidelines**

Employees of the Bank shall abide by the laws and regulations and all the rules of the Bank with utmost sincerity and diligence, and shall not take advantage of their positions to engage in corrupt practices. The Bank neither allows borrowing of money between employees nor from clients, employees are not allowed to act as an intermediary for loans from clients' fund, and shall not act against the interest of the Bank. The Bank places considerable emphasis on the life and ethics management of employees. Individuals discovered to have anomalies in morals and ethics would be counseled and assessed for improvement status. If the situation is serious or improvements are not up to mark, the case will be referred to the Personnel Review Committee for review and resolution. The incident will be regarded as critical information when processing the employee's year-end appraisal, promotion, and rotation.

#### ◆ **Regulations for Supplier Management**

The Bank's suppliers mainly include postal and courier service providers, printing and packaging manufacturers, machinery and equipment maintenance service providers, security, etc. With the intent to safeguard human dignity and rights, jointly perform CSR, and demonstrate an excellent image, the regulations for supplier management was formulated based on the corporate objectives of achieving economic, social, and environmental balance and sustainability development.

To realize the Bank's ethical management policy, contracts are signed only after having a full comprehension of the status of implementation of ethical management of the other party. Contract terms shall include clauses stipulating compliance with the

Bank's ethical management policies to prevent business transactions with agents, suppliers, or other business partners involved in unethical behavior. Should any business contact or partners discover unethical behavior, business dealings shall cease immediately, and the party will be blacklisted.

## **Transparent Information Disclosure**

### **◆ Investor Relations**

To facilitate local and overseas investors to gain access to various comprehensive information of the Bank promptly, KTB had committed to enhancing investor relations on a long-term basis. The Bank values feedback from shareholders and investors and established direct and fast communication channels with investors.

On June 24, 2019, the Bank convened the shareholders' meeting. To elevate information transparency and internationalization of information, on May 23, 2019, the Bank uploaded Chinese and English versions of the annual report to satisfy shareholders' and investors' needs for information and protect shareholders' rights. The resolution was passed in the 2019 shareholders' meeting to issue cash dividends of NT\$1.50 per share to shareholders for 2018. The ex-date was set in July, and dividends were paid within a month.

Financial and business information was regularly published, and major announcements, handbooks, and the annual report were simultaneously released in Chinese and English. Monthly revenue and quarterly, half-yearly and annual financial reports were all published earlier than the statutory disclosure schedule. For example, monthly revenue reports were published on the second working day of the following month. The annual report was announced before the end of February, thus offering timely and transparent information.

On top of regularly disclosing financial information, KTB has also set up an investor web page in Chinese and English. Contact points for investors were disclosed, and operations status presentations were published quarterly. In 2019, the Bank convened two corporate briefings, during which information such as quarterly consolidated financial figures, operations status, etc., was announced and shared in detail. Additionally, KTB was invited twice to participate in two investor briefings organized

by brokerage firms, fully communicating with investors.

#### ◆ Disclosure of Consumer Information

If the disclosure of financial product information is not transparent enough, aggravated by the lack of customer awareness of financial products, disputes may arise. Furthermore, it can result in negative public perception and, in turn, affect goodwill. The Bank's marketing and labeling of products and services are handled under the relevant regulations and circulars of the competent authorities and international standards. The Bank also instituted Consumer Protection Guidelines to specify standards for consumer information disclosure, including interest rates, exchange rates, and various business transaction charges. It further stipulated that emphasis must be placed on the management for all marketing and advertising activities, including electronic media, print media, and DM publicity. Additionally, necessary cautions must be inserted, and the authenticity of advertisements be ensured. Employees are also obliged to fully disclose financial product risks when undertaking various business activities or sales of financial management products such as funds, insurance, etc.

To realize consumer protection and reduce regulatory compliance risks associated with the Bank introducing new product service offerings and filing applications to the competent authorities to establish new business lines, the Bank has established a Legal Compliance Review Committee. The committee ensures that all business regulations, contracts, documents, operational activities, etc., are according to the laws and internal regulations. All proposals that meet the following conditions shall be reviewed by the committee members to ensure compliance with the relevant laws and regulations. In 2019, the committee received 73 proposals, of which 3 were withdrawn, and 70 were reviewed and passed. Thus, the legality of information disclosed was elevated effectively while protecting consumer rights.

1. When drafting or revising various business specifications, products, application forms, boilerplate contracts (including terms), marketing advertisements, publicity materials, or other relevant documents related to consumers' rights and interests.
2. Before introducing new product service offerings and filing the application to the competent authorities to establish a new business.

In 2019, the Bank conducted two consumer protection advocacy activities and executed a self-evaluation of its effectiveness for consumer protection twice. The responsible unit also reported to the Board of Directors on the effectiveness of the consumer protection mechanism.

In 2019, there were no incidents of non-compliance with laws and regulations concerning product and service information and labeling, and no incidents of non-compliance with laws and regulations concerning marketing communications.

### **Brand Image**

The KTB corporate logo is a flame of the forest, symbolizing the roots of KTB in southern Taiwan, just as how the flame of the forest is unique to the southern parts of Taiwan. The orange-red flowers reflect the enthusiastic entrepreneurial spirit of KTB, while the sturdy tree trunk represents the business philosophy of being entrenched in the local market. The corporate typeface is Wei Bei, which originated from epigraphs and projects a less rigid feel than the regular script. Further, the typeface is imbued with strength, amalgamating character with power, to encapsulate the ethos of "faith can move mountains aptly."

Adhering to Building a Different Bank's business philosophy, we hope to foster connectedness and touch the lives of our local communities. We collaborated with local Tainan illustrators to create an owl mascot. With an appearance that brings comical relief and combined with the flame of the forest corporate identity, clients are presented with a distinct image.

To have a consistent corporate identity, the global information corporate website was first to undergo revamp in 2016, adopting a consistent color palette. In 2017, to bridge the gap with consumers, we posted a poll online for clients to choose their preferred passbook design by casting their votes. The owl mascot version emerged as the most popular option, and through the application of the brand element to the passbook and bank card, a unique style was created to enhance the Bank's brand image.

In 2019, the Bank organized a public naming event, Gimme a Goot Name, for the mascot owl. The mascot owl was invigorated and personified with birthday,



characteristics, personality, etc. Netizens were invited to name the mascot, which is now known as "Goochiu." The adorable look was well accepted by the public and left a deep imprint in people's hearts. The mascot embodied the positive image of KTB, which is righteous, joyful, and rich and let product design draw closer to consumers' lives.



▲ Public naming event for owl mascot



▲ Owl mascot stickers - Let's Fly Together

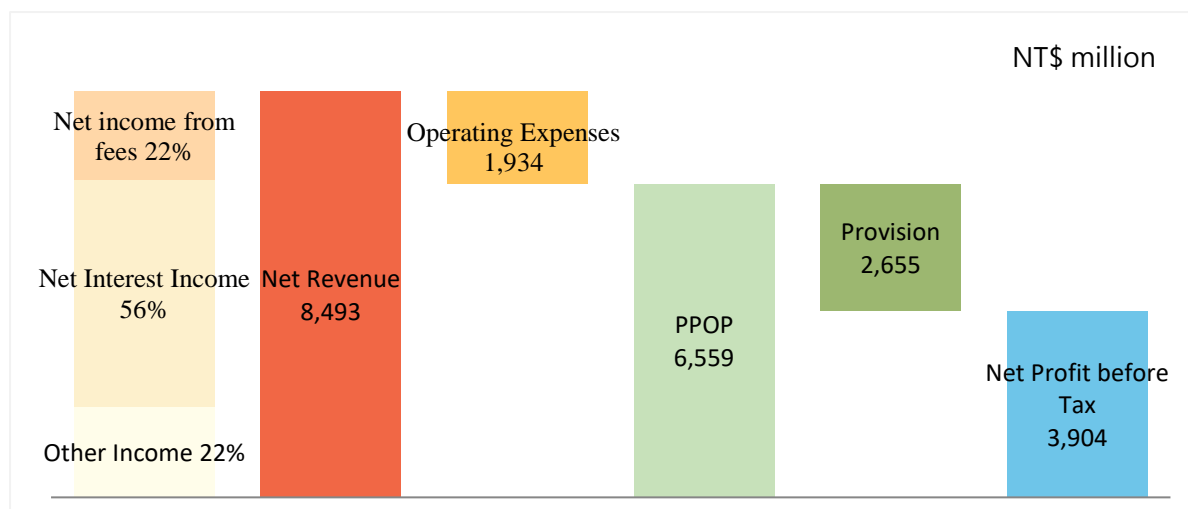
## Operational Performance

Item	2017	2018	2019
Total assets (NT\$ billion)	271.176	281.095	282.743
Shareholders' equity (NT\$ billion)	36.961	35.184	40.932
Net profit after tax (NT\$ billion)	5.611	2.878	3.400
Return on Assets	2.18%	1.04%	1.21%
Return on Equity	16.08%	7.98%	8.93%
Earnings per share (NT\$)	4.89	2.51	2.99
Net Value Per Share (NT\$)	32.25	30.83	36.28
Employee contribution (NT\$ thousand)	6,904	3,678	3,973

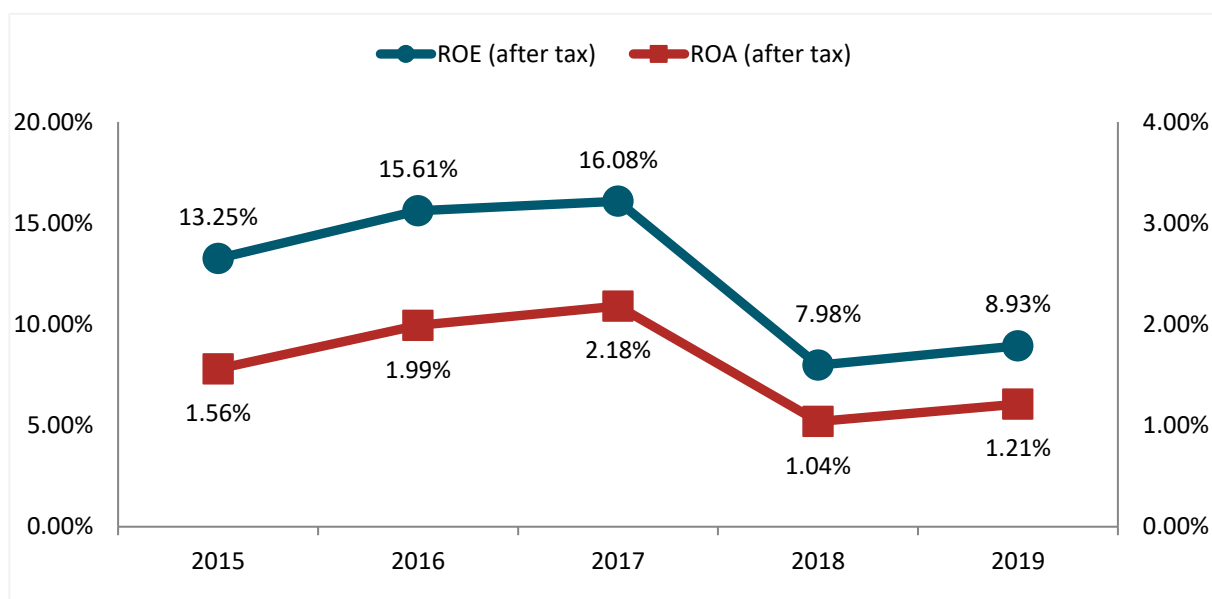
In 2019, the Bank's accumulated net profit after tax 2019 was NT\$3.4billion, and earnings per share after tax (EPS) was NT\$2.99. The return on equity (ROE) and return on assets (ROA) was 8.93% and 1.21%, respectively. The coverage ratio was 9918%; the NPL ratio was 0.01%, while the overall loan coverage ratio was 1.44%. Overall, the asset quality of the Bank was excellent, and the operations were stable. In 2019, the Bank was awarded an A+ (twn) long-term credit rating with a rating outlook of “stable” by Fitch Ratings. Looking ahead, the Bank will maintain its financial capabilities and asset quality to facilitate digital financial transformation and enhance its diversified business development capabilities.

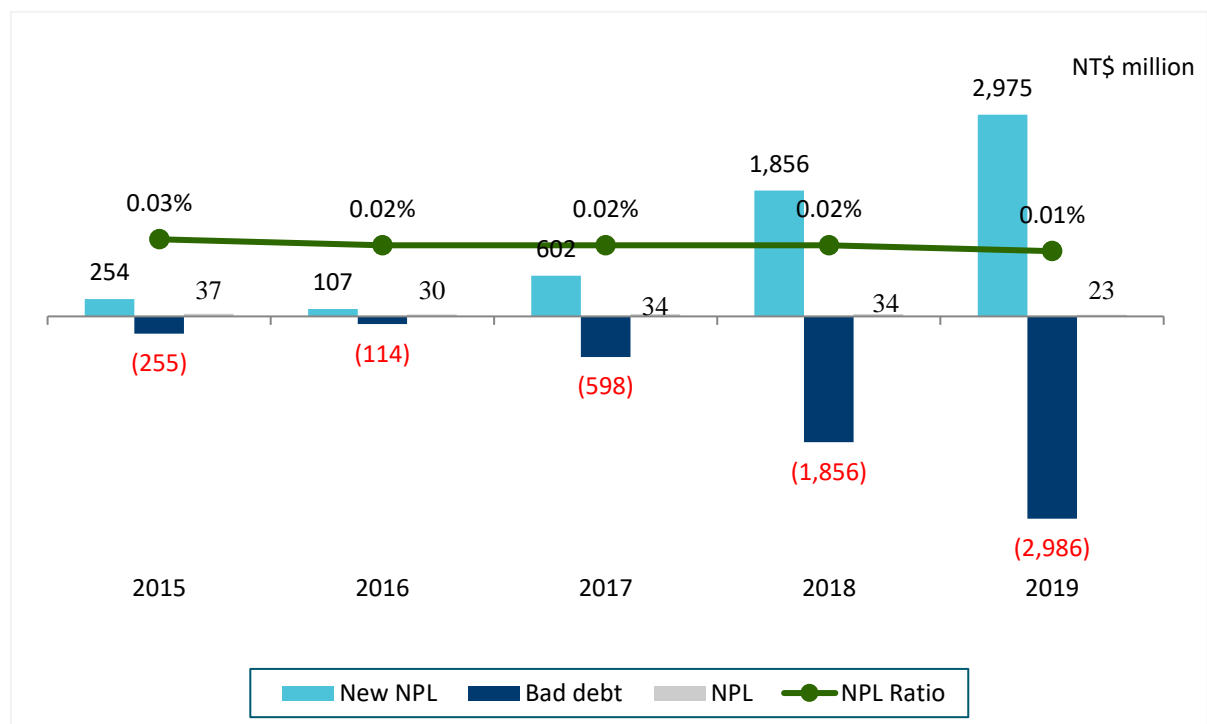
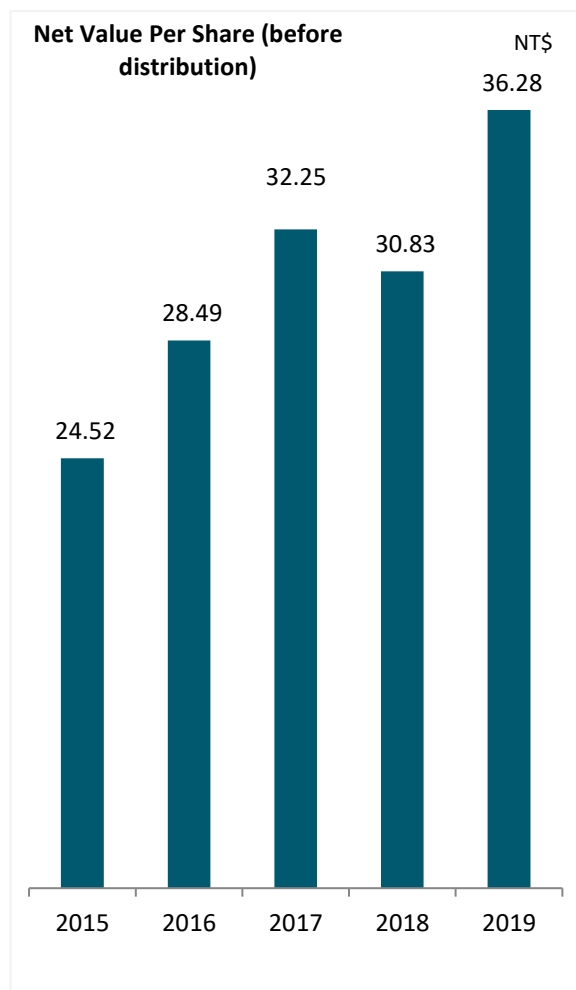
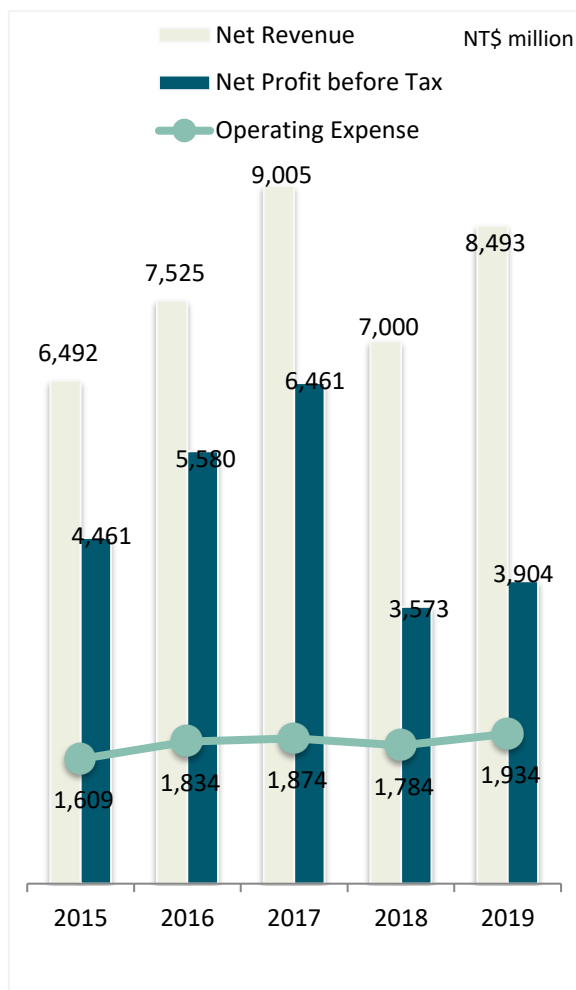
## Profit Status

### 2019 Revenue Structure



### 2019 Performance



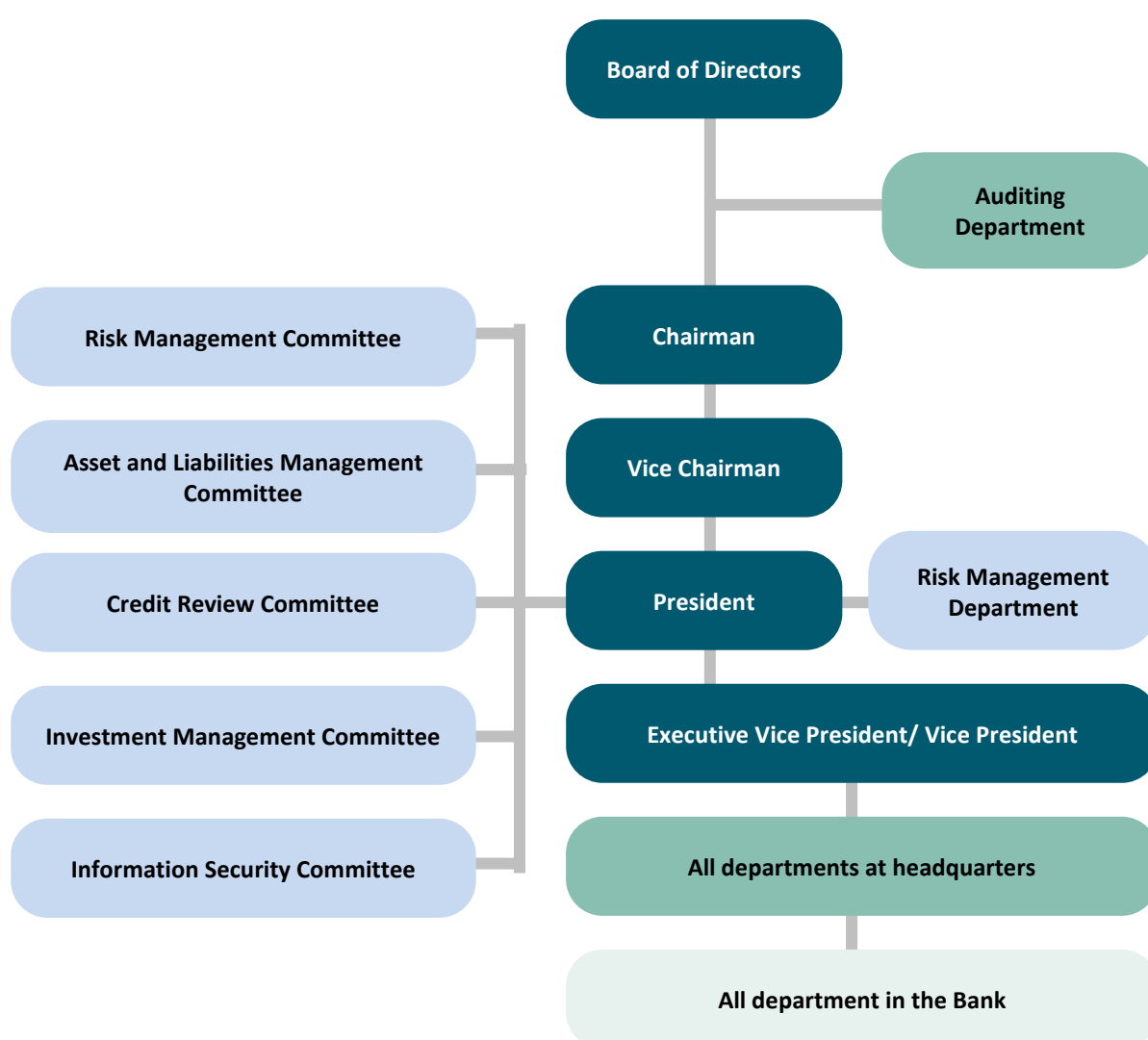


## Risk Management

The Bank instituted Risk Management Regulations to clearly set out risk management policies and procedures so as to ensure sustainable operations and maintain capital security. The Bank also established independent and effective risk management mechanisms to assess risk tolerance, monitor current risk tolerance situations, and where risk response strategies.

### **Risk Management Organization Structure**

The Bank has established a comprehensive risk management organizational structure comprising of Risk Management Committee, Asset and Liabilities Management Committee, Credit Review Committee, Investment Management Committee, and Information Security Management Committee to boost risk management and preempt all possible negative effects.



## **Risk Management Strategy**

Based on different risk types, the Bank formulated policies and regulations such as Credit Review Policy, Regulations for Approval and Authorization of Various Credit Facilities, Risk Management Regulations, etc. Subsequently, based on the policies and regulations, separate management guidelines were formulated where necessary. For example, Credit Risk Management Guidelines, Market Risk Management Guidelines, Operational Risk Guidelines, etc., were formulated based on Risk Management Regulations. To maintain capital adequacy, capital adequacy assessment procedures in line with the risk positions were established based on the scale of business growth. Taking into consideration overall risk exposure, appropriate overall capital allocation was also executed, and various business risk management mechanisms were established to bolster business performance. Further, all risks involved in on-balance sheet and off-balance sheet businesses were included in the scope of risk management.

In order to elevate the awareness and culture of risk management across the Bank, evaluate and identify the possible risks, causes, and possible impact of operational activities, and assess, measure, and monitor the degree of risk exposure with a view to reducing operational risk, a risk control self-assessment system was established, to, in turn, shape an organization culture which places emphasis on inherent risk management and is compliant to risk management mechanisms. The Bank has set and regularly monitored various precautionary indicators and risk limits for the purpose of monitoring risk effectively, and the implementation was regularly reported to the Board of Directors.

## **Risk Management Mechanism**

### **◆ Market Risk Management**

Market risks include risks related to interest rates, equity securities, foreign exchange, commodities, etc. The Market Risk Management Guidelines was instituted in accordance with overall risk management policy, based on the principles of soundness and with special emphasis on product fundamental analysis and business cycles. To monitor market risks, all investments were subjected to limits and precautionary management, and stop-loss mechanism was established.

#### ◆ **Credit Risk Management**

In order to maintain a safe and stable credit business while controlling credit risk, credit risk control mechanisms shall be established when planning various businesses, the procedures of identification, measurement, communication, and monitoring shall be adhered to, and capital adequacy shall be maintained within the acceptable credit risk range of the Bank. The Bank's credit extension to the same natural person, same juridical person, same public enterprise, same concerned person, same concerning the enterprise, and same concerned group of enterprises is under strict planning and control so as to avoid excessive concentration of credit risk. It is also maintained flexibly at any one point in time to maximize the effects of the credit guarantee.

#### ◆ **Liquidity Risk Management**

For various assets and liabilities, the maturity gap and maturity structure changes were regularly analyzed as the basis for fund allocation, liquidity management, and liquidity risk reduction. To control interest rate risk, the correlation between various assets and liabilities and market interest rate were regularly analyzed to assess market interest rate risk, and accordingly, deposit interest rate pricing and asset allocation were adjusted.

#### ◆ **Operational Risk Management**

The Operational Risk Management Guidelines is formulated in accordance with the overall risk management policy to effectively measure, control, and monitor the operational risks existing in various goods, services, operations, and systems. To effectively monitor operational risk exposure and control measures, quantitative indicators and corresponding threshold values and alert values were formulated by regularly collecting data on loss events to classify the loss events by types and business categories and determining the distribution of loss events.

### ◆ Country Risk Management

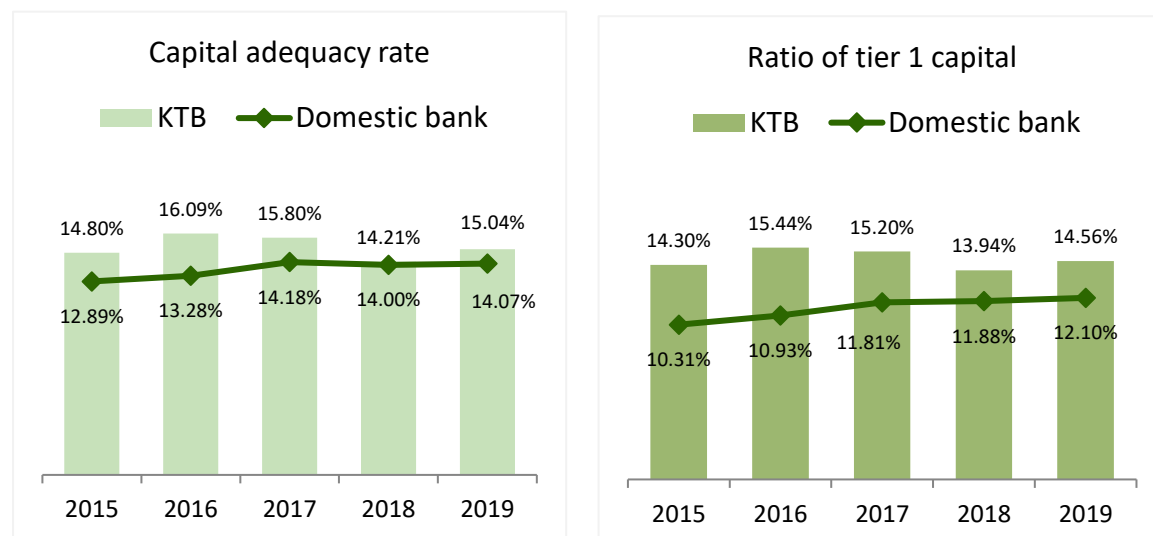
In order to establish a high-quality portfolio of assets and provide international corporate clients with a holistic range of financial services, and effectively control the political and economic risks that may arise in individual countries and regions, for the purpose of stabilizing the operation of international financial business, the Bank established risk limits in accordance with the credit ratings of each country and regularly reviewed the economic situation of each country to ensure the security of each business and reduce operational risks.





## Risk Management Effectiveness

### ◆ Excellent Capital Level



### ◆ Stable Business Constitution

For the sixth consecutive year, Fitch Ratings affirmed the A+(twn) Long Term credit rating for the Bank. In terms of investment strategy, the Bank predominantly took a diversified and long-term holding approach while the loan business geared towards developing in carefully selected niche markets with a high threshold and large margins with a view to preserve good internal capital creation capabilities and stabilize risk situation. We will persevere in balancing profitable growth and risk control while fortifying internal audit controls and implement compliance with laws and regulations, with the aim of establishing capital adequacy assessment procedure in line with risk conditions and in parallel with the development of various businesses, thereby building a stable financial structure and capital adequacy.

Date of Credit Rating	Credit Rating Agency	Long-term Credit Rating	Short-term Credit Rating	Rating Outlook
2019/05/24	Fitch Ratings	A+(twn)	F1(twn)	Stable
2018/06/05	Fitch Ratings	A+(twn)	F1(twn)	Stable
2017/09/20	Fitch Ratings	A+(twn)	F1(twn)	Stable
2016/09/21	Fitch Ratings	A+(twn)	F1(twn)	Stable
2015/09/25	Fitch Ratings	A+(twn)	F1(twn)	Stable
2014/09/30	Fitch Ratings	A+(twn)	F1(twn)	Stable

## **Regulatory Compliance**

In 2013, we established a dedicated unit, the Compliance Department, to handle the planning, management, and implementation of the regulatory compliance system, as well as to supervise matters related to planning and implementation of the policies and procedures for identification, assessment, and monitoring of risks associated with money laundering and terrorism financing. In March 2017, in response to the requirements of the competent authorities to reinforce the prevention of money laundering and the countering against the financing of terrorism, the Anti-Money Laundering Section was established under Compliance Department as the dedicated unit for anti-money laundering and countering the financing of terrorism. The section supervised the planning and execution of policies and procedures for identification, assessment, and monitoring of risks associated with money laundering and financing of terrorism to ensure compliance with relevant laws and regulations on anti-money laundering and combating capital terrorism.

## **■ Implementation of Money Laundering Prevention**

### **◆ Anti-money Laundering Policy**

In 2019, in accordance the competent authorities' Regulations Governing Anti-Money Laundering of Financial Institutions, Regulations Governing Reporting on the Properties or Property Interests and Locations of Designated Sanctioned Individuals or Entities by Financial Institutions, Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Financing of Terrorism of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission, and Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates, etc, the Bank amended its regulations and procedures such as Guidelines for Anti-Money Laundering and Countering Financing of Terrorism, Policies and Procedures for Identification, Assessment and Monitoring of Risks Associated With Money Laundering and Terrorism Financing, Policies and Procedures for Account and Transaction Monitoring, Standard Operating Procedures for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates, and Persons on Negative Watch List, Standard Operating Procedures for Reporting Cash Transaction Reports above Specified Value Threshold and Confirming Suspicious Transaction, etc.

To prevent human lapses, the Bank leveraged information systems to counter-check the names of transaction parties and to complement monitoring for suspicious transactions. The measures for customer review for financial transactions in high-risk countries were fortified by ceaselessly referring to High-Risk Jurisdictions subject to a Call for Action issued by Financial Action Task Force on Money Laundering (FATF).

#### ◆ **Strengthen Cross-industry Collaboration with Law Enforcement Agencies**

The Bank continuously implemented relevant operational regulations for anti-money laundering and unceasingly worked in tandem with various law enforcement agencies to prevent crimes. Frauds had constantly been a key focus for the police, while anti-money laundering is also high on the national policy agenda. In 2019, the Bank participated in two sessions of seminar, Tainan District Prosecutors Office and Tainan City Financial Institutions Crime Prevention Talk, co-organized by Tainan District Prosecutor Office and the Bank. Through the seminars, prosecutors, judicial police, and financial industry practitioners were provided a platform to exchange insights and to boost the emergency notifications, liaison capabilities, intelligence gathering and refinement of case handling, etc., between industries. The seminars also effectively demonstrated the cross-industry and high-intensity mode of collaboration, undermined the motivation and capabilities of perpetrators, and facilitated industry peers to join forces to protect the public's hard-earned money. During the seminar, the Bank conducted a presentation on Anti-Money Laundering on behalf of the financial sector, highlighting the Bank's remarkable achievements in the area.



▲ Participated in the Tainan District Prosecutors Office and Tainan City Financial Institutions Crime Prevention Talk



▲ Vice President from the Compliance Department represented the Bank to conduct a presentation at Tainan District

### ◆ Anti-fraud Performance

All branch offices and local law enforcement agencies jointly organized 86 sessions of anti-fraud outreach activities in 2019, with 11,533 beneficiaries. With unwavering vigilance and patience to care for customers, the front-line staff of the Bank took the initiative to spot and report probable criminal incidents and collaborated with the police to proactively thwart frauds. In 2019, 113 fraud cases were successfully thwarted, and the amount of funds intercepted was about NT\$15 million.

### ■ Step Up Advocacy for Regulatory Compliance

As a means to enhance advocacy of understanding regulatory compliance implementation, the Compliance Department conducted comprehensive thematic inspections from time to time and made site inspections for training post revisions of the new regulations, assisted in reviewing the content of business plans and proposed amendments to regulations and procedures, and provided advice on regulatory compliance. The Bank regularly organized training on ethical management and regulatory compliance, including Whistle-blowing System, Ethical Management and Anti-Corruption, Anti-Bribery Policy, Procedures for Handling Material Inside Information, Self-Regulatory Rules on Disclosure of Merger and Acquisition Information, Anti-money Laundering and Counter Financing of Terrorism Act, Fair Dealing Principles, Personal Data Protection Act, etc. The Compliance Department also conducted monthly training and post-workshop assessments for regulatory compliance information relevant to each specific functional department to improve the professional capabilities of employees. In 2019, a total of 22,678 individuals received online and offline training on regulatory compliance, and all employees also underwent anti-corruption policy and procedure training.

### ■ Internal Audit System

The Bank's Auditing Department regularly conducted an internal audit and internal control for all business and management units to examine if the business unit has any improper marketing if there is full disclosure for product service offerings and if there is full disclosure of related risks, identify the risks for each unit. Simultaneously, advocacy on legal norms was conducted monthly at each business unit, self-evaluation for regulatory compliance conducted semi-annually, regulatory compliance quiz conducted annually, and the implementation of regulatory compliance was included

in the annual performance appraisal to deepen the employees' attention to the concept of regulatory compliance. In 2019, an audit was conducted at least once on all units.

### **Penalties By the Competent Authorities**

In 2019, the Bank was not issued any penalties by the competent authorities. The penalties in 2018 have all been rectified.

### **Statistics of Training On Regulatory compliance**

<b>Course Title</b>	<b>Training Date</b>	<b>No. of Individuals Trained (Unit: person)</b>
Relevant Regulations on Anti-Money Laundering - Briefing on Periodic Audit Operations	1/15, 1/16	133
Regulations Related to Operations for Anti-Money Laundering and Countering Financing of Terrorism and Regulatory compliance (1)	5/22, 5/23, 5/29	27
Regulations Related to Operations for Anti-Money Laundering and Countering Financing of Terrorism and Regulatory compliance (2)	6/19, 6/21, 6/26	41
Regulations Related to Operations for Anti-Money Laundering and Countering Financing of Terrorism and Regulatory compliance (3)	7/9, 7/12, 7/17, 7/19, 7/24, 7/26	68
Regulations Related to Operations for Anti-Money Laundering and Countering Financing of Terrorism and Regulatory compliance (4)	12/11, 12/12, 12/17, 12/18, 12/19, 12/20	137
Advocacy on Regulatory compliance for New Employees (Personal Data Protection Act and Anti-Money Laundering)	4/22, 7/22, 11/11, 11/18	74
Workshop for Existing Employees for Anti-Money Laundering and Countering Financing of Terrorism	7/15, 7/16, 7/18, 7/19	110
Anti-Money Laundering and Countering Financing of Terrorism customized training	7/1-10/31	3,698
Ethical Management and Anti-Corruption, Anti-Bribery Policy, Whistle-blowing System	9/2-9/24	933
Self-audit Training	3/21-4/8	736
Procedures and Related Regulations for Handling Material Inside Information	8/1-12/31	934
Personal Data Protection Act	11/1-11/19	947
Self-Regulatory Rules on Disclosure of Merger and Acquisition Information	8/1-12/31	933
Fair Dealing Principles	6/14-7/5	943

Course Title	Training Date	No. of Individuals Trained (Unit: person)
Information Security	3/18-4/15, 8/1-8/22	1,869
Monthly regulatory compliance advocacy and quiz at each functional unit	Monthly	11,095
Number of individuals who completed regulatory compliance training		22,678

## **Financial Innovation / Digital Finance**

Financial product innovation is one of the elements to enhance market competitiveness. In response to changes in client financial service behavior and possible impact, the Bank proactively develops diversified innovative products and is committed to digitizing and mobile-enabling various businesses so as to create a more convenient and high-quality service experience for users.

### **■ Digital Finance Services**

#### **◆ Digital Service Organization Structure**

In February 2015, in response to digital trends and to encourage internal creativity, the Bank established a Digital Creativity Group, dedicated to developing products, models, and communities beyond financial services with information technologies as the enabler and digital platforms as the core battlefield. In August 2015, the Digital Creativity Group was enhanced to become the Digital Service Department. In February 2016, as part of the integration and realignment of resources, the department merged with Channel Management Department to form the Digital Services and Channel Management Department. Digital technologies were introduced into traditional businesses, sparking new practices, new services, and new financial experiences to create higher value add. On a weekly basis, the Vice-Chairman presides over cross-departmental digital services meetings to further integrate digital business with information related resources, demonstrating the perseverance and determination to drive digital finance.

#### **◆ Digital Finance - Corporate Internet Banking**

A brand new corporate internet banking site was launched in 2016 to enable corporate clients to enjoy convenient financial services regardless of geographical and time constraints. The new digital platform offered convenient and secure functions for capital movement, round a clock payroll platform, and extensive collection and payment functions, satisfying the unique financial needs of corporate clients and helping clients to increase the efficiency in their cash management.

In 2018, we developed a supply chain financing function for online corporate banking to provide clients the flexible use of working capital in both upstream and downstream of the supply chain whilst enhancing the liquidity of their funds.

With the aim of improving the service functions of online corporate banking, we

conducted an improvement opinion survey among existing users in 2019. The response rate was 40%, and every enhancement suggestion was reviewed and included as a reference for improvements. In 2019, spurred by active promotion by business units, the number of applications for online corporate banking increased significantly by 48%.

#### ◆ **Digital Finance - Personal Internet/Mobile Banking**

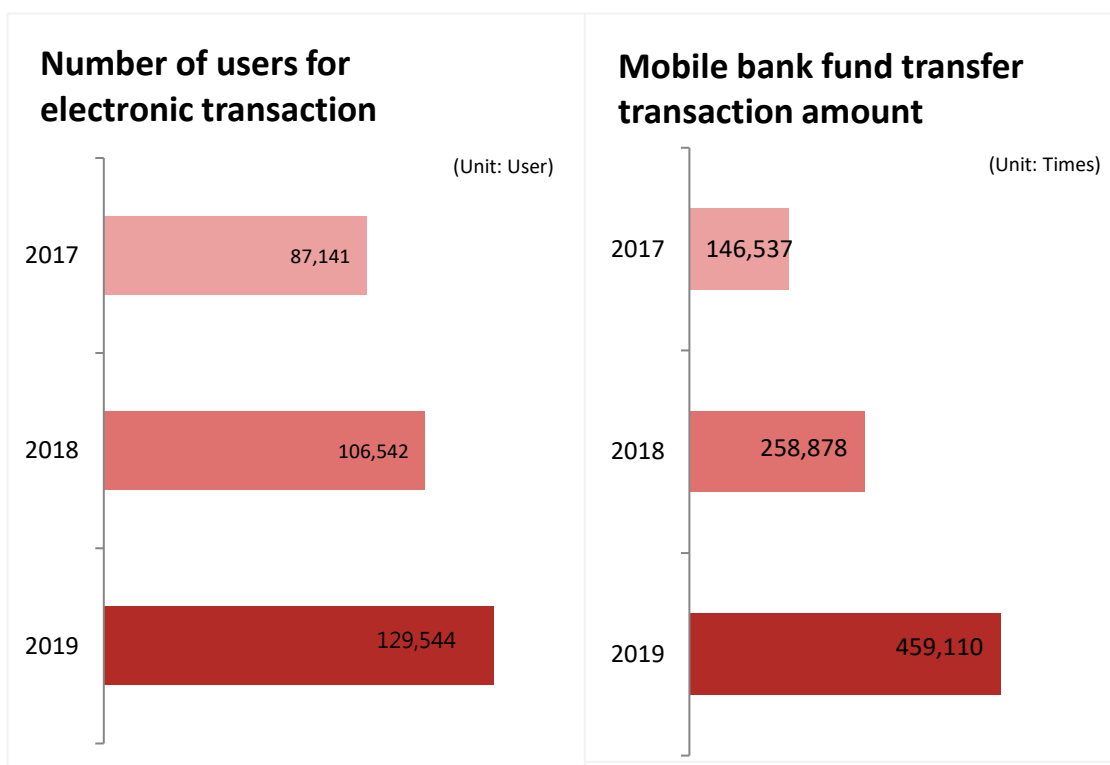
While embracing digitization, we also listened to our clients and embarked on a journey in 2017 to develop the next generation of personal online banking and mobile banking. A new generation of mobile banking app was launched in January 2018. Besides commonly used functions such as account inquiry and fund transfer, the app also had thoughtful functions such as standing instructions to enable clients to set fund transfer requests in advance and personalized notification functions for foreign exchange rate alerts, etc. In October 2018, the new generation mobile bank was upgraded to become a full-featured service. Further to satisfying clients' account inquiry and foreign exchange fund transfer needs 24 hours throughout the year, new financial management functions were added. Clients can carry out transactions such as subscription, redemption, and changes of mutual funds to enjoy financial independence anytime and anywhere.

With the launch of the mobile banking app, clients can check their account balances and transfer funds at any time on their mobile phones, during which the mobile phone shall act as the second-factor authentication for one-time fund transfers. When a fund transfer is made, authentication is done via the client's registered mobile phone. This is applicable for bill payments or personal fund transfers, bringing customers a convenient, secure, and reliable finance experience.

Security is of utmost priority for digital transactions. Therefore, we simultaneously revamped personal online banking in October 2018. A more user-friendly user interface was introduced, while security was reinforced to give clients peace of mind when making transactions. ETF trading functions, including online subscription, redemption, transaction, and inquiries, were launched on both personal online banking and mobile banking in July 2019, facilitating instant investments for clients and meeting needs for diversification of financial management.



With the rapid growth in sales of smartphones, people's habits of surfing the Internet and communicating with others have gradually changed. The Bank has long been paying close attention to the clients' user experience when making transactions. In particular, the customer satisfaction survey has a section to specifically seek and collate user feedback. Through customer feedback and data analysis, we continue to improve and develop digital financial products. Therefore, for two consecutive years, in 2018 and 2019, the number of online transaction users has grown by 22% compared with the previous year. Additionally, the volume of fund transfer transactions made via mobile banking maintained an average growth rate of 77% for two consecutive years, demonstrating the effectiveness of the Bank's active investment of resources into mobile banking service functions. The Bank continued to organize various digital marketing activities, and through digital ambassadors, clients were guided through digital transactions so that clients can enjoy the convenience of banking at their fingertips.

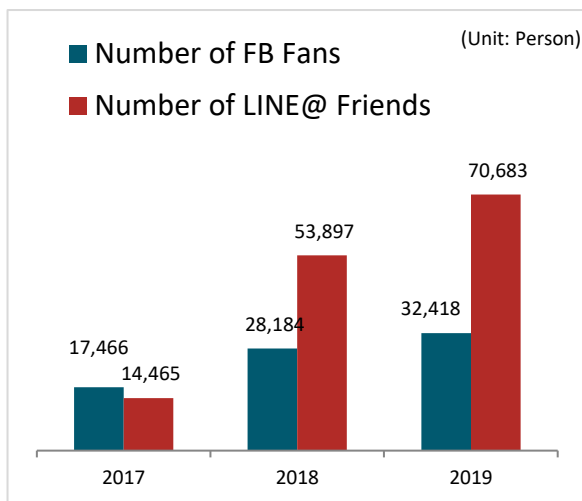


### ◆ Managing Social Media Communities

At the end of 2015, we set up a LINE profile and began to commit resources to interact with LINE friends. By providing clients with first-hand information and rich interactive content, we strengthened the relationships with clients. Along with pushing updates and promotional offers, in 2018, we provided customers with exclusive personalized services such that clients will receive LINE notifications whenever there are changes to their account balances in the hope of elevating clients' awareness for transaction security and protecting their deposits. With the promotion of all colleagues, the number of LINE friends increased from 174 at the end of 2015 to 70,683 at the end of 2019, with a growth rate of 31% compared with the previous year.

We aspire to build warm relationships to forge a new digital era together with friends and families; hence the KTB Facebook fan page is entitled Touching Moments at Where You Are. The number of fans has grown from 883 at the end of 2015 to 32,418 at the end of 2019, with a 15% growth over the previous year. Heartwarming stories of our clients are shared on our Facebook page, and in conjunction with seasons and different festivals, snippets of local Tainan news and little things that make life happy are also posted on the page to bring touching moments to where clients are.

In the summer of 2019, a series of interactive activities with merchants in the community was launched on Facebook. The Delightful Shares with KTB Partners campaign saw different business units taking the initiative to introduce special businesses in vicinity neighborhoods. Complemented with KTB Facebook fans, the O2O engagement increased interaction with clients in the community while boosting the visibility of both the businesses and KTB to reach out to prospective clients. In the winter of 2019, continuing the interaction with the community and revolving around the concept of traveling light, On a Light Vacay with KTB was a content series where fans were introduced to popular scenic spots from a local's perspective, bringing little bliss and warmth of the different communities to fans.



**京城銀行 在地的感動**  
由 Bokai Huang Huang 發佈 (7月5日上午11:11)

♥京讀作伙來分享♥

從西港分行出發步行一分鐘來到在地經營餘一甲子的河南冰莊，西港余文樂正在裡頭販售各式消暑聖品。

嚴選當季水果與大甲芋頭製成的彩虹四果冰，有原味、梅子、芒果、鳳梨、桑椹、芋頭、火龍果7種口味，繽紛的色彩讓人忍不住想要包色統統來一份。…… 更多

BLOG.KTB.COM.TW  
尋找西港余文樂 河南冰莊  
從西港分行出發步行一分鐘來到在地經營餘一甲子的河南冰莊，西港...

6,514 觸及人數 1,950 互動次數 [加強推廣貼文](#)

👍❤️ 你和其他691人 50則留言 34次分享

▲ Facebook interactive event- Delightful Shares with KTB Partners

## Financial Product Innovation

### ◆ Convenient Taobao Payment with KTB

With the popularization of e-commerce, providing consumers the experience of a fast way to buy the high quality and low priced products and services has become imperative. Hence, a secure and convenient payment platform is critical to the success of e-commerce. In line with the government's push for Taiwan businesses to go fully e-commerce and e-commerce businesses to go international, the Bank joined the Financial Institution Cross-Border Payment Platform, offering diversified payment services for clients by being able to use financial cards when shopping on Taobao.

淘宝 購物付款 京便利

結帳用京城銀行金融卡付款 送您小禮物

108.11.1~108.12.31 消費不限金額 付款成功 送您必得客個人獎或增進基礎電子兌換券

PIZZA HUT KFC

[限量 100份] 每人限領乙份，送完為止

活動詳情 >

即時 安全 便利 1% 手續費

▲ Cross-border payment platform of financial institutions - Convenient Taobao payment with KTB campaign

#### ◆ **Online Appointment Booking for Account Opening**

In 2015, the Bank rolled out online appointment booking for the account opening to enable clients to provide information via the Internet prior to their visits to counters to reduce waiting time. In 2019, we commenced the development of digital accounts with an eye toward progressing to the next stage of development for digital transformation. It is expected that the development of digital accounts will be completed in the first half of 2020. By then, clients can complete the process of account opening fully online without having to step into a business unit, enabling financial services accessible at any time.

#### ◆ **Automated Cash Deposit Machine**

In the pursuit of product innovation, the most important thing is to listen to the voice of customers. Through regular customer satisfaction surveys, the Bank discovered the needs of clients to provide innovative and friendly services. Therefore, ATM cash deposit services were added since 2016, and a plan to completely replace the original ATM equipment for cash deposit and withdrawal machines was implemented in 2017. By the end of 2019, 98% of branches have set up cash deposits and withdrawal machines that can simultaneously withdraw and deposit cash. By the same token, in May 2019, the new cardless cash deposit function was added to incessantly offer clients with higher quality and more convenient automatic service equipment functions.

#### ◆ **MILLERFUL No.1 REIT**

2018 had been an important year for the domestic real estate investment trust (REIT) market. On June 29, 2018, the Bank was approved by the competent authority as the trustee for MILLERFUL No.1 REIT. It is currently the only REIT in Taiwan that jointly invests in Taiwan's commercial real estate with overseas pension funds as long-term core assets. The fund has three key characteristics:

1. REIT with shopping malls as the main investment focus.
2. Blue-chip high-quality REIT with stable foreign earnings.
3. Active management investment strategy.

On December 5, 2018, MILLERFUL No.1 REIT was officially listed. With an innovative

spirit, flexible financing, and investment strategies, it drove the positive and sound development of the real estate trust market and also boosted the Bank's competitive advantage in the market from 2019.

### **Sustainable Finance**

When providing financial services, it is essential to not only consider the operating profit but also to emphasize whether the products and services have specific benefits to society and the environment. Through the derivation from our core businesses and fulfilling the social responsibility of the banking industry, we hope to create a more harmonious future for society and the environment through the power of finance.

#### **■ Products and Services with Environmental Benefits**

##### **◆ Green Energy Industry Credit**

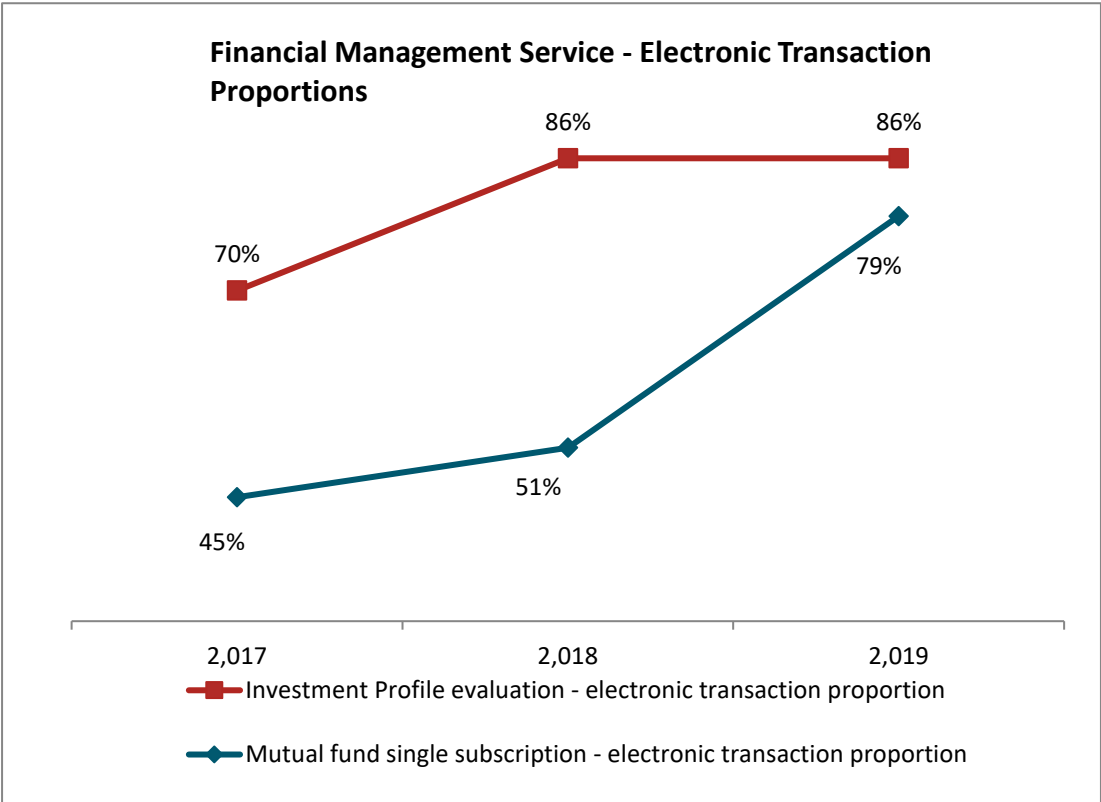
In response to the risks brought by climate change, for corporate financing products, whether a creditor has fulfilled environmental protection or social responsibility has been listed as a bonus item in the credit rating assessment for corporate clients. The objective is to urge businesses to place importance on environmental sustainability and social responsibility, as we hope to do a part for society and the environment together with our corporate clients.

In line with the government's Renewable Energy Development Plan, where the target is to achieve 20GW of solar photovoltaic device capacity by 2025, we actively promoted financing for the green energy industry, including wind power financing and solar power financing, etc. to help develop a new life for industries in Taiwan and create economic value. As of the end of 2019, the green energy industry credit balance was NT\$5,533 million.

##### **◆ Integrating Environmental Protection with Product Development and Design**

Actively promoted paperless transaction services; since October 2018, wealth management service functions were added into mobile banking. Clients can easily complete actions such as subscription/redemption of mutual funds and applications related to functions based on investment profile evaluation settings on their mobile devices. In July 2019, the ETF transaction function for personal online banking and mobile banking was also officially launched, and a discount was offered for service fees

for digital channel subscriptions. Under the enthusiastic guidance of our bank employees on migration to digital channels, clients' acceptance of electronic transactions has gradually increased. Consequentially, the proportion of electronic transactions has shown significant growth over the years. The above mentioned financial service processes are now paperless, and consumers do not need to physically be at counters for these services, thus reducing carbon emissions caused by traffic and realizing the concept of environmental protection.



**Products and Services with Social Benefits**

**◆ Western Union Remittance Service**

Demand for international remittance services has been strong, as new residents integrate into the land of Taiwan, with the population of foreign spouses and foreign migrant workers now exceeding 1 million, and Taiwan being active in import and export trades. KTB has been handling Western Union remittance services since 2006. Aside from offering Taiwanese the ability to carry out small amounts and fast remittance for international trade, most foreign workers and new residents in Taiwan are also able to remit funds to Vietnam, the Philippines, Indonesia, and other countries in a secure and fast manner.

Given that communication barriers often led to errors in remittance information provided, resulting in failures when foreigners were making international remittances, the Q-Send international remittance brand was established. Designed to improve the accuracy of remittance information provided, the transaction time for foreign workers was also shortened to five minutes, greatly reducing the waiting time for clients. The number of positive reviews and customer service satisfaction both increased as we strive to serve foreign workers and new residents living in Taiwan to strengthen the financial service of overseas rural remittance.

In order to satisfy the long-term and constant needs of clients, the Bank has developed an online Western Union remittance service where after a client has opened an account for the first time, all remittances in the future can be done conveniently and securely online or via mobile banking. The number of online Western Union remittance transactions in 2019 increased by 32% compared to 2018, reducing the carbon emissions generated by clients' visits to the counters and the volume of transaction slips used, realizing the concept of environmental protection.

The government is currently actively driving the New Southbound Policy of sharing resources, talents, and markets and the creation of new collaboration models that are mutually beneficial with New Southbound Policy countries by connecting to the economy, technologies, culture, etc. of these countries. In order to meet the demand for capital flow for New Southbound Policy developments, the Bank continuously strives to enhance the convenience and efficiency for international remittance so as to provide legal, secure, instant, and efficient financial services for clients from all walks of life and to contribute to the integration of new residents into Taiwan.

Western Union (Over the counter and online transactions)	2018	2019
<b>Number of Remittances</b> Year over Year	21.7%	14.9%
<b>Remittance Amount</b> Year over Year	19.5%	9.1%

#### ◆ Barrier-free Facilities

In order to provide all customers with a convenient and secure financial transaction

environment, each operating outlet has a counter with a height of 75cm where priority for financial services is given to persons with disabilities; barrier-free passages or ramps have been installed, or service bells are installed at the entrances and exits of the banking halls to facilitate the guiding of persons with disabilities to carry out various financial services. Statistics on the number and proportion of the barrier-free branches are as follows:

Service	A	B	C	D	E
<b>Number of branches</b>	66	66	66	66	65
<b>Percentage</b>	100%	100%	100%	100%	98%

Note: A: service bell,  
 B: barrier-free ramp,  
 C: barrier-free counter,  
 D: ATM for wheelchair users,  
 E: cash deposit machine

#### ◆ **Creating a Convenient and Secure Financial Environment in Rural Regions**

Faced with our country's shrinking population, aging and declining birth rate, over-concentration of the population in major cities, and unbalanced urban-rural development, the Executive Yuan announced three key pillars that comprise the Cabinet's policy vision, namely creating a peaceful and contented society, raising the national birth rate, and balancing development across Taiwan.

There are currently 368 township-level divisions in the country, of which 134 have been identified by the government as hot spots for regional revitalization. KTB has 14 branches in 20 of these townships or neighboring townships, accounting for 21% of all branches (66 branches). The Bank offers comprehensive financial services in these 20 townships to meet the financial needs of local residents and industries, and to create a good living environment, thus helping to stabilize local residency. The Bank actively drove the adoption of digital financial services by local personal and corporate clients, setting up automated service equipment for cash withdrawals and deposits in 14 branches. Along with offering personal electronic banking and corporate online banking services, bank employees personally guided local clients on how to conduct electronic transactions. With the introduction of digitization and smart technologies into these regions, small and medium enterprises in rural regions are given a leg up in the application of mobile finance, hence reducing the urban-rural gap.



134 Hot Spots for Regional Revitalization	KTB Branch at Township or Neighborhood Townships
[Tainan City] Houbi District, Yanshui District, Qigu District, Jiangjun District, Beimen District, Da Nei District, Xigang District, Dongshan District, Yujing District, Nanxi District, Nanhua District, Zuozhen District, Guanmiao District	Xinying Branch, Yanyan Branch, Jiali Branch, Xuejia Branch, Shanhua Branch, Xigang Branch, Baihe Branch, Yujing Branch, Guanmiao Branch
[Chiayi County] Dongshi Township	Puzi Branch
[Yunlin County] Taixi Township, Shuilin Township, Kouhu Township, Sihou Township, Linnei Township, Gukeng Township	Lunbei Branch, Beigang Branch, Douliu Branch, Meishan Branch

## **Consumer Rights Protection**

Clients are one of the most valuable stakeholders of the Bank. We continue to pay attention to their feelings, thereby protecting their interests and avoiding possible disputes and grievances to boost customer satisfaction and loyalty.

### **Enhance service quality**

The Bank takes the protection of the rights and interests of clients very seriously, formulating Policy and Strategy on Fair Treatment of Clients, and striving to implement the fair treatment of clients throughout the entire process of dealing with clients, from design, advertising, sales, contract fulfillment, service consultation to complaint handling.

We uphold the principles of fairness and reasonableness, equality and mutually benefiting, and integrity, ensuring that clients understand the content within contracts, product features, risks, and related fees, and other information. Apart from that, statutory requirements such as Guidelines for Financial Product or Service Suitability, Guidelines for Explanation of Important Aspects of Contract and Disclosure of Risks Before Entering Into a Contract for Provision of Financial Product or Service, Non-discretionary Money Trusts Product Risk Classification and Operating Regulations, Regulations for Professional Investor Management Procedures, and Regulations for Non-Professional Investor Investment Risk Assessment and Product Suitability, etc. were formulated in accordance to relevant standards of the competent authorities for the protection of customer rights and interests

### **◆ Protection for Rights of Wealth Management Clients**

In terms of wealth management business, all non-discretionary money trusts were reviewed by product review groups before launching for risk levels of product structure complexity, product characteristics, liquidity, legality, etc. where risk classifications are based on the client's risk tolerance and product investment risk, and for suitability for client group to ensure that the risks of the product correspond to client's risk tolerance level. Every day, random samples were selected out of the day's financial management product and insurance transactions to confirm, over the phone, clients' transaction details and service satisfaction. Annually, the Wealth Management Service Quality Survey is conducted on clients to control the service quality of wealth management personnel. In 2019, survey results for satisfaction for all items were higher than 90%.

### ◆ **Improve Customer Satisfaction and Strengthen Loyalty**

Since 2017, the Bank has been dedicated to digitizing hard copies, mobile-enabling processes, shifting services onto the cloud, and rolling out a multitude of service channels to satisfy the needs of clients. The Bank has always put the needs and feelings of customers at the forefront, attaching importance to service quality and client's rights. For the purpose of continuously improving customer satisfaction and strengthen loyalty, the Bank regularly checked on customer satisfaction levels to gain insights if various services have met clients' needs and expectations. The service atmosphere and maintenance of the environment shall also be evaluated when the auditing department is checking on business units to ensure service quality complies with requirements.

From customer satisfaction surveys, we discovered the needs of clients to provide innovative and friendly services. For example, clients had wished that the Bank's automated service area would include cash deposit functions. Consequently, since June 2016, we have added new self-service cash deposit ATM services and, in October the same year introduced a new function of inter-bank cash deposit service. Further, in 2017, the comprehensive evaluation plan for replacing ATM equipment with cash deposit machines was implemented, and the plan was progressively implemented subsequently. By the end of 2019, 98% of branches had installed cash deposit and withdrawal machines that can simultaneously withdraw and deposit cash. Besides having card-based cash deposits, we incessantly optimized services such that in May 2019, the cardless cash deposit function was added.

### ◆ **Client Complaint Handling Procedure**

With the objective of protecting consumer rights, we instituted the KTB Operating Principles for Handling Client Grievance Cases so as to be able to swiftly provide effective handling of customer complaints, strengthen the quality of service while enhancing the image and the efficiency and quality of consumer dispute handling. We also established an array of communication channels with clients, detailed as follows:

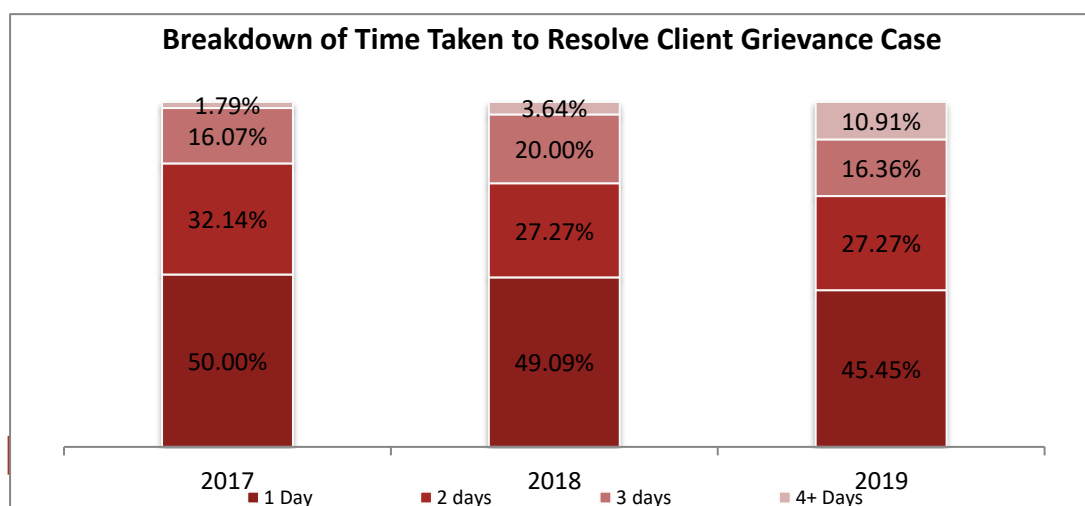
<b>Communication Channel</b>	<ul style="list-style-type: none"><li>• Customer service online mailbox: <a href="mailto:csr@mail.ktb.com.tw">csr@mail.ktb.com.tw</a></li><li>• Customer service hotline: (06)213-5231</li><li>• Corporate website - Contact Us</li><li>• Financial Supervisory Commission</li><li>• Financial Ombudsman Institution</li><li>• Facebook page - King's Town Bank Touching Moments at Where You Are</li><li>• KTB Line@</li></ul>
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The Bank approaches problems with a positive attitude; dedicated personnel listened

to clients' problems with empathy while upholding a peaceful, sincere, and fair attitude. After ascertaining the key points to clients' grievances to establish the situation, incidents are then promptly reported to the responsible units for handling. Subsequently, responses are provided to complainants as soon as possible. With regard to the timeliness of handling grievance cases, in October 2019, in an effort to improve the process for handling client grievance cases, the number of days to resolve a case was changed from the original three days to seven days in principle.

As a follow-up, complaint incidents shall be reviewed for causes and improvements to refine the situation, complaint details, handling process, and responses to clients shall be documented as results and disseminated to front line service personnel as reference for handling similar incidents in the future. Aside from that, cases shall be collated on a monthly basis along with Acknowledgement of Complaint Incident Form and Annual Statistics for Client Grievance Cases to be reported to the Chairman. Client grievance cases (including reasons for lapses and review of improvement measures) from all relevant units in the bank are consolidated and reported to the Board of Directors once every six months.

Client grievance cases in 2019 were predominantly regarding procedures for deposit and remittance, Western Union remittance disputes, lapses in service etiquette, mutual fund and insurance subscription disputes, credit or debt-related contractual disputes, etc. There were no complaints of infringement of client privacy or loss of client information. There were 55 client grievance cases for the Bank, of which 89% of the cases were resolved within three days, with an average processing time of 1.93 days, and all client grievance cases have been resolved.



### ◆ Anti-fraud Advocacy and Performance

Today, there are endless instances of fraud, and anti-fraud advocacy is one of the Bank's key axes for community care. Bank employees relentlessly provided clients with financial knowledge and anti-fraud information such that financial knowledge shall become ubiquitous, and clients' assets are protected. Beyond that, with the aim of effectively forestall community residents from falling victim to scammers, branches collaborated with community police stations to organize anti-fraud advocacy seminars from time to time, targeting communities that are susceptible to frauds. Common fraud tactics and case studies of frauds were shared to reinforce clients' familiarity with fraud tactics to mitigate the possibility of loss for members of the public. In 2019, a total of 86 anti-fraud advocacy activities were organized, impacting 11,533 beneficiaries.

With professional assistance from the police, our colleagues can detect signs of fraud more easily and be often able to effectively prevent the occurrence of frauds. 65 frauds were successfully thwarted in 2018, intercepting approximately NT\$11.32 million, helping clients to keep their hard-earned savings. The Bank was also awarded by the police department for the efforts. In 2019, with sharp vigilance and caring patience, front line employees took the initiative to detect and report possible illegitimate incidents and collaborated with the police to proactively foil frauds. In 2019, 113 fraud cases were successfully thwarted with a total value of NT\$15 million intercepted. During the monthly public security meeting convened by the Tainan city mayor, the Bank's employees were lauded on numerous occasions and were, likewise, often commended by police departments from various regions.



▲ In August 2019, the Chief of the Yunlin County Police conferred medals in recognition of our bank employees who successfully foiled fraud attempts (Individuals second from left, third from left, and fourth from left are our bank employees)

### ◆ Strengthen the Community's Financial Literacy and Financial Management Capabilities

Universal access to financial education can boost the financial literacy of community residents to meet individuals' financial needs and protect and create personal wealth. To that end, facilitating universal access to financial education is the Bank's core community engagement activity in recent years. Setting about from the local communities where the branches are located, we leveraged on our core professional skills in the finance sector to spread the seeds of financial knowledge. The target audience for financial education goes beyond students; in June 2019, we reached out to communities and participated in a large scale charity carnival organized by Taiwan Financial Services Roundtable. Through fun pinball and sandbag games, appropriate financial concepts were explained to community residents. The day's activities were well received by community residents, and there were 1,000 beneficiaries.



▲ Participated in the charity carnival in June



▲ Financial literacy event - Anti-fraud advocacy

Through every financial education opportunity, financial management knowledge, money concepts, etc., were embedded in activities. Real-life case studies of bank employees thwarting frauds were also shared to raise awareness on fraud prevention. Students were subsequently able to bring such concepts home to share with their family members. With the multiplier effect from families, together, we can prevent another regrettable fraud incident.

## ■ Client Privacy and Information Security

As the domestic financial environment advances towards a digital era and the volume of online transactions increases, personal data protection has also become vital. In the past two years, information security incidents in the domestic financial industry have emerged one after another. For example, cash from ATMs was stolen by international hackers, and brokerages received DDoS threats demanding ransom, hackers transferred away USD60 million via SWIFT systems, etc. In December 2017, the competent authority drove the establishment of the Financial Information Sharing and Analysis Center as the dedicated unit for financial information security, to conduct information research and analysis and to assist in the assessment and recommendation of information security standards, underscoring the importance of emergency response for information security and security capabilities in the financial industry.

### ◆ Personal Data Protection Policy

For the protection of clients' personal data, the Bank instituted management policies such as Measures for the Security and Protection of Personal Data Files, Guidelines for Personal Data Risk Assessment Process, Guidelines for Crisis Management during Personal Data Breach, Operational Specifications for Customer Transaction Data Security and Confidentiality, Self-regulatory Guidelines for Customer Data Confidentiality, etc. in accordance to Personal Data Protection Act, Self-disciplinary Regulations for Customer's Personal Data Protection in Banking Industry and Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation so as to implement protection, management and proper use of clients' personal data.

### ◆ Task Force for Implementing Personal Data Protection Management

The Bank established a Task Force for Implementing Personal Data Protection Management, whose tasks are as follows:

1. Draft personal data protection regulations and review of management systems.
2. Coordinate delegation of roles and responsibilities for personal data protection matters.
3. Review and supervision of matters related to personal data protection.
4. Submit personal data security maintenance self-assessment report to the



Board of Directors annually.

5. Handle incidents of theft, tampering, damage, loss, or breach of personal data.

The President is the current convener for the task force; the remaining members appointed are directors or appointed by the directors of the Compliance Department, Information Technology Department, Digital Services and Channel Management Department, Risk Management Department, Legal Department, Human Resources Department, Auditing Department, and the convener.

In 2019, the task force held two meetings where the agenda included discussions on the review of settings for Data Loss Protection (DLP) for the Bank's corporate website, a detailed list of personal data inventory, personal data breach drill plan, dates for executing computer personal data inventory, and review of the legality of regulations related to personal data and their compliance with existing operations. The implementation of personal data protection measures for 2019 was reported to the Audit Committee and the Board of Directors on February 24, 2020.

◆ **Implementation Status of Security Maintenance for Personal Data Files**

1. Reviewed and adjusted the contents of the Personal Data Inventory List in October 2019, and the corresponding inventory results were reviewed and approved by Task Force for Implementing Personal Data Protection Management.
2. Completed personal data inventory of personal computers and shared computers within every unit in December 2019.
3. Continuously prevented the breach of personal data by using encryption and content filtering mechanism of the email data security system.
4. Continuously prevented data breach resulting from improper use of computers by employees with X-FORT electronic data monitoring system.
5. Regularly conducted an inventory of the files retained by foreign exchange host system on a semi-annual basis to ensure that personal data is stored appropriately and properly. Currently, there are no issues with file data protection.
6. Enlisted the services of Ernst & Young Global Limited in 2019 to perform a check on personal data protection mechanism; no major deficiencies were



found.

#### ◆ **Regular Training and Drills**

With the aim of reinforcing employees' compliance with the relevant regulations on personal data protection, relevant advocacy will be carried out when new employees report for work. A total of 4 training sessions were conducted for new joiners in 2019. In November 2019, training for the Personal Data Protection Act was conducted for all employees via the online training platform, and all employees completed the course.

In order to minimize the damage caused by the Bank in the event of a personal data breach incident and to ensure customer transactions would be unaffected, regular personal data breach drills were conducted annually. An emergency response drill for a personal data breach was conducted in October 2019. The drill was based on a scenario where an error on the statement resulted in a personal data breach. Root cause analysis of the incident was conducted, reflecting the Bank's emergency response-ability in the protection of personal data.

#### ◆ **Information Security Management Framework**

For the purpose of fortifying information security management, the Board of Directors passed the organizational charter in August 2015 to establish an Information Security Promotion Unit in the Information Security Section of the Risk Management Department as the second line of defense for information security internal control. The unit is responsible for the planning, promotion, monitoring, and management operations for Information Security Management System (ISMS), with risk management and independence from the information security internal control first line of defense of the information security execution unit (Information Technology Department) as the *modus operandi*. To ensure the implementation of management operations, an independent and impartial information security audit unit (Auditing Department) under the Board of Directors shall be the third line of defense for internal control of information security and is responsible for the audit of information security.

In November 2015, the Information Security Management Committee was established with the aim of reducing the risk and impact caused by information security issues, as well as to refine the Bank's ISMS in response to all information security related laws and regulations and in compliance with relevant government regulations. The

committee is responsible for the review of policies and regulations for ISMS and the overall implementation of information security. In addition, the Information Security Section of the Risk Management Department shall report to the Board of Directors on the implementation status annually.

#### ◆ **Information Security Policy**

The Information Security Policy was instituted specifically as a means to protect the confidentiality, integrity, and availability of the Bank's information assets, including software, hardware, communications, personnel, documents, data, and the physical environment, from the risk of breaches, damage, or loss due to external threats or improper management by internal personnel. In addition, in accordance with the policy, relevant procedures and manuals were instituted as reference for all employees, outsourced service providers, and visitors.

Management policies such as IS-2-009 Info-communications Security Incident Management Procedure Guide, IS-3-013 Information Office Information Security Incident Reporting Guide, IS-3-014 Information Office Handling of Denial-of-Service Attack Guide, IS-3-016 Open System Backup Drill Plan Guide, etc. were instituted with the objective of implementing the information security policy.

#### ◆ **Information Security Control Measures**

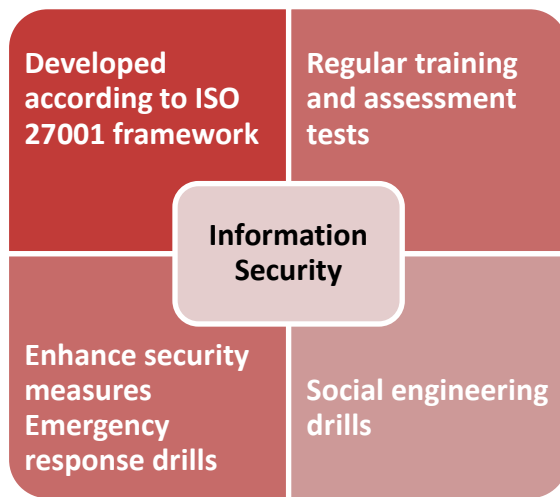
We adopted ISO 27001 Information Security, which has international standards and risk management as its core, so as to fortify and continuously improve the Bank's information security management system.

Control measures served as the basis for the Bank's information security-related regulations to protect clients' information assets, increase clients' confidence, improve employee's awareness for information security, and mitigate risks of breaches, damage, or loss due to external threats or improper management of internal personnel. Additionally, in accordance with the requirements of the competent authority, regulations, and the Bank's ISMS regulations, relevant control measures such as response to information security information sharing, implementation of defense-in-depth measures, vulnerability scanning, penetration testing, various situational drills, and elevating personnel's information security awareness and professional quality were implemented, so as to build and strengthen comprehensive

information security defense capability.

The information security management measures in 2019 are as follows:

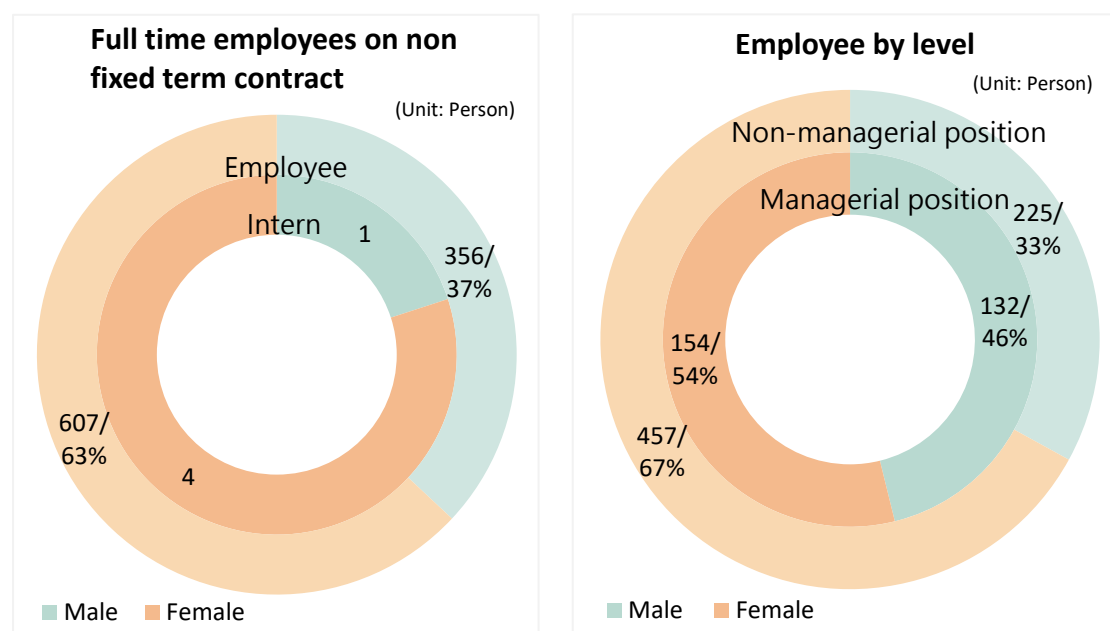
1. For internet connections used for important business functions, backup connections have been developed, and a system for distributed denial of service (DDos) attack detection with traffic scrubbing protection has been put in place. When a cyber-attack is detected, the system will immediately block the attack and scrub traffic.
2. Drills were conducted regularly on social engineering. In October 2019, an email alertness test drill was conducted for all employees to enhance the security awareness of users so as to effectively prevent hackers from utilizing social engineering attacks.
3. Regularly conducted information security training and assessment tests to enhance the awareness of information security among employees. In 2019, advocacy on information security was conducted twice, and an assessment test was conducted once on all employees.
4. Regularly updated the relevant software services for information security equipment to facilitate timely detection and deflection of network attacks. In 2019, the Bank commenced the use of the Advanced Persistent Threat (APT) system to detect and protect against unknown external malicious threats.
5. Complied with Financial Supervisory Commission information security-related letters and The Bankers Association of The Republic of China information security-related regulations, and completed information security mechanism related regulations and emergency response plan in accordance with the schedule. The overall implementation status for 2019 was reported to the Board of Directors on February 24, 2020.



## Labor Relations

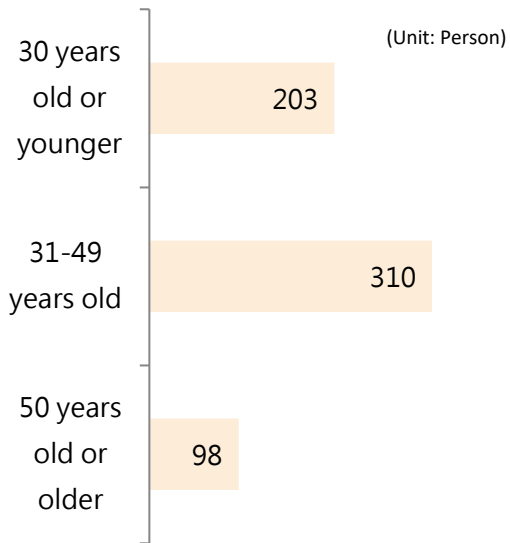
### **Diverse Employee Structure**

As of 2019, KTB has a total of 968 employees, including 286 in managerial positions and 682 in non-managerial positions. 11 employees are persons with disabilities, accounting for 1.14% of employees, a proportion higher than the standard stipulated by law.

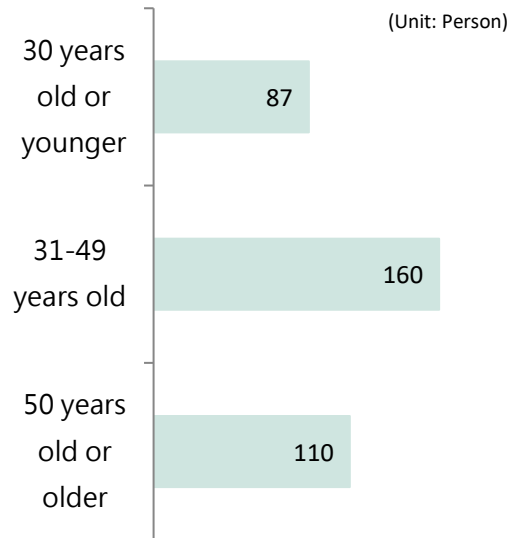


With a view to achieve gender harmony and promote gender equality, KTB considered factors such as personality traits and abilities of employees during employee recruitment and manager appointment and has never taken gender into account. As most of the job vacancies in 2019 were counter roles rather than business roles, most of the applicants were female. In 2019, the female to male ratio of all employees was 63% to 37%, and the age was mainly distributed between 31 and 49 years old. The female to male ratio in managerial positions was 54% to 46%.

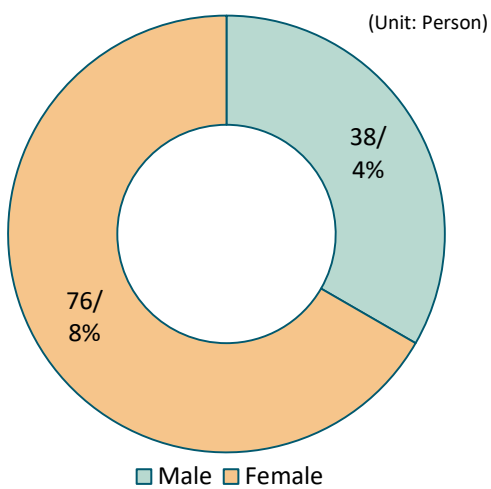
### Age Distribution of Female Employees



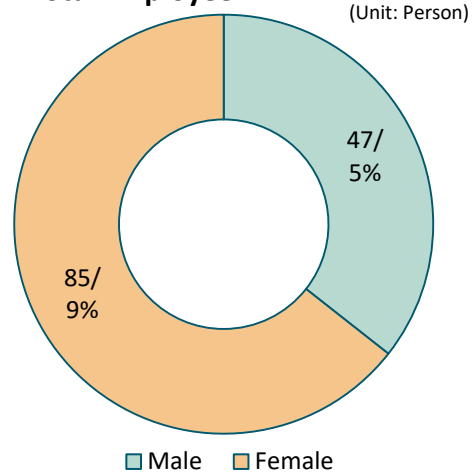
### Age Distribution of Male Employees

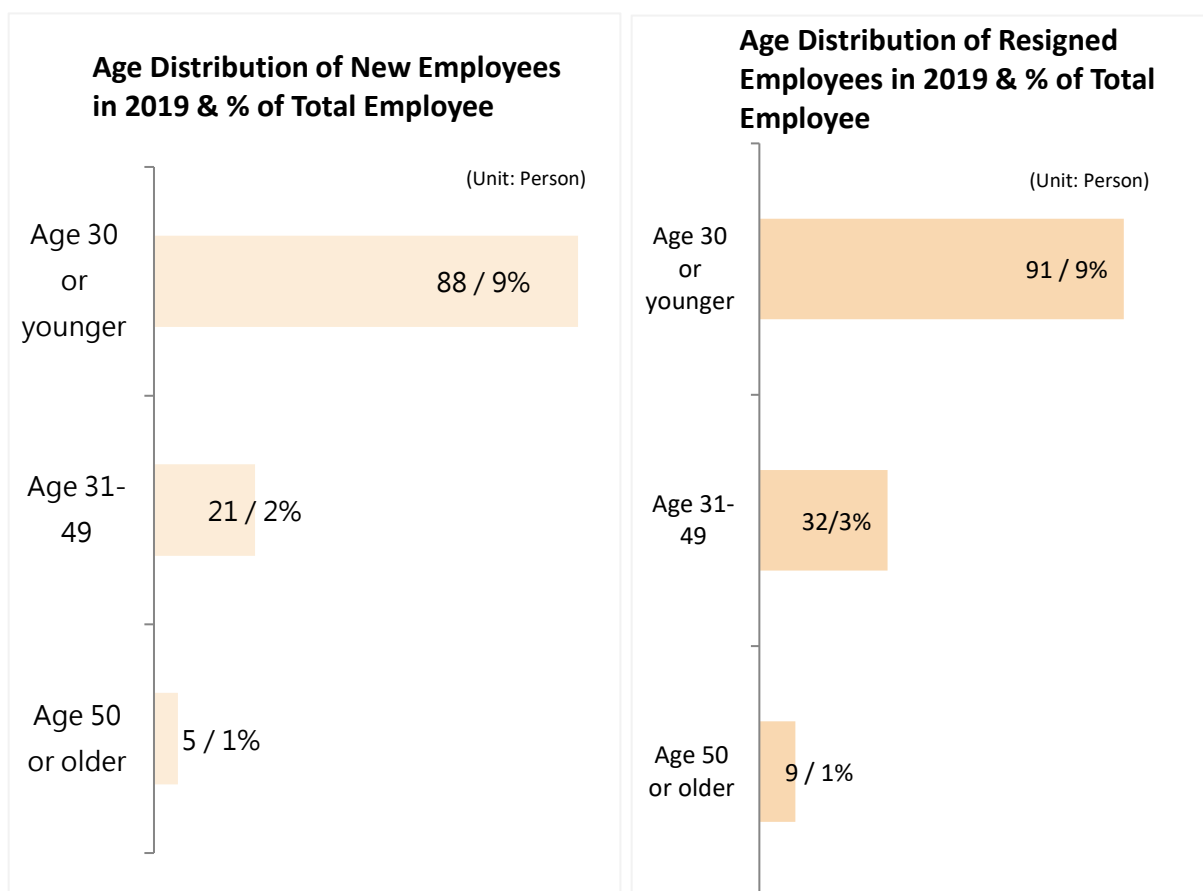


### 2019 # of New Hires and Percentage of Total Employee



### 2019 Terminated or Resigned Employee & Percentage of Total Employee





◆ **Emphasis on Soliciting Feedback from New Hires and Resigned Employees**

In 2019, there was a total of 114 new hires in the Bank. All new employees were duly briefed of work rules when they reported for work and were arranged to attend induction courses after they have been onboarded. They were also provided with satisfaction surveys and channels for suggestions after the course so as to provide timely assistance and handling. There were a total of 132 resignations. Employees were required to fill up the Employee Resignation Agreement when they tender their resignations. Regarding reasons and opinions stated in the column for reasons for leaving, as the case may be, conversations were initiated with employees to understand the situation to serve as a reference for institutional improvement.

## Employee Benefits and Remuneration

The Bank has established a Company Subsidy and Employee Mutual Assistance Fund along with an Employee Welfare Committee. 0.5% of employees' salaries and 0.1% of the operating income were deducted monthly and channeled towards a welfare fund, which the committee coordinates the use for employee welfare related matters. Employees may apply for the employee mutual assistance fund and company subsidy for events such as marriage, childbirth, funeral, illness, or injury in accordance with the regulations.

### Regulations for Employee Benefits Subsidy

Unit : NTD	Company Subsidy	Employee Mutual Assistance Fund	Total
<b>Marriage</b>	12,000	2,000	14,000
<b>Child birth (per newborn)</b>	3,000	2,000	5,000
<b>Funeral</b>	30,000	3,000	33,000
<b>Illness or injury</b>	The mutual assistance fund is calculated based on 40% of the actual expenditure on the medical receipt.		

### Employee Benefits Cost for Non-managerial Positions

Item	2018	2019	Growth Rate
<b>Number of non-managerial employees</b>	861	878	1.97%
<b>Average welfare cost per employee (NT\$)</b>	843,305	824,109	-2.28%

Note: Statistics are based on the number of people at the end of the year and the average welfare cost of the year.

◆ **Actual Amount of Employee Benefits Paid**

Unit: NTD	2018	2019
Marriage, childbirth, funeral	1,253,094	733,593
Chinese New Year	2,804,000	2,850,000
Mid-Autumn Festival	2,877,000	2,859,000
Dragon Boat Festival	2,807,000	2,868,000
Additional gift vouchers	1,838,000	2,883,000
<b>Total</b>	<b>11,579,094</b>	<b>12,193,593</b>

◆ **Number of Full-time Employees Who Are Not in Managerial Positions, the Average and Median Salary of Full-time Employees**

Item	2018	2019	Growth Rate
Number of full-time employees (Individual)	812	818	0.74%
The average salary for full-time employees (NT\$ thousands)	710	756	6.48%
Mean salary for full-time employees (NT\$ thousands)	655	695	6.11%

Note: Statistics is based on the weighted average number of employees in the current year and the salary of employees attributable to the current year, using accrual basis accounting.

◆ **The ratio of total Compensation between Male and Female**

Total Compensation	Male	Female
Senior managers	109%	100%
Junior and intermediate managers	103%	100%
Regular employees	113%	100%

◆ **Labor Retirement Benefits**

The Bank had instituted Regulations for Employee Retirement in accordance with the Labor Standards Act and Labor Pension Act to handle employees' retirement matters.



Employees who met any of the following criteria below may apply for voluntary retirement:

- ✧ Over 15 years of service and 55 years of age.
- ✧ Over 25 years of service.
- ✧ Over 10 years of service and 60 years of age.

The Regulations for Employee Retirement instituted in accordance with the Labor Standards Act is a defined benefit plan. Since 2012, 15% of the total salary has been allocated to the pension fund on a monthly basis and deposited in the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve. When an employee retires, the pension is calculated according to the base number of years of service and the average monthly salary of the half-year before retirement.

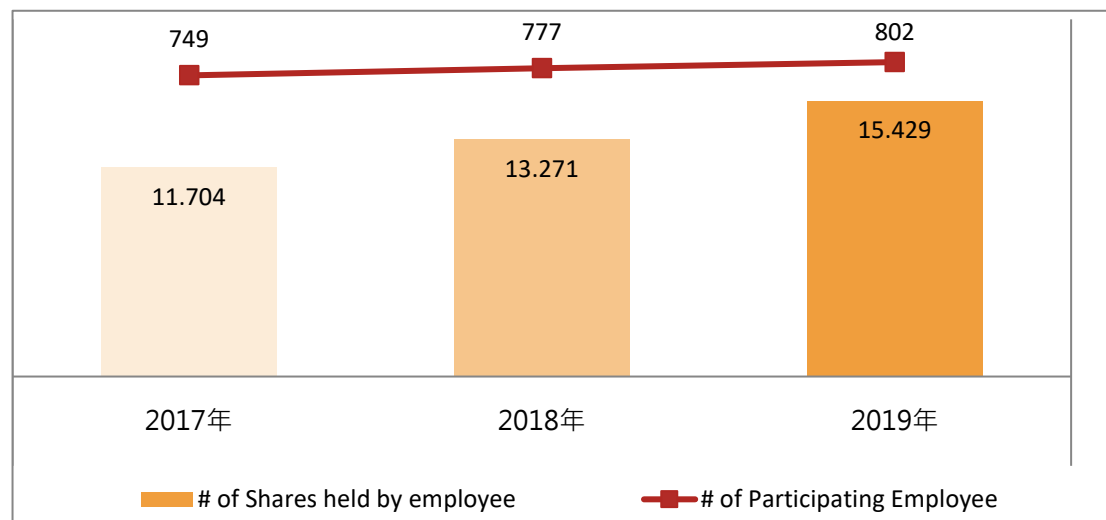
The Regulations for Employee Retirement is a defined contribution plan instituted in accordance with the Labor Pension Act, where 6% of employees' salary is allocated to labor pension every month. In 2019 and 2018, the amount of expenses recognized for defined contribution plan was NT\$31,157,000 and NT\$30,783,000, respectively. Pursuant to paragraph 1 of Article 56 of the Labor Standards Act, the Bank shall continuously appropriate labor retirement reserve funds sufficiently for each month to provide for employees' retirement payment. Eureka Consulting Co. Ltd was contracted to issue the actuarial report on employee benefits (pension) in 2019 in accordance with the International Accounting Standards IAS19.

#### ◆ Employee stock ownership trust

The Bank has implemented the employee stock ownership trust system since 2010, where employees formed the King's Town Bank Co. Ltd. Employee Stock Ownership Association by themselves. It was agreed that a certain amount of money should be deposited from each member's salary every month to a trustee institution for long-term investment to acquire and manage the shares of KTB. The Bank shall appropriate corresponding investment incentives based on performance appraisal for the previous year and the amount contributed by the employee. This would instill the sense that employees are not only shareholders of the Bank, but business partners as well while strengthening employee cohesion. It would also enable employees to be able to reap the benefits from the Bank's long-term growth and secure a stable lifestyle when they retire or leave the Bank.

In 2019, the Bank's additional incentive payments appropriated was approximately

3.3% of salary expenses, and as of 2019, the cumulative amount appropriated was NT\$193,096,000. In 2019, the number of participating employees was 802, with a participation rate of 83%, and the number of shares held by employees was 15,429,000, an increase of 3.2% and 16.26% respectively over the previous year.



#### ◆ Maternal/Paternal Leave

The Bank provides employees with various subsidies for marriage and childbirth and encourages employees to return to the workplace after childbirth or maternal/paternal leave. In addition, the Bank provides holistic job arrangements for employees reinstated from maternal/paternal leave and has set up breastfeeding rooms to provide employees with comfortable, safe, and relaxing breastfeeding spaces. In 2019, the reinstatement rate of male employees was 100%, the reinstatement rate of female employees was 50%, and the rate of employees still on the job 12 months after reinstatement in the previous year was 100%.

Item	Male	Female	Total
Number of employees eligible for maternal/paternal leave	1	15	16
Total number of employees who applied for maternal/paternal leave in 2019	1	7	8
Total number of employees due for reinstatement in 2019 after maternal/paternal leave (A)	1	6	7
Total number of employees applied for reinstatement in 2019 after maternal/paternal leave (B)	1	3	4
<b>Reinstatement rate (B/A*100)</b>	100%	50%	57%
Total number of employees applied for reinstatement in 2018 after maternal/paternal leave (C)	0	5	5
Total number of employees who are still on the job 12 months after reinstatement in 2018 (D)	0	5	5
<b>Retention rate (D/C*100)</b>	-	100%	100%

### ◆ Group Insurance

In order to protect the lives of employees, on top of providing labor insurance and national health insurance for each employee in accordance with the law, the Bank also provides group insurance for employees. The coverage is as follows:

- ✧ New term life insurance: Sum insured ranges between NT\$500,000 to NT\$1.5 million, according to rank level.
- ✧ Bodily injury insurance: Sum insured ranges between NT\$1.7 million to NT\$1.9 million, according to rank level.
- ✧ Critical illness insurance: Sum insured ranges between NT\$200,000 to NT\$400,000, according to rank level.
- ✧ Medical insurance against injury: All employees were insured for NT\$10,000.
- ✧ Injury hospitalization daily cash benefit: includes daily cash benefit of NT\$1,000, intensive care unit stay due to bodily injury, and non-hospitalization benefits for fractures.
- ✧ Occupational disaster insurance and occupational injury and illness: include death, bodily injury, permanent total disablement, and incapacity benefits.
- ✧ Outpatient surgery and treatment expenses.

Additionally, employees may elect to purchase coverage for their dependents so that employees and their dependents can have ample protection.

### ■ Labor Relations and Employee Communications

The Bank formulated work rules in accordance with the Labor Standards Act and related laws and regulations to protect the legitimate rights and interests of employees. The Human Rights Policy was formulated in November 2018 to protect the fundamental human rights of all colleagues, customers, and stakeholders. The Bank respects human rights in the workplace, ensures non-discriminatory treatment in employment policies, implements equality and equity for recruitment, remuneration and benefits, training, evaluation, and promotion opportunities, and provides safe and appropriate complaint channels to protect the legitimate rights and interests of employees from abuse. In order to enhance incumbent employees' attention to human rights and reinforce the concept of human rights among employees, employees must undergo human rights training every year. In 2019, the completion rate of human rights training for incumbent employees, aside from those who have

applied for leave without pay and maternity leave during the training period, was 100%, and the total training hours throughout the year was 156 hours. In order to implement the Human Rights Policy, the Bank executes annual human rights risk management assessments, conducts risk identification for each aspect and subject, and evaluates the implementation of risk mitigation measures as evidence for the implementation of the Bank's human rights policy. In the 2019 tabulation for human rights risk assessment, the human rights risk ratio was identified as 0%, and there was no occurrence of human rights violations.

#### ◆ **Minimum Notice Periods Regarding Operational Change**

It is stipulated in the KTB work rules that changes in labor contracts due to the Bank's business or employee career planning shall be announced in accordance with the following regulations, and effective consultations should be conducted in a timely manner to minimize the occurrence of operational interruptions.

- ✧ Those who have worked continuously for more than three months but less than one year are given 10 days' notice.
- ✧ Those who have worked continuously for more than one year but less than three years are given 20 days' notice.
- ✧ Those who have worked continuously for more than three years are given 30 days' notice.

#### ◆ **Employee Communications**

The Bank has established seamless and diverse communication channels with employees, including convening, on a quarterly basis, Employee Welfare Committee meetings, Supervisory Committee of Labor Retirement Reserve meetings and labor relations meetings to discuss working conditions and handling of labor disputes promote employee benefits matters and plan for recreational activities. Management meetings are held regularly every quarter, and meeting minutes are provided to employees for reference after the meetings so that employees can understand the Bank's business direction and facilitate the exchange of opinions with employees. Bank-wide business town halls are held regularly every year, with management and managers being participants. Business philosophy and strategies are announced in addition to discussions and advocacy on audit, compliance with laws and regulations, and promotion of CSR.

In 2019, the Bank conducted an employee engagement survey on all employees, and the response rate was 79%. The survey covered 10 key aspects, namely, work environment, teamwork, leadership style, promotion assessment, sense of accomplishment, job responsibilities, training and development, remuneration and welfare, organizational management, and organizational identification. The survey results revealed that except for areas of remuneration and welfare and promotion assessment where employees' dissatisfaction was slightly higher than that of other areas, the remaining areas were positively affirmed and identified with by most employees.

With regard to suggestions provided by employees, relevant management units shall take the suggestions very seriously and provide feedback. In terms of the remuneration and welfare aspect, the Bank regularly executes salary adjustment and promotion processes every year. In 2019, the number of employees who have been promoted or have salaries adjusted in accordance with Regulations for Employee Promotion was about 42.8% of the total reported employee strength, with an average pay increase of about 0.6%. In terms of promotion assessment, the comprehensive assessment of the achievement of each unit's operational goals, personal performance, work attitude and professional ability, and the average compensation given to similar positions by the Bank in recent years, is used as the basis for year-end bonuses, annual promotions, salary adjustments, rotation, and training so as to encourage the contribution of employees. In-service full-time employees were the target of the 2019 assessment. The number of employees assessed accounted for about 99.0% of all employees. The proportion of male and female employees assessed was 36.9% and 63.1%, respectively. The proportion of employees in a managerial position and non-managerial position was 29.6% and 70.4%, respectively.

In addition, the Bank has implemented the employee stock ownership trust plan since 2010, where monthly, the Bank allocates corresponding incentives based on employees' performance. In 2019, the additional incentive amount appropriated was 3.3% of salary expenses. This is an excellent system that caters to both employee benefits and provides employees with additional pay while solidifying employee cohesion, improving work performance, and enabling employees to be able to benefit

from long-accumulated wealth as well as the Bank's growth.

## **Workplace health and safety**

### **◆ Build a Healthy and Safe Workplace**

The Bank endeavors to build a healthy and safe workplace, conduct labor safety training and drills for self-defense fire organization regularly, strengthens employees' general knowledge for fire safety and evacuation, arranges for free health checks for employees, thus taking care of the physical and mental health of employees holistically. The Bank employed a health promotion officer at headquarters to provide employees with relevant health management services, including:

1. Handling of in-service employee general health examinations and special health examinations and reviews.
2. Assessment, analysis, management, and record-keeping of the results of the physical (health) examination of employees.
3. Health management classification, consultation, health education guidance, and case visits.
4. Assistance in the health service plan.
5. Injury treatment, first aid, and emergency treatment.
6. Management of emergency (medicine) kits and nursing room.

With an eye to maintaining the safety and order of the head office's first financial building and enhance the quality of the office, Guidelines for First Financial Building Safety Management were formulated to regulate the matters that should be observed when relevant personnel, objects, and vehicles enter and exit the building. There are also access control management regulations to protect the work safety of employees.

In 2017, in an effort to provide employees and customers with good air quality, and in line with the Indoor Air Quality Act of the Executive Yuan, the Bank formulated an indoor air quality maintenance management plan and conducted inspections in the service lounge of the head office sales department. The results were certified by SGS, and the indoor air quality complied with regulations and standards.

The Bank handles safety and health work in accordance with relevant laws and regulations on occupational safety and health and conducts regular health checks for

employees so as to prevent occupational disasters and protect the health of employees. In 2019, employees participated in 2 sessions of labor and fire safety training. There was a total of 77 attendees and a total of 228 hours.

The Bank offers occupational sick leave in accordance with the law. Should employees become disabled, injured, or sick due to occupational disasters, they will be given occupational sick leave during the time they undergo treatment and recuperation. There were 4 occupational injuries in 2019, all of which were traffic accidents encountered while employees were commuting to and from work, and there were no work-related deaths.

As the Bank belongs to the financial sector, there are no positions with high risks or high incidences of specific diseases. Additionally, for outsourced project operations, no outsourced personnel had any accidents.

Gender	Number of Occupational Injury Cases	Injury Rate	Days Lost to Disabling Injury	Lost Day Rate	Days of Absence	Absence Rate
Female	3	0.49	48	7.89	409.88	0.27%
Male	1	0.28	1	0.28	107.86	0.12%
Total	4	0.41	49	5.08	504.72	0.21%

Note: The number of working days in 2019 was 249.

Based on the number of individuals as of December 31, 2019.

Total number of working days for 611 female=611\*249=152,139

Total number of working days for 357 male=357\*249=88,893

Total number of working hours for 611 female=611\*249\*8=1,217,112

Total number of working hours for 357 male=357\*249=711,144

Total number of hours of absence for 611 female= 3,279 (sick leave 2,895 + total hours lost due to disability 384)

Total number of hours of absence for 357 male= 863 (sick leave 855 + total hours lost due to disability 8)

Total number of days of absence for 611 female=3279/8=409.88

Total number of days of absence for 357 male=863/8=107.86

Injury rate = (number of occupational injuries/total annual working hours) \* 200,000

Lost day rate = (total number of lost days for disability injury/total annual working hours)\*200,000

Absence rate = total number of hours of absence/total hours of annual work \* 100%



### ◆ Promotion of Employee Health

The Bank organized health promotion activities such as nutrition seminars, from time to time, besides setting up a health section and a health promotion officer column on the intranet to publicize the latest relevant health news released by the central health unit for the purpose of encouraging colleagues to cultivate correct health mentality. Relevant links to health promotion information were also provided in a timely manner for colleagues' reference.



▲ In October 2019, colleagues participated in a nutrition seminar- New Concepts of Healthy Eating

Every year, the company holds employee family day activities to invite their family members to participate in the Bank's activities, so that family members can have a better understanding of the employees at work and a sense of participation while reinforcing employees' sense of identity and cohesion with the Bank. In October 2019, the family day, KTB@Wanpi, was held at Wanpi World Safari Zoo in Tainan. The day was filled with exciting performances, coupled with Tainan's famed delicacies such as Baihe lotus leaf-wrapped rice, Xuejia milkfish fish ball soup, Liuying milk steamed buns, and Beimen salt-baked eggs for employees and their families to savor. More than 2,000 enthusiastic employees and their family members participated in the 2019 family day, where attractive prizes were also up for grabs at various team competitions.

The Bank has set up a comfortable dining environment at the head office with the objective of taking care of the health of employees and enabling them to be in a better state to work. The menu was planned by the professional certified dietician, offering a multitude of options such as buffets, noodles, special meals, and fresh fruits so as to

provide convenient, nutritious, and healthy lunch for employees. During festivals, the catering committee and the head chef will prepare a variety of special dishes for employees or let employees relish in a feast for the eyes and the stomach, with enjoyable meals topped off with a live display of the head chef's culinary skills.



▲ October 2019 KTB@Wanpi family day



▲ Staff cafeteria - Special meal for 2019 Christmas



## **Employee Training and Development**

Employees are the Bank's most important asset. In response to changes in the finance environment and maintain corporate competitiveness, the Bank ramped up talent development and promoted the concept of lifelong learning for employees, encouraging employees to pursue professional growth through learning and stimulating their personal potential. In addition, the Bank assiduously committed resources to hold in-house training courses, digitized self-learning, and sent employees to attend various external professional training courses. Through these training activities, we hope to enhance the knowledge and skills required by colleagues for their positions, improve work efficiency and service quality, thereby bolstering the career development of employees and increase their willingness to stay on.

At present, the Bank has established a core talent database to discover high-potential employees, supplemented by a robust and appropriate training and development plan to effectively retain key core talents in an effort to ensure the leadership continuity of key positions and achieve the goal of sustainable development of the Bank.

### **◆ Ministry of Labor TTQS Talent Development Management System (Enterprise Version)**

In 2018, the Bank passed the Ministry of Labor TTQS Talent Development Management System (Enterprise version) assessment. The assessment certificate is valid for two years, representing the reliability and accuracy of various indicators of talent training quality.

### **◆ Financial Professional Knowledge Certificate**

The Bank has established subsidies for key licenses and certificates as a means to encourage employees to actively enrich their professional knowledge and heighten their capabilities. Employees who pass relevant license examinations, such as Chartered Financial Analyst, can apply for registration fee subsidies and receive monthly professional allowances; incentives will be awarded to employees who obtain in-service masters degrees. In response to the 3rd Asia Pacific Group on Money Laundering mutual evaluation in 2018, with the intention of strengthening professional knowledge for anti-money laundering, the Bank encouraged employees to undergo the Anti-Money Laundering and Countering Financing of Terrorism Professional Test. Professional books were purchased, and subsidies for application

fees were provided to qualified personnel.

#### ◆ In-house Lecturer Training

In 2019, the Bank enlisted external consultants to conduct train-the-trainer workshops so as to nurture the effective communication and teaching abilities of internal lecturers and to understand the value creation and responsibilities of lecturers. Professional training content covering topics such as the process and cultivation of successful lecturers, how to overcome stage fright, professional on-stage expression skills, designing PowerPoint layout for classes, etc., was delivered. Augmented with flexible use of teaching equipment and teaching aids and practical training of various teaching methods, the internal lecturers were able to each develop a unique personal teaching style after the course to deliver a richer and more effective learning experience for various in-house training.



▲September 2019 in-house lecturer training-  
participants going through practical exercises

#### ◆ Investment In Employee Training

The Bank's training curriculum is mainly arranged specifically for different positions, such as new employees, operations personnel, and operations supervisors, according to the ability required at each phase, so as to facilitate the career development of employees and render the talent supply chain more robust and flexible.

The resources invested in training in 2019 are as follows:

Indicator	Unit of Measurement	2018	2019
Total Amount of Training	NT\$ thousands	4,805	4,378
Total Amount of Training / Total Revenue	%	0.07	0.05
Total Amount of Training / Total Number of Employees	NT\$ / per person	5,074	4,524

The statistics of in-house training (inclusive of physical and online courses) in 2019 are as follows:

Items		2018	2019
Total Number of Training Sessions		566	785
Total Number of Training Hours (Hours)	Female	55,151	20,541
	Male	29,101	10,372
	Managerial position	27,929	11,906
	Non-managerial position	56,323	19,007
Total Number of Employees (Individual)	Female	594	611
	Male	353	357
	Managerial position	273	286
	Non-managerial position	674	682
Average Training Hours Per Person (Hour / Person)	Female	93	34
	Male	82	29
	Managerial position	102	41
	Non-managerial position	84	28

The professional licenses held by employees in 2019 are as follows:

<b>Professional Certificate Held by Employees</b>	<b>2018</b>	<b>2019</b>
<b>Qualification exams for Securities Specialists</b>	129	141
<b>Qualification exams for Senior Securities Specialists</b>	84	91
<b>Qualification exams for Securities Investment Analysts</b>	7	8
<b>Qualification exams for Futures Trading Analysts</b>	62	66
<b>Qualification exams for Investment Trust and Consulting Professionals</b>	58	62
<b>Proficiency Test for Trust Operations Personnel</b>	681	708
<b>Proficiency Test for Financial Planning Personnel</b>	197	193
<b>Proficiency Test for Bank Internal Control and Audit</b>	648	648
<b>Basic Proficiency Test for International Banking Personnel</b>	99	104
<b>Basic Proficiency Test for Bank Lending Personnel</b>	207	207
<b>Qualification exams for Personal insurance agent</b>	9	10
<b>Qualification exams for Personal insurance broker</b>	6	6
<b>Qualification exams for the Property insurance agent</b>	4	5
<b>Qualification exams for Personal insurance broker</b>	3	3
<b>Qualification exams for the Property insurance broker</b>	4	4
<b>Qualification exams for Personal insurance representative</b>	786	823
<b>Qualification exams for the Property insurance representative</b>	733	780
<b>Qualification exams for Investment-orientated insurance product representative</b>	502	505
<b>Qualification exams for Foreign Currency Payment and Non-Investment Commodity Test</b>	456	490
<b>Certified Financial Specialist for Small and Medium Enterprises</b>	25	26
<b>Qualifications of structured product sales personnel</b>	164	162
<b>Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist</b>	285	285
<b>Basic Competency Test for Risk Management</b>	6	6
<b>Basic Test on the FinTech Knowledge</b>	19	19
<b>Chartered Financial Analyst</b>	2	2
<b>Certified Anti-Money Laundering Specialist</b>	1	1

Professional Certificate Held by Employees	2018	2019
<b>Lawyer</b>	1	2
<b>International Certified Internal Auditor</b>	1	1
<b>Certified Information Systems Auditor</b>	1	1

## **Community Engagement**

Community is the foundation on which KTB is built. In the face of the changing market and social landscape, we adhered to the principle of paying it forward. We actively collaborated with the government and various non-governmental organizations, gained an in-depth understanding of social needs, and provided care and assistance to underprivileged communities. In the pursuit of profits, we also lived up to the responsibilities of a social citizen and balanced the rights of stakeholders through the fulfillment of CSR so as to enable sustainable operations of the Bank.

Since 2013, with the aim of implementing community care and elevating the value of branches in the local areas, various business units had mustered resources from surrounding communities, planned and participated in community activities to integrate into the local communities, winning the hearts of local clients and realizing the Bank's philosophy of being a community bank trusted by local residents.

In 2019, the Bank defined the key foci for community care to be financial literacy and anti-fraud advocacy. The Bank actively championed the proliferation of financial knowledge and protection of clients' assets by providing clients with financial knowledge and anti-fraud information.

### **◆ Type and Number of Community Activities**

Type of Activity	# of Session in 2019
Anti-fraud advocacy	86
Community activity	106
Financial literacy promotion	22
Blood donation drive	8
Wealth management seminar	6
Environmental conservation	5
Caring for the underprivileged	24
Total	257



◆ **Community Engagement - Outcome of Resource Investments**

Item	2018	2019
<b>Total donation amount (NT\$ millions)</b>	2.80	3.16
<b>Donation contributions as a percentage of net income for the year (%)</b>	0.04%	0.04%
<b>Total Number of Volunteers (Individuals)</b>	1,929	2,007
<b>Total Amount of Time Volunteered (Hours)</b>	5,775	5,258
<b>Total Amount of Time Volunteered / Total Number of Employees (Hours/ PER PERSON)</b>	6.10	5.43
<b>Number of Beneficiaries (individuals)</b>	54,191	56,410
<b>In-kind Donations</b>	Provided approximately 200pings of land for free to Southern Tainan Taiwan Fund for Children and Families branch office as operation grounds for Parent-Child Happy School. The estimated local lease is approximately NT\$100,000 per month; hence the annual donation amount is close to NT\$1.2 million.	

■ **Sustained Efforts for Financial Literacy**

Enabling universal access to financial education had been the core community engagement activity for the Bank in recent years. Setting about from communities around our branches, we leveraged our core professional competencies in the financial sector to disseminate the seeds of financial knowledge. Financial knowledge, such as financial management, concepts of wealth, etc., was embedded in activities. Real-life case studies of bank employees thwarting frauds were also shared to raise awareness

on fraud prevention. Students were subsequently able to bring such concepts home to share with their family members. With the multiplier effect from families, together, we can prevent future regrettable fraud incidents.

#### ◆ Achievements for Financial Education Promotion and Financial Management Seminars

Target	# of Sessions in 2019	# of Beneficiaries in 2019
Children	9	234
Senior high school / vocational high school	8	290
College student	2	195
Community public	3	1,035
Wealth management seminar	6	520
<b>Total</b>	<b>28</b>	<b>2,274</b>

#### ◆ Strengthen Financial Literacy of the Community

In June 2019, we participated in a large scale charity carnival organized by Taiwan Financial Services Roundtable. Though employees were sweating profusely under the sweltering weather, they remained patient in explaining appropriate financial concepts to the community residents through fun pinball and sandbag games. The employees also helped persons with disabilities to participate in the event and distributed practical gifts to implement public welfare. The day's activities were well received by community residents, and there were 1,000 beneficiaries.



▲ Charity carnival in June 2019- community residents enthusiastically participated in games at the Bank's booth



▲ Charity carnival in June 2019- Volunteers presenting gifts with a smile, that is the most beautiful scene at KTB

### ◆ Community Children Experience Running Banking Errands

In view of the importance of the safety of children's summer activities, in the summer of 2019, the branches partnered with the local Taiwan Fund for Children and Families branch offices to invite the community children to visit the banking halls and experience running banking errands. The children would get to experience using banking facilities and equipment on their own and receive professional guidance from the Bank's employees on actions such as ATM operation, over the counter cash deposit and withdrawal, identification of genuine and counterfeit banknotes, checking out rare plastic banknotes, banknote counting competitions, financial information Q&A, etc. The children were able to experience how adults run banking errands on top of quenching their curiosity. They also had a wonderful and fulfilling time picking up financial management knowledge



▲ Children learning how to differentiate banknotes



▲ Children experience running banking errands and practiced operating an ATM

### ◆ Financial Seminars at Senior High Schools and Vocational High schools

In terms of the proliferation of financial education for youths, the Bank assembled a team of professionals with a background in information technology, legal, strategic planning, foreign exchange, digital finance, and wealth management departments as lecturers, stepping into school campuses to conduct senior high school and vocational high school financial literacy seminars. The employees shared with students their job scopes and the abilities they need to have after entering the workforce, such that students can appreciate that being a bank teller is beyond counting banknotes behind the counter, and should the students have interest in entering the financial industry,

they can also choose university courses based on their aptitudes. The seminars offered financial knowledge as well as aided the students to plan for their future. Three sessions were organized in 2018, and in 2019, eight sessions were held at National Tainan Second Senior High School, Tainan Municipal YongRen High School, National Tainan First Senior High School, National Tainan Commercial Vocational Senior High School, Tainan Municipal Nan-Ning Senior High School and Ying Hai High School, benefiting a total of 290 students.



▲ May 2019 High School Students Career Planning and Finance Seminar- National Tainan Commercial Vocational Senior High School



▲Sept 2019 High School Students Career Planning and Finance Seminar-Tainan Municipal Nan-Ning Senior High School

## **Youth empowerment**

### **◆ Financial Institution Management Course**

In order to establish a good relationship with campuses and benefit the students, the Bank launched a financial institution management course at Chang Jung Christian University. The course started in September 2019 and lasted for one semester until January 2020. The lecturers were all elites with the rich practical experience from various departments of the Bank. Their professional qualities included operation management, credit, risk management, financial accounting, anti-money laundering, digital finance, investment, law, etc., while the practical insurance classes saw experts from the Bank's partner, Prudential Life Insurance, stepping forward to contribute efforts towards youth empowerment.



▲ 2019 Financial Institution Management Course- Chang Jung Christian University

### ◆ Business Expert Talks

In view of the fact that digital finance is both a current hot discussion topic and a trend, in October 2019, the Bank participated in Chang Jung Christian University Evergreen University 2019 Ministry of Education Award Subsidy Program B5-1 Industry Chain and Internship Promotion: Bachelor of Business Administration - Enterprise Experts Talk. During the session, experts from the Bank gave insights into FinTech trends and development so that students can better understand the digital financial industry and determine their future career direction.



◀ October 2019 Industry Chain and Internship Promotion Plan- Enterprise Experts- Chang Jung Christian University

### ◆ Rural Elementary School Financial Creative Teaching Plan Competition

In 2019, with the intent of driving financial education in rural elementary schools and tapping into the creativity of youths, we organized the KTB Rural Elementary School Financial Creative Teaching Plan Competition to encourage young students to put on their creative thinking hats in designing teaching plans that blend teaching with entertainment.

A total of 43 submissions were received for the competition, with a total of 149 participating students. 10 participating teams were awarded a total prize of NT\$66,000.



◀ 2019 KTB's rural elementary school financial creative teaching plan competition- award winning works



#### ◆ **Industrial-academia Collaboration**

KTB entrenched itself into campuses and regularly collaborated with institutes of higher learning to offer summer internships or credit-bearing internships. Through arrangements of the institutions, students can gain early exposure to the needs of the workplace, and build up their practical ability and accumulate working experience via functional training.

In 2019, we cooperated with Mingdao University, Chang Jung Christian University, Southern Taiwan University of Science and Technology, National Formosa University, National Chiayi University, Shih Chien University and offered 17 internship opportunities, thus promoting stable employment of local youth.

A total of 8 youths joined the Bank as regular employees post-internship training.

#### ▮ **Supporting educational activities**

##### ◆ **Donation to Twilight Elite Development Association R.O.C.**

Since 2014, the Bank has donated NT\$100,000 annually to Twilight Elite Development Association R.O.C. Through subsidizing the tuition fees of high school students, students who are in relatively need and have potential were supported, with the hope that in the future, when they enter the society, education would be the engine that powers their social mobility, and the youths would then be able to join the ranks of giving back.

##### ◆ **Sponsorship of Education Empowerment Initiative**

Since August 2019, the Bank has sponsored the Education Empowerment Initiative organized by the Institute of Sports Sciences, University of Taipei. The idea comes about to consolidate social resources to make up for the deficiencies of the school in education and international exchange of students in view of the limited educational resources at the Institute of Sports Sciences.

The initiative involved inviting domestic and foreign lecturers to conduct seminars, with the purpose of adding a greater international dimension for students, enhancing the students' learning environment, and improving the quality of university education.

##### ◆ **Sponsorship of Rural Educational Resources**

Since 2015, the Bank has donated NT\$200,000 annually to Teach For Taiwan (TFT) and partnered with TFT to commit resources to teachers and elementary schools in rural

areas.

In 2019, with an eye to give rural children a leg up and inspire their interest in learning, the Bank donated idle 10-inch tablet PCs, through TFT, to six rural primary schools in need namely, Nantou Tumpu Elementary School, Nantou Luluna Elementary School, Pingtung County Hengchun Primary School, Tainan Baihe Daju Primary School, Tainan Xiaying Jiazhong Elementary School, and Tainan Cigu Dujia Elementary School. This donation not only made full use of resources but also helped to improve the effectiveness of information technology education in rural areas. The children who received the gifts cherished the resources of the tablet and were able to share what they have learned through the tablets, making wishes deep in their hearts of wanting to help others when they grow up. It underlined the purity and kindness of these children and, more commendably, their sense of content and thankfulness.



▲ Students from Tumpu Elementary School students happily practice how to use their tablets



▲ Tablet presentation ceremony at Dujia Elementary School

### ◆ Rural Elementary School Christmas Celebration Trilogy

A Christmas celebration trilogy was organized for children from three rural elementary schools (Baihe Daju Primary School, Cigu Dujia Elementary School, and Madou Jiazhong Elementary School) during Christmas in 2019.

The prelude- KTB Make-A-Wish Machine, where children were invited to write down their wishes and dreams, which were posted on KTB's FB page and local branches, to garner support.

Act II- KTB Santa Claus flash mob, where the KTB Santa dropped in on campuses to celebrate Christmas with the children on Christmas Day and provided each child with a surprise gift pack.

The finale- Dreams do come true, where wishes such as "a brand new dodge-ball for

the whole class to play with," "a box of 36-colored color pencils for me to draw to my heart's content", etc. were granted. On top of enabling the children to feel the love and care, they also learned to be content and thankful during the activity.



▲ KTB Make-A-Wish Machine



▲ KTB Santa Claus flash mob



▲ KTB realizing the dreams of children

### ◆ Sponsorship of The 10th Annual Philanthropic Concert

KTB sponsored The 10th Annual Philanthropic Concert organized by TFT in December 2019. Education is the power to drive changes, and improving the inequality in education requires effort from everyone. Through the sponsorship of these events, the Bank hopes to gather the energy of love and spread the power of love!





## **Social Assistance and Sponsorship**

### **◆ 336 Angel's Day**

The Bank has been partnering with Angel Heart Family Social Welfare Foundation for a long time. The Foundation predominantly serves parents and siblings of people with delayed development or disabilities, with the aim of helping siblings with disabilities to have a healthy self-image, integrating various resources to help parents of persons with disabilities to step out of the darkness and rekindle the passion and strength for life. Since 2012, the Bank has provided unwavering support for the 336 Angel's Day happening on the third Saturday in March and sponsored the Angel Heart Thanksgiving Concert.

In 2019, volunteers participated in the activities of 336 Angel Heart Family Day, Friendship-Forest Carnival" in Taoyuan. Through the lively carnival parade, street walks, picnics, garden parties, and concerts, volunteers encouraged and supported the Angel Heart families to be outdoors, just like ordinary families, so that it was a sunny day for the parents and a sunshine day for the persons with disability. The event further enhanced mutual understanding between members of the public and persons with disabilities, with families influencing families, lives impacting lives, such that everyone can feel blessed and walk together towards a brighter and happier tomorrow!



▲ March 2019 336 Angel Heart Family Day



The Bank also continued to sponsor the Angel; Long Time No See charity concert held at the Sun Yat-sen Memorial Hall in Taipei in 2019. The concert conveyed not only music but also love and friendship. Through the heartwarming dialogues with angel ambassadors, love permeated through the air, complemented by enchanting music which brought everyone through the ups and downs of life.

### **◆ Support the Taiwan Fund for Children and Families**

The Bank had rendered support for Taiwan Fund for Children and Families since 2015. On top of providing approximately 200pings of land to establish a Parent-Child Happy School, the Bank also adopted Taiwan Fund for Children and Families piggy banks to be placed at all banking halls of business units, offering clients and the public donation channels to chip in for students to pursue their studies. In parallel, the Vice Chairman of the Board of Directors occasionally organized charity bazaars to support Taiwan Fund for Children and Families in the headquarters' cafeteria, with all proceeds going to Taiwan Fund for Children and Families. In 2019, Taiwan Fund for Children and Families was also invited to set up a booth at the charity bazaar, which raised NT\$57,200. The total amount raised in 2019 is \$94,581.

#### ◆ Tainan Arts Festival

The Bank has long focused on the promotion of art and culture and promoted arts and cultural events in order to support culture and art. For every year since 2012, the Bank has sponsored the Tainan Arts Festival, which is widely considered as the grandest art festival in Tainan City annually! The Tainan Arts Festival 2019, which has been held for the 8th consecutive year, adopted the theme of The Invisible City and took a bolder step of using Tainan City as the stage to present various new performances which were closely related to the pulse of the city. Different facets of the city were discovered through the performing arts.



#### ◆ The 1st Taipei Music Academy & Festival

In August 2019, the Bank sponsored the 1st Taipei Music Academy & Festival organized by the Foundation of Taiwan Organizations for Philanthropic Education. Renowned violinist Mr. Cho-Liang, Lin took the helm of artistic director, inviting the world's top-notch section leaders to Taiwan to coach and conduct master classes for 60 aspiring young Asian musicians and music students in a 17-day program. In addition, the entire faculty played in the orchestra alongside the students on a concert tour to northern,

central, and southern parts of Taiwan, bringing a rare musical feast to music fans.

#### ◆ Sponsorship of events at National Kaohsiung Center for the Arts (Weiwuying)

From November to December 2019, the Bank sponsored the Kaohsiung Local Hi series of events at the National Kaohsiung Center for the Arts (Weiwuying). The National Kaohsiung Center for the Arts (Weiwuying) is an important art base in line with international standards. Kaohsiung Local Hi was a series of events launched based on the local characteristics of Kaohsiung, and it brought various artists together to take part in the wonderful stories of Kaohsiung!



#### ◆ Sponsorship of Athletes

In order to promote sports events while nurturing high-potential athletes, the Bank had been sponsoring golfer Lorena Tseng since 2016, providing a monthly subsidy of NT\$30,000 so that she can concentrate on training. With her impressive achievements on turf, Lorena secured a scholarship to further her studies at the University of Tulsa. During the Taiwan Amateur Championship held at Nan Feng Golf Club at the end of May 2019, despite tough competition, Lorena won a third-place to become Taiwan's best performing female player, even defeating Atthaya Thitikul from Thailand, who was ranked the world's number seven amateur. Without a doubt, in the foreseeable future, Lorena will be a dazzling star for Taiwan in the international sports arena.

#### Regional Revitalization

Faced with our country's shrinking population, aging and declining birth rate, over-concentration of the population in major cities, and unbalanced urban-rural development, the Executive Yuan announced three key pillars that comprise the Cabinet's policy vision, namely creating a peaceful and content society, raising the national birth rate, and balancing development across Taiwan.

There are currently 368 township-level divisions in the country, of which 134 have been identified by the government as hot spots for regional revitalization. KTB has 14

branches in 20 of these townships or neighboring townships, accounting for 21% of all branches (66 branches).

134 hot spots for regional revitalization	KTB branch at township or neighborhood townships
Tainan City Houbi District, Yanshui District, Qigu District, Jiangjun District, Beimen District, Da Nei District, Xigang District, Dongshan District, Yujing District, Nanxi District, Nanhua District, Zuozhen District, Guanmiao District	Xinying Branch, Yanyan Branch, Jiali Branch, Xuejia Branch, Shanhua Branch, Xigang Branch, Baihe Branch, Yujing Branch, Guanmiao Branch
Chiayi County Dongshi Township	Puzi Branch
Yunlin County Taixi Township, Shuilin Township, Kouhu Township, Sihua Township, Linnei Township, Gukeng Township	Lunbei Branch, Beigang Branch, Douliu Branch, Meishan Branch

#### ◆ Consolidate Employment Opportunities and Nurture Local Talents

The Bank provided about 140 job opportunities in the above-mentioned 14 branches, accounting for about 14% of the Bank's employees, giving impetus to the return of population from the diaspora and the returning flow of youth population to rural areas, in order to address demographic changes. The creation of a virtuous circle of local work opportunities and talents can facilitate regional revitalization as work opportunities would drive the growth of the local population and progressively bring about prosperity.

As of December 31, 2019, about 50% of the employees of the 14 branches were local talents, of which close to 40% were young people under the age of 35. The Bank provided professional training programs for local youths, arranged for courses according to the abilities required at each stage, instituted license subsidy measures for obtaining key financial licenses on top of relevant benefits such as various subsidies from the Employee Welfare Committee, employee and dependent group insurance, regular health checks, employee stock ownership trust, family day, etc. By building a healthy and safe work environment, employees would be able to have a stable employment environment, such that they would be able to address the needs of both their families and personal lives. In this way, youths would be enticed and be willing to

stay in the local regions on a long term basis, thereby enabling talent retention for regional revitalization in the long run.

#### ◆ **Holistic Benefits Measures to Encourage Child Birth**

KTB weighed in on factors such as personality traits and abilities of employees during the recruitment of employees and appointment of managers and has never taken gender issues into account. In 2019, the ratio of female to male in the management was 54% to 46%, achieving gender harmony and promoted gender equality.

The Bank provides employees with various subsidies for marriage and childbirth and encourages employees to return to the workplace after childbirth or maternal/paternal leave. Additionally, the Bank provides holistic job arrangements for employees reinstated from maternal/paternal leave. In 2019, the reinstatement rate of male employees was 100%, the reinstatement rate of female employees was 50%, and the rate of employees still on the job 12 months after reinstatement in the previous year was 100%.

#### ◆ **Sponsorship of Teaching Resources in the Rural Areas**

In 2019, with an eye to give rural children a leg up and inspire their interest in learning, the Bank donated idle 10-inch tablet PCs to six rural elementary schools for teaching purposes, namely, Nantou Tumpu Elementary School, Nantou Luluna Elementary School, Pingtung County Hengchun Primary School, Tainan Baihe Daju Primary School, Tainan Xiaying Jiajhong Elementary School and Tainan Cigu Dujia Elementary School. This donation not only made full use of resources but also helped to improve the effectiveness of information technology education in rural areas.

#### ◆ **Vitalize Local Relationships and Create Local Charm Together**

The employees of the Bank actively entrenched themselves in local activities such as local culture, traditions, property, and tourism. In 2019, 14 branches participated in 60 local activities. For example, whenever there were events such as Yanshui Beehive Fireworks Festival, prayers at Yanshui Hubi Temple on the birthday of Matsu goddess, 2019 Yanshui Commercial District Yi Noodles Festival, Xuejia Hollyhock Flowers Cultural Festival, Guanmiao Shanxi Temple walkathon, Beiliao Tianyan temple procession for returning deities to their thrones in the temple, 2019 4th Beauty of Dongshi marathon, etc. the volunteers were always enthusiastic and energetic while interacting with community residents, so as to collectively build local brands, create



the local charm and drive the overall development of the area



▲ 2019 Xuejia Hollyhock Flowers Cultural Festival



▲ 2019 4th Beauty of Dongshi marathon

### **Giving Back to the Neighborhood**

The Bank has been maintaining good relationships with communities for a long time and integrated into the daily lives of the community. Every quarter, every business unit of the Bank participated in at least one community activity. In 2019, all units participated in a total of 257 community activities, impacting 56,410 beneficiaries. For example, you can always see KTB volunteers in bright orange vests at blood donation activities, Spring Festival couplets charity sales, cultural celebrations, etc., serving the community residents enthusiastically and energetically.



▲ Volunteers having dinner with children from Xiangshan Foundation



▲ Partnered Huashan Social Welfare Foundation Spring Festival couplets charity sale



▲ Volunteers participated in Yingcailong Xuanwu God year end charity event



Yu Private Institutional Care Center rice drive for seniors

Best



## **Fight against the New Coronavirus Epidemic with Love and Care**

The outbreak of the new coronavirus epidemic in early 2020 has ensnared the whole world, causing a severe impact on all walks of life around the world. In response to this unprecedented emergency, the Bank actively collaborated with the government's epidemic prevention policies and implemented various epidemic prevention measures, including implementing temperature screening for clients and employees, all employees to wear masks, adjustment of dining seats in the staff cafeteria, telecommuting for employees, and regular disinfection for the operating environment, etc.

The Bank upholds the original aspiration of creating the greatest welfare for the public and enhancing corporate value by constantly monitoring the Bank's development and fulfillment of CSR. As the epidemic spreads, all of us in this globalized world is forced to re-examine the importance of a healthy and friendly environment. For 2020 Mother's Day, this revolved around the theme of love, and using different ways to express self-love, we advocated the importance of physical health. We also purchased and distributed antibacterial hand sanitizers to elementary schools and after school care centers which we had partnered for financial literacy programs to raise the

protection levels for these children.

While the price of carnations on Mother's Day has plummeted due to the epidemic, The Bank used the same price point as previous years to purchase carnations from farmers to offer the flowers to clients. There are also plans to purchase pineapples in Guanmiao in the near future to express our love for Taiwan in the most practical way. At the beginning of May 2020, when Taiwan achieved the breakthrough of nearly 30 consecutive days with no locally transmitted case and the epidemic gradually stabilized, the Bank was the first in the financial industry to disburse NT\$3,000 to each employee as relief funds. The Chairman also took to issuing a personal letter and conveyed his thanks to employees for their hard work during the fight against the epidemic and encouraged employees to spend the NT\$3,000 on friends and families at stores and vendors within the vicinity, kickstarting a "keep the change" campaign to ease the strain through small actions like this.

The Bank has the most branches in the southern part of Taiwan, such as Xiluo, Meishan, Lunbei, and other places. The branch network of local banks in these areas is relatively smaller, and the local branches have observed that due to the epidemic, businesses for shops such as hairdressers and snack bars in the vicinity had plunged. There was an urgent need to provide relief for micro-entrepreneurs. To that end, the business department actively responded to the government's stimulus plan and mobilized the entire bank to the rescue of these micro-entrepreneurs around us. Exemplifying good neighborliness, we made every effort to assist clients in applying for relief loans to tide over this difficult time together.



▲ KTB launched keep the change campaign, to round off the amount when paying at neighborhood stores



▲ KTB spared no efforts to assist clients with various relief needs

## Environmental Sustainability

Due to the nature of the financial services industry, the negative impact of its operating



activities on the environment is not as significant as that of the manufacturing industry. However, with the advancement of technology, the severity of global climate warming is increasing over time, and it has already become a global trend to promote carbon reduction, dampen global warming in response to international conventions. Besides tightening the controls of our own operations, we also kept abreast of global environmental protection trends. We aspire to support the development and transformation of green industries, respond to government policies, and propel the realization of a low carbon society via the impact of cash flow.

## Environmental Sustainability Policy

### ◆ Energy Policy

With regard to internal organizational management, the management placed much emphasis on environmentally sustainable operations. The Bank's energy policy was issued by the Vice President and posted on all floors of the Bank, declaring that the Bank will lead by example and implement the environmental sustainability policy.



The poster features the King's Town Bank logo at the top left, which includes a stylized tree icon and the text 'King's Town Bank'. The title '能源政策：' (Energy Policy:) is prominently displayed in orange. Below it, three key points are listed in orange text within a white box: '全員參與節能，遵守能源法規；' (All employees participate in energy saving, comply with energy regulations;), '持續教育宣導，落實節能減碳；' (Continuous education and promotion, implement energy saving and carbon reduction;), and '綠能採購設計，提高能源效率。' (Green energy procurement and design, improve energy efficiency.). The poster is signed by the General Manager, Zhang Dazheng, with his signature in black ink. Below the signature, a small text block states: '推動減碳，減緩地球暖化，響應國際公約，已是世界潮流。本行積極以身作則訂立能源政策。' (Promoting carbon reduction, slowing down global warming, responding to international agreements, is already a world trend. Our bank actively leads by example in establishing an energy policy.). The bottom of the poster has a grey bar with the text '▲Energy policy issued by the Vice President'.

King's Town Bank

能源政策：

全員參與節能，遵守能源法規；

持續教育宣導，落實節能減碳；

綠能採購設計，提高能源效率。

總經理 張日政

推動減碳，減緩地球暖化，響應國際公約，已是世界潮流。  
本行積極以身作則訂立能源政策。

▲Energy policy issued by the Vice President

## ◆ ISO 50001 Energy Management System

The Bank has instituted a comprehensive environmental management mechanism to ensure the effective execution of environmental sustainability management activities and passed the ISO 50001 Energy Management System certification on November 3, 2018, with a validity period of November 3, 2018, to November 2, 2021. The renewal audit was completed in 2019.

**bsi.**



### Certificate of Registration

ENERGY MANAGEMENT SYSTEM - ISO 50001:2011

This is to certify that: **King's Town Bank**  
No. 506, Sec. 1, Ximen Rd.  
West Central Dist.  
Tainan City  
70051  
Taiwan

京城商業銀行股份有限公司  
臺南  
中西區  
西門路一段506號  
70051

Holds Certificate No: **ENMS 699053**

and operates an Energy Management System which complies with the requirements of ISO 50001:2011/CNS 50001:2012 for the following scope:

The provision of financial services.  
金融服務業務

For and on behalf of BSI:

Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2018-11-03  
Latest Revision Date: 2018-11-03

Effective Date: 2018-11-03  
Expiry Date: 2021-11-02

Page: 1 of 2



...making excellence a habit.™

This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract.  
An electronic certificate can be authenticated at [www.bsi.com/bsi/certificates](https://www.bsi.com/bsi/certificates).  
Printed copies can be validated at [www.bsi.com/bsi/certificates](https://www.bsi.com/bsi/certificates) or telephone +44 (0) 20 8996 9001.  
Tainan Headquarters: 5th Floor, No. 39, J.H. Rd., Bei-Hu Dist., Tainan 714, Taiwan, R.O.C.  
A Member of the BSI Group of Companies.

Certificate No: **ENMS 699053**

Location	Registered Activities
King's Town Bank No. 506, Sec. 1, Ximen Rd. West Central Dist. Tainan City 70051 Taiwan 京城商業銀行股份有限公司 臺南 中西區 西門路一段506號 70051	The provision of financial services.
King's Town Bank No. 241, Sec. 2, Anhe Rd. Annan Dist. Tainan City 70945 Taiwan 京城商業銀行股份有限公司安和分行 臺南 安定區 安和路二段241號 70945	The provision of financial services.

Original Registration Date: 2018-11-03  
Latest Revision Date: 2018-11-03

Effective Date: 2018-11-03  
Expiry Date: 2021-11-02

Page: 2 of 2

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Tainan Headquarters: 5th Floor, No. 39, J.H. Rd., Bei-Hu Dist., Tainan 714, Taiwan, R.O.C.  
A Member of the BSI Group of Companies.

**▲ISO 50001 Energy Management System certification**

## **Environmental Sustainable Management Measures**

With the deteriorating global warming situation and rapid depletion of traditional energy sources, it is imperative that major nations in the world adopt energy conservation and carbon emission reduction as a new policy mindset, implement new green policies, develop green energy industries to create a sustainable low-carbon society and develop low carbon economy.

### **◆ Promote Sustainable Environmental Goals and Actual Performance**

Through voluntary inventories, it was discovered that electricity consumption was the largest use of energy for the Bank. Therefore, the Bank has formulated energy-saving plans for lighting, air-conditioning, computer room, and elevator equipment, and established the target of reducing electricity consumption and greenhouse gas emissions in 2022 by 15% from levels in 2017. With enthusiastic involvement from all our employees, the Bank was conferred the Ministry of Economic Affairs Energy Saving Leadership Award - Excellent Energy Saving Enterprise Award, serving as a morale boost for all of us to work towards our 2022 target.

In terms of water consumption, the proportion of direct water consumption by the banking service industry is very small relative to business operations. That said, the volume of paper required for daily operations is large. The papermaking industry is one with high water and energy consumption as well as high pollution, where the average water consumption per ton of white paper is 24.5 tons. In an effort to reduce indirect water consumption, since 2010, the Bank has proactively planned and implemented measures such as reduction of paper usage for operations and rendering operation-related reports to be paperless.

Item		2017	2019	Reduction Target for 2022	Reduction Status in 2019
Electricity	Electricity consumption (kWh)	5,128,403	4,599,209	15% electricity consumption reduction from base year in 2017	10.32%
	Average electricity consumption per employee (kWh)	5.51	4.75		
Water	Tap water consumption (cubic meter)	21,944	21,961	10% average water consumption per employee reduction from base year in 2017	3.75%
	Average water consumption per employee (cubic meter)	23.57	22.69		
Greenhouse Gas emissions	Scope 1 (ton CO <sub>2</sub> e/year)	21.92	43.85	15% Greenhouse Gas emissions reduction from base year in 2017	12.85%
	Scope 2 (ton CO <sub>2</sub> e/year)	2,841.14	2,451.38		
	Total (CO <sub>2</sub> e/year)	2863.05	2,495.23		

1. Greenhouse Gas emissions were voluntary inventories via an operational control approach. The main energy used was electricity, while gasoline and liquefied petroleum gas were used for official vehicles and at the staff cafeteria. The total energy consumption for the former two was 672.63 gigajoules in 2019.
2. The main water consumed was 100% tap water.
3. The reference coefficient of Greenhouse Gas emission Scope 1 was from the emission coefficient table version 6.0.3 published by the Environmental Protection Administration, and the GWP value was based on the IPCC 2007 Fourth Assessment Report.
4. Scope 2 was calculated based on the 2017 electricity emission coefficient of 0.554kg CO<sub>2</sub>e/kWh published by the Bureau of Energy under the Ministry of Economic Affairs, and the 2019 electricity emission coefficient was 0.533kg CO<sub>2</sub>e/kWh. The data coverage for

electricity consumption was 100% of all employees.

5. The data coverage for water consumption in 2017 and 2019 was 97.07% and 96.80% of all employees, respectively



▲ Conferred 2019 Ministry of Economic Affairs Energy Saving Leadership Award - Excellent Energy Saving Enterprise

#### ◆ Use of Energy-saving, Water-saving, and Other Environmental Protection Equipment

In order to reduce electricity consumption, the Bank continuously replaced air-conditioning equipment and air-conditioner water chiller units at branches while installing 8-in-1 controllers to prevent the occurrence of waste due to the negligence of the employees when switching off the equipment. While renovating the Bank's premises, LED lights were used instead, commonly used driving lanes and signs were replaced with LED lights, old elevator equipment was likewise replaced. The TV monitors in branches were incrementally swapped with new LCD TVs with energy-saving labels. In 2019, approximately NT\$5.39 million was spent on green procurement.

#### ◆ Reducing Unnecessary Electricity Loss

In terms of lighting systems, we replaced old spiral bulbs with LED bulbs, installed motion-sensitive lighting in stairwells, swapped all vertical signboards, horizontal signboards, and light advertising boxes within the Bank from T8 to high-efficiency LED, and banned the use of incandescent lamps. Additionally, power consumption was monitored using computer systems to fully implement the mechanism to check for equipment not switched off at night, and awareness among employees for energy conservation was reinforced to minimize unnecessary power loss.

### ◆ Broaden impact and co-creation of low carbon lifestyle

Starting from the Bank's employees and extending the impact to clients, we championed energy conservation education and advocacy.

1. Advocacy: regular energy-conservation advocacy for all employees to instill the concept of making energy-saving a habit. Four advocacy workshops were conducted in 2019.
2. Putting up energy conservation notices: energy conservation posters or slogans were put up at the headquarters and branches to act as constant reminders and encouragement for employees and visitors to conserve energy.



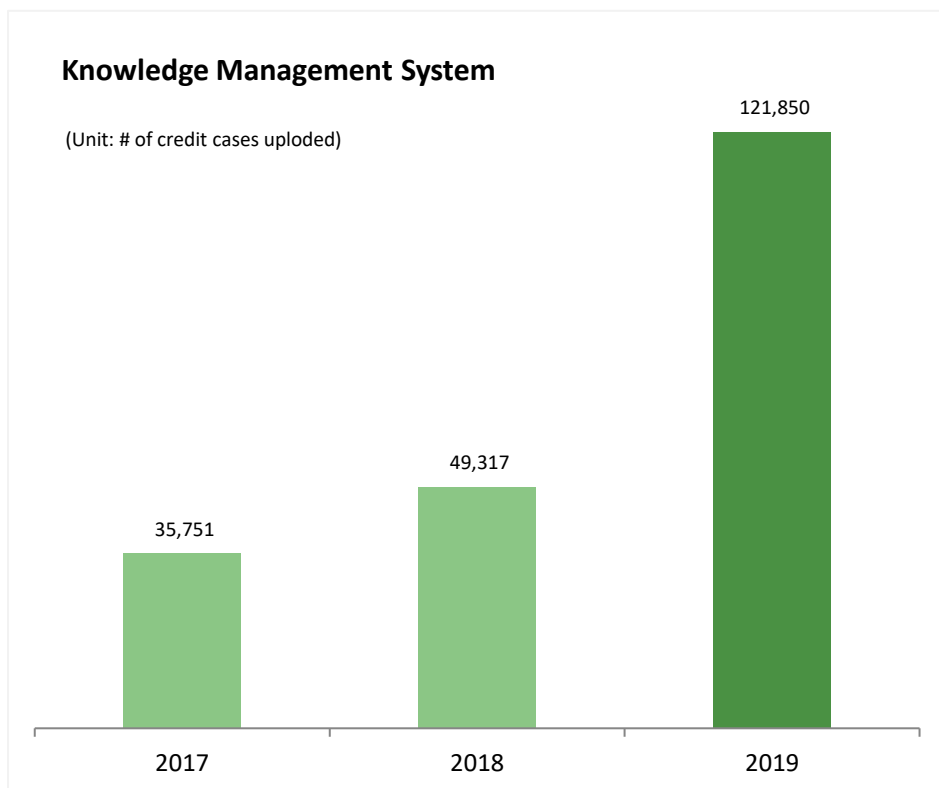
▲ Energy conservation posters in elevators

### ◆ Waste Management

Since November 2018, the Bank has tabulated statistics on the amount of waste in the head office building. The waste at the head office was sorted into three categories, namely general waste, recyclable waste, and kitchen waste. The waste was weighed daily before dumping so as to implement waste classification and improve the recycling rate. The Bank encouraged the recycling of resources through actions such as providing reusable cutlery at the staff cafeteria in the headquarters instead of single-use cutlery, not providing paper cups during meetings and encouraging employees to bring their own environmentally-friendly cups to play their part in reducing the generation of waste.

### ◆ Establishing Green Transportation and Distribution System

At the end of 2016, we planned for the development of a knowledge management system to convert hard copies of credit cases to electronic versions for storage and transmission, reducing energy consumption incurred during transportation and paper waste. Concurrently, we relentlessly drove the inclusion of information of deposit clients. In 2017, credit cases were converted from hard copies to electronic versions for storage and transmission, and 35,751 documents were transmitted via the system when it went live online in 2017. The volume increased to 49,317 in 2018 and 121,850 in 2019, a 147% increase compared to 2018.

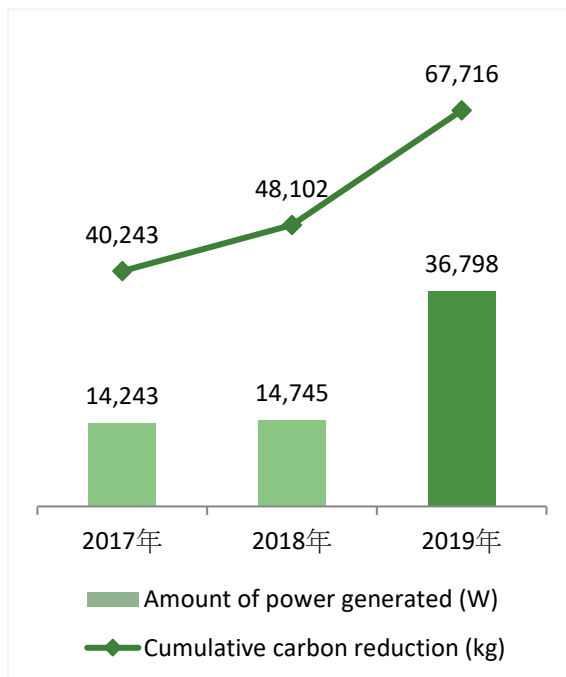




### ◆ Self-initiated Green Power

Taiwan is located in the subtropical zone, with abundant sunshine for long hours. As many as 70% of the Bank's operating bases are located south of the Tropic of Cancer. In this era of declining energy sources globally, the promotion of solar power generation is very beneficial and environmentally friendly.

The Bank took the lead in setting up solar power generation systems with a capacity of 9.87kW on the top floor of the head office building in 2012 for a total cost of NT\$908,000. In March 2019, a solar power generation system was installed at the Chiayi County Taibao Branch. The system has a capacity of 19.825kW and a total cost of NT\$1,249,000. In 2019, the total power generated was 36,798kWh, and the cumulative power generation was 127,446kWh, with a cumulative reduction in carbon emissions of 67,716kg CO<sub>2</sub>e.



▲ Solar power generation system installed at Taibao branch in Chiayi County

### ◆ Opportunities and Management of Climate Change Risk

Climate abnormalities have become more frequent due to global climate change. The Bank conducted risk identification for various types of climate change, examined the potential risks and opportunities caused by climate change to the Bank, and developed corresponding countermeasures and management methods to reduce the climate risk of the Bank's operations.

Climate Change Risk Management			
Type	Identified Risk	Response Measures	Management Method
Operations	<ol style="list-style-type: none"> <li>1. The equipment room is damaged.</li> <li>2. Interruption of power supply.</li> </ol>	<ol style="list-style-type: none"> <li>1. Upgrade storage equipment in the computer room.</li> <li>2. Install uninterrupted power equipment and adopt a remote backup mechanism.</li> <li>3. Strengthen the emergency power supply and backup mechanism for information systems.</li> </ol>	<ol style="list-style-type: none"> <li>1. Organized off-site backup drills every year to ensure system availability remains high.</li> <li>2. Regular maintenance of uninterruptible power supply and generator equipment.</li> <li>3. Installed second backup generator in the information equipment room.</li> </ol>
Environment	<ol style="list-style-type: none"> <li>1. Low water supply.</li> <li>2. Insufficient power supply.</li> <li>3. Increase Greenhouse Gas emission.</li> <li>4. Typhoon and flood.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen water resources management.</li> <li>2. Replace old equipment with new ones, improve operation efficiency, and carry out preemptive maintenance.</li> <li>3. Relentlessly drive energy conservation and carbon reduction efforts.</li> <li>4. Elevate the ability to resist natural disasters.</li> <li>5. For physical branches, to take</li> </ol>	<ol style="list-style-type: none"> <li>1. On status for control of energy consumption, ISO Energy Management System was adopted on November 3, 2018, with validity period of the certification being November 3, 2018 - 2 November 2021. Continued to complete audit processes every year.</li> <li>2. The first solar power generation system was installed in 2012, followed by the second in 2019. The capacities are 9.87kW and 19.825kW, respectively. Continued reduction of Greenhouse Gas emissions.</li> <li>3. Systematically to install waterproof gates for low-lying branches to cope with heavy rain disasters.</li> <li>4. Conducted quarterly advocacy sessions on energy conservation and carbon reduction.</li> </ol>

Climate Change Risk Management			
Type	Identified Risk	Response Measures	Management Method
		precautions every time warnings are issued for heavy rain and typhoon.	
Society	<ol style="list-style-type: none"> <li>Changes to preferences and habits of clients.</li> <li>Negative responses from stakeholders.</li> <li>Employees' health impacted.</li> </ol>	<ol style="list-style-type: none"> <li>Promote sustainable finance and digital financial services.</li> <li>Maintain good and seamless communication channels.</li> <li>Step up occupational safety awareness education.</li> </ol>	<ol style="list-style-type: none"> <li>For the credit financing of the green energy industry, unceasingly incorporated environmental protection concepts into the development and design of various products and proactively promoted the use of digital financial products by clients.</li> <li>Established appropriate communication mechanisms with all stakeholders and provided timely and effective response through a multitude of channels and special stakeholder section on the corporate website.</li> <li>Organized two sessions of occupational safety and fire protection training every year to cultivate the emergency response capabilities of employees.</li> </ol>

Potential opportunities for climate change			
Type	Type of opportunities	Response measures	Management Method
Energy source	Supportive policy incentives	<ol style="list-style-type: none"> <li>Endeavor to promote energy saving and carbon reduction and respond to the government's green energy policies.</li> <li>When replacing equipment, apply for relevant energy-saving subsidies in accordance with government subsidy policies.</li> </ol>	<ol style="list-style-type: none"> <li>Promoted the implementation of relevant environmental protection measures, responded to the government's carbon reduction and adjustment policies and increased opportunities for communication with the outside world.</li> <li>Reviewed the local government policies and purchased equipment that met the respective requirements when renovating the Bank's premises.</li> <li>Cooperated with and supported relevant government policies and promoted various policy-specific loans or investments.</li> </ol>
Product service offerings	Change in clients' behavior	<ol style="list-style-type: none"> <li>Reduced physical presence to physical branches to carry out transactions while the utilization rate of virtual</li> </ol>	Promoted online banking services, digital account opening services, electronic transactions, and account processing services.

Potential opportunities for climate change			
Type	Type of opportunities	Response measures	Management Method
		<p>channels and client base increases.</p> <p>2. Optimization of the digital environment and promotion of paperless transactions.</p>	

### **Supplier Management**

The Bank's suppliers mainly include postal and courier service providers, printing and packaging manufacturers, machinery and equipment maintenance service providers, security, etc. With the intent to jointly perform CSR and demonstrate excellent image, the Regulations for Supplier Management was formulated based on the corporate objectives of achieving economic, social, and environmental balance and sustainable development.

Key suppliers were invited to sign the Undertaking for Human Rights and Environmental Sustainability Clauses, which documented a commitment to the implementation of CSR. For suppliers with procurement values more than NT\$10 million in 2019, the signing rate for the undertaking was 100%. A Supplier CSR Self-assessment Form was formulated with the purpose of understanding the state of suppliers' implementation of CSR via the self-evaluation mechanism. The information was also taken into consideration while reviewing the renewal of the procurement relationship with the suppliers. Among the 62 major suppliers for procurement made in 2019, 13 suppliers have completed the self-assessment, and all the self-assessment results were not in violation of the Bank's CSR philosophy.

For suppliers involved with high-risk tasks, relevant advocacy was carried out in accordance with Contractor Handover Procedure Hazardous Factors Notice during the kick-off meeting. In addition to requiring contractors to comply with Occupational Health and Safety Regulations, on-site personnel was provided with occupational safety and health training as well as outreach and guidance on preventing hazardous events from reducing workplace injuries. A total of 5 outreach sessions were organized in 2019, and there were no casualties due to workplace accidents.

## 人權及環境永續條款承諾書<sup>4)</sup>

附 件<sup>4)</sup>

京城商業銀行股份有限公司與\_\_\_\_\_為商業夥伴，基於維護人性尊嚴與基本人權，共同履行企業社會責任及彰顯企業優質形象，並以經濟、社會與環境生態之平衡及環境永續發展為企業目標，雙方同意簽訂本承諾書，內容如下：<sup>4)</sup>

- 第一條 雙方應遵守相關勞動法規，保障內部員工之合法權益，薪資不得低於基本工資，並享有法定福利、合理休息時間及加班費。<sup>4)</sup>
- 第二條 雙方應維護所屬員工之基本人權，以誠信相待，關懷弱勢族群，不得使用強迫或非自願性的勞務，並禁用童工（未滿16歲以下皆禁止聘僱）。<sup>4)</sup>
- 第三條 雙方對於員工之雇用、薪酬、升遷、訓練、獎懲及解僱等，不得因種族、國籍、膚色、性別、宗教、年齡、健康狀況、政治意見、婚姻狀態、懷孕等因素而有所歧視。<sup>4)</sup>
- 第四條 雙方應避免員工於工作場所受到肢體或語言騷擾、辱罵、體罰、心理或生理強迫、威脅等行為。<sup>4)</sup>
- 第五條 雙方應訂有健康與安全議題相關規範。<sup>4)</sup>
- 第六條 雙方應遵守所處國家國內、國際有關勞工安全、衛生的相關規範，及提供所有員工安全及衛生的工作環境，確保其營運活動不會導致員工或他人直接或間接的危險。<sup>4)</sup>
- 第七條 雙方應提供員工相關教育訓練、指導及監督，並採取所有必要的預防措施，防止意外或事故的發生。<sup>4)</sup>
- 第八條 雙方在公司的營運作業與提供的產品及服務中，應遵守所處國家的環境相關法規與準則規範（包括但不限於空氣污染防治、水污染防治、廢棄物與毒性物質管理等），以避免造成任何形式的污染，如有違反法規情事，則必需提出改善計劃。<sup>4)</sup>
- 第九條 雙方應致力於減少或消除各種形式的浪費，包括水和能源，供應商可以在設備、維修或生產過程中使用節能措施，或透過回收、再用或替代物料的方式達到節能的目的。<sup>4)</sup>
- 第十條 雙方應致力於減少污染物、有毒物及廢棄物之排放，並應妥善處理廢棄物，對於廢棄物之處理應符合相關規定辦理，以降低對自然環境之衝擊。<sup>4)</sup>

立承諾書人：京城商業銀行股份有限公司 立承諾書人：<sup>4)</sup>  
代 表 人：戴 誠 志 代 表 人：<sup>4)</sup>

中 華 民 國 \_\_\_\_\_ 年 \_\_\_\_\_ 月 \_\_\_\_\_ 日<sup>4)</sup>

## ▲Undertaking for Human Rights and Environmental Sustainability Clauses

## 京城商業銀行供應商企業社會責任自評表

本公司為京城商業銀行之供應商，對環境保護、安全與衛生及人權與勞動實務自評如下：

編號	自評項目	是(Y)	否(N)
1	本公司響應環境保護，進行環保節能管理措施，有效落實環境永續發展。		
2	本公司皆遵守職業安全衛生相關法規，致力於提供員工安全與健康之工作環境並保障員工合法之權益。		
3	本公司提供員工相關安全與衛生的教育訓練，防止意外或事故的發生。		
4	本公司保障員工基本勞動人權，禁止聘僱16歲以下童工，排除各種形式之強迫勞動，並無危害勞工基本權利之情事。		
5	本公司雇用政策無性別、種族、年齡、婚姻與家庭狀況等差別待遇、落實報酬、雇用條件、訓練與升遷機會之平等。		
6	本公司在公司營運作業與提供的產品及服務，均有特別注意不對環境產生重大負面影響或違反環保法規等情事，各項營運均應符合環保政策。		
<p>公司名稱：_____ (蓋章)</p>			

## ▲Supplier CSR Self-evaluation Form

## Appendix

### GRI Sustainability Reporting Standards Content Index

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GRI 302	302-3	Energy intensity	Environmental Sustainability	124
GRI 303	303-1	Interactions with water as a shared resource	Environmental Sustainability	124
GRI 305	305-1	Direct (Scope 1) GHG emissions	Environmental Sustainability	124
GRI 305	305-2	Energy indirect (Scope 2) GHG emissions	Environmental sustainability	124
GRI 413	413-1	Operations with local community engagement, impact assessments, and development programs	Community Engagement	104

### Specific Topic - the Management Approach Index

GRI Standard	Disclosure Item	GRI disclosure item title	Referring chapter	Page
GRI 103	103-1	Explanation of the material topic and its boundary	Stakeholder Engagement	17 ~ 22
GRI 103	103-2	The management approach and its components	Stakeholder Engagement	22 ~ 35
GRI 103	103-3	Evaluation of the management approach	Stakeholder Engagement	22 ~ 35

### Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Chapter	Content	Referring chapter	Page
General principles	States the purpose of the principles, who they are intended for and how they are to be put into practice.	About King's Town Bank	5
Undertakes corporate governance promotion	Sets standards for the practice and promotion of corporate governance.	Corporate responsibility governance	36

Chapter	Content	Referring chapter	Page
<b>Fostering a sustainable environment</b>	Sets standards for fostering a sustainable environment.	Environmental sustainability	<b>120</b>
<b>Preserving public welfare</b>	Sets standards for sustaining public welfare.	Labor relations Community Engagement	<b>84 104</b>
<b>Enhancing disclosure of corporate responsibility information</b>	Sets standards for enhancing disclosure of information on CSR practice.	About this Report	<b>1</b>
<b>Supplementary provisions</b>	Sets standards for examining and improving the Company's CSR systems.	Stakeholder Engagement	<b>13</b>



## **GRI CHECK INDEPENDENT OPIONION STATEMENT**

### **King's Town Bank 2019 Corporate Social Responsibility Report**

The British Standards Institution is independent to King's Town Bank and has no financial interest in the operation of King's Town Bank other than for the GRI Check of this report.

This statement has been prepared for King's Town Bank only for the purposes of GRI Standards Check relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent opinion statement may be read.

This statement is prepared on the basis of review by the British Standards Institution of information presented to it by King's Town Bank. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete.

Any queries that may arise by virtue of this independent opinion statement or matters relating to it should be addressed to King's Town Bank only.

### **Scope**

The scope of engagement agreed upon with King's Town Bank includes the check of the extent of King's Town Bank 2019 Corporate Social Responsibility Report is adherence to GRI Standards: Core option is conducted in accordance with GRI Standards, however, the data disclosed in the report is not verified through the GRI Check process.

### **Opinion Statement**

We conclude that King's Town Bank 2019 Corporate Social Responsibility Report Review provides a fair view of the King's Town Bank CSR programmes and performances during 2019.

A team of CSR report assurers in accordance with GRI Standards carried out our work. We planned and performed this part of our work to obtain the necessary information and explanations. We conclude that King's Town Bank provided sufficient evidence to satisfy the description of their approach and their self-declaration of in accordance with GRI Standards: Core option was fairly stated.

### **GRI Sustainability Reporting Standards (GRI Standards)**

King's Town Bank provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the King's Town Bank's social and sustainability topics.

### **Materiality**

The King's Town Bank publishes information completely with materiality analysis that enables its stakeholders to make informed judgments about the King's Town Bank's management and performance. In our professional opinion the report covers the King's Town Bank's material topics.

### **Stakeholder Inclusivity**

In this report, it reflects that King's Town Bank has made a commitment to its stakeholders, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the King's Town Bank's inclusivity topics.

### **Sustainability context**

The report presents the King's Town Bank's performance in the wider context of sustainability.

### Completeness

Coverage of the material topics and their boundaries should be sufficient to reflect significant economic, environmental and social impacts and enable stakeholders to assess the reporting King's Town Bank's performance in the reporting period; in our professional opinion the report covers the King's Town Bank's Completeness.

### Responsibility

The CSR report is the responsibility of the King's Town Bank's Chairman. Our responsibility is to provide an independent opinion statement to stakeholders giving our professional opinion based on the scope described.

### Competency and Independence

BSI is a leading global standards and assessment body founded in 1901. The GRI Check team was composed of Lead Auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, GRI Standards, ISO 14001, ISO 45001, ISO 14084 and ISO 9001. The GRI Check is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu, Managing Director BSI Taiwan

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2020-07-08

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Taiwan Headquarters: 2nd Floor, No. 37, Ji-Hu Rd., Ni-Hu Dist., Taipei 114, Taiwan, R.O.C.  
A Member of the BSI Group of Companies.





台南市中西區西門路一段506號

TEL:06-2139171

<https://customer.ktb.com.tw/new>

