

2020

企業社會責任報告書

CORPORATE SOCIAL  
RESPONSIBILITY REPORT



## About This Report

As a local community bank, King's Town Bank Co. Ltd. (hereinafter referred to as KTB) adheres to its core value of “take from society, give back to society.” Through the preparation and disclosure of the Corporate Social Responsibility (CSR) reports every year, we respond to the concerns of our stakeholders regarding the sustainable development of KTB. The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Options, in line with UN Sustainable Development Goals (SDGs), and with reference to regulations including GRI Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies. We aim to facilitate the public’s understanding of KTB's implementation of sustainable development through open and transparent information, so as to raise the importance of sustainability development in all sectors of society.

### Reporting Period

KTB has been issuing CSR reports on a yearly basis, since 2015. This is KTB’s 7th CSR report. This report discloses information from January 1, 2020, to December 31, 2020. The previous CSR report was published in June 2020, and the next CSR report is scheduled to be published before June 30, 2022. The annual CSR reports can be downloaded on KTB’s website. (<https://customer.ktb.com.tw/new/about/download>)

### Scope of the Report

The report discloses information related to the operational activities and services of KTB in Taiwan. The report discloses 97.77% of KTB’s consolidated revenue. Any discrepancies between the quantitative indicators and the aforementioned scope are specified in the report.

### Reporting Principles

Issuing Unit	Compliance
Global Reporting Initiative (GRI)	<ul style="list-style-type: none"><li>GRI Standards: Core Options</li><li>G4 Financial Services Sector Supplement</li></ul>
Taiwan Stock Exchange Corporation	<ul style="list-style-type: none"><li>Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</li><li>Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies</li></ul>
United Nations	<ul style="list-style-type: none"><li>Sustainable Development Goals (SDGs)</li></ul>

### Third-Party Assurance

The report has been audited by an independent third-party assurance organization, SGS Taiwan, using the AA1000 AS v3 Type 1 Moderate level, focusing on the inclusivity, materiality, responsiveness, and impact of the information disclosed in the report. For details on SGS assurance statements, please refer to [9.4 Assurance Statement](#).

### Feedback

King's Town Bank Co., Ltd. / Strategy and Operations Department  
Address: No. 506, Section 1, Ximen Road, West Central District, Tainan City  
Tel: +886-6-213-9171  
E-mail: [H15@mail.ktb.com.tw](mailto:H15@mail.ktb.com.tw)  
KTB's CSR website: <https://customer.ktb.com.tw/new/about/b0b73fac>

## Table of Content

Chairman's Message.....	1				
<b>2020 Important Results and Sustainable Development Performance .....</b>	<b>2</b>				
<b>1. About King's Town Bank.....</b>	<b>3</b>				
1.1 Vision.....	3				
1.2 Operational Performance.....	5				
<b>2. Sustainable Enterprise Blueprint .....</b>	<b>7</b>				
2.1 Sustainable Development Management Framework ....	7				
2.2 Sustainable Development Strategies .....	8				
2.3 In Line With UN Sustainable Development Goals.....	10				
2.4 Climate Change Risks and Opportunities .....	11				
<b>3. Stakeholder Engagement .....</b>	<b>13</b>				
3.1 Stakeholder Identification and Communication .....	14				
3.2 Materiality Analysis.....	16				
3.3 Strategies, Goals, and Achievements of Material Issues .....	18				
		<b>4. Corporate Governance.....</b>	<b>21</b>		
		4.1 Corporate Governance and Ethical Corporate Management .....	21		
		4.2 Regulatory Compliance.....	28		
		4.2.1 Anti-Money Laundering and Countering the Financing of Terrorism(AML/CFT).....	29		
		4.3 Risk Management.....	32		
		4.4 Information Security .....	35		
		4.4.1 Personal Data Protection .....	38		
		<b>5. Customer Value .....</b>	<b>40</b>		
		5.1 Service Quality and Customer Experience .....	40		
		5.2 Financial Technology and Innovation .....	44		
		5.3 Sustainable Finance.....	48		
		<b>6. Happy Workplace .....</b>	<b>52</b>		
		6.1 Talent Attraction and Retention.....	52		
		6.2 Talent Cultivation and Development.....	57		
		6.4 Employee Care and Friendly Working Environment....	59		
		6.5 Labor Rights.....	62		
		<b>7. Social Prosperity.....</b>	<b>64</b>		
		7.1 Academic Education .....	65		
		7.2 Caring for the Underprivileged.....	69		
		7.3 Arts and Humanities.....	71		
		<b>8. Environmental Sustainability .....</b>	<b>73</b>		
		8.1 Business Environmental Sustainability .....	73		
		8.2 Supplier Management.....	78		
		<b>Appendix.....</b>	<b>79</b>		
		9.1 GRI Standards - Content Index.....	79		
		9.2 Corporate Social Responsibility Best Practice Principles For TWSE/TPEX Listed Companies.....	83		
		9.3 Human Resource Management Indicators.....	83		
		9.4 Assurance Statement .....	87		

## Chairman's Message

The COVID-19 outbreak in early 2020 put a pause on the hustle and bustle of the world. However, it was also a chance for us to contemplate: “What have we done about sustainability? What kind of company do we want to become?” Due to border control, we can no longer travel freely, but it allowed us to spend more time in our home country and our loved ones. Although COVID-19 has brought about many changes, KTB's management principle of sustainability hasn't changed. We integrate ESG into all levels of business strategies through practical actions and top-down support and participation, with the aim of promoting “sustainability” in all levels of the company as well as spreading it to the whole society.

- **Focus on Niche Businesses, Strengthen Corporate Governance**

KTB is a medium-sized local bank based in Yunlin, Chiayi, and Tainan, and has a close relationship with the local communities, from which we have developed niche strategies. This has allowed KTB to deliver outstanding performance despite the impact of the pandemic. The many consecutive years of stable dividend distribution also allowed KTB to be included in the constituent stocks of the “Taiwan High Dividend Index” for the first time. While pursuing profits, strengthening corporate governance is also an indispensable part of KTB. We continue to implement all matters regarding corporate governance in accordance with the “Corporate Governance 3.0 - Sustainable Development Roadmap” promoted by the competent authority. As a result of our effort, we have been ranked among the top 5% of the TWSE-listed companies in the “Corporate Governance Evaluation” by the Taiwan Stock Exchange Corporation for three consecutive years. We have also been selected as a constituent stock of the “TWSE Corporate Governance 100 Index” by Taiwan Stock Exchange Corporation for 5 consecutive years. These achievements show the recognition of KTB by the competent authorities and the public.

- **Fulfill Social Responsibility, Pursue Environmental Sustainability**

A sustainability strategy is not only the growth in profitability, but also business innovation, increase in customer loyalty, improve employee relations, and environment protection. We also strongly believe the true value of a company can only be demonstrated if it attains both financial and non-financial achievements.

As employees are important partners in the management of an enterprise, we are devoted to providing a safe and friendly working environment over the years. We are also committed to implement equal rights in the workplace, provide employee stock ownership trust to share our profit with the employees, establish objective evaluation systems, with the aim to make BTK a workplace where employees feel at ease. In 2020, KTB was one of the 5 Taiwanese companies selected for the “2021 Bloomberg Gender Equality Index.” This is an acknowledgment of KTB’s effort in handling gender equality issues and building a friendly workplace culture.

We participate in local activities, hold financial education courses, and anti-fraud advocacies. We also utilize our advantage of being a local bank to raise awareness of people and stories that are often overseen. In the implementation of environmental protection, we proactively promote various energy-saving and carbon-reduction measures. Being a financial institution, we increase credit extension to green finance to exhibit our support for environmental protection.

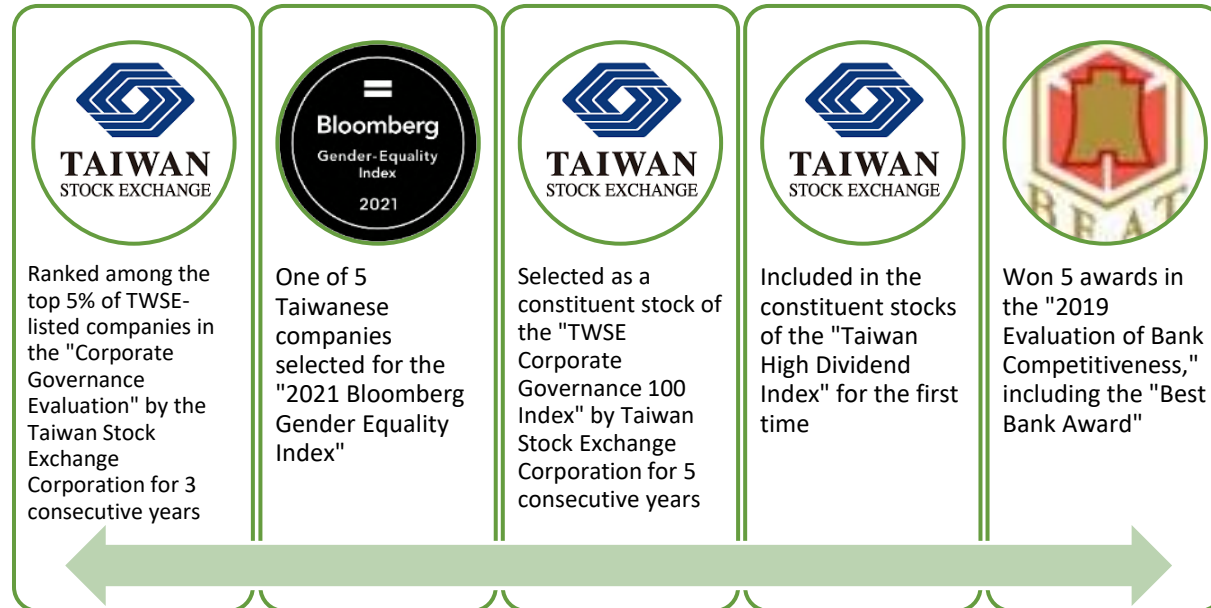
- **Upgrade Digital Finance, Embrace Future Trends**

The pandemic has accelerated the change in digital technology applications. “Zero contact economy” has become the norm of our life and also facilitated the development of digital finance. In order to bring better user experience and services to our customers, we launched several digital products and services including the “Goyee digital account,” “King's Pay,” “Taiwan Pay Payment Collection,” “Phone Number Money Transfer,” and “Cardless ATM Cash Withdrawal.” Our goal is to provide our customers with the most personal service experience in the digital world.

The pandemic will pass and our effort will pay off. In our more than 70 years of business, we carry many people’s lives and dreams. In the face of future challenges, we shall think globally and act locally to live up to the expectations of all our stakeholders.

## 2020 Important Results and Sustainable Development Performance

### 2020 Sustainability Results and Highlights



- EPS: NT\$ 4.90
- ROE: 12.55%
- Capital adequacy ratio: 16.23%

Business



- Overall customer satisfaction: 90.34%
- Growth of digital users compared to 2019: 24.4%

Customers



- Employee survey with "satisfied" and "very satisfied" results: 79.2%
- Increase in average welfare expense compared to 2019: 14.2%

Employees



- No. of people benefited from community care activities: 20,182
- No. of volunteering hours of community care volunteers: 7,236 hours

Society



- Green procurement: NT\$ 21.43 million
- Percentage of credit for environmental friendly purposes: 7.75%

Environment



### ESG Achievements

#### 【 Governance 】

	Earnings per share	Net value per share	Return on equity
<b>2018</b>	NT\$ 2.51	NT\$ 30.83	7.98%
<b>2019</b>	NT\$ 2.99	NT\$ 36.28	8.93%
<b>2020</b>	NT\$ 4.90	NT\$ 41.66	12.55%

#### 【 Social 】

	Average welfare expenses	Education training investment Total expense (Note)	Total hours of volunteer participation
<b>2018</b>	NT\$ 983.4 thousand	NT\$ 4,805 thousand	5,775 hrs
<b>2019</b>	NT\$ 925.5 thousand	NT\$ 4,379 thousand	5,258 hrs
<b>2020</b>	NT\$ 1,057.1 thousand	NT\$ 3,795 thousand	7,236 hrs

Note: Employee training has moved online over the years, which has reduced actual cost and also significantly reduced carbon emission.

#### 【 Environmental 】

	Average electricity consumption per employee	Average water consumption per employee	Total GHG emissions
<b>2018</b>	4.90 thousand kWh	21.94 cubic meters	2,514 t-CO <sub>2</sub> e/year
<b>2019</b>	4.75 thousand kWh	20.08 cubic meters	2,495 t-CO <sub>2</sub> e/year
<b>2020</b>	4.77 thousand kWh	19.45 cubic meters	2,344 t-CO <sub>2</sub> e/year

## 1. About King's Town Bank

“King's Town Bank will move mountains”

King's Town Bank was a small and medium-sized corporate bank in Tainan region. In 2006, it was renamed “King's Town Bank” to symbolize a new service spirit. We always strive for excellence and serve our customers with honesty and sincerity. We aim at providing unique and all-rounded services to our customers.

### 1.1 Vision

The corporate logo of King's Town Bank - “Flame Tree” is a flowering tree unique to southern Taiwan, symbolizing that KTB originated from southern Taiwan. The flaming red petals represent the entrepreneurial character of KTB's passion for service; the sturdy tree trunk represents our business philosophy of being entrenched in the local market. The corporate typeface of “King's Town Bank” is Wei Bei. This typeface originated from stone rubbing from ancient epigrapher’s carvings. The typeface is more free and powerful than the regular script, possessing both artistry and power, as befits the ethos of “King's Town Bank will move mountains.”

Building a “unique bank” has been our business philosophy. We are committed to focusing on our advantages, identifying our strengths and positions, understanding our customers, recognizing possible risks of every transaction, and planning our long-term strategies and goals based on sustainability, thereby bettering society.

As most of our customers are in Yunlin, Chiayi, and Tainan, many of our branches are located in districts with a population of only a few thousand. As a “local bank,” our mission is to provide service to the community. In 2017, we worked with a local Tainan illustrator and designed KTB’s mascot - an owl (later named “Guchiu”), symbolizing professionalism, justice, and diligence. In 2019, the Bank organized a public naming and personification event. In 2020, with the launch of the international transmission service “King's Pay,” a new mascot “Wuchiu” was born. Its vivid yellow color and the W-shaped bang on the forehead symbolize the close cooperation between KTB and Western Union, providing customers with borderless, timely, and easy remittance service.

We hope that by giving the mascot a bright and vivid image, financial services will no longer be seen as cold and rigid to the public, but a loyal partner in the daily life of the people, and bring customers and local residents the “local touch.”



● **Bank Profile**

<b>Date of establishment</b>	1948/11/1	<b>Affiliates</b>	<ul style="list-style-type: none"> <li>King's Town Bank International Leasing Co., Ltd</li> <li>Wan Taig Securities Co, Ltd. (Acquired all shares of the company on January 5, 2021)</li> <li>King's Town International Construction Management Co., Ltd</li> </ul>
<b>Headquarters</b>	Tainan City, Taiwan		
<b>Capital</b>	NT\$ 11.212 billion		
<b>Assets</b>	NT\$ 325.458 billion		
<b>No. of employees</b>	953		
<b>Industry</b>	Finance and insurance		
<b>Stock code</b>	2809		

● **Service Network**

The operating sites of KTB and its subsidiaries are located in Taiwan. Physical channels include branch offices, international leasing firms, and a securities subsidiary. The branch offices are mainly located in central and southern Taiwan, accounting for 73% of all branch offices. Digital channels include Internet banking, mobile banking, LINE official account, Facebook fan page, customer service hotline, automated service equipment, etc. We present an integration of virtual and physical thoughtful financial services through online and offline services and interactions.

**Physical channels**

- branch offices: 66
- International leasing firm: 3
- Construction management firm: 1
- Securities subsidiary: 1
- ATM with automated service: 78

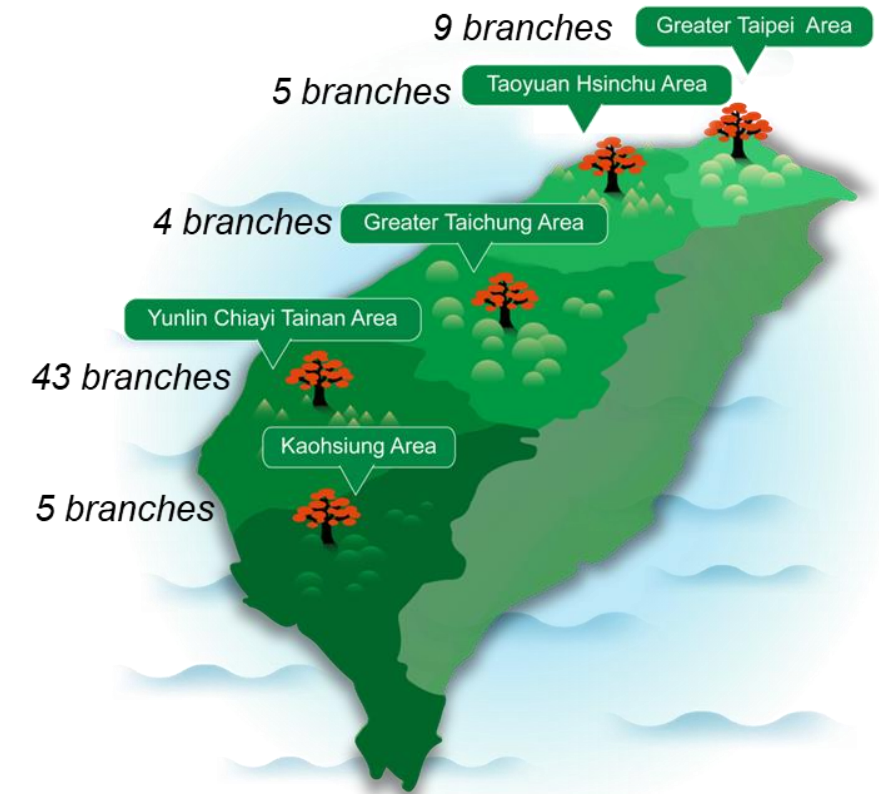
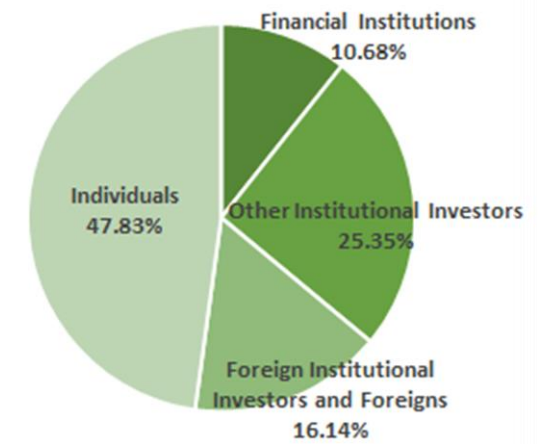
**Digital channels**

- Personal online banking
- Corporate online banking
- Mobile banking app
- e-ATM

**Services and products**

- Banking: deposit, remittance, trust, credit, investment, financial management, bancassurance, etc.
- Leasing: financial lease, operating lease, installment plans, etc.
- Securities: Brokerage trading of securities, futures trading assistance
- Construction management: construction management, trust, etc.

**Shareholder Structure**



## 1.2 Operational Performance

KTB prioritizes integrity and risk management, coupled with innovation and customized services, in its operations. Over the years, KTB has been focusing on improving the performance of its financial and non-financial services and sharing the results with our shareholders.

- Financial Performance**

KTB's 2020 net income after tax reached NT\$ 5.491 billion, with an increase of 61.54% compared to the previous year. The earnings per share was NT\$ 4.90, return on equity was 12.55%, and return on assets was 1.81%. While having excellent financial performance, KTB's abundance in capital and outstanding asset quality allows us to have the ability to respond to market fluctuation.

	Items	2020	2019	2018
Operating ability	Total assets	NT\$ 325.5 billion	NT\$ 282.7 billion	NT\$ 281.1 billion
	Total equity	NT\$ 46.583 billion	NT\$ 40.932 billion	NT\$ 35.184 billion
	Net revenue	NT\$ 8.907 billion	NT\$ 8.493 billion	NT\$ 7.000 billion
	Net profit	NT\$ 5.491 billion	NT\$ 3.400 billion	NT\$ 2.878 billion
	Net value per share	NT\$ 41.66	NT\$ 36.28	NT\$ 30.83
Profitability	ROE	12.55%	8.93%	7.98%
	ROA	1.81%	1.21%	1.04%
	Earnings per share	NT\$ 4.9	NT\$ 2.99	NT\$ 2.51
Quality of assets	Capital adequacy ratio	16.23%	15.04%	14.21%
	NPL ratio	0.01%	0.01%	0.02%
	Coverage ratio of allowance for bad debt	11,760.49%	9,917.55%	6,863.31%
Distributed economic value	Employee salaries and benefits	NT\$ 1.008 billion	NT\$ 0.990 billion	NT\$ 0.898 billion
	Dividends	NT\$ 2.018 billion	NT\$ 1.677 billion	NT\$ 1.712 billion
	Tax paid	NT\$ 0.915 billion	NT\$ 0.556 billion	NT\$ 0.925 billion

Note: The data is taken from King's Town Bank 2020 Annual Report.

- Dividends**

Year	2020	2019	2018
Cash dividends of the year	NT\$ 1.8	NT\$ 1.5	NT\$ 1.5
Stock dividends for the year	0	0	0
Total	NT\$ 1.8	NT\$ 1.5	NT\$ 1.5



● **Credit Rating**

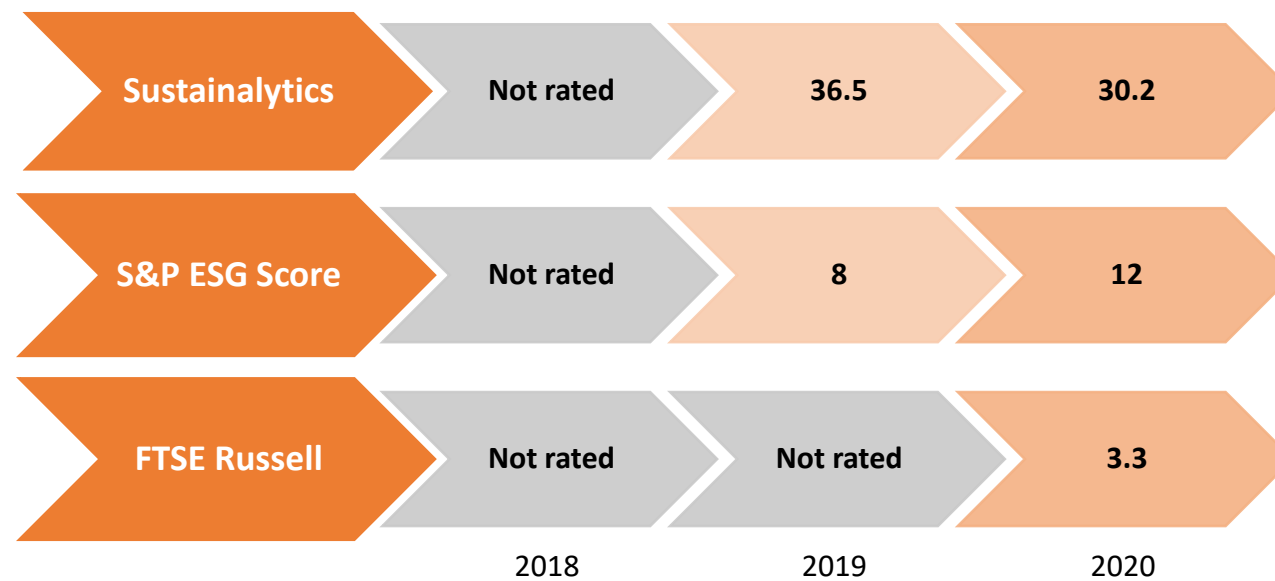
KTB was rated A+ (twn) by Fitch Rating for eighth consecutive year. The assessment reflected that KTB has a capital level higher than that of its peers in the industry, stable asset quality and that KTB is able to maintain a higher financial indicator than that of its peer through its consistent strategies executions.

**【 Credit ratings by Fitch Ratings in recent years 】**

Date of credit ratings	Domestic ratings			International ratings		
	Long-term credit ratings	Short-term credit ratings	Rating outlook	Long-term credit ratings	Short-term credit ratings	Rating outlook
International rating	A+ (twn)	F1 (twn)	Stable	BBB	F3	Stable
2020/05/12	A+ (twn)	F1 (twn)	Negative	BBB	F3	Negative
2019/05/14	A+ (twn)	F1 (twn)	Stable	BBB	F3	Stable
2018/06/05	A+ (twn)	F1 (twn)	Stable	BBB	F3	Stable

● **Third-party ESG Rating**

King's Town Bank lays emphasis on the stability of capital level, asset quality, and financial performance. We also pay attention to the development of non-financial performances in environmental, social, and corporate governance aspects. Through the interaction with third-party ESG rating organizations, we take a more proactive approach toward the recognition and planning of sustainable management strategies. We incorporate “sustainability” into our corporate culture and implement it in the daily business operations to always strive for better ESG performance.



## 2. Sustainable Enterprise Blueprint

Corporate sustainable development is our goal. Apart from insisting on prudent management in the finance industry, we have also been contemplating on how to fulfill the social responsibility of an enterprise, how to deliver resources to the people in need, how to utilize our influence on the positive development of the whole society.

Therefore, KTB has not only formulated the “King's Town Bank Co., Ltd. Corporate Social Responsibility Best-Practice Principles,” but also established the “Corporate Governance and Nomination Committee” under the Board of Directors as the highest supervisory unit for corporate social responsibility matters. Under this unit, the “ESG Team” has been set up to promote ESG matters. Through an organizational operation, strategical planning, and the full participation and effort of all employees, we can encourage, not only the corporate but the whole society to progress toward sustainable development.

### 2.1 Sustainable Development Management Framework

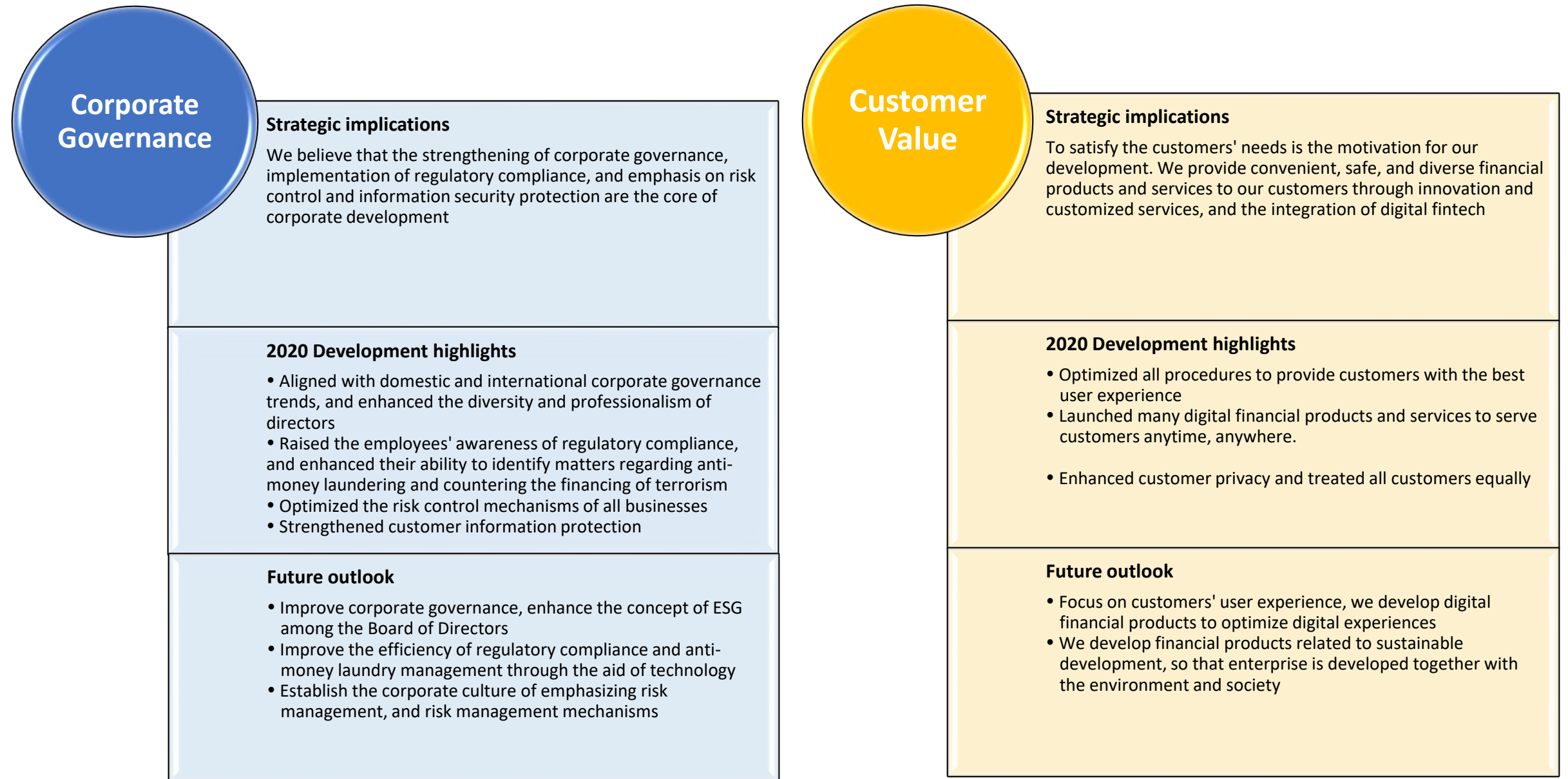
The “Corporate Governance and Nomination Committee” is the highest supervisory unit in the sustainable development management framework. The committee is composed of 4 directors, among whom 3 are independent directors, and it is responsible for finding, reviewing, and nominating board of director members and senior managers, as well as the execution, planning, review, and supervision of corporate governance, and the supervision of the formulation and execution of corporate social responsibility policies and management measures. The “Sustainability Working Group” (or the ESG Team) is established under the Corporate Governance and Nomination Committee. The Vice Chairman acts as the team convener, and the members consist of the President, and the heads of the Strategy and Operations Department, Administration Management Department, Human Resources Department, Digital Service and Channel Management Department, and other departments. The members discuss, analyze and track the issues, strategies, and goals of each ESG item, so as to effectively implement corporate sustainable development. The ESG Team held 3 meetings in 2020. The 2020 implementation results and the 2021 strategy plans were presented to the Corporate Governance and Nomination Committee for discussion and then submitted to the Board of Directors.

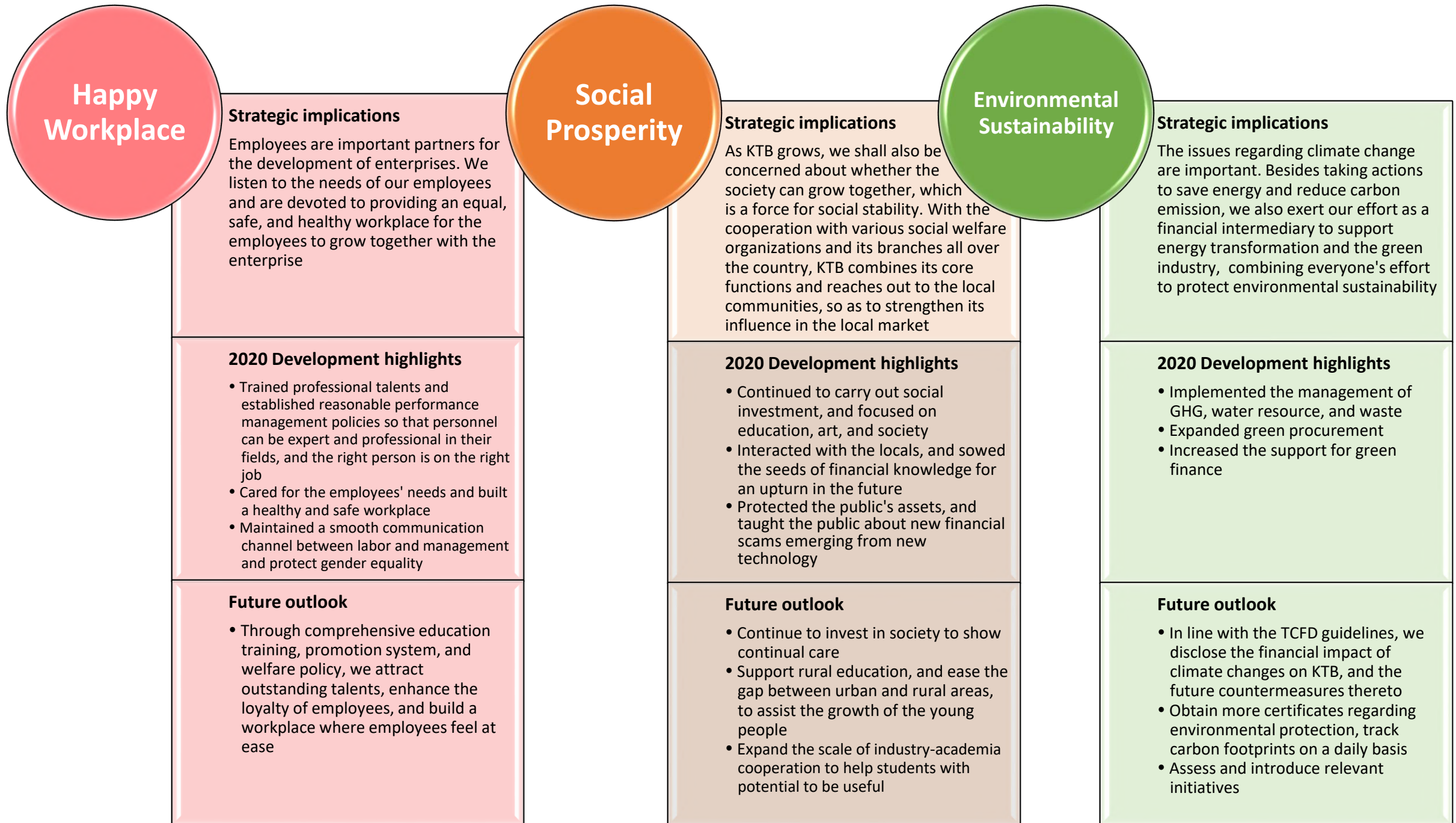
Furthermore, a dedicated ESG staff is appointed at each department as a seeding member for ESG promotion, and to provide ESG-related data, issues of concern, actual implementation results, so as to integrate “sustainable management” into daily business operations, promote the development of ESG in all aspects, and improve the implementation results of sustainable development.



## 2.2 Sustainable Development Strategies

King's Town Bank formulated the “King's Town Bank Co., Ltd. Corporate Social Responsibility Best Practice Principles” with reference to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and “The United Nations Global Compact,” with the aim of requiring all employees to adhere to the principles of respecting human rights, protecting labor rights, treating customers fairly, promoting environmental sustainability, and practicing anti-corruption. Besides, KTB has identified 5 aspects as the main items for sustainable development strategies, and has established corresponding management measures and goals, so as to facilitate KTB’s implementation of sustainable development and respond to the expectation of all our stakeholders.

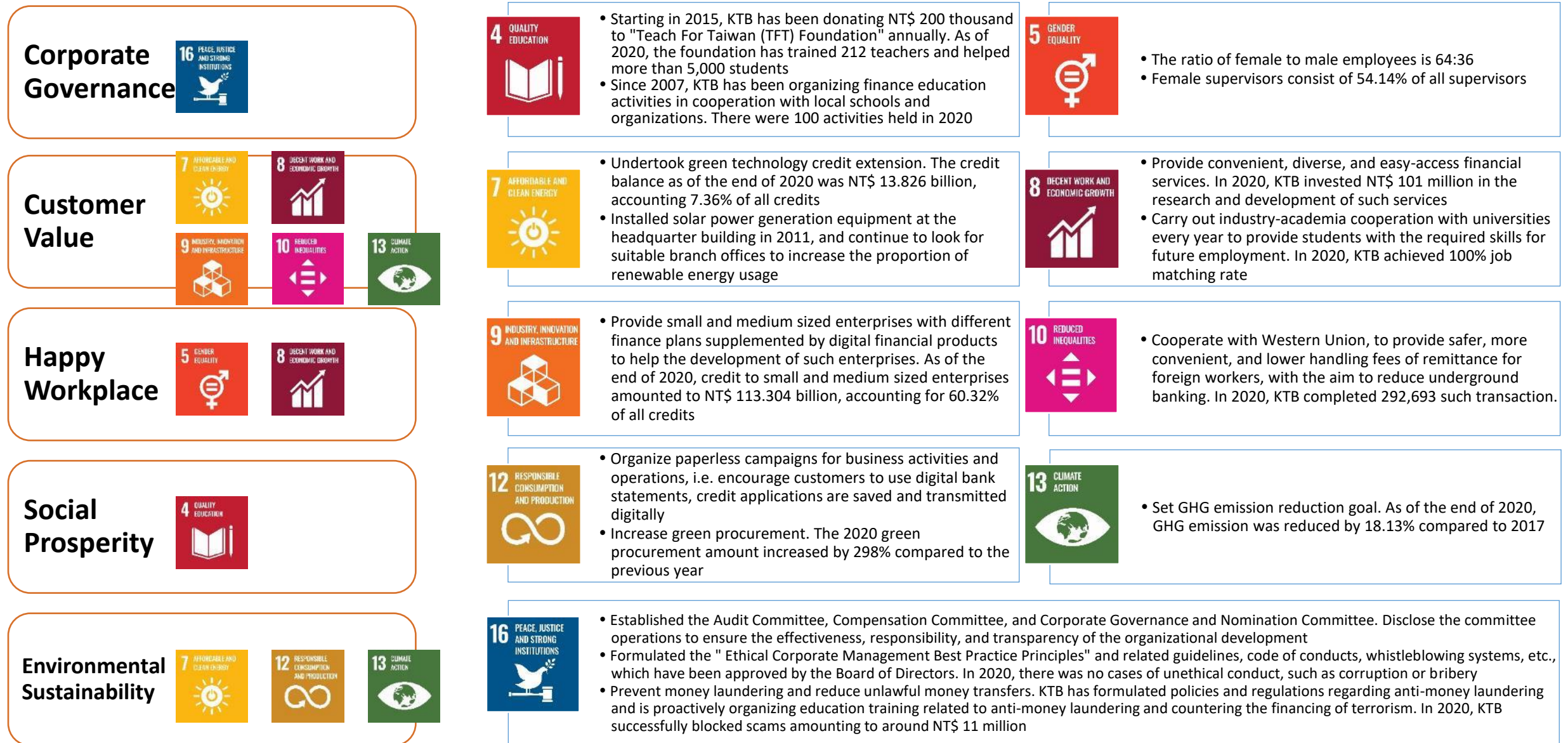




### 2.3 In Line With UN Sustainable Development Goals

The UN launched the Sustainable Development Goals (SDGs) in 2015 with the hope that through the cooperation and efforts of the nations in the world, governments, organizations, and individuals to work together to develop action plans that take into consideration the three main aspects of economic growth, social progress, and environmental protection. Besides focusing on sustainable strategies, KTB also utilizes its core functions to reinforce and respond to UN sustainable development goals, fulfilling its responsibilities as a global citizen.

For KTB's sustainable development strategies, the actions taken in line with UN SDGs are as follows:



## 2.4 Climate Change Risks and Opportunities

Due to the impact of climate change, issues such as, droughts and heatwaves causing crop failure, extremely heavy rain causing floods in low-lying areas, super typhoons causing damage to infrastructures, can no longer be ignored. King's Town Bank refers to the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify the risks and opportunities brought to us by climate change, and proposes countermeasures and management policies, in order to mitigate operational risks.

Types	Climate-related risks	Potential financial impacts	Countermeasures
Physical risks	Immediate: <ul style="list-style-type: none"> <li>The severity of extreme weather such as typhoons and floods have increased</li> </ul>	<ul style="list-style-type: none"> <li>Damages to operational assets and equipment</li> <li>Collaterals held may be flooded</li> </ul>	<ul style="list-style-type: none"> <li>Take precautions at every physical branch office whenever typhoon or heavy rain warning is issued</li> <li>Control the loan-to-value ratio and risk exposure of collaterals</li> <li>Take out suitable insurance policies (such as additional typhoon or flood insurance) to transfer risks or enhance creditor's rights protection</li> </ul>
	Long-term: <ul style="list-style-type: none"> <li>Extreme changes to rainfall (precipitation) and climate patterns</li> <li>Rising average temperatures</li> <li>Rising sea levels</li> </ul>	<ul style="list-style-type: none"> <li>Water shortage may affect power generation, causing power shortage and interrupt business</li> <li>Rising temperature may cause an increase in asset depreciation, resulting in a decrease in operating income</li> <li>Rising sea levels may cause damages to collaterals near the seaside</li> </ul>	<ul style="list-style-type: none"> <li>Enhance water resource management</li> <li>Replace old equipment with new ones, improve operating efficiency, and carry out preemptive maintenance</li> <li>Continue to promote energy saving and carbon reduction activities</li> <li>Install flood gates at branch offices that are located in low-lying areas to mitigate flood damages</li> </ul>
Transition risks	Policies and regulations <ul style="list-style-type: none"> <li>Increase GHG emission pricing</li> <li>Enhance emission disclosure obligations</li> </ul>	<ul style="list-style-type: none"> <li>Increase operating cost</li> <li>Accelerate write-offs and decommissioning of KTB's existing asset</li> </ul>	<ul style="list-style-type: none"> <li>Consider replacing current company cars (scooters) with hybrid electric vehicles in the future in order to reduce carbon emission</li> <li>Conduct quarterly energy saving and carbon reduction advocacy and training</li> <li>Enhance the disclosure of scope 1, 2, and 3 GHG emissions</li> </ul>

Types	Climate-related opportunities	Potential financial impacts	Countermeasures
Resource efficiency	<ul style="list-style-type: none"> <li>Switch to higher efficiency buildings</li> </ul>	<ul style="list-style-type: none"> <li>Increase the values of fixed assets (e.g. green buildings)</li> <li>Decrease operating cost</li> </ul>	<ul style="list-style-type: none"> <li>Introduce green building design for self-owned operating sites</li> <li>Enhance water-saving devices and water-saving advocacy, so that the employees' understanding of the value of water resources</li> </ul>

	<ul style="list-style-type: none"> <li>Reduce water usage and water consumption</li> </ul>		
<b>Energy source</b>	<ul style="list-style-type: none"> <li>Use low-carbon energy sources</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in operating cost and reduce the risk of potential increase in fossil fuel costs in the future</li> </ul>	<ul style="list-style-type: none"> <li>Install solar panels on the roofs of self-owned buildings to increase the proportion of renewable energy usage</li> </ul>
<b>Products and services</b>	<ul style="list-style-type: none"> <li>Diversify business activities</li> <li>Change in consumer preferences</li> </ul>	<ul style="list-style-type: none"> <li>Improve competitive position to reflect changes in consumer preferences to increase revenue</li> </ul>	<ul style="list-style-type: none"> <li>Extend credit to the green energy industry</li> <li>Incorporate the concept of environmental protection in the development and design of products, and actively promote to clients the use of digital financial products.</li> </ul>
<b>Resilience</b>	<ul style="list-style-type: none"> <li>Participation in renewable energy programs and adoption of energy conservation measures</li> <li>Energy substitution/diversification</li> </ul>	<ul style="list-style-type: none"> <li>Increase market value (such as buildings) through resilience planning</li> <li>Increase revenue by ensuring the resilience of new products and services</li> </ul>	<ul style="list-style-type: none"> <li>Introduce green building design for self-owned operating sites and install solar power generation systems</li> <li>Promote digital finance, encourage the development of digital finance products, and provide zero-contact financial services</li> </ul>

### 3. Stakeholder Engagement

Every year, KTB follows the 4 main principles of GRI Standards of stakeholder inclusiveness, sustainability context, materiality, and integrity to review its sustainability issues and carry out materiality analysis, through the 3 main steps of identification, sequence, and confirmation. Thereby, KTB reviews its sustainable development results and timely adjusts the sustainable development strategies and long-term goals. These will serve as the preparation guidelines for the CSR reports.

#### Identification

- Step 1 - Stakeholder identification: With reference to the stakeholder identification of the companies in the same industry, we identify the possible stakeholder groups. Then through the discussion on ESG Team meetings, we identify 6 types of stakeholders, taking into consideration the impact of the functions of each business on the operation of KTB, or the internal or external organizations, or individuals who are affected by KTB's operation.
- Step 2 - Collect issues regarding sustainability: We compile 15 items that are closely related to KTB, with reference to international sustainable development trends and guidelines, sustainable investment institutions, regulations issued by the competent authorities, information disclosed by domestic and overseas companies in the same industry, and KTB's material issues of the previous year and future operating strategies.



#### Sequence

- Step 3 - Investigate the level of concern of stakeholders: We distributed the "King's Town Bank 2020 Stakeholder Survey" and collected 732 valid questionnaires. We summarized 145 items from keywords that frequently appear in official documents and letters, and compiled common questions raised by investors in investor conferences, as the basis for analysis of stakeholders' level of concern for such sustainability issues.
- Step 4 - Operation impact analysis: At the ESG Team meeting, we analyze the level of KTB's impact on the economy, environment, and society in terms of risks, profitability, and corporate competitiveness.



#### Confirmation

- Step 5 - Draw up the materiality matrix: We prepare the KTB's materiality matrices based on the analysis results from steps 3 and 4. We identify 8 material issues after the ESG Team discussion and report the issues to the Corporate Governance and Nomination Committee and the Board of Directors.
- Step 6 - After confirmation from the Corporate Governance and Nomination Committee and the Board of Directors, we set goals on the management and tracking of each material issues, to respond to the expectation of stakeholders.



### 3.1 Stakeholder Identification and Communication

KTB identifies 6 major groups of stakeholders, namely customers, employees, investors/shareholders, government agencies, suppliers, and general public/social welfare organizations, and reports the results of the communication with stakeholders to the Corporate Governance and Nomination Committee and the Board of Directors.

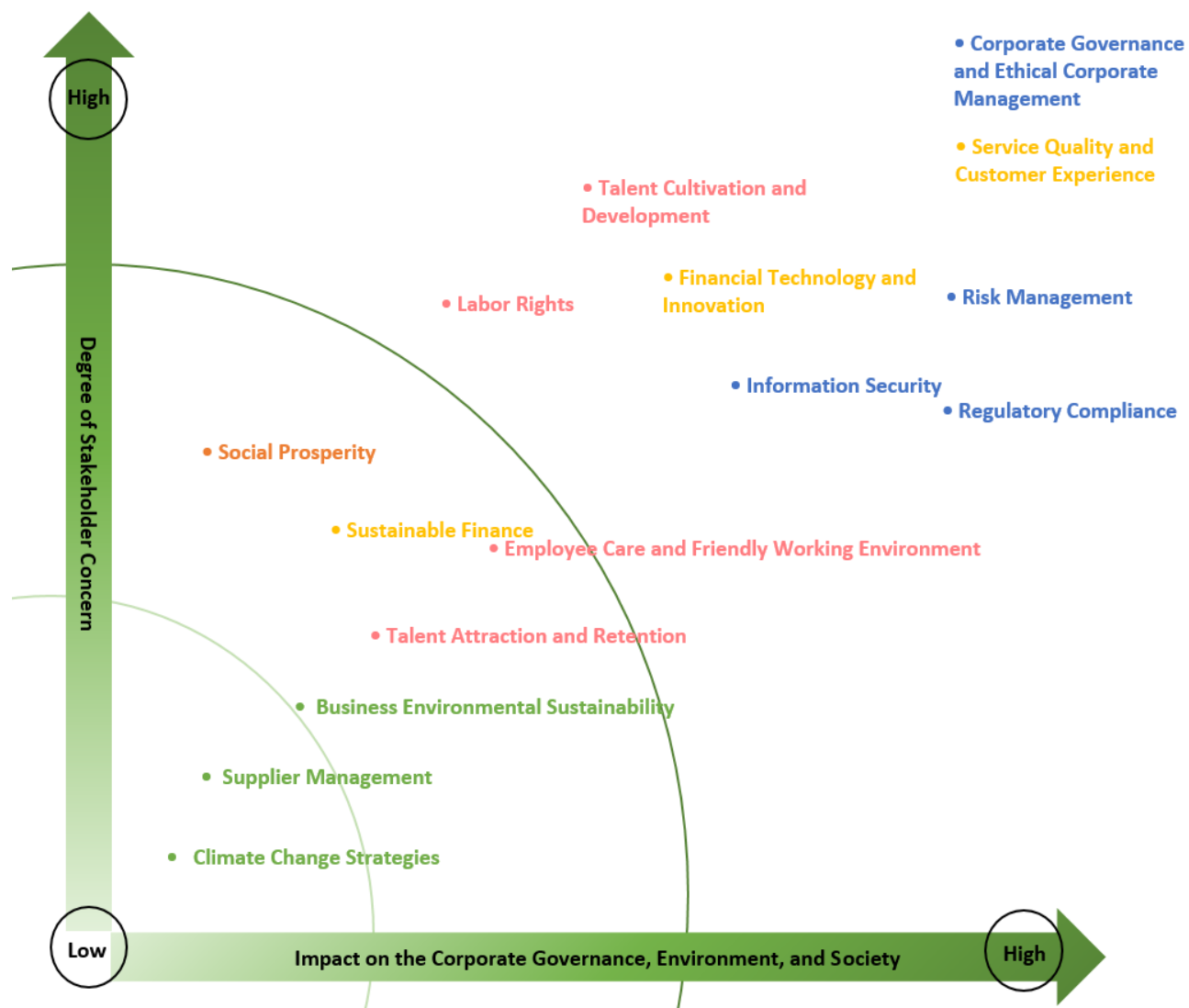
Stakeholder	Importance	Communication frequency and channels	Concerned Issues
<b>Customers</b>	Customers are the foundation of KTB's operation. We listen to the customers' needs and provide them with professional financial services, to help customers achieve their life goals	<ul style="list-style-type: none"> <li>• 24-hour customer hotline</li> <li>• Customer complaint hotline</li> <li>• E-mail</li> <li>• Facebook fan page</li> <li>• LINE official account</li> <li>• Annually: Customer satisfaction survey</li> <li>• Monthly: Summarize customer complaints</li> <li>• When required: Organize financial wealth management and investment seminars</li> </ul>	<ul style="list-style-type: none"> <li>• Service quality and customer experience</li> <li>• Corporate governance and ethical corporate management</li> <li>• Talent cultivation and development</li> <li>• Sustainable finance</li> </ul>
<b>Employees</b>	Employees are KTB's the most important partners. We value the rights and benefits of each employee, respects and cares for every employee. Through establishing a safe and healthy workplace, and proactively nurture our employees, KTB aims to grow together with its employees	<ul style="list-style-type: none"> <li>• Employee internal communication website and general manager's mailbox</li> <li>• Annually: Employee satisfaction survey</li> <li>• Quarterly: Employee Welfare Committee meetings</li> <li>• Quarterly: Labor Retirement Reserve Supervisory Committee meeting</li> <li>• Quarterly: Labor-management meeting</li> <li>• Semiannually: Occupational safety and health education and training</li> <li>• When required: Education training and talent development courses</li> </ul>	<ul style="list-style-type: none"> <li>• Talent cultivation and development</li> <li>• Corporate governance and ethical corporate management</li> <li>• Labor rights</li> <li>• Service quality and customer experience</li> <li>• Talent attraction and retention</li> </ul>
<b>Investors/Shareholders</b>	The long-term and stable support of the investors/shareholders is an important recognition for KTB. We maintain a smooth communication channel with investors/shareholders through transparent information disclosure. In addition, we take sustainable operation as its own responsibility in order to live up to the trust of our investors/shareholders	<ul style="list-style-type: none"> <li>• Establishing investor relationship websites in Chinese and English for domestic and foreign investors make inquiries</li> <li>• Monthly: Announce operating performance</li> <li>• Quarterly: Hold institutional investor conference</li> <li>• Annually: Hold shareholders' meetings</li> <li>• Annually: Prepare annual reports and CSR reports</li> <li>• When required: Disclose financial and business inquiry and material information on the Market Observation Post System</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance and ethical corporate management</li> <li>• Information security</li> <li>• Talent attraction and retention</li> <li>• Service quality and customer experience</li> <li>• Financial technology and innovation</li> </ul>

Stakeholder	Importance	Communication frequency and channels	Concerned Issues
		(MOPS) in accordance with related regulations <ul style="list-style-type: none"> <li>When required: Participate in and disclose credit rating</li> <li>When required: Hold or participate in investor conferences</li> </ul>	
<b>Government Agencies</b>	The finance industry is highly regulated. Compliance with government regulation, abiding by government policies, and establishment of an ethical and stable business operation are beneficial to the stability of society	<ul style="list-style-type: none"> <li>Reporting all required information on time</li> <li>When required: Cooperate with supervision and inspection activities</li> <li>When required: Participate in policy briefing sessions and symposiums</li> <li>When required: Carry out field visit to related agencies to establish smooth communication channels</li> <li>When required: Communicate through telephone, e-mail, and letters</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Service quality and customer experience</li> <li>Corporate governance and ethical corporate management</li> <li>Risk management</li> <li>Talent cultivation and development</li> </ul>
<b>Suppliers</b>	Being a responsible corporation, KTB prudently selects high-quality suppliers, exerts its influence to establish a sustainable supply chain	<ul style="list-style-type: none"> <li>Annually: Encourage supplier to conduct self-assessment of corporate social responsibility</li> <li>Annually: Hold supplier education training, and advocate relevant matters</li> <li>Annually: Visit and inspect suppliers for compliance with law and regulations</li> <li>When required: Encourage major suppliers to sign the Human Rights and Environmental Sustainability Commitment.</li> </ul>	<ul style="list-style-type: none"> <li>Talent cultivation and development</li> <li>Labor rights</li> <li>Employee care and a friendly working environment</li> <li>Social prosperity</li> <li>Sustainable operating environment</li> </ul>
<b>General Public/Social Welfare Organizations</b>	Community is the foundation of KTB. KTB adheres to the concept of “take from society, give back to society,” and through cooperation with local communities and social welfare organizations, KTB gives back to the community and encourages a positive cycle in the society	<ul style="list-style-type: none"> <li>When required: Establish a close connection with local residents through the branch offices</li> <li>When required: Participate in NPO/NGO events and activities held by local communities</li> <li>When required: Co-organize events with long-term partners</li> </ul>	<ul style="list-style-type: none"> <li>Service quality and customer experience</li> <li>Corporate governance and ethical corporate management</li> <li>Financial technology and innovation</li> <li>Risk management</li> </ul>

### 3.2 Materiality Analysis

● **Materiality Matrix**

We compiled 15 issues that are closely related to KTB based on “level of stakeholder concern” and “level of impact of sustainable development,” and developed KTB's 2020 materiality matrix (as follows), with 8 issues selected as material issues.



<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>• Corporate Governance and Ethical Corporate Management</li> <li>• Risk Management</li> <li>• Information Security</li> <li>• Regulatory Compliance</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Service Quality and Customer Experience</li> <li>• Financial Technology and Innovation</li> <li>• Sustainable Finance</li> <li>• Talent Cultivation and Development</li> <li>• Labor Rights</li> <li>• Employee Care and Friendly Working Environment</li> <li>• Talent Attraction and Retention</li> <li>• Social Prosperity</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Business Environmental Sustainability</li> <li>• Supplier Management</li> <li>• Climate Change Strategy</li> </ul>

Note: Apart from the 8 material issues, other issues of non-materiality are also adequately disclosed and explained in the report.

● **Material Issues and Boundaries of Impact**

The identified 8 material issues correspond to -the 8 GRI specific topics, 2 general disclosure topics, and 1 aspect from GRI G4 Financial Services Sector Supplement. Please refer to the following table for the corresponding GRI topics, management policies, impact boundaries, and level of involvement:

Order of Importance	Issues	GRI Standards/Specific Topics	Management Policies (Corresponding Chapters)	Impact Boundaries and Level Of Involvement					
				Internal			External		
				KTB (Incl. Subsidiaries) and Employees	Customers	Investors/Shareholders	Government Agencies	Suppliers	General Public/Social Welfare Organizations
1	Corporate Governance and Ethical Corporate Management	GRI 102 General Disclosures (Governance) GRI 102 General Disclosures (Ethics and Integrity) GRI 205 Anti-Corruption (205-1)	4.1 Corporate Governance and Ethical Corporate Management	Directly	Via business relationship	Directly	Directly	Via business relationship	Indirectly
6	Regulatory Compliance	GRI 102 General Disclosures (Governance) GRI 419 Socioeconomic Compliance	4.2 Regulatory Compliance	Directly	Via business relationship	Directly	Directly	Via business relationship	
4	Risk Management	GRI 102 General Disclosures (Governance)	4.3 Risk Management	Directly	Via business relationship	Directly	Directly	Via business relationship	
7	Information Security	GRI 418 Customer Privacy	4.4 Information Security	Directly	Directly				
2	Service Quality and Customer Experience	GRI 417 Marketing and Labeling (417-1)	5.1 Service Quality and Customer Experience	Directly	Via business relationship	Indirectly			
5	Financial Technology and Innovation	GRI G4 Financial Services Sector Supplement (Product Portfolio)	5.2 Financial Technology and Innovation	Directly	Via business relationship	Indirectly			Indirectly
3	Talent Cultivation and Development	GRI 404 Training and Education GRI 402 Labor/Management Relations	6.2 Talent Cultivation and Development	Directly		Indirectly			
8	Labor Rights	GRI 412 Human Rights Assessment	6.4 Labor Rights	Directly					

Note: The impact boundary of GRI specific topics and the relation between the impact boundaries and KTB are in accordance with the GRI Standard. The impact boundary takes into consideration the key stakeholders of the value chain. The connection of the impact boundary is divided into three levels of involvement: If the impact is directly caused by KTB, caused jointly by KTB and other units, or caused via business relations.

### 3.3 Strategies, Goals, and Achievements of Material Issues

For each material issue, we identify its impacts on KTB, and set management strategies, short-, medium-, and long-term goals, and follow-up plans, to continue to implement KTB's sustainable plans.

Aspects	Issues	Risks and Opportunities	Management Strategies	Key Performance Indicators	2020 Results	2021 Key Goals	Medium- and Long-Term Goals
Corporate Governance	Corporate Governance and Ethical Corporate Management	A good corporate governance framework allows the directors and managerial officers to effectively exert their functions, while "integrity" is the foundation of business operation	<ul style="list-style-type: none"> <li>Enhance the Board of Director's functionality and performance assessment mechanism</li> <li>Be in line with domestic and international corporate governance trends</li> <li>Organize regular ethical management training and advocacy to internalize ethical management</li> <li>Formulate regulations to handle internal and external complaints channels</li> </ul>	<ul style="list-style-type: none"> <li>Directors' attendance rate</li> <li>Implementation status of corporate governance</li> <li>Implementation status of ethical management</li> <li>Handling of internal and external whistleblowing cases on unethical management</li> </ul>	<ul style="list-style-type: none"> <li>Over 95% attendance rate of board meetings and functional committee meetings</li> <li>0 whistleblowing cases</li> </ul>	<ul style="list-style-type: none"> <li>Continue to enhance the concept of ESG among the Board of Directors</li> <li>Provide an English version for all-important corporate governance regulations, and disclose them on the website</li> </ul>	<ul style="list-style-type: none"> <li>Appoint a Corporate Governance Officer</li> <li>Participate in domestic and foreign corporate governance assessment and certification</li> </ul>
	Regulatory Compliance	Establish a regulatory compliance culture, and reinforce it in daily business operations. This not only decrease regulatory compliance costs, but also increase the level of stakeholders' trust in us, as well as to protect everyone's rights and benefits	<ul style="list-style-type: none"> <li>Raise the employees' awareness of regulatory compliance, and enhance their ability to identify matters regarding anti-money laundering and countering the financing of terrorism</li> <li>Introduce technology aids to improve the effectiveness of regulatory compliance management</li> </ul>	<ul style="list-style-type: none"> <li>Organize regulatory compliance education training and regulation advocacies on a regular basis</li> <li>Number of penalty cases</li> </ul>	<ul style="list-style-type: none"> <li>Organized or participated in 291 regulatory compliance education training, with a total of 20,547 participants</li> <li>0 penalty case</li> </ul>	<ul style="list-style-type: none"> <li>Optimize the internal and external regulation inquiry system</li> </ul>	<ul style="list-style-type: none"> <li>Establish a money-laundering prevention supervisory system to automatically collect customers' transaction information and tracks such transactions in real time</li> <li>Establish an integration platform for regulatory compliance and anti-money laundering operations in order to improve the effectiveness of regulatory</li> </ul>

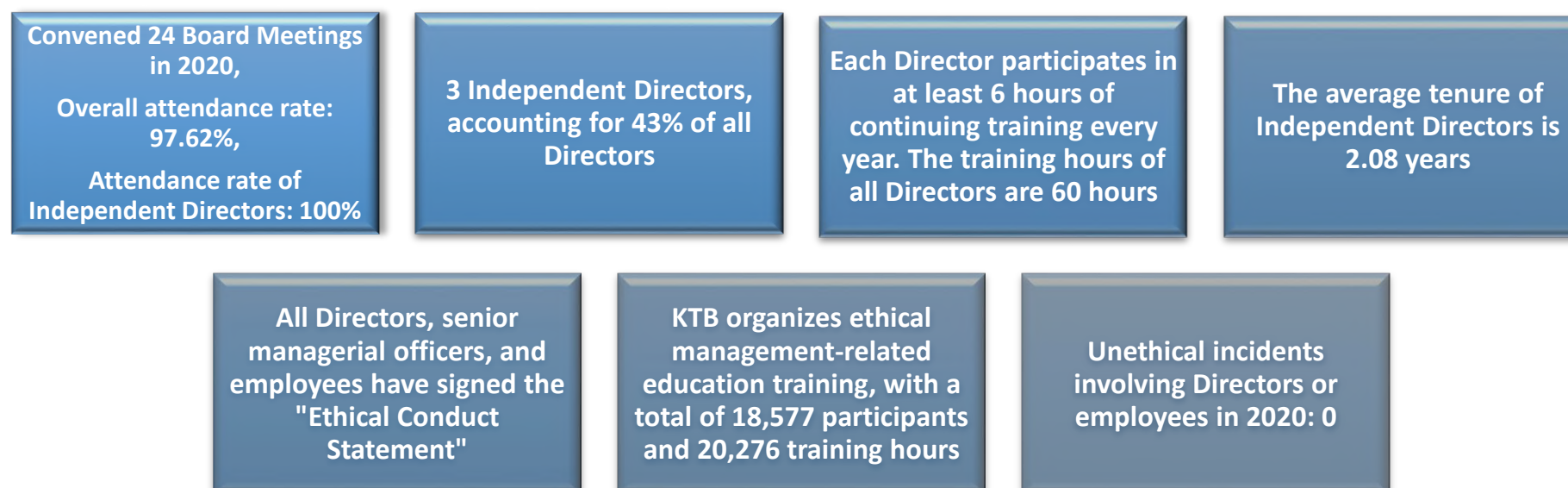
Aspects	Issues	Risks and Opportunities	Management Strategies	Key Performance Indicators	2020 Results	2021 Key Goals	Medium- and Long-Term Goals
							compliance management
	Risk Management	Preemptive risk management is more effective than remedial measures. A comprehensive risk management mechanism is beneficial to mitigate or prevent potential loss while maintaining KTB's competitiveness.	<ul style="list-style-type: none"> <li>Comprehensive risk management mechanism and structure</li> <li>Carry out regular internal inspections to ensure the operation of internal control</li> </ul>	<ul style="list-style-type: none"> <li>Regular Risk Management Committee meeting</li> <li>Submission of assessment results of each risk control item to the Board of Directors on a regular basis</li> <li>Number of self-inspection cases</li> </ul>	<ul style="list-style-type: none"> <li>Convened 12 Risk Management Committee meetings</li> <li>Prepared the "Risk Control Report," and submitted 4 such reports to the Board of Directors</li> <li>219,792 self-inspection cases</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate the introduction of Loan to Value (LTV) regulations to strengthen credit risk management</li> </ul>	<ul style="list-style-type: none"> <li>Establish the risk control self-assessment and key risk indicator reporting platform</li> </ul>
	Information Security	As mobile and Internet applications proliferate, the threat of information security increases. Only through ever-improving information security protection can KTB ensure a smooth operation and protect important information from leakage	<ul style="list-style-type: none"> <li>Mitigate threats of cyber-attacks through internal information security advocacy and assessment, social engineering email attack drills, and information security emergency response drills</li> <li>Pay attention to the development of information security, and establish key indicators</li> </ul>	<ul style="list-style-type: none"> <li>Number of hours for Information security advocacy</li> <li>Regular Information Security Management Committee meetings</li> <li>Number of core accounting system crashes</li> </ul>	<ul style="list-style-type: none"> <li>Held 3 information security advocacy activities and tests. 2,750 persons participated in the training, with a 100% advocacy rate</li> <li>Held 4 Information Security Management Committee meetings</li> <li>0 core accounting system crashes</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade AS400 server operating system</li> </ul>	<ul style="list-style-type: none"> <li>Conduct information security governance maturity assessment</li> <li>Introduce international business continuity management standards</li> </ul>
Society	Service Quality and Customer Experience	Provide high-quality services with an emphasize on customer experience to retain long-term customers to use our products and services	<ul style="list-style-type: none"> <li>Optimize operation procedures and improve operation efficiency.</li> <li>Improve customer experience with the aid of technology</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction rate</li> <li>Speed and progress of handling customer complaint</li> </ul>	<ul style="list-style-type: none"> <li>Overall customer satisfaction rate was 90.34%</li> <li>53 customer complaint cases, which is 3.64% fewer than the previous year. Cases were closed in 2 days on average</li> </ul>	<ul style="list-style-type: none"> <li>Continue to improve the service quality of our tellers to maintain customer satisfaction above 85%</li> <li>Improve the operating procedures of branch offices</li> </ul>	<ul style="list-style-type: none"> <li>Continue to improve the service quality of our tellers to maintain customer satisfaction above 85%</li> <li>Improve the usage rate of digital services to expedite operating procedures and</li> </ul>

Aspects	Issues	Risks and Opportunities	Management Strategies	Key Performance Indicators	2020 Results	2021 Key Goals	Medium- and Long-Term Goals
							decrease transaction disputes
	Financial Technology and Innovation	Continuing to provide innovative, convenient, and safe digital finance and services is the driving force behind our operating development	<ul style="list-style-type: none"> <li>Expand FinTech business cooperation and application programming interface (API) services to provide innovative services and products</li> <li>Initiate data bank projects, and proactively develop AI transformation</li> </ul>	<ul style="list-style-type: none"> <li>Growth rate of digital bank users</li> <li>Growth of digital finance products and services</li> </ul>	<ul style="list-style-type: none"> <li>Digital bank users increased by 24.4% compared to 2019</li> <li>Added 13 new digital finance products and services</li> </ul>	<ul style="list-style-type: none"> <li>Enhance digital penetration rate and active rate of customers</li> <li>Increase digital transactions at branch offices by 3%</li> </ul>	<ul style="list-style-type: none"> <li>Enhance digital penetration rate and active rate of customers</li> <li>Continue to increase the number of digital products, and increase digital engagement of customers</li> </ul>
	Talent Cultivation and Development	Employees are the KTB's partners. The growth of employees is the growth of KTB	<ul style="list-style-type: none"> <li>Organize education training that corresponds to the employees' work content and the organization's plans</li> <li>Establish a clear and fair performance assessment policy</li> </ul>	<ul style="list-style-type: none"> <li>Employee education training hours</li> <li>Diverse functional training</li> </ul>	<ul style="list-style-type: none"> <li>Average training hours per employee was 39.65 hrs</li> <li>In response to the industry trends, employees were encouraged to attend training courses in the areas of FinTech, information security, digital transformation (a total of 47 courses), in addition to general training and regulatory compliance training</li> </ul>	<ul style="list-style-type: none"> <li>Establish the English improvement plan, and organize relevant training courses</li> <li>Review employee performance assessment policy</li> </ul>	<ul style="list-style-type: none"> <li>Promote employees' lifelong learning to improve their English and digital competencies</li> </ul>
	Labor Rights	The protection of labor rights is the first step to a harmonious labor-management relationship	<ul style="list-style-type: none"> <li>Maintain a smooth labor-management communication channel</li> <li>Eliminate employment discrimination and sexual harassment, and establish an equal working environment.</li> </ul>	<ul style="list-style-type: none"> <li>Regular labor-management meetings</li> <li>Resolutions of employees' grievance cases</li> <li>Human Rights Risk Assessment and Management Form</li> </ul>	<ul style="list-style-type: none"> <li>Held 4 labor-management meetings</li> <li>0 employees' grievance cases</li> <li>Human rights risk assessment was 0.1%</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a designated pass rate of labor inspection and labor-dispute handling, and maintain the violation and unresolved cases at 2 (or fewer)</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate employment discrimination and protect labor rights</li> </ul>

## 4. Corporate Governance

### 4.1 Corporate Governance and Ethical Corporate Management

KTB continues to enhance the functionality of the Board of Directors, improve the efficiency of the operating team, devote itself to ensure information transparency, ensure the rights and benefits of shareholders and investors, and fulfill its corporate social responsibility. From 2018 to 2020 (4th to 6th), KTB was ranked among the top 5% of TWSE-listed companies in the "Corporate Governance Evaluation" by the Taiwan Stock Exchange Corporation for 3 consecutive years, demonstrating the determination and achievements of KTB in building its corporate governance policy. Related results of 2020 are as follows:



- **A Sound Board Structure**

In May 2020, KTB elected a new Board of Directors. It now has 7 Directors, and 3 Independent Directors which accounts for 43% of all directors. For the strengthening of the Board's supervisory and management functions, multiple functional committees, including the "Audit Committee," "Compensation Committee," and "Corporate Governance and Nomination Committee" are established directly subordinate to the Board of Directors. These committees are responsible for the discussion and resolution of key issues and issues in the economic, social, and environmental aspects. The functional committees consist of or participated by Independent Directors to achieve effective independent supervision and the check and balance mechanism to ensure all resolutions and actions of the Board are submitted to the Board of Directors for report and discussion. Furthermore, in February 2019, the Board of Directors appointed Chien-Ko, Yang, who has more than 4 years of work experience in finance, stock affairs, and business administration, to serve as the "Corporate Governance Officer," who is responsible for providing necessary information for the Directors to carry out their duties, regulations regarding meeting procedures and resolutions, continuing training of Directors, and other necessary assistance.

In terms of the Board operation, KTB's Board of Directors carries through the promise of ethical management. For any motions at the board meetings that pose a conflict of interest with the Director himself/herself or the entity he/she is representing, the Directors shall recuse himself/herself from the discussion and voting on the matters, and he/she must not vote on other Directors' behalf, in accordance with the regulation or in a more rigorous approach. Furthermore, in order to fulfill the requirement of independence, the number of seat, qualifications, tenure, functions, and responsibilities of Independent Directors are stated in the "King's Town Bank Co., Ltd. Corporate Governance Best-Practice Principles". For the details on the independence of each Director, please refer to "Page 11 of King's Town Bank 2020 Annual Report."



✧ **Duties and Operation of the Functional Committees**

### Audit Committee

**Convened 30 meetings with a 100% attendance rate**

- Established in 2011
- Consists of only Independent Directors

- Fair presentation of KTB's financial statements
- Appointment (dismissal), independence, and performance of the certified public accountants (CPAs)
- Effective implementation of KTB's internal control
- Regulatory compliance
- Management of KTB's existing or potential risks

### Compensation Committee

**Convened 6 meetings with a 100% attendance rate**

- Established in 2011
- Consists of only Independent Directors

- Periodically review the charter and make recommendations for amendments
- Establish and periodically review the annual and long-term performance goals, and the policies, systems, standards, and structure for the remuneration of the directors and managerial officers of KTB
- Regularly assess the performance goals of the directors and managerial officers of KTB, and determine the content and amounts of their individual compensation

### Corporate Governance and Nomination Committee

**Convened 6 meetings with a 100% attendance rate**

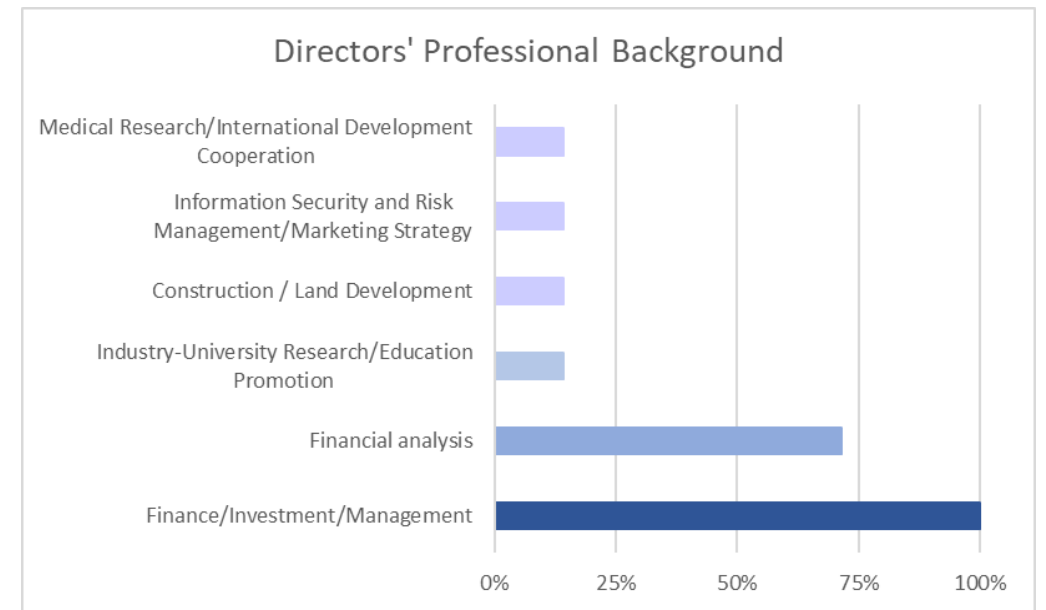
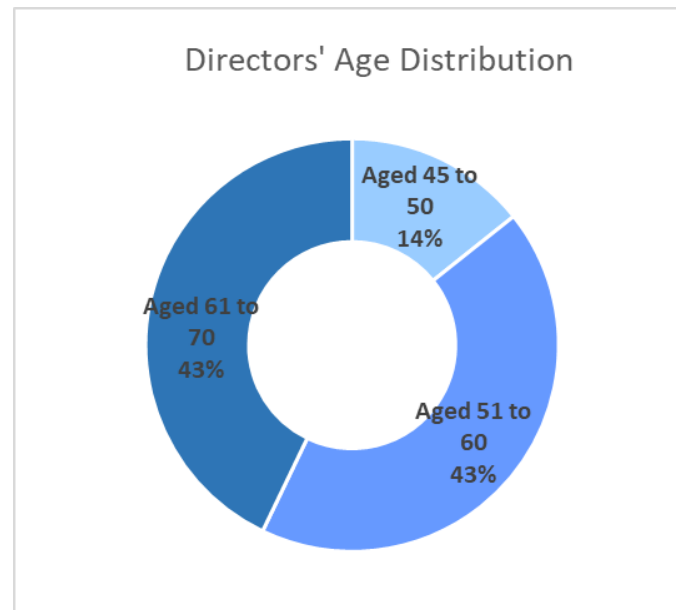
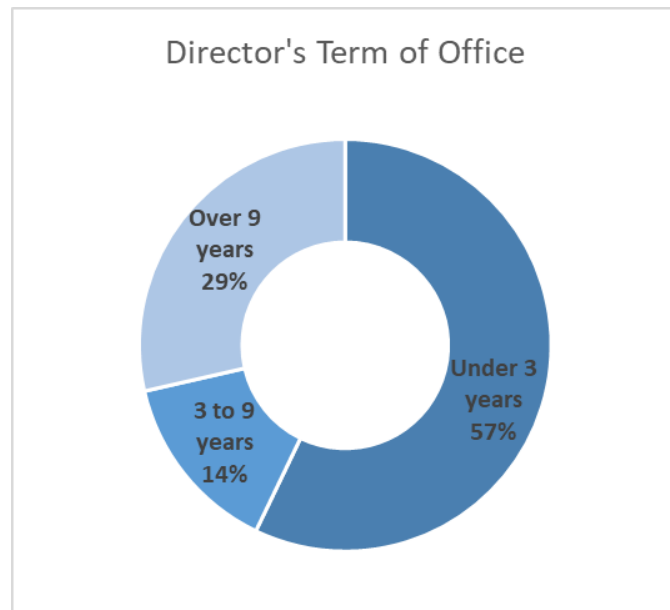
- Established in 2017
- Consists of 3 Independent Directors and 1 Director

- Dedicated ethical management unit
- Establishment of the standards of independence and diversity of background, such as expertise, skills, experience, gender, etc. required of board members and senior executives, serving as the basis for identifying, reviewing, and nominating candidates for directors and senior executives based on such standards
- Establishment and development of the organizational structure of the board and each of the committees, and the evaluation of the performance of the board, each committees, and the independence of the independent directors
- Research analysis, implementation, and planning recommendation for the corporate governance system, and regular review of corporate governance standards and implementation results
- Formulation and supervision of the implementation of ethical corporate management policies and plans to prevent unethical conduct
- Adoption of the CSR policies, systems, related management approaches, and the implementation and execution of items

● **Diverse Board Members**

The members of KTB's Board of Directors do not concurrently hold positions as employees of KTB. The nomination and election of members of the Board of Directors of KTB are in accordance with the provisions of the company's Articles of Incorporation and adopt a nomination system. Besides evaluating the academic qualifications of the candidates, "Procedures for the Election of Directors" and "Corporate Governance Best-Practice Principles - Chapter IV Enhancement of the Board of Director's functionality" are observed to ensure the diversity of directors. The diversity policy of the Board of Directors shall include the following two general standards: 1. Basic requirements and values: gender, age, nationality, and culture, etc. 2. Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience, etc.

Currently, all 7 of KTB Directors possess rich work experience, solid education background, and also diverse backgrounds. This has brought diverse perspectives to KTB and improved KTB's tolerance in the face of changes. Furthermore, in order to implement gender equality, the gender ratio shall continue to follow the principle of diversity in the number of female directors. KTB continues to seek suitable and outstanding female candidates. The background of KTB's Directors are as follows:



● **Board Performance Evaluation policy**

In order to implement corporate governance and improve the functionality of the Board, KTB has formulated the "Regulations on the Board and the Functional Committee Performance Evaluation." The Corporate Governance and Nomination Committee carries out annual performance evaluation on the Board and functional committees. The overall performance evaluations of the Board and the functional committees, and the self-evaluation by the Board members are carried out in the first quarter of every year, and the evaluation results are compiled by the board's meeting organization unit and submitted to the Board of Directors as a reference for each director's remuneration and nomination for re-election. For remuneration to directors, please refer to "Page 19 of King's Town Bank 2020 Annual Report."

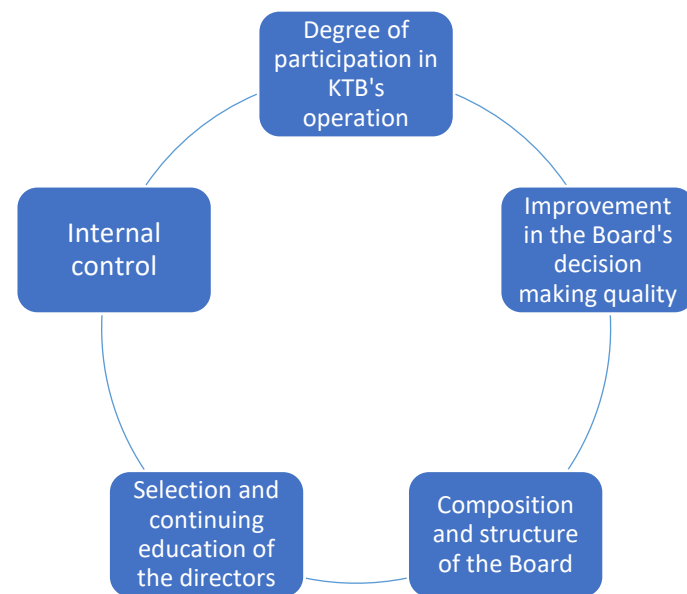
Moreover, the "Regulations on the Board and the Functional Committee Performance Evaluation" stipulates that the board performance evaluation shall be conducted by an external professional independent institution or an external professional scholar team every three years. KTB has appointed "Ernst & Young Corporate Management Consulting Services Limited" to carry out the 2018 external board performance evaluation in 2019. The performance evaluation result was "Advanced," and the evaluation summary is as follows:

- ✧ The composition and establishment of King's Town Bank's Board of Directors and Functional Committees are set up pursuant to related regulations issued by the competent authority, and relevant bylaws and rules of procedure are in place. Board members have diverse background, including expertise in accounting, financial analysis, international market perspective, and risk management, so as to provide the Board suggestions from diverse perspectives.
- ✧ All the Directors fully understand their roles and responsibilities and the division of tasks between different units, skills and technology, and the importance of the mechanism to establish the mutual trust of the management team. Through efficient work division and communication, the Board and the management team are able to jointly handle emergencies and resume operation in the shortest possible time, and thus won the trust of customers.
- ✧ The meeting organization unit arranges lectures for newly-appointed directors, to familiarize him/her with the overview of corporate culture, industry overview, the Bank's performance, and legal liabilities. Before each Board meeting, the Directors may request supplementary materials and communication through telephone with the meeting organization and proposal units, to provide the Directors with a better understanding of the motion content and facilitate the discussion of motions.

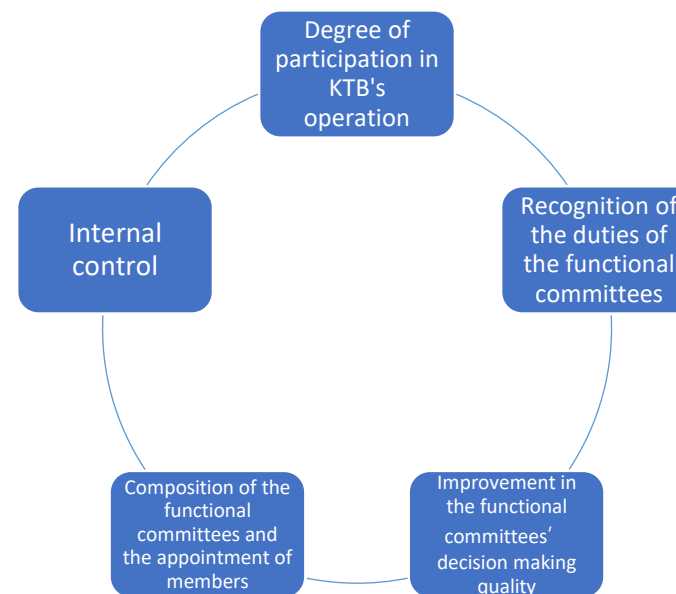
Other relevant information is disclosed in "King's Town Bank Global Information Website / About King's Town Bank / Corporate Governance / Corporate Governance Organization / Board and functional committee performance evaluation." The next external performance evaluation is scheduled for the first quarter of 2022.

The scoring standards of KTB's Board of Directors and functional committee performance evaluations consist of 4 levels of "excellent," "good," "satisfactory," "needs improvement." Evaluation items are as follows:

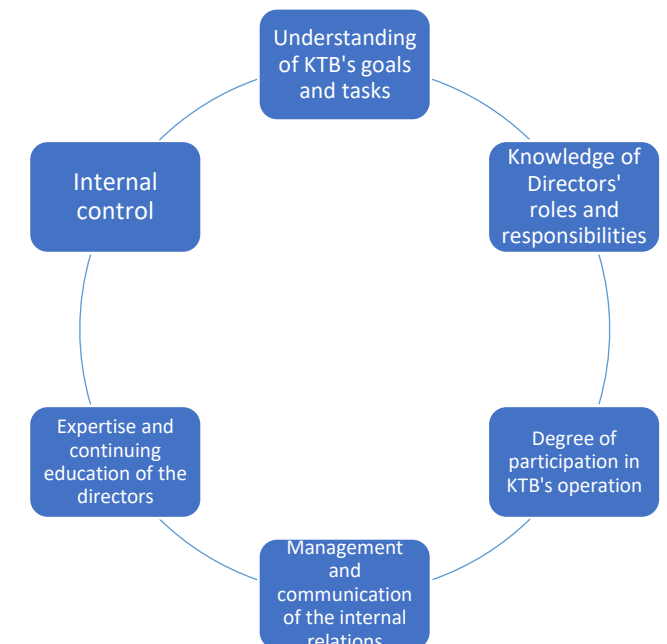
**The five aspects of the board performance evaluation**  
The results of the 2020 evaluation are "excellent."



**The five aspects of functional committee performance evaluation**  
The results of the 2020 evaluation are "excellent."



**The six aspects of the board member performance evaluation**  
The results of the 2020 self-evaluation are "excellent."



● **Ethical Management Rules**

KTB values ethical management as the foundation for corporate management. In order to implement ethical management and anti-corruption, KTB has designated the Corporate Governance and Nomination Committee as a dedicated unit responsible for ethical management to incorporate ethics and moral values into the business strategy of KTB. It also adopts appropriate prevention measures against corruption and malfeasance in accordance with the laws and regulations. Moreover, every year, the Administration Management Department performs an unethical conduct risk assessment on all operating sites and identifies major unethical conduct risks. The Department then reports the unethical conduct risk assessment results, ethical management policy, and the results of supervision to the Board of Directors. In 2020, there were no cases of unethical conduct found.

All Directors, senior managerial officers, and employees have signed the "Ethical Conduct Statement," and disclosed their "Ethical Corporate Management, Anti-Corruption, and Anti-Bribery Policy and Commitment" in the "King's Town Bank Global Information Website / About King's Town Bank / Corporate Governance / Sustainable Management," to exhibit KTB's zero-tolerance and action against corruption and bribery. The major principles and content regarding KTB's ethical management are as follows:

**"Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct"**

- The Code and Procedures are formulated with reference to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," and approved by the Board of Directors, as the policy for ethical management of KTB
- Based on the "Ethical Corporate Management Best Practice Principles," KTB has formulated the "Procedures for Ethical Management and Guidelines for Conduct" as the procedures for KTB's corporate management and a program to prevent unethical conduct, which was approved by the Board of Directors
- The Code and the Procedures stipulate that "all Directors, managers, employees, or anyone who has substantial control over the management should not engage in unethical conducts while engaging in business activities"
- The Code and the Procedures stipulate that "benefits refer to any things of value, including money, gifts, commissions, positions, services, preferential treatment, or rebates in any form or name"
- KTB has formulated prevention programs and handling procedures concerning matters such as, improper benefits, facilitating payment, political contributions, donations or sponsorships, conflict of interest avoidance, confidentiality mechanism, unfair competitive practices, and insider trading
- KTB has established internal advocacy, a system for rewards, penalties, and complaints, and related disciplinary measures
- Every year, KTB assesses its risk of unethical conduct and reports the results to the Board of Directors
- The implementation results of ethical management are reported to the Board of Directors on a yearly basis

**"Code of Ethical Conduct" and "Employee Service Ethics and Code of Ethical Conduct"**

- To assist the Directors and managerial officers to act in line with the ethical standards and to facilitate the stakeholders' understanding of KTB's ethical standards, the "Code of Ethical Conduct" has been established and approved by the Board of Directors
- To enhance the management of employee's life and ethical conduct, ensure the operation of internal control, and prevent the occurrence of financial frauds, KTB has formulated the "Employee Service Ethics and Code of Ethical Conduct," which was approved by the Board of Directors
- 100% advocacy rate of related content to all Directors, managerial officers, and employees

**"King's Town Bank Co., Ltd. Ethical Corporate Management, Anti-Corruption, and Anti-Bribery Policy and Commitment"**

- KTB lays great emphasis on ethical conduct and anti-corruption. KTB evaluates the legality of the counterparties, fully understands their status of ethical management and compliance with corporate social responsibility, before involving in business dealings with subsidiaries or others
- All Directors, agents, contractors, suppliers, and related persons shall comply with all policies, laws, regulations, rules, and procedures regarding anti-bribery and anti-corruption when representing KTB or providing services for KTB

● Ethical Management Education Training System



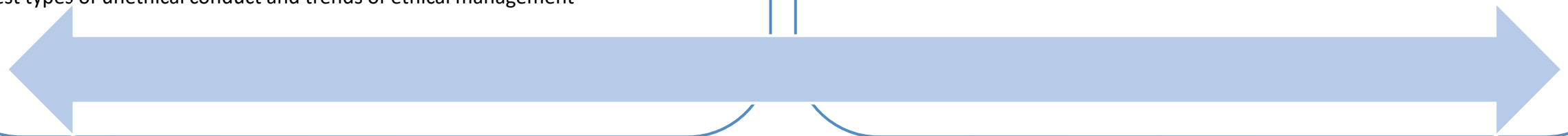
**Education Training**

- KTB organizes regular ethical management-related education and training for Directors, senior management, and all employees
- In 2020, 18,577 participants attended online and classroom-based ethical management education training, with a total of 20,276 training hours
- General training courses include: "Integrity Management and Anti-Corruption and Anti-Bribery Policy Advocacy," "Whistleblower System Advocacy," "Procedures for Handling Material Inside Information and Insider Trading Prevention Education Advocacy," "Principle for Financial Service Industries to Treat Clients Fairly," "Anti-Money Laundering and Counter-Terrorism the Financing of Terrorism Advocacy," and "Personal Data Protection Act Advocacy"
- Employees are sent to participate in external conferences. Through dialog and communication among industry, academia, and government, KTB is updated with the latest types of unethical conduct and trends of ethical management



**Law Compliance Advocacy**

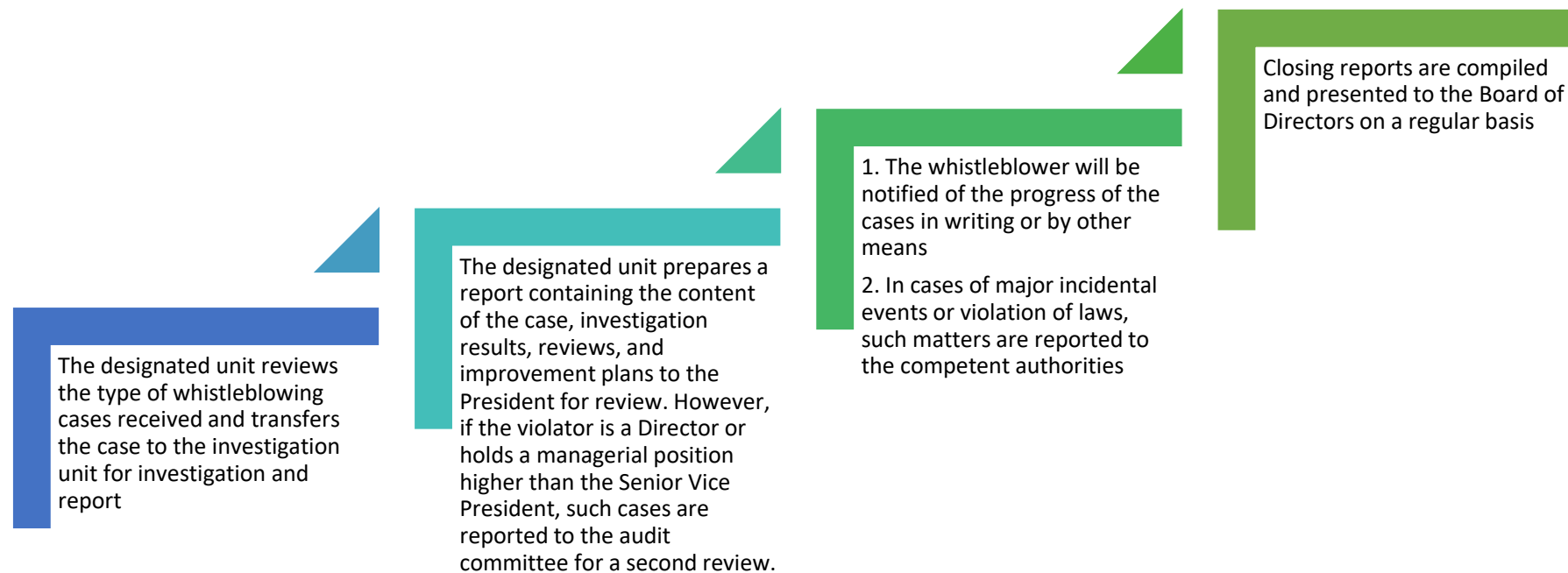
- Matters needing attention are disseminated to the Directors, senior management, and all employees through education training and case studies
- The dissemination content includes: Preventions of unethical conduct, the regulations, channels, and dealing methods regarding whistleblower system, Procedures for Handling Material Inside Information, prevention of insider trading, and self-regulatory of merger and acquisition information disclosure, etc.
- Dissemination percentage: 100%



● **Whistleblowing System and Whistleblower Protection Measures**

To establish an ethical and transparent corporate culture, and to promote robust business, KTB has formulated the “Regulations on the Implementation of the Whistleblower System”, after review and approval from the Board of Directors. The Regulations stipulate that the “Compliance Department” is the designated unit for KTB’s whistleblowing system. The head of the Compliance Department of the headquarter is responsible for the acceptance, allocation, reply, follow-up, improvement, records, and keeping of reports.

- ✧ **Whistleblowing Channels:** KTB has established email and hotline to receive whistleblowing cases and has disclosed them on the Internet and the intranet. Any person may make a report through these channels, and anonymous reporting is allowed:
- ✧ **Whistleblowing Procedures:**



- ✧ **Whistleblower Protection Measures:** KTB shall keep the process of the whistleblowing cases confidential. The personnel involved in the handling and investigation of a case shall declare in writing to keep the identity of the informant and the content of the report confidential, and related documents shall be kept in the confidential files for at least five years. Where the whistleblower is an internal personnel, KTB undertakes measures to protect the internal whistleblower from improper treatment or dismissal, discharge, demotion, reduction in salary, impairment of their rights under the law, contract, or custom, or other adverse action as a result of the whistleblowing.

No whistleblowing case was received in 2020.

## 4.2 Regulatory Compliance

KTB lays great emphasis on the rule of law, pays close attention to the financial laws and regulations, and ethical rules newly issued by the competent authorities. KTB strictly abides by relevant regulations when expanding its business. There were no cases of violations in 2020. Relevant action plans and results are as follows:

Action plan	2020 results
Regulatory compliance self-assessment	<ul style="list-style-type: none"> <li>KTB has carried out 2 regulatory compliance self-assessments, examining the regulatory compliance status of all departments, and appointed the Compliance Department to supervise the implementation of improvement plans</li> </ul>
Report to the Board of Directors and Audit Committee on the handling of regulatory compliance policy	<ul style="list-style-type: none"> <li>The head of the Compliance Department of the headquarter submitted 2 reports on “handling of regulatory compliance policy” to the Board of Directors and Audit Committee</li> </ul>
Regulatory communication and consultation	<ul style="list-style-type: none"> <li>The head of the Compliance Department of the headquarter delivered 6 reports on the important regulatory issues, violation cases of the companies in the industry to all the departments' heads.</li> <li>In February 2019, the “Internal Query System” was launched, and the Compliance Department is responsible for the review of updates on a regular basis to ensure the correctness of the database, for personnel to make inquiry</li> <li>KTB establishes regulatory compliance communication windows at each department to discuss issues regarding regulatory compliance, when necessary</li> </ul>
Inspection of internal rules and regulations	<ul style="list-style-type: none"> <li>The Compliance Department timely inspects and amends all internal rules and regulations, a total of 81 items, as required by the laws and regulations</li> </ul>
Regulatory evaluation on new products (services)	<ul style="list-style-type: none"> <li>The Compliance Department evaluates 72 new product and service applications through the legality evaluation procedures to ensure their compliance with laws, and internal rules and regulations</li> </ul>
Assessment of the implementation of regulatory compliance	<ul style="list-style-type: none"> <li>The Compliance Department performs annual assessments on the regulatory compliance of all departments, and the assessment results are used as a reference for each department’s performance assessment of the year</li> </ul>
Regulatory compliance education training and online tests	<ul style="list-style-type: none"> <li>A company-wide regulatory compliance test is held every year. The questions are updated with the latest laws and regulations, and common mistakes in the test are publicized to all levels of the company, so as to ensure the staff’s understanding of the laws and regulations. In 2020, the test participation rate was 100%, and the average score was 93.76%</li> <li>KTB sent employees to participate in a total of 46 education training courses related to regulatory compliance organized by Taiwan Academy of Banking and Finance, Securities and Futures Institute, and other organizations. A total of 378 employees participated in the courses with a total of 4,987.5 training hours</li> <li>KTB also organizes internal regulatory compliance courses, with content covering law advocacies, audit, anti-money laundering and countering the financing of terrorism, joint credit information security control, fair treatment of customers, Personal Data Protection Act, whistleblowing system, and handling of material inside information. A total of 243 courses were held, with 30,123 participants</li> </ul>

● **Management Mechanisms**

In order to facilitate all employees' understanding of all laws and regulations related to their duties and to establish a smooth communication channel and internal control, KTB has formulated the "Implementation Rules of Regulatory Compliance," which has approved by the Board of Directors, stipulating the regulatory compliance organization and duties in accordance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," and "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies." Moreover, the head of the Compliance Department of the headquarter, the Compliance Department's personnel, and the head of the compliance of all departments have received more than 30 hours of courses authorized by the competent authorities. They have also passed the relevant tests and received qualification certificates, and they must receive 15 hours of on-the-job training every year.

KTB's regulatory compliance organization and duties are as follows:

**Compliance Department -**

1. The designated unit responsible for matters regarding regulatory compliance, anti-money laundering and countering the financing of terrorism
2. Responsible for the planning, management, and implementation of the regulatory compliance system
3. Supervision of the identification and assessment of money laundering and terrorism financing risks
4. Regulatory compliance assessment for the launch of all new products, services, and businesses
5. Provide appropriate regulatory training for personnel of all departments

<b>Head of the Compliance Department of the Headquarter</b>	Submit reports on the handling of regulatory compliance policy to the Board of Directors and Audit Committee semiannually
	In case of material violations of laws or downgrade in the assessment ranking, report to the Directors immediately, and also report to the Board of Directors on matters relating to the compliance with the law
<b>Head of the Compliance of All Departments</b>	Analyze the cause and possible effects of major regulatory compliance deficiencies and malpractices, and propose improvement suggestions to the Board of Directors
	Served by the top supervisors of each department
	Responsible for the enforcement of regulatory compliance of all departments

**4.2.1 Anti-Money Laundering and Countering the Financing of Terrorism(AML/CFT)**

The world is paying more and more attention to the prevention of money laundering. As criminals often use financial institutions to transfer illegal proceeds of crime, financial institutions play an important role as the front-line gatekeeper in the money laundering process. Through adhering to the international regulations, KTB formulates the AML/CFT policies, carries out the institutional risk assessment, and improves education training, annually, so as to implement and strengthen the control mechanisms of AML/CFT.



● **Control Mechanisms**

Set Up Designated Office	Supervisors Are Set Up in Each Department	Entrust Certified Public Accountants (CPAs) to Carry out Reviews	AML/CFT Risk Assessment
<ul style="list-style-type: none"> <li>•The Compliance Department is the designated office responsible for matters regarding AML/CFT</li> <li>•The "Money Laundry Prevention Section" is set up under the Compliance Department, responsible for supervising the identification and evaluation of money laundering and terrorism financing, as well as the planning and implementing policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>•Supervise the implementation of AML/CFT-related matters in their department</li> <li>•Supervise self-inspections</li> </ul>	<ul style="list-style-type: none"> <li>•Every year, KTB entrusts CPAs to carry out reviews on the AML/CFT mechanism of the previous year</li> <li>•The CPAs issued an "unqualified opinion" on the 2020 report</li> </ul>	<ul style="list-style-type: none"> <li>•AML/CFT risk assessments are carried out every year, and the assessment results are submitted to the Board of Directors.</li> <li>•Strengthen risk precaution and control measures based on the assessment results</li> </ul>

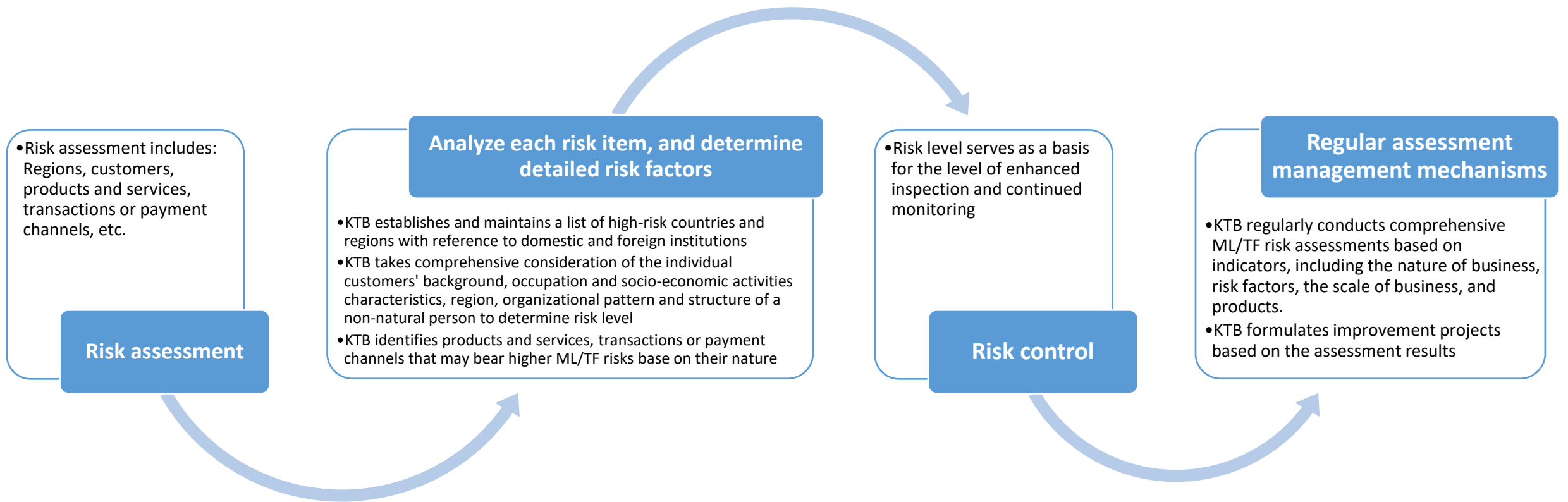


● **Important Regulations**

In order to implement the management of AML/CFT, KTB has formulated the “Directions Governing Anti-Money Laundering and Countering-Terrorism Financing,” and “Policy and Procedures for Identification, Assessment, and Management of Money Laundering and Terrorism Financing Risks,” and other regulations and procedures, which have been approved by the Board of Directors:

<b>Directions Governing Anti-Money Laundering and Countering-Terrorism Financing</b>	<b>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</b>
<b>Policy and Procedures for Identification, Assessment, and Management of Money Laundering and Terrorism Financing Risks</b>	<b>Standard Operating Procedures for Reporting Cash Transaction and Suspected Money Laundering or Terrorism Financing Transaction of Certain Amount or More</b>
<b>Policies and Procedures for Account and Transaction Monitoring</b>	<b>Operating Procedures for Determining the Countries and Regions Involved in Money Laundering and Terrorism Financing</b>
<b>Policies and Procedures for Name and Title Screening of Customers and Transaction-related Parties</b>	<b>Management Guidelines for the Operation of Deposit Accounts and Suspicious or Unusual Transactions</b>

● **Procedures for Identification, and Assessment of Money Laundering and Terrorism Financing(ML/TF) Risks**



● **Education Training and Certifications**

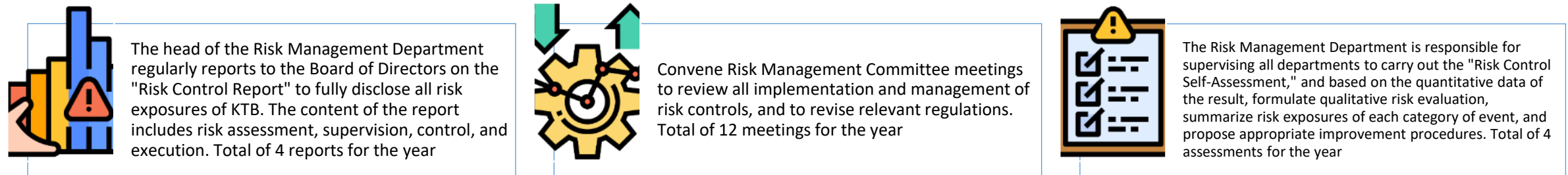
In order to raise the employees' awareness of the risks of money laundering and financing of terrorism, the supervisory officers must receive related education training every year, and all employees must receive "AML/CFT" advocacy courses and online tests every year. Moreover, KTB organizes training courses for new recruits. The courses not only include relevant law advocacies, but also provide case studies, notes on risk assessments, and operation procedures, to build a top-down AML/CFT culture.

Education Training
<ul style="list-style-type: none"> <li>•Directors participated in related education and training: 6 participants</li> <li>•Money laundering supervisors practical education training: 224 participants</li> <li>•AML/CFT advocacy course and test: 923 participants</li> <li>•New recruits training: 47 participants</li> </ul>

Number of Person Who Have Obtained the AML/CFT Certifications
<ul style="list-style-type: none"> <li>•Certified Anti-Money Laundering Specialist: 1</li> <li>•AML/CFT professionals: 285</li> </ul>

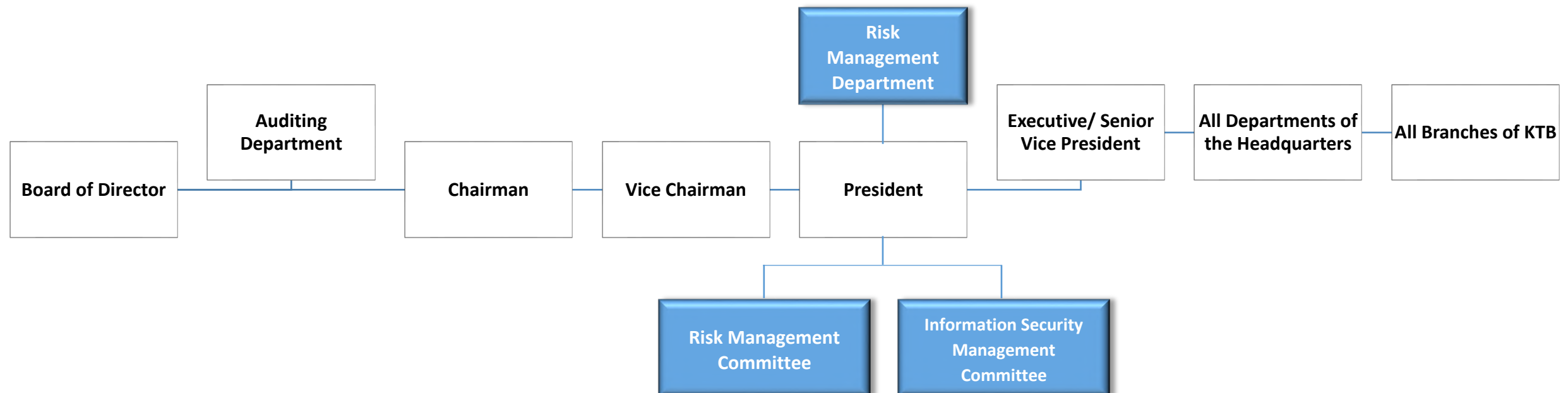
### 4.3 Risk Management

When developing its businesses, KTB prevents or mitigates damages that may be caused by risks through identification, balance, supervision, and management, in order to achieve reasonable risk pricing, to attain the balance between risk and performance. The 2020 KTB implementation status is as follows:



- Organizational Structure of Risk Management**

The Board of Directors is the highest authority in the risk management mechanism. It bears the ultimate responsibility for approving KTB's risk management policies and maintaining effective internal control policies. KTB has set up the "Risk Management Committee." The committee leads the revisions to the risk management policies and is responsible for the coordination of all risk management matters of KTB. The "Risk Management Department" is responsible for executing and promoting the policies formulated by the Committee. The Department is also an independent unit that plans and supervises the overall risk management of KTB.



● **Risk Management Policies**

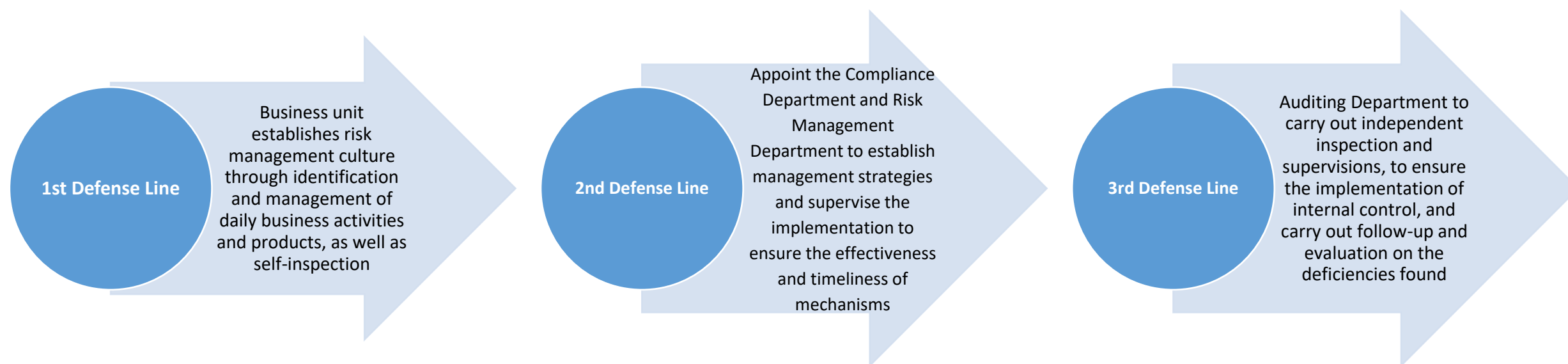
In order to ensure sustainable management and capital security, KTB clearly specifies the objectives and procedures of risk management based on the risk management policies approved by the Board of Directors. Thereby, KTB establishes effective risk management mechanisms to assess and monitor its risk-bearing capacity, the current status of risk already incurred, and to determine its risk response strategies. Moreover, KTB has established a capital adequacy assessment process that takes into consideration the risk status in order to maintain capital adequacy based on business growth. In addition, KTB conducts appropriate overall capital allocation to establish management measures for a variety of business risks considering our overall risk exposure and includes all risks on and off the balance sheet in the scope of risk management.

The scope of risk management includes: credit risk, market risk, operational risk, liquidity risk, country risk, legal risk, and other risks. The management standards and regulations are formulated according to the different risks, specifying the management countermeasures, organizational structure and responsibilities, and management procedures for different risks.

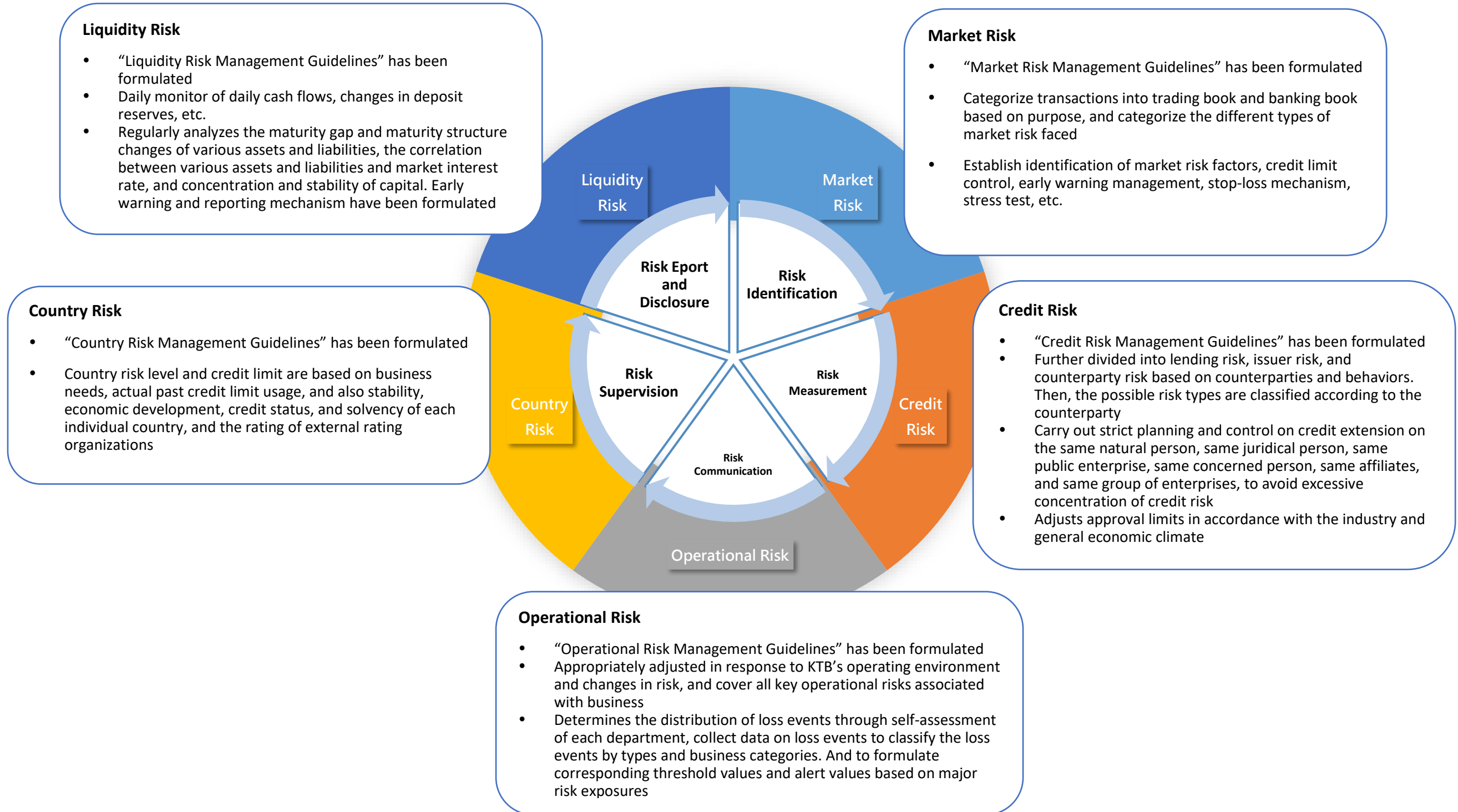
● **Risk Management Mechanisms**

Risk management is the responsibility of all personnel in KTB. Through the 3 defensive lines of internal control and various risk management procedures, KTB has established a comprehensive risk protection to ensure that all business risks can be controlled timely and effectively.

✧ **The 3 Defensive Lines of Risk Management**






✧ Risk Management Procedures and Categories



## 4.4 Information Security

Innovation in digital technology, especially FinTech, has brought great changes to people's lives. The emergence of new technologies, such as web applications, mobile applications, digital currency, blockchain, mobile payment, and biometrics, have facilitated an enormous evolution in the finance industry. The changes have not only created new opportunities but also brought along information security risks. Such risks include: cyberattack, incorrect user authentication, money laundering and fraud, leakage of personal data, etc.

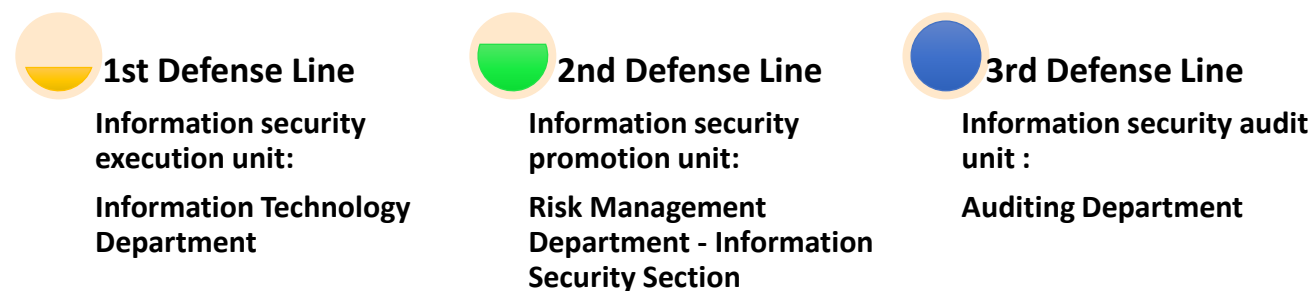
KTB has carried out preemptive actions and countermeasures through a comprehensive management framework and system, strengthening of software and hardware, and education training, in order to respond to risks and opportunities brought by digital technologies. 2020 results are as follows:

 <p><b>Management Framework and System</b></p> <ul style="list-style-type: none"> <li>• Introduced the international information security standard ISO 27001</li> <li>• Number of Information Security Management Committee meetings held in 2020: 4</li> <li>• Report the overall information security execution of the previous year to the Board of Directors by the end of March</li> </ul>	 <p><b>Continuity of Information System</b></p> <ul style="list-style-type: none"> <li>• Number of core accounting system crashes: 0</li> <li>• Usage rate of personal online banking/mobile banking/corporate online banking: 100%</li> </ul>	 <p><b>Education Training and Certifications</b></p> <ul style="list-style-type: none"> <li>• Held 2 internal information security advocacy sessions, 1 information security course evaluation, with 100% advocacy rate, 2,750 participants, average test score: 97.70%</li> <li>• Number of international information security certifications obtained: 2</li> </ul>
--	--	--

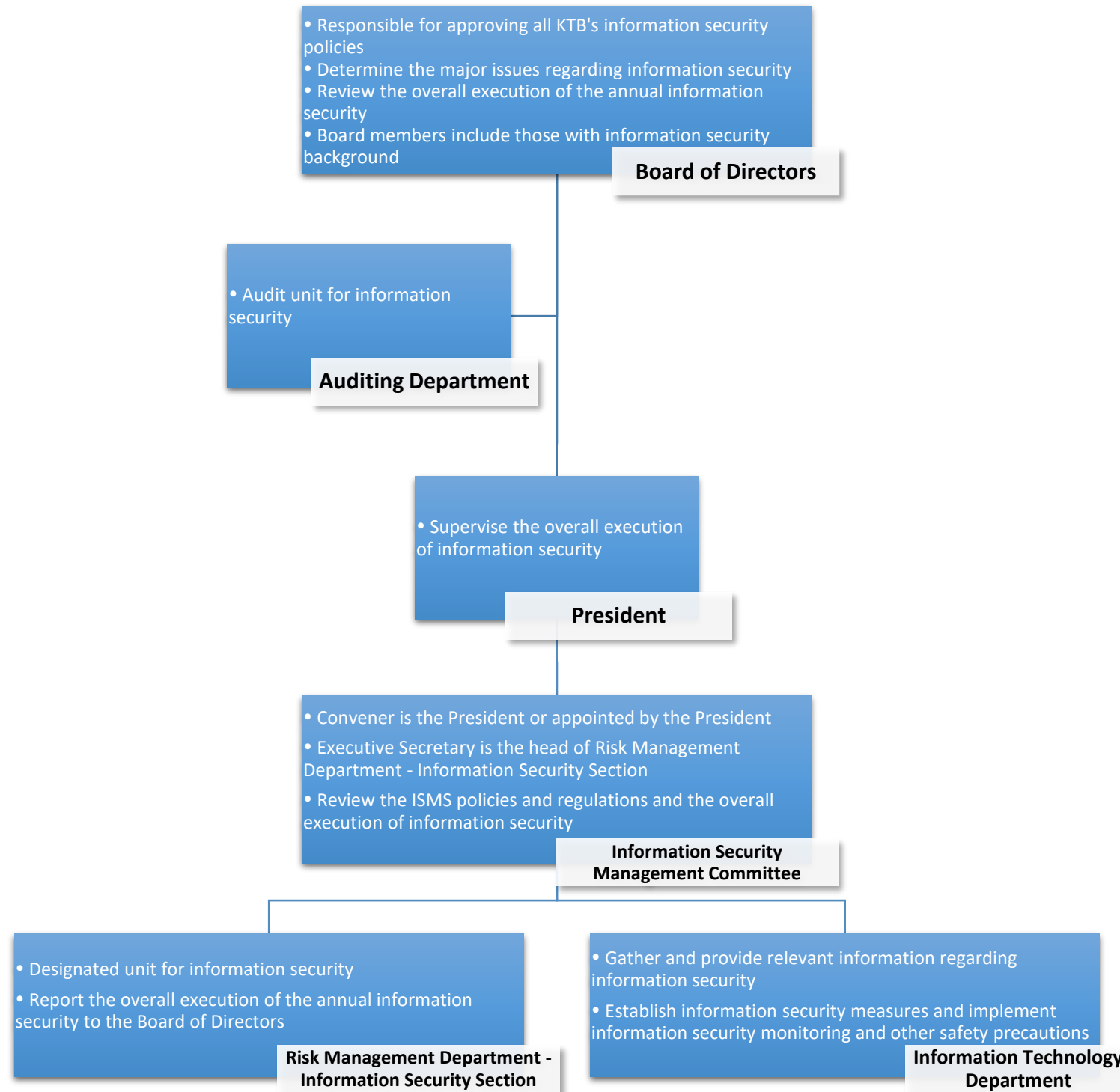
### ● Information Security Management Framework

As the importance of information security grows, the Board of Directors of KTB approved the establishment of an information security unit - "Information Security Section" - under the Risk Management Department, to serve as the designated unit responsible for KTB's information security management, information security solutions, information security inspection and monitoring, information security maintenance, management of overall information security policy implementation, and the planning and promotion of information security education training.

#### ✧ The 3 Defensive Lines of Information Security



✧ **Information Security Management Framework**



● **Information Security Management Measures**

✧ **Information Security Protection Mechanisms and Relevant Regulations**

KTB has formulated the “Information Security Policy” in order to protect the confidentiality, integrity, and availability of KTB’s information assets, to prevent risks including, inappropriate use, leakage, alteration, and damage, and to ensure the safety of the collection, handling, transmission, storage, and distribution of information. Moreover, KTB has formulated procedures and manuals in accordance with the “Information Security Policy,” to specify the actions of employees, outsourced service providers, and visitors, and report relevant regulations to the Information Security Management Committee.

✧ **Information Security Emergency Response Drills**

In order to minimize the impact on business and resume operation in the shortest time in case of major disasters occurring to the information service, KTB has formulated regulations including, “Business Continuity Management Manual,” “Info-Communications Security Incident Management Procedure Guide,” “ATM Info-Communications Security Emergency Response Procedure,” “Information Office Handling of Denial-of-Service Attack Guide,” and “Open System Backup Exercise Plan,” etc. Also, KTB conducts annual drills to minimize possible information security impacts through correct operation procedures. In 2020, KTB organized 19 drills, and content is as follows. KTB has submitted the status of the drills to the Information Security Management Committee for review:

<b>Personal Data Leakage Drill</b>	<b>Host System Backup Drill</b>
<b>ATM Information Security Incident Emergency Response Procedure Drill</b>	<b>DDoS Attack Emergency Response Procedure Drill</b>
<b>ATM Front-end Operating System Backup Switching Drill</b>	<b>SWIFT Information Security Incident Emergency Response Procedure Drill</b>
<b>Social Engineering Email Attack Drill</b>	<b>SWIFT System Backup Drill</b>

✧ **Information Security Protection and Inspection Analysis**

- ✓ Establish an information security inspection platform for real-time information monitoring and statistical data presentation.
- ✓ Establish backup routes and “Distributed Denial-of-Service (DDoS) Attack Monitor and Traffic Cleaning Protection” mechanism for Internet network of major businesses.
- ✓ Appoint external companies to conduct information security evaluation and vulnerability scanning on a regular basis.
- ✓ Update information security protection software and hardware to detect and blocks Internet attacks effectively and timely.



#### 4.4.1 Personal Data Protection

KTB lays great emphasis on the personal data and privacy of customers. It has formulated policies related to personal data protection in accordance with the “Personal Data Protection Act,” “Self-regulatory Guidelines for Customer Data Confidentiality of Banking Industry,” and “Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation.” KTB has also established the “Task Force for Implementing Personal Data Protection Management (Personal Data Team)” to handle relevant issues and implements personal data protection measures through regular education training and drills. There were no cases of personal data leakage in 2020.

- **Personal Data Protection Policy**

Important regulations and guidelines regarding KTB’s personal data protection are as follows:

##### “Regulations on the Personal Data File Security Maintenance”

- It is enacted after being approved by the Board of Directors, as a reference for the planning, formulation, revision, and implementation of KTB's personal data file security maintenance plans, and the processing method for personal data after termination of the business relationship
- Requires that all departments should respect the rights and interests of the concerned parties when gathering, handling, or utilizing personal data and that they should conduct all related matters with honesty and credibility, and not exceed the scope of the specific purpose
- Establishes the Privacy Policy to clearly inform the customers about KTB's personal data and privacy protection measures. KTB has disclosed the privacy policy on the company website "King's Town Bank Global Information Website / Privacy Policy" to inform customers that their personal data transmitted through the Internet is protected
- Specifies relevant personal data management procedures and measures, for example: when entrusting a third party to gather, handle or utilize personal data the entrusted shall be subjected to the provision of this method. The entrusting party shall be responsible for the supervision of the entrusted party, and specify the details in the entrustment contract or relevant documents
- Specifies the personal data management procedures and measures, audit, record-keeping, education training, and advocacy matters

##### “Management Guidelines for Personal Data Risk Assessment”

- Specifies the risk level and corresponding control measures of the personal data files held by KTB
- Control and mitigate the personal data risks through evaluation and identification of risk impact level and the possibility of occurrence, corresponding risk control measures, and maintenance of the personal data files

##### “Management Guidelines for Personal Data Leakage Crisis Management”

- Serves as the principle and emergency countermeasures in cases of personal data incidents, so as to swiftly resolve the problems and mitigate possible damages when the incidents occur
- Clearly specifies the personal data incident handling authority and responsibility, personal data incident reporting and handling procedures, and personal data incident emergency countermeasures
- The personal data incident emergency countermeasures include, methods to control the damage to the concerned party, the methods to inform the concerned party after the investigation has concluded, and the content to be informed to the concerned party, such as the incidents and countermeasures taken

● **Task Force for Implementing Personal Data Protection Management**

KTB has established the “Task Force for Implementing Personal Data Protection Management” responsible for the protection of personal data. Its organization and responsibilities are as follows:

---

**Personal Data Team -**

1. Draft personal data protection regulations and review the management systems
2. Coordinate delegation of roles and responsibilities for personal data protection matters
3. Review and supervise 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 should serve as or appoint the convener of the Personal Data Team
- The committee members should consist of the heads, or be appointed by the heads, of the Compliance Department, Information Technology Department, Digital Service and Channel Management Department, Risk Management Department, Legal Affairs Department, Human Resources Department, Auditing Department, and the convener

**Operating Unit of the Personal Data Team**

1. Serve as the contact point of the Personal Data Team, and coordinate matters regarding personal data protection
2. Assist all departments and units to do personal data inventory, and then submit it to the Personal Data Team for review

---

**Dedicated Personal Data Files Security Maintenance Personnel for Each Unit**

1. Inventory, manage, and maintain personal data files
  2. Serve as the contact point for personal data incident reporting
-

## 5. Customer Value

### 5.1 Service Quality and Customer Experience

Customers are the foundation of KTB business. Our goal is to improve customer experience, protect customers' benefits and rights, secure customers' assets, and assist customers to achieve their goals in life. 2020 major results are as follows:

#### Protect Customers' Rights



- Organize 1 "Consumer Protection Evaluation" semiannually
- Organized or participated in education training related to fair treatment of customers, consumer protection, with a total of 1,114 participants, and 3,742 training hours.
- Organized 2 "Consumer Protection Advocacy" events

#### Improve Customer Experience



- Overall customer satisfaction: 90.34%
- 53 customer complaint cases, which is 3.64% fewer than that of the previous year. Cases were closed in 2 days on average.
- Conduct daily phone surveys on randomly selected customers who have over-the-counter transactions for wealth management products, to survey their transaction content and satisfaction with the service

#### Secure Customers' Assets



- Successfully blocked 139 scam cases amounting to around NT\$ 11 million
- Held 71 "Anti-fraud Advocacy" events, benefited 1,251 people

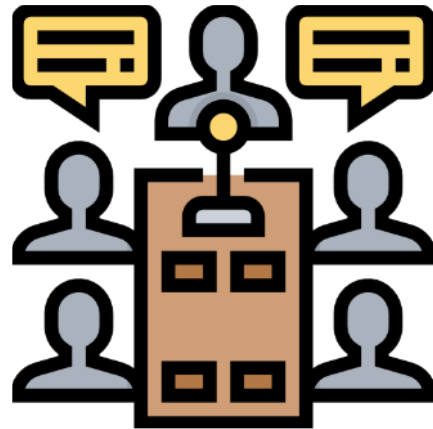
- **Establish a culture of treating customers fairly**

In order to build a corporate culture that emphasize on the consumers, to enhance all our employees' understanding of consumer protection and compliance with relevant laws and regulations, KTB has formulated regulations that have been approved by the Board of Directors. These regulations include, the "Policies and Strategies on Fair Treatment of Customers," and "Regulations on Consumer Protection." Through these regulations, KTB aims to implement the fair treatment of customers throughout the entire process of dealing with customers, from design, advertising, sales, contract fulfillment, service consultation to complaint handling. KTB specifies the relevant laws and self-regulatory guidelines regarding the "principles for fair treatment of customers" for all products and services, and stipulates the supervision and improvement plans for "principles for fair treatment of customers," and the education advocacies and training of employees.

◇ **9 principles for fair treatment of customers**



✧ **Practical actions for fair treatment of customers**



**The Board of Directors promotes the corporate culture of "fair treatment of customers"**

- Designate the "Digital Service and Channel Management Department" as the responsible unit for fair treatment of customers
- Report to the Board of Directors on a regular basis regarding the implementation of consumer protection. The content shall include: analysis of and improvement plans for customer complaints, the progress of consumer litigation cases, consumer protection evaluation, and education training and advocacy results of consumer protection
- A total of 92 Directors and the responsible persons have completed the "Education Training for Fairness in the Financial Services Industry," which focused on the Financial Consumer Protection Act, principles for fair treatment of customers, and case studies of financial consumer disputes

**Regularly review the implementation of fair treatment of customers**

- Establish an evaluation table, to assist the management unit to review the regulations regarding the principles for fair treatment of customers
- Both regulatory compliance self-assessment and self-inspection contain "principles for fair treatment of customers," and KTB carries out review, improvement, and follow-ups on the process of each item. As of the end of 2020, there is no violation of "principles for fair treatment of customers"
- Carries out the "Consumer Protection Evaluation" semiannually, and the management unit is responsible for self-evaluation on the aspects of "appropriateness of consumer policy," "completeness and correctness of consumer information disclosure," "effectiveness of consumer dispute handling mechanism," and "results of consumer protection measures"



**Comprehensive education training and advocacy**

- Organizes education training regarding consumer protection. The content of the training shall include Financial Consumer Protection Act, principles for fair treatment of customers, case studies on financial consumer disputes, customer service and treatment, handling procedures, and listening and questioning skills, so as to help the trained personnel build the skill of responsible product sales
- Regularly organizes consumer protection advocacy sessions, to understand the customers' level of understanding of consumer protection, show them the common misconceptions, so as to achieve bilateral education and consumer protection purposes

● **Implement Customer Protection and Complaint Protection**

KTB protects the rights and interests of customers and enhances their trust in KTB through preemptive prevention, handling during incident, and post-incident tracking and improvements.

**Pre-incident prevention**

- KTB has formulated relevant regulatory compliance procedures for matters regarding consumer rights, such as operational guidelines, products, application forms, standard contract specimen (incl. terms and conditions), revision of other related documents, or the introduction of new products and services, in order to ensure that the content is compliant with the principles of fair treatment of customers and internal regulations. In 2020, the Compliance Department verified 32 new products and services.
- When providing wealth management services or selling financial products, KTB provides suitable financial products according to the customers' needs and risk attributes. KTB has also set up a product review team, holds product review meetings when it is necessary to review the investment content and risk levels of the new products, in order to determine a suitable distribution channel.
- The wealth management sales personnel sell or recommend products and investment portfolios based on the customers' investment attributes and risk tolerance level, and re-evaluate the customers' risk attributes to ensure the suitability of the products or services.
- KTB fully discloses and explains information including the basic knowledge, all fees and collection methods, risks involved, and complaint channels, so as to ensure that the customers understand the nature of the products and the potential risks.

**During incident handling**





- KTB has formulated the "Regulations Governing the Process of Customer Complaint," with the aim to effectively and efficiently resolve customer complaints and protect consumer rights.
- The "Digital Service and Channel Management Department" is responsible for receiving customer complaints. "Customer Complaint Form" shall be filled out after such complaint is received, and notify relevant units "on the same day" according on the nature of their business.

**Post-incident tracking and improvements**


- The complaints received are summarized on a monthly basis, and along with the "List of Complaint Cases Received" and "Summary of Complaint Cases Received for the Year," are submitted to the Chairman.
- The progress, reasons for negligence, and improvement plans of the complaint cases are submitted to the Board of Directors semiannually.
- The processing of customer complaints is included in the indicators of "Employee Performance Evaluation - Service Quality."

● **Provide Heartfelt Customer Services**

KTB prioritizes “customers’ needs,” when developing all its products and services. Through visiting customers, customer suggestions, brainstorming by internal employees, to optimize the content and procedure of our products and services, we aim to bring forth the most heartfelt and the highest quality products and services to our customers.


<ul style="list-style-type: none"> <li>•Invited customers to fill out survey forms at the counter, to select their ideal model employee. 25,593 customers participated in the voting</li> <li>•Praise the employees in public, and make them the role model to motivate the front-line personnel</li> </ul> <p><b>"King's Thank You" voting</b></p> 	<ul style="list-style-type: none"> <li>•Understand the customers' satisfaction and suggestions through distributing surveys at the counter and online.</li> <li>•In 2020, 2,405 valid responses were collected, with the overall satisfaction rate of 90.34%. Among them, 93% of the customers are satisfied with the services they received at the counters</li> <li>•Summarize the customers' suggestions and inform each management unit, and for them to respond with countermeasures</li> </ul> <p><b>Survey</b></p> 	<ul style="list-style-type: none"> <li>•Feedback devices are installed at the counters, and customers can rate the clerk after the service. KTB can obtain customers' suggestions and feedback in a timely manner</li> <li>•Conduct daily phone surveys on randomly selected customers who had over-the-counter transactions for wealth management products, to survey their transaction content and satisfaction with the service</li> <li>•Provide diverse and convenient communication channels. Inform each management unit after receiving suggestions for them to provide countermeasures</li> </ul> <p><b>Others reviews</b></p> 	<ul style="list-style-type: none"> <li>•Hold the "King's Idea" activity. employees are invited to brainstorm and spark new ideas with their experiences and creative thinking to create a more effective business model in the aspects of business procedures, internal control, system, new products and services, and customer satisfaction improvement</li> <li>•Hold the "Spot the Difference" activity. Employees are invited to see if there are anything needed for update or revision in the Manual for Deposits and Remittance and Regulations Governing Deposits and Remittance</li> </ul> <p><b>Brainstorming</b></p> 
--	--	--	---

**I like Xingye Branch a lot. It made me feel at home**



Customer review

**I'm old, and I don't know how to use mobile phones to transfer money. Luckily the staff was very patient to teach me how to do it**



Customer review

**The staff at Guiren Branch are nice, they tried their best to help me.**



Customer review

## 5.2 Financial Technology and Innovation

In recent years, due to the emergence of open banking, FinTech, and web-only banking, the finance industry is undergoing a faster digital transformation than other industries. In 2020, as a consequence of the COVID-19 pandemic, the zero contact economy boomed, and the mentality of FinTech users has changed from resistant, to curious and accepting.

In 2015, KTB noticed an imminent revolutionary wave in the finance industry and thus established the “Digital Service Department” in response to this wave. In the following year, KTB integrated its resources and merged the “Business Department” into the “Digital Service and Channel Management Department,” to incorporate technology into the traditional industry, so as to stimulate new ideas, new services, and new customer experience. Nonetheless, bringing more convenient and safer (for relevant mechanisms, please refer to 4.4 Information Security) financial services to our customers, and delivering heartfelt services through digital tools are our unchanging goals.



### 2020 major results are as follows:

- Overall customer satisfaction for digital banking: 90.53%
- The number of corporate online banking users increased by 50.89% year-on-year
- The number of corporate online banking transactions increased by 19.23% year-on-year
- The number of digital banking users increased by 24.40% year-on-year
- The number of digital banking transactions increased by 28.68% year-on-year

### ● Innovative Digital Service

KTB prioritizes “safety” in the development of digital platforms and has high customer engagement as most branch offices are located in central and southern Taiwan. Therefore, KTB’s concepts of products are focused on a digital platform that can provide customers with all-rounded services, so as to satisfy customers’ needs, improve business efficiency, create unique values, and promote the transformation toward digital finance. 2020 new main products and services:



### Goyee Digital Account

- Open new NTD and foreign currency accounts online
- Enjoy services including money transfer, mobile payment, currency exchange, overseas remittance, funds and wealth management, securities investments without going to the bank



### King's Pay

- Launched digital channel services jointly with Western Union
- A true digitalized wire transfer platform from opening accounts to wire transfer.
- Wire transfer to over 200 countries and regions instantly through King's Pay
- Low handling fee, and recipients pay no fees



### Wire Transfer with Phone Number

- Built jointly with Financial Information Service Co., Ltd.
- Using digital bank to set up phone number and bank account binding
- Complete wire transfer by entering phone number



### Line Notify

- Introduced the first real-time account abnormality notification service in 2018. Customers can keep track of their assets anytime, anywhere.
- Offered new functions such as business updates, discounts, birthday gifts, and personalized services

In the past, I always had to go to branch offices personally to open a payroll transfer account. But with Goyee digital account, I can simply do it at home. It really saves me a lot of time and trouble from going to the branch offices. I could now better utilize the time for other more important things.



Customer review

After I linked up my phone number with my bank account, my friends can wire me money simply by entering my phone number. This is so convenient!



Customer review

King's Pay is very beneficial to us with foreign wives. It used to be very troublesome to remit money to my wife's country. Especially anxious in time of emergencies when I couldn't find time to go to bank personally. Luckily, now we have King's Pay.



Customer review



● **Convenient Digital Service**

KTB not only continues to develop new digital products and services but also optimizes existing products and services. Moreover, it takes a proactive approach in replying to customers' feedbacks. Thus, in 2018, we launched a new generation of Internet banking and mobile banking. In 2019, we upgraded the old ATMs to cash recycling ATMs, continued with the addition of new functions to our Internet banking and mobile banking, integrated notification platforms, and launched the cardless ATM cash withdrawal service, with the aim to provide more thoughtful services.

In 2020, the pandemic crushed several industries and jeopardized many people's livelihoods. In order to help the companies get their confidence back, and assist the public to resume normal life, KTB provided a series of digital services for an all-rounded financial service.



**24-hour online relief loan application**

- Assisted corporations and workers to obtain the required funds rapidly during the pandemic, by setting up a special team in the shortest time, and launched the 24-hour online relief loan application service
- Expedite the application, review, and fund allocation process with Goyee digital account to digitally connect O2O financial needs

**Introduction of the Taiwan Pay**

- Promote the digital transformation of businesses in central and southern Taiwan. Taiwan Pay requires no additional devices and provides zero-contact services
- Know the customers' daily needs, and actively look for businesses in various industries. i.e., Luermen Tienhougong.



I feel sorry to my customers when I have to hand them their change with my hands covered in engine oil after I repaired their vehicles. This Taiwan Pay recommended by KTB is really convenient. Just one beep, and it's done. Very convenient!



**Digital finance in the palm of their hands**

- Teach the public and customers how to complete wire transfer, bill payments, currency exchange, and remittance services through various advocacies and promotions



● **Digital Service Achievements**

As new digital finance services meet the world, the difference among banks is dwindling. Thus, strengthening our digital competitiveness has become our top priority in the wave of digitalization. We believe that digital competitiveness not only lies in the development and innovation of products but “digital inclusion.” Having an enormous customer base in central and southern Taiwan, KTB, in particular, is aware of the digital in age groups and regions, and understands truly our customers’ concerns and worries when they use digital services. Thus, we have to provide diverse digital platforms, so that be it corporate users or individual users are able to complete their transactions on devices, such as PCs or mobile phones, with ease. Also, we proactively promote our new services and patiently teach customers how to use the services to eliminate the pain points and allow our customers to truly enjoy the convenience of technology. We observe an increase in customers’ willingness in using digital services. In the future, KTB will continue to launch safer and more convenient products for our customers to use whenever and wherever they need.

✧ **KTB Internet banking + KTB mobile banking app**

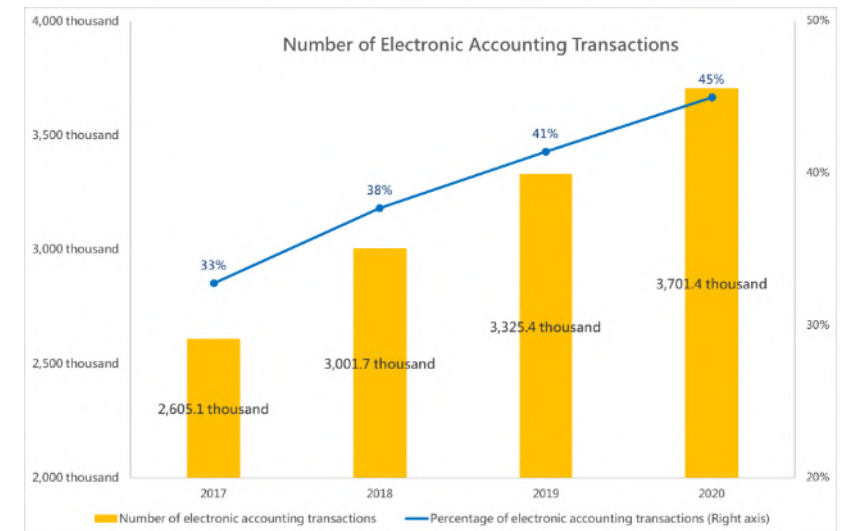
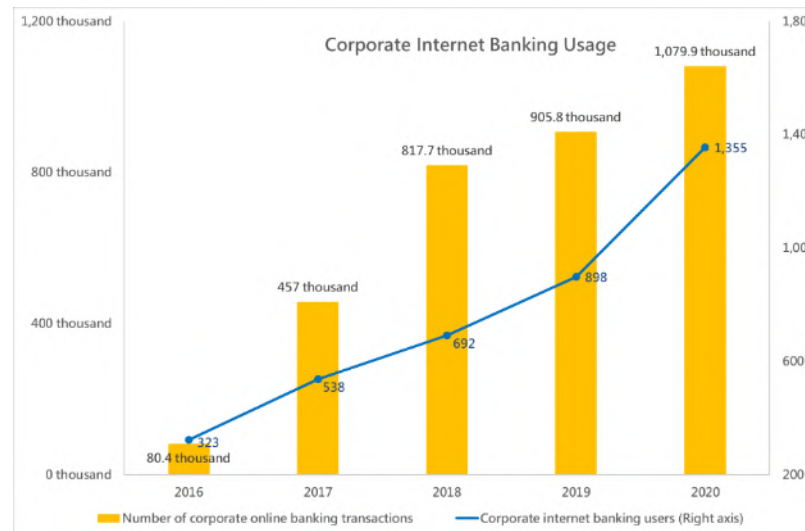
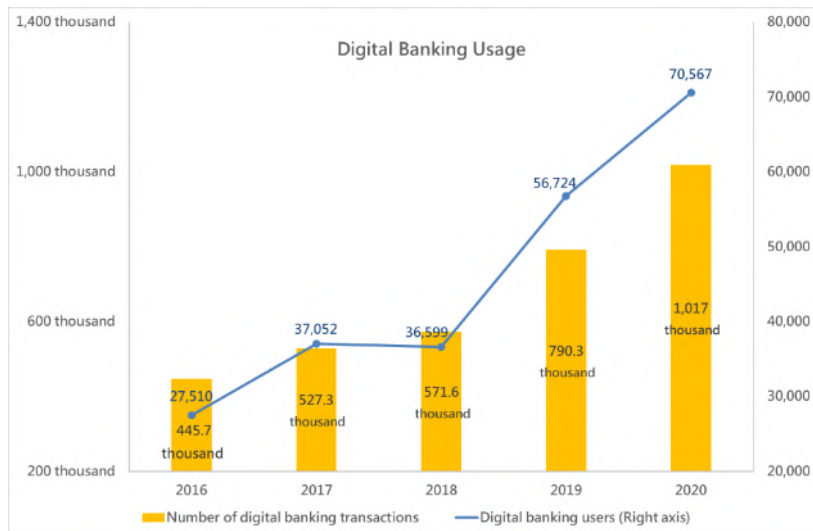
Besides the common functions of account inquiry and money transfer in NTD and foreign currencies, currency exchange, online fixed deposit in NTD and foreign currencies, automatic bill payment, bill payment, purchase and redemption of all types wealth management products, and at-the-money and price change notification of wealth management products, KTB is also the only digital bank in Taiwan that provides Western Union inward and outward remittance through mobile phones or PCs. In 2020, the number of digital banking users has grown by 24.40%, and the number of transactions has grown by 28.68%.

✧ **KTB corporate online banking + KTB corporate mobile app**

In 2016, we launched a brand new platform - Corporate online banking. Through years of upgrade and optimization, these users can perform transactions such as capital movement, payroll transfers, Payment/Collection On Behalf Of, or financial management. In 2020, we launched the “King Go.” For corporate customers with frequent over-the-counter transactions, we proactively promote and assist financial digitalization of these customers. In 2020, the number of corporate online banking has increased by 50.89%, the number of transactions by 19.23%, and the transaction amount by 26.15%, compared to the previous year.

✧ **Digital counter**

KTB provides services, such as open new accounts, fill out remittance/deposit/withdrawal slips online. Customers can save the time waiting at the counters or avoid unsuccessful transactions due to illegible handwriting.



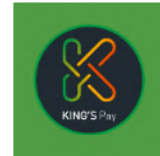
### 5.3 Sustainable Finance

In the development of social economy, financial institutions play the role of financial intermediation and are crucial to the direction of industry development. Extension of credits, investment, deposit and remittance services, and wealth management products are the main source of income of KTB. By incorporating the concept of ESC into our businesses, we review the identities of our credit and investment targets, and inspect the products, and provide inclusive financing, to effectively exert the influence of the financial supply chain and promote society's awareness of sustainable development. 2020 major results are as follows:



We assist small and medium-sized enterprises that lack the ability to provide guarantees to obtain the required capital through small and medium-sized enterprise credit guarantee funds. Small and medium-sized enterprises credit balance increased by 33.75% in 2020

The credit amount to ESG industries accounted for 10.32% of all credit extensions



We provide safe, convenient, and cheap Western Union Money Transfer Service. The number of transactions increased by 44.8% compared to the previous year

We signed the "Stewardship Compliance Statement" and issued the "Stewardship Report".



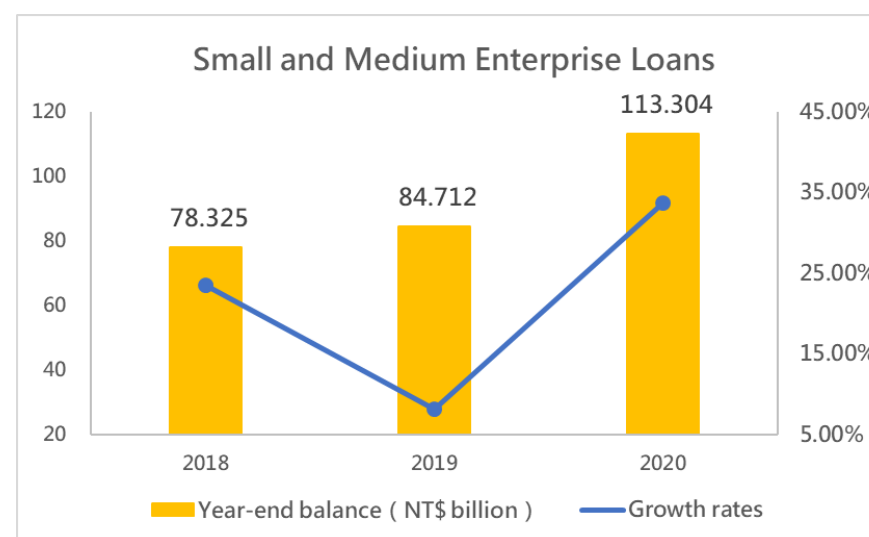
- Credit Extension to ESG Industries**

Before extending credit to corporate customers, KTB adheres to the 5P principle - people, purpose, payment, protection, and perspective. Through the inspection process, KTB reviews, on a case-by-case basis, the level the credit business supports sustainable development. Moreover, the "King's Town Bank Guidelines for Credit Rating of Corporate Customers" stipulates that the applicant's promise, with supporting documents, to fulfill its environmental protection and social responsibility can be used as a bonus item. Moreover, KTB also implements an internal award mechanism to encourage the sales employees to develop ESG industries' credit businesses, so as to increase capital investment in eco-friendly industries, including green power, green energy, clean energy, circular economy, and health care. As of the end of December 2020, KTB's credit amount to ESG-related industries totaled NT\$19.392 billion, up 22.34% from the previous year, and accounting for 10.23% of KTB's total credit balance, compared with 10.06% in 2019.

ESG opportunities	Industries	Total credit balance as of the end of 2020	Percentage of total credit balance
Environmental friendly	Green energy technology	NT\$ 13.826 billion	7.36%
	Circular economy	NT\$ 0.727 billion	0.39%
Social friendly	Biotechnology	NT\$ 3.795 billion	2.02%
Environmental & social friendly	Innovative agriculture	NT\$ 1.043 billion	0.56%
<b>Total credit extension to ESG industries</b>		<b>NT\$ 19.392 billion</b>	<b>10.32%</b>

● **Assist Small- and Medium-Sized Enterprises**

The small- and medium-sized enterprises are the backbone of Taiwan’s industry and economic development. However, these enterprises face higher operating costs due to small loan amounts, but large number of transactions, or they have to bear higher financing risk due to relatively imperfect accounting system and higher difficulty in the credit check. These factors lower the financial institutions’ willingness to finance small- and medium-sized enterprises. As a consequence, many promising enterprises are nipped in the bud due to a lack of capital. KTB has been supporting small- and medium-sized enterprises for many years. KTB utilizes its advantages in the concentration of branch offices in central and southern Taiwan, understanding of the nature of the customers and industries, flat organization, flexible operating strategies, to provide small- and medium-sized enterprises with different financing plans based on the nature of their industry and life cycle, complemented by digital financial products, so as to address their capital needs, from loans to daily operation. As of the end of 2020, the credit balance to small- and medium-sized enterprises was 60.32% of the total credit balance, with an increase of 53.75% compared to 2019.



● **Assist Corporations and Public to Survive the Pandemic**

In early 2020, COVID-19 overwhelmed the world. The world economic dynamism was halted, and many enterprises found themselves in the predicament of a sharp fall in revenue, or even broken capital chains. KTB worked proactively in line with the economic relief and stimulus policies of the government agencies, Central Bank, and credit guarantee fund. We mobilized and consolidated all KTB’s employees, required them to work overtime to review loan applications, flexibly adjusted the operating procedures, launched online applications for relief loans, and explains relief loan plans to businesses in the vicinity of branch offices, with the aim to alleviate the urgent needs of the business owners.

At the beginning of the pandemic outbreak, KTB launched a 6-month mortgage extension plan for individual customers and offered labor relief loans to help stabilized the people’s livelihood. As of the end of 2020, the achievements of KTB in assisting corporates and individuals to apply for relief loans are as follows:

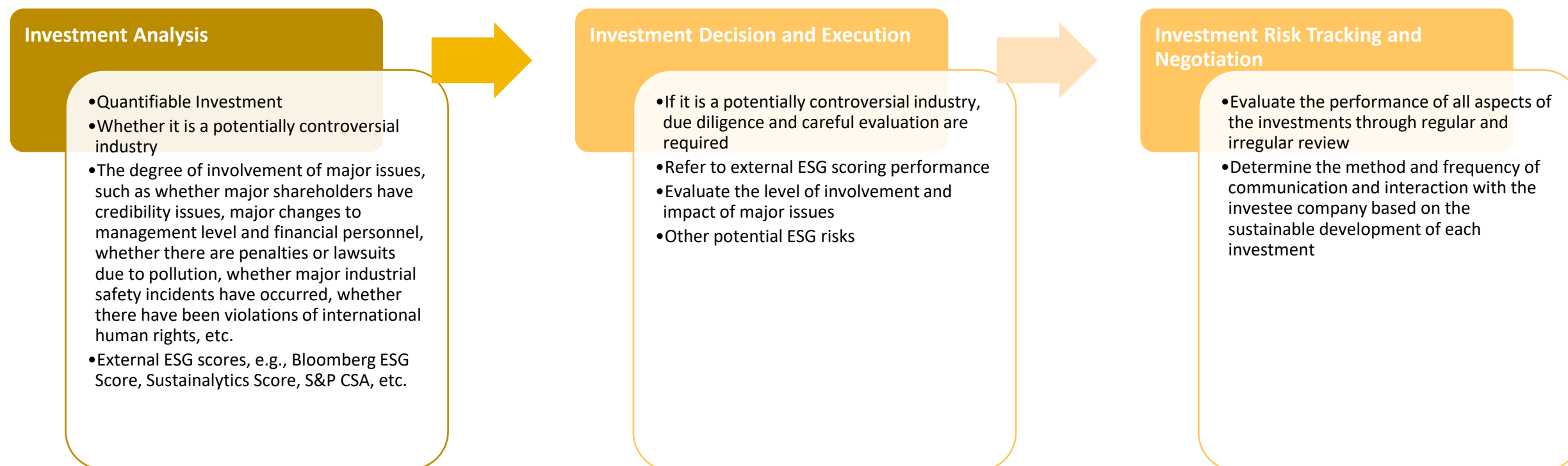
Applicants	Loan amount	No. of applicants
<b>Corporates</b>		
Central Bank Relief Loan Plan A	NT\$ 127 million	93
Central Bank Relief Loan Plan B	NT\$ 36 million	10

Applicants	Loan amount	No. of applicants
Central Bank Relief Loan Plan C	NT\$ 870 million	1,818
<b>General public</b>		
Labor Relief Loan	NT\$ 220 million	2,216
<b>Total</b>	<b>NT\$ 1,253 million</b>	<b>4,137</b>

● **Responsible Investment**

Besides undertaking credit businesses to support sustainable development, KTB also lays great emphasis on the investees' actions in the aspects of environment, society, and corporate governance, when investing in shares or credits. Thus, the "Stewardship Principles" was formulated, and approved by the Board of Directors, specifying the principles, such as the due diligence policy, with the aim to facilitate the improvement of investees' corporate governance quality, through caring for, communication, and interaction with the investees, thereby promoting an overall positive development in the industry, economy, and society as a whole. The "Stewardship Principles," "Stewardship Compliance Statement," and "Stewardship Report" can be downloaded from KTB's website "King's Town Bank Global Information Website / About King's Town Bank / Corporate Governance / Sustainable Management / Institutional Investor Due Diligence."

✧ **Incorporate ESG in Investment Decision-Making Process**



✧ **2020 results of responsible investment:**

The Dow Jones Sustainability Index (DJSI) is the world's number one corporate sustainability assessment index. DJSI started in 1999 and invited thousands of corporations worldwide to participate in the Corporate Sustainability Assessment, and only the top 10% companies with the highest scores in their corresponding industry are selected as the DJSI constituent stock.

As of the end of 2020, about one-fifth of the securities held by KBT belong to DJSI constituent stock. This fully shows that KTB not only balances the risks and revenue when investing but also adheres to its principles of responsible investment.

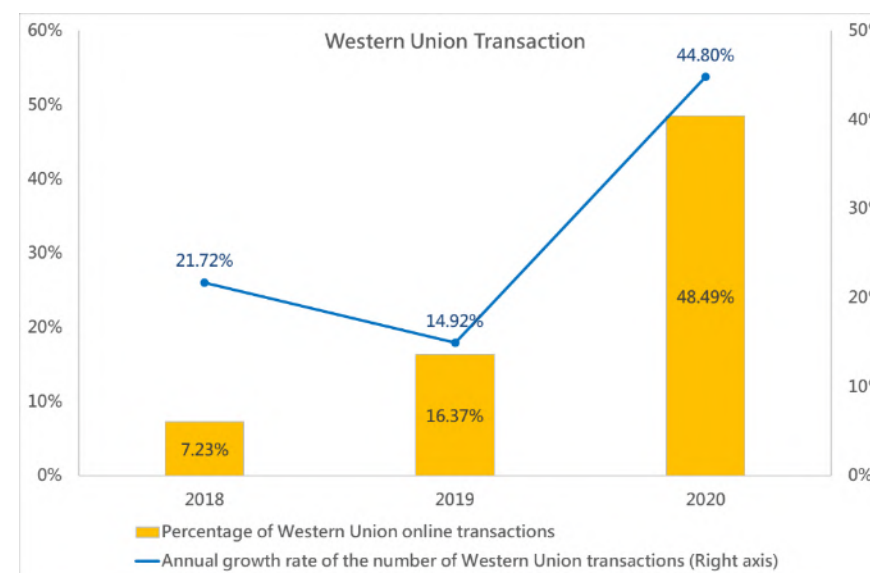
Investments	Amount	Percentage
Stock position in the DJSI	NT \$1.54 billion	26.69%
Credit position in the DJSI (Excl. domestic government bonds)	NT\$ 7.644 billion	20.96%
<b>Total</b>	<b>NT\$ 9.184 billion</b>	<b>21.74%</b>

● **Western Union Remittance, a Safe Way for New Immigrants to Send Money Home**

KTB is currently the only bank in Taiwan that has cooperation with Western Union. Due to the tightening of anti-money laundering laws, regulatory compliance costs of banks has increased. Therefore, many financial institutions chose to withdraw from the market due to the consideration of operating efficiencies, while others increased the handling fee for international remittance. However, being an island country, Taiwan has always been a multi-cultural society. With the development of trade and globalization, people of different nationalities, ethnic groups, beliefs, cultures come to Taiwan, and thus drives the growth of international remittance. New immigrants and foreign workers have traveled to Taiwan with dreams. However, they face great difficulties in basic financial services, such as sending money to their home countries, due to factors such as language barriers, lifestyle, and cultural backgrounds. As a consequence, they turn to illegal underground banking.

We noticed that our customers rely heavily on Western Union, and we believe that we should shoulder the responsibility of inclusive financing, to provide comprehensive financial services to everyone in the society. Through strict control mechanisms, employee training, and supplementary systems (please refer to “4.2.1 Anti-Money Laundering and Countering the Financing of Terrorism” for detail), KTB has implemented the AML/CFT policy, and simultaneously launched online Western Union service, and King’s Pay, so that our customers may complete remittance through PCs and mobile phones. Moreover, customers can enjoy the immediate collection and low handling fees, compared to normal international remittances which take 2 to 3 days to receive the money and has high handling fees.

In 2020, the total number of transactions through Western Union increased by 44.8% compared to 2019. Among those transactions, 48.49% were completed through the Internet or mobile app. The total number of remittance transactions made over-the-counter or online by the new immigrants and foreign workers to Indonesia, the Philippines, Vietnam, etc., amounted to 292,693, which was an increase of 97.79% compared to that of the previous year. This shows that the cooperation with Western Union has greatly helped the new immigrants and foreign workers to overcome the restriction of time and country borders, and provided them with a safe and lawful way to transfer money back to their home countries.



## 6. Happy Workplace

Employees are KTB's partners. We believe that we have to emphasize on employees' rights and interests, cultivate talents, arrange duties appropriately, establish reasonable performance management system, and build an equal and safe workplace, in order to achieve cohesiveness among all employees and improve their sense of identity with KTB. When we realize the personal value of our employees, we are achieving a win-win-win situation for the company, employees, and customers.

In August 2020, KTB took part in the Bloomberg Gender-Equality Index (GEI) evaluation for the first time. Only 5 enterprises in Taiwan were selected. The index covered 380 enterprises from 44 countries and regions across 11 industries. The evaluation includes the following aspects: Female Leadership & Talent Pipeline, Equal Pay & Gender Pay Parity, Inclusive Culture, Sexual Harassment Policies, and Pro-Women Brand. We received excellent score in Equal Pay & Gender Pay Parity, and perfect score in Sexual Harassment Policies. This is a recognition of KTB's long-term effort in building a friendly environment.

### 6.1 Talent Attraction and Retention

- **Current Employee Structure**

In 2020, KTB had 953 full-time employees and 76 temporary employees. For details on the distribution of employees, please refer to [9.3 Human Resource Management Indicators](#). The ratio of female to male employees was 64:36, and the number of female employees holding managerial positions accounted for 54.14% of the total. This demonstrates KTB's focus on personality traits, professional abilities, and appropriate job arrangements when hiring employees and recruiting outstanding talents. KTB treats all its employees with fairness and mutual respect, to provide fair competition and development opportunities for both sexes.

[Percentage of female employees of all groups in the past three years]

	2020	2019	2018
<b>All female employees</b>	64.01%	63.12%	62.72%
<b>Female managerial officers</b>	54.14%	53.85%	54.95%
<b>Senior managerial officers</b>	36.67%	33.33%	30.23%
<b>Junior managerial officers</b>	62.00%	63.27%	66.31%
<b>Female non-managerial positions employees</b>	68.33%	67.01%	65.88%
<b>Female new recruits</b>	56.36%	66.89%	66.88%

- **Diverse Recruitment Channels**

KTB proactively invests resources in recruiting outstanding talents with potential, with local residents as the main recruiting targets. In addition to general external recruitment, we put great emphasis on industry-academia cooperation, which includes campus recruitment, internship program, courses co-organization, career coaching programs, company visits, and seminars, to assist students in their career exploration, and at the same time, to find our future partners.

✧ **College and university internship programs**

KTB has been promoting college and university internship programs for more than 5 years. In the internship, senior employees are assigned to work together with students to complete daily tasks, so as to facilitate the student's understanding of the outlook of the finance industry through practical experience. The internship also helps students combine theoretical knowledge and practical experience to reduce their inability to adapt to the workplace after they are formally recruited in the future. In 2020, a total of 10 students were recruited to participate in the internship program. Among these 10 students, 5 are still in interning, while the other 5 have officially joined KTB after their internship programs. This shows that a comprehensive internship program can effectively assist students by helping them adapt to the workplace, and companies can recruit outstanding talents earlier through their internship programs.

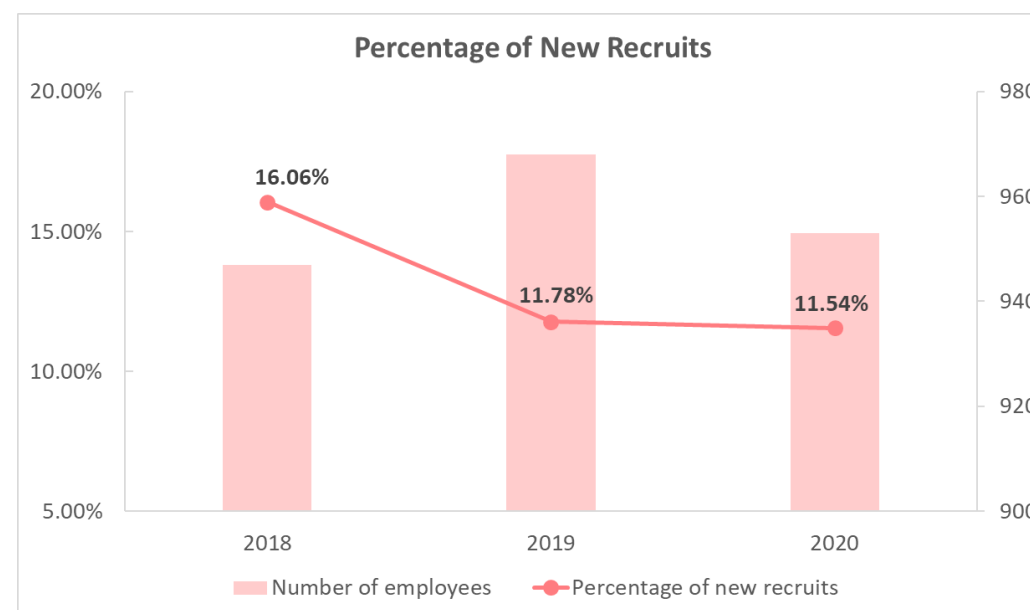
✧ **Career coaching programs**

In 2020, KTB participated in the "Career Coaching Program" organized by the National Cheng Kung University (NCKU). Every year, the program selects 250 to 300 students from NCKU, and invites senior managerial officers from corporations to serve as career coaches. The program is divided into corporate teams, and the coaches from each corporate team provide guidance for the students, help the students understand the environment of the industry, prepare the students for job search and employment, and share their own experience to encourage the students to explore their interests and future career developments. Through the cooperation with NCKU, we helped students gain a better understanding of the development of the finance industry. More importantly, this program allowed students to know that their aspirations to work in the finance industry do not necessarily mean having to uproot their life and work far away from home, they can stay in their hometown; allowing local Tainan residents to stay put while working in the finance industry.

✧ **The Youth's Employment Ultimate Program**

2020 was a bitter and challenging year for many fresh graduates. Due to the pandemic, many companies have reduced the number of job openings, with only a few vacancies available. Moreover, fresh graduates face the challenges of "not having experiences in society" and "not having relevant work experiences" when they seek employment. In response to the Ministry of Labor's "The Youth's Employment Ultimate Program," KTB not only provided youth employment opportunities but also practical vocational training. We assigned senior employees to lead and guide students to familiarize themselves with skillsets, on a one-on-one basis, and regularly track and provide feedback to them. In this way, these students may have a less steep learning curve in their future work and acquire useful skills. A total of 16 qualified students have been hired since our participation in the program in August, 2020, and they are still with KTB.

KTB continues to expand and diversify channels for talent recruitment and establishes a good corporate image to attract external potential talents to bring in new perspectives and stimulation. In 2020, new recruits accounted for 11.54% of all employees.





● **Talent Retention Measures**

Hiring outstanding talents is the foundation of a company's growth. Creating a place that attracts talents and allows them to demonstrate their strengths is a key value of a company's existence. Only in this way can we move forward together with a common goal and become a prosperous company.

✧ **Comprehensive remuneration structure**

Based on the position and responsibilities of the employees and the operating performance of the company, the departments, and the individuals, KTB has formulated a comprehensive remuneration structure and system. Performance evaluation and remuneration are carried out in accordance with the "Regulations on the Annual Employee Performance Evaluation," "Regulations on the Employee Benefit Payment," and "Regulations on the Distribution of Annual Bonus," approved by the Board of Directors. Remuneration includes base salary, additional pay, allowance, and annual bonus. In addition, with reference to the salary and remuneration level of peer companies in the same industry, we adjust the base salary in a timely manner to provide our employees with competitive and motivating salary and remuneration.

In 2020, KTB's total salary expense was NT\$ 854 million, and the average employee salary expense increased by 3.23% compared to the previous year. There were 824 full-time employees with non-managerial positions. The average and median salary are as follows:

Full-time employees with non-managerial positions	2020	2019	Difference
Weighted average of total employees	824	818	0.73%
Average salary (NT\$ thousand / year)	791	756	4.63%
Median salary (NT\$ thousand / year)	723	695	4.03%

Note:

1. "Non-managerial positions" refers to the positions excluding the "managers" as specified by Taiwan Stock Exchange Corporation.
2. "Salary" refers to the employee salary attributed to the year and includes regular pay, overtime pay, and irregular pay.

Regarding the implementation of salary equality, KTB provides fair and reasonable salary and remuneration based on the ability and experience required by the position, without gender discrimination. The salary and related performance assessment of managers are also proposed to the "Compensation Committee" every year for discussions to examine the reasonableness of the correlation between personal performance, company operating performance, and future risks. The ratio female to male employees' total salary (female: male) at each level of KTB in recent years:

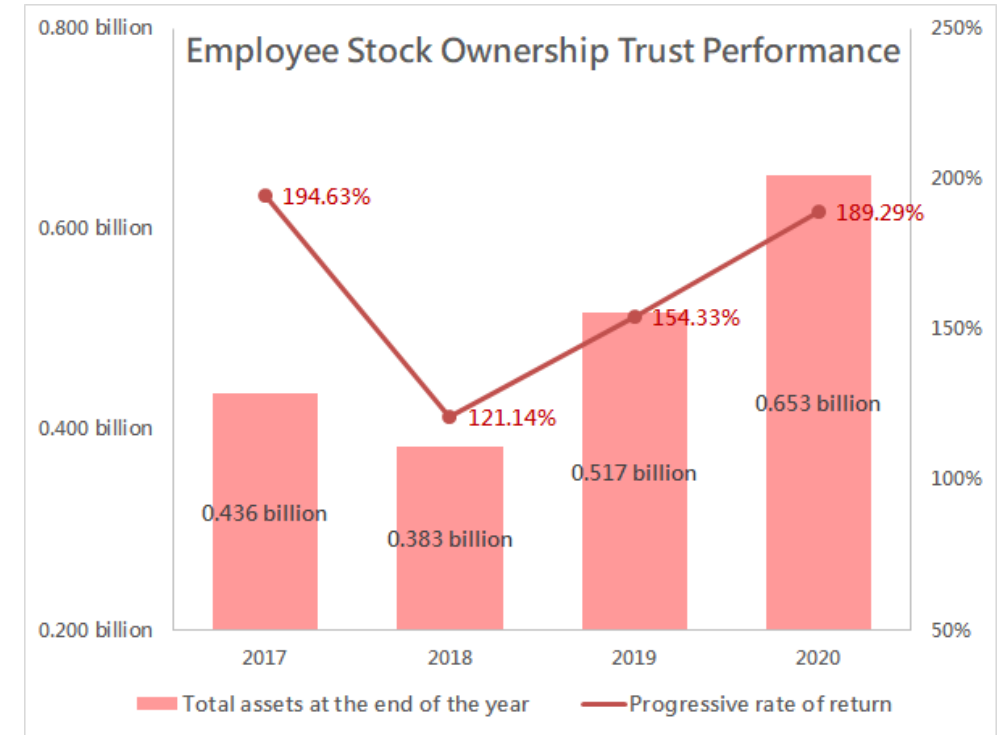
	2020	2019	2018
Senior managerial officers	0.67	0.92	0.80
Junior managerial officers	0.91	0.94	0.92
Non-managerial positions	0.91	0.93	0.88

Note:

1. "Salary" refers to the sum of monthly salary, allowance, and annual bonus.
2. "Senior managerial officers" refers to supervisors with the rank of manager and above. "Junior managerial officers" refers to supervisors with the rank of assistant manager.
3. The change in salary ratio of senior managerial officers in 2020 is due to the addition of several senior managerial officer positions.
4. For the year 2020, the regular pay ratio of senior managerial officers, junior managerial officers, and non-managerial positions, are 0.81, 0.92, 0.93, respectively.


✧ **Long-term reward mechanism**

In addition to the salary mentioned above, KTB regards every employee as its partner and believes that the company's steady growth lies in the team's cooperation and profit-sharing. In 2010, we launched the employee stock ownership trust, and the employees formed the "King's Town Bank Employee Stock Ownership Association." It has been agreed upon that KTB allocates a certain amount from each member's salary and deposits it to the trust organization for long-term investment and management of KTB's stocks. Also, KTB allocates an additional amount as reward based on the members' performance evaluation of the previous year and their voluntary contribution. Through "from employees to shareholders," KTB gives its employees a sense of value in the workplace and the meaning of their hard work. As KTB grows, we also assist employees to accumulate their own assets, in order to secure a safe and worry-free retirement. In 2020, the employees' participation rate in employee stock ownership trust was 85.62%, and the performance from such implementation is as the figure on the right.




✧ **Employee benefits**

As employees devote most of their time and efforts to work, it is the responsibility of KTB to help employees achieve a work-life balance. In addition to the statutory labor and health insurance, KTB has introduced a number of measures and programs to take care of the employees in multiple aspects, such as the important moments of their lives, daily needs, emergency assistance, and retirement. The average welfare expense in 2020 was NT\$ 1,057,100, with an increase of NT\$ 131,600 compared to the previous year.




**Secure**

- Group insurance for employees and family
- Employees retirement benefits



**Caring**

- Employees preferential deposits and loans
- Marriage, childbirth, funeral, illness or injury subsidies



**Thoughtful**

- Special discounts with a number of stores, covering food, clothing, housing, transportation, education, and entertainment

✓ Provide employees with a secure retirement

In order to encourage employees to plan their future retirement through long-term savings, KTB has formulated the “Regulations Governing Retirement of Employees” with reference to the “Labor Standards Act” and the “Labor Pension Act.” Employees that can apply for retirement are those who have served in KTB for more than 15 years and have reached the age of 55, those who have served for more than 25 years, and those who have served for more than 10 years and have reached the age of 60. KTB has also set up the “Labor Retirement Reserve Supervisory Committee” to review, check, and supervise issues related to the employee’s retirement reserves. A total of 5 Labor Retirement Reserve Supervisory Committee meetings were held in 2020.

With regards to the retirement system, for those who are subject to the “Labor Standards Act”, KTB allocates 15% of the total salary of the employees to the “Company Pension Account” at the Bank of Taiwan every month starting 2012. When employees retire, the retirement pension is calculated based on the base unit of their service years and the approved average monthly salary for the final six months before their retirement. For the employees who are subject to the “Labor Pension Act”, 6% of the individual employee’s salary is allocated to their own individual labor pension account at the Bureau of Labor Insurance on a monthly basis. In 2020, NT\$ 31.67 million was recognized and allocated to the retirement plan.

✓ Care for important moments of employees

KTB has formulated the “King’s Town Bank Working Rules,” which specify the various benefits and leaves employees are entitled to. In addition, KTB has also set up the “Employee Welfare Committee” to be in charge of employee welfare matters and formulated the “King’s Town Bank Enforcement Rules for Employee Benefits” as the basis for the utilization of employee welfare fund. Employee welfare fund, deposited in a special account, is exclusively for welfare purposes, and cannot be utilized unless approved by the Employee Welfare Committee. Benefit allocation is calculated in accordance with the following guidelines: 0.1% of the total monthly operating revenue and 0.5% of the monthly salary of each employee are allocated for employee benefits. All employees (including those who are on trial period) of KTB are entitled to the same rights and obligations. A total of 4 Employee Welfare Committee meetings was held in 2020.

[Various benefit measures]



**Holiday bonus**



**Wedding Subsidy**

- Applicable for employees own or their children's wedding
- Apply separately if direct blood relative or both husband and wife are employees of the company



**Maternity Allowance**

- Applicable for employees or their partner's
- For twins or more, the amount will be multiplied accordingly



**Illness or injury subsidies**

- Payment is according to a preset percentage based on the actual amount on the medical receipt



**Funeral Subsidy**

- Applicable for employees' direct blood relatives

✓ Care for the daily needs of employees

We care for the actual needs of our employees. We provide our employees with perks, including biannual health check-up services that are more favorable than the statutory requirements, departmental gathering allowance, coupons for arts and entertainment activities, special discounts for nurseries and afterschool care centers, corporate discounts for purchases from e-commerce companies, discounts for mobile phone services, discounts for automobile purchases, free legal consultation services at specific law firms. The perks cover a wide range of aspects, including food, clothing, housing, transportation, education, and entertainment; we care for our employees wherever they go and with whatever they need in their everyday lives.

At the beginning of 2020, the pandemic disrupted everyone's life, resulting in an unprecedented suffering. Indebted to everyone's perseverance and hard work, Taiwan had no reported locally transmitted cases for 30 consecutive days in early May. To thank all our employees' hard work, KTB issued a NT\$ 3000 relief fund to each employee and encouraged all employees to participate in the "keep the change" campaign as a token for the public's sacrifice and dedication. With this small token, we bring strength to the tough times during the pandemic. The amount may seem insignificant, but KTB's action has triggered many financial institutions to kickstart economic stimulus plans and domestic tourism subsidy measures, working together to stimulate the domestic economy and domestic demand.

## 6.2 Talent Cultivation and Development

### ● Comprehensive Training System

In 2020, KTB held or participated in internal or external education training a total of 949 courses, with 105,989 participants. Every employee took part in 111 education training courses on average, with a total of 39.65 training hours. For details on education training, please refer to [9.3 Human Resource Management Indicators](#).

KTB provides a comprehensive training system based on the 4 principles, Preliminary Training, On Site Training, On Job Training, and Development Training. Based on the employees' experience, job function, professional ability, KTB conducts or encourages them to participate in internal or external education training, with the aim of enhancing the professional ability of our employees, improving organizational operation efficiency, strengthening employee's identification with KTB, and assisting them to build their own career development plans.

#### Preliminary Training



- Organize a "Practical Training Course for New Recruits", the course content covers operating procedures introduction, law advocacy, system simulation operation, company introduction, etc., to help new recruits integrate quickly into the new organization
- Establish the "Regional Training Unit", designate senior personnel to teach and assist new recruits in a 3-month "mentorship program"

#### On Site Training



- Organize courses such as: "On-the-job training for trust sales personnel", "On-the-job education and training for operations personnel", "Education and training for insurance sales personnel", "Education and training for AO and AA sales personnel", etc., to strengthen the key skills needed by employees in performing their duties

#### On Job Training



- Organize or encourage employees to participate in courses, such as: "Communication Training and Customer Complaint Handling," various "Credit Sales Seminars," "Financial Consumer Protection Law and Case Introduction," "Derivative Financial Products Seminar," "Digital Sales Personnel Course," "FinTech courses", etc., to help employees to have a better understanding and learning of job content, and to optimize their work processes and models

#### Development Training



- Professional managers must not only possess professional skills, but also have the abilities to handle problems, lead the team, think strategically, and manage interdepartmental communication. Organize different Development Training courses every year to assist senior and junior managerial officers to acquire all-round management skills and achieve effective management. In 2020, "Roger Lee Coach Inc." was invited to the headquarters to conduct the "Leadership Development for Coaches" course

● **Incentives and Subsidies for Continuing Training and Certifications**

Besides encouraging employees to participate in internal and external education training, KTB also designs a system to provide its employees with career growth opportunities and resources. KTB has formulated the “Major Licenses/Certificates Subsidy Scheme” based on the list of required certificates for each position and duty. For employees who obtain international certificates, such as CFA, FRM, AFMA, PMP, they may apply for subsidies for the application fee, and receive an additional monthly professional allowance. For details on the certificates held by KBT employees in 2020, please refer to “King's Town Bank 2020 Annual report Page 70.”

● **Expanding Career Experience through Job Rotation**

The cultivation of talents relies not only on education training and continuing training but also on a systematic job rotation mechanism. Job rotation provides the employees a chance to expand their experience beyond their duties, enhance their abilities, and unlock their potential. From the organization’s perspective, job rotation brings stimulation to internal revitalization and enhances the flexibility and breadth of manpower. At the same time, job rotation also reduces job burnout from long-term repetitive work, so as to strengthen the internal operational safety control.

We have formulated the “Regulations Governing Job Rotation,” in order to mitigate the disadvantages and strengthen the advantages through systemization and scheduled rotation. The job rotation mechanism consists of job rotation training and internal recruitment. The former is a planned training based on the internal needs of the organization; the latter is based on the employees’ willingness to change their career path. Content of job rotation includes:

- ✓ Intra-unit rotation: Become an all-rounded financial expert through gaining experience in different areas of the business.
- ✓ Inter-unit rotation: Learn to work with different colleagues and enhance the ability to collaborate.
- ✓ Interdepartmental rotation or rotation between headquarters and branches: Cultivate the ability of strategic planning, strategy execution, and receiving customers, and improve the communication between departments or between headquarters and branches.

In order to protect the rights and interests of the employees, when there are changes in labor contracts due to KTB’s business or employee career planning, they shall be announced in accordance with the following regulations, and KTB shall prepare the employees for job handover and their new work environment, so as to minimize the job handover time and the occurrence of operational interruptions.

- ✓ Where a worker has worked continuously for more than three months but less than one year, the notice shall be given ten days in advance.
- ✓ Where a worker has worked continuously for more than one year but less than three years, the notice shall be given twenty days in advance.
- ✓ Where a worker has worked continuously for more than three years, the notice shall be given thirty days in advance.

● **Guided Performance Development Management**




A fair and reasonable performance development system can motivate and retain talents. Also, it can promote employees’ understanding of the expectation and performance of their own duties, provide a clear goal for future development, and align the goals of the employees with that of KTB. KTB has formulated the “Regulations on the Annual Employee Performance Evaluation,” and “Regulations Governing Promotion of Employees.” The assessment items include, ethics and attitude, work performance, professional growth through learning, leadership and management, and records of awards and penalties. In 2020, 100% of KTB’s employees underwent performance assessments. (For details, please refer to [9.3 Human Resource Management Indicators.](#))



### 6.3 Employee Care and Friendly Working Environment

The work at KBT are mostly long-hour and static, but not high-risk or disease-prone work. Based on assessment and investigation, the health risks are mostly traffic accidents and the “three-hypers” (hypertension, hyperglycaemia, and hyperlipidaemia) caused by a lack of exercise and unbalanced diet. Moreover, most KBT employees are female, thus we lay great emphasis on maternal health protection, and are devoted to the protection of physical and mental health of female workers during pregnancy, postpartum, and breastfeeding.

**[Identification of Employees’ Health Risks]**

	Health risk issues	Mitigation and prevention measures
	Traffic accidents	<ul style="list-style-type: none"> <li>• Advocate traffic safety</li> <li>• Establish an internal notification mechanism</li> <li>• Follow-up on the health condition of individuals</li> </ul>
	Prevention of the “three-hypers” (hypertension, hyperglycaemia, and hyperlipidaemia)	<ul style="list-style-type: none"> <li>• Provide health check-up policy that is better than statutory requirements</li> <li>• Provide on-site doctor consultation</li> <li>• Hold health seminars</li> <li>• Establish “Health Corner” to provide information on health</li> </ul>
	Maternal health protection	<ul style="list-style-type: none"> <li>• Formulate “Workplace Maternal Health Protection Program”</li> <li>• Set-up breastfeeding rooms</li> <li>• Assist employees to return to work after giving birth</li> </ul>

● **Build a Safe Workplace**

✧ **Establish safety and health measures**

KTB has established the "Code of Practice on Safety and Health," which defines the authorities and responsibilities of safety and health management, and regular maintenance and inspection of equipment or devices, and also clearly specifies work safety and health standards and incident report procedures to reduce the chance of hazards. We have established safety and health personnel to be in charge of formulating occupational hazard prevention plans, planning and supervision of each department’s handling of safety and health issues, and organizing the safety and health education training for the employees. The head and designated personnel of each department are responsible for issues related to occupational safety and health, as well as to remind all employees to abide by relevant work regulations to protect their own safety.

Moreover, due to the nature of the finance industry, KTB has formulated the “Rules of Procedure for the Security Maintenance and Administration,” and “Operating Processes of Anti-Robbery Drill,” and requires every department to carry out an anti-robbery drill per quarter, to equip relevant personnel with the knowledge and skills for emergencies, so that they can handle different risks caused by different hazards and mitigate possible damages.

✧ **Implement occupational safety and health education and training**

- ✓ Organizes annual labor safety, fire drills, and first aid-related education training. In 2020, KTB organized 2 labor safety training and fire drills, with 70 participants, and 2 CPR first-aid training courses.
- ✓ Provides a 3-hour occupational safety and health education and training for new recruits.
- ✓ Appoints safety and health personnel to participate in external professional training. Participated in a total of 10 courses, with 17 participants.

❖ **Statistics on occupational hazards**

In case of injuries, KTB offers occupational sick leave in accordance with regulations and actual circumstances, and assists employees to apply for subsidies, and provides what they need in the shortest time possible. In 2020, there were 5 occupational hazard incidents, all caused by traffic accidents during the employees' commute to work. There was no work-related death case. (For details, please refer to [9.3 Human Resource Management Indicators.](#))

● **Promote Employees' Health**

KTB hires nurses to take care of the health of its employees. KTB also arranges annual health check-ups, on-site health consultation by doctors, health seminars, blood donations, and surveys, in order to provide employees with care and follow-ups on their physical and mental health and make necessary adjustments to their duties.

❖ **Physical and mental health care measures**

- ✓ Provide health check-up that is better than as required by the law. KTB provides health check-ups every two years, and takes initiatives to care, make medical referrals, and provide consultation services for employees with abnormal health reports. In 2020, the health check-up rate was 96.84%.
- ✓ In 2020, KTB held 3 on-site consultation sessions, where employees received one-on-one health consultation, evaluation, and were given effective suggestions and assistance.
- ✓ KTB has set up the "Health Corner," and "Health Management Column," in the intranet, to provide information on health knowledge, drug and food safety, health welfare, and health activities, to help employees build the right health concept.
- ✓ In response to COVID-19, KTB acted rapidly in line with the government's pandemic-prevention policies, launched remote backup and personnel control. Moreover, at the beginning of the pandemic outbreak, KTB sought required pandemic-prevention resources to protect the front-line employees. At the same time, KTB updated and compiled the situation of the pandemic and precaution measures, and reminded employees not to travel to high-risk regions. Also, KTB distributed adequate alcohol, hand soap on each floor and each department to protect the employees.
- ✓ KTB has established the "Abnormal Load-Induced Disease Prevention Program," "Ergonomic Hazard Prevention Program," and "Unlawful Assault Prevention Program in the Performance of Duty" to prevent physical and mental harm caused by unsatisfactory working conditions, improper working hours, or other unlawful assaults in the workplace.
- ✓ Every year, KTB holds a Family Day event and invites the families of its employees to join the grand event, and experience the vitality and cohesion of KTB in the relaxing and enjoyable activities. In 2020, KTB held the Family Day event at Tsou Ma Lai Farm. The event had funfair booths, obstacle-clearing games, clown stunt performances, and 2,400 participants.
- ✓ The headquarters building has nutritionists to plan and cook employee meals. KTB uses local ingredients or produce that is in season. During holidays, KTB prepares festival feast and invites all employees to enjoy the festive atmosphere. At the end of 2020, KTB's canteen's employee satisfaction rate was 95%.



▲ Hot pot gathering during Chinese New Year holiday. We are a family.



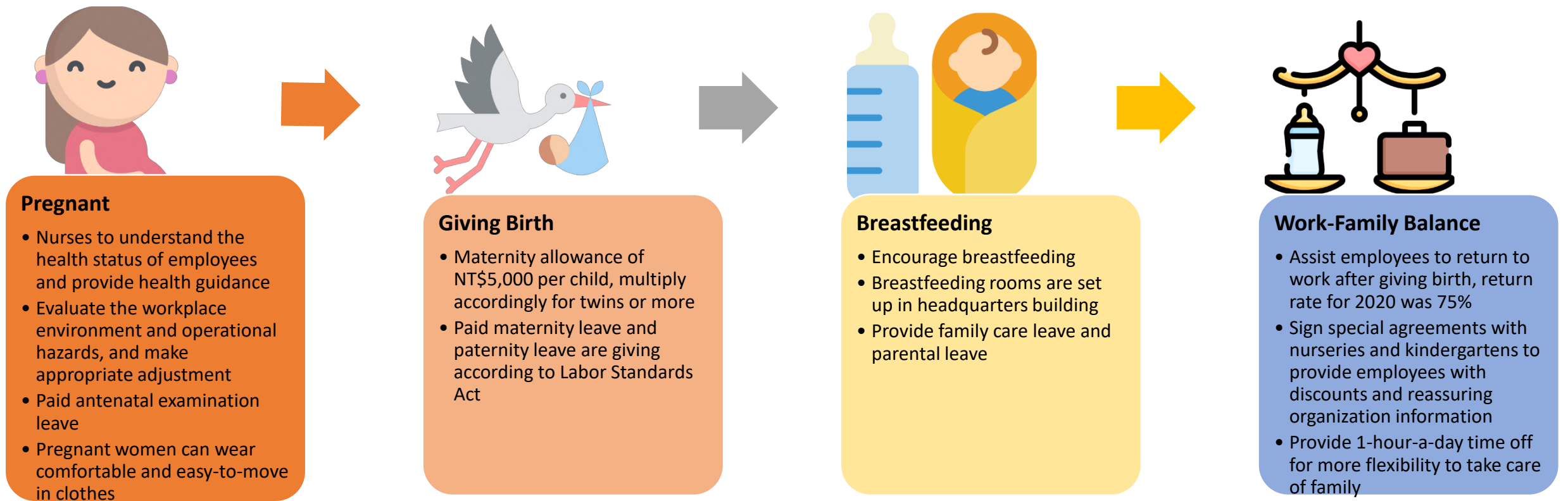
▲ Hot pot coming through!!



▲ 2020 KTB Family Day "Surprise Holiday"

✧ **Maternal health program**

✧ KTB is devoted to building a gender equality and friendly workplace. We offer females a place to shine and be a strong support for working mothers. From pregnancy, giving birth, breastfeeding, to raising a child, females have to bear with physical discomfort, mental anxiety, and a change in their identity. On top of that, they have to juggle between family and work. Through the formulation of the “Workplace Maternal Health Protection Program,” KTB also offers its employees benefits including maternity allowance, maternity leave, parental leave (for data related to parental leave, please refer to [9.3 Human Resource Management Indicators](#)), infant care center, and preschool. We stand side by side with our female employees to welcome the most important moment of their life and help them strike a balance between family and career.



In 2020, 29 KTB babies were born. The crude birth rate of the year 2020 was 30.4 ‰. Compared to Taiwan’s crude birth rate of 7.01‰, under our welfare and care KTB is “proliferating”.



## 6.4 Labor Rights

KTB adheres to the regulations and laws related to international human rights. We are committed to building a culture of diversity, equality, and smooth labor-management communication, and to providing a safe, healthy, and harassment-free working environment.

- **Promote a Culture of Diversity and Equality**

- ✧ **Formulate and implement human rights policy**

KTB supports and implements human rights policy, practices workplace diversity, and does not treat differently or discriminate in any form on the grounds of gender, sexual orientation, race, class, age, marriage, language, thought, party, place of origin, birthplace, appearance, facial features, physical or mental impairment, or trade union membership. In addition, KTB abides by laws and regulations and has never used child labor or illegal labor. KTB has established the “King's Town Bank Co., Ltd. Human Rights Policy,” which was approved by the Board of Directors with reference to the spirit and basic principles of human rights protection as outlined in various international human rights conventions, including the United Nations “The Universal Declaration of Human Rights,” “The United Nations Global Compact,” “United Nations Guiding Principles on Business and Human Rights,” and “International Labour Organization - Declaration of Fundamental Principles and Rights at Work.” KTB carries out education training to advocate its spirit on a regular basis. In 2020, the total education training reached 315.86 training hours, with an advocacy rate of 100%.

Moreover, KTB conducts human rights risks management assessment annually, and identifies potential risks in “Workplace Equality,” “Occupational Safety and Health,” “Discrimination and Sexual Harassment,” “Working Hour,” and “Labor-Management Dispute,” and evaluates the implementation status of risk mitigation measures. The identified human rights risk ratio was 0.1% in 2020. The human rights policy and human rights risk assessment are disclosed on the “King's Town Bank Global Information Website / About King's Town Bank / Corporate Governance / Sustainable Management / Human Rights Commitment.”

- ✧ **Support employee diversity**

KTB respects the uniqueness of each individual, recognizes the different perspectives and sparks that diversity can bring to a company. KTB provides an environment of gender equality (for details, please refer to [Current Employee Structure](#)), and has never discriminated against employees (for relevant data, please refer to [9.3 Human Resource Management Indicators](#)) or their age, marital status, or family background. Besides, KTB fully supports the employment rights of employees with physical or mental disabilities. We adjust and evaluates the work content appropriately according to the individual employees, and continue to hire new recruits with physical or mental disabilities through all available channels. In 2020, KTB has 11 employees with physical or mental disabilities, which is higher than the statutory requirement of 9 employees.

- ✧ **Sexual harassment prevention**

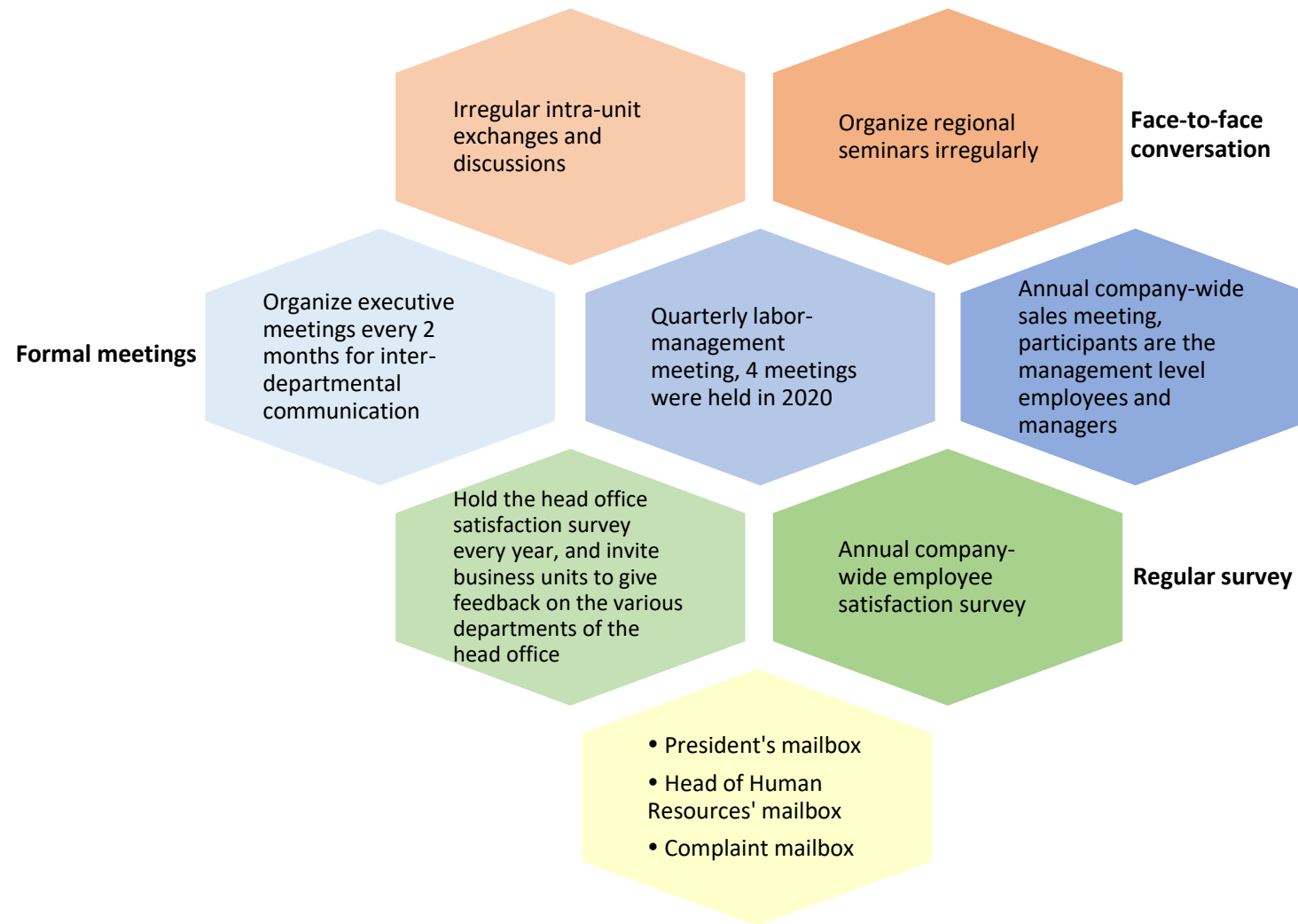
In order to protect gender equality and dignity at work, KTB has formulated the “Guidelines for the Prevention, Correction, Complaint, and Punishment of Sexual Harassment at Workplace” (disclosed on “King's Town Bank Global Information Website / About King's Town Bank / Corporate Governance / Sustainable Management / Sexual Harassment Prevention”), stipulating that all forms of sexual harassment at the workplace are prohibited. KTB also organizes sexual harassment-related education training to advocate the importance of sexual harassment prevention and eliminate the hostility originated from sex or gender, so as to protect employees, job applicants, and customers from the threat of sexual harassment.

KTB has established the sexual harassment complaint channel, complaint reporting method, investigation mechanisms, handling methods, and punishment. After receiving a sexual harassment complaint, KTB sets up the Sexual Harassment Complaint Handling Committee, and, when required, may retain experts or scholars as committee members to handle the cases independently, and report to the Board of Directors based on the circumstances. The investigation shall be based on the principle of protecting the privacy and dignity of the informer, and KTB promises not to terminate, transfer, or take any disciplinary action that is adverse to employees who personally file complaints or assist other persons to file complaints regarding sexual harassment. 0 sexual harassment complaint cases were received in 2020.

- **Implement Labor-Management Communication**

KTB puts emphasis on the voice of employees and smooth communication. KTB has established diverse communication channels, where employees may give their valuable opinions to the President or heads of all departments through formal meetings, face-to-face conversation, regular surveys, or the President's mailbox. The President also leads the heads of related departments to organize regional seminars at the branch offices, to build an effective, efficient, and bilateral communication mechanism. 0 employee complaint cases were received in 2020.

✧ **Employee communication channel**



✧ **Suggestions from employees**

In November 2020, we conducted a company-wide employee satisfaction survey. The subjects of the survey were supervisors and in-service employees of each department (including employees in probationary periods but excluding part-time workers and interns). The survey achieved a 91% response rate and covers 10 key aspects: work environment, teamwork, leadership style, promotion assessment, sense of accomplishment, job responsibilities, training and development, remuneration and welfare, organizational management, and organizational identification. Feedback and suggestions from employees were submitted to relevant departments for evaluation and improvement.

The survey results showed that employees were most satisfied in the aspects of “job responsibilities” and “work environment.” In particular, nearly 90% of the employees were of the opinion that job rotation is beneficial to the individuals’ learning and development. There was still room for improvements for “remuneration and welfare” and “promotion assessment”. Thus, we reviewed the employee salaries and benefits and performance evaluation system and optimized our policies with reference to peer companies in the same industry.

## 7. Social Prosperity

Community is the foundation of KTB. We choose to start from local areas, utilize our own advantages, exert the core competency of a bank, meet local resident's needs, and participate in local activities to co-exist and prosper together with society. We don't want to see that corporate social responsibility is reduced to a contest of donation amount, but an efficient distribution of resources and long term sustainability of good deeds.

- **Social Investment Mechanism**

The social investment of KTB can be divided into "Call of the Headquarters" and "Branches are Good Neighbors." The ESG Team carries our subsequent follow-up and summary on each social investment, and reports and shares the feedback of the investment at meetings on a regular basis. The reports on the investments will serve as the reference for our continued improvement of social investment.

**Call of the Headquarters:** Most plans are the responses to social needs or proposed by employees. The ESG Team is responsible for summarization and discussion and reports the final plan to higher authorities for approval and budget application. Finally, the plan is handed over to the responsible management unit depending on the nature of the activities in the plan. In order to encourage the participation of employees in the activities, we have implemented the "volunteer leave" system. All employees who answer the Call of the Headquarters will be given 1 paid day off. We aim to invite more people to participate in our activities, through which we can expand our influence.

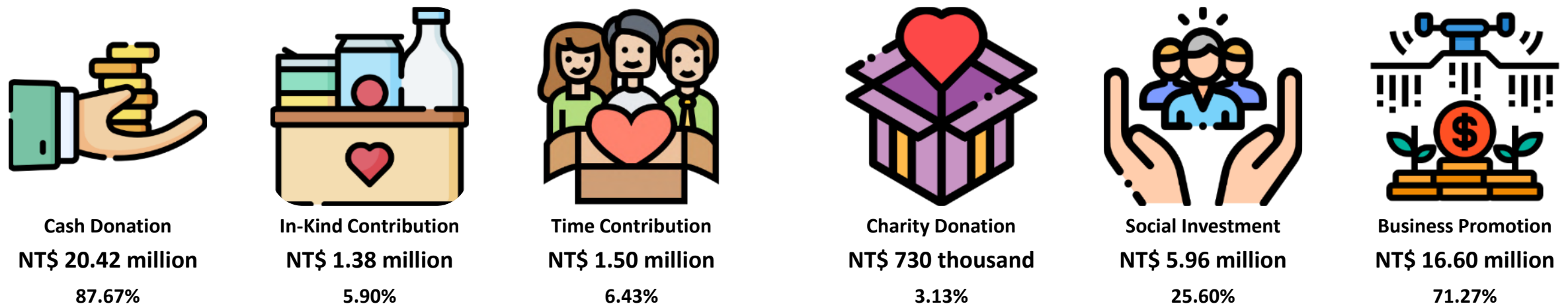
**Branches are Good Neighbors:** With the help of our branch offices in various cities and counties, the ESG Team proposes annual promotion focus and directions, and the branch offices are responsible for holding "community care events" by combining local cultural characteristics and customs to becoming good neighbor to the local residents. Due to the ever-evolving forms of scams, and the importance of the proliferation of financial knowledge, we have set "financial education" and "anti-scam advocacy" since 2019 as the two key points of the community care activities. Change, start from you and me, bit by bit and little by little.

- **Social Investment Status**

In order to fully exert the effect of our social investment, and to expand our influences, KTB's social prosperity focuses on three main keys, "Academic Education," "Caring for the Underprivileged," and "Arts and Humanities," with reference to the London Benchmarking Group (LBG) framework in order to determine the overall situation of resource investment. Resource investment is divided into "cash donation," "in-kind contribution," and "time contribution," while investment motives are categorized into "charity donation," "social investment," and "business promotion," in order to facilitate subsequent evaluation and follow-ups.

[Types of resource investment]

[Investment motives]



Note: Time contribution is calculated based on the number of man-hours invested and is converted to an equivalent monetary amount based on the cost of time per man-hour in 2020.

## 7.1 Academic Education

“Education is the first step to change.” The implementation of education equality is a long-term common goal of the world. KTB has been consistent in our goal for academic education. We aim to exert our core competency to help more children to enjoy equal rights to education. Thus, we cooperate with local schools and have been arranging financial education activities since 2007. The participants range from kindergarten children to college students. We arrange enriching and diverse activities for different age groups, hoping that the financial management concepts can take root and bear fruit.

For the implementation of education equality, 21% of KTB’s branch offices are located in or neighboring to the “priority towns/cities for regional revitalization” selected by the government. Therefore, we understand the educational resource difference between rural and urban areas. These areas face a brain drain and a structural transformation of the industry. As a result, problems such as grandparenting, culture shock between mainstream and local, and insufficient quality and quantity of teachers. These problems have directly resulted in the lack of motivation to learn and unsatisfactory learning results. Therefore, KTB integrates existing local resources, works together with charities, and puts plans into action. What children need is not only material donations but also long-term companionship.

### ● Little Financial Specialist

A correct concept of financial management should be cultivated from an early age. Through the branch offices’ collaboration with local schools, daycare centers, kindergartens, we arrange financial activities which are not commonly seen in classrooms. These activities include introduction to the correct concept of money, understanding currencies, anti-scam advocacy, and identifying counterfeit money. We aim to stimulate the children’s interest and motivation through videos, Q&As, and games. We also invite children to our branch offices to experience the bank services, through which, we can satisfy their curiosity for what adults do in a bank. In 2020, we held 94 sessions, benefiting 4,876 participants, with a total of 870.5 volunteer hours. Currently, we are planning to digitalize the activities to bring these meaningful activities to more people and cultivate more Little Financial Specialists.



▲ Wealth management starts in knowing currency



▲ Do you know which one is fake and which one is real money?



▲ Let’s go to the bank



▲ Build correct concept of money and wealth management knowledge through games

● **Finance Seminar for High Schools and Vocational High Schools**

In terms of financial education for teenagers, we focus on the cultivation of financial competencies and knowledge in financial institutions. We incorporate practical work into their civics classes, to facilitate the students' understanding of risks and returns, money and trading, planning and management of wealth. Moreover, many students in high schools and vocational high schools are uncertain about their future, not knowing which major and which university are suitable for them. We invited employees from the departments related to law, digital business, investment, foreign exchange, human resources, and financial management, to share their work content and pre-requisites for the jobs. This not only showed the students that bank workers do more than counting money behind the counters but play an important role in economic development, the capital market, and personal financial planning. A total of 4 sessions were held in 2020, with 114 participants.



● **Industry-Academia Cooperation**

We value the industry-academia cooperation with academic institutions. Through bilateral communications, we integrate theoretical knowledge with practical work, this can spark new business models for the industry. For more actual performance of the industry academia cooperation, please refer to [Diverse Recruitment Channels](#). In 2020, we cooperated with the National Cheng Kung University Center for Innovative Fintech Business Models, and through forums and courses, we jointly promoted the Fintech Eco-system of Taiwan.



▲ Chairman Chen-Chih Tai (third from the right) at a forum during the National Cheng Kung University Center for Innovative Fintech Business Models

▲ Senior Vice President Qi-Wei You lecturing at the National Cheng Kung University Center for Innovative Fintech Business Models

● **Inclusive Financing Education in the Community**

✧ **"Anti-scam advocacy" protects the publics' assets**

According to National Police Agency, there were 23,054 scams reported in 2020. Scam tactics are constantly evolving, making it difficult for the elderly who are less concerned about the news, engages in less social interaction, and is less familiar with digital products. Most of KTB's branch offices are located in Yunlin, Chiayi, and Tainan regions, and our customers are relatively older. Therefore, we utilize the customers' trust in us and put "anti-scam advocacy" as the community care key activity to raise the public's awareness of scams through the efforts of each branch office, sharing of case studies, and anti-scam slogans. In 2020, 71 "Anti-scam Advocacy" events were held, benefiting 1,251 people. Apart from the regular advocacy, KTB employees also act as front-line gatekeeper against scams and maintain a high degree of vigilance and enthusiasm of a busybody. In 2020, KTB successfully blocked 139 cases of scams with a total amount of NT\$ 11 million.



▲ Awarding certificates of appreciation to employees who helped block scams.



▲ Bank employees and police officers assisting a customer suspected of being scammed.

One day, an elderly man came to use our AMT to transfer money. When he was about to transfer, he recalled a scam his grandson told him, and suddenly realized it was a scam. Happy to have realized it in time, he brought some gifts to thank the staff of Shanhua Branch. At that moment, we truly felt the meaning behind our activities and gave us a sense of accomplishment



A True Story

✧ **"Financial Service Charity Carnival" - an educational and fun community financial carnival**

In 2020, the annual "Financial Service Charity Carnival" organized by "Taiwan Financial Services Roundtable" was held for the first time in Chiayi County. Many charity organizations and financial institutions were invited to set up booths in the "love and charity section" and "financial education section," with funfair activities, games, lucky draws, and performances. Participants could take part in games and lucky draws by donating their receipts, and all the receipts and donations collected at the carnival were given to the charity organizations in Chiayi County. As a bank located in Chiayi, Yunlin, and Tainan, we did not miss this event. Despite the sweltering weather, the personnel from the branch offices in the regions participated with passion and brought fun and lively activity with lots of financial knowledge to the locals.



▲ Passionate and lively KTB employees



● Promoting Equal Opportunity in Education

✧ The "Twilight Elite Development Association R.O.C." education subsidy program for low-income high school students

High school is a pivotal stage for future success in education, but some children are unable to concentrate on their schoolwork or pursue further studies due to difficult circumstances at home. KTB has contributed to the "Twilight Elite Development Association R.O.C." every year since 2014, subsidizing a year's worth of tuition and other fees for students in need. As of 2020, such relief has benefited sixty underprivileged students, enabling them to concentrate on their education, pass the entrance exams for their desired university's major, and improve their home environment through the power of education.

✧ "Teach for Taiwan": change will take root throughout Taiwan

Although primary and junior high school education is common in Taiwan, the quality of education received is deeply tied to a student's family background. For those born in locations that lack education resources, primary and junior high school education is insufficient to change their life and break the cycle of poverty. KTB has been donating NT\$200,000 to "Teach for Taiwan (TFT)" annually since 2015 to support the recruitment and development of exemplary teachers with a sense of mission. They enter classrooms in rural areas to become important figures to the children, addressing inequality in education at its root. As of 2020, TFT has cultivated 212 teachers, worked with 68 schools, and served more than 5,000 students.

▲ Twilight Elite Development Association e-bulletin issue 52: Reflections of Sponsored Students

✧ "Social Entertainment Enterprise: See the World with Your Heart" goes to rural communities to introduce new possibilities to children

Rural education has been a topic of interest in recent years, to which an outpouring of sponsorships and resources for children in rural communities have resolved the most pressing need for funding and physical resources. The main issue that remains for children is the prolonged absence of parental guidance. Due to a lack of caretakers after school, mental and emotional development are easily overlooked, and cognitive stimulation is often lacking. To this end, KTB and Social Entertainment Enterprise (SEE) visited Hsin Chia Elementary School in Tainan City. There were only 29 students in Hsin Chia Elementary School, of which 48% were from underprivileged families. The visit taught children how to alleviate stress through making art, with visiting artists, they used their imagination to create works with local features. At the same time, financial education course was arranged to introduce an immensely different field to the students so that they could learn the correct personal finance habits.

▲ KTB is honored to be an angelic partner of TFT.

▲ A True Story from a TFT Teacher



▲ Finance can also be fun



▲ Children watching attentively at the teacher's demonstration



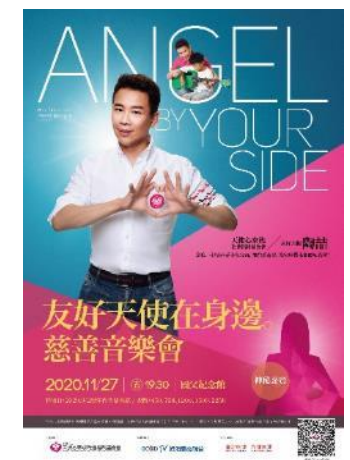
▲ Houbei District in children's eyes

## 7.2 Caring for the Underprivileged

### ● Angel Heart Family Social Welfare Foundation: Understanding, Sympathizing, and Supporting Families of Children with Disabilities

An average of one out of every 14 households in Taiwan are families of children with delayed development or disabilities. Faced with the unending pressures levied on caretakers, and prejudiced and erroneous societal perception, parents are often alone in their struggle and slowly lose hope in life. KTB has partnered with the Angel Heart Family Social Welfare Foundation since 2012 to provide a multitude of activities for families of children with disabilities to assist them in all physical and mental aspects. Events such as Angel's Day and the Angel Heart Thanksgiving Concert to promote general public understanding and acceptance of children with disabilities and their families.

In 2020, the annual 336 Angel's Day was canceled due to the pandemic. Thankfully, the November Angel Heart Thanksgiving Charity Concert -- "May an Angel Always Be by Your Side" was able to take place. The public was invited to attend to enhance their understanding of children with disabilities, and dedicated the music to their families hoping that they might find the courage and the will to carry on. According to official estimates, 4,697 people were in attendance at the concert.





● **Taiwan Fund for Children and Families: Safeguarding the Smiles of Children**

Since 2015, KTB has provided nearly 200 pings (approximately 661 sq m) of land in Tainan City for the Tainan Fund for Children and Families to establish a "Parent-Child Happy School." The school aims to be a resource center of preliminary prevention of child neglect and abuse, to provide a stable location and therapy for underprivileged children and their families, and to provide information on where to seek appropriate help. Numerous accommodations and facilities with regard to child protection can be found within the school. A wide variety of events are often held to promote parent-child interaction through co-working, co-creating, and co-learning. KTB also helped to organize a children's personal finance camp, using games to help young learners establish concepts regarding money, savings, income, expenses, profit, and loss. According to official estimates, 1,186 attendees were present at the school's 40 events in 2020.



● **Giving Back to the Community**

We know that people who need our help and care are in many unseen corners throughout society. Therefore, KTB constantly encourages all of our branch offices in various cities to take initiative to care for any groups in need, and we hope to see figures wearing the orange KTB vest lending a helping hand in many locations.



▲ Anhe Branch and Huashan Social Welfare Foundation, Companionship is the best care



▲ Minxiong Branch donated rice to elderly's canteen.



▲ Xigang Branch invited local renowned calligraphists to write and donate new year couplets. Children from the Ciguang Mental Care Foundation are invited to the event.



▲ Yongkang Branch selling dumplings with a charity organization, and donated all the proceeds to help the elderly living alone.

### 7.3 Arts and Humanities

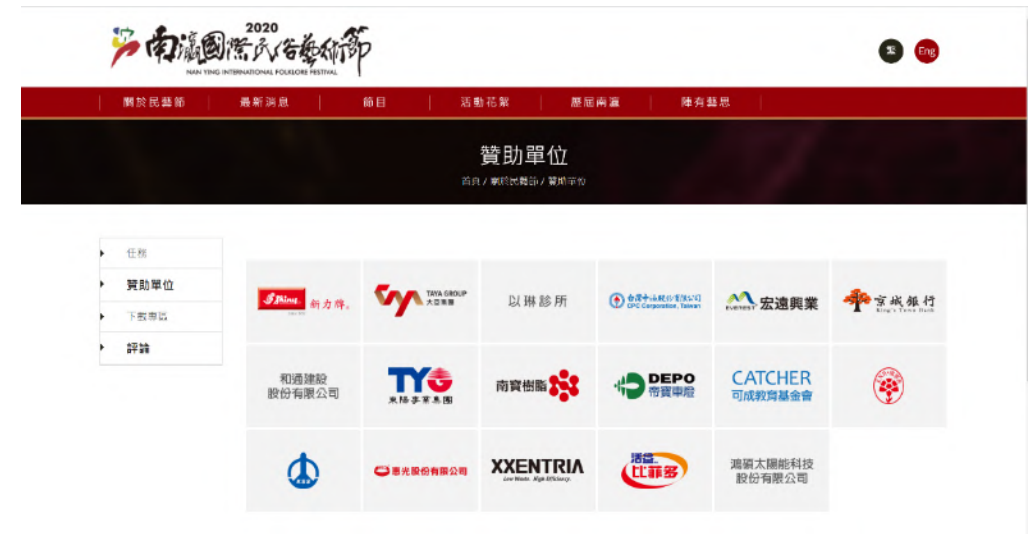
KTB has demonstrated consistent and unwavering support for arts and humanities. In the frenetic pace of modern-day society, we hope to return to our roots and enrich the soul through appreciating works of art and guiding people’s understanding and perception of aesthetics.

- **Tainan Arts Festival**

Since 2012, Tainan City has been organizing a feast for the art exclusive to Tainan - the "Tainan Arts Festival," themed around “cultural equality” and “rooted in art.” Distinguished by the city’s foundations as an ancient capital of culture, the Tainan Arts Festival utilizes the backdrop of the modern city and historical sites as the canvas for artistic creation. Attendees are transported to a space in which the ancient world intersects with modern times. KTB has sponsored the Tainan Arts Festival since 2012. The theme for the 2020 festival, “Encounter - Here and Now,” explored the meaning of the collective in an age of quarantine, where we chance upon each other and pen our chapter in the history. Although numerous events and performances were canceled due to the pandemic, the Tainan Cultural Affairs Bureau jointly hosted an online exhibition “The Song of a Life” in conjunction with the community. Through interviews and multimedia clips, the exhibition distilled the stories and memories of a lifetime from community elders and expressed them in a song.

- **Nan Ying International Folklore Festival**

The Nan Ying International Folklore Festival is a large-scale, biennial exhibition held by the Tainan City Government. Originally, an exchange of international culture and art, the 2020 theme was changed to “Taiwanese Performances” due to the pandemic. The four major themes of “Night of Traditional Arts,” “Night of Indigenous Cultures,” “Night of Yi Zhen Cultures,” and “Night of Acrobatics” exhibited the breadth and depth of Taiwan’s traditional folklore on an international stage.



● **National Kaohsiung Center for the Arts (Weiwuying)**

The National Kaohsiung Center for the Arts (Weiwuying) opened its doors in 2018 as the first national center for performing arts in southern Taiwan, thus establishing a creative base for performing groups and artists in southern Taiwan. KTB hopes that the center's inception will reverse the brain drain from the south and give rise to more local artists and increase audience numbers. In light of this aim, KTB has sponsored numerous events at Weiwuying since 2019 and 5 events in particular throughout 2020. In November of 2020, the Ministry of Education, Ministry of Culture, and Weiwuying jointly hosted the "Collaboration between Arts and Other Sectors - The Overview of Outreach Aesthetic Education Project". Its main purpose was to promote the aesthetic education in southern Taiwan and remote locations, so as to bridge the imbalance of artistic development between northern and southern Taiwan. Upon learning of this initiative, KTB sponsored two events and invited 240 children from Chong Ming and Jia Zhong Elementary Schools in Tainan City to participate in a trip of culture and arts. Of special note was the Jia Zhong Elementary School, located in a remote Tainan village. Faced with severe rural depopulation, poor parental care, and insufficient interaction with the outside world, we wished to bring different experiences to these students from these events. On the day of the event, cheers and gasps were heard at various times throughout the day, and it was the children's first experience at an international performance center. While full comprehension of the day's proceedings and grasp of professional vocabulary might have been out of their reach, the light shining in their eyes was the greatest purpose of our trip.



▲ Children from Jia Zhong Elementary School



▲ Children from Chong Ming Elementary School

## 8. Environmental Sustainability

As the extreme climate and natural disasters intensify, the world is paying more and more attention to the risks of climate change. According to "The Global Risks Report" issued by the World Economic Forum in 2021, among the "highest possible risks, 4 of the 7 top risks are environmental. They are first place's "extreme weather," second place's "climate action failure," third's "human environmental damage" and fifth's "biodiversity loss." Due to the nature of the financial service industry, the negative impact incurred is less significant compared to that of the manufacturing industry. However, global warming is intensifying in recent years. It is our responsibility as a citizen of the earth to respond promptly to the international covenants and promote energy saving and carbon reduction.

Therefore, as a manager and provider of capital, the finance industry plays a critical role in combating climate change. KTB supports and uses Task Force on Climate-Related Financial Disclosure (TCFD) Framework as the basis for the evaluation of climate changes and our risks and opportunities (Please refer to [2.4 Climate Change Risks and Opportunities](#)). In the future, KTB will not only strive to implement its own internal action plans but also follow the Corporate Governance 3.0 - Sustainable Development Roadmap issued by Taiwan Stock Exchange Corporation to enhance the relevant disclosures.

### 8.1 Business Environmental Sustainability

- **Management Policies**

- ✧ **Environmental management policies**

KTB has formulated the "Corporate Social Responsibility Best Practice Principles," which was approved by the Board of Directors, as the principle to develop its sustainability. It has been disclosed on KTB's website "King's Town Bank Global Information Website / About King's Town Bank / Corporate Governance / Sustainable Management / Implementation of Corporate Social Responsibility." KTB has also formulated the "Energy Conservation and Environmental Protection Standards Implementation Guidelines" and "Energy Operation Control Manual" as the principles for the promotion of environmental protection and energy conservation.

- ✧ **Environment management framework**

The Administration Management Department regularly reviews the energy consumption (water, electricity, waste, etc.) of the headquarters compared to the same period last year, as well as monthly reviews the water and electricity consumption of each business unit for any irregularities, and reports the findings to the ESG Team meeting in order to establish goals and handling procedures and to implement proper environmental management.

- ✧ **Introduction of the energy management system**

In 2018, KTB introduced the ISO 50001 Energy Management System and reduces cost and GHG emission through review, identification, measure, and management of energy consumption, and through the establishment of organizational energy management goals and action plans.

● **Specific actions taken**

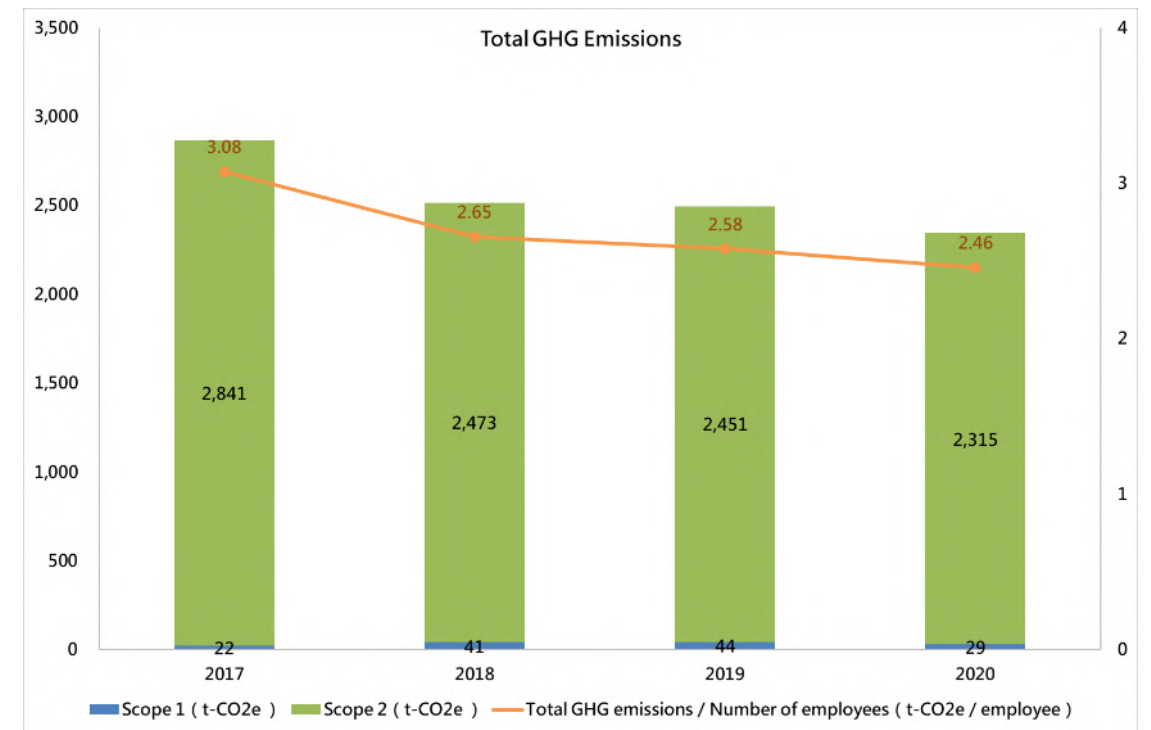
✧ **GHG emission reduction**

KTB's main GHG emissions are from electricity consumption. Thus, we have set forth special energy-conservation plans for light fixtures, air-conditioners, computer room, and elevators. Besides, we have also set a goal of a 15% reduction by 2022 in the total electricity consumption and GHG emissions (scope 1 and 2) compared to that of 2017. In 2020, the total GHG emission of Scope 1 and 2 was 2,344 (t-CO<sub>2</sub>e/year), which was an 18.13% decrease compared to 2017. We have successfully achieved our goal of emission reduction in advance.

	2017 Base year	2020	2022 Goal	2020 Achievement
Scope 1 (t-CO <sub>2</sub> e/year)	22	29	15% decrease compared to 2017	18.13% decrease compared to 2017
Scope 2 (t-CO <sub>2</sub> e/year)	2,841	2,315		
Total (t-CO <sub>2</sub> e/year)	2,863	2,344		
Data coverage	100%	100%		

Note:

1. Scope 1 emission was mainly contributed by petrol and liquefied petroleum gas. The total energy consumed was 444.94 GJ. Scope 2 emission was mainly contributed by electricity use. The total energy consumed was 16,374.5 GJ.
2. Scope 1 emission is based on the "Greenhouse Gas Emission Factor Management Table" version 6.0.4 issued by the Environmental Protection Administration, Executive Yuan, and the global warming potential (GWP) is based on the "Climate Change 2007" IPCC Fourth Assessment Report.
3. Scope 2 emission is based on the announcement by the "Bureau of Energy, Ministry of Economic Affairs." The 2017 electricity carbon emission factor was 0.554 kg CO<sub>2</sub>e/kWh; while that of 2020 used 2019's factor, which was 0.509 kg CO<sub>2</sub>e/kWh.
4. GHG emission was measured by self-inspection, and the scope of inspection covered the headquarters and 66 branch offices, which was consistent with the base year.
5. "Number of employees" are full-time employees at a total of 953 persons.



✧ **Energy management**

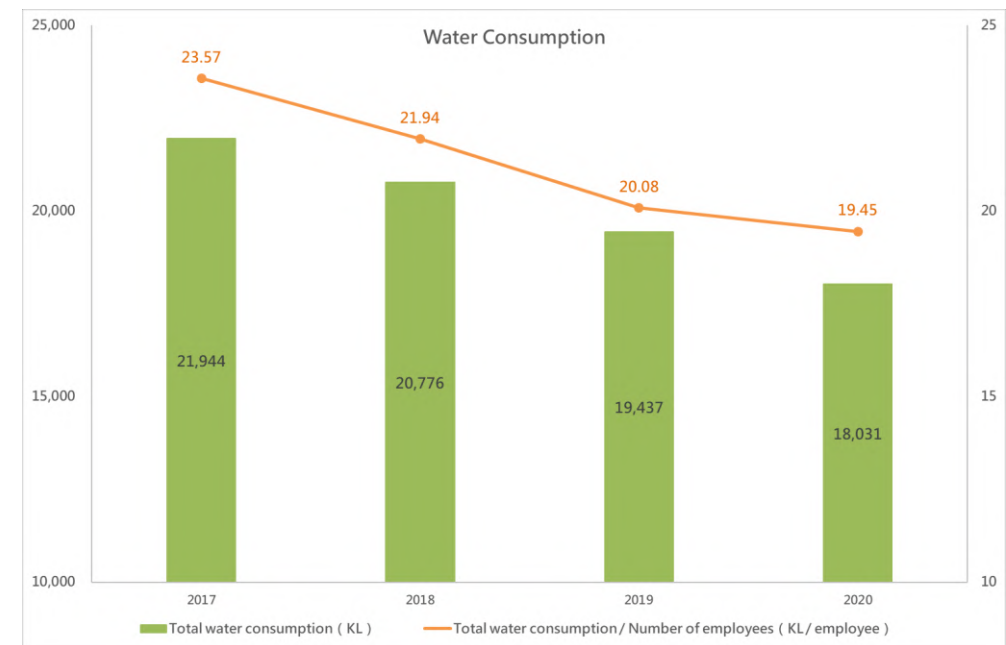
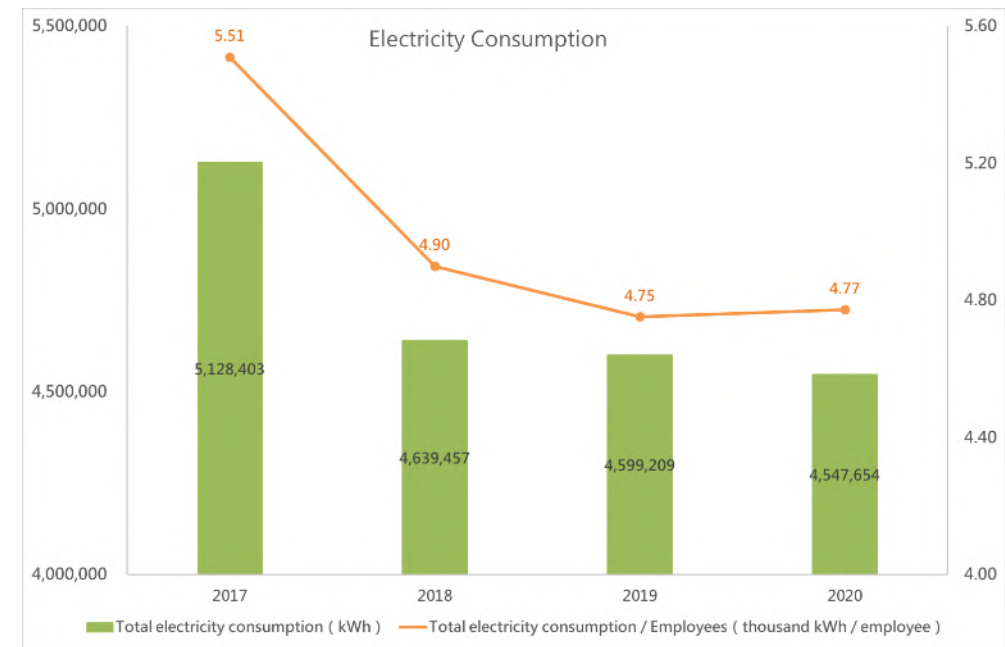
The electricity used in the operating process of KTB is mainly externally purchased electricity (non-renewable energy), and a small part of it is gasoline and liquefied petroleum gas. For the use of energy, KTB has adopted the ISO 50001 Energy management system to effectively improve energy efficiency and reduce electricity consumption. The actual actions taken are as follows:

- ✓ Newly installed and replaced lighting fixtures and is fully equipped with energy-saving T5 or LED light fixtures
- ✓ Installed variable speed air conditioners, as a constant temperature control device, and sets the average indoor air temperature at no lower than 26 degrees Celsius
- ✓ Adjusted the computer room layout and reorganized the circuit to improve the energy efficiency of the computer room
- ✓ Sets the billboard light timer depending on the daylight time of the seasons
- ✓ Shuts down some elevators during non-peak hours
- ✓ Electrical appliances or equipment, such as photocopiers, shredders, computers, lights, elevators, etc., are set to sleep, standby, or auto-sensing modes.

Moreover, KTB's energy policy was issued by the President and posted on all floors of KTB. Regular energy-saving and carbon-reduction education training courses are also held to remind the employees of the importance of their participation. As a result, the total electricity consumption in 2020 was 4.5477 million kWh, which was an 11.32% reduction compared to 2017. In the future, KTB will continue to promote more energy-saving plans to achieve the goal of reducing electricity consumption by 15% in 2022.

✧ **Water resources management**

100% of the water used in KTB's operations comes from the Taiwan Water Corporation, and no groundwater or other water sources are used. The water used in all office buildings and operating sites is only for employees and some customers. There is no significant impact to the water source and is mainly used for drinking, air conditioning systems, cleaning, and other purposes. The wastewater is then discharged through the sewage system. Due to the increasingly serious water shortage in Taiwan, KTB has set a goal of reducing water consumption per employee by 10% compared to 2017. In order to achieve this goal, our priorities are to purchase and use products with water-saving labels and inspect the water consumption in the headquarters and branch offices for any abnormalities on a monthly basis. According to the statistics, the average water consumption per employee in 2020 was 19.45 (KL/employee), which is a decrease of 17.47% from 2017. We have successfully achieved our goal in advance.



✧ **Waste management**

KTB has long had the awareness of waste reduction. Disposable tableware was never used in the employees' canteen in the headquarters. All kinds of disposable utensils were no longer provided when the canteen was renovated in 2010. This policy has effectively reduced the use of 150,000 paper containers. In addition, for inevitable wastes, KTB separates the waste into general waste (including kitchen wastes) and recycled waste to increase the recycling rate. In order to further track and manage the situation of waste management in the headquarters, all the wastes were weighed before disposing, since November 2018. The data for waste treatment in the past two years is as follows:

Period	January 2020 to December 2020	November 2018 to December 2019
General waste	8,959	8,666
Recycled waste	3,330	3,074
Total waste generated	12,289	11,741
Total waste/No. of employees	3.35	2.95

Note:

1. Starting in November 2018, waste weighing management was implemented in the headquarters. The values above are in kilograms
2. "No. of employees" refers to the number of employees in the headquarters

✧ **Promotion of paperless office**

Unlike the manufacturing industry, the financial service industry does not directly cause negative impacts on the environment. However, it uses a large amount of paper in the operating process or the internal exchange of documents. As the traditional papermaking process requires a lot of water, fuel, electricity, and forest resources, the promotion of paperless office and digitization (for achievements, please refer to [5.2 Financial Technology and Innovatio](#)) is the top practical action of KTB for the protection of the ecological environment.

- ✓ Encourage customers to use e-billing. As of the end of 2020, 118,025 accounts have applied for e-statement for NTD and foreign currency and funds, and funds' cloud statements. It is estimated that 4.25 million sheets of paper are reduced each year, which is equivalent to 27.19 t-CO<sub>2</sub>e.
- ✓ Implement a paperless policy for documents, training materials, and conference materials, and promote double-sided printing and waste paper reusing. In 2020, a total of 10,141 files were exchanged through the electronic official document system, and the usage rate reached 93.43%
- ✓ The "Knowledge Management System" was established in 2016 to convert hard copies of credit cases to electronic versions for storage and transmission, reducing carbon footprint incurred during transportation and paper waste. A total of 6,270 credit cases were uploaded in 2020. Estimating the average paper usage per corporate and individual case, we expect the reduction was about 2.32 million sheets of paper, which is equivalent to 14.854 t-CO<sub>2</sub>e

Note:

1. In accordance with the "Taiwan Product Carbon Footprint" issued by the Environmental Protection Administration, 1 A4 paper is equivalent to 6.4 g CO<sub>2</sub>e.
2. The estimated carbon emission mentioned above is not included in the GHG emission and carbon-reduction goals of KTB.

✧ **Innovative carbon-reduction actions**

According to the statistics, around 900 million hard copy bills were printed in Taiwan each year, generating approximately 36,720 t-CO<sub>2</sub>e, and the financial industry accounts for about 42.9% of it. This thus exhibits the importance of e-billing to financial institutions. Besides its own changes, KTB has also worked with a B Corporation - Domi Earth to launch the “Power to Change! Light Up Infinite Hope” project since October, 2020. KTB promises to donate NT\$ 100 for each conversion of paper bills to e-bills by KTB’s customers. The donation will be used for replacing the lights of underprivileged families with energy-saving light fixtures. With the innovative model, we hope that the effect of the conversion of e-billing is not restricted to the “environment” aspect, but extends to helping the underprivileged families through the expenses saved to create a win-win-win situation for corporate, society, environment.



▲ Senior Vice President Qi-Wei You at the “Power to Change!” Platform product launch press conference



▲ Power to Change!” official website

✧ **Self-generated green power**

In recent years, in order to slow down climate change and global warming, many corporations have begun to build renewable energy power systems to contribute to the protection of the Earth. KTB began the preparations to build a solar power system on the roof of the headquarters in 2011. This system has a 9.87kW capacity and was connected to the grid in 2012. Since then, KTB has been seeking suitable locations for branch offices in order to expand the capacity of green energy. In 2020, the annual self-generated green energy of KTB was approximately 42,805 kWh, which reduced about 21.79 t-CO<sub>2</sub>e.

✧ **Green procurement**

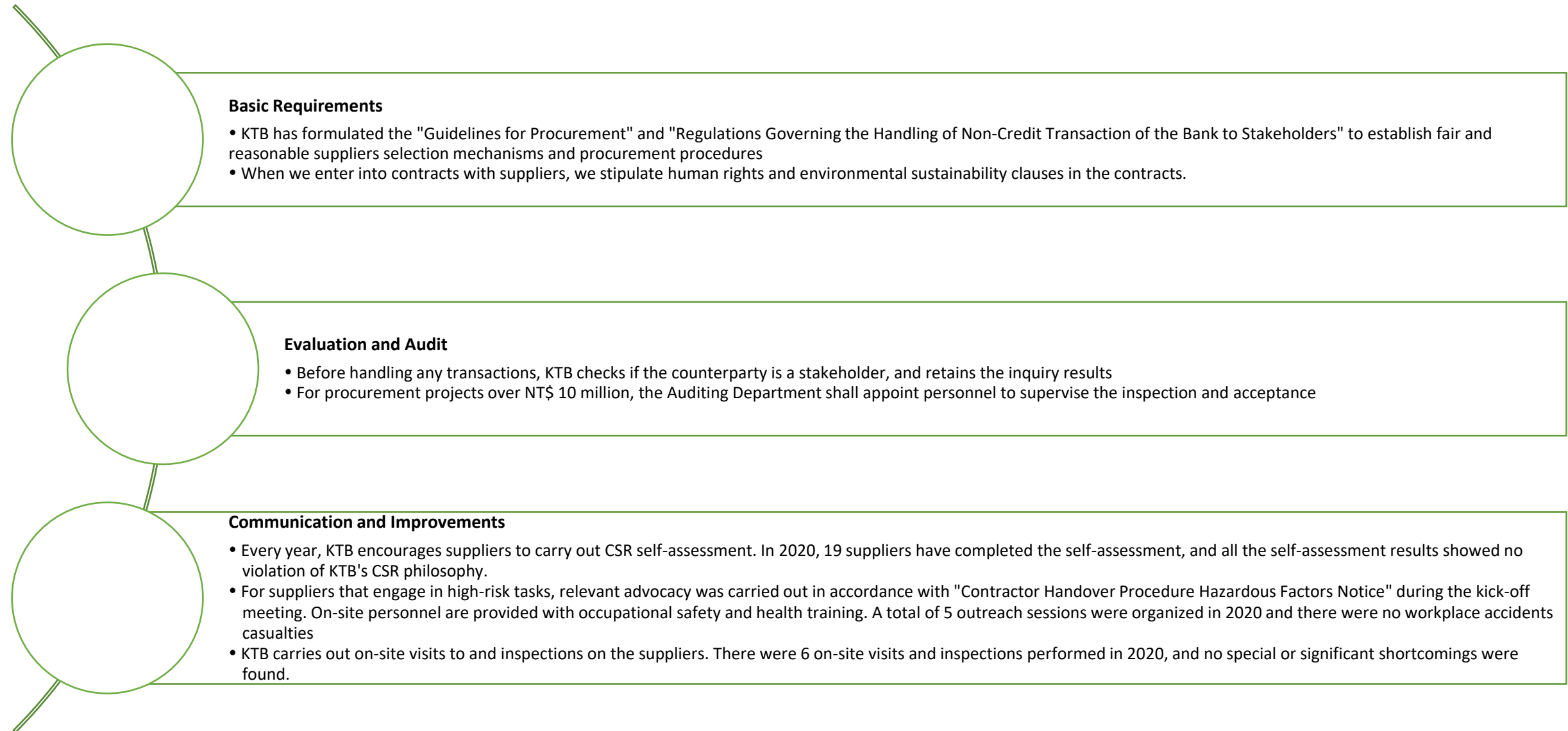
KTB actively responds to green procurement, and the amount of related procurement increases year by year. In addition, KTB participated in the “2020 Tainan Environmental Education Management and Promotion Project” organized by the Tainan City Government. The KTB’s procurement amount in 2020 was NT\$ 21,432,899, which was an increase of 298% compared to the amount of NT\$ 5,386,786 in 2019. In the future, KTB will continue to support low-carbon and sustainable companies through green procurement and improve the efficiency of all resource use.



## 8.2 Supplier Management

KTB supplier management strategy has three main aspects: “corporate ethics,” “rights and interests of employees,” and “environmental protection.” KTB has formulated the “Regulations on Supplier Management” (disclosed on the KTB’s website “King's Town Bank Global Information Website / About King's Town Bank / Corporate Governance / Sustainable Management / Internal Regulations”) stipulating that the suppliers shall lay emphasis on corporate social responsibility, operate with integrity, care for and safeguard the legal rights and interests of employees, and devote to reducing the impact on the environment.

KTB prioritizes local suppliers as its source of procurement. KTB’s suppliers include postal and courier service providers, printing and packaging manufacturers, machine and equipment maintenance service providers, software developers, construction and security maintenance providers. The procedures of review and regulations regarding suppliers are as follows:



## Appendix

### 9.1 GRI Standards - Content Index

◎: Core options

★: Material issues of KTB

#### Universal standards

GRI 102: General Disclosures 2016				
Indicators	Disclosure items	Corresponding chapters	Page	Note
◎102-1	Name of the organization	1.1 Vision	4	
◎102-2	Activities, brands, products, and services	1.1 Vision	4	
◎102-3	Location of headquarters	1.1 Vision	4	
◎102-4	Location of operations	1.1 Vision	4	
◎102-5	Ownership and legal form	1.1 Vision	4	
◎102-6	Markets served	1.1 Vision	4	
◎102-7	Scale of the organization	1.1 Vision	4	
		1.2 Operational performance	5	
◎102-8	Information on employees and other workers	Appendix 9.3 Human Resource Management Indicators	85	
◎102-9	Supply chain	8.2 Supplier Management	78	
◎102-10	Significant changes to the organization and its supply chain	1.1 Vision	4	Nil
		8.2 Supplier Management	78	
◎102-11	Precautionary Principle or approach	4.3 Risk Management	32	
◎102-12	External initiatives	Nil	-	
◎102-13	Membership of associations	KTB is a member of The Bankers Association of the Republic of China, Tainan Chamber of Commerce, Trust Association of R.O.C., Bills Finance Association, and The Insurance Agency Association of the Republic of China	-	-
◎102-14	Statement from senior decision-maker	Chairman's Message	1	
◎102-16	Values, principles, standards, and norms of behavior	4.1 Corporate Governance and Ethical Corporate Management	25	

<b>GRI 102: General Disclosures 2016</b>				
<b>Indicators</b>	<b>Disclosure items</b>	<b>Corresponding chapters</b>	<b>Page</b>	<b>Note</b>
102-17	Mechanisms for advice and concerns about ethics	4.1 Corporate Governance and Ethical Corporate Management	27	
©102-18	Governance structure	2.1 Sustainable Development Management Framework	7	
		4.1 Corporate Governance and Ethical Corporate Management	22	
102-19	Delegating authority	2.1 Sustainable Development Management Framework	7	
		4.1 Corporate Governance and Ethical Corporate Management	22	
102-20	Executive-level responsibility for economic, environmental, and social topics	2.1 Sustainable Development Management Framework	7	
		4.1 Corporate Governance and Ethical Corporate Management	22	
102-23	Chair of the highest governance body	4.1 Corporate Governance and Ethical Corporate Management	23	
102-24	Nominating and selecting the highest governance body	4.1 Corporate Governance and Ethical Corporate Management	23	
102-25	Conflicts of interest	4.1 Corporate Governance and Ethical Corporate Management	21	
102-30	Effectiveness of risk management processes	2.1 Sustainable Development Management Framework	7	
		4.1 Corporate Governance and Ethical Corporate Management	22	
		4.3 Risk Management	32	
102-31	Review of economic, environmental, and social topics	3. Stakeholder Engagement	13	
		4.1 Corporate Governance and Ethical Corporate Management	22	
102-32	Highest governance body's role in sustainability reporting	2.1 Sustainable Development Management Framework	7	
		4.1 Corporate Governance and Ethical Corporate Management This report has been approved by the Chairman, and the material issues have been submitted to the Corporate Governance and Nomination Committee	22	
©102-40	List of stakeholder groups	3.1 Stakeholder Identification and Communication	14	
©102-41	Collective bargaining agreements	Nil	-	
©102-42	Identifying and selecting stakeholders	3. Stakeholder Engagement	13	
©102-43	Approach to stakeholder engagement	3.1 Stakeholder Identification and Communication	14	
©102-44	Key topics and concerns raised	3.1 Stakeholder Identification and Communication	14	
©102-45	Entities included in the consolidated financial statements	About This Report	i	
		1.1 Vision	4	

<b>GRI 102: General Disclosures 2016</b>				
<b>Indicators</b>	<b>Disclosure items</b>	<b>Corresponding chapters</b>	<b>Page</b>	<b>Note</b>
©102-46	Defining report content and topic Boundaries	3. Stakeholder Engagement	13	
©102-47	List of material topics	3.2 Materiality Analysis	17	
©102-48	Restatements of information	Nil	-	
©102-49	Changes in reporting	Nil	-	
©102-50	Reporting period	About This Report	i	
©102-51	Date of most recent report	About This Report	i	
©102-52	Reporting cycle	About This Report	i	
©102-53	Contact point for questions regarding the report	About This Report	i	
©102-54	Claims of reporting in accordance with the GRI Standards	About This Report	i	
©102-55	GRI content index	9.1 GRI Standards - Content Index	79	
©102-56	External assurance	About This Report	i	

<b>GRI 103: Management Approach 2016</b>				
<b>Indicators</b>	<b>Disclosure items</b>	<b>Corresponding chapters</b>	<b>Page</b>	<b>Note</b>
103-1	Explanation of the material topic and its Boundary	3.3 Strategies, Goals, and Achievements of Material Issues	18	
103-2	The management approach and its components	3.3 Strategies, Goals, and Achievements of Material Issues	18	
103-3	Evaluation of the management approach	3.3 Strategies, Goals, and Achievements of Material Issues	18	

**Topic-specific standards**

<b>GRI 200: Economic Standards 2016</b>					
<b>Series</b>	<b>Indicators</b>	<b>Disclosure items</b>	<b>Corresponding chapters</b>	<b>Page</b>	<b>Note</b>
201 Economic Performance	201-1	Direct economic value generated and distributed	1.2 Operational Performance	5	
	201-2	Financial implications and other risks and opportunities due to climate change	2.4 Climate Change Risks and Opportunities	11	
	201-3	Defined benefit plan obligations and other retirement plans	6.1 Talent Attraction and Retention	55	
★ 205 Anti-corruption	205-1	Operations assessed for risks related to corruption	4.1 Corporate Governance and Ethical Corporate Management	25	

<b>GRI 400: Social Standards 2016</b>					
<b>Series</b>	<b>Indicators</b>	<b>Disclosure items</b>	<b>Corresponding chapters</b>	<b>Page</b>	<b>Note</b>
401 Employment	401-1	New employee hires and employee turnover	Appendix 9.3 Human Resource Management Indicators	84	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.1 Talent Attraction and Retention	55	
	401-3	Parental leave	Appendix 9.3 Human Resource Management Indicators	86	
★ 402 Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	6.2 Talent Cultivation and Development	58	
★ 404 Training and Education	404-1	Average hours of training per year per employee	Appendix 9.3 Human Resource Management Indicators	85	
	404-2	Programs for upgrading employee skills and transition assistance programs	6.2 Talent Cultivation and Development	57	
	404-3	Percentage of employees receiving regular performance and career development reviews	Appendix 9.3 Human Resource Management Indicators	85	
405 Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	Appendix 9.3 Human Resource Management Indicators	84	
	405-2	Ratio of basic salary and remuneration of women to men	6.1 Talent Attraction and Retention	54	
★ 412 Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	6.4 Labor Rights	62	
	412-2	Employee training on human rights policies or procedures	6.4 Labor Rights	62	
★ 417 Marketing and Labeling	417-1	Requirements for product and service information and labeling	5.1 Service Quality and Customer Experience	40	
★ 418 Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.4 Information Security	38	
★ 419 Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	4.2 Regulatory Compliance	28	

<b>GRI G4 Financial Services Sector Supplement</b>				
<b>Aspect</b>	<b>Indicators</b>	<b>Disclosure items</b>	<b>Corresponding chapters</b>	<b>Page</b>
★ Product portfolio	FS1	Policies with specific environmental and social components applied to business lines	5.2 Financial Technology and Innovation	44
			5.3 Sustainable Finance	48
	FS2	Procedures for assessing and screening environmental and social risks in business lines	5.3 Sustainable Finance	48
	FS7	Monetary value of the products and services designed to deliver a specific social benefit, for each business line, broken down by purpose	5.2 Financial Technology and Innovation	44
5.3 Sustainable Finance			48	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	5.2 Financial Technology and Innovation	44	
		5.3 Sustainable Finance	48	

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

Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies			
Chapter	Chapter content	Corresponding chapters	Page
Chapter 1 General Principles	Purposes of establishment, applicable objects, and principles of practice	2. Sustainable Enterprise Blueprint	7
Chapter 2 Exercising Corporate Governance	Regulation implementation to promote corporate governance	4. Corporate Governance	21
Chapter 3 Fostering a Sustainable Environment	Regulating the development of sustainable environment	8. Environmental Sustainability	73
Chapter 4 Preserving Public Welfare	Regulation to safeguard public welfare	5. Customer Value	40
		6. Happy Workplace	52
Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information	Regulation to enhance CSR information disclosure	About This Report	i
Chapter 6 Supplementary Provisions	Standards for examining and improving the Company's CSR system	3. Stakeholder Engagement	13

## 9.3 Human Resource Management Indicators

### ● Employee Composition

Employment type			Male	Female	Total
Regular employees	Contract employees		343	605	948
	Part-time employees		0	5	5
Non-regular employees	Temporary employees	Security personnel	72	0	72
		Cleaning staff	0	2	2
		Kitchen assistants	0	2	2
<b>Total</b>			<b>415</b>	<b>614</b>	<b>1,029</b>

Note:

1. All KTB employees are hired from within Taiwan
2. Contract employees include interns

<b>Gender and Age Distribution of Regular Employees</b>					
<b>Gender</b>	<b>Age</b>	<b>Managerial officers</b>		<b>Non-managerial positions</b>	<b>Total</b>
		<b>Senior managerial officers</b>	<b>Junior managerial officers</b>		
<b>Male</b>	<b>Under 30 years old</b>	0	0	87	87
	<b>31~ 49 years old</b>	15	44	80	139
	<b>Over 50 years old</b>	42	32	43	117
<b>Female</b>	<b>Under 30 years old</b>	0	0	210	210
	<b>31~ 49 years old</b>	6	74	199	279
	<b>Over 50 years old</b>	27	50	44	121
<b>Total</b>		<b>90</b>	<b>200</b>	<b>663</b>	<b>953</b>

<b>Gender and Age Distribution of New Recruits</b>	<b>Gender</b>		<b>Age</b>			<b>No. of new recruits</b>	<b>Percentage of new recruits</b>
	<b>Male</b>	<b>Female</b>	<b>Under 30 years old</b>	<b>31~ 49 years old</b>	<b>Over 50 years old</b>		
	48	62	77	24	9	110	11.54%

<b>Gender and Age Distribution of Resigned Employees</b>	<b>Gender</b>		<b>Age</b>			<b>No. of resigned employees</b>	<b>Percentage of resigned employees</b>
	<b>Male</b>	<b>Female</b>	<b>Under 30 years old</b>	<b>31~ 49 years old</b>	<b>Over 50 years old</b>		
	61	64	53	49	23	125	13.12%

● **Education Training Investment**

		<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Training hours</b>	Female	55,151	20,541	<b>27,121</b>
	Male	29,101	10,372	<b>10,664</b>
	Managerial positions	27,929	11,906	<b>14,640</b>
	Non-managerial positions	56,323	19,007	<b>23,145</b>
<b>Total training hours</b>		84,252	30,913	<b>37,785</b>
<b>Average training hours per employee</b>	Female	90.7	33.6	<b>44.5</b>
	Male	79.3	29.1	<b>31.1</b>
	Managerial positions	99.7	41.6	<b>50.5</b>
	Non-managerial	81.0	27.9	<b>34.9</b>
<b>Total training expense (NT\$)</b>		4,805,335	4,378,967	<b>3,795,051</b>
<b>Average training expense per employee (NT\$)</b>		5,074	4,524	<b>3,982</b>

● **Percentage of employees receiving regular performance and career development reviews**

No. of employees that require performance assessment for 2020 (Excluding intern)	948	
	No. of employees	% of total
<b>Employees that had performance assessment</b>	<b>948</b>	<b>100%</b>
Female	605	63.82%
Male	343	36.18%
Managerial positions	290	30.59%
Non-managerial positions	658	69.41%



● **Occupational Hazards**

	Number of occupational hazard cases	Injury rate	Total lost days of disabling injury	Lost day rate	Number of absent days	Absence Rate
<b>Female</b>	5	0.82	73	11.97	446.88	0.29%
<b>Male</b>	0	0	0	0	107.13	0.12%
<b>Total</b>	<b>5</b>	<b>0.52</b>	<b>73</b>	<b>7.66</b>	<b>554</b>	<b>0.23%</b>

Note:

- Total workdays in 2020 were 250, and the calculation is based on the no. of employees on December 31, 2020
- Female: 610. Total workdays = 610\*250 = 152,500 days. Total working hours = 610\*250\*8 = 1,220,000 hours
- Male: 343. Total workdays = 343\*250 = 85,750 days. Total working hours = 343\*250\*8 = 686,000 hours
- Total working hours of all employees = 1,220,000 + 686,000 = 1,906,000
- Total female absent hours = 3575 (sick leave: 2,975 + disabling injury lost hours: 600). Total no. of absent days = 3575/8 = 446.88
- Total male absent hours = 857 (sick leave: 857 + disabling injury lost hours: 0). Total no. of absent days = 857/8 = 107.13
- Absence rate = Total absent hours ÷ total working hours
- Injury rate = (Total number of occupational hazard cases ÷ total working hours) \* 200,000
- Work-related death or severe injury: 0
- Work-related injury of contractors: 0

● **Unpaid Parental Leave**

	Male	Female	Total
<b>No. of employees eligible for unpaid parental leave in 2020</b>	12	71	<b>83</b>
<b>No. of employees that took unpaid parental leave</b>	0	9	<b>9</b>
<b>No. of employees that should return to work after taking parental leave in the year (A)</b>	0	8	<b>8</b>
<b>No. of employees returned to work after taking parental leave in the year (B)</b>	0	6	<b>6</b>
<b>Return to work rate (B/A)</b>	0%	75%	<b>75%</b>
<b>No. of employees that should return to work after taking parental leave in the previous year (C)</b>	1	3	<b>4</b>
<b>Number of employees that returned to work after taking parental leave in the previous year and stay employed for 12 months (D)</b>	1	3	<b>4</b>
<b>Retention rate (D/C)</b>	100%	100%	<b>100%</b>

Note:

- The “no. of employees eligible for unpaid parental leave” is the no. of employees applied for maternity subsidy in the most recent 3 years

## 9.4 Assurance Statement

- ISO 50001 Energy Management System



# Certificate of Registration

ENERGY MANAGEMENT SYSTEM - ISO 50001:2018

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  
臺灣  
台南市  
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 50001:2018 for the following scope:

The provision of banking services including management and maintenance of the data center.  
The main energy uses include: electricity- office activities, data center and air condition systems; diesel oil- emergency generation; motor gasoline- company cars.  
銀行業務服務的提供，其中包含京城商業銀行的資訊機房維護與管理

For and on behalf of BSI:

  
Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2018-11-03  
Latest Revision Date: 2020-10-13

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 authorized [online](http://online).  
Printed copies can be validated at [www.bsi-global.com/ClientDirectory](http://www.bsi-global.com/ClientDirectory) or telephone +886 (02)2656-0333.  
Tainan Headquarters: 2nd Floor, No.37, Ji-Hu Rd., Kei-Hu Dist., Tainan 114, 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 臺灣 台南市 中西區 西門路一段506號 70051	The provision of the banking services.
King's Town Bank Anhe Branch 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 臺灣 台南市 安南區 安和路二段241號 70945	(1)The provision of the banking services. (2)The management and maintenance of the data center for King's Town Bank.




Original Registration Date: 2018-11-03  
Latest Revision Date: 2020-10-13

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

Page: 2 of 2

This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract.  
An electronic certificate can be authorized [online](http://online).  
Printed copies can be validated at [www.bsi-global.com/ClientDirectory](http://www.bsi-global.com/ClientDirectory) or telephone +886 (02)2656-0333.  
Tainan Headquarters: 2nd Floor, No.37, Ji-Hu Rd., Kei-Hu Dist., Tainan 114, Taiwan, R.O.C.  
A Member of the BSI Group of Companies.

● Independent Assurance Opinion Statement

 <h2 style="text-align: center;">ASSURANCE STATEMENT</h2> <p><b>SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE KING'S TOWN BANK CO., LTD.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2020</b></p> <p><b>NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION</b>                  SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by KING'S TOWN BANK CO., LTD. (hereinafter referred to as KING'S TOWN) to conduct an independent assurance of the Corporate Social Responsibility Report for 2020 (hereinafter referred to as the Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during on-site verification in the period of 14 July 2021 to 30 July 2021. SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.</p> <p><b>INTENDED USERS OF THIS ASSURANCE STATEMENT</b>                  This Assurance Statement is provided with the intention of informing all KING'S TOWN's Stakeholders.</p> <p><b>RESPONSIBILITIES</b>                  The information in the KING'S TOWN 's CSR Report of 2020 and its presentation are the responsibility of the directors or governing body (as applicable) and management of KING'S TOWN. SGS has not been involved in the preparation of any of the material included in the Report.</p> <p>Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all KING'S TOWN 's stakeholders.</p> <p><b>ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE</b></p> <p>The SGS ESG &amp; Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.</p> <p>The assurance of this report has been conducted according to the following Assurance Standards:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2">Assurance Standard Options</th> <th>Level of Assurance</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">A</td> <td>SGS ESG &amp; SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)</td> <td style="text-align: center;">n/a</td> </tr> <tr> <td style="text-align: center;">B</td> <td>AA1000ASv3 Type 1 (AA1000AP Evaluation only)</td> <td style="text-align: center;">Moderate</td> </tr> </tbody> </table> <p>Assurance has been conducted at a moderate level of scrutiny.</p> <p style="font-size: small;">TWLPP 5008 Issue 2104</p>	Assurance Standard Options		Level of Assurance	A	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)	n/a	B	AA1000ASv3 Type 1 (AA1000AP Evaluation only)	Moderate	<p><b>SCOPE OF ASSURANCE AND REPORTING CRITERIA</b>                  The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2">Reporting Criteria Options</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>GRI Standards (Core)</td> </tr> <tr> <td style="text-align: center;">2</td> <td>AA1000 Accountability Principles (2018)</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>AA1000 Assurance Standard v3 Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018) at a moderate level of scrutiny; and</li> <li>evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.</li> </ul> <p><b>ASSURANCE METHODOLOGY</b>                  The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. In response to COVID-19 pandemic situation the assurance process was conducted via zoom at pre-assurance stage.</p> <p><b>LIMITATIONS AND MITIGATION</b>                  Financial data drawn directly from independently audited financial accounts and Task Force on Climate-related Financial Disclosures (TCFD) has not been checked back to source as part of this assurance process.</p> <p><b>STATEMENT OF INDEPENDENCE AND COMPETENCE</b>                  The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from KING'S TOWN, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.</p> <p>The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.</p> <p><b>FINDINGS AND CONCLUSIONS</b></p> <p><b>VERIFICATION/ ASSURANCE OPINION</b>                  On the basis of the methodology described and the verification work performed, we are satisfied that the specified performance information included in the scope of assurance is accurate, reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.</p> <p>We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.</p> <p style="font-size: small;">TWLPP5008 Issue 2104</p>	Reporting Criteria Options		1	GRI Standards (Core)	2	AA1000 Accountability Principles (2018)	<p><b>AA1000 ACCOUNTABILITY PRINCIPLES (2018) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS</b></p> <p><b>Inclusivity</b>                  KING'S TOWN has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, KING'S TOWN may proactively consider having more direct two-ways involvement of stakeholders during future engagement.</p> <p><b>Materiality</b>                  KING'S TOWN has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.</p> <p><b>Responsiveness</b>                  The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.</p> <p><b>Impact</b>                  KING'S TOWN has demonstrated a process on identify and fairly represented impacts that encompass a range of environmental, social and governance topics from wide range of sources, such as activities, policies, programs, decisions and products and services, as well as any related performance. Measurement and evaluation of its impacts related to material topic were in place at target setting with combination of qualitative and quantitative measurements.</p> <p><b>GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS</b></p> <p>The report, KING'S TOWN 's CSR Report of 2020, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of King's town involvement with the impacts for each material topic (103-1), and how efforts were given to mitigate the impacts. And it is recommended to have more disclosures on how King's Town integrate SDGs into King's Town business strategies and how to identify potential opportunities related to SDGs which may have positive influence on enhancing shared value of King's Town.</p> <p><b>Signed:</b>                  For and on behalf of SGS Taiwan Ltd.</p> <div style="display: flex; justify-content: space-between; align-items: center;">   <div style="text-align: right;"> <p><b>AA1000</b>                      Licensed Report                      000-8/V3-FX3SJ</p> </div> </div> <p><b>David Huang</b>                  Senior Director                  Taipei, Taiwan                  11 August, 2021  <a href="http://WWW.SGS.COM">WWW.SGS.COM</a></p> <p style="font-size: small;">TWLPP5008 Issue 2104</p>
Assurance Standard Options		Level of Assurance															
A	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)	n/a															
B	AA1000ASv3 Type 1 (AA1000AP Evaluation only)	Moderate															
Reporting Criteria Options																	
1	GRI Standards (Core)																
2	AA1000 Accountability Principles (2018)																

“

台南市中西區西門路一段506號

TEL:06-2139171

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

”