

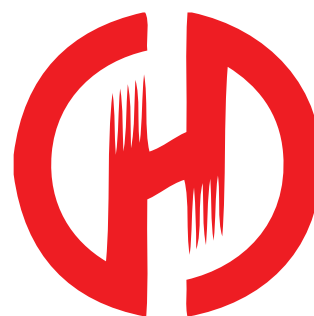
CSR

Hua Nan Financial Holdings Co., Ltd.

2019 Corporate Social Responsibility Report



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Message from the Chairman

It has been six years since Hua Nan Financial Holdings prepared its first CSR report in 2014. As the first financial holding company established in Taiwan, it has operated the century-old Hua Nan Commercial Bank (HNCB), which was founded in 1919. With a century of experience, we have learned and thought about the fulfillment and direction of corporate social responsibility with the world. We have not only maintained communication and interaction with stakeholders, including the government, shareholders, customers, employees, suppliers, and the general public to understand each stakeholder's expectations of the Group, but also we are moving toward the goal of corporate sustainable development.

We pay close attention to the development and initiatives of international CSR in recent years to strengthen the strategic blueprint for the Company's sustainable development. In 2019, a letter from shareholders suggested that we pay attention to climate change issues, disclose relevant risks identified,



and formulate strategies to respond. To this end, we have responded to the Carbon Disclosure Project (CDP), based on which we plan to introduce Task Force on Climate-related Financial Disclosures (TCFD) gradually to establish a risk management and control mechanism on climate change, and we will examine the three major aspects of the environment, society, and corporate governance (ESG), while constantly adjusting our pace to cope with future operational risks, in the hope of gaining insights and grasping the opportunities that arise with risks.

The stable development of our core business is the driving force behind the continuous progress of Hua Nan Financial Group. Looking back on 2019, the financial performance of the Group had grown steadily, with consolidated net income after tax of NT\$15.955 billion, a 9% increase from the previous year, and the earnings per share (EPS) was NT\$1.31. As for non-financial performance, the results are equally impressive. The Group has continued to be selected as a constituent stock of the FTSE4Good Emerging Index, the FTSE4Good TIP Taiwan ESG Index, the TWSE Corporate Governance 100 Index, the Taiwan HC 100 Index, and the TWSE RA Taiwan Employment Creation 99 Index. In 2019, Hua Nan Financial Holdings won the Gold Sponsorship, Long-term Sponsorship, and Promotional Bronze Awards at the 2019 Sports Contribution Award again, which have all indicated that the Group's performance in ESG has been highly recognized by professional institutions at home and abroad.

Meanwhile, how to respond to environmental issues through the core business and to pursue a sustainable new economic model are the goal the Group strives toward through continuous improvement and learning. The subsidiary HNCB has followed the spirit of the Equator Principles since 2017 and has completed the formulation of the Sustainable Credit Principles and the Negative List in May 2019 to strengthen the integrity of ESG risk assessment. Secondly, the Green Energy Technology Financing Promotion Team has been formed to integrate internal resources, continue to develop green energy technology financing business, and cooperate with foreign banks, green energy technology businesses, and local governments, to expand green finance business opportunities. As of the end of 2019, the total balance of credit granted to the green energy technology, new agriculture, and circular economy industries was NT\$297.6 billion, of which the balance of credit to the circular economy reached NT\$185.4 billion.

In addition, the head office building of HNCB has obtained certification of the ISO 14001 environmental management system and the ISO 14064-1 greenhouse gas inventory for four consecutive years since 2016. In 2018, it also obtained certification of the ISO 50001 energy management system. In order to track and analyze the Group's greenhouse gas emissions more comprehensively and reduce impact on the environment, we expanded the scope of our greenhouse gas inventory to 30 branches of HNCB in 2019, and in 2020 the scope of our inventory will be expanded to 186 branches in Taiwan. Hua Nan

Financial Group expects to lead corporate clients to face up to the impact of corporate operations on the environment and society through its financial influence, and to go on a journey to sustainable development with its customers.

As a member of the financial industry, Hua Nan Financial Holdings shoulders the important responsibility for supporting the development of the industry, bringing positive benefits to the society through its professional financial services, and striding forward with the society when making profits. In the future, while formulating relevant strategies in the face of emerging risks, we will remain committed to bringing profits to shareholders and protecting the wealth and assets entrusted by customers in the changing situation, while complying with the government's regulations and standards so as to accompany everyone who trust Hua Nan through our professionalism and integrity. "Safeguarding your original intention" is a specific demonstration of our step-by-step implementation of CSR.

Chairman

Yun Peng Chang

Hua Nan and United Nations Sustainable Development Goals (SDGs)



1. Sustainable governance



2. Financial services



1. The total number of loans provided to small-and medium sized enterprises and for the purpose of industrial innovation and development is **147**, with a total of NT\$**39,984** million.
2. Provided micro insurance plans to **4,803** people from **13** social welfare organizations.



1. Provided **110** papaya insurance policies and **20** litchi insurance policies in the agricultural insurance program.
2. Cooperated with the Hondao Senior Citizen's Welfare Foundation for **8** consecutive years to hold dinner parties for the elderly, donate supplies, and respond to a charitable meal delivery and breakfast subsidy program.



1. Subsidized **8,316** employees' health checkup, totaling NT\$**24.402** million.
2. HNCB held a total of **106** health promotion seminars, with **13,833** participants.



1. Held **18** events of "Financial Knowledge Promotion at School and in Community" to promote financial knowledge and anti-fraud knowledge.
2. The 4th Hua Nan Financial Innovation Competition attracted **1,302** students from more than **300** teams to participate.



1. The ratio of male to female employees is balanced, with female employees accounting for **60%** and female management personnel accounting for **52%**.
2. Actively cared for **125** pregnant employees and provided **168** employees with parental leave.



1. Saved **3.25%** of water consumption, and the water consumption density also decreased by **5.49%** compared with 2018.
2. Launched the Hua Nan Global Agribusiness and Water Fund, the only fund in Taiwan that invested in water resources, with a scale of NT\$**388** million.



1. HNCB invested in industries related to energy conservation and environmental protection, totaling NT\$**9.31** billion.
2. HNCB cooperated with local city and county governments to launch a total of **5** green energy-related financing products.



1. Net income after tax was NT\$**15.955** billion and the earnings per share were NT\$**1.31**, an increase of **9%** from 2018, and the return on equity (ROE) was **8.79%**.
2. Provided **66** students with internship opportunities and **51** students with part-time job opportunities.



1. The Group has a total of **81** financial technology patents.
2. Provided **22** online banking services via Bank 3.0 as the bank that provided the most banking services.



3 Employee cultivation



4 Environmental sustainability



5 Social benefits



1. The number of beneficiaries of the property trust services for the elderly and the disabled reached **12,088** accumulatively, ranking first in the industry.
2. There are **613** ATMs suitable for wheelchair users, **10** of which have voice functions for the visually impaired.



1. The total number of loans approved for urban renewal and the reconstruction of dangerous old buildings was **41**, and the total credit limit approved amounted to NT\$**54** billion.
2. Held a seminar of "Urban Renewal X Reconstruction of Dangerous Old Buildings" on December 17, 2019, and experts from the industry, government, and academia were invited to participate.



1. Hua Nan Venture Capital invested approximately NT\$**217** million in industries related to energy conservation and environmental protection in 2019, accounting for **14%** of the overall investment portfolio.
2. Suppliers were required to abide by internationally recognized human rights clauses and to be committed to protecting the environment. A total of **578** supplier commitments have been received.



1. **30** business units of HNCB introduced ISO14064-1 organized greenhouse gas inventory.
2. Organized or co-organized a total of 9 syndicated loans related to environmental sustainability, with a total amount of NT\$**47.6** billion.



1. Called on the Hua Nan volunteer team to clean the beach and collect a total of **350** kg of garbage.




1. Organized the "No-plastics Guests" hiking event to love the Earth, with more than **500** employees participating.
2. In accordance with the Group's sustainable credit principles, **20** corporate credit accounts with pollution risks on their factory sites were identified and managed.



1. The results of the external evaluation of the performance of the Board of Directors are able to meet the standards; as well as, a healthy and positive Board interaction culture has been developed.
2. Fair and sound performance evaluation and employee promotion channels, with a total of **1,455** employees promoted each year.



1. Participated in **54** trade associations, with the annual expenditure of NT\$**12,671,128** in total.
2. Responded to external initiatives and formulated sustainable credit principles based on the Equator Principles.



Governance

1. Selected as a constituent stock of the TWSE Corporate Governance 100 Index for five consecutive years.
2. Selected as a constituent stock of the FTSE4Good TIP Taiwan ESG Index for three consecutive years.
3. Selected as a constituent stock of the FTSE4Good Emerging Index for three consecutive years.
4. Selected as a constituent stock of the Taiwan HC 100 Index for six consecutive years.
5. Received the Special Appreciation Award and the Evaluation Award at the Asia-Pacific Group (APG) on Money Laundering's Money Laundering Prevention Evaluation Announcement and Award Presentation Ceremony.
6. All domestic units have obtained 189 badges of the Badge of Accredited Healthy Workplace.
7. The Health Promotion Administration, Ministry of Health and Welfare, issued a Certificate of Appreciation for the "Plan to Improve Insufficient Physical Activity at Workplace Using Design Thinking."
8. The Sports Administration, Ministry of Education, issued a Certificate of Taiwan i Sports.
9. Received the National Outstanding Healthy Workplace—Health Communication Award from the Health Promotion Administration, Ministry of Health and Welfare.
10. Received the Gold Award of the Talent Training Project Planning Excellence Award at the Insurance Excellence Award.

Society

1. Received the New Agriculture Special Award for "rewarding domestic banks for the loan program for new and innovative key industries (phase 2)" from the Financial Supervisory Commission.
2. The Taitung Branch, HNCB, was the only financial institution to receive the Friendly Space Award for the excellent services provided to the disabled from the Taitung County Government.
3. The National Police Agency, Ministry of the Interior, issued a Medal of Excellence for the outstanding performance in checking upon customers over the counter to successfully stop them from sending funds to scammers.
4. The Youth Development Administration, Ministry of Education, issued a Certificate of Appreciation to Hua Nan Financial Holdings for participating in the Economically Independent Youth Part-time Job Program.

Environment

1. Received Outstanding Performance Award for voluntary energy conservation from the Ministry of Economic Affairs.
2. Received Certificate of Appreciation for outstanding green procurement performance from the Environmental Protection Agency, Executive Yuan.
3. Received the Corporate Excellence Award for Smart Energy Conservation in New Taipei City
4. Recognized as "Private Enterprises and Organizations with Outstanding Green Procurement Performance" by the Department of Environmental Protection, Taipei City Government.

About This Report

Under the framework of five aspects, namely sustainable governance, financial innovation and services, employee care, environmental sustainability, and social benefits, this Report reveals the views and measures taken by Hua Nan Financial Holdings and its subsidiaries in the process of operations when faced with economic, social and environmental sustainability issues, and serves as the primary interface for communicating with the Company's stakeholders.

Reporting Period

This report covers information generated mainly between January 1, 2019 to December 31, 2019. Some information is updated to June 2020. The coverage period is specified in the report.

Boundary and Scope

This year's report primarily presents performance in the Taiwan region. The scope of information includes the parent company, Hua Nan Financial Holdings, and its six subsidiaries: Hua Nan Commercial Bank, Hua Nan Securities, South China Insurance, Hua Nan Investment Trust, Hua Nan Venture Capital, and Hua Nan Assets Management. During the reporting period, the scale, structure and ownership of Hua Nan Financial Holdings did not change significantly. The Group's offshore operations are proposed to be gradually included in the future reports in order to present a comprehensive view on the corporate social responsibility (CSR) management of the Hua Nan Financial Group. Data in this Report were collected as well as measured and calculated by inviting relevant departments to summarize the Company's performance in the economic, social and environmental aspects in accordance with relevant international standards and initiatives through data collection during daily operational management, issue discussions, and interviews with each unit. Four-year data from 2016 to 2019 were disclosed for partial performance information disclosure. The collection, measurement and calculation methods of various indicators were mainly based on the local regulatory requirements. Areas where the local regulations did not cover, international standards (e.g. ISO-related international standards) were referenced. Where no international standards were applicable, industry standards or industry practices were adopted.

Preparation Guidelines

This Report was prepared based on the framework set out in the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and the Core Options under the GRI sustainability reporting standards (GRI Standards) released by the Global Reporting Initiative (GRI), while responding to the UN Sustainable Development Goals (SDGs).

Assurance

The Company engaged PricewaterhouseCoopers Taiwan to conduct independent limited assurance on some of the performance data in this Report in accordance with the Statements of Assurance Engagements Standards No. 1 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information." The assurance statement was provided in the appendix of the report.

Issuance

Hua Nan Financial Holdings publishes its annual CSR Report on the Company's official website annually. The time of the previous publication was June 2016, and the publication date of this issue is July 2020.

Feedback

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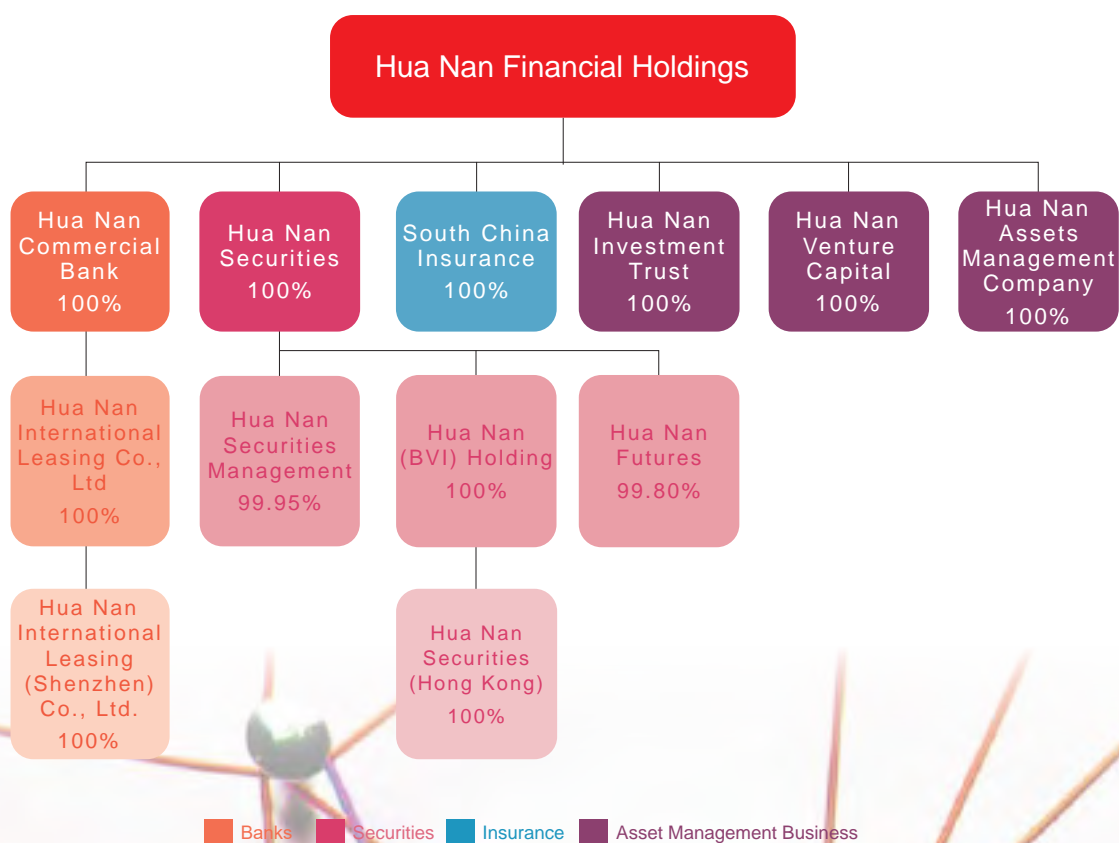
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Taiwan (R.O.C.)



Group Introduction

Hua Nan Financial Holdings Co., Ltd. was the first financial holding company established in Taiwan. The Company was incorporated through a share swap between Hua Nan Commercial Bank Ltd. and EnTrust Securities Co., Ltd. on December 19, 2001 with headquarters located in Taipei. The financial services span various professional fields, including banking, securities, insurance, investment trust, venture capital, and asset management. In the future, it is hoped that through the expansion of the Group's business operations, the overall synergy of the Group's operations will be improved to stride toward the vision of becoming an international high-quality financial institution in the Asia-Pacific region.

Organizational Structure of Hua Nan Financial Group



Introduction to Group's Subsidiaries

Hua Nan Commercial Bank	Founded in 1919, HNCB has operated for 100 years with the main lines of business covering personal finance, corporate finance, foreign exchange, trust, and wealth management. As of the end of 2019, HNCB had nearly 200 operations and 7,744 employees in Taiwan and around the world, with the total asset amounting to NT\$2,659 billion. With a sound financial structure, HNCB has been highly recognized by the credit rating agencies.
Hua Nan Securities	Founded in 1988, it is a comprehensive securities firm and one of the top 10 brokerage firms. Its main lines of business include brokerage, proprietary, underwriting, bonds, overseas products, wealth management, and stock agency services, and it actively expands offshore securities unit (OSU) and other new types of financial business activities. In 2019, it won the Best Customer Recommendation Award of the Wealth Management Awards launched by the "Wealth Magazine".
South China Insurance	Founded in 1963, South China Insurance offers various insurance products and damage prevention services, including fire insurance, marine insurance, vehicle insurance, accident insurance, and health and injury insurance. South China Insurance boasts its excellent business growth and solid profitability better than the market.
Hua Nan Investment Trust	Founded in 1992, Hua Nan Investment Trust offers a variety of wealth management products and services, including public placement funds, private placement funds, and discretionary investment services.
Hua Nan Venture Capital	Founded in 2004, Hua Nan Venture Capital has invested in nearly 100 domestic and foreign companies covering the fields of semiconductor, optoelectronics, and biotechnology and successfully fostered the development of start-ups.
Hua Nan Assets Management Company	Founded in 2005, Hua Nan Assets Management mainly assists the government in solving non-performing loans of financial institutions, with the main lines of business covering non-performing loan investment and real estate investment and management.

Business Locations

Taiwan

Hua Nan Financial Holdings	1
Hua Nan Commercial Bank	186
Hua Nan Securities	40*
South China Insurance	40
Hua Nan Investment Trust1	1
Hua Nan Venture Capital	1
Hua Nan Assets Management Company	1

As of the end of December 2019, there were 40 business locations: Dounan Branch was merged into Huwei Branch in March 2020; thus, the number of business locations were changed to 39.

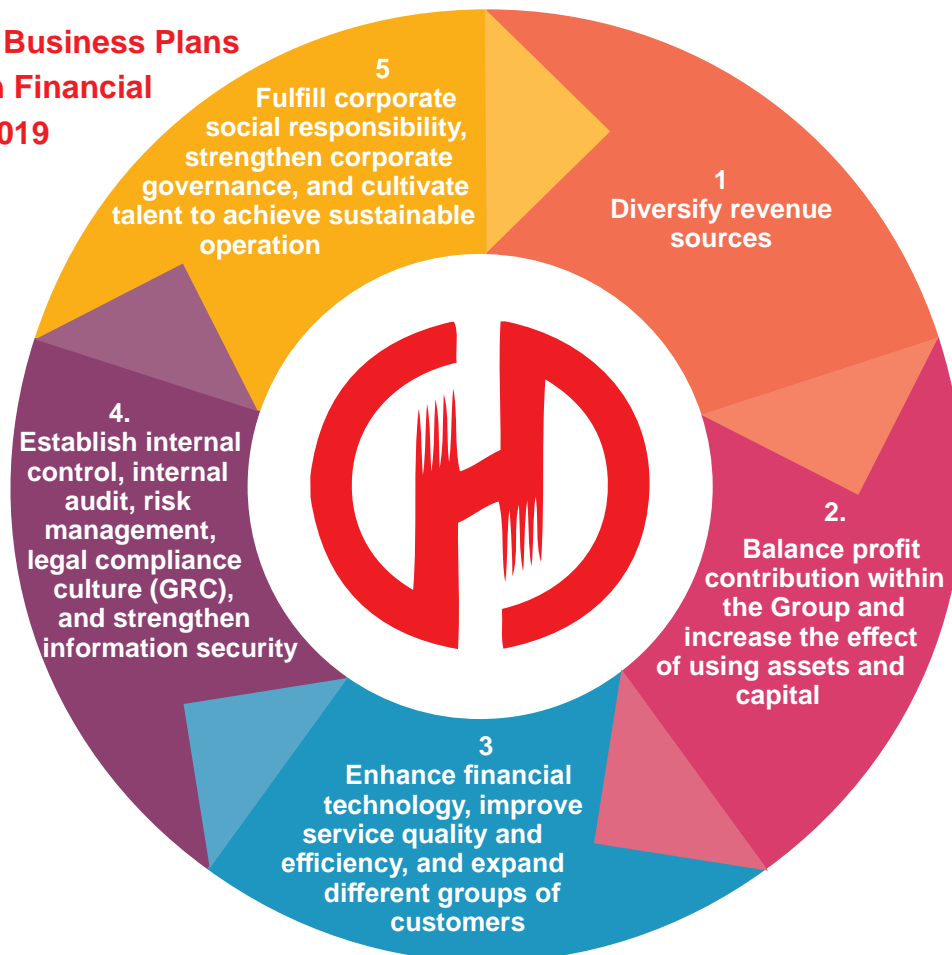
Overseas Regions (Asia, Europe, the Americas, etc.)

Hua Nan Commercial Bank	15
Hua Nan Securities	1
South China Insurance	1



Business Performance

Five Major Business Plans of Hua Nan Financial Group in 2019



Under this framework, with the concerted efforts of the Group's all employees, its 2019 net income after tax was NT\$159.55 billion and the earnings per share (EPS) was NT\$1.31, an increase of 9% from 2018, and the return on equity (ROE) was 8.79%.

Group's Business Performance in 2019

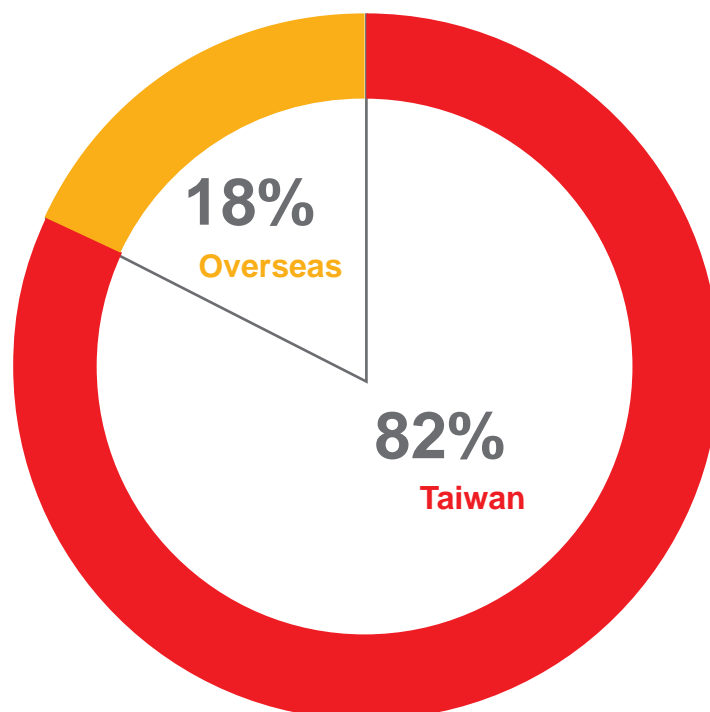
Unit: NT\$1,000

Item	2015	2016	2017	2018	2019
Net Income	39,565,414	42,232,422	42,220,548	46,002,484	46,704,333
Total Assets	2,350,288,574	2,545,941,962	2,573,419,750	2,684,206,863	2,731,828,227
Equity	153,069,327	158,983,270	164,234,163	174,157,583	188,700,657
Dividends paid to shareholders	5,783,342	6,240,972	7,364,347	5,523,260	6,291,269
Tax paid to government*	2,545,063	2,769,662	2,392,584	2,070,719	2,548,169

* Based on the consolidated financial statements of Hua Nan Financial Holdings audited and certified by CPAs for 2019.

* More than 90% of the Group's net income is generated in Taiwan, which also incurs most of the income tax expenses.

Taxes paid in the region as a percentage of total taxes in 2019



External Initiatives and Exchanges

By participating in external associations and other organizations, the Group continues to absorb and grasp the business development direction and trend of the financial industry, and put forward suggestions on related issues to promote industrial development.

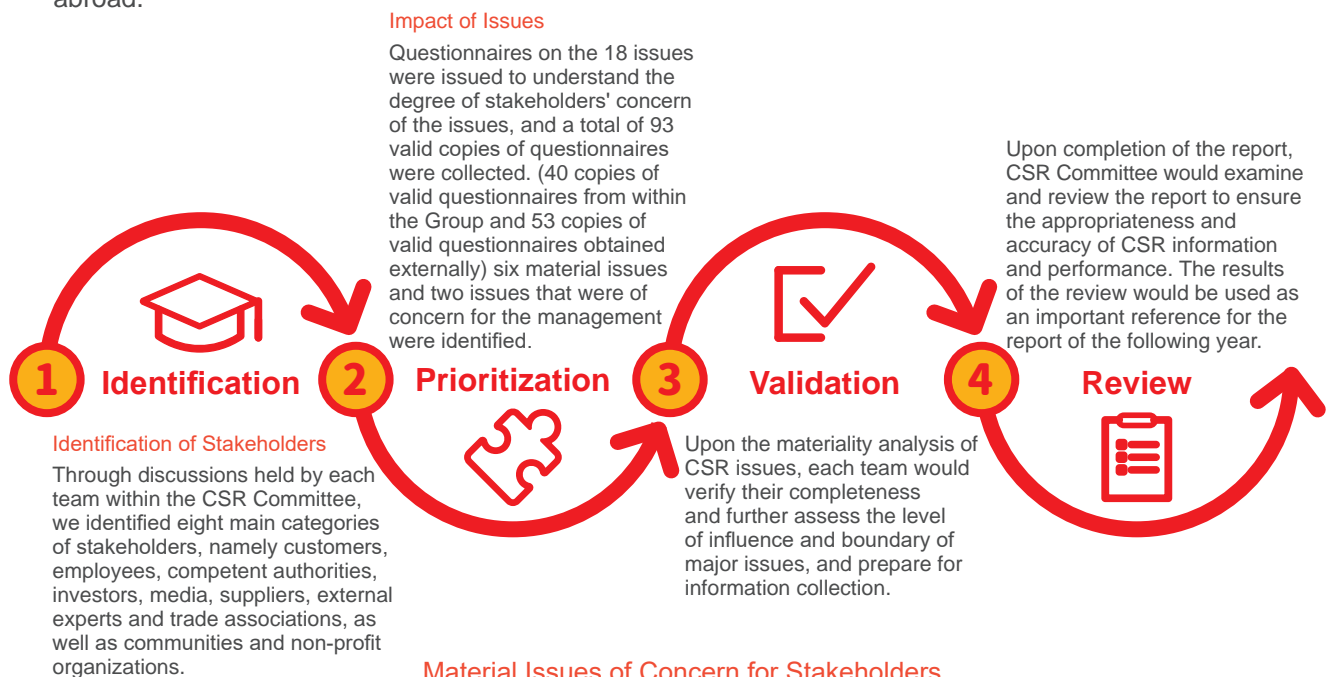
In 2019, the total expenditures at the trade associations and financial annual meetings were NT\$12,671,128 :

In terms of external initiatives, we have followed the spirit of the Equator Principles since 2017, hoping to lead corporate customers with financial influence to face up to the impact of corporate operations on the environment and society.

Item	Participation in Industry Associations	Number of Directors
Hua Nan Financial Holdings	12	2
Hua Nan Commercial Bank	14	4
Hua Nan Securities	11	1
South China Insurance	13	5
Hua Nan Investment Trust	1	1
Hua Nan Venture Capital	1	0
Hua Nan Assets Management Company	2	0

Identification of Material CSR Topics and Stakeholders

The Company has entered the sixth year in terms of preparation of its CSR report in 2019. This year, based on the identification experience and results over the years, the Company will review the operating situation and changes in the industrial environment this year. In addition to implementing the identification procedures based on the analysis methods adopted by domestic and foreign peers, the Company strictly reviews the requirements of domestic and foreign sustainability standards to examine the the Group's management with the highest standards and to respond to the expectations of stakeholders at home and abroad.



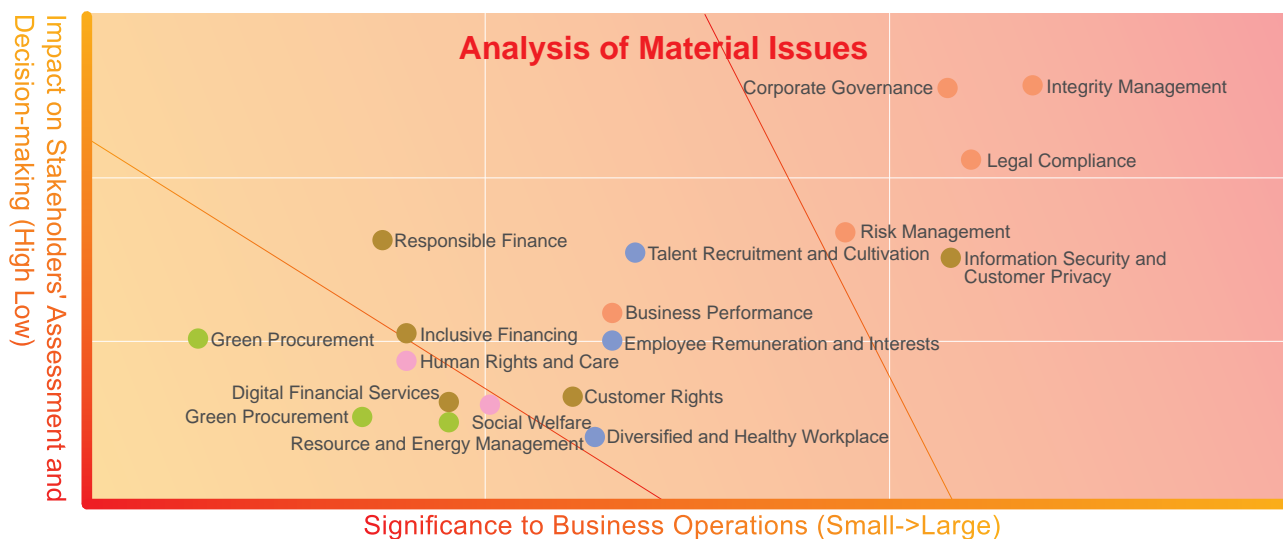
Material Issues of Concern for Stakeholders

Identification of Issues of Concern

From the issues of concern to the industry at home and abroad and the topics of the GRI Standards, we selected 18 issues based on internal evaluations concerning their relevance to the Group and suggestions from external consultants.

In 2019, by issuing questionnaires covering 18 material issues to the CSR core team of the Group, the management and employees, competent authorities, investors, suppliers, customers, trade associations, and media, a total of 93 copies of questionnaires were collected. The matrix of material issues in 2019 is presented in the following method manner. The horizontal axis represents the significance of the issue to the business operations, while the vertical axis refers to the degree of impact of the issue on stakeholders' assessment and decision-making, indicating the degree of any positive or negative impact that the Company and its value chain have on the environment, society, and corporate governance regarding the issue. A matrix of material issues is formed based on the identification results. This year's report disclosed critical and important issues based on the framework of the GRI Standards.

Rank	Material Issues	Five Major Dimensions of Hua Nan
1	Integrity Management	Sustainable Governance
2	Corporate Governance	Sustainable Governance
3	Legal Compliance	Sustainable Governance
4	Information Security and Customer Privacy	Financial Services
5	Risk Management	Sustainable Governance
6	Talent Recruitment and Cultivation	Employee Cultivation
7	Business Performance	Sustainable Governance
8	Responsible Finance	Financial Services
9	Employee Remuneration and Interests	Employee Cultivation
10	Customer Rights	Financial Services
11	Inclusive Financing	Financial Services
12	Diversified and Healthy Workplace	Employee Cultivation
13	Human Rights and Care	Positive Societal Impact
14	Social Welfare	Positive Societal Impact
15	Digital Financial Services	Financial Services
16	Resource and Energy Management	Environmental Sustainability
17	Climate Change Strategies	Environmental Sustainability
18	Green Procurement	Environmental Sustainability



Material Issues	Corresponding GRI		Scope of Impact		Corresponding Chapter
	No.	Issue	Within the Organization	Outside the Organization	
Integrity Management	205 415	Anti-Corruption Public Policy	V	V	1.2 Integrity Management
Corporate Governance	102	General Disclosures	V	V	1.1 Corporate Governance
Legal Compliance	205 419	General Disclosures Socioeconomic Compliance	V	V	1.4 Legal Compliance
Information Security and Customer Privacy	418	Customer Privacy	V	V	2.2 Information Security and Customer Privacy
Risk Management	102 201	General Disclosures Economic Performance	V		1.3 Risk Management
Talent Recruitment and Cultivation	404	Training and Education	V		3.2 Talent Management
Social Welfare	201	Economic Performance		V	5.1 Hua Nan's Philosophy of Charity
Resource and Energy Management	305 306	Emissions Wastewater and Waste	V		4.2 Green Operation

Note 1: For the GRI Index Table, please refer to the appendix to this Report.

Note 2: The scope of impact is the boundary of material issues. This table mainly describes the scope of impact of material issues and the association of the organization with these impacts based on the GRI Standards. The association of the organization with these impacts is divided into three levels of involvement: whether the organization directly causes the impacts, contributes to the impacts, or is directly related to the impacts through its business relationship. In the scope of impact, issues within the organization are mainly impacts caused by the Company directly (such as issues relating to employees and products and services); issues outside the organization are mainly impacts caused by the Company through its business relationship (such as issues relating to customers and suppliers); in addition, impacts relating to compliance and business integrity are indirectly caused by the Company with competent authorities.



Communication with Stakeholders

Stakeholder	Significance	Channel	Top three issues of concern ^{Note}
Customers	Hua Nan upholds the service philosophy of "placing customers at the center and providing customers with the optimal experience" and remains committed to providing higher quality financial products and services to create a win-win outcome with customers.	<ol style="list-style-type: none"> 1. Set up a dedicated customer service hotline. 2. Set up a dedicated mailbox to deal with queries from the public. 3. Conduct satisfaction surveys via phone or the Internet. 4. Deliver brochures containing the latest financial information regularly. 5. Organize wealth management and investment seminars. 	Corporate Governance Integrity Management Legal Compliance
Employees	Employees are Hua Nan's most important business partners, and talents are the key to companies' core competitiveness and the foundation for sustainable corporate operations.	<ol style="list-style-type: none"> 1. Set up a dedicated hotline for employee complaints and sexual harassment reports. 2. Set up an employee message board on the intranet. 3. Hold labor-management meetings periodically. 4. Convene meetings of Employee Welfare Committee and Labor Retirement Reserve Supervision Committee regularly. 	Corporate Governance Integrity Management Legal Compliance
Investors	The support of shareholders and investors are the power behind Hua Nan's growth. We value and treat each shareholder's opinions equally.	<ol style="list-style-type: none"> 1. Convene regular shareholders' meetings and issue annual reports in English and Chinese to convey business performance to shareholders. 2. Regularly hold investors conferences, issue press releases, and disclose relevant financial information. 3. Set up an Investor Relation section on the official website. 	Corporate Governance Integrity Management Legal Compliance Human Rights and Care Responsible Finance Talent Recruitment and Cultivation
Suppliers	Suppliers are Hua Nan's important partners in sustainable development. We maintain responsible partnerships with suppliers to jointly achieve the goals of sustainable development in ethics and honesty, labor and human rights, health and safety, and environmental protection.	<ol style="list-style-type: none"> 1. Suppliers are required to comply with labor safety and environmental protection laws and regulations during transactions. 2. Purchase information transparency. 	Corporate Governance Integrity Management Legal Compliance Information Security and Customer Privacy Talent Recruitment and Cultivation

Note: In the event that the investigation results are the same, they will be disclosed together.

Please scan the QR code below and fill out the stakeholders and material issues identification questionnaire



Stakeholder	Significance	Channel	Top three issues of concern ^{Note}
Media	The media is an important communication channel between Hua Nan and the media to create positive social impact	<ol style="list-style-type: none"> 1. Regularly hold investor conferences, publish newsletter for the disclosure of financial information 2. Establish smooth communication with the media and explain the Company's management issues in a timely manner. 	Corporate Governance Integrity Management Business Performance Information Security and Customer Privacy Talent Recruitment and Cultivation Employee Remuneration and Interests
The management of South China Financial Group	The management of the Group is equipped with extensive experience and academic backgrounds, leading the Group's business on the road toward sustainable development while enhancing its value.	<ol style="list-style-type: none"> 1. Hold a Board meeting once a month 2. Conduct internal and external Board performance evaluation regularly 3. Report on group operations by each functional committee 	Corporate Governance Integrity Management Legal Compliance Information Security and Customer Privacy
Communities and Charitable Organizations	Hua Nan is committed to facilitating stable social development and fulfillment of its corporate social responsibilities. Communities and charitable organizations are important partners for Hua Nan to create positive social impact.	<ol style="list-style-type: none"> 1. Regularly hold charitable events for vulnerable and disadvantaged groups 2. Work in line with relevant policies promoted by the government to assist communities in understanding public policies 3. Sponsor domestic youth baseball activities for a long term, and organize the Baseball Promotion Program and other similar activities to nurture Taiwan baseball talents from the primary level. 4. Hold or sponsor academic and art- or culture-related activities 	Corporate Governance Integrity Management Legal Compliance Climate Change Strategies Information Security and Customer Privacy Inclusive Financing Talent Recruitment and Cultivation
External Experts and Trade Associations	The expertise of external experts and seminars organized by trade associations allow Hua Nan to fully understand each business development trend in the financial industry.	<ol style="list-style-type: none"> 1. Actively participate in external associations and other organizations to be fully aware of the developmental direction of the financial industry. 2. Participate in seminars and exchange ideas with academic or consulting agencies. 3. Disclose relevant information in accordance with regulations on the Market Observation Post System (MOPS) website. 	Corporate Governance Integrity Management Legal Compliance Risk Management Responsible Finance Information Security and Customer Privacy

Note: In the event that the investigation results are the same, they will be disclosed together.



1 Sustainable Governance

1.1 Corporate Governance

Governance Structure and Diversity, Performance Evaluation of the Board of Directors, Strategic Committees

1.2 Integrity Management

Policy and Culture, Management and Practice

1.3 Risk Management

Management Structure, Policies, Implementation Status

1.4 Legal Compliance

Management Structure, Management and Practice, Anti-money Laundering and Counter-terrorism Financing (AML/CFT)

Selected as a constituent stock of the TWSE Corporate Governance 100 Index for five consecutive years since 2015

Selected as a constituent stock of the FTSE4Good TIP Taiwan ESG Index for three consecutive years since 2017

Selected as a constituent stock of the FTSE4Good TIP Taiwan ESG Index for three consecutive years since 2017

Received the Special Appreciation Award and the Evaluation Award at the 2019 Asia-Pacific Group (APG) on Money Laundering Prevention Evaluation Announcement and Award Presentation Ceremony



The Group implements corporate governance, strengthens a culture of legal compliance, and controls risks effectively, while stabilizing its profits so as to establish the cornerstone of sustainable governance and development. The Group maintains a high-level corporate governance system using its business ethics that surpasses the industrial standards and effective power and responsibility mechanisms, while shaping its corporate governance culture based on an integrity attitude, so that the companies under the Group can realize the long-term interests of shareholders and other stakeholders.

The management of the Group complies with laws and regulations. It has established an internal control system in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets, the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, as well as the Group's Corporate Governance Best Practice Principles, while implementing the legal compliance system and risk management to ensure that the Group's operations comply with laws and regulations.

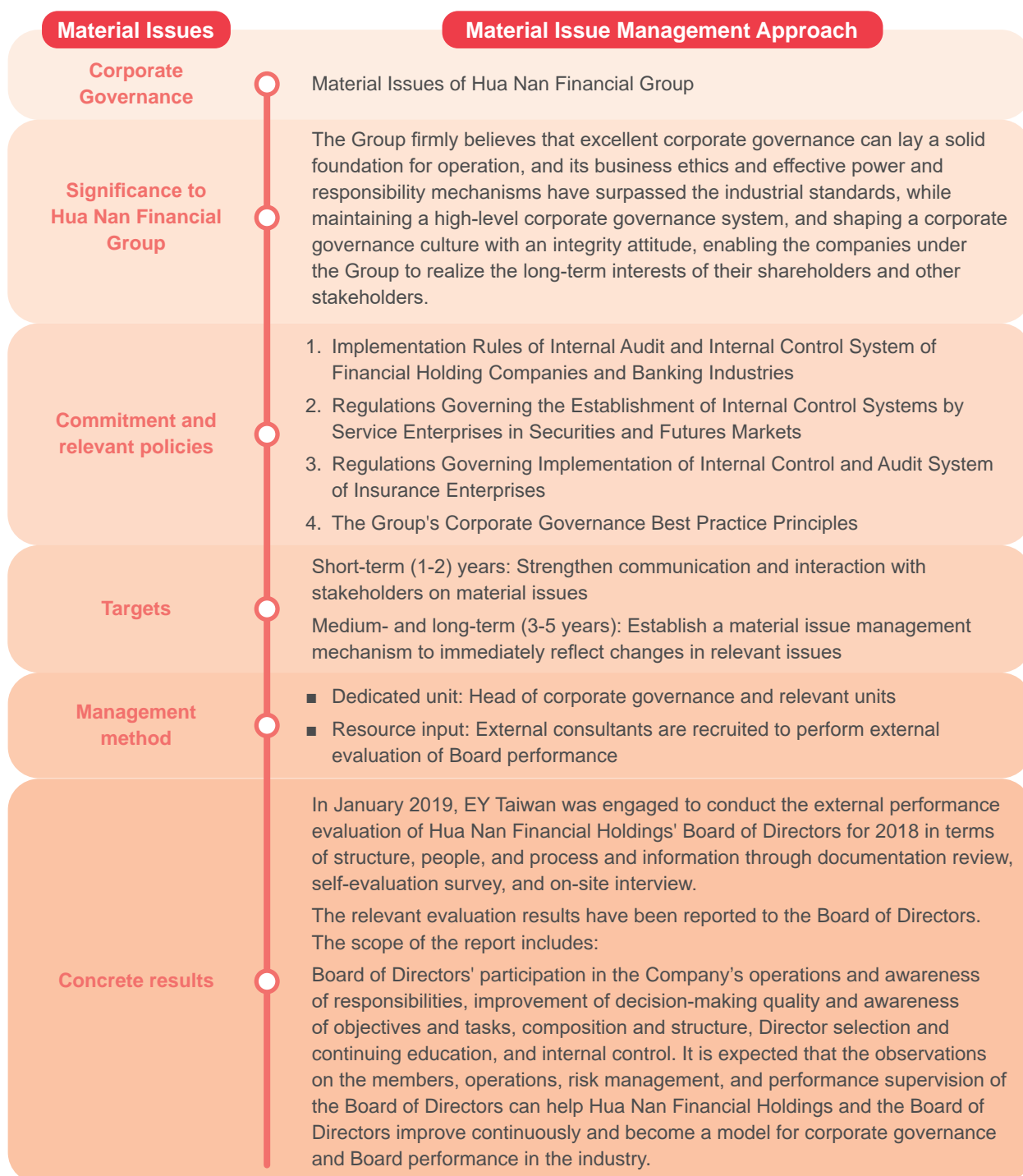
In terms of governance structure, the Group's governance unit has formed a tight safety net in the aspects of legal compliance, risk management, internal audit, and self-audit to prevent any violation effectively during business expansion. The Group also facilitates close cooperation in governance, risk management, and compliance (GRC), as well as internal audits, while abiding by the "ART" principles (namely advantage: increase capital efficiency, implement cross-marketing, and strictly control costs; risk: strictly abide by compliance and risk management policies; technology: adopt FinTech). Of them, "risk" has become an important core value in the Group's governance culture.



1.1 Sustainable Strategies

"Hundred Years of Inheritance; a Century of Accumulated Experience"

As a century-old company, we are deeply aware that only by actively implementing corporate governance and continuing to strengthen legal compliance and risk management can our business sustain forever as a solid cornerstone of sustainable development.



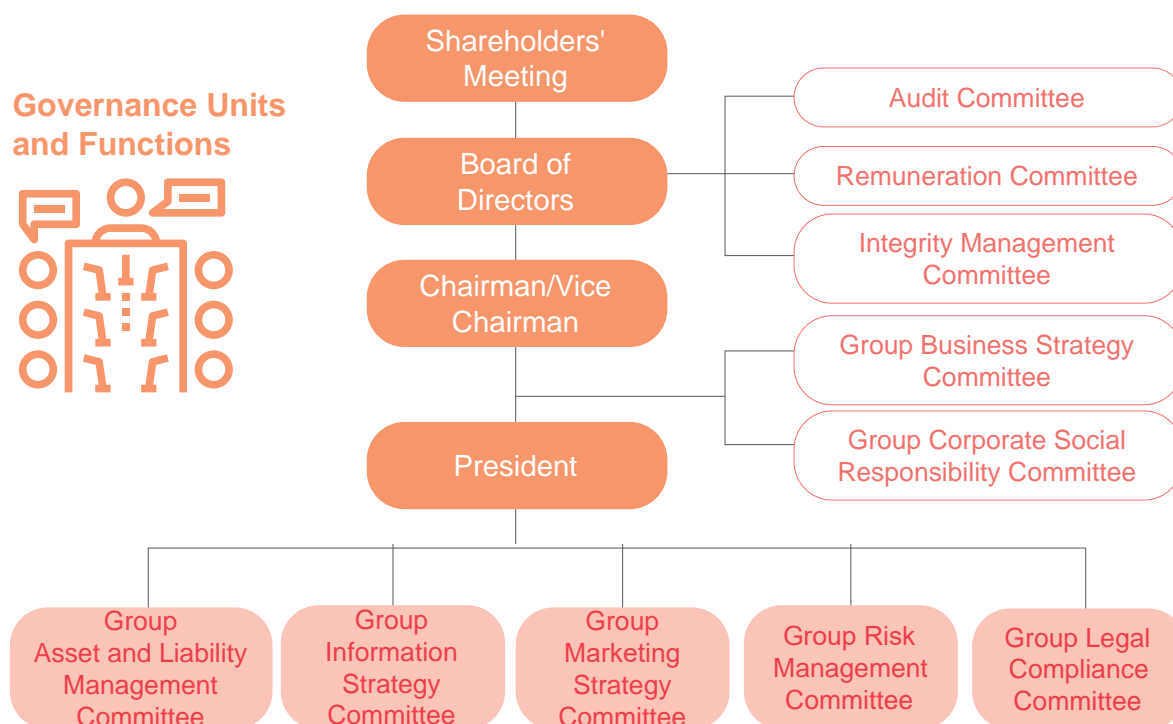
1.1.1 Governance Structure and Diversity

Continue to strengthen the governance structure

In order to improve the governance structure, in the first half of 2019, Hua Nan Financial Holdings, Hua Nan Commercial Bank, Hua Nan Securities, and South China Insurance have engaged a corporate governance officer, respectively. The officer's main responsibilities include handling matters related to the Board of Directors meetings and shareholders' meetings, preparing the minutes of the Board of Directors meetings and shareholders' meetings, assisting Directors with their appointment and continuing education, providing Directors with information needed to perform their business, and assisting Directors in complying with laws and regulations.

In addition, in order to comply with external regulations and strengthen the governance of subsidiaries, we reviewed and amended important internal regulations in 2019, and improved management efficiency by defining important management regulations of the Group.

The Board of Directors of Hua Nan Financial Holdings currently consists of 19 Directors, under which functional committees have been set up, including the Audit Committee, the Remuneration Committee, and the Integrity Management Committee. To further strengthen the corporate governance and management efficiency of the Group, seven strategic committees have been set up. The governance structure is as follows:



Board of Directors

As of the end of 2019, the Board of Directors of Hua Nan Financial Holdings consisted of 19 directors, including four Independent Directors and four female Directors. Board members have extensive experiences and professional knowledge and skills regarding various industries, including financial holdings, banking, securities, and insurance industries, as well as asset management, investment, real estate development, finance and taxation, venture capital, bill of exchange business, legal, and medical (public health) industries. For the list of Board members and their education and major experiences, please refer to pages 14-15 of Hua Nan Financial Holdings' 2019 Annual Report.

Diversity of Board of Directors

Experience in
financial industry

14

Legal
expertise

2

Other
dimensions

Insurance expertise 1

Accounting expertise 1

Labor relations expertise 1

Operations of Board of Directors in 2019

Frequency

Once a month; temporary meetings would be held as appropriate
A total of 12 regular meetings and four temporary meetings were held in 2019
The 6th Board of Directors was re-elected in June 2019 and it is now the 7th Board of Directors

Average attendance

93%

The number of
hours of continuing
education

The average number of hours of continuing education throughout the year was 14.4 per person

Concurrent positions
held by Independent
Directors

Wu, Kuei-Sun, Independent Director of Hua Nan Financial Holdings
Lin, Kuo-Chuan, Independent Director of Hua Nan Financial Holdings, and Professor, College of Law, National Cheng Chi University
Yang, Ming-Hsien, Independent Director of Hua Nan Financial Holdings, Independent Director of HNCB, and Director of Sirtec International Co., Ltd.
Chen, Sung-Tung, Independent Director of Hua Nan Financial Holdings, Independent Director of HNCB, Independent Director of Grand Pacific Petrochemical Corporation
Independent Director of Guoqiao Petrochemical Co., Ltd., Partner of Chen Tay International Law Office

Operations of functional committees under the Board of Directors in 2019

<p>Audit Committee</p>	<p>Composition: Composed of four Independent Directors Frequency: Meet at least once every quarter; 10 times in total in 2019 Average attendance: 97% Important operating results: Reviewed the declaration of the internal control system, annual financial statements, and business report of each company under the Group</p>
<p>Remuneration Committee</p>	<p>Composition: Composed of four Independent Directors Frequency: Meet at least twice a year; a total of six times in 2019 Average attendance: 95% Important operating results: Amended the Employee Salary Management Regulations and the Employee Bonus Management Regulations for all companies within the Group</p>
<p>Integrity Management Committee</p>	<p>Composition: Composed of four Independent Directors Frequency: Meet at least once a year; a total of twice in 2019. Average attendance: 100% Important operating results: Reviewed the appraisal and rewards and disciplinary actions of relevant personnel, cases filed through whistleblowing channels, and the case handling situation of each company within the Group</p>

1.1.2 Performance Evaluation of the Board of Directors

Internal performance evaluation

In accordance with the Guidelines for Evaluating the Performance of the Board of Directors of Hua Nan Financial Holdings, at the end of each year, the members of the Hua Nan Financial Holdings' Board of Directors (hereinafter referred to as the "Board of Directors") and the units related to the Board of Directors meetings will conduct performance evaluations of the Board of Directors and functional committees for the year in terms of the five major aspects. The results shall be reported to the Board of Directors within 3 months after the end of each year.

When the achievement rate of all the measurement indicators of the Board of Directors and functional committees (i.e., the "qualitative measurement indicators" plus the "quantitative measurement indicators") is 80% or above, their respective performance evaluation results are "up to standard." In 2019, the performance evaluation results of the Board of Directors, the Audit Committee, the Remuneration Committee, and the Integrity Management Committee were all "up to standard."

Five major aspects of measurement indicators for performance evaluation of the Board of Directors

- 1 Awareness of company goals and tasks as well as degree of participation in operations
- 2 Awareness of Directors' responsibilities and improvement of the quality of decision-making by the Board of Directors
- 3 Composition and structure of the Board of Directors
- 4 Selection, professionalism, and continuing education of Directors
- 5 Internal controls

Five major aspects of measurement indicators for performance evaluation of the Board of Directors

- 1 Degree of participation in functional committees
- 2 Awareness of the duties of functional committees
- 3 Improvement of the quality of decision-making by functional committees
- 4 The composition of functional committees, and election and appointment of committee members
- 5 Internal controls

External performance evaluation

In accordance with the Guidelines for Evaluating the Performance of the Board of Directors of Hua Nan Financial Holdings, an external performance evaluation of the Board of Directors shall be conducted at least once every three years. The performance evaluation shall be performed by an external professional independent institution or a team of experts and scholars. The results of the annual performance evaluation for the year shall be reported to the Board of Directors within three months after the end of each year.

In 2019, EY Taiwan was commissioned to perform an external performance evaluation of the Board of Directors in 2018. The external performance evaluation indicated that Hua Nan Financial Holdings had a sound interaction culture on the Board, which was one of the basic elements of high performance of the Board of Directors. EY Taiwan also provided its observation and suggestions about Board members, practical operations, risk management, and performance supervision, and assisted Hua Nan Financial Holdings and its Board of Directors in improving governance efficiency and becoming a model for corporate governance and Board performance in the industry.

1.1.3 Strategic Committees

This section will focus on the Group Corporate Social Responsibility Committee. For details regarding other committees, such as include the Group Legal Compliance Committee, the Group Asset and Liability Management Committee, the Group Risk Management Committee, and the Group Information Strategy Committee, please refer to other chapters.

The Chairman of Hua Nan Financial Holdings serves as the convener of the Group Corporate Social Responsibility Committee to implement corporate social responsibility from top to bottom.

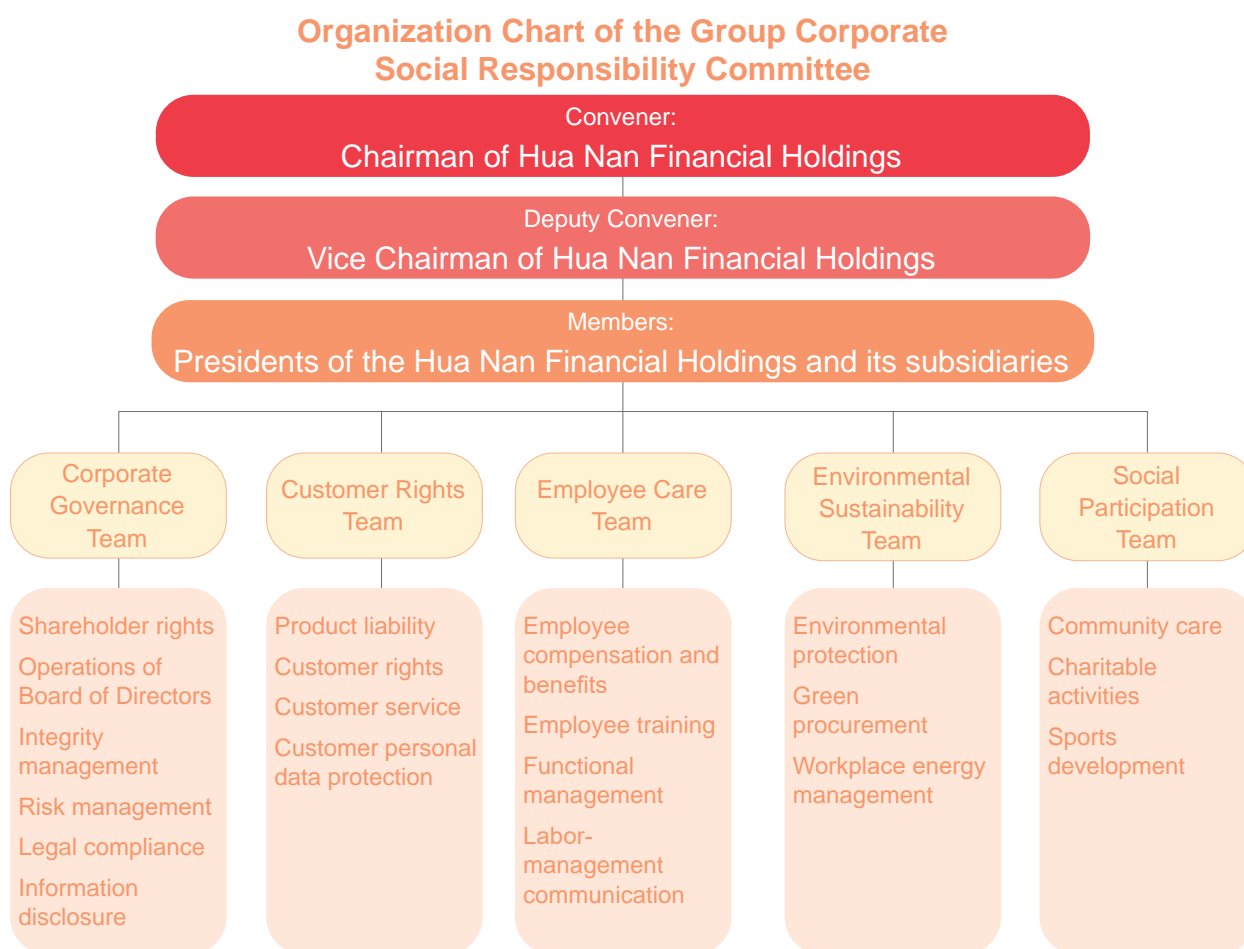
Main responsibilities: 1. Plan major strategies that the Group shall adopt to fulfill its corporate social responsibilities;

2. Supervise the implementation of corporate social responsibility and review the effectiveness;

3. Supervise the planning and review of the annual corporate social responsibility report;

4. Approve or review regulations and major affairs related to corporate social responsibility.

The committee structure is as follows:



The members of each team are composed of representatives from Hua Nan Financial Holdings and its subsidiaries with one convener and one director-general who are in charge of supervising and managing the team affairs.



In 2019, Hua Nan Financial Holdings enhanced its operating efficiency in different aspects through seven strategic committees. The operating results are described below.

2019 Strategic Committee Operation Description

Group Corporate Social Responsibility Committee

Promote the Hua Nan Financial Group to implement matters related to corporate social responsibility

Number of meetings held: 2
Average attendance: 100%

Important resolutions and work goals:

- CSR report review and approval
- CSR annual execution target
- CSR development trend report

Group Business Strategy Committee

Study and discuss matters related to the Hua Nan Financial Group's mid- and long-term development strategies, major investments, capital raising, mid- and long-term financing, annual budgets, and performance evaluation of subsidiaries

Number of meetings held: 3
Average attendance: 100%

Important resolutions and work goals:

- Annual strategic planning report
- The Group's annual budget proposal
- Application for issuance of corporate bonds

Group Legal Compliance Committee

Study and review the Hua Nan Financial Group's compliance system, AML/CFT programs, and material legal compliance incidents

Number of meetings held: 4
Average attendance: 94%

Important resolutions and work goals:

- Study and discuss the report on the implementation of the Group's compliance system on a quarterly basis and the compliance report on important laws and regulations
- Study and discuss the 2018 institutional risk assessment (IRA) results regarding AML/CFT for each company of the Group, risk appetite statement, and the 2019 AML/CFT program
- Study and discuss the self-examination results within the companies of the Group based on the violations with major penalties in the same industry, announced by FSC

Group Asset and Liability Management Committee

Study and discuss the relevant regulations and limits of the Group's asset and liability management, regulation and management of the positions of non-trading book assets and liabilities exposed to risks, interest rate risk, liquidity risk, exchange rate risk, etc.

Number of meetings held: 4
Average attendance: 100%

Important resolutions and work goals:

- Study and discuss the quarterly asset and liability management reports of the Group
- Study and discuss the annual risk limit of asset and liability management and the warning value of the capital adequacy ratio for members of the Group
- Study and discuss the Group's annual expected minimum RAROC

Group Marketing Strategy Committee

Study and discuss relevant issues, such as joint marketing management of the Group, financial product review, channel development management, and customer relationship management

Number of meetings held: 2
Average attendance: 100%

Important resolutions and work goals:

- Study and discuss the Group's business targets for the year and marketing plans for the following year strategy
- Formulate joint marketing strategy, channel development management, customer relationship maintenance, etc.
- Review and adjust wealth management products

Group Risk Management Committee

Study and discuss issues, such as the Group's credit, market, and operational management regulations, credit risk and market-related limits, new financial products, or product plans.

Number of meetings held: 5
Average attendance: 100%

Important resolutions and work goals:

- Study and discuss the Group's quarterly risk management reports
- Study and discuss the 2019 credit risk concentration limits of HNFHC, HNCB, HNCS, and SCIC
- Study and discuss the trading book and non-trading book financial product market risk limit setting of each subsidiary of the Group in 2019

Group Information Strategy Committee

Study and discuss the short-, medium-, and long-term information strategy of the Group and important issues related to information development

Number of meetings held: 2
Average attendance: 95%

Important resolutions and work goals:

- Track the implementation of the information strategy of the year
- Plan the short-, medium-, and long-term information development of the Group for the following year strategy

1.2 Integrity Management



1.2.1 Policy and Culture

In order to improve the management structure of integrity management, Hua Nan Financial Holdings has formulated the "Hua Nan Financial Holdings Integrity Management Committee Charter in 2016 and established the Integrity Management Committee, which is composed of all Independent Directors, responsible for the formulation of Hua Nan Financial Holdings' integrity management policies and prevention plans as well as supervision of the implementation. The committee meets at least once a year and submits the minutes to the Board of Directors while including them in the Company's important files.

Policy and commitment

The Group has established the Hua Nan Financial Holdings Integrity Management Principles as part of the Group's policy.

In addition, companies within the Group have set up relevant regulations according to their respective business characteristics, such as the Hua Nan Financial Holdings Employee Work Rules, the Hua Nan Commercial Bank Employee Work Rules, the Hua Nan Securities Employee Code of Conduct, the South

China Insurance Codes of Ethical Conduct, the Hua Nan Investment Trust Managerial Practice, the Hua Nan Assets Management Work Rules, and the Hua Nan Venture Capital Personnel Management Guidelines.

Since 2018, the Group has begun requiring employees to sign the "Letter of Commitment to Code of Integrity Management." In addition to complying with laws and regulations relating to business activities, the employees of the Group are required to avoid any unethical conduct in the process of business activities and to fulfill the duty of care as a good administrator, so as to ensure the implementation of the integrity management culture.

Signing of the Letter of Commitment to Code of Integrity Management by Employees of the Group in 2019

Company	HNHFC	HNCB	HNSC	SCIC	HNIT	HNVC	HNAMC
Percentage of signing	100%	99.91%*	100%	100%	100%	100%	100%

* A small number of employees on unpaid leave did not sign it.

Education and training as well as culture

In order to integrate the integrity management culture into the Group's culture, in addition to strengthening the promotion of the culture of integrity through the display in the elevators, periodicals, e-mail, etc., the Group includes relevant regulations and concepts of integrity management in the education and training of each company of the Group, to promote important issues, such as integrity management, risk management, compliance, and anti-money laundering through education and training courses related to compliance.



The implementation of education and training of the Group in 2019

HNFHC

- Training sessions
- 6 off-line sessions
- Number of participants
- 277 people

Training topics

1. Education and Training on AML/CFT for Directors, Supervisors, and Senior Executives of the Group
2. Highlights of the Latest Amendments to Financial Laws and Regulations and Guidelines for Practice
3. FinTech and Compliance Risks
4. Case Study on Personal Data Protection Act (Including GDPR-related Regulations)
5. Financial Consumer Protection Act and the Principle of Fair Treatment of Consumers
6. Trends in Digital Forensics and Information Security Management

HNCB

- Training sessions
- 80 off-line sessions
- 42 online sessions
- Number of participants
- 61,957 people

Training topics

1. Risk Management, Laws and Regulations, Audit, and Three Lines of Defense
2. Prevention of Money Laundering
3. Legal Compliance
4. Personal Data Protection Act and GDPR (Chinese and English versions)
5. Introduction to the Financial Consumer Protection Act and the Principle of Fair Treatment of Consumers
6. Case Study on Financial Consumption Disputes
7. Courses on AML/CFT
8. Hua Nan Commercial Bank Employee Work Rules

Other measures:

1. HNCB has established regulations requiring compliance personnel and head of compliance at each domestic unit to participate in on-the-job training courses for 15 hours every year. All relevant personnel had completed the on-the-job training in 2019 so had the compliance officers at overseas branches.
2. It also requires that when non-supervisors are promoted to supervisors, they shall participate in 30 hours of compliance courses. In 2019, the number of participants reached 374, and the number of qualified people in the bank reached 1,287.

HNSC

- Training sessions
- 6 off-line sessions
- Number of participants
- Around 8,316 people

Training topics

1. Promotion of important laws and regulations; letters from Hua Nan Financial Holdings to raise employees' awareness
2. Financial Consumer Protection Act
3. Principle of Fair Treatment of Consumers and Personal Data Protection
4. AML/CFT and Cases of Penalties
5. Recent Status of Legal Compliance
6. Special Report on Compliance with Laws and Regulations

SCIC

Training sessions

6 off-line sessions

Number of participants
5,728 people

Training topics

1. AML/CFT
2. Internal Control and Audit System in the Insurance Industry
3. Self-regulation of Advertisements in the Insurance Industry
4. Precautions of Launching E-commerce in the Insurance Industry
5. Corporate Governance Best Practice Principles in the Insurance Industry
6. The Content and Auditing Items of the Principle of Fair Treatment of Consumers and Common Deficiencies in Insurance Companies

HNIT

Training sessions

4 online sessions

Number of participants
Approximately 70 people per quarter

Training topics

1. Promotion of important laws, cases of penalties imposed by the competent authorities on other entities in the same industry, and the deficiencies
2. Key Points of Inspections in 2019 and Major Deficiencies in the Inspections in 2018
3. Personal Data Protection Regulations and Cases, Basic Information Security Literacy, Stakeholder Regulations (Including Substantive Related Parties), Fair Treatment of Consumers, etc.
4. AML/CFT

HNVC

Training sessions

4 off-line sessions

Number of participants
40 people

Training topics

1. The Major Deficiencies in the Inspections by the Financial Examination Bureau, FSC, in the Second Half of 2018—Financial Holding Companies and Main Financial Inspection Items in 2019
2. Key Auditing Items of the Auditing Department of the Hua Nan Financial Holdings—Subsidiary HNVC and "Deficiencies in the Audit and Violations of Important Laws and Regulations by Hua Nan Financial Group and Its Peers in the Past Two Years"
3. Violations of Paragraph 1, Article 45 of the Financial Holding Company Act by the Financial Entities Announced by FSC (Declaration of Stakeholders' Information and Issuance of Securities by Trading Stakeholders), Cases of Penalties, and the Personal Data Protection Act
4. GDPR, the Money Laundering Control Act, CRS, and "Deficiencies in the Audit and Violations of Important Laws and Regulations by Hua Nan Financial Group and Its Peers in the Past Two Years"
5. HNVC Guidelines for Investment Business Development and Evaluation

HNAMC

Training sessions

40 off-line sessions

Number of participants
460 people

Training topics

1. Personal Data Protection Act
2. Rental Housing Regulations and Rental Agency Regulations
3. The Money Laundering Control Act and the Counter-Terrorism Financing Act
4. Urban Renewal Regulations and Enforcement Rules
5. Value-added and Non-value-added Business Tax Act
6. Promotion of Trade Secret and Personal Data Protection

1.2.2 Management and Practice

Internal implementation

In order to implement integrity and transparency, the Group's whistleblowing system, after referring to the opinions of the competent authorities and the approaches adopted by the peers in the same industry, is submitted to the Group's Legal Compliance Committee, Audit Committee, and the Board of Directors of Hua Nan Financial Holdings for review and approval so as to establish a consistent whistleblowing system. In addition to the companies that are required by FSC to establish a whistleblowing system, subsidiaries/sub-subsidiaries within the Group (Hua Nan Venture Capital, Hua Nan Assets Management, and Hua Nan International Leasing Co., Ltd) shall set up the consistent whistleblowing system according to the same standards.

The method of whistleblowing channels as well as announcements and reported case handling procedures are regulated in a consistent manner to ensure that each company within the Group has clear group-wide standards and specific handling procedures when handling reported cases. Subsidiaries within the Group report the number and the handling status of reported cases to Hua Nan Financial Holdings on a monthly basis.

The whistleblowing channels of the subsidiaries and sub-subsidiaries of the Group are announced on the Company's official website and through notices and correspondence in accordance with regulations. The following are the whistleblowing channels of Hua Nan Financial Holdings:

Whistleblowing channels

Whistleblowing mailbox:

Mailbox No. 143, Xinyi Post Office, Taipei

Dedicated hotline:

(02) 2723-2098

Fax:

(02)2723-2099

E-mail:

whistle@hnfhc.com.tw



In 2019, the Group did **not receive** any reported cases in line with the Guidelines for Whistleblowing System Operations.



In 2019, there were four cases of violations of the Hua Nan Financial Holdings Integrity Management Principles, and investigations and disciplinary actions were completed in 2019.

External Promotion

In order to implement the Group's commitments to and responsibilities for supplier management and to comply with the Hua Nan Financial Holdings Integrity Management Principles, we have established the Supplier Code of Conduct. Since 2017, we have required new suppliers to sign the Letter of Commitment. As of the end of 2019, according to the regulations of each subsidiary, 100% of suppliers that needed to sign the commitment had signed it.

The supplier checklist

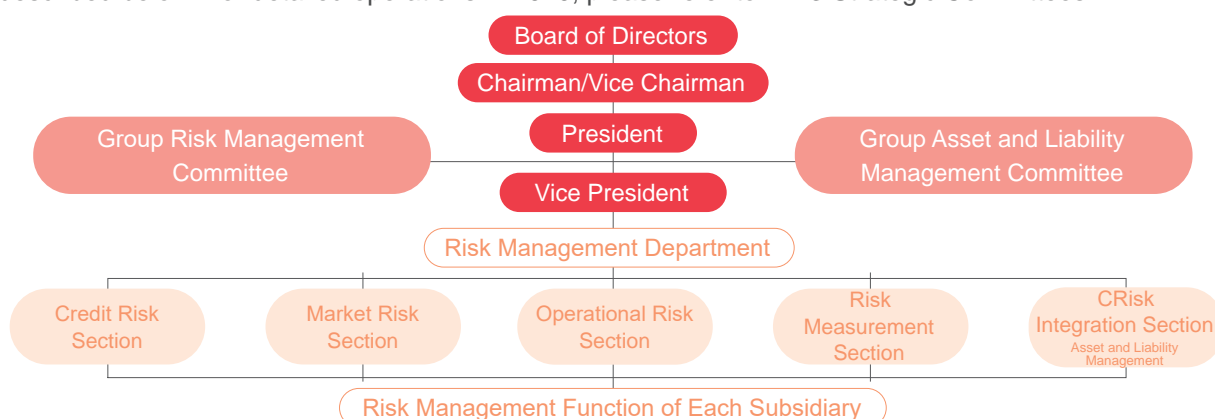
- ✓ Whether the place of operation is in a country with high risk of corruption
- ✓ Whether the remittance counterparty is consistent with the transaction counterparty
- Whether the supplier has established the Ethical Corporate Management Policy or similar regulations
- ✓ Whether the company and its representatives have been involved in bribery or illegal political contributions and other unethical conduct in the public records over the past year

1.3 Risk Management

Material Issues	Material Issue Management Approach
Risk management	Material Issues of Hua Nan Financial Group
Significance to Hua Nan Financial Group	Risk management is one of the important core competitiveness of the Group. Any business decision involving risks shall be based on an appropriate balance between risk and compensation.
Commitment and relevant policies	Establish standards applicable to all members of the Group and reflect its business goals and corporate value and adopt the standards to identify, measure, control, tolerate, and manage risks, so as to achieve the goal of creating maximum value for shareholders
Targets	Short-term: Effectively manage and control risk issues and control possible losses in operation Medium- and long-term: Establish a tracking mechanism for emerging risks and strengthen risk management and control of the core business
Management method	<ul style="list-style-type: none"> ■ Dedicated units: Group Risk Management Committee, Group Assets and Liability Management Committee, and Risk Management Division ■ Resource input: At present, 12 dedicated personnel are in place, and through the Group Risk Management Committee and the Group Assets and Liability Management Committee, the Group's internal risk management information is exchanged and reviewed.
Concrete results	<ul style="list-style-type: none"> ■ Submit group-wide risk management reports regularly ■ Report on important matters and analyze current affairs in the risk control management report from time to time ■ Review and control risk limits

1.3.1 Risk Management Structure

The Group's risk management structure starts with the Board of Directors at the top, under which there are the Group Risk Management Committee, the Group Asset and Liability Management Committee, and Risk Management Department. The composition and responsibilities of the two strategic committees are described below. For detailed operations in 2019, please refer to 1.1.3 Strategic Committees:



Main Functions of Risk Management of the Group

- ✓ Integrate risks of the Group
- ✓ Formulate, approve and control risk-related policies of the Group
- ✓ Set, approve and control risk limits of the Group
- ✓ Coordinate and manage risk issues across subsidiaries
- ✓ Approve product plans

The meetings of the two strategic committees handled by the Risk Management Department, whose responsibilities include coordinating the Group's risk management issues and matters related to the aforementioned committees, and reporting on the implementation of risk management to the Board of Directors regularly. The Risk Management Department includes five sections: Credit Risk Section, Market Risk Section, Operational Risk Section, Risk Integration Section and Risk Measurement Section. In addition, the subsidiaries of the Group have set up independent risk management department or function according to their business nature and practical needs.

Group Risk Management Committee

- **Convener:** President
- **Deputy convener:** Vice President
- **Committee members:**
The members consist of the Chief Compliance Officer at the head office of Hua Nan Financial Holdings, the Director of the Risk Management Department, Director of the Compliance Department, risk management supervisors of subsidiaries designated by the convener, and other personnel (Note).
- **Meeting frequency:**
Meet once a quarter, and the convener can convene a meeting at any time according to business needs
- **Responsibilities :**
 1. Study and discuss the rules and regulations related to the management of the Group's credit, market and operational risks.
 2. Study and discuss limits related to the Group's credit and market risks.
 3. Study and discuss the Group's new financial instruments or product plans.
 4. Study and discuss high-risk proposals for the Group's operational risk assessment procedures
 5. Study and discuss the planning of the Group's major risk management system deployment.

Group Asset and Liability Management Committee

- **Convener:** President
- **Deputy convener:** Vice President
- **Committee members:**
The members consist of the Director of the Finance Department, Director of the Marketing Department, Director of the Risk Management Department, and the Presidents and supervisors responsible for asset and liability management of subsidiaries designated by the convener, or relevant personnel (Note).
- **Meeting frequency:**
Meet once a quarter, and the convener can convene a meeting at any time according to business needs
- **Responsibilities :**
 1. Provide macroeconomic analysis and interest rate forecasts
 2. Study and discuss rules and regulations related to the asset and liability management of the Group
 3. Study and discuss limits related to the asset and liability management of the Group
 4. Adjust, control, and manage the exposure positions of assets and liabilities on the non-trading book of the Group
 5. Monitor various liquidity indicators of the Group
 6. Study and execute capital management strategies of the Group

6. Review the Group's major reporting events submitted to the Board of Directors.
7. Deal with issues concerning the Group's credit, market, operational, or other risks.

Note: Personnel designated by the convener may be adjusted in accordance with the topics discussed in the current Committee meeting and the importance of the subsidiary to the overall risk management of the Group. Where necessary, external professional consultants can also be appointed to attend the meetings.

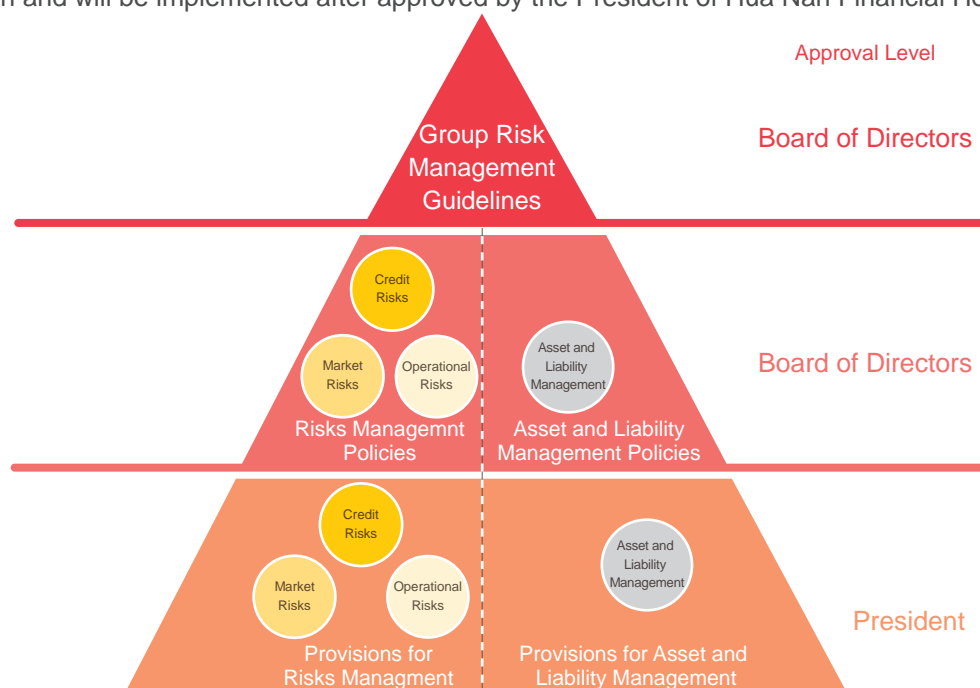
7. Review the composition and performance of the Group's investment portfolios
8. Review the Group's asset and liability management report submitted to the Board of Directors
9. Study and discuss topics related to the interest rate risk, liquidity risk, exchange rate risk, investment portfolio strategies, economic profits, and capital management of the Group

Note: Personnel designated by the convener may be adjusted in accordance with the topics discussed in the current Committee meeting and the importance of the subsidiary to the overall balance sheet of the Group. Where necessary, external professional consultants may also be appointed to attend the meetings.

1.3.2 Policy and Implementation

The Group has established the Guidelines Governing the Group Risk Management, enabling all employees in the Group to identify, measure, control, tolerate, and manage risks based on consistent standards in daily operations, and to ensure that various operational risks are controlled within a tolerable range while reflecting the Group's business goals and corporate values.

In the Group's Guiding Principles of the Group Risk Management issued by the Board of Directors, relevant risk management policies and precautions are formulated for credit, market, operational and asset and liability management risks. The highest level of approval for the aforementioned guidelines and policies is the Board of Directors of Hua Nan Financial Holdings, and the precautions are reported to the Group Risk Management Committee or the Group Asset and Liability Management Committee for discussion and will be implemented after approved by the President of Hua Nan Financial Holdings.



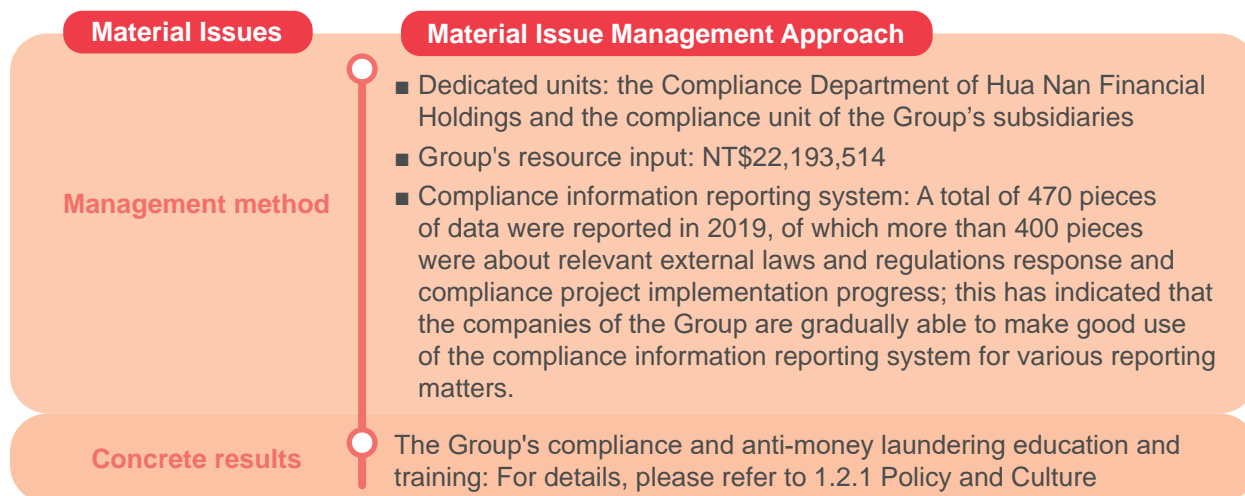
Implementation Status

The monthly risk management report prepared by the Risk Management Department of Hua Nan Financial Holdings is submitted to the Chairman of Hua Nan Financial Holdings for approval, while the quarterly report is submitted to the Board of Directors of Hua Nan Financial Holdings, allowing Directors and internal managers to understand and keep abreast of the Group's risk profile for supervision and decision-making purposes.

In addition, the relevant business regulations and the control points and limits of operating procedures submitted by the subsidiaries of the Group to Hua Nan Financial Holdings are included in the agenda of the Group Risk Management Committee in accordance with the regulations. The Risk Management Department of Hua Nan Financial Holdings would put forth its evaluations and suggestions concerning the proposal for internal managers to make decisions. In addition, in order to strengthen the risk management culture and awareness, the subsidiaries of the Group actively offer relevant education and training courses.

1.4 Legal Compliance

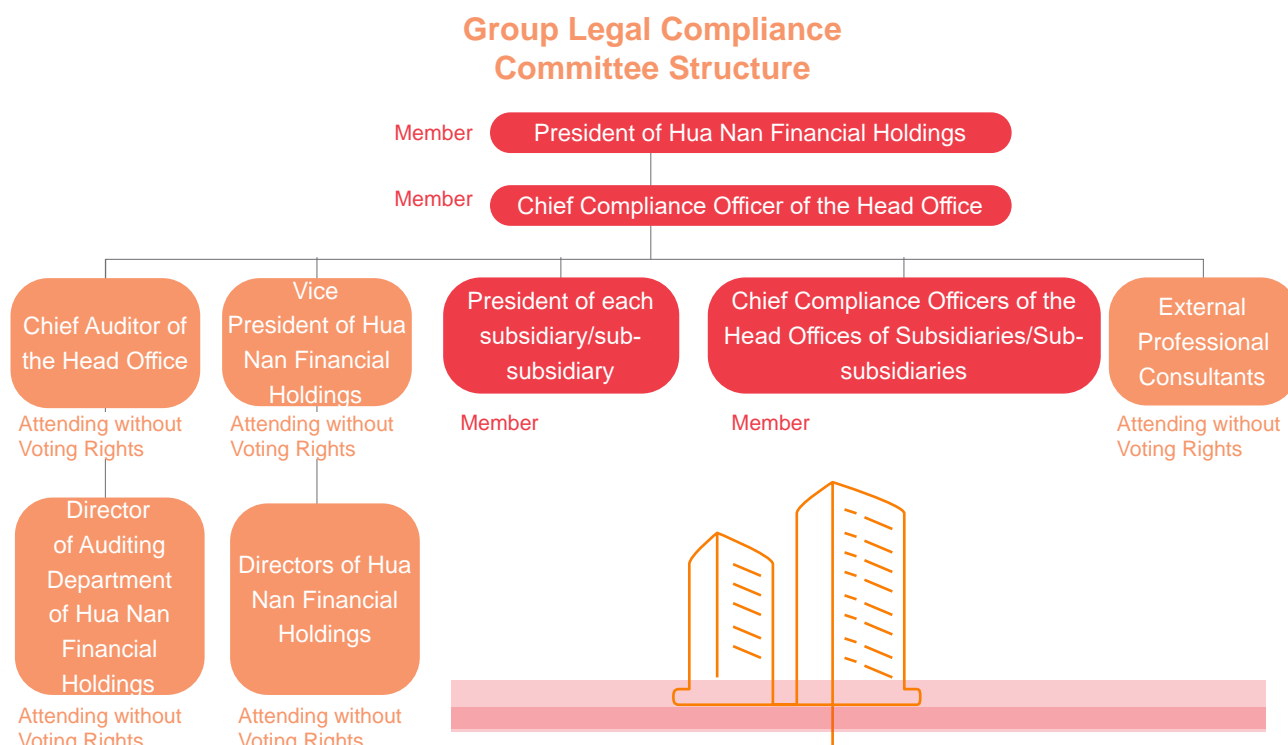
Material Issues	Material Issue Management Approach
Legal compliance	GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance
Significance to Hua Nan Financial Group	Only by gaining stakeholders' trust, the can the fundamental business sustain forever. Compliance is the foundation of trust. Hua Nan takes honesty as its core value and continues to accumulate momentum of sustainable development.
Commitment and relevant policies	Through a compliance risk assessment and management structure, the Group continues to shape and strengthen its compliance culture, raise all employees' awareness of compliance, and develop employees' compliance DNA, so as to internalize the compliance culture into the Group's corporate culture and organizational language.
Targets	Short-term: Promote the Group's compliance risk management framework, identify vulnerabilities in compliance with applicable laws and regulations, and ensure the effectiveness of compliance Mid-term: Gradually establish compliance standards and regulations consistent within the Group and improve the Group's benefits in compliance Long-term: Form close cooperation in governance, risk management, and compliance (GRC), as well as internal audits, while abiding by the "ART" principles (namely advantage: increase capital efficiency, implement cross-marketing, and strictly control costs; risk: strictly abide by compliance and risk management policies; technology: adopt FinTech). Of them, "risk" has become an important core value in the Group's governance culture.



Note: This material issue echoes the GRI Standards.

1.4.1 Management Structure

The Group has set up the Group Legal Compliance Committee, and the convener is served by the President of Hua Nan Financial Holdings, the deputy convener by the Chief Compliance Officer of the head office of Hua Nan Financial Holdings, and the other members include the Presidents of the subsidiaries/sub-subsidiaries and the Chief Compliance Officer of the head office; the Vice President and the Chief Auditor of Hua Nan Financial Holdings, directors of various departments, and external consultants may also be invited to attend the meetings without voting rights.



Responsibilities include:

1. Study and discuss the compliance system;
2. Review the results of the implementation of the compliance system;
3. Review the results of inspections of compliance with the laws and regulations;
4. Study and discuss the revision of the anti-money laundering and combating of terrorism financing plan;
5. Review the implementation and results of the anti-money laundering and combating of terrorism financing plan on an annual basis;
6. Report on the implementation of major compliance projects.

Through the operation of the Group Legal Compliance Committee, amendments to various laws and regulations and reports on compliance incidents can be discussed and communicated in a timely and effective manner, making good use of the function of the second line of defense.

1.4.2 Management and Practice

In addition to the regular meetings of the Group Legal Compliance Committee, the daily compliance operation is governed and the communication channels are established by the Legal Compliance Department in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries and the Regulations Governing Implementation of Compliance System of Hua Nan Financial Holdings. The Legal Compliance Department is in charge of conveying, consultation, coordination, and communication regarding laws and regulations via phone, email, etc., and communication records will be kept for future reference. Subsidiaries can also contact the Legal Compliance Department of Hua Nan Financial Holdings by phone and e-mail to ensure that the smoothness of the communication channels regarding the Group's compliance.

Description of other strengthened compliance measures

Performance appraisal of subsidiaries of the Group

In order to strengthen the management and effectiveness of the implementation of the compliance system of the subsidiaries of the Group, whether a subsidiary has issued a statement on the implementation of the compliance system without any deficiency, and whether any deficiencies identified in internal and external audits related to important laws and regulations are reported as they are are included in the scoring criteria.

The ad-hoc audits of the effectiveness of the implementation of the compliance system of the subsidiaries/sub-subsidiaries of the Group

In 2019, a total of two ad-hoc audit and one annual audit were conducted, some suggestions were put forward regarding each company's compliance with the Foreign Account Tax Compliance Act (FATCA), the Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions, anti-money laundering regulations, self-assessment of implementation of compliance, and response to changes in external laws and regulations, and each company has made improvement accordingly.

Domestic management results

The major penalty cases that occurred in the Group in 2019 are described as follows:

Case name	Nature of case	Status of Improvement
Case of using client's fund by financial advisor without getting client's consent	Internal integrity incidents	In 2019, we strengthened the management and control mechanism of transaction information between financial advisors and customers, and offered training to raise employees' awareness
Case of New Site Industries., Inc.'s operations related to deposits and remittances into accounts of affiliated enterprises	Incidents of improper risk control	Relevant internal plans were revised in 2019 to strengthen the process of remittance operations

There were two such cases in total in 2019, and internal investigations and improvement reviews were completed in 2019

In the education and training section, through the Group's compliance mailbox, we regularly compile the amendments and drafts of the laws and regulations by the competent authorities, important announcements and press releases, and cases of penalties imposed on the peers in the same industry, which are regularly communicated to the Group's employees so as to respond and comply. In addition, we regularly compile major compliance incidents, deficiencies identified in internal and external audits, and penalties imposed on the peers in the same industry and place them on the Group's employee website for them to read at any time.

Overseas management achievements

Since 2018, Hua Nan Commercial Bank has set a precedent as a pan-public bank to hold a seminar for overseas compliance officers to strengthen the head office's supervision of overseas branches, and enhance the relationship between the head office and the overseas compliance officers. Directors, supervisors, and high-level managers from Hua Nan Financial Holdings and Hua Nan Commercial Bank, as well as compliance officers from overseas branches, about 90 people in total, from January 31, 2018 to February 2, 2018 and January 30 to 31, 2019, shared the regulatory norms and trends of various countries, and participated in seminars hosted by experts in the fields of compliance and AML/CFT, to further strengthen the management structure and compliance culture of Hua Nan Commercial Bank while effectively reducing relevant risks, so that the overseas business units of Hua Nan Commercial Bank can further prosper without any underlying concerns.

Continuing this trend, Hua Nan Securities also held a seminar on compliance for overseas branches in 2019. Participants included Lin, Wen-Cheng, Chief Representative of Shanghai Office, Ho, Huan, Compliance Officer of Hua Nan Securities (Hong Kong) Co., Ltd., and senior executives and colleagues from the Legal Compliance Department, Auditing Office, Risk Management Department, Hua Nan Futures, and South China Investment Consulting with a total of 15 participants. The issues discussed at the seminar include local supervisory regulations and trends, personal data protection, financial consumer protection, and current status of AML/CFT operations.

1.4.3 Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT)

Consistent AML/CFT policies and procedures within the Group

For the subsidiaries and sub-subsidiaries of the Group, including overseas branches of the bank and the securities company (Hong Kong), because there are different levels of compliance set by the competent authorities governing the business activities, we have conducted inspections of the standards of various business activities to integrate the control and management mechanism, and performed analyses of differences of important regulations in various business activities to ensure that the companies within the Group will not only comply with their own AML regulations but also meet the requirements set out in the group-level plans. This helps the Group grasp and control the overall money laundering risk, so that it can prevent money laundering and combat the financing of terrorism using consistent policies and management procedures.

AML/CFT at the Group-level

In order to comply with legal requirements, we have established group-wide overall standards to enhance the management of money laundering risks in various business activities within the Group. The Group's Anti-money Laundering and Counter-terrorist Financing Plan has been established upon approval of the Board of Directors. The plan mainly specifies the establishment of dedicated anti-money laundering units and officers, risk assessment, due diligence, reporting, record retention, information sharing, continuous review and monitoring, internal audits, and education and training programs. In addition, subsidiaries and sub-subsidiaries of the Group that are applicable to the Money Laundering Control Act have established official policies and procedures, including the Anti-Money Laundering and Counter-Terrorist Financing Policy, Guidelines, business summaries, operating procedures, and other internal regulations.



Money Laundering Prevention Evaluation Announcement and Award Presentation Ceremony—the Special Appreciation Award and the Evaluation Award



2019 Asia-Pacific Group (APG) on Money Laundering

The third round of APG on Money Laundering's mutual evaluation results in Taiwan reached the level of "general tracking," which was the best performance among member countries in the Asia-Pacific region. Hua Nan Financial Holdings provided diversified, comfortable, and spacial evaluation venues during APG's on-site evaluations to create high-quality evaluation meetings for the evaluators, and the subsidiary Hua Nan Commercial Bank also participated in the on-site evaluation and achieved excellent performance, winning the Special Appreciation Award and the Evaluation Award at the Money Laundering Prevention Evaluation Announcement and Award Presentation Ceremony from the Executive Yuan.

2019 Hua Nan Financial Group's Domestic Management Achievements and Future Goals

HNHFC

● Top person in charge: Chen, Tien-Yu, Vice President

● Management Achievements

1. Implemented an AML information sharing mechanism
2. Established a "Group Information Sharing Platform" for subsidiaries to share self-built watch lists, with a total of more than 4,700 pieces of data shared
3. Due diligence and major negative news and information have to enhanced the effectiveness of the Group's AML/CFT

Future Goals

1. Organize discussion sessions on the consistency of the components of the Group's risk assessment
2. Organize discussion sessions on group-level quantitative risk limits
3. Strengthen the education and training for AML/CFT officers and personnel at all subsidiaries and sub-subsidiaries

HNHCB

● Top person in charge: Huang, Chen-Chen, Vice President

● Management Achievements

1. Completion of the annual AML/CFT education and training plan: A total of 145 hours of 20 training sessions with more than 1,900 participants were held. The trainees included Directors, supervisors, and senior executives, directors and personnel of dedicated units, AML/CFT (supervisory) officers, suspicious transaction monitoring reviewers, as well as supervisors and handling personnel of money laundering prevention work at deposit and foreign exchange departments in business units. Two online training courses were offered to more than 7,900 employees across the bank
2. Engaged external consultants to introduce AML/CFT compliance projects
3. Planned to build a domestic AML information-sharing platform to facilitate the sharing of important information about customer transaction monitoring with domestic business units
4. Compiled and printed the "Regulations and Q&A on Preventing Money Laundering and Combating the Financing of Terrorism (the third edition has been published in November 2019)" for all employees to refer to
5. Set up a section on the official website dedicated to AML/CFT, and provide relevant Q&A on regulations

Future Goals

1. Improve the control measures for AML/CFT in various business activities
2. Optimize the monitoring and review of suspected AML/CFT transactions
3. Implement education and training on AML/CFT

HNHSC

● Top person in charge: Tsai, Ming-Yuan, Vice President

● Management Achievements

1. A total of 132 people, including AML/CFT officers and dedicated personnel, as well as supervisors from domestic business unit, participated in the AML/CFT Personnel On-the-job Training Course offered by the Taiwan Securities Association
2. A total of seven people, including branch managers and financial and banking supervisors, completed the AML/CFT Personnel Qualification Training Course offered by the Securities and Futures Institute and obtained the qualifications
3. As of 2019, a total of 12 people had obtained the internationally recognized license of Certified Anti-Money Laundering Specialist (CAMS)
4. Completed the SAS system introduction to officially replace the original self-built system
5. Cooperated with the Investigation Bureau, Ministry of Justice, to detect suspected acts of money laundering and terrorism financing, and declared the suspicious transaction reports, some of which were also distributed and used by the Investigation Bureau
6. Amended 14 internal regulations, including the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism
7. Completed the Annual Money Laundering and Terrorism Financing Risk Assessment Report and filed it to the FSC by letter on September 2, 2019

Future Goals

Will continue to amend domestic and international anti-money laundering policies and procedures, improve due diligence of customers and control measures, continue to optimize the money laundering prevention and monitoring system, and strengthen AML/CFT mechanisms

SCIC

Top person in charge: Kao, Tsung-Cheng, Vice President

Management Achievements

1. The AML/CFT officers and dedicated personnel, as well as the supervisors of domestic business units, had participated in the 12-hour on-the-job education and training courses organized by the Institute of Financial Law and Crime Prevention or the Taiwan Insurance Institute, and obtained the certificate of completion of the courses, and the education and training received by relevant AML supervisors and personnel complied with Article 8 of the Regulations Governing Implementation of Internal Control and Audit System for Anti-Money Laundering and Countering Terrorism Financing of Insurance Companies, Post Offices Engaging in Simple Life Insurance Business and Other Financial Institutions Designated by the Financial Supervisory Commission
2. Completed the annual AML/CFT education and training program: Four educational training sessions are held, each with a duration of two hours, and a written test was conducted after each session; one employee from the Legal Compliance Department has obtained a professional AML/CFT license
3. Implemented a risk-based approach to effectively manage money laundering and terrorism financing risks: Appointed a consulting company to assist in formulating money laundering and terrorism financing risk assessment methods, including institutional risk assessment methodology, customer risk assessment methodology, and transaction monitoring parameter setting methodology, to more accurately assess the inherent risks of institutions and overall risks, while appropriately measuring customer risks and implementing corresponding transaction control measures accordingly
4. Continued to optimize systems and regulations related to AML/CFT: In response to changes in the overall environment and in line with the requirements of the competent authority and the update of laws and regulations, the company continued to optimize the content of management policies and operating procedures to allow the AML/CFT risk management and execution to advance with the times and implement them effectively

Future Goals

1. Adjust the basic methods and principles of risk assessment to facilitate consistency in the Group
2. Continuously update the risk rating system
3. Continue to optimize systems and regulations related to AML/CFT
4. Implement and fully implement the 2020 AML/CFT education and training plan

HNIT

Top person in charge: Lin, Yu-Feng, Manager

Management Achievements

1. Completed annual education and training on AML/CFT: Dedicated officers and personnel, supervisors, and supervising personnel completed 12 hours of on-the-job training
2. Completed the introduction of new systems to replace the original systems
3. Commissioned a consulting company to assist in the development of assessment methods related to money laundering and terrorism financing risks, including institutional risk assessment methodology, customer risk assessment methodology, and transaction monitoring parameter setting methodology, to more accurately assess the inherent risks and overall risks of institutions, so as to appropriately measure customer risks and implement corresponding transaction control measures accordingly

Future Goals

1. Continue to optimize and update the system
2. Continue to optimize systems and regulations related to AML/CFT
3. Implement the 2020 AML/CFT education and training plan

Hua Nan Venture Capital (not an institution applicable to the Money Laundering Control Act yet)

Top person in charge: Li, Yung-Pin, Assistant Vice President

Management Achievements

Built a database of blacklists for combating the financing of terrorism

Future Goals

Implement and fully implement the 2020 AML/CFT education and training plan

Hua Nan Assets Management

Top person in charge: Chien, Mei-Ling, Vice President

Management Achievements

Dedicated supervisors and personnel as well as supervisors completed 12 hours of on-the-job training, hired external consultants to provide consulting services, and conducted relevant operations in accordance with the Guidances for Anti-money Laundering and Counter-terrorist Financing Information Sharing

Future Goals

We will continue to implement the requirements of domestic and foreign money laundering policies and procedures, implement customer due diligence and control measures, and continue to optimize various mechanisms for preventing money laundering and combating terrorism

Subsidiaries' 2019 Overseas Management Achievements

At present, the laws and regulations of various countries generally follow the 40 suggestions published by the Financial Action Task Force (FATF) for financial institutions' work in prevention of money laundering; however, the content still differs. The supervisory intensity of financial supervisory agencies is also inconsistent.

Take the subsidiary Hua Nan Commercial Bank as an example: The bank currently has 13 overseas branches in nine countries or regions across four continents. According to the Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission, when overseas branches comply with local laws and regulations and implement the same AML/CFT measures as the ones adopted by the head office, where the requirements at the place of operation of a branch and the head office are different, whichever is stricter. In addition, in order to strengthen the professional abilities of AML/CFT officers and personnel of overseas branches in compliance with local laws and regulations, the overseas branches actively recruited local personnel with experience of working at the institutions of local competent authorities or large financial institutions.

In addition, in line with the Self-discipline Regulations for the Compliance, Anti-money Laundering, and Counter-Terrorism Financing Management System of Overseas Branch (Subsidiary) for Member Banks of the Bankers Association of the Republic of China, regarding overseas hierarchical management standards and considering the differences in supervisory intensity of various countries and the compliance with laws and regulations of various overseas branches as well as implementation of AML/CFT, the Hua Nan Commercial Bank amended relevant internal regulations to classify overseas branches into three levels, namely high, medium, and low risks, according to the rating standards. According to the rating results, differentiated management measures will be implemented from 2020, and regular meetings with overseas branches will be held via video, telephone, or other similar methods; the compliance reports will be submitted by overseas branches every month to maintain communication and management.

In order to ensure the effectiveness of the AML/CFT plan, all overseas branches conduct an Institutional Risk Assessment (IRA) every year, and based on the results of the risk assessment, the compliance system will be adjusted to formulate an AML/CFT plan to offset or control relevant risks. Furthermore, in order to improve the accuracy and efficiency of transaction monitoring or name verification, overseas branches have successively built an anti-money laundering information auxiliary system to assist with relevant tasks using information technology. Take the subsidiary Hua Nan Securities as an example, its Shanghai representative office operates in accordance with local laws and regulations and reports on its operations quarterly; its Hong Kong subsidiary offers monthly education and training, conducts self-assessment of compliance quarterly, and provides compliance reports semiannually, while amending the internal regulations from time to time in accordance with laws and regulations and the Group's amendments to the internal regulations, to strengthen AML/CFT management practices.

2 Financial Services

2.1 Customer Service and Rights

Customer service management mechanism, customer satisfaction, education and training

2.2 Information Security and Customer Privacy

Management mechanism, external certification

2.3 Digital Banking and Innovation

Channel integration, digital marketing, mobile finance, talent cultivation

2.4 Sustainable Finance

Micro products, inclusive finance, responsible finance, urban renewal

The information security management system **ISO/IEC 27001:2013** is applicable within the Group, and all companies within the Group have obtained certification

Hua Nan Commercial Bank held the **2019 Open Banking Summit** to explore the possibility of Open Banking to support the development of digital finance in the country

Hua Nan Commercial Bank launched a **CFP training course** in 2019, and as of the end of 2019, the total number of certificate holders reached more than 100

Hua Nan Commercial Bank has kept abreast of the international trend, **established the Sustainable Credit Principle** based on the Equator Principles, and paid attention to ESG issues in the credit business

South China Insurance launched **agricultural insurance** for papaya and lychee

Accumulatively obtained **81 financial patents** approved by the Taiwan Patent Search System of Intellectual Property Office of Ministry of Economic Affairs



The Group attaches great importance to customer service satisfaction and their rights and interests. It manages to understand customers' needs and opinions through regular satisfaction surveys and establishing diversified communication mechanisms so as to strengthen education and training to improve customer service personnel's performance, while designing and selling financial products based on the principle of fairness to actively obtain the certified financial planner(CFP) qualification to assist clients with wealth management so as to safeguard their rights using professional services.

In today's digitalization of financial services, protecting customers' property and privacy is the top priority for information security. Therefore, cultivating digital financial service talents has become the key to development. In addition to the Group's internal R&D and talent cultivation, it develops various relevant services with strategic partners, such as HNCB Pay (Taiwan Pay), to provide complete service options to customers with different needs.

The Group also responds to the sustainable finance concept of international initiatives. In addition to serving customers with various micro-products, it serves every customer fairly based on the concept of inclusive finance.

The Group deeply considers the environmental and social effects of business behaviors in various financial business activities, and has in turn established the principle of sustainable credit based on the international Equator Principles to eliminate credit behavior that destroys environmental sustainability and social welfare with a view to contributing to a sustainable society.



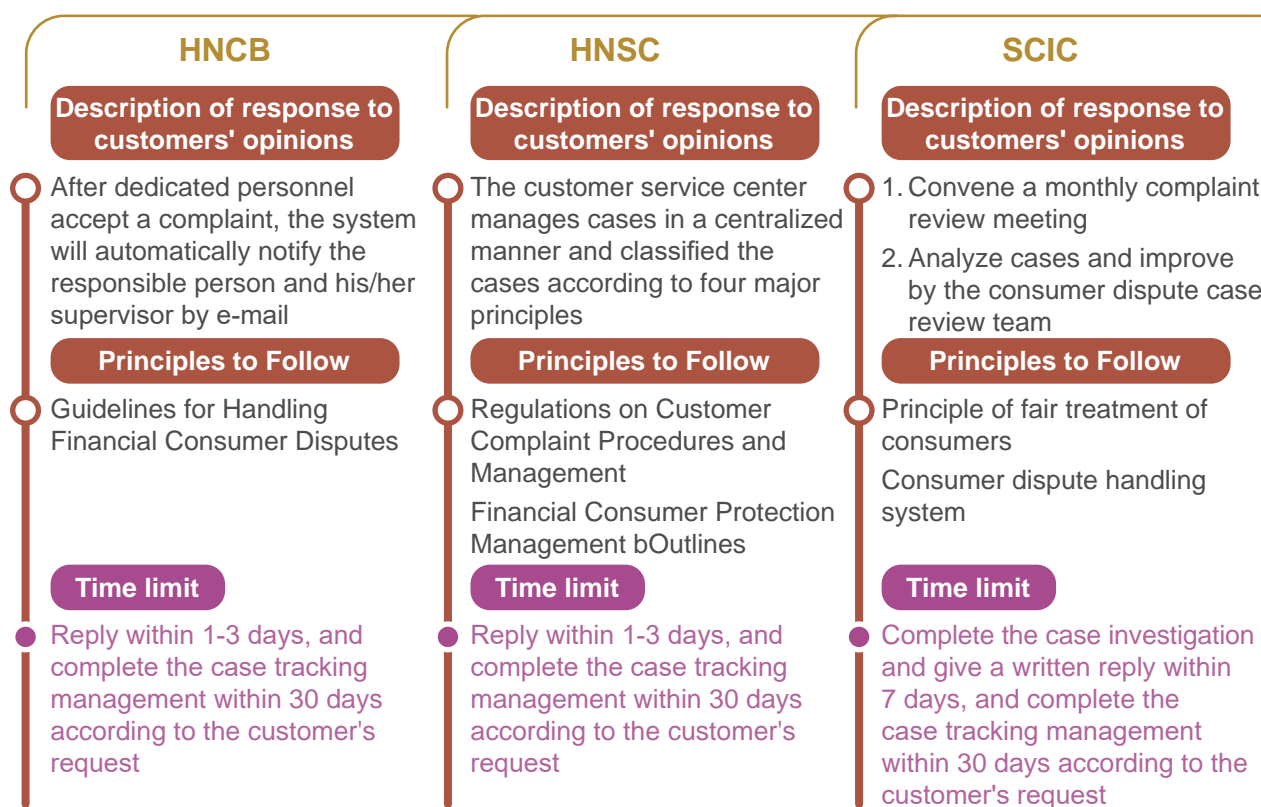
2.1 Customer Services and Rights

"Customer demand-oriented"

The service personnel of the Group launch various financial services based on this core concept. Each subsidiary has a sound customer service management mechanism, as well as relevant education and training to cultivate sales and customer service personnel to pay attention to customers' needs.

2.1.1 Customer Service Management Mechanism

The Group provides customers with diverse consulting channels, and establish a complete processing process and response mechanism to properly handle customers' valuable opinions based on the most fair, reasonable, and effective principles.



2.1.2 Customer Satisfaction

In order to understand customers' needs and improve their experience, the Group's Hua Nan Commercial Bank and South China Insurance conduct regular satisfaction surveys on relevant business activities to collect and understand customers' needs and promote positive communication with customers. In 2019, the Group continued its professional image in improving customer satisfaction, and actively carried out CFP training and assessment, with the aim of providing customers with a positive service experience through the rigorously certified professional knowledge, so as to improve customer satisfaction.



Hua Nan Commercial Bank protects customers' rights through its CFP professionalism

CFP is a professional test to certify financial planning consultants, covering five major aspects, namely investment and wealth management, tax planning, risk management, financial cash flow planning, and comprehensive asset allocation. It is the most challenging certification test for financial professionals in the financial industry.

In view of the increasingly diversified financial products and the international tax cooperation trend, Hua Nan Commercial Bank has provided a number of incentives to motivate its employees to obtain CFP licenses in order to enhance financial planners' asset inheritance planning expertise so as to protect financial consumers' rights and interests. As of the end of December 2019, the total number of certificate holders in the bank reached more than 100, which showed that all the staff of bank were making progress constantly, and their overall quality was among the best in the field of wealth management in the banking sector.

Customer Satisfaction Survey of HNCB

Hua Nan Commercial Bank attaches great importance to customer groups with different attributes and conducts different customer satisfaction surveys. The survey results are as follows:

Customer Satisfaction of HNCB			
Customer group	2017	2018	2019
General customers	93.76%	90.83%	95.09%
Overall service satisfaction			
Calling customers	96.90%	97.00%	97.30%
Customer service satisfaction			
Wealth management customers	94.33%	94.56%	94.41%
Business satisfaction			



Voice of Customer

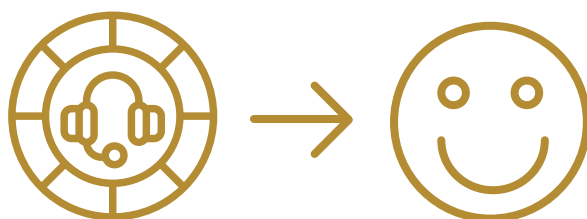
Ms. Lin used a credit card to pay for the travel abroad this time, but due to personal negligence, she discovered that the scheduled airport shuttle service was not successful the day before departure. Then she went to the customer service center to ask for help. After understanding the situation, the customer service personnel actively contacted the shuttle company that cooperated with the bank. Although the shuttle service for departure could not be reserved due to time constraints, the shuttle service for return was successfully scheduled.

During the process, the customer service personnel immediately reported the handling situation to Ms. Lin to assure her; as such, after returning to the country, she left a message in the comment mailbox of bank to thank the customer service personnel for their friendly and enthusiastic services, through which she felt assured and warm.

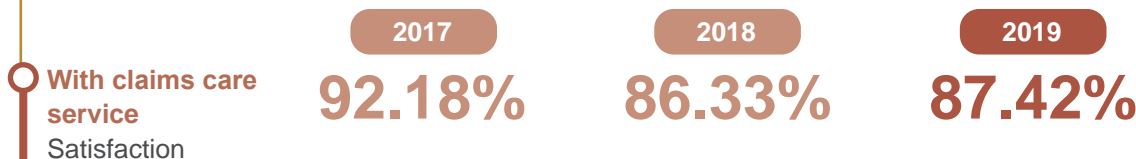
Survey on Satisfaction with Claims Care Service of South China Insurance

In order to improve the quality of insurance claim settlement services and reduce the complaint rate, the "phone care service after claim settlement" is carried out for auto insurance claims cases, to understand the service quality of claims adjusters through telephone interviews, while realizing customers' needs. In the case of any complaints, the claims supervisor in the district is asked to intervene and deal with it. The care team will call the policyholder for secondary care depending on the situation.

The caring mechanism not only assists customers in solving urgent problems and increasing customer satisfaction, but also forestalls complaints.



Customer Satisfaction of South China Insurance



*The survey targeted third party liability insurance claims.

Statistics of the number of complaint cases and handling situation in 2019

	Number of complaint cases A	Number of closed cases B	Proportion of closed cases B/A	
HNCB	32	32	100%	👍
HNSC	31	31	100%	👍
SCIC	95	95	100%	👍

1. HNCB handled 32 complaint cases in 2019 and the average handling days was 12 days, which was fewer than 30 calendar days as stipulated in the Financial Consumer Protection Act. Most of the cases were about personal deposits in New Taiwan dollar and credit card business, and the type of dispute was mostly about the differences in perspectives. All cases were properly resolved.
2. NSC handled 31 complaint cases in 2019 and the average handling days was 3 days, which was fewer than 30 calendar days as stipulated in the Financial Consumer Protection Act. Most of the cases were about services, and common ground was reached with the customers after communication.
3. In 2019, SCIC accepted 95 complaint cases, with an average processing day of 16.7 days, which was fewer than 30 calendar days as stipulated in the Financial Consumer Protection Act. Among them, most cases were about disability level determination for claims, all of which were actively communicated based on the principle of fair treatment of consumers to provide customers with the greatest protection.

2.1.3 Education and Training

Hua Nan Commercial Bank is a subsidiary of the Group with the most frequent and extensive interactions with customers. In view of this, the bank regularly offers relevant education and training for its staff every year. In addition to physical courses, it provides other online diverse education and training as well as case studies in the hope of maintaining great service quality through education and training. The relevant courses are as follows (the number of course hours are rounded to the nearest whole number):

On-site Training			
Name of training	Physical course session	Online session of physical course	Hours of the course
Case Study on Customer Complaint of Deposit and Remittance Business	2	2	1
Education on Compliance, Financial Consumer Protection Act, and Principle of Fair Treatment of Consumers	14	-	1
Education on Compliance, Financial Consumer Protection Act, Consumer Protection Act, and Principle of Fair Treatment of Consumers	-	3	1
Education and Training on AML/CFT and Financial Consumer Protection Act	57	1	1
Financial Consumer Protection Act	2	-	3
Prevention of Customer Complaints and Handling of Customer Complaints	2	1	1
Prevention of Customer Complaints and Handling of Customer Complaints (Including Financial Friendly Measures Promotion)	6	2	1
Seven courses in total	83	9	9

Online session			
Name of training	Course start date	Course end date	Hours of the course
Case Study on Financial Consumption Disputes	2019/7/24	2019/12/25	3
Introduction to the Financial Consumer Protection Act and the Principles of Fair Treatment of Consumers	2019/7/22	2019/12/23	2
Two courses in total	-	-	5

2.2 Information Security and Customer Privacy

Material Issues	Material Issue Management Approach
Information security and customer privacy	GRI 418: Customer Privacy
Significance to Hua Nan Financial Group	The Group continues to implement information security measures and ensures that customer private information will not be leaked based on the vision of "providing a safe, fast, and stable information environment" without information security incidents and errors in changes
Commitment and relevant policies	The Group strengthens compliance with management systems related to information security, implements information security assessment operations, and cooperates with the operation of the Financial Information Sharing and Analysis Center (F-ISAC) of the competent authority, while continuing to strengthen its information security protection capabilities. In terms of customer privacy, the Hua Nan Financial Customer Data Confidentiality Measures are adopted as the main policy
Target	<p>Short-term: Continue to maintain zero violation case regarding privacy and information security</p> <p>Mid-term: Continue to promote the group-wide privacy and information security certification system</p> <p>Long-term: Increase information security talents, strengthen the Group's internal information security team, and enhance customer privacy security</p>
Management method	Dedicated unit: Group Information Strategy Committee
Concrete results	<ul style="list-style-type: none"> ■ The Group implemented relevant ISO 27001 information security management systems ■ The companies of Group have joined the F-ISAC as members

Note: This material issue echoes the GRI Standards

The Group's information security management strategies are included in the annual information strategy. The medium to long-term information development strategy also include a chapter dedicated to strengthening information security protection mechanisms. The development of information strategies in 2019 focused on five major aspects, namely "increase profitability of the Group," "support regulatory compliance," "control digital technologies," "strengthen information security," and "cultivate information talents." The execution of "strengthen information security" includes compliance with relevant information security management regulations, implementation of ISO 27001 and information security assessment operations, cooperation with the operation of the F-ISAC, and continuous advancement of the Group's capacity for information security.

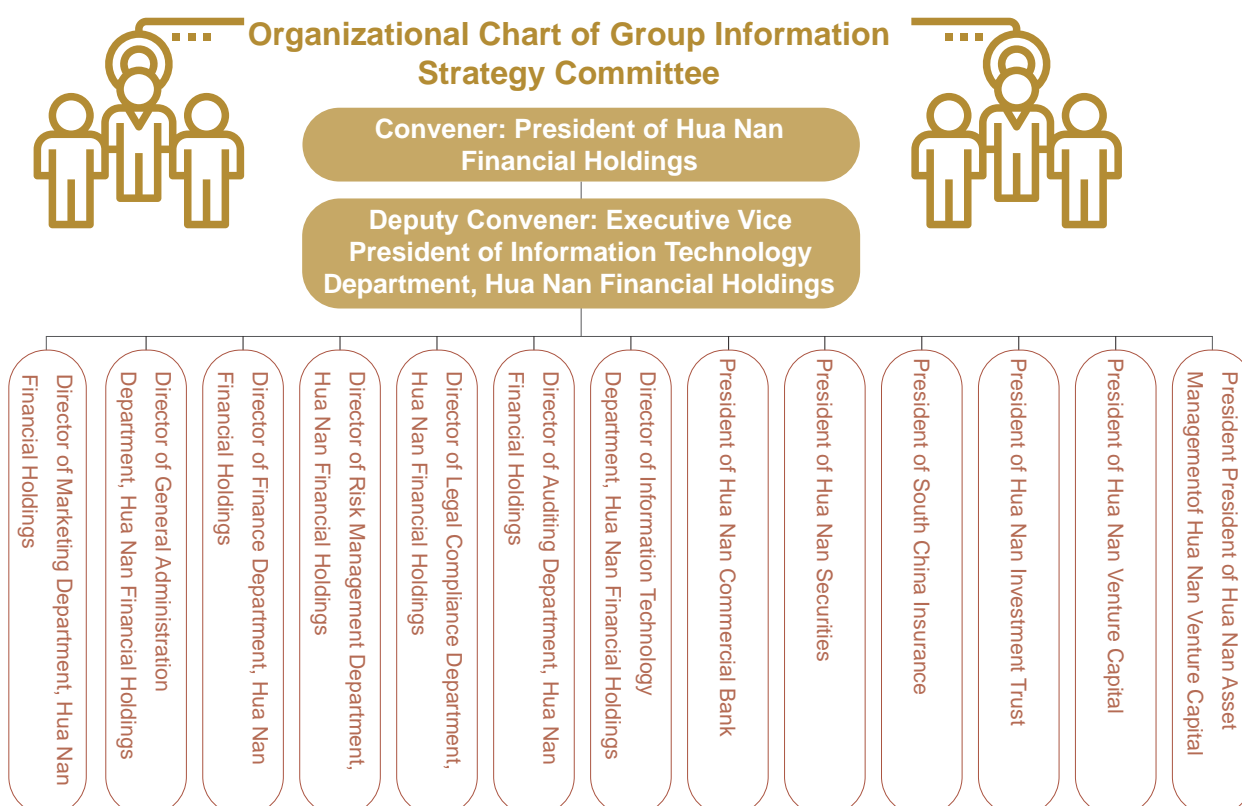
2.2.1 Management Mechanisms

Information Security Management Mechanisms

Since 2012, Hua Nan Financial Holdings has established the Group Information Strategy Committee, with the President of Hua Nan Financial Holdings as the chairman of the committee. The members include the vice presidents and directors of various departments of Hua Nan Financial Holdings, as well as the president of each subsidiary of the Group, and the committee meets every six months.

The topics of the meetings include reviewing the progress of each subsidiary's implementation of the Group's information strategy plans, the report on the implementation of the key performance indicators of relevant plans for the year, etc. The information strategy for the following year will be discussed every year, including the medium- and long-term information strategy direction and the short-term (for the following year) group-level information strategy direction, while the strategies formulated will be reported to the Board of directors.

The Group Information Strategy Committee also supervises the implementation of the "information security enhancement" plan formulated by each subsidiary, while regularly tracking and reviewing the results so as to implement information security strategies.



Customer privacy management mechanism

Target

1. Respect the confidentiality of customers' information
2. Protect the security of customers' transactions
3. Ensure the rationality of the purpose of data use

Rules to Follow

1. Financial Holding Company Act
2. Personal Data Protection Act
3. Regulations Governing Cross-Marketing between Subsidiaries of Financial Holding Companies
4. The Hua Nan Financial Holdings Customer Information Confidentiality Measures formulated in accordance with relevant laws and regulations of the competent authority

The Group companies have no cases of information security and customer privacy violation this year and will continue striving for secured financial services for customers

2.2.2 External Certification

External certification of information security and customer privacy

All companies of the Group (not applicable to Hua Nan Venture Capital because of the nature of its business) have obtained ISO 27001 certification of the information security management system; in addition, Hua Nan Commercial Bank has introduced an information service management system and obtained ISO 20000 certification. In addition, with regard to the protection of personal information, entities that engage directly in personal information, such as HNCB, South China Insurance, and Hua Nan Assets Management, have all passed the BS 10012 personal information management system certification.

ISO Standard		Scope of Certification	HNFHC	HNCB	HNCS	SCIC	HNIT	HNVC	HNAMC
Information Security	ISO 27001	1. Business information system design, development, and maintenance 2. Information technology operation and management 3. Database system management 4. Network management 5. Server environment security 6. Information security management and data processing management	V	V	V	V	V	NA	V
	ISO 20000	1. Information service level management 2. Continuity and availability management 3. Financial budget 4. Supplier management 5. Capacity management 6. Incident and problem response 7. Configuration changes 8. Management of service launch		V				NA	
Customer Privacy	BS 10012	Personal Information Management System		V		V		NA	V



In accordance with the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, South China Insurance requires that information security personnel complete more than 15 hours of information security education and training courses each year, and employees other than information security personnel complete more than three hours of information security training courses, while information security suppliers are invited to the company to share information related to information security from time to time, so as to enhance employees' awareness of information security.

Information security exercises and inspection operations are carried out regularly every year.

Since passing the ISO 27001 information security certification in 2012, it has conducted routine inspections twice a year. At present, the information security system is strengthened in accordance with this information security system.

It conducts internal assessments based on suggestions, such as information security assessments, then budgets information security, and conducts information security system procurement and development operations.

2.3 Digital Finance and Innovation

Because of the rapid development of FinTech, the Group continues to integrate its resources and virtual and physical channels, cultivates internal big data analysts, recruits outstanding students in the field of FinTech at schools, introduces digital applications to establish an automated financial service and product recommendation mechanism, and creates a one-stop financial service platform that meets customers' diverse needs; such zero-distance services always make customers feel convenient, instant, safe, and innovative through the four major aspects from customers' perspective, namely "channel integration," "digital marketing," "mobile finance," and "talent development."



With regard to patents obtained in the aspects of financial innovation, as of December 31, 2019, the Group has obtained 81 financial patents approved by the Taiwan Patent Search System of Intellectual Property Office of Ministry of Economic Affairs, as detailed in the following table:

Category of Patent Obtained	Mobile platform	Big data	AI	Blockchain	Security protocols	Biometrics	Others	Total
HNCB	28	11	7	2	5	8	11	72
HNSC	0	1	4	0	0	0	2	7
SCIC	1	0	0	0	0	0	0	1
HNIT	0	0	0	0	0	0	1	1
Total	29	12	11	2	5	8	14	81

Key patents of each subsidiary in 2019

HNCB	HNSC	SCIC
<ul style="list-style-type: none"> Smart voice trading system Transfer system and the method Verification of transaction system through facial recognition and the method Conversational mobile banking system and execution method Distributed small-amount cash flow system 	<ul style="list-style-type: none"> Multiple-screen real-time quotation interface 	<ul style="list-style-type: none"> Instant messaging for claims



Chang, Yun-Peng (4th from the right), Chairman of HNCB, Lin Tsu-Yen (3rd from the right), Vice Chairman of HNCB, Chang, Chen-Fang (2nd from the right), President of HNCB, and Hsu, Po-Lin, Vice President (1st from the right)

Hua Nan Commercial Bank takes practical actions to support the national digital financial development. To cooperate with the government to promote the API open strategy, it held the 2019 Open Banking Summit on September 24, 2019, at which well-known domestic open banking industry experts from the industry, the government, and academia were invited to share the latest trends in open banking, so that the openness of financial data could promote more optimized financial services.

2.3.1 Channel Integration

In response to the arrival of the digital era, the Group continues to organize digital marketing activities to promote virtual channels and introduce big data technologies and applications for analysis to provide customers with high-quality, diverse, comprehensive, and secure digital financial services. Transactions through online channels have exceeded 80% in recent years. The service awards for the services via virtual channels provided by Hua Nan Commercial Bank in 2019 are as follows:



HNCB was the first to launch the **Hua Nan AI Mobile Bank** and voice services of the "**dual platforms**" of Siri and Google.



HNCB was the first to open **WeChat Pay cross-border payment collection services** in Taiwan and to provide stores in Taiwan with a convenient and secure payment collection method.



HNCB was among the first batch of financial institutions that launched the function of **public information inquiry** in the first stage of **open banking**.



HNCB ranked first in the country in terms of the number of **applications for mobile payment tax incentives** by small-scale business people

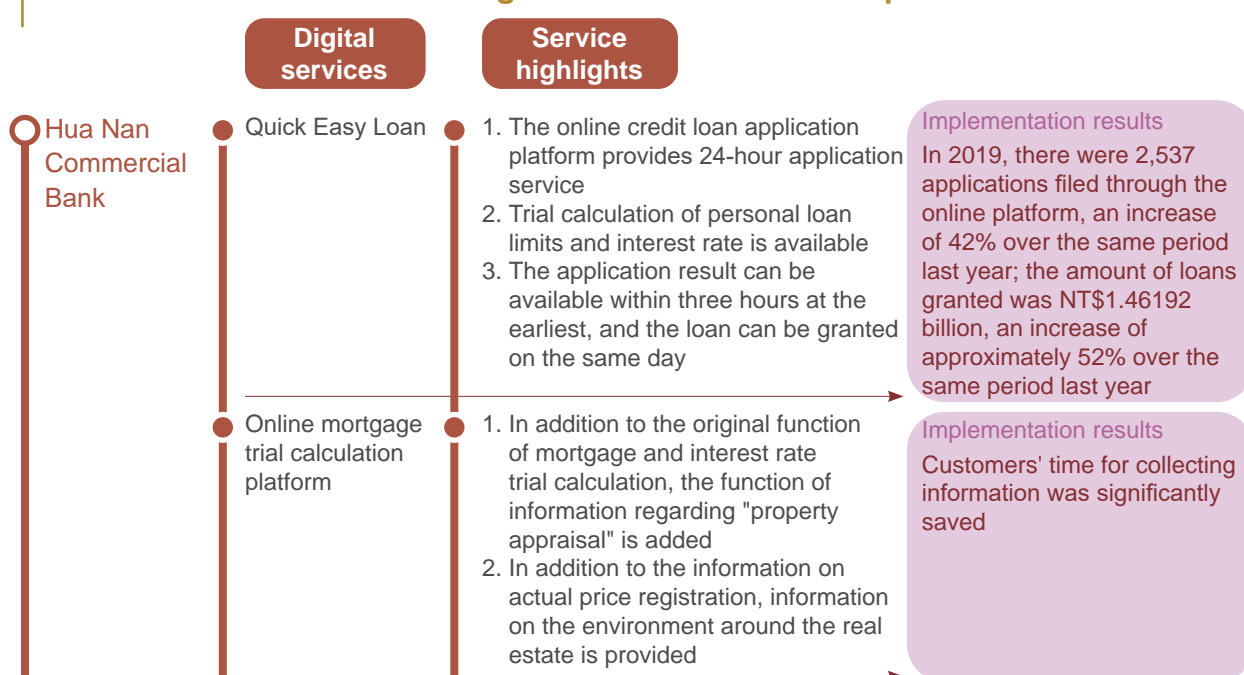


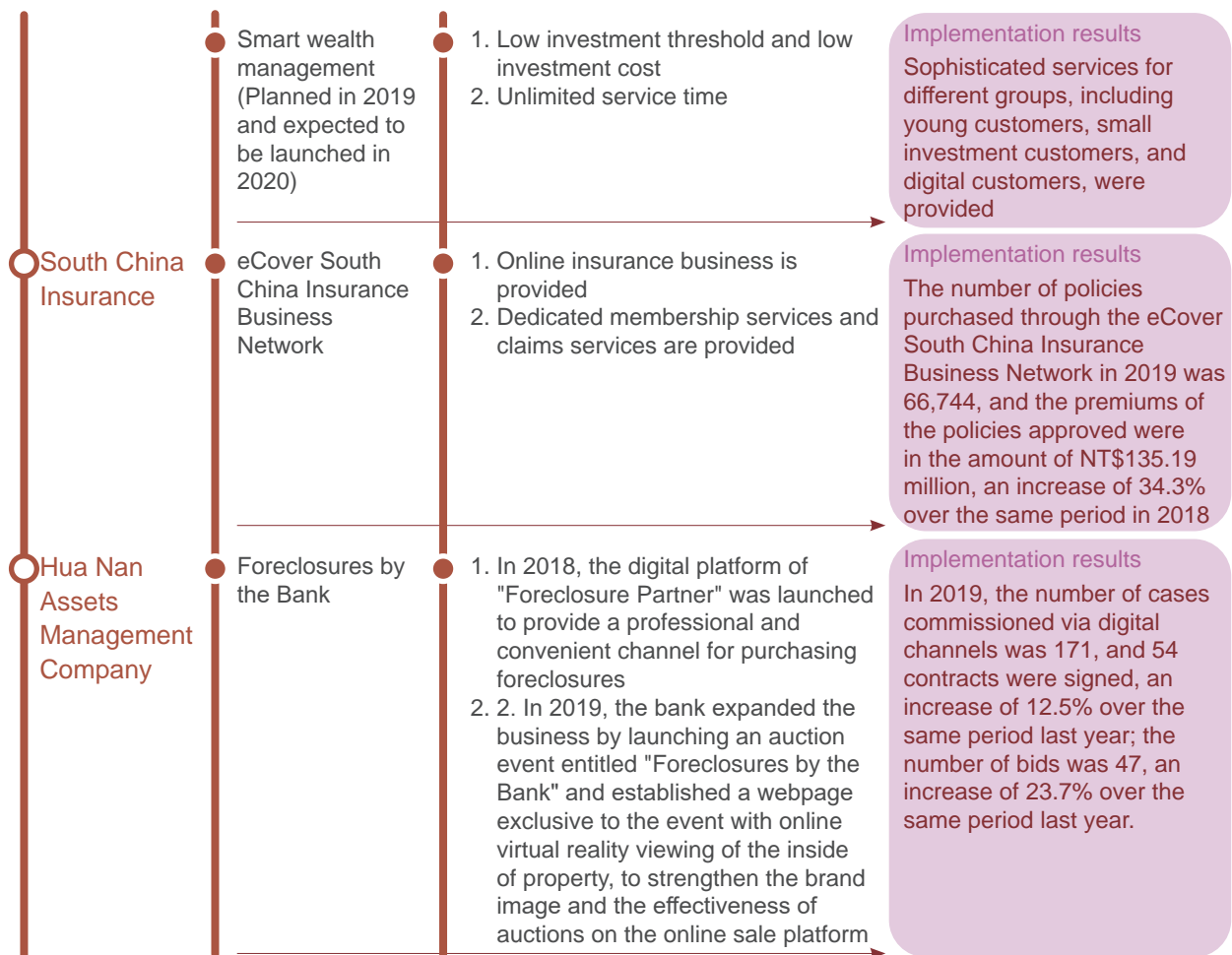
HNCB was among the first batch of state-owned banks that launched **financial blockchain confirmation services**, and ranked first in the country in terms of the number of accounting firms the bank cooperated with and the number of confirmations received.



The FSC approved a total of **22** Bank 3.0 online services, and HNCB is the bank that provides the **most services**.

2019 Digital Services of the Group

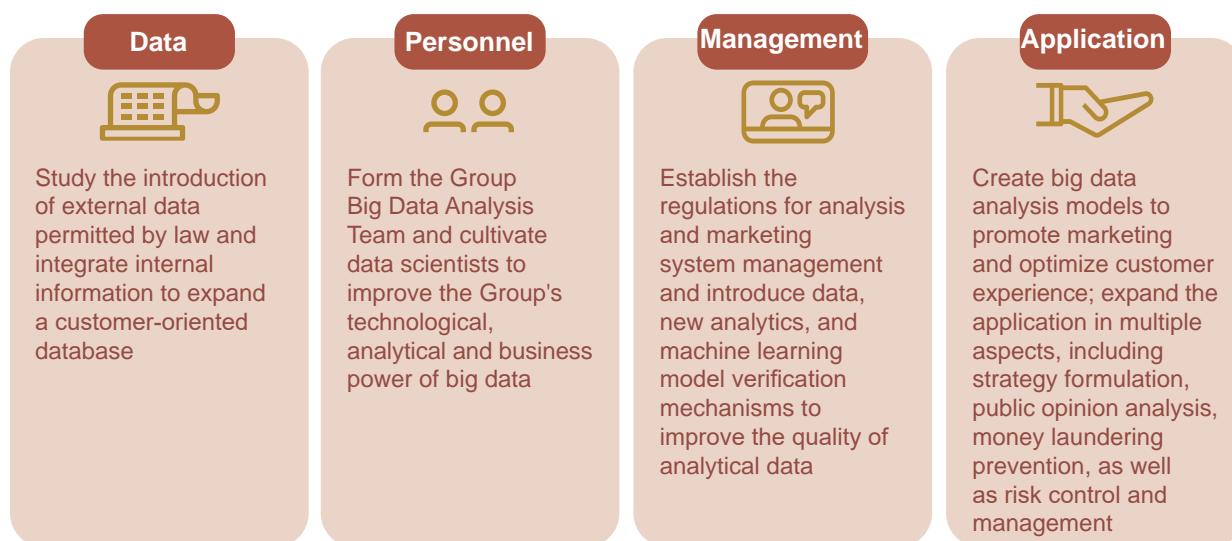




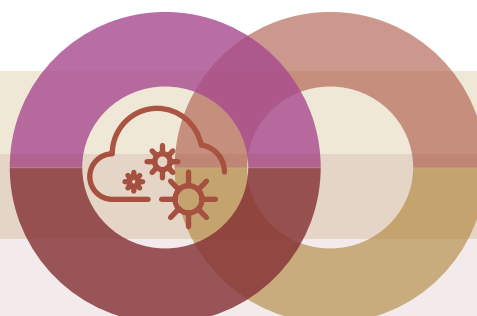
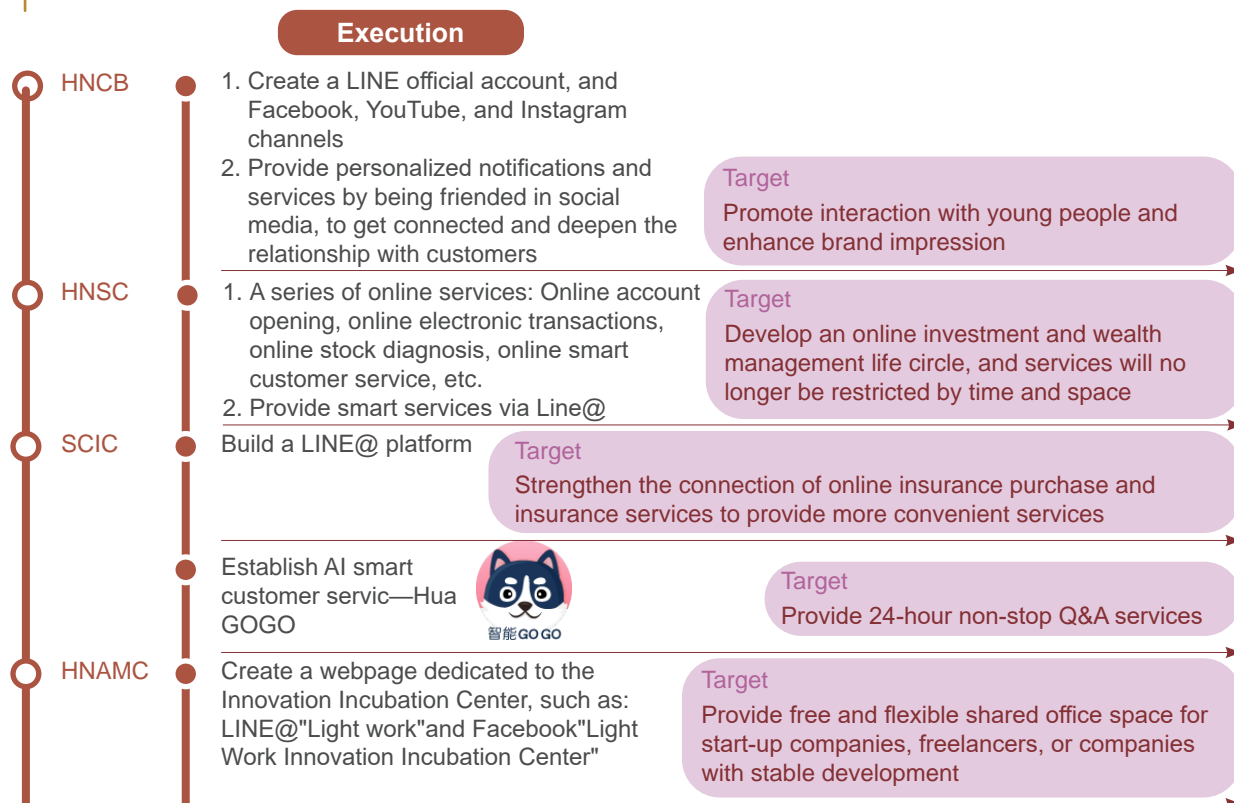
2.3.2 Digital Marketing

In 2018, the Group established the Group Big Data Service Promotion Task Force and the Group Big Data Analysis Team. Through the monthly cross-subsidiary big data analysis technology and exchanges of output, a total of 38 digital and physical channels of marketing resources across subsidiaries were integrated, while customer service needs are met through machine learning models and an automated product recommendation service chain.

The Group completed a total of 16 thematic analysis projects in 2019. In particular, the prediction accuracy of the product purchase models (eight in total) regarding the purchase rate of the top 10% customers has improved 1.6 times to 10 times higher than that before the models were built, reducing marketing labor costs effectively and increasing customers' response rate. The specific four major aspects planned are as follows:

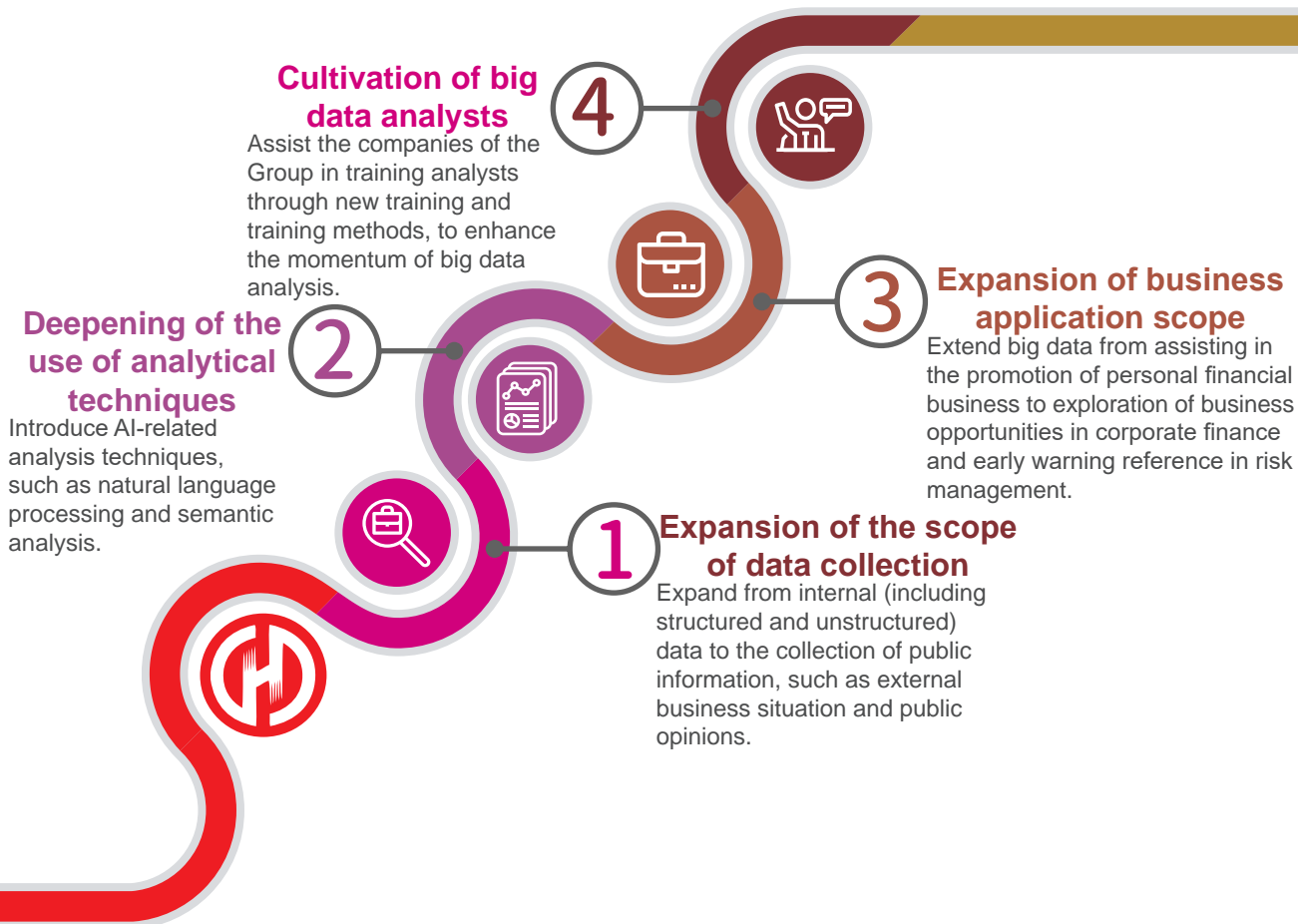


The Group's digital marketing promotion situation in the four major aspects



The future development and application directions of the Group's digital marketing:

Promote the development of big data services comprehensively under the premise of giving full play to the value of data and creating revenues. The specific plan is as follows:



2.3.3 Mobile Finance

Hua Nan Commercial Bank has more than one million mobile banking users. Customers can obtain financial services anytime and anywhere through their mobile phones. In recent years, they have also actively responded to important government policies to promote mobile payment services.

In January 2019, the credit card binding function of HNCB Pay (Taiwan Pay) was launched, and the credit card tax payment function of HNCB Pay (Taiwan Pay) was launched in April 2019 to jointly create credit card QR code mobile payment business opportunities.



Results of 2019 Hua Nan Commercial Bank Mobile Finance

Execution plans

- In line with the government's domestic demand-oriented store rejuvenation counselling program, the bank launched a Taiwan Pay marketing event: "Spending with Rewards—Calling on Shopping Area Fans"
- "Pay with Love via HNCB Pay"
Used HNCB Pay (Taiwan Pay) to make charitable donations
Co-organized an Art Festival and the Green Collar Agricultural Market with National Taiwan University to expand the acquiring business via Taiwan Pay of HNCB
- Expanded Taiwan Pay of HNCB to more than 3,200 chain convenience stores, around 570 pharmacies, approximately 130 breakfast stores, about 400 fried dumpling restaurants, and Dalong Market, etc.

Implementation results

- 1. The total number of transactions was about **43,000**
- 2. The transaction amount was approximately **NT\$36.26 million**
- 1. The number of donations was about **25,000**
- 2. The amount of donations was nearly **NT\$1 million**
Promoted the digitization of small farmers and other small stores and deepened industry-academia cooperation
- Increased the penetration rate of mobile payment and responded to the national policy goal of reaching the penetration rate of domestic mobile payment of 90% by 2025

2.3.4 Talent Cultivation



Photo of Chairman Chang, Yun-Peng (6th from the right in the front row), Vice Chairman Lin Ming-Cheng (5th from the left in the front row), President Lo Pao-Chu (5th from the right in the front row) and employees

In order to establish and maintain the big data analysis capabilities of its subsidiaries, keep abreast of the latest analysis technologies and applications, assist the Group in strategy formulation, business promotion, business opportunities exploration, and risk assessment, the Group actively invites experts from the industry, the government,

and the academia to customize training courses so as to improve the skills of big data analysts and continue talent training, while strengthening its digital financial talents. Currently, the Group has trained 47 big data analysts, and a big data analysis team and momentum have been established to assist the subsidiaries of the Group to apply big data to promote various business activities.

Hua Nan Commercial Bank organizes internal basic training on digital finance on a regular basis and encourages clerks to take relevant digital finance certification examinations held by external organizations. Each branch selects 1 to 2 clerk(s) as the e-commerce seed member(s) to receive enhanced internal and external training and gain hands-on practice in digital finance services. It also seeks young talents or outstanding professionals through campus activities or contests.



Hua Nan Financial Holdings' Fourth FinTech Innovation Contest

The four major original intentions of organizing this event:

1. Assist with the country's development and cultivation of financial technology talents;
2. Enhance learning at school and integrate with industry in advance;
3. Innovate financial technology to enhance the competitiveness of the financial industry;
4. Recruit capable talents to strengthen the Group's research and development capabilities.



In 2019, the FinTech Innovation Contest created another success in Taiwan. It brought together efforts from the fields of industry, academia, research, and innovation and attracted 1,302 students of more than 300 teams from 43 colleges and universities in Taiwan to participate; a total of more than 5,500 school talents joined to celebrate this grand event, demonstrating the new hope of Taiwan's FinTech. In addition, since 2017, the finalists have been provided with the opportunity for a job interview at the Group interview without having to take a written test for three years. So far, 37 outstanding students have been employed in such a method.

2.4 Sustainable Finance

South China Financial Group actively cooperates with the sustainable finance-related policies advocated by the Chinese government. In addition to actively cooperating with the Executive Yuan's "Green Finance Action Plan" to implement a number of green finance investment and financing projects, it also cooperates with the Executive Yuan's inclusive finance implementation policies and extensively establish micro The accessibility, usability and quality of financial products and promotion of financial services.

Hua Nan Commercial Bank cooperates with the government to launch the 5+2 Key Innovative Industries Loan Program. In 2019, the amount of loans provided increased by NT\$13.6 billion compared with 2018. In terms of urban renewal and the reconstruction of dangerous old buildings, the amount approved in 2019 was NT\$11.9 billion, reaching 495% excessively. It is hoped that with sustainable finance as the foundation, the Group will grow and progress with the environment and society and move toward the next 100 years.

2.4.1 Micro Products

HNCB

Hua Nan Commercial Bank offers a number of SME and preferential loans and helps SMEs utilize various preferential loan programs and guarantee mechanisms of credit guarantee funds to secure operating funds. It alleviates the problems of inadequate guarantee and financial burdens faced by SMEs and enhances their long-term competitiveness and growth potential. It also increases its potential customer base, creating a win-win situation for both the bank and SMEs.

As of December 31, 2019, the number of loans appropriated while with a balance under Small and Medium Enterprise Project Lending, Small and Medium Enterprise Innovation Development Project Loan, Innovative Research and Development Project Loan, and Culture and Creativity Industry Preferential Loan was 147. The balance of the appropriation was NT\$399.84 million. The total number of micro products undertaken was 14,195, and the total balance of the appropriation was NT\$3,37,578 million.

Unit: NT\$10,000

Micro Products	Number of cases with a balance in 2018	Balance of the appropriation in 2018	Number of cases with a balance in 2019	Balance of the appropriation in 2019
Youth Entrepreneurship and Start-Up Loan	767	26,690	723	20,506
Micro Loans for Female Entrepreneurs	118	3,903	133	4,512
Entrepreneurial Loans for the Unemployed with Employment Insurance	7	327	7	250
Preferential Mortgage for First-time Home Owners	13,191	3,484,002	13,185	3,372,326
Culture and Creativity Industry Preferential Loan	18	2,060	11	1,317
Small and Medium Enterprise Project Lending	117	46,485	106	31,254
Small and Medium Enterprise Innovation Development Project Loan	34	9,115	26	6,083
Innovative Research and Development Project Loan	4	1,737	4	1,330
Total	14,256	3,574,319	14,195	3,437,578

SCIC

South China Insurance provides micro-insurance products that enable disadvantaged households and welfare groups to purchase basic insurance with less premiums so as not to avoid financial difficulties due to occurrence of accidents and to bridge the gap in the government's social insurance or social assistance mechanisms.

The parties to be insured are mainly indigenous people, fishermen, farmers, people with disabilities, and parties receiving social welfare services. The coverage covers disability or death caused by accidental injuries. As of December 31, 2019, South China Insurance had conducted the valid micro insurance contract business for a total of 4,803 people.

Year	2017	2018	2019
Number of Policyholders	4,930	4,920	4,803
Number of Insurance Policies	49	37	38
Total insurance premium (NTD)	600,787	680,748	654,736

2.4.2 Financial Inclusion

Under the UN initiative, the concept of financial inclusion has drawn the public attention. It advocates that the disadvantaged groups in the society shall obtain the necessary financial services at reasonable cost and that they shall gain sufficient literacy through financial education to utilize financial resources.

For people living in remote areas and low-income groups to enjoy comprehensive financial services, financial institutions shall provide more diverse services to solve the dilemma of being unable to enjoy financial services due to factors, such as inconvenient transportation, insufficient income, or cultural differences is in line with the value of social justice so as to share the fruits of economic growth.

The Group evaluates the effectiveness of the implementation of financial inclusion from the three aspects of financial service accessibility, usability, and quality with reference to the FSC's financial inclusion measurement indicators. In addition to providing various micro products and agricultural insurance products for the goal of high-availability of financial services, it achieves accessibility of financial service through barrier-free financial services and reaches the goal of high-quality financial services by implementing the principle of fair treatment of consumers.



Services for the Elderly

Faced with the aging trend of our country's population, as well as the impact of declining birthrates and changes in the concept of elderly support, retirement planning has become increasingly important. In order to fulfill the Group's social responsibility and build a society where the elderly are cared for until death, the following is the Group's project for assisting customers in planning their retirement life and constructing complete life guarantee in retirement.



Elderly Care and Inheritance Trust

HNCB launched the NTD-denominated "Elderly Care and Inheritance Trust" in January 2016 and opened up foreign currency operations in October 2017. The Trust helps the elderly use trusts to gain the peace of mind, and the trust system is used to manage assets to achieve the goal of providing care for future days.

According to the statistics from the "Asset Trust for the Senior and the Disabled" for the 4th quarter of 2019 compiled by the Trust Association, HNCB accumulated 12,088 individuals as beneficiaries, which placed it first in the industry. The principal of trust assets amounted to NT\$2.628 billion. Compared with 2018, the number of beneficiaries increased by 2,082.

In 2016, 2017, and 2018, South China Bank was selected by the Financial Supervision and Administration Commission as an excellent bank for "Property Trust for the Elderly and the Disabled" for three consecutive years.



Housing Loans for Elderly Care

Hua Nan Commercial Bank launched the industry-first revolving "Mortgage for the Elderly" in March 2016. Different from the monthly fixed appropriation, it provides a credit line where no interest will be accrued if unused, while unused credit line can be accumulated for use in the following month. It allows for more flexible and user-friendly fund use, allowing the elderly to use their funds more effectively and live a more stable and secure life in retirement.

To provide the elderly diverse choices and protection of their funds, Hua Nan Commercial Bank has launched the upgraded product—Happy Benefit Loan—in cooperation with Taiwan Life Insurance Co., Ltd. in May 2017. Combining elderly care trusts with immediate annuity insurance, Happy Benefit Loan protects the funds of the elderly in retirement in a more complete manner.

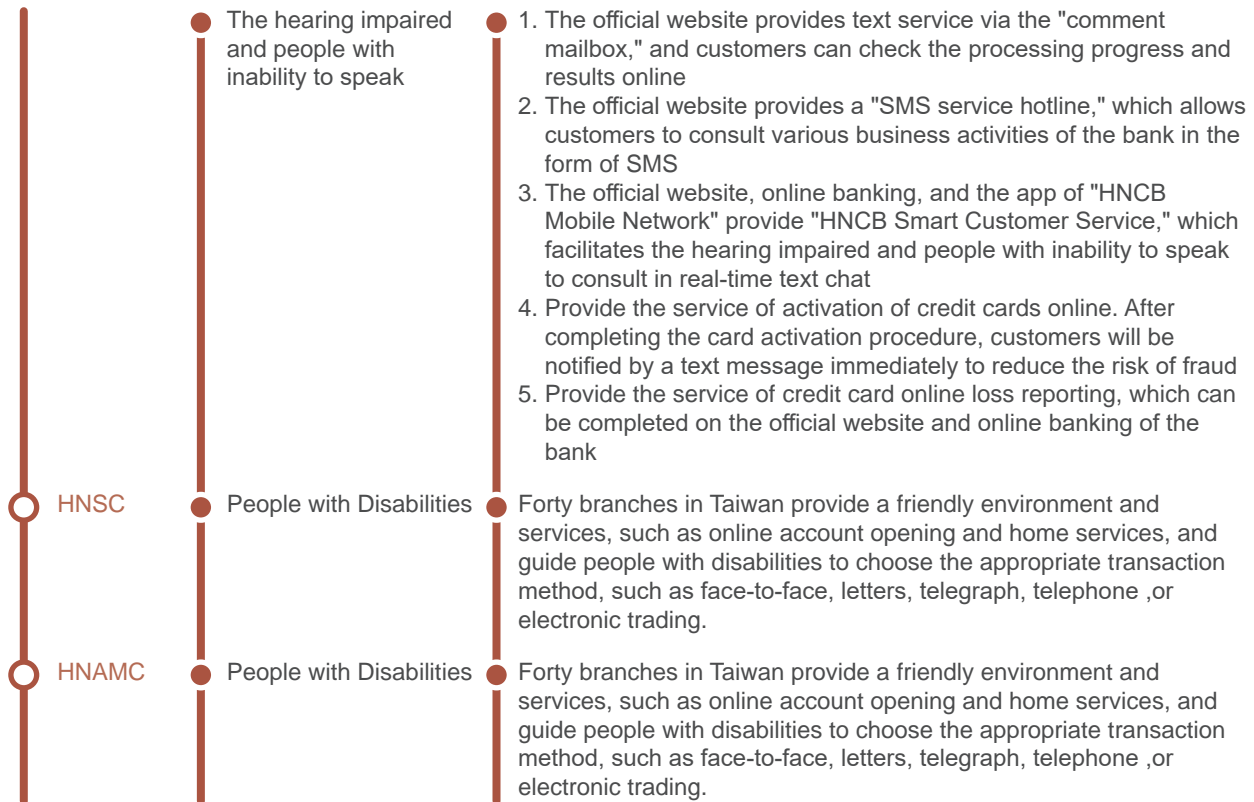
In 2018, Hua Nan Commercial Bank won the **Best Consumer Finance Award in the 9th Taiwan Banking and Finance Best Practice Awards** organized by Taiwan Academy of Banking and Finance and supervised by the FSC and Council of Agriculture, Executive Yuan.

As of the end of December 2019, Hua Nan Commercial Bank's housing loans for elderly care totaled 731 cases, an increase of 129 cases from 602 cases at the end of 2018, and the approved amount totaled NT\$3.543 billion, an increase of NT\$831 million from NT\$2.712 billion at the end of 2018.

The performance has increased significantly and the bank now ranks third in terms of market share, demonstrating its performance in resolving fund issues for the elderly in their retirement.

Accessibility service

Customer group	Service measures
<p>HNCB</p> <p>● People with Disabilities</p> <p>● The visually impaired</p>	<ol style="list-style-type: none"> 1. All business units have installed "service bells" at the entrance and exit 2. All business units have set up "care windows" (i.e., barrier-free service counters) 3. Provide home services to handle applications for deposit and remittance business and guarantee services by bank clerks 4. Set up barrier-free ATMs. As of the end of 2019, there had been 613 ATMs that are suitable for wheelchair users, 10 of which also have voice functions for the visually impaired 5. The official website, online banking, online ATM, mobile banking have been added with accessibility services, which are certified with the AA Label stipulated in the Web Accessibility Guidelines 2.0 formulated by the National Communications Commission 6. Those who have a certificate of disability (or a handbook) can apply for the discounted processing fees of inter-bank transfers for three times using a bank card each month over the counter <ol style="list-style-type: none"> 1. Where visually-impaired customers open accounts without the assistance of friends or relatives, a clerk who is not responsible for the account opening and the supervisor shall jointly serve as witnesses to assist with the account opening operations. 2. "Friendly credit card SMS service" is provided to the visually impaired to call the bank's Customer Service Center and check their credit card balance through the reading function of the mobile phone



Because of the provision of a friendly financial environment for people with disabilities, the Taitung Branch of Hua Nan Commercial Bank won the Taitung County Government's "Friendly Space" award for the excellent services for the disabled as the only financial institution that won the award.

On the International Day of Persons with Disabilities, the Taitung Branch of Hua Nan Commercial Bank was awarded the "Friendly Space" award as an excellent institution for serving the disabled. Manager Liao, Wu-Lang (first from the left) received the award on behalf of the bank.

Principle of fair treatment of consumers

In order to enable the Group to effectively implement the principle of fair treatment of consumers, treat its customers in a fair and reasonable manner, and protect the rights and interests of customers, Hua Nan Financial Holdings has established the group-level internal regulations as follows;

1. Financial Consumer Protection Management Outlines of Hua Nan Financial Group:

It aims to prompt the Group's subsidiaries to truly protect consumers' rights and interests, and to handle financial consumption disputes in a fair, reasonable, and effective manner.

2. Directions for Wealth Management Product Assessment of Hua Nan Financial Group

It aims to integrate the resources of the Group, manage its wealth management products, and assess whether the rationality and risks of each product have been fully disclosed to protect customers' rights and interests.

3. Second-stage review of some products:

The Group's products must comply with the regulations of each subsidiary and shall be subject to review in the product review meetings of each subsidiary. Compared to competitors, certain risky or complex products, because of their characteristics, require a second-stage review in the HNFHC product review meeting to fully protect consumers' interests and control the Group's risks.

Based on wealth management products and corporate financial services, Hua Nan Financial Holdings has established the following measures regarding the principle of fair treatment of consumers:

Type	Principle	Regulations	
Wealth Management Products	Evaluate the rationality of products, fully disclose the product risk, and conduct the operation to match customers to suitable product risk attribute	"The Directions for Wealth Management Product Assessment" and "the Guidelines for Suitability of Wealth Management Products"	Execution <ol style="list-style-type: none"> 1. Ask the customer to apply for customer risk attribute evaluation 2. Review the product* risk level, and conduct risk matching operations in accordance with the Guidelines for Suitability of Wealth Management Products
Corporate banking	When handling corporate financial sales business, business personnel shall comply with the Guidelines for the Implementation of the Principles of Financial Consumer Protection and Fair Treatment of Consumers and the Personal Data Management Policy	"The Guidelines for Corporate Financial Sales Operations of Hua Nan Commercial Bank"	
	The business personnel shall document details of credit customers' relevant rights and obligations and inform them of agreed matters in detail when signing the contract (such as the contractor's responsibilities)	"Credit Contract" and "the Factoring Contract of Hua Nan Commercial Bank"	Execution <p>Ask customers (including the contractor and the joint guarantor) to confirm that they have reviewed all the terms of this contract within a reasonable period of time, and have fully understood and promised to sign this contract, and sign accordingly</p>
	<ol style="list-style-type: none"> 1. No falseness, fraud, concealment, or other misleading behavior is allowed 2. Financial information shall be fully disclosed and proved true to prevent the consumers from being misled 3. Financial product or service disclosures regarding rates, fees, rewards, and risks shall be expressed with balance and prominence 	"The Examination Form for Corporate Financial Credit Operations on Advertising, Sales, and Business Promotion Activities of Hua Nan Commercial Bank"	Execution <p>Business personnel have performed the examination when handling sales operations</p>

* The products reviewed include funds, bonds, structured products (including portfolio investment products), stocks, short-term notes, collective trust account, derivative financial products, gold passbooks, life insurance products, annuity insurance products, and investment insurance products, and other new types of products.

Anti-fraud education and promotion

In order to protect people from fraud, Hua Nan Commercial Bank makes inquiries when customers transact at the counters. The transactions include deposits, withdrawals, remittances, transfers, termination of term deposits, etc. or applications of designated account transfers.



Principles of "Customer Care Question Form during Counter Operations:"

1. Customer type: Individual customers.
2. Applicable conditions:
 - A. Those who meet one of the following circumstances and the transaction amount reaches NT\$30,000 or more:
 - a. Remittance.
 - b. Deposits to passbook deposit accounts without passbooks and not by the owner of the account, which is determined by the clerk to be abnormal:
 - c. The elderly withdraw cash at the counter (including claiming payments by others or with companions), which is determined by the clerk to be abnormal:
 - B. Those who apply for the pre-defined account transfer function.



Hua Nan Commercial Bank has continuously invested resources and manpower. In 2019, it organized 12 training courses (for a total of 878 trainees) to provide bank clerks fraud prevention courses on financial fraud methods and how to cope with customers.

In 2019, it successfully stopped frauds amounting to NT\$11.8 million and received a medal from the National Police Agency, Ministry of the Interior, for the outstanding performance in over-the-counter intervention and fraud prevention.



School and Community Financial Education

Given that consumer finance is inseparable from the daily lives of the Taiwanese people, Hua Nan Commercial Bank, FSC, and various financial institutions have jointly promoted the popularization of financial education and organized the activities of "School and Community Financial Education." A total of 18 sessions were held in 2019. The target groups were mainly school students and community residents in various counties and cities. The topics promoted are about improvement of financial knowledge, promotion of good financial habits and financial concepts, etc. In addition, promotion activities also focused on discussions of anti-fraud cases, with the aim of reducing the possibility of people suffering from frauds.

2.4.3 Responsible Finance

The Group attaches great importance to the environmental and social impacts of business activities. **Based on the ESG performance**, it actively promotes green finance to exert positive environmental effects, and uses charitable trusts and financial products, such as agricultural insurance, to assist public welfare and farmers in the hope of bringing positive social influence. In 2019, the Group even adhered to the international standards of the Equator Principles and established the principle of sustainable credit in the hope of contributing to the protection of the environment and society.

Green Finance

To implement the economic structural transformation advocated by President Tsai, Ing-wen, the government proposed the "Green Finance Action Plan" to guide the financial industry to invest

resources to the development of the domestic green energy industry, to pursue a new economic model of sustainable development. Following in the footsteps of the government, Hua Nan Commercial Bank attaches importance to the development of green energy-related industries, and has introduced the spirit of the Equator Principles to the credit review standards to actively assist in corporate transformation.

In 2019, it was awarded the New Agriculture Special Award for "rewarding domestic banks for the loan program for new and innovative key industries" by FSC.

The Group's Green Finance Actions

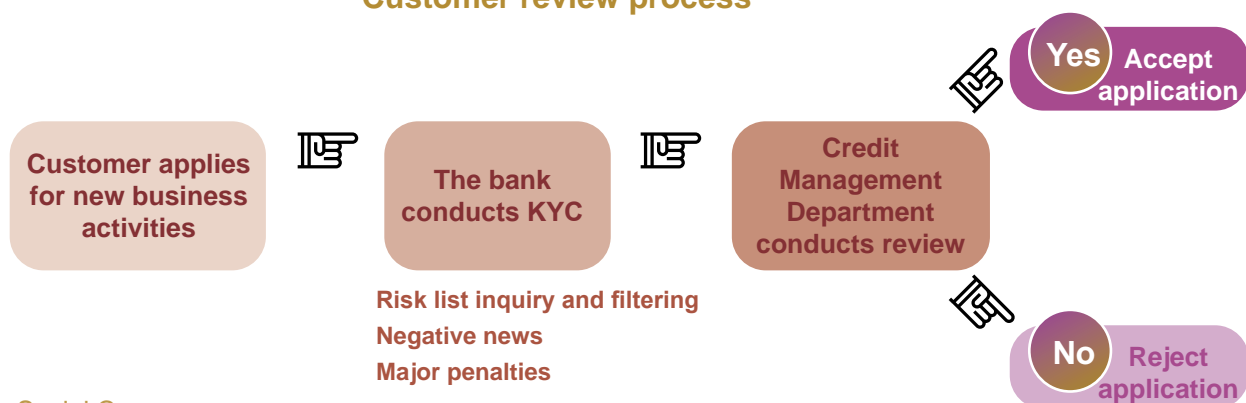
Company	Type	Products and operations																	
HNCB	Investment	<ul style="list-style-type: none"> In 2019, the amount of equity investment in relevant energy conservation and environmental protection industries was NT\$1.85 billion, and the amount of green bond investment was NT\$7.46 billion. An increase of NT\$1.16 billion and NT\$2 billion, respectively, from 2018. 																	
	Loans	<ul style="list-style-type: none"> As of the end of December 2019, the total balance of credit granted to the green energy technology, the new agriculture, and the circular economy industries was NT\$297.6 billion, of which the balance of credit granted to circular economy reached NT\$185.4 billion. A total of nine joint loan projects organized or co-organized in 2019 that were related to environmental sustainability, such as circular economy and green finance, amounted to NT\$47.6 billion. Among them, Ever Ecove Corporation's NT\$4.06 billion syndicated loan case was for construction of a multifunctional biomass energy center at the Taoyuan Technology Industrial Park, at which the heat generated from waste incineration and the biogas after anaerobic fermentation of kitchen waste were adopted to generate electricity. It was a large incineration plant with the highest specifications, to make full use of resources, and was a benchmark syndicated loan case in circular economy. Hua Nan Commercial Bank worked with local governments to launch relevant green energy financing products as follows <table border="1"> <thead> <tr> <th>No.</th><th>City/County Government</th><th>Project Loan Name</th></tr> </thead> <tbody> <tr> <td>1</td><td>Hsinchu City Government</td><td>Hsinchu City Green Energy Industry Project Loan</td></tr> <tr> <td>2</td><td>Taoyuan City Government</td><td>Taoyuan City Green Energy Industry Project Loan</td></tr> <tr> <td>3</td><td>Taichung City Government</td><td>Taichung City Green Energy Industry and Enterprise Heating Equipment Upgrade Project Loan</td></tr> <tr> <td>4</td><td>Yunlin County Government</td><td>Yunlin County Green Energy Industry and Industrial Boiler Upgrade and New Agriculture Project Loan</td></tr> <tr> <td>5</td><td>Tainan City Government</td><td>Tainan City Purchase (Construction) of Solar Photoelectric Equipment and Industrial Boiler Upgrade Project Loan</td></tr> </tbody> </table>	No.	City/County Government	Project Loan Name	1	Hsinchu City Government	Hsinchu City Green Energy Industry Project Loan	2	Taoyuan City Government	Taoyuan City Green Energy Industry Project Loan	3	Taichung City Government	Taichung City Green Energy Industry and Enterprise Heating Equipment Upgrade Project Loan	4	Yunlin County Government	Yunlin County Green Energy Industry and Industrial Boiler Upgrade and New Agriculture Project Loan	5	Tainan City Government
No.	City/County Government	Project Loan Name																	
1	Hsinchu City Government	Hsinchu City Green Energy Industry Project Loan																	
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4	Yunlin County Government	Yunlin County Green Energy Industry and Industrial Boiler Upgrade and New Agriculture Project Loan																	
5	Tainan City Government	Tainan City Purchase (Construction) of Solar Photoelectric Equipment and Industrial Boiler Upgrade Project Loan																	
HNIT	Green bonds	<ul style="list-style-type: none"> Hua Nan Commercial Bank has issued NT\$1 billion in Senior Debt Green Financing Bonds on April 25, 2018 with a duration of three years. 																	
	Funds	<ul style="list-style-type: none"> Hua Nan Investment Trust launched the "Hua Nan Global Agribusiness and Water Fund" in 2007. It was the first fund in Taiwan that focused on the food industry and opportunities in water financing. As of the end of 2019, the scale of the fund was NT\$388 million. 																	
HNVC	Investment	<ul style="list-style-type: none"> In 2019, approximately NT\$217 million was invested in industries related to energy conservation and environmental protection, accounting for 14% of the overall investment portfolio. 																	

Implementation of the Equator Principles

In order to fulfill the bank's corporate social responsibility and implement the spirit of the Equator Principles in the credit business process, Hua Nan Financial Holdings has formulated the Sustainable Credit Principle in May 2019. The credit applicants, industries from which they are, credit review, and post-loan management, which shall be paid attention to regarding ESG, shall be listed in credit risk assessment items. A list of negative credit businesses shall be established, which can be checked immediately on the system when a business unit applies for a credit case to avoid undertaking credit cases from businesses that are unfavorable to the sustainable development of the environment or society, so as to work with customers to promote the sustainable development of ESG.

Hua Nan Commercial Bank also confirms whether the credit applicant's factory site is located in a pollution control site in accordance with this principle during credit investigation. As of the end of December 2019, a total of 20 corporate credit applicants had been listed for control and management.

Customer review process



Social Care

Charity Trust

Charity trusts are mainly trusts set up by the public for the creation of public interest. All trusts established for the purpose of charitable, cultural, academic, technical, religious, sacrificial or other public interest and approved by the competent authority are considered charity trusts.

According to statistics from the Trust Association of R.O.C. for the fourth quarter of 2019, HNCB had 34 cases as a trustee, ranking second in the industry. In 2019, there were 819 households in the vulnerable groups (including individuals, foundations, and schools) who were cared for using donations for charitable trust purposes, with a donation amount of NT\$360 million. The principal of the trust was NT\$3.445 billion, an increase of NT\$45 million from 2018, ranking third in the industry.

Agricultural Insurance

Papaya Insurance—Protect Papaya Farmers from Wind and Rain

In response to the government policy, South China Insurance has developed papaya insurance based on the wind speed and rainfall parameters since 2017. The sale of papaya insurance was approved by the Insurance Bureau, FSC, on August 7, 2018 to protect the farmers' papaya production from loss and transfer farmers' risks.

This papaya insurance based on weather parameters is the first crop insurance that allows farmers to additionally insure agricultural facilities (screened growth rooms). Papaya can be separately insured against the "wind speed parameter" or "wind speed and rainfall parameters," while screened growth rooms are provided with coverage for the "wind speed parameter." For the claims operation, the meteorological data provided by the Central Weather Bureau are adopted, which are impartial and objective.

To allow farmers to better understand the coverage of the papaya insurance, the Agricultural Insurance Team of South China Insurance worked with the Agricultural and Food Agency, the Tainan City Government, and the Pingtung County Government to organize seminars in October and November of 2018 as well as March and April of 2019, respectively. The sales of the policies in 2018 and 2019 were as follows:

Year	Area	Number of Farmers	Number of Insurance Policies	Insurance Premium (NTD)
2018	Tainan	12	13	419,347
	Pingtung	7	9	479,180
	Total	19	22	898,527
Year	Area	Number of Farmers	Number of Insurance Policies	Insurance Premium (NTD)
2019	Tainan	64	77	2,115,047
	Pingtung	20	33	1,313,731
	Total	84	110	3,428,778

Litchi Insurance—Transfer Farmers' Production Risk

Litchi has been affected by warmer winters and heavy rains in recent years, and its production has been extremely unstable, not only affecting the consumer market but causing losses to farmers. Based on the development experience of the papaya insurance and after many years of research, the lychee insurance was officially launched on November 28, 2019.

Litchi insurance is an insurance policy based on weather parameters. The types of lychees that can be insured are Yu He Pao, Hei Yeh, and No Mi Tzu. For the claims operation, the meteorological data provided by the Central Weather Bureau are adopted, which are impartial and objective.

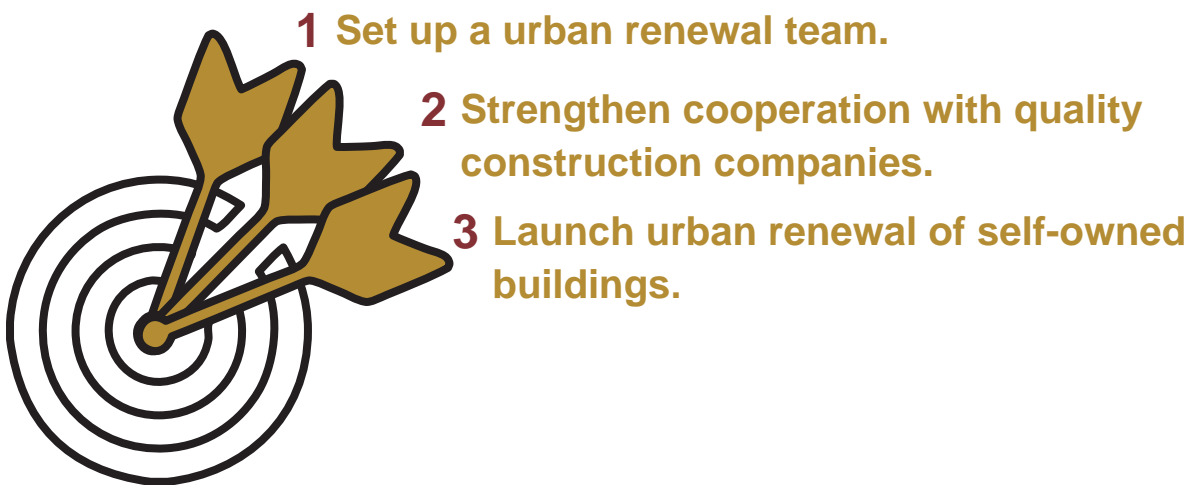
To allow farmers to better understand the coverage of the lychee insurance, the Agricultural Insurance Team of South China Insurance worked with the Agricultural and Food Agency, the Taichung City Government, the Nantou County Government, and the Kaohsiung City Government to organize a number of seminars in December 2019; South China Insurance undertook a total of 20 litchi insurance policies to insure litchi against the temperature and rainfall parameters. The situation of policy sales is as follows:

Area	Number of Farmers	Number of Insurance Policies	Insurance Premium (NTD)
Taichung	2	2	61,583
Kaohsiung	18	18	564,635
Total	20	20	626,218

2.4.4 Urban Renewal

President Tsai Ing-wen stated at the inauguration and opening of the National Housing and Urban Regeneration Center on August 2, 2018, that the reinforcement and reconstruction of dangerous and old buildings in the urban area has been a major policy since the new government administration took office. The new administration has set the tone for 2019 as the first year of urban renewal 2.0, and offered a number of preferential measures to motivate state-owned banks to actively participate in the urban renewal business.

The Group upholds the social responsibility of housing justice and proposes a **"three-pronged"** strategy of urban renewal:



and actively invests in relevant financial services, such as financing for the dangerous old buildings, trust, group mortgage plans, etc. to meet residents' various financial needs to rebuild their homes. As of the end of 2019, the number of urban renewal and rebuilding loan cases approved was 41, and the total credit limit approved was NT\$54 billion.





Dunnan Urban Renewal Project —Turning Sea-sand Building into Luxurious One

Hua Nan Commercial Bank successfully supported the reconstruction of a sea-sand building on the Dunhua South Road in Taipei City in line with the government policy. The beam-raising ceremony took place at 10 a.m. on August 5, 2018 to gradually realize the households' dream of reconstruction.

The Dunnan Urban Renewal Project led by Chung-Hsin Electric & Machinery Mfg. Corp. (CHEM) is located near the intersection of Dunhua South Road and Civic Boulevard in Daan District, Taipei City. The foundation occupies an area of 653 ping. In August 2011, the two seven-story and 16-story sea-sand houses having been built for more than 30 years were ordered by Taipei City Government to be demolished. Through its long-term integration and continuous explanations, CHEM has obtained the consent of all households to turn the original buildings into SRC residential cum commercial buildings with six stories underground and 23 stories above the ground and 140 households. The reconstruction is expected to be completed in mid-2020.

Hua Nan Commercial Bank has taken action to support the urban renewal policy. Since 2016, the bank has provided the households in the Dunnan Urban Renewal Project with compensation for preliminary loans, land property and building fund trust during construction, and construction funding to secure the funds of the builder and the residents. After the construction is completed, the residents' fears and worries will be replaced with a safe and happy homeland.



HNAMC Advance Payment Project for Dangerous Old Building Reconstruction in Guandu District, New Taipei City

Pursuant to the FSC's policy of opening up asset management companies to participate in urban renewal and dangerous old building reconstruction in May 2019, for the sake of public interests and residential safety, Hua Nan Assets Management began the urban renewal and the advance payment business for dangerous old building reconstruction at the end of the same year. In the same year, one advance payment case was approved for dangerous old building reconstruction in Guandu District, New Taipei City.



HNAMC Tucheng Urban Renewal Project

Hua Nan Assets Management has actively advanced the Tucheng Urban Renewal project. After three years of hard work, it finally obtained the approval of the Urban Redevelopment Office of New Taipei City Government in June 2017 and commenced the construction in November 2018. It was the first urban renewal application in the country for an Industrial Park under the management of the Industrial Development Bureau, MOEA.

In order to fulfill the responsibility of saving energy, reducing carbon, and protecting the earth, this construction of project had incorporated the construction concept of environmental sustainable development at the stage of design. It is now applying for the green building candidate certificate. It is expected to apply for a silver green building label or above after the implementation of this urban renewal project is completed in 2021. This will effectively improve the environment of shabby old industrial areas, help drive the renewal and regeneration of the areas, and rejuvenate the competitiveness of the industry.



Urban Renewal Forum

Hua Nan Commercial Bank held seminar on "Urban Renewal X Reconstruction of Dangerous Old Buildings" on December 17, 2019, at which experts from the industry, government, and academia were invited to discuss the future development direction of Taiwan's urban renewal. In order to promote its business, it has set up an Urban Renewal Team, to provide a full range of services from trust, land and construction financing to construction management so as to help residents complete housing reconstruction through professional services.



Chang, Yun-Peng (4th from the right), Chairman of HNCB, Lin Tsu-Yen (3rd from the right), Vice Chairman of HNCB, Wang, Jui-Yun, Marketing Manager of Corporate Banking





3 Employee Cultivation

3.1 Human Resources

Diversified talents, young talents

3.2 Talent Management

Talent remuneration and benefits, talent cultivation, employee performance evaluation management

3.3 Communication and Interaction

Union participation, employee communication channels, satisfaction surveys

3.4 Occupational Safety

Health promotion, environmental safety, recreational activities

Hua Nan Financial Holdings was awarded the Certificate of Appreciation for participating in the [Economically Independent Youth Part-time Job Program](#)

All domestic units of Hua Nan Commercial Bank obtained 189 badges of the [Badge of Accredited Healthy Workplace](#)

Hua Nan Commercial Bank was awarded the Certificate of [Appreciation for the Plan to Improve Insufficient Physical Activity at Workplace Using Design Thinking](#) and the [National Outstanding Healthy Workplace—Health Communication Award](#) from the Health Promotion Administration, Ministry of Health and Welfare

The Sports Administration, Ministry of Education, issued a [Certificate of Taiwan i Sports](#)

Received the Gold Award of the [Talent Training Project Planning Excellence Award](#) at the Insurance Excellence Award from the Taiwan Insurance Institute



Talent cultivation is the key to the sustainable development of an enterprise. With talents, enterprises can operate effectively, and customers will trust them. The century-old foundation of Hua Nan Financial Group is the impressive achievements of Hua Na employees, who have passed down the legacy from generation to generation. Therefore, how to nurture, take care of, and designate talents to appropriate positions, who are the most valuable asset of the Group, has become one of the important issues for our sustainable development.

Employees are the Company's most valuable asset. We provide competitive rewards, benefits, and promotion systems to motivate outstanding talents, and proactively implement benefit measures that are superior to what is stipulated in laws and regulations to improve employees' well-being, while actively communicating with our employees and labor unions. Thus, the employee satisfaction this year is also higher compared with last year.

In addition to actively understanding employees' needs, the Group takes care of their physical and psychological health, subsidizes them for regular checkup, and organizes health seminars to create a safe and high-quality work environment. We also motivate employees to participate in recreational activities and relevant competitions to help them achieve the work-life balance. We have also been recognized by government agencies and have been awarded the Certificate of Taiwan i Sports. The Group will continue to strive to provide employees with high-quality rewards and benefits and a healthy and safe work environment, while working together with employees to grow and make breakthroughs.



The Group continues to incorporate the core values **"HEART" (Honesty, Efficiency, Activeness, Responsibility, and Teamwork)** into the operations and fulfill its corporate social responsibility through specific actions. Facing multiple new challenges in the external environment, we use diverse talent recruitment channels for recruitment and invest all kinds of resources in employee training in order to optimize employees' competitiveness. We work together with employees to maximize synergy within the Group and achieve new heights.



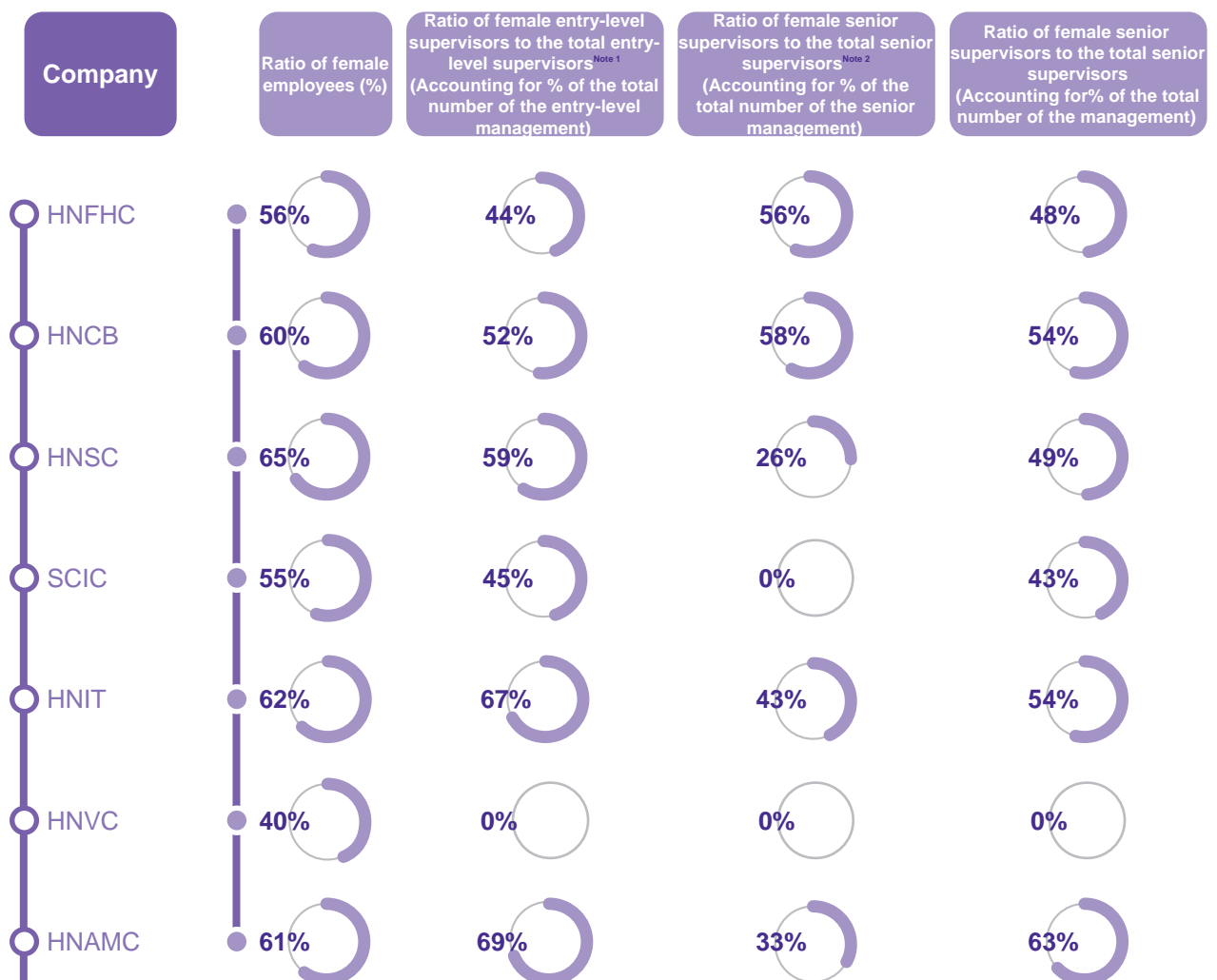
In order to achieve the goal of sustainable development of talents, the Group has assessed the following risks and actively formulated response measures.

Risk	Description	Response
Talent loss	The retirement tide has caused high employee turnover in subsidiaries in recent years, and has also led to talent gap in the organization	Response 1. Strengthen open recruitment 2. Establish industry-academia cooperation 3. Offer supervisor training
	Brain drain caused by peers in the same industry	Response 1. Strengthen the remuneration system and benefit measures 2. Provide employees with career development vision
Regulatory risk	In 2019, employees had extended working hours but failed to receive the full wages for the extended working hours; they filed a complaint to external agencies	Response 1. Regularly issue documents reiterating the implementation of overtime management regulations 2. Supervisors should lead by example, strengthen work efficiency and care about employees working overtime 3. Organize seminars to raise employees' awareness, and keep records while taking photos for retention 4. Visit each unit from time to time to check whether it has implemented the attendance management

3.1 Human Resources

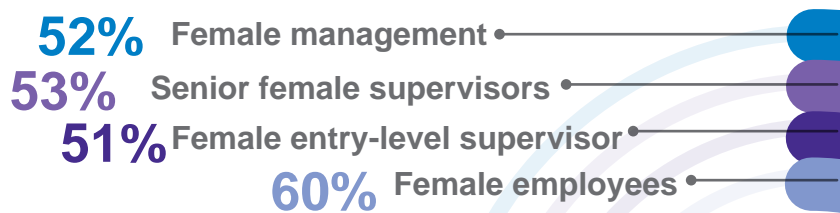
The Group has continuously recruited new employees in the past four years to invigorate the organization and bring in new ideas. As of the end of 2019, the Group had a total of 10,354 employees and recruited a total of 1,017 new employees, **an increase of approximately 16%** over the previous year.

The Group attaches great importance to gender equality in work rights while providing all employees with fair and reasonable treatment and diversified employment and career development opportunities, to echo the gender equality under the UN SDGs. As of the end of 2019, full-time female employees accounted for **60%** of the Group's full-time employees. In addition, in the management positions, female supervisors accounted for **52%** of the total number of supervisors, indicating that the ratio of female employees in the recruitment and management positions was also reasonable.



Note 1: Entry-level supervisors refer to supervisors, excluding senior supervisors, who shall "lead" employees.

Note 2: Senior supervisors refer to the supervisors ranging from the President to two levels below (including the President).



The ratio of female employees in the Group in 2019

3.1.1 Talent Diversification

Number of employees in 2019								
Company	Taiwan		Overseas		Total			
	Male	Female	Male	Female	Male	Female		
HNHFC	38	48	-	-	38	48	86	
HNCB	2,968	4,616	109	51	3,077	4,667	7,744	
HNSC	489	907	2	-	491	907	1,398	
SCIC	453	556	1	-	454	556	1,010	
HNIT	25	40	-	-	25	40	65	
HNVC	6	4	-	-	6	4	10	
HNAMC	16	25	-	-	16	25	41	
Total	3,995	6,196	112	51	4,107	6,247	10,354	

* Overseas area refers to employees dispatched overseas from Taiwan.

Note 1: The total number of the Group includes 112 male employees and 51 female employees dispatched overseas from Taiwan

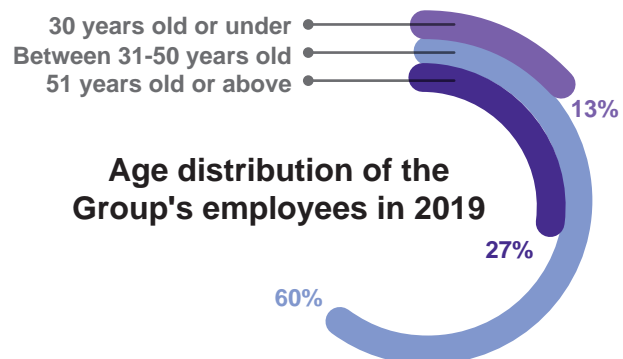
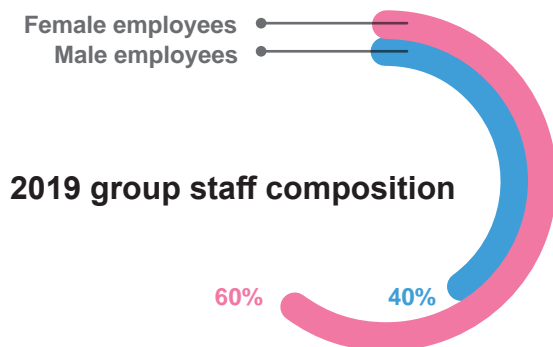
Note 2: This statistic is based on the number of employees on December 31, 2019.

Employee age statistics in 2019

Company	30 years old or under	Between 31-50	51 years old or above	Total	Average age
HNFHC	4	68	14	86	43
HNCB	931	4,680	2,133	7,744	43
HNSC	109	838	451	1,398	46
SCIC	247	574	189	1,010	39
HNIT	2	45	18	65	46
HNVC	-	7	3	10	45
HNAMC	0	30	5	41	39
Total	1,299	6,242	2,813	10,354	-

Note 1: This statistics is subject to the data on 2019/12/31.

Note 2: This statistics is based on the age of the above-mentioned employees.



The Group pays special attention to disadvantaged groups in employment. Hua Nan Commercial Bank not only employs a certain percentage of employees with disabilities as required in laws, but also the percentage is higher than the required number for a long time, while their salary and benefits are the same as those of ordinary employees. For the work environment and job assignment, the convenience of transportation and their other needs are also considered to enable them to fully demonstrate their strengths.

Company	Type	Number of Employees	Actual Employment Ratio
HNCB	People with Disabilities	83	1.07%
	Indigenous People	78	1.00%
HNSC	People with Disabilities	10	2.00%
SCIC	People with Disabilities	9	0.89%
	Indigenous People	9	0.89%

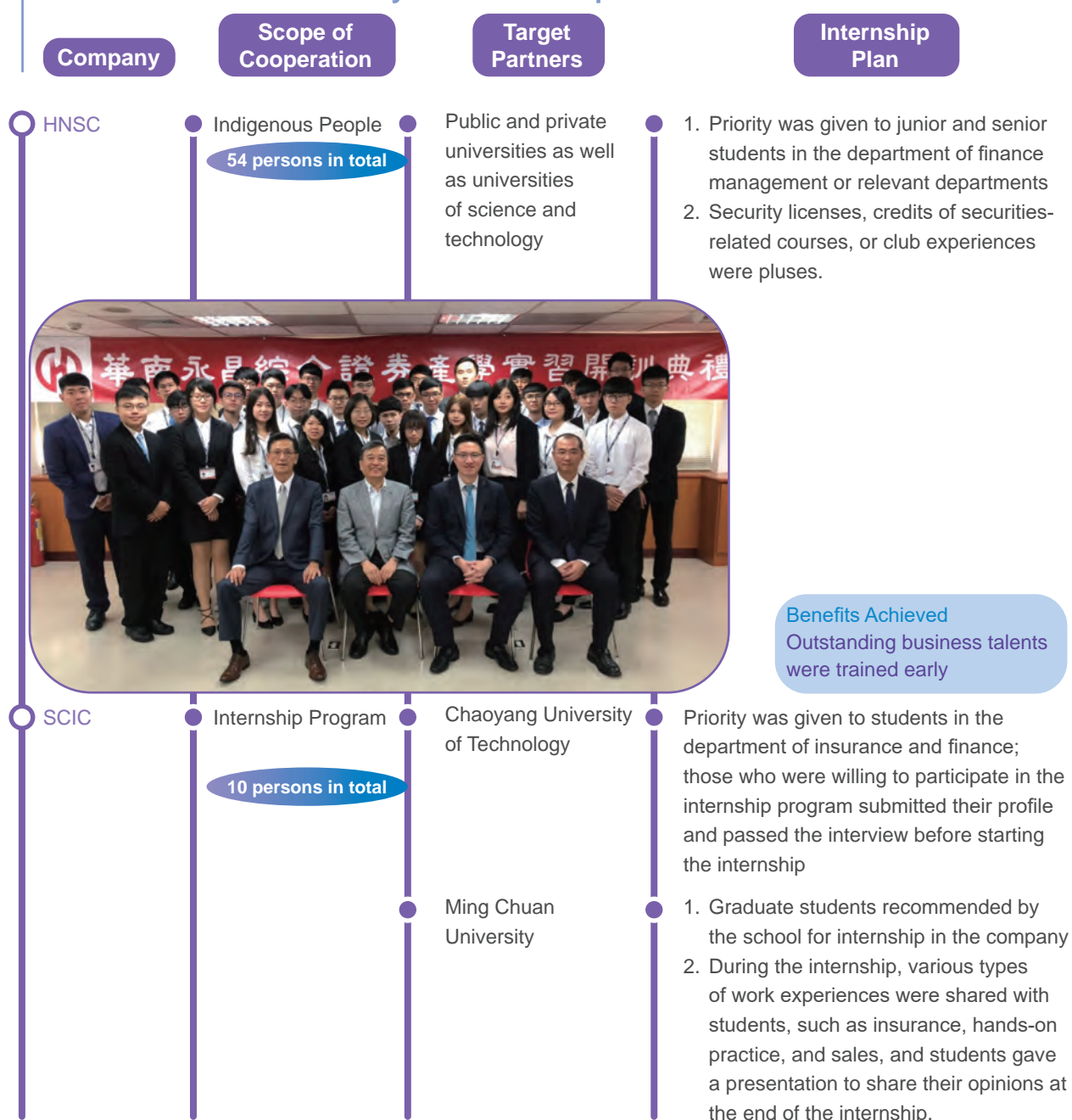
* The employment ratio required by laws: Where the total number of employees in private institutions exceeds 67, the employment ratio shall not be less than 1% of the total number of employees.

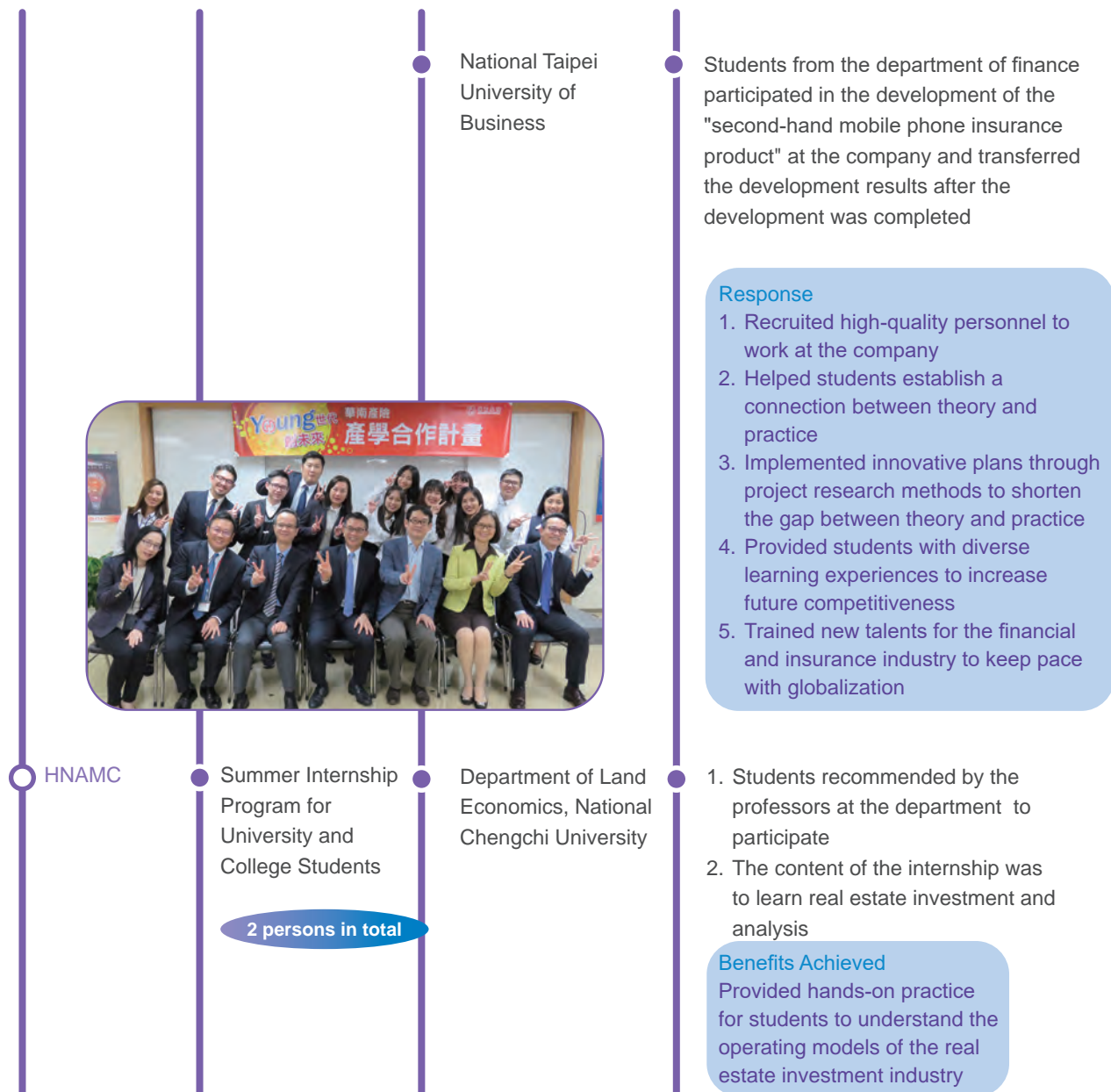
* The number of employees employed by HNSC is calculated based on the number of insured persons at the head office on December 31, 2019.

3.1.2 Young Talents

In addition to open and transparent talent recruitment channels and fair selection examinations, the Group attaches great importance to the cultivation and participation of young talents. Each subsidiary actively organizes visits to schools and student internships, provides part-time job opportunities to disadvantaged students, and attaches importance to the benefits brought by industry-academia internships, so as to actively achieve equal recruitment and cultivation of talents.

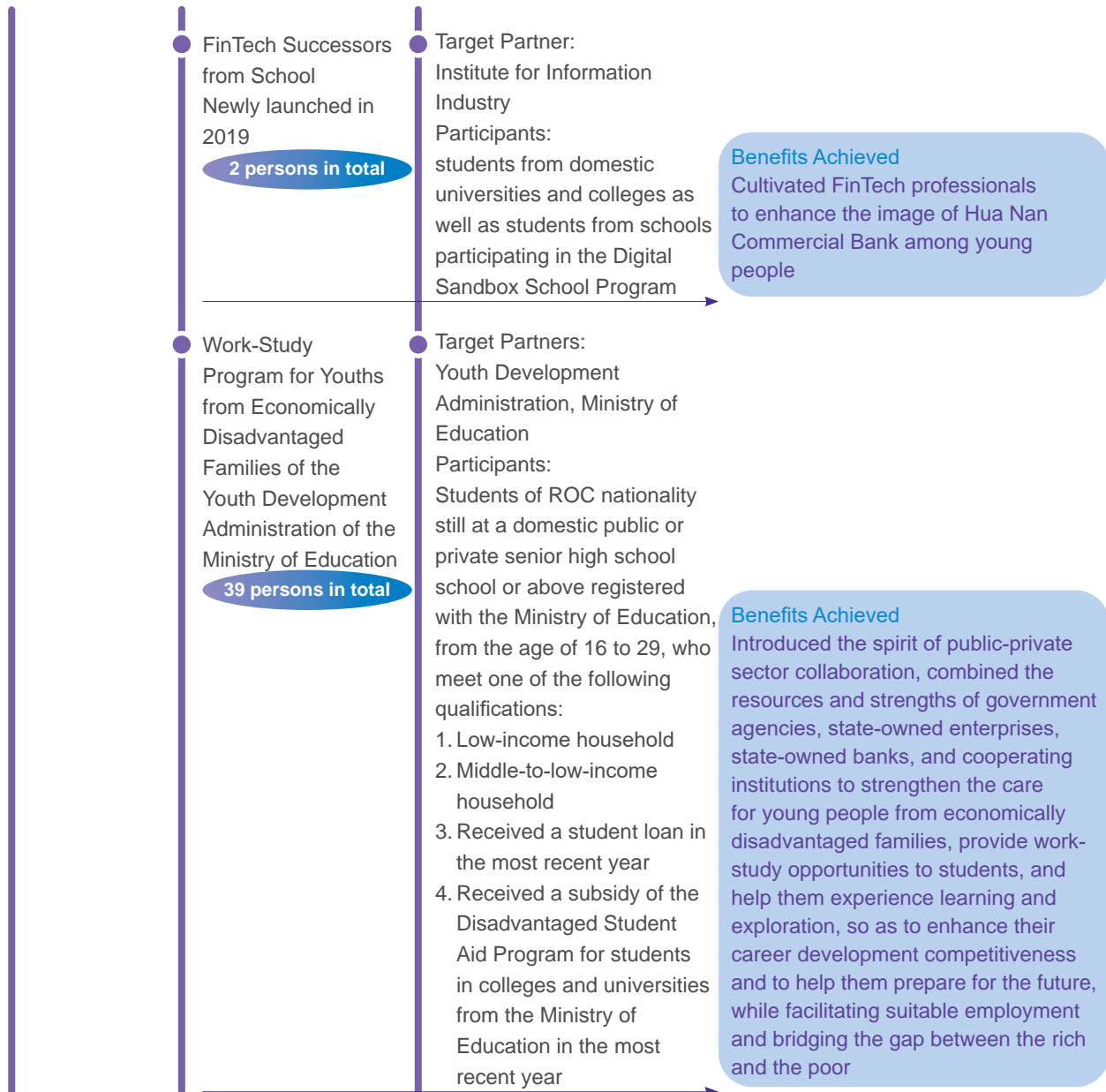
Industry-academia cooperation in 2019





Work-study opportunities for students still in school in 2019





3.2 Talent Management

Material Issues

Talent Recruitment and Cultivation

Material Issue Management Approach

GRI 404: Training and Education

Significance to Hua Nan Financial Group

Talent is the most important resource of the Group. Therefore, it actively invests relevant resources in training and recruiting talents needed for the growth of the Group every year, with the aim of leading its growth using quality talents

Commitment and relevant policies	<ol style="list-style-type: none"> 1. Provide competitive salary levels 2. Promote talent exchange between companies within the Group 3. Create an equal employment environment and maintain harmonious labor-management relations
Target	<p>Short-term: Increase talent retention rate</p> <p>Mid-term: Improve the remuneration system and comprehensive benefit measures</p> <p>Long-term: Establish a complete employee education and training system to provide career development vision</p>
Management Method	<ul style="list-style-type: none"> ■ Dedicated unit: Human Resources Department of each subsidiary ■ Input resources: NT\$47,132,771
Concrete results	In order to immediately motivate employees to work hard to improve earnings performance, Hua Nan Commercial Bank issues special earnings bonuses in the following month based on the performance of pre-tax earnings for the month from December 2019

Note: This material issue echoes the GRI Standards

3.2.1 Talent Remuneration and Benefits

The Group provides a competitive salary system in accordance with its rank and position structure in hopes of helping employees wherever possible so that they can focus on their work without worries and work hard with the Group. Take Hua Nan Financial Holdings and Hua Nan Commercial Bank for example, they have adjusted salaries through the public announcement for nine consecutive years since 2010. Each subsidiary issues year-end bonuses and performance rewards to share the business achievements with employees, and the salaries of the entry-level employees are not lower than the legal minimum salary to protect their basic income. Moreover, the compensation policy of the Group is consistent regardless of gender and age in order to maintain fairness and reasonableness.

Information on the salary of full-time non-managerial employees of the Group			
	2019	2018	Annual Variance
Number of People	9,128	8,876	1.57%
Total salary (NT\$ thousand)	11,100,183	10,928,695	1.57%
Average salary (NT\$ thousand)	1,216	1,231	-1.22%
Median salary (NT\$ thousand)	1,057	1,070	-1.21%

Note 1: The calculations above include HNFHC and three subsidiaries: HNCB, HNSC, and SCIC.

Note 2: The number of full-time non-managerial employees refers to the number of employees who have been paid for six months or more in the year after deducting the number of full-time supervisors (managers), full-time employees of overseas branches, and part-time employees.

Note 3: The total salary refers to the employees' salary for the year, including recurring salary (base pay and monthly fixed allowance and bonus), overtime pay and non-recurring salary (non-monthly allowance, year-end bonus, performance bonus, employee compensation, etc.).

Employee Family Care

Human resources are the important foundation for the competitiveness of the Group. In terms of providing employee care, in addition to continuous improvement made by the organization and compliance with labor laws and regulations as required, it has planned a family-oriented reward and benefit system for employees, to not only take care of them but also their families in the hope of attracting, motivating, and retaining outstanding talents.

Marriage and Childbirth Subsidies

Taiwan's marriage population and fertility rate have repeatedly hit record lows. The Group responded to the government's population policy to encourage marriage and childbirth. Since 2017, its subsidiaries have formulated measures to provide marriage and childbirth subsidies to assist the government in solving the problem of declining birthrates while fulfilling its corporate social responsibility and allowing all employees and their next generations to grow and thrive under the care of this big family.

	Marriage Subsidy	Childbirth Subsidy
HNFHC	NT\$30,000	NT\$100,000.
HNCB	NT\$30,000	NT\$100,000.
HNSC	NT\$7,600	NT\$2,000
SCIC	NT\$25,000	NT\$3,600
HNIT	NT\$6,000	NT\$2,000
HNVC	NT\$20,000	Gifts worth NT\$2,000
* Unit: New Taiwan Dollar		
In 2019, the total number of people subsidized was 180		In 2019, the total number of people subsidized was 222

Children Care and Benefits

Hua Nan Financial Holdings and Hua Nan Commercial Bank provide academic subsidies and scholarships to employees' children who study in elementary schools, junior high schools, senior high schools, and universities to encourage them to study hard. Subsidies are provided to all qualified applicants.

A total of 5,411 employees of Hua Nan Financial Holdings and Hua Nan Commercial Bank filed applications in 2019; the number of children who benefited from this program totaled 7,695

Leave Policy Superior to the Regulations of the Labor Standards Act

The Group values all important stages in employees' lives including their marriage with sweethearts, giving birth to happy children, or low points in life where they must deal with deaths in the family. Hua Nan Financial Holdings and Hua Nan Commercial Bank provide the leave policies that are superior to regulatory requirements for employees to prioritize family and become support one another so that the warmth of the Hua Nan family can be delivered to each employee.

Leave system regulations	Leave	Regulations of the Labor Standards Act
14 days	Marriage leave	8 days
21 days 	Bereavement leave (death of a parent, adoptive parent, step-parent, or spouse)	8 days
Full pay within 30 days; 30% of salary for employees who take leave between 30 days and three months.	Tocolysis leave	Half salary within 30 days and no salary afterwards.

Care for Pregnant Women and Care for Maternal Employees:

In accordance with the bank's maternal health protection program (for the period from the date of pregnancy to one year after childbirth), 125 pregnant employees' health was cared for in 2019.

Through one-on-one and face-to-face consultation and telephone consultation with on-site professional medical physicians from northern, central, and southern Taiwan, the work style with potential health hazards for maternity in the workplace were assessed in terms of physical, chemical, biological, or human factors, or work pressure or workplace violence, etc., while the Group cared for the physical and psychological conditions of the employees, during and after pregnancy. In March 2019, it organized a motherhood seminar on "Breastfeeding and Baby Massage" in the Information Building, to allow moms in the workplace to take care of work and breastfeeding.

Parental leave

The Group understands the joys and worries of novice parents about newborns. Those who meet the Group's relevant regulations can apply for unpaid leave.

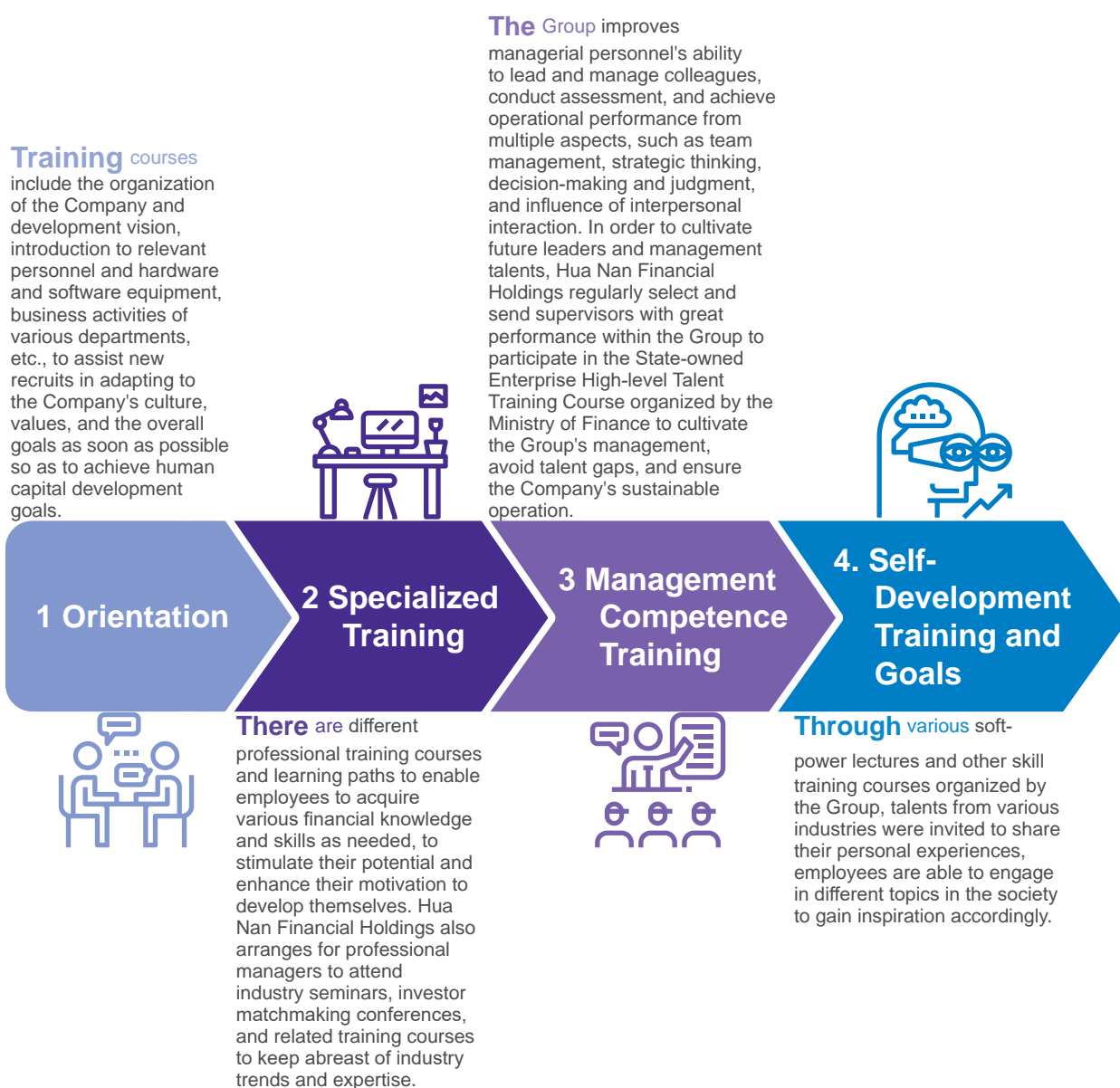
Company	Male	Female	Total
HNFHC	-	1	1
HNCB	16	135	151
HNSC	2	8	10
SCIC	1	5	6
HNIT	-	-	-
HNVC	-	-	-
HNAMC	-	-	-
19 people in totals		149 people in totals	168 people in totals

* Definition of parental leave: As of the end of 2019, the number of people who were on unpaid parental leave.

3.2.2 Talent Cultivation

In response to the economic environment and the rapid development of FinTech, the Group provides rotations, online learning, and other diverse learning channels as well as a work environment that allows employee to grow. We plan diversified training programs and establish requirements for minimum training hours related to business development for employees from different professional fields to gain professional knowledge and capabilities and pass down key knowledge. In addition, the Group organizes diversified lectures on daily life topics to enhance employees' physical and psychological health and maintain the work-life balance.

Four major training pillars of the Group



The Group encourages employees to participate in relevant education and training based on the aforementioned four major training pillars. In 2019, the total training expenditure of the Group was approximately NT\$47 million, an increase of approximately 3% from the previous period. On average, each person received approximately 30 hours of education and training, with the aim of helping employees grow together with the Group and establish a complete career plan as a result.

Number of Training Hours and Expenditures in 2019

Average Training Hours Per Person		Total Training Expenditures	Average Training Expenditures Per Person
Male	Female	(Unit: NT\$)	(Unit: NT\$)
31	30	47,132,771	5,179



Professional Talent Trainees of HNCB

Hua Nan Commercial Bank has also organized a planned cultivation program for professional talent trainees. Since its implementation in 2018, it has admitted 77 trainees, and 73 are still employed, with a retention rate of 94%. At an average age of 27, this army of young talents bring new ideas to the century-old bank. At present, the trainees of the bank are rotating duties and experiencing in various branches and units at the head office. After two years of training, they will be cultivated and developed into financial talents with business and planning capabilities.

Date	Stage of training (2 years)				Stage of In-depth Development (from the third year)	Five years of service
Content of training	First stage 1 month Orientation	Second stage 5 months Rotation among branches	Third stage Between 6 months to 1 year Experiencing in various units at the head office	Fourth Stage 12 months Full-time learning at branches	Management talents Planning talents Sales talents Overseas talents	Talent Pool Selection





Trainee Lecturers of SCIC

Origins

In order to strengthen the immediacy of product training and distributors' demand for lectures on products, the company planned lecturer training internally, including product lecturers and sales lecturers, who received training from external lecturers and exchanged ideas with them to achieve the following four goals:

1. Systematization of product training

2. Distributors' needs for training

3. Real-time training for sales personnel

4. Complete knowledge of product information

Execution method

1. Use the "Product Awareness Questionnaire" to investigate what is sales personnel are less familiar with in terms of product sales
2. When product lecturers receive the external lecturer's training on teaching plan design (presentation preparation), the sales lecturers shall be invited to participate and provide suggestions on the elements of the teaching plan presentation from the sales point of view, so that the product lecturers can design the teaching plan presentation most in line with the situation on the ground
3. Sales lecturers learn lecturing skills from external lecturers, integrate the elements of presentation and sales expression, teach sales personnel the tips of expression, interaction, confidence, and professionalism, so as to stimulate sales performance. Improve the product expertise of the company's sales personnel through this cycle

Reward mechanism

This training program is implemented along with a reward mechanism and a certification mechanism, allowing lecturers to grow from the training program and to lead the internal learning atmosphere

Results sharing

After the training program, an online micro-course on the presentation produced by the product lecturer, along with the sales lecturer's illustration is filmed and introduced to the online learning platform for all employees to share and learn, so that the product presentation will be closer to the sales on the ground, so that the salespeople can give a presentation on the content of products at any time

3.2.3 Employee Performance Evaluation and Management

The Group has a fair and transparent performance evaluation and promotion system, and conducts performance evaluation management regularly. The evaluation process includes target setting, regular evaluation tracking, annual evaluation, and interviews. The process of the interview with supervisors at each stage allows each employee to learn about their own roles and responsibilities, improve their personal performance, and strengthen the development of personal skills. The results of the evaluation shall be used as a reference for promotion, salary adjustment, and distribution of employee remuneration. Each company followed the evaluation mechanism in 2019, achieving 100% completion of performance evaluation.

Most of the Group's subsidiaries incorporate the code of conduct and risk management into employee evaluation items to implement the principle of corporate ethics and enhance their risk culture. The subsidiaries also include proposals, team spirit, and turnover rate into the performance evaluation based on their industrial characteristics. In addition, in response to the risk of brain drain and the crisis of management talent gaps, employees of each subsidiary have promotion opportunities if they pass the assessment. The promotion of each subsidiary of the Group in 2019 is as follows:

Employee promotion rate in 2019					
Company	Male	Female	Total	Number of employees in 2019	Promotion rate ^{Notes 1 and 2}
HNFHC	2	6	8	86	9.3%
HNCB	483	692	1,175	7,744	15.2%
HNSC	32	70	102	1,398	7.3%
SCIC	59	103	162	1,010	16.0%
HNIT	1	2	3	65	4.6%
HNVC	-	-	-	10	0.0%
HNAMC	1	4	5	41	12.2%
Total	578	877	1,455	10,354	1,299

Note 1: Definition of promotion rate: The number of people promoted in 2019/The number of people who are still employed on December 31, 2019 (including supervisors and non-supervisors)

Note 2: The targets in the promotion statistics are mainly those with pay rise after promotion.bonus, employee compensation, etc.).

3.3 Communication and Interaction

The sound development and growth of a company rely on the efforts made by both the management and the employees; therefore, it is necessary to maintain effective communication with employees to bring employees' talent into full play. The management of the Group provides employees with sufficient work support, takes the initiative to understand employees' difficulties in the workplace and check upon their needs, and listens to their opinions through smooth communication channels and handle them accordingly, so as to enhance the Company's sense of identity and satisfaction and thus achieve the purpose of retaining talents. We also convey important company information to all employees through the bulletin of each company within the Group, including business overview and business performance and latest events, and organize online events and surveys from time to time.

3.3.1 Union Participation

To protect labor rights and facilitate labor relations, employees of Hua Nan Commercial Bank initiated the establishment of the Corporate Union of HNFHC and Its Subsidiaries. Employees may decide whether to join the union of their own free will.

The main tasks of the establishment of the union are:

1. Protect the rights and interests of members;
2. improve member knowledge and ability;
3. improve labor conditions;
4. promote labor-management cooperation;
5. actively participate in social labor affairs.

Hua Nan Financial Holdings and Hua Nan Commercial Bank have also signed a collective agreement with the Corporate Union based on the labor conditions agreed between both parties. They convened a meeting every three years to review and amend the collective agreement to ensure the labor conditions and improve labor-management relations.

Number of Employees in the Union

Year	Company	Total number of employees	Number of participants	Proportion of the number of union members
2017	HNFHC	73	26	80%
	HNCB	7,165	5,710	
Year	Company	Total number of employees	Number of participants	Proportion of the number of union members
2018	HNFHC	70	41	80%
	HNCB	7,410	6,010	
Year	Company	Total number of employees	Number of participants	Proportion of the number of union members
2019	HNFHC	86	32	83%
	HNCB	7,744	6,442	

Material issues discussed at the 2019 labor-management meetings

Company	Material issues discussed	Conclusion
HNCB	1. ATM dedicated personnel and supervisors shift subsidies during consecutive holidays	Those who are scheduled to be on duty but do not attend during consecutive holidays (three days or more) will receive a daily allowance of NT\$600 per person
	2. Employee overtime calculation	The starting time is adjusted from 5:30 p.m. to 5 p.m.
	3. Improvement of efficiency of check deposit operations	Revoked the requirement that check deposits shall be arranged in order of account number

HNSC	1. 2019 business day adjustment	Implemented measures to adjust holidays and make-up business days in accordance with the government administrative agency's calendar of business days
	2. Wages for unused paid leave and compensatory leave for 2019	Issued wages for unused paid leave, compensatory leave, and compensatory leave for natural disasters for 2019
	3. Implemented the provisions regarding equality and non-discrimination set out in the Convention on the Rights of Persons with Disabilities in accordance with laws and regulations	Amended Articles 64, 65, and 68 of the Work Rules; amended "loss of mind" or "physical disabilities" to "physical and psychological disabilities" and "handicapped" to "disabled"
SCIC	1. Amended the Regulations Governing Solicitation Rewards and Punishments for Insurance Salesmen	Implemented the regulations after approved at a labor-management meeting in accordance with the law
	2. Formulated the company's Safety and Health Manual	Completed the reference procedures of the Taipei City Labor Inspection Office
	3. 2020 annual calendar	Announced the 2020 annual calendar after approved at a labor-management meeting in accordance with Article 30 of the Labor Standards Act
HNAMEC	1. Adjusted holidays and make-up business days in accordance with the government administrative agency's calendar of business days	Adopted eight weeks of flexible working hours to implement employees' attendance in accordance with the government administrative agency's calendar of business days
	2. Flexibly adjusted employees' attendance time to meet the needs of business operations	Adopted two weeks of flexible working hours at the same time to flexibly adjust employees' attendance time

* Material issues: Mainly focused on the company's overall policy issues (such as remuneration system and promotion system) as well as issues "discussed for multiple times" with "more people affected" and a larger "scope of influence."

* HNFHC, HNIT, and HNVC: There were no material issues but routine reports in 2019.

3.3.2 Employee Communication Channels

In order to establish a harmonious labor-management relationship and to understand employees' needs, the Group has set up smooth communication channels. Employees can discuss their performance evaluations with their supervisors and provide their feedback on various aspects opinions during the process. Meanwhile, all companies of the Group have set up dedicated hotlines and e-mail (including employees' complaints of sexual harassment) to protect their personal rights and interests, while allowing them to work in a safe environment free of harassment.

Communication Channels		
Company	Internal opinion expression	Grievance system
HNFHC	Interview with internal evaluation supervisors	Sexual harassment prevention complaint
HNCB	Interview with internal evaluation supervisors	1. Sexual harassment prevention complaint 2. Complaint email on the employee website
HNSC	Interview with internal evaluation supervisors	Sexual harassment prevention complaint
SCIC	1. Interview with internal evaluation supervisors 2. "Voice of Hua Nan" on the employee website	"President Email" for internal employees Sexual harassment prevention complaint
HNIT	Interview with internal evaluation supervisors	Sexual harassment prevention complaint
HNVC	Interview with internal evaluation supervisors	Sexual harassment prevention complaint
HNAMC	Interview with internal evaluation supervisors	Sexual harassment prevention complaint

3.3.3 Satisfaction survey

Hua Nan Commercial Bank is the subsidiary with the largest number of employees in the Group. In order to effectively understand the situation of each branch and employees' sense of identity with key factors, such as the company's core values, overall system, work environment, organizational culture, and supervisory leadership and management, the bank conducts an employee satisfaction survey every December, and prepares an Employee Satisfaction Survey Report and submits it to the top management as a reference for the next year's business plan and a reference for improvement and continuous advancement.

In 2019, the employee satisfaction of the bank improved, indicating that its employees gradually identified with its improvement and culture.

HNCB	Item	2017	2018	2019
Satisfaction Rate of Each Category (%)	Core Values, Overall System	87%	88%	89%
	Work Environment, Organizational Culture	93%	93%	94%
	Relationship with Management	93%	94%	94%
Average Satisfaction Rate (%)	Immediate Supervisor (Current)	95%	95%	95%
	Unit Manager (Current)	92%	92%	93%
Coverage rate ^{Note}		100%	100%	100%

Note: Definition of coverage rate: the targets being surveyed in this survey; the targets in this survey were all employees of the bank, so the rate was 100%.

3.4 Occupational Safety

The Group is dedicated to providing a good work environment and physical and mental health resources for all employees. All measures are implemented in accordance with regulatory requirements. The practices are also extended to the prevention of occupational diseases, measures for protecting employees' physical and mental health, and health promotion tasks for the purpose of providing all employees channels and resources to relax their bodies and minds.

3.4.1 Health promotion

The Group takes care of employees' health and organizes seminars and events related to the health issue from time to time to enhance employees' knowledge of health. During 2019, Hua Nan Commercial Bank, Hua Nan Securities, and South China Insurance held over one hundred health seminars and events, including "Who is More Flexible Than I—The Importance of Flexibility," "Healthy Lunch for Office Workers," "Donating Blood to Let Love Flow," "Workplace Physical and Psychological Stress Management," "Office Stretching and Exercise," "First Aid Skills Training (CPR and AED Methods)," "Eyes Care for the Scrolling Generation," "Get Prize Money for Weight Loss Together," Allergy Prevention Tips," "LOHAS Screening—Blood Sugar and Cholesterol," etc. with around 18,184 participants in total.

Workplace health care workers

In accordance with to Article 3 of the Labor Health Protection Rules, Hua Nan Commercial Bank has a total number of 7,744 people. In order to maintain employees' health, it employs seven nurses and three contracted professional medical doctors across northern, central and southern Taiwan to maintain and protect their health. A total of 64 consultations were organized, reaching a total of 1,955 people.

Health checkup

Each company in the Group has established relevant management measures to implement safety and health management, and each subsidiary actively prevents occupational injuries and diseases common in the financial industry: physical and mental stress as well as lack of exercise. To assist employees in preventing occupational injuries and illnesses, relevant common actions taken are as follows:

1. Organize regular employee health checkups
2. Provide health consulting services and relevant employee care
3. Employee recreational activities



Each subsidiary subsidizes employees' health checkup and provides relevant consultation and health education and guidance. The relevant subsidies are as follows

The total amount of medical checkup subsidies and the number of employees subsidized in 2019

Company	Total amount of subsidies (NT\$10,000)	Number of employees subsidized
HNFHC ^{Note 1}	22.4	11
HNCB	2210.4	7,274
HNSC	17.9	12
SCIC	190.4	983
HNIT ^{Note 2}	-	-
HNVC	0.1	1
HNAMC	39.0	35
A total of NT\$ 24.402 million		8,316 people in total

Note 1: In 2019, Hua Nan Financial Holdings did not organize the employee health checkup (the employee health checkup is organized once every two years), and only subsidized the health checkup fee for supervisors at the director level or above.

Note 2: At HNIT, employees make appointments for health checkup at medical institutions by themselves once every two years, and no health checkup was conducted in 2019.

Calorie label at staff restaurant

In order to maintain employees' health, the staff restaurant at the head office building of Hua Nan Commercial Bank provides an excellent dining environment and healthy group lunch. The weekly menu is announced on the employee website every week, providing a variety of options (choose one out of two main courses/three out of six secondary main courses and side dishes) with calorie labels of noodle, flavored meals, and limited light meals/vegetable bento boxes for employees to review.

Employee psychological care

In order to improve employees' communication skills, increase their work efficiency, and prevent illegal violations, such as verbal conflicts and violence in the workplace, Hua Nan Commercial Bank organized seven psychological lectures at the Headquarters Building, the Information Building, and branches, with around 6,817 participants, to teach employees how to deal with pressure and alleviate their psychological pressure as well as communication methods.

3.4.2 Environmental safety

The Group has been committed to building a happy workplace, a comfortable and safe office environment, and a healthy body and mind. HNCB, HNSC and HNIT provide regular monitoring reports on the operating environment, including lighting and carbon dioxide level, all of which are within normal level.

In 2019, SCIC formulated the "Safety and Health Code of Practice of SCIC". Since 2019, professional electrical equipment inspection companies are invited regularly to conduct low voltage electrical equipment inspections in each of the Company's workplaces to reduce electrical disasters and build a friendly and hygienic workplace. HNVC and Hua Nan Assets Management also conduct regular workplace maintenance and inspections to ensure the safety of employees.

Environmental safety actions of Hua Nan Commercial Bank in 2019

Name	Number of sessions	Number of participants	Date
Occupational safety seminars	2	All employees of the bank participated by video	2019/05/09, 2019/12/06
Fire drills	2	95	2019/05/31, 2019/10/29
Occupational safety and health business supervisor retraining	More than 20 sessions	212	2019/07-2019/12

Statistics on Occupational Injuries of the Group in 2019

Company	Number of Injuries	Number of Fatalities	Total Number of Workdays Lost	Disabling Injury Frequency Rate	Disabling Injury Severity Rate
HNCB	29	0	753	1.93	20.27
HNSC	2	0	135	0.72	48.28
SCIC	6	0	178	3.28	97.60

Note 1: Total number of workdays lost = the total number of workdays lost due to the aforementioned occupational casualties that were reported to the Ministry of Labor.

Note 2: Disabling injury frequency rate (FR) equals the occupational injury rate in the previous year. It is the number of disabling injuries for every one million working hours. (Calculation formula: Total number of casualties*106/Total hours worked.)

Note 3: Disabling injury severity rate (SR) equals the proportion of the number of workdays lost in the previous year. It is the number of workdays lost due to disabling injuries for every one million working hours.

Calculation Formula: Total number of days lost*106/Total hours worked.)

Note 4: Remaining subsidiaries had no occupational injuries in 2019.

Note 5: The types of occupational injuries of the Group were mostly traffic accidents during business trips or commuting time.

3.4.3 Recreational activities

In order to enhance employees' health awareness and cultivate the sports atmosphere of the Group, large badminton competitions are held regularly every year to enhance the exchanges and friendship within the Group.

Hua Nan Commercial Bank also held a bank-wide golf competition and a mountain hiking activity: In 2019, a bank-wide golf competition was held at the Royal Kuan-Hsi Golf Club in Hsinchu, with around 86 participants; a mountain hiking activity was held in Beitou, Taipei, for the employees and their families. The whole journey was about seven kilometers with around 1,400 participants.

The Group also provides diverse club activities to employees. Taking sports clubs as an example, there are badminton teams, table tennis teams, bowling teams, etc. In addition, various educational and training activities are held, such as fitness tests, fire drills, weight control classes, blood donation activities, shoulder and neck relaxation sessions, stretching classes, cardiopulmonary resuscitation classes, and automated external defibrillator classes. During the flu season, the Group works with Taipei City Health Center to provide government-funded vaccination against flu.

CPR first aid teaching



Weight control class



Healthy physical activities

Hua Nan Commercial Bank assists employees in improving their physical fitness in terms of four elements: body composition (body fat percentage), flexibility, muscular fitness (muscular strength and endurance), and cardiorespiratory endurance. A total of six physical fitness activities were held in 2019, with 290 participants.

The Group's work is mainly based on long-time sedentary work, and employees tend to have sore muscles and bones. People with better physical fitness have better vitality and adaptability in daily life or work and when engaging in physical activities or sports without feeling fatigue or a sense of powerlessness. In the era of technological advancement, humans have fewer opportunities for physical activities with higher nutrient intake and relative increase in work and life pressure and leisure time. By strengthening employees' physical fitness and improving their physical coordination, their bodies will be more relaxed so as to relieve their stress, improve their poor posture, and promote their health; as such, each of them will develop good habits of physical fitness and regular exercise.

The Group also regularly holds badminton competitions within the Group, calling on the badminton players of all companies in the Group to form teams so as to compete with each other and enjoy the fun of sweating and exercising.

Name	Date	Location	Attending guests	Fees
2019 Badminton Competition of Hua Nan Financial Group	May 18, 2019	National Taiwan University Sports Center	1. Financial Supervisory Commission (FSC) 2. National Development Council	NT\$954,500 for the competition NT\$328,400 for the venue





4

Environmental Sustainability

4.1 Environmental Policy

Environmental energy policy, climate change risks and opportunities, environmental certification

4.2 Green Operation

Smart energy-saving management platform, greenhouse gas management, energy and resource use, water resource use, waste and resource recycling, sustainable green buildings

4.3 Green Procurement and Supply Chain

Green procurement policy, cooperation with suppliers to promote corporate social responsibility

Hua Nan Commercial Bank was awarded the 2019 Voluntary Energy Conservation Outstanding Performance Award

Hua Nan Commercial Bank was awarded the Certificate of Appreciation for outstanding green procurement performance by the Environmental Protection Agency, Executive Yuan, in 2019

Hua Nan Commercial Bank was awarded the 2019 Corporate Excellence Award for Smart Energy Conservation in New Taipei City

Hua Nan Commercial Bank was awarded the "2019 Private Enterprises and Organizations with Outstanding Green Procurement Performance" by the Department of Environmental Protection, Taipei City Government



Environmental protection has become an international issue of concern, not only attracting investors' attention but also is the focus of operations of the Group. The formulation of environmental and energy policies reveals that the Group attaches great importance to the environment, and that all of its employees are able to implement energy conservation and carbon reduction measures. Through the introduction of a smart energy-saving management platform, the Group uses energy resources efficiently, promotes green procurement and local procurement policies, as well as motivates customers to use electronic bills (insurance policies) to reduce carbon footprint.

The Group pays attention to climate change issues, and has initially assessed relevant climate change risks and opportunities, responded to high-risk items, and grasped opportunities to develop green products, such as launch of papaya insurance and lychee insurance, to help farmers reduce the impact under extreme climate threats. We, as the backing of farmers, provide them with protection. In addition to agricultural insurance, we provide green energy loans, etc., to reduce the burden of developing renewable energy and to increase the proportion of renewable energy in Taiwan so as to do our best for a sustainable environment.



4.1 Environmental Policy

4.1.1 Environmental energy policy

Our Vision



Promote environmental sustainability and fulfill our duties as citizens of the earth.



The Group convenes the meeting of the Corporate Social Responsibility Committee at least once every six months, with the Chairman serving as the convener. The topics of the 2019 report included the gradual introduction of ISO standards in the head office and branches of the subsidiary Hua Nan Commercial Bank, to improve energy efficiency, promote green procurement, promote green energy investment, and motivate people in Hua Nan to implement environmental protection.

The Group complies with the government's environmental policies and regulations, and there were no violations of environmental regulations and relevant penalties in 2019.

Our Strategy

- Continue to implement a green office environment and green procurement
- Pursue high-efficient energy utilization rate
- Work with external parties to reduce the environmental impact
- Participate in environmental charitable activities and work together to meet the climate change challenges

Our Policy

- Abide by relevant environmental protection and energy regulations
- Cherish resources and continue to improve management performance
- Prevent pollution and reduce the impact on the environment
- Continue to communicate with the stakeholders
- Strengthen employees' awareness and responsibility for environmental protection and create a sustainable environment



Environmental management targets

KPI



Reduce the Group's carbon emissions by **5%** by 2020 compared with the base year of 2016

Reduce the Group's carbon emissions by **30%** by 2050 compared with the base year of 2016



Reduce Hua Nan Commercial Bank's power consumption by **5%** by 2020 compared with the base year of 2016



Reduce the Group's water consumption by **3%** by 2020 compared with the base year of 2016

Green Energy Technology Financing Promotion Team

The Group established the Green Energy Technology Financing Promotion Team in 2017, to not only cooperate with the government to promote policies related to the green energy technology industry but also to grasp the financing opportunities of the green energy industry. The promotion strategy covers the integration of internal and external resources, provision of information on green energy financing to business units, and search for cooperation opportunities with domestic and foreign banks or local governments, to draw on the experience of green energy financing and expand the source of cases, while assisting business units in developing potential green energy customers and striving for business opportunities. The Group's achievements in green energy technology financing are compiled in Chapter 2.4.3 Responsible Finance.

Internal promotion



- The solar photovoltaic business training program
- Green Energy Financing Business Workshop
- Solar Financing Business Workshop
- Hua Nan Financial Holdings Monthly Special Article Report
- Handbook on "Green Energy Financing Tips"

Green Energy Technology Financing Promotion Team

External cooperation



- Form a strategic alliance with green energy technology businesses
- Strive for cooperation opportunities with local governments
- Cooperate with system providers
- Assist major power users

4.1.2 Climate Change Risk and Opportunity

The Global Risks Report 2020 released by the World Economic Forum in 2020 shows that the risks related to climate change, such as failed climate actions and extreme climate events, are the main risks faced by the world, and their impacts affect all of us and are daunting issues that all countries must face.

The Group attaches great importance to the impact of climate change on operations and assesses and manages the risks of climate change regularly. Meanwhile, it pays attention to development opportunities and strengthens corporate social responsibility and sustainable governance. In order to examine the impact of climate change on operations more systematically, the Group expects to participate in the Carbon Disclosure Project (CDP) in 2020, and will gradually incorporate the Task Force on Climate-related Financial Disclosures (TCFD) released by the Financial Stability Board (FSB) into the relevant management system and information disclosure.

At present, according to the climate risk and opportunity framework proposed by TCFD, for transformation risks, physical risks, and climate opportunities that have been identified initially, relevant actions have been formulated.

Aspect of Risk	Item	Impact on the Group
Physical risks	Heavy rainfall events: The frequency of typhoons increases and the intensity increases as well	<ul style="list-style-type: none"> The replacement of equipment damaged by typhoons in the past is estimated at NT\$8 million. Response The use of existing manpower for management and the construction of removable flood-prevention boards cost around NT\$4.5 million. Take Typhoon Soudelor as an example, the subsidiary South China Insurance estimated insurance claims at approximately NT\$122 million. Response Screened high-quality policies and an estimate of the maximum possible loss through underwriting control, and purchased adequate reinsurance policies to transfer risks Considered the fact that climate change would reduce or damage the value of collateral, such as the change in the risk of granting loans where the flooding risk increases Response Introduced the TCFD perspective and incorporated the impact of future climate scenarios in the evaluation stage

Aspect of Risk	Item	Impact on the Group
Physical risks	Average temperature change: The average annual temperature continues to rise	<p>The demand for air-conditioning has caused an increase in electricity bills in operating sites</p> <p>Where the temperature rises by 1°C, the annual electricity bill is estimated to increase by NT\$8.06 million</p> <p>Response</p> <ul style="list-style-type: none"> ■ Replace 6% of old energy-consuming air-conditioning equipment every year, and the investment cost of the replacement is approximate NT\$44.89 million ■ Strengthened employees' awareness of energy conservation

Aspect of Risk	Item	Impact on the Group
Transformation risk	Annual power saving rate requirement	<p>The Bureau of Energy requires that the average annual power saving rate for energy users with contract capacity exceeding 800Kw reach 1%</p> <p>Response</p> <ul style="list-style-type: none"> ■ Introduced the ISO 50001 energy management system to improve energy usage efficiency systematically ■ Continued to use the Smart Energy Conservation Management Platform for energy management at operating branches (electricity consumption status, temperature, CO₂, etc.) ■ Invested approximately NT\$50 million in human resources, operating capital, planning, and equipment procurement for carbon emissions reduction each year
Government and Regulations	The increased cost of raw materials	<p>Due to climate change, the cost of raw materials for bulk commodities increases, which in turn has an impact on the investment positions of the Group</p> <p>Response</p> <p>Introduced the TCFD perspective, and considered the impact of the investment targets and incorporated them into the future climate scenarios</p>
Market		

Aspect of Opportunity	Item	Impact on the Group
Products/Services	Papaya/Litchi insurance	<p>Expand the types of agricultural insurance policies to not only provide farmers with protection but also allow the Group to gradually consider the possibility of developing various financial products</p> <p>Response Promoted insurance products to farmers in producing areas. In 2019, it has undertaken 110 papaya and 20 lychee insurance policies</p> <p>Cooperated with local city and county governments to launch various green energy loans to gradually expand the development of various financial products of the Group to meet the domestic funding needs to promote green energy</p>
	Green Energy Loan	<p>Response Established the Green Energy Technology Financing Promotion Team. As of the end of 2019, the total balance of the credit provided to the green energy technology, the new agriculture, and the circular economy industries was NT\$297.6 billion, of which the balance of credit to the circular economy reached NT\$185.4 billion</p>
Aspect of Opportunity	Item	Impact on the Group
Market	"5+2" Innovative Industry Development	<p>Support three industries, namely "green energy technologies," "new agriculture," and "circular economy" to help companies transition toward sustainable economic development and consolidate Taiwan's position on the global stage.</p> <p>Response</p> <ul style="list-style-type: none"> ■ The financial impact calculated based on the "5+2" industrial loan balance and interest rate differences would amount to NT\$5.283 billion ■ The cost of the manpower would be NT\$7.5 million each year for five members of the green energy team.

4.1.3 Environmental Certification

The Group is deeply aware of the importance of environmental management. Since 2016, the headquarters building of the subsidiary Hua Nan Commercial Bank has introduced the ISO14001 environmental management system and ISO14064-1 organizational greenhouse gas inventory to improve the quality of environmental management voluntarily, to reduce possible impacts on the environment and keep abreast of greenhouse gas emissions. On this basis, the ISO50001 energy

management system was further introduced in 2018 to identify potential energy-saving areas through energy review, baseline development, and energy performance indicator review, while employees were motivated to continuously improve energy use. The energy-saving improvement effect can be confirmed through the subsequent greenhouse gas inventory results. The inspection and management above were completed again in 2019, highlighting the Group's continuous efforts for a friendly environment.

The Group takes greenhouse gas inventory as the basis for reviewing energy-saving performance. In 2019, the scope of the inventory was expanded to 30 branches, and it is planned to have all domestic branches pass the ISO14064-1 certification in 2020.

International Standards	Year	Category of certification
 ISO 14001 EMS International Certification	2016 to present	Hua Nan Commercial Bank Headquarters Building
 ISO 50001 Energy Management System	2018 to present	Hua Nan Commercial Bank Headquarters Building
 ISO 14064-1 Greenhouse Gas Inventory at the Organization Level	2016 to present	Hua Nan Commercial Bank Headquarters Building
	2019	Headquarters Building
	2020	Added 30 business units of Hua Nan Commercial Bank Expected to add 156 business units of Hua Nan Commercial Bank

4.2 Green Operation

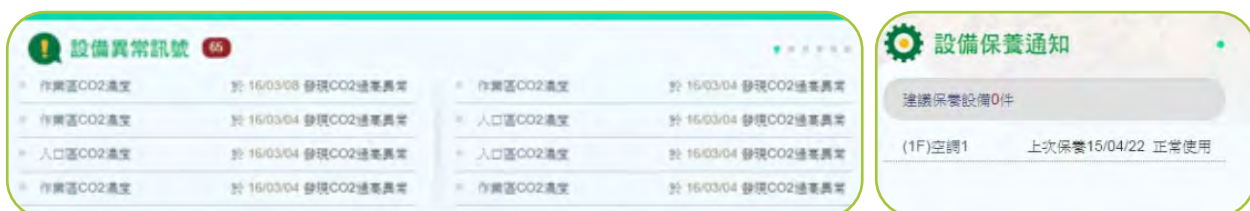
4.2.1 Smart Energy Conservation Management Platform

Hua Nan Commercial Bank cooperated with the Green Energy and Environment Research Labs, Industrial Technology Research Institute, to build a Smart Energy Conservation Management Platform, a pioneering initiative for domestic financial institutions. The application of this system is as follows:

1. Use the **electricity consumption curve** to determine whether relevant personnel forget to turn off the air conditioner and water pump after getting off work, and remind the branch to improve
2. Understand whether the temperature of the air conditioner is set too low or not turned on based on the **environment temperature**

3. Remind branches to turn on ventilation equipment to maintain office quality based on the **CO₂ data**
4. Judge the equipment effectiveness based on the **electricity consumption data**

In 2019, this management platform saved 167,792 kWh of electricity and reduced electricity expenditure by approximately NT\$600,000. The General Administrative Department and various domestic business units will continue to use and optimize this management platform to achieve the goal of energy conservation and carbon reduction.



Maintenance Notice of Equipment Abnormality



Maintenance Notice of Equipment Abnormality

4.2.2 Greenhouse Gas Management

The Group has introduced greenhouse gas inventory (ISO14064-1) since 2016 and expanded the scope of the collection of data on greenhouse gas emissions from 2019, including the emissions of branches of the bank in the statistics. The Headquarters buildings of Hua Nan Financial Holdings and its subsidiaries as well as branches of the bank **reduced carbon emissions by approximately 3.60%** in 2019 compared with 2018, and their per capita carbon emissions were also **reduced by approximately 5.96%** compared with 2018. In response to the carbon reduction trend, the Group has established medium- to long-term goals for greenhouse gas emissions: **reducing carbon emissions by 5%** by 2020 compared to the base year of 2016; **reducing emissions by 30%** by 2050 from the base year of 2016, with the aim of cutting greenhouse gas emissions continue to mitigate the impact on the environment more effectively.

Greenhouse Gas Emissions of HNFHC and Its Subsidiaries' Headquarters Building and Branches of HNCB

Scope	2017	2018	2019
Scope 1 (metric tons CO ₂ e)	1,568	1,342	1,363
Scope 2 (metric tons CO ₂ e)	17,163	17,036	16,353
Scope 1 + Scope 2 (metric tons CO ₂ e)	18,731	18,378	17,716
Scope	2017	2018	2019
Scope 1 + Scope 2 Emission intensity (metric tons CO ₂ e)	2.29	2.18	2.05

Note 1: Scope 1 covers the consumption of natural gas, emergency generator diesel, and the gasoline used by the group's official vehicles, and Scope 2 covers electricity consumption. Since the 2019 electricity emission factor has not been announced, the 2018 factor was adopted for calculation.

Note 2: The greenhouse gas inventory data in 2019 has yet to be verified by a third party, and the data in the current report is the value estimated by the Group.



4.2.3 Energy and Resource Consumption

Material Issues	Material Issue Management Approach
Resource and Energy Management	GRI 305: Emissions GRI 306: Effluents and Waste
Significance to Hua Nan Financial Group	Sustainability is the priority of the Group. It promotes various low-carbon initiatives to improve the efficiency of energy and resource use, which not only reduces operating costs but also alleviates the impact of financial activities and services on the environment.
Commitment and Relevant Policies	Take environmental friendliness and sustainable operation as its mission, the Group promotes various low-carbon operations, obtains ISO-related certification and green building certification, and promotes electronic billing, while being committed to daily operations to implement environmental protection
Target	<p>Short-term (1-2 years):</p> <ol style="list-style-type: none"> 1. Obtain one green building certification 2. Branches of Hua Nan Financial Bank shall obtain ISO 14064-1 greenhouse gas inventory 3. The headquarters building of Hua Nan Commercial Bank shall continue to apply for ISO 50001 energy management system certification 4. The headquarters building of Hua Nan Commercial Bank shall continue to apply for ISO 14001 environmental management system certification 5. The headquarters building of Hua Nan Commercial Bank shall continue to apply for ISO 14064-1 greenhouse gas inventory <p>Mid-term (3-4 years):</p> <ol style="list-style-type: none"> 1. Obtain one green building certification 2. Each business unit shall gradually install a network meter per device and use electricity data to analyze the use status of the equipment as a reference for maintenance and replacement 3. Each floor (or unit) shall install network meters in each self-owned building to effectively manage electricity consumption <p>Long-term (5 years or more):</p> <ol style="list-style-type: none"> 1. Continue to adopt Hua Nan Commercial Bank's cloud Smart Energy Conservation Management System (already established) to manage operating electricity and environment 2. Increase the number of certified green buildings
Management Method	Hua Nan Commercial Bank continuously subsidizes business units to replace air-conditioning equipment with electricity-saving level-1 and level-2 one and replace electricity-saving lighting fixtures (subsidizing 50% of the equipment fee) every year to motivate business units to conserve energy

Concrete results

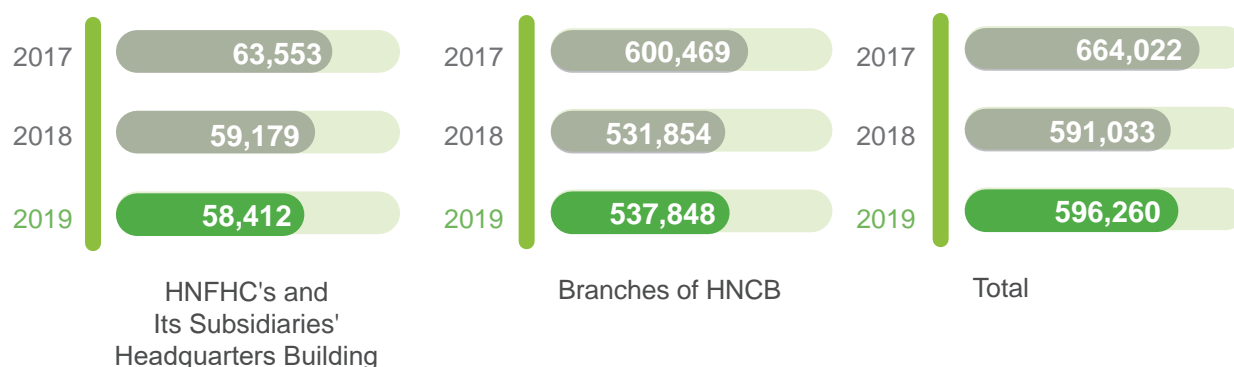
1. Received the 2019 Outstanding Performance Award for voluntary energy conservation from the Ministry of Economic Affairs
2. Received Certificate of Appreciation for outstanding green procurement performance from the Environmental Protection Agency, Executive Yuan
3. Received the Corporate Excellence Award for Smart Energy Conservation in New Taipei City
4. Received "Private Enterprises and Organizations with Outstanding Green Procurement Performance" from the Department of Environmental Protection, Taipei City Government

Note: This material issue echoes the GRI Standards.

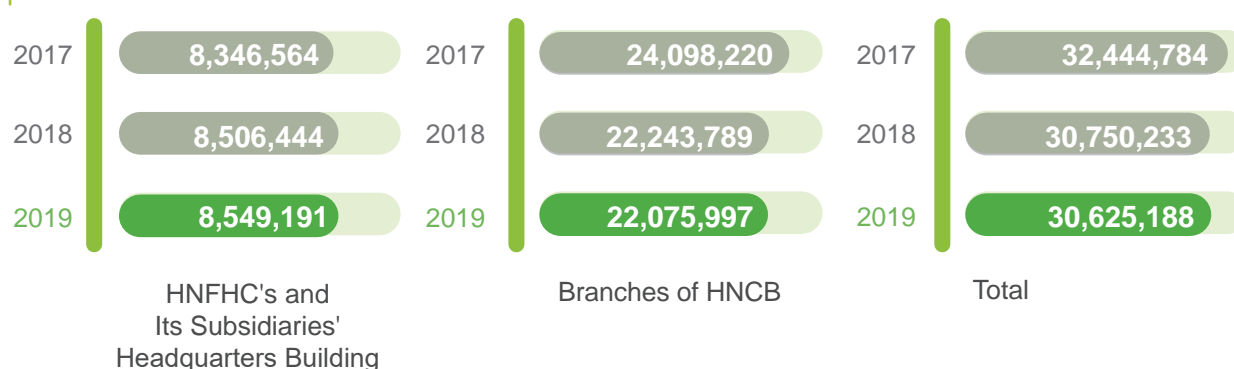
Energy Consumption

The Group focuses on the status of energy consumption, mainly in terms of diesel generators, official vehicles, and electricity consumption. According to the statistics, the total consumption of gasoline and diesel at the headquarters buildings of Hua Nan Financial Holdings and its subsidiaries and the branches of Hua Nan Commercial Bank in 2019 increased slightly compared with 2018; and the total electricity consumption in 2019 decreased compared with 2018. Overall, in terms of per capita energy consumption, it **decreased by 2.1%** than in 2018.

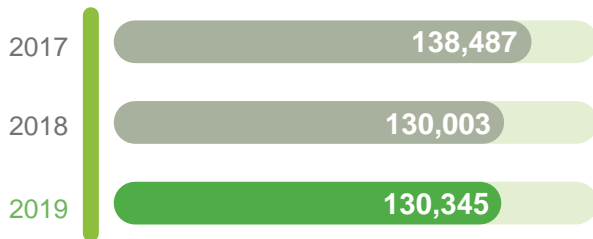
Gasoline and Diesel Consumption of Official Vehicles (L)



Electricity Consumption (kWh)

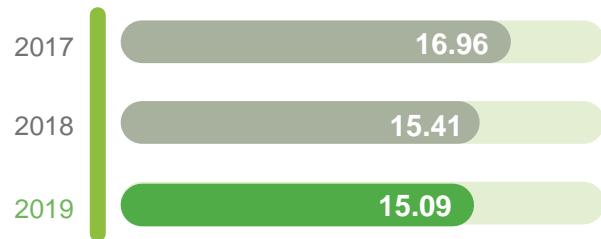


Total Energy Consumption (GJ)



Headquarters Buildings of HNFHC and
its Subsidiaries + Branches of HNCB

Energy Intensity (GJ/Person)



Headquarters Buildings of HNFHC and
its Subsidiaries + Branches of HNCB

2019 Energy Conservation Project
Headquarters Building of HNCB

Unit: NT\$

Plan

Carbon
emissions reduced
(tonCO₂e)

Cost saved

Amount of
investment

Replacement of uninterrupted
power equipment for fire
safety

79.967

510,109

780,000

Replacement of lighting
fixtures on the first floor

2.533

14,256

200,000

Improvement of the
temperature of the water from
the water chiller

10.394

58,500

Temperature control is a
management activity, no
capital expenditure was
incurred

Reduction of VRF indoor air-
cooling power consumption

55.006

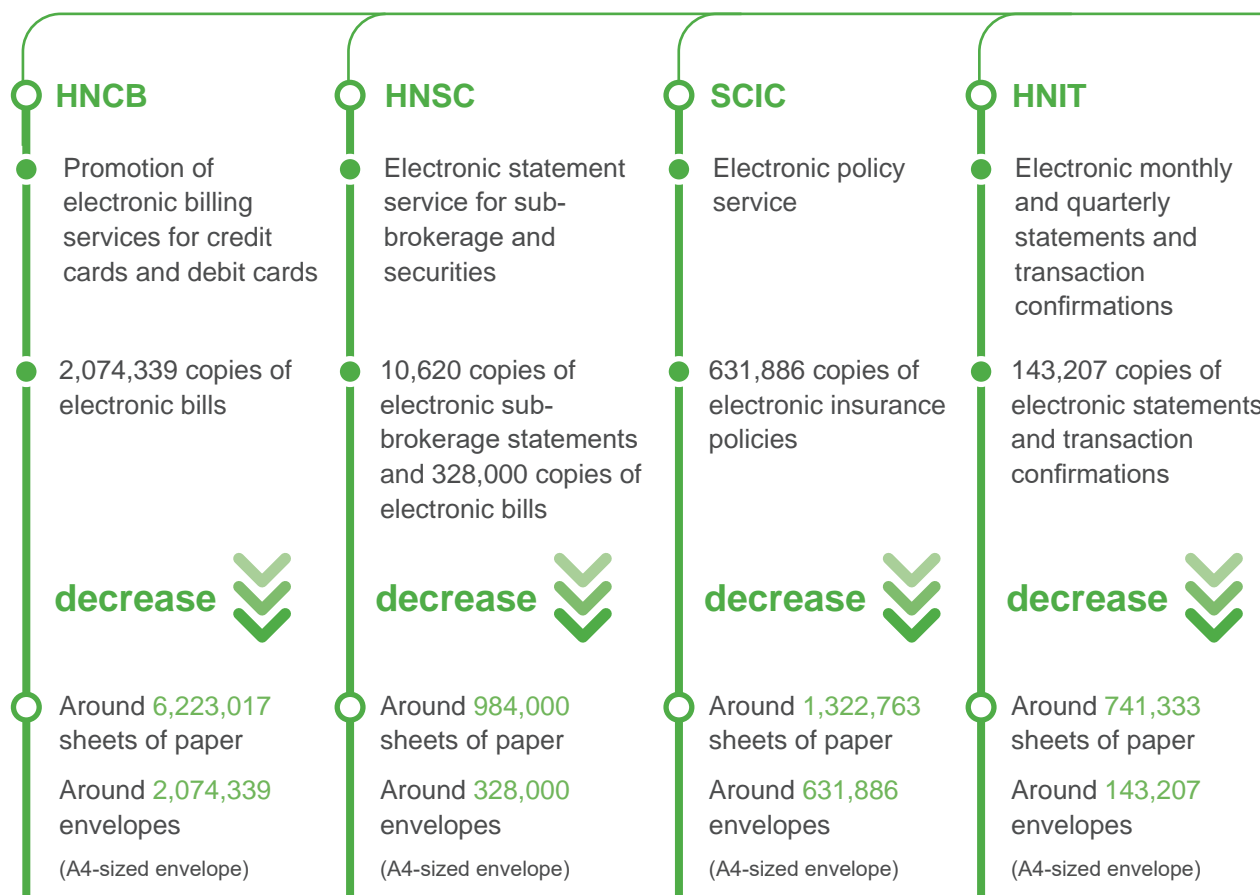
371,520

Temperature control is a
management activity, no
capital expenditure was
incurred

Total **147.900**Total **954,385**Total **980,000**

Promotion of electronic billing (insurance policies)

The Group continues to promote electronic billing (insurance policies) in various services, and the results in 2019 are as follows:



2019
CO₂  emissions in 2019 were about 84,650 kg
=  1,494 trees

1. Considering the carbon emissions in the paper-making process, electronic billing statements have reduced 84,650 kg of carbon dioxide (CO₂) equivalent. From a forest protection point of view, a carton of paper is equivalent to 0.6 trees. Thus, the adoption of electronic bills would save 1,494 trees.
2. On average, each electronic bill takes about 1.5 to 3 sheets of A4 paper and the carbon emission of each sheet is 0.0068 kg CO₂e (Source: Taiwan Product Carbon Footprint).
3. A sheet of A4 paper weighs about 4 to 6g and a carton of A4 paper weighs about 25 kg (5,000 sheets). A ton of pulp requires 24 trees with an average height of 12m and a diameter of 15 to 20 cm and each ton can produce 40 cartons of paper. Thus, 24/40 = 0.6 tree is required for a carton of paper. (Source: Construction and Planning Agency, Ministry of the Interior - Paper Free, Tree Protection, Earth Friend)

4.2.4 Use of Water Resources

The Group continues to strengthen water-saving measures. The headquarters building of the subsidiary Hua Nan Commercial Bank is equipped with rainwater recycling equipment, which uses recycled water for plant watering. Air-conditioning condensate is also recycled to the rainwater recycling pool for reuse. Kitchen drainage is equipped with grease retention tanks; the grease will be discharged after filtered to meet the standard. According to statistics, the water consumption of the headquarters buildings of Hua Nan Financial Holdings and its subsidiaries and the branches of Hua Nan Commercial Bank decreased by 3.25% in 2019 compared with 2018, and the water density was also 5.49% lower than that in 2018.

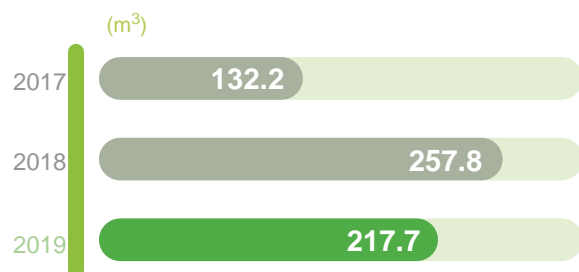
Water consumption in the most recent three years



Headquarters buildings of Hua Nan Financial Holdings and its subsidiaries + branches of Hua Nan Commercial Bank (186 branches)

*All water is from Taiwan Water Corporation

Rainwater and air conditioning condensate recycling statistics



HNHFC's and Its Subsidiaries' Headquarters Buildings

Water Conservation Project

Plan

Water Conservation Equipment

- Bubble faucets are equipped with the low-flow tap aerator, which can save about 20% of the water consumption
- Sensor taps are adopted; the water saving rate can reach 60% compared with other types of faucets
- Water-saving toilet equipment and water-saving electronic flushing urinals are adopted; 30% to 65% of water is saved

Water Conservation Inspections

- Check whether faucets have been tightened before leaving the office
- Conduct repairs as quickly as possible when leaks are found in bathroom and water supply equipment
- Pay attention to closing taps when there is a water shortage to avoid massive amounts of losses when the water supply is restored






Awareness Campaigns

- Educate employees during internal meetings and put up water conservation signs

Execution

4.2.5 Waste and Resource Recycling

Because of the characteristics of the industry where the Group belongs, most of its waste and resources recycled are generated from general office work. Through regular data tracking, the Group manages to avoid waste of resources and draw up management directions to achieve the environmental sustainability goals in a comprehensive manner.

Year	Paper (KG)	Iron and Aluminum Cans/ Glass (KG)	Plastics (KG)	Batteries/ IT Equipment (Unit)	General Waste (KG)
2018	45,889	1,414	1,088	311	144,870
					
2019	33,782	747	1,128	271	173,250

Note: Hua Nan Commercial Bank (including the headquarters building) motivates the promotion of paperless and e-mail communication, so the amount of paper used is greatly reduced

4.2.6 Sustainable Green Building

The Group has gradually promoted the acquisition of green buildings for operating sites, starting from the four aspects of ecology, energy conservation, waste reduction, and health, and worked to incorporate green sustainable concepts at the building planning stage, including ecological greening, permeable paving, indoor ventilation, and large areas of daylighting; therefore, the electricity consumption for lighting and air conditioning can be effectively reduced at the use stage, to use water resources effectively through water recycling.

The headquarters building of the subsidiary Hua Nan Commercial Bank was completed on December 27, 2014. In addition to being recognized with the Gold certification from the US Leadership in Energy and Environmental Design (LEED), the building has obtained the domestic Diamond-class Green Building Certification, the highest level in this regard. In 2019, it was established as a demonstration base for green building education. The Group and the Taiwan Green Building Council jointly organized two visits. The first was held on August 16, 2019 with a total of 30 participants. The second was held on September 19, 2019, with a total of 20 participants from the Fu-Mao Building Material Corp. Since most of the participants were architectural students and construction-related professionals, the Group hopes that through demonstration and observation, the concepts of green buildings can be deeply rooted in the participants' hearts, so as to expand the development of green buildings and allow more people to pay attention to our environment.

Hua Nan Commercial Bank's Headquarters Building—Green Office Building recognized by the **Gold** Certification of LEED and the **Diamond-class** Green Building Certification

This building is located toward to the west, which has serious problems of western exposure. Therefore, there a great deal of ingenuity in the design, including setting up a sky garden facing the west, which not only makes full use of the sunlight given by nature to make the plants grow healthy but also uses large areas of daylight to reduce lighting used; this space is a small garden for employees to rest, achieving mutual prosperity between people and the environment.

Waste reduction

CO₂ reduction

The whole building is made of steel and light partition walls to reduce the carbon footprint of building materials

Waste reduction

Set up an area dedicated to vehicle washing and a sludge sedimentation tank during the construction period, which have reduced the waste and dust generated by the construction

Greening amount

Trees are planted outdoors, and a high-ceiling sky garden is set up inside to provide an excellent photosynthetic environment



Ecology

Base water retention

Permeable pavement is made in open space to return water to nature

Health

Water resources

The Water Conservation Mark is adopted and rainwater is recycled for irrigation

Indoor environment

Green building materials are adopted indoors to avoid volatilization of formaldehyde, and the sky garden is set up to maintain indoor air quality

Wastewater improvement

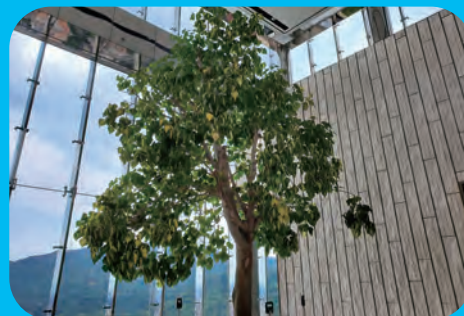
All domestic wastewater in this building is connected to the public sewage sewer, with a closed trash bin and a resource recycling system



Energy conservation

Daily energy conservation

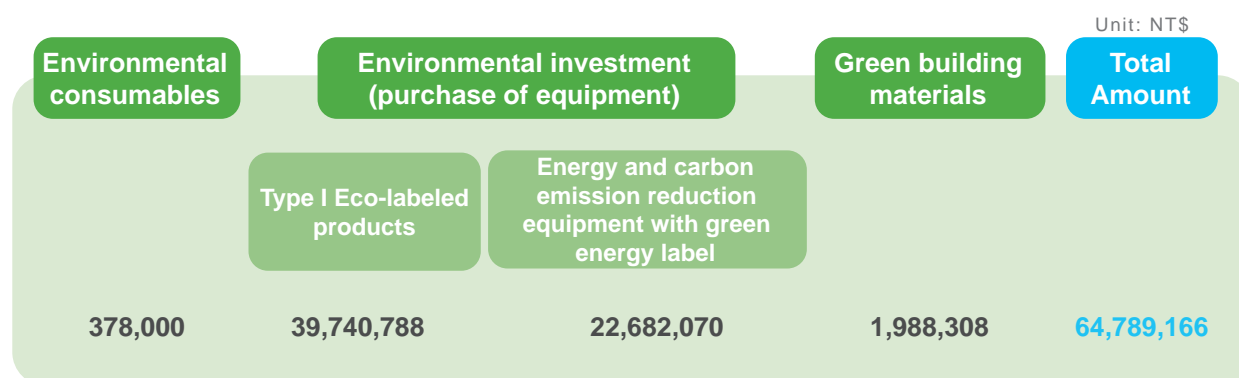
The frame of the structure is used for shading, the sky garden is set up to block the daylight, and fans are used to promote ventilation and heat dissipation, and a large area of daylighting reduces power consumption of lighting



4.3 Green Procurement and Supply Chain

4.3.1 Green Procurement Policy

To achieve the goal of environmental protection and carbon emission reduction, the Group purchases products with environmental protection labels, energy efficiency labels, water efficiency labels, and green building materials labels, and uses eco-friendly photocopying paper. In 2019, Hua Nan Commercial Bank was recognized as a benchmark entity of the "Private Enterprises and Organizations with Outstanding Green Procurement Performance" by the Department of Environmental Protection, Taipei City Government. The total investment in environmental consumables, environmental equipment, and green building materials amounted to **NT\$64.79 million**, accounting for **28%** of the Group's procurement amount.



Green Procurement Policy

Company	Policy
HNFHC HNCB	<ul style="list-style-type: none"> Choose products with lower power consumption or meet energy conservation standards Choose environmentally friendly products and reduce the use of toxic and hazardous materials Consider the necessity of products before purchases to avoid wasting the Earth's resources Prioritize the purchase of products with lower total "purchase fees" + "life-cycle operating expenses" Prioritize suppliers who take care of the environment Purchase products or services that meet relevant environmental protection laws and regulatory requirements
HNSC HNIT	<ul style="list-style-type: none"> The system servers, server mainframe, personal computers, screens, laptops, and mobile phones meet new US energy regulations The leased printers and toner cartridges may not contain banned toxic chemicals as announced by the Environmental Protection Administration, Executive Yuan Photocopying paper and toilet paper meet FSC standards

Green Procurement Policy

Company	Policy
SCIC	<ul style="list-style-type: none"> ■ Prioritize purchase of products with environmental protection green labels or meet energy conservation standards ■ Prioritize suppliers who implement and comply with relevant environmental protection laws and regulatory requirements for green concepts
HNVC	<ul style="list-style-type: none"> ■ Continue to give priority to purchasing equipment with green energy and environmental protection labels and energy efficiency labels
Hua Nan Assets Management	<ul style="list-style-type: none"> ■ Choose products that are environmentally-friendly designed, such as recyclable, low-pollution, resource-saving, and energy-saving products ■ Select suppliers of raw materials that meet green production process and products to reduce negative impact on the environment ■ Purchase products or equipment that meet relevant environmental protection laws and regulatory requirements

4.3.2 Promotion of Corporate Social Responsibilities with Suppliers

The Group's suppliers are mainly equipment providers, project contractors and office supplies. Before engaging a supplier, we carefully assess whether the supplier may potentially impact the environment and society as the basis for signing contracts. When signing a contract with a supplier, we require suppliers to sign the Supplier Commitment Statement, which emphasizes that in addition to integrity management, it shall abide by internationally recognized human rights clauses and strive to protect the environment from pollution. If the supplier violates the requirements of the statement and causes a significant impact on the environment and society, it will be listed as a supplier with whom the cooperation can be terminated or cancelled at any time.



Integrity Management

1. Comply with the principles of integrity management
2. Shall not violate business integrity

Sustainable development of the environment and protection of basic human rights

1. Comply with relevant domestic environmental regulations, relevant international standards, and the corporate social responsibility policies of both parties
2. Business operations shall protect the environment to avoid pollution
3. Comply with the Labor Standards Act and other relevant laws and regulations, and respect the internationally recognized basic labor human rights principles



5

Social Benefits



5.1 Hua Nan's Philosophy of Charity

5.2 Popularizing Knowledge

5.3 Caring for the Disadvantaged Groups

5.4 Supporting Sports Activities

5.5 Nurturing the Cultural and Creative Industry



The Group has been implementing charitable activities for a long time. In addition to volunteer team services and activities combining environmental protection and charity on a regular basis, it organizes various forums and art and cultural performances from time to time, while cooperating with disadvantaged groups to deeply develop community services.

The Group's charitable activities are based on the four major charity goals, namely popularizing knowledge, caring for the disadvantaged groups, supporting sports activities, and nurturing the cultural and creative industry, and it promotes knowledge and physical education and helps reduce the environmental hazards and address social equality issues in line with the UN SDGs, to fulfill its obligations as a good social citizen.

Popularizing Knowledge

Invested

NT\$ 12,283,860

- Organized or co-organized **9** forums and seminars
- 1** internship camp in the industry
- 1** industry-academia collaboration project



Caring for the Disadvantaged Groups

Invested

NT\$ 15,401,091

Active participated in **3,446** hours of volunteering



Nurturing the Cultural and Creative Industry

Invested

NT\$ 26,840,000

- Sponsored the establishment of **1** picture book library
- Organized or co-organized **9** art and cultural exhibitions



Supporting Sports Activities

Invested

NT\$ 24,642,652

The grassroots baseball training program entered its **13**th year
Organized or co-organized **4** grassroots baseball games



5.1 Hua Nan's Philosophy of Charity

The Group is deeply aware that only when the society is prosperous and stable can the country develop steadily. The Group integrates all of its resources to promote economic prosperity and stability. Our four primary goals in assisting the society's stable development and fulfilling our corporate social responsibility are to popularize knowledge, care for the disadvantaged groups, support sports activities, and nurture the cultural and creative industry.

The Group's social participation dedicated unit is its volunteer team, which is composed of Hua Nan Financial Holdings, Hua Nan Commercial Bank, Hua Nan Securities, South China Insurance, South China Yongchang Investment Trust, Hua Nan Venture Capital, and Hua Nan Assets Management. The President of Hua Nan Financial Holdings serves as the leader of the team, while the President of each subsidiary serves as the leader of the volunteer team of the subsidiary. The relevant operation measures are set out in the Guidelines for the Volunteer Team of the Group to enable the Group to continue to engage in social participation smoothly.

Material Issues	Material Issue Management Approach
Social Welfare	Material Issues of Hua Nan Financial Holdings
Significance to Hua Nan Financial Group	<p>In order to promote the prosperity and stability of the society, the Group takes four main aspects as its primary charity goals:</p> <ol style="list-style-type: none"> 1. Popularizing Knowledge 2. Caring for the Disadvantaged Groups 3. Supporting Sports Activities 4. Nurturing the Cultural and Creative Industry <p>The Group spares no effort to engage in social participation. The annual social participation goals are set by the volunteer team of each subsidiary to report its charity activity project for the following year to Hua Nan Financial Holdings before the end of December each year, and Hua Nan Financial Holdings will integrate resources and provide timely assistance to the Group to maximize social influence</p>
Commitment and Relevant Policies	<p>The teams operate in accordance with the Group's Guidelines for the Volunteer Team and invest resources in response to different social current events and issues every year to assist relevant stakeholders and facilitate the overall social development</p>
Target	<p>Short-term (1-2 years): Continue to promote and motivate the Group's employees to participate in relevant public welfare activities in accordance with the four major aspects of the Group's social participation</p> <p>Medium- and long- term (3-5 years): Establish and improve the management system of social activities, and effectively calculate the social return on investment (SROI)</p>

Management Method

- Dedicated unit: Volunteer team of the Group
- Resource input: A total of NT\$79,167,603 was invested in the four major charity goals in 2019

Concrete results

1. Organized or sponsored knowledge-based and academic forums and lectures, donated scholarships to schools and academic organizations, and offered business internships and visits
2. Organized or sponsored charitable activities and social welfare organizations, donated money to the disadvantaged, and provided emergency assistance to promote social well-being and equality of life
3. Organized or sponsored sports training and events and donated materials and funds to national teams and grassroots sports organizations to promote sports development
4. Organized or sponsored quality performances at home and abroad and financially supported or assisted cultural and creative activities, organizations and individuals to promote the development of national art and culture



5.1.1 Four Major Charity Goals

Popularizing
Knowledge

Invested
NT\$12,283,860
in 2019

1



2

Caring for the
Disadvantaged
Groups

Invested
NT\$15,401,091
in 2019

**Supporting
Sports Activities**

Invested
NT\$24,642,652
in 2019

3**4****Nurturing the
Cultural and
Creative Industry**

Invested
NT\$26,840,000
in 2019

In 2019, the Group invested in charitable activities through charitable donations, commercial donations, and community participation, totaling NT\$79,167,603.

5.1.2 Volunteer Activities—Environmental Protection and Charity

In addition to the four charity goals mentioned above, the Group regularly organizes various environmental and charitable activities in the hope of fulfilling its social responsibilities and exerting its greatest social influence to promote employees' social participation and South China's charitable brand image.

Environmental Sustainable Education and Training

Hua Nan Commercial Bank implements relevant education and training on environmental sustainability and educates the concept of energy conservation and carbon reduction through general affairs training for various business units of the bank





The "No-plastics Guests" hiking event to love the Earth

In 2019, Hua Nan Securities organized the "No-plastics Guests" hiking event to love the Earth at the Hushan Hiking Trail in Taipei City so as to support environmental protection goal of plastic reduction using practical actions with more than 500 employees participating

Protect the Ocean and the Earth

South China Insurance adheres to the concept of giving back what it has taken to society. In 2019, it called on its volunteer team to carry out plastic reduction and beach cleaning activities on the coastline of the Lao-Mei Green Reef, Shimen District, New Taipei City, so as to protect the ocean and make efforts in environmental protection through actions.



Five sessions of "2019 Blood Donation Train"

South China Insurance organizes blood donation charitable activities to promote the company's philosophy of fulfilling its social responsibilities.

In 2019, a total of five sessions of the blood donation train were organized in Taipei, Tainan, Hsinchu, Taichung, and Kaohsiung, and a total of 652 bags of blood were collected; since 2015, 3,154 bags of blood have been collected



5.2 Popularizing Knowledge

Invested NT\$12,283,860 in 2019

The Group firmly believes that the competitiveness of the country and society comes from the popularization of knowledge. Therefore, by holding forums and seminars, awarding scholarships, providing internship opportunities, and conducting industry-academia cooperation, it aims to promote the popularization of knowledge using its influence. Since 2016, the Quarterly Highlight Forum has been held from time to time in line with the government's policies and to help promote the popularization of knowledge. Various forums and seminars have been held. In 2019, the Group participated in a total of four forums. The topics covered included urban renewal, digital finance, and the New Southbound Policy for overseas Taiwanese businesspeople, and the future of senior citizens, to disseminate financial knowledge in businesses and people's daily lives.



5.2.1

Highlight column on "Breaking Through the Framework by Youth - 2019 President Tsai Ing-wen and Senior High School Students Face-to-face Forum"

With the rise of civic consciousness in our country today, in order to inspire the new generation's interest in civic affairs, Hua Nan Financial Holdings has cooperated with Business Today to organize the President Tsai Ing-wen and Senior High School Students Face-to-face Forum every year since 2016 so that the President and students can exchange ideas with each other through the forum. Hua Nan Financial Holdings invests a great deal of manpower and time in organizing this event every year, and provides venues and equipment to facilitate the holding of the event.

The 4th "President Tsai Ing-wen and Senior High School Students Face-to-face Forum" was held on May 11, 2019 in the international conference hall on the 2nd floor of the headquarters building of Hua Nan Commercial Bank. President Ms. Tsai Ing-wen delivered a speech and interacted with representatives of senior high school students across the country. The theme of the 2019 annual forum was "Breaking Through the Framework by Youth;" it emphasized personal thoughts and how to change society from individuals. The students who participated in the forum responded enthusiastically and received a great deal of media coverage, which enabled the Company to communicate with the new generation while conveying the concept that Hua Nan Financial Holdings cared about the new generations.

In the future, Hua Nan Financial Holdings will continue to adhere to its original intention and organize the forum while encouraging the young generations to think about the relationship between Taiwan and the world.



Photo of Breaking Through the Framework by Youth - 2019 President Tsai Ing-wen and Senior High School Students Face-to-face Forum

5.2.2 Other Columns—Enhanced Efforts

1. 2019 Influence Forum

In order to promote exchanges between the industry, the government, and the academia on economic issues, Hua Nan Financial Holdings has continued to sponsor the Influence Forum organized by the Wealth Magazine since 2014. The theme of the 2019 forum was "Seizing Investment Opportunities in Macro Global Trends," at which Vice Premier Chen, Chi-Mai and Minister of Finance Su, Jain-Rong attended the event in person and delivered speeches. Gu, Chao Ming, Chief Economist of the Nomura Research Institute, delivered a speech at this event in Taiwan for four consecutive years.



Photo of the Elderly Future Forum

3. Face-to-face Seminar on Housing Loan for Elderly Care

Taiwan has become an aged society since 2018, and it is estimated that it will enter a super-aged society by 2026, which will cause problems, such as support and elderly care. The implementation of the elderly care policy is currently an urgent issue, and the product of the Housing Loan for Elderly Care can help the elderly to live a carefree life at home so as to reduce the burden on their children and the government, creating a win-win-win situation for borrowers, banks, and the government.

To this end, Hua Nan Commercial Bank and the Economy Daily News jointly held a seminar on "A Closer Look on Housing Loan for Elderly Care" in 2019, inviting experts from the industry, the government, and the academia to analyze how to seek more development opportunities for such housing loans together, in the hope of making such a mechanism more sound and complete to help the public to embrace the advent of an elderly society.



Photo of the Influence Forum

2. Elderly Future Forum

In order to promote exchanges between the industry, the government, and the academia on economic issues, Hua Nan Financial Holdings has continued to sponsor the Influence Forum organized by the Wealth Magazine since 2014. The theme of the 2019 forum was "Seizing Investment Opportunities in Macro Global Trends," at which Vice Premier Chen, Chi-Mai and Minister of Finance Su, Jain-Rong attended the event in person and delivered speeches. Gu, Chao Ming, Chief Economist of the Nomura Research Institute, delivered a speech at this event in Taiwan for four consecutive years.



Photo of the Face-to-face Seminar on Housing Loan for Elderly Care





Photo of the Annual International Human Rights Conference

5.2.3

Other Columns—2019 Featured Events

1. The 40th Annual International Human Rights Conference

Hua Nan Commercial Bank has long been concerned about human rights. By supporting the 40th Annual International Human Rights Conference, it invited human rights organizations from all over the world to exchange ideas on human rights issues in Taiwan and assisted international and Taiwanese human rights organizations and scholars in exchanging ideas, with the aim of bringing more learning opportunities to domestic young students. Meanwhile, through the media exposure, it has striven to increase our country's participation in international civil society, while demonstrating the particularity and importance of Taiwan in the international community as one of the few countries in Asia that adhere to the values of democracy and human rights.



Photo of the Anti-money Laundering National Mobilization Forum

2. Anti-money Laundering National Mobilization Forum

By sponsoring the Anti-money Laundering National Mobilization Forum organized by the Wealth Magazine, it advocates and promotes the anti-money laundering work, and assists our country's financial flows to be transparent and to be in line with international standards, so that the concept of anti-money laundering can be popularized in Taiwanese society.



Photo of the SCIC University-industry Internship Program

3. 2019 International Seminar on Social Value

International assessment of social influence has become a trend in recent years. The value of an enterprise is not only reflected in financial performance, but its social influence is also the key. While enhancing its social influence, Hua Nan Financial Holdings sponsored the 2019 International Seminar on Social Value organized by the Social Impact Institute of Taiwan. This large international seminar on CSR issues was held in Taiwan for the first time, facilitating the promotion of social influence, while enabling the Group to learn and share ideas with the experts from all over the world.

5. South China Insurance Industry-Academia Collaboration Research Project

In addition to the internship camp program, South China Insurance provides industry-academia collaboration programs to help students. In 2019, South China Insurance and six students from the Department of Finance, National Taipei University of Business, participated in the development of the "second-hand mobile phone insurance product" in the form of project cooperation, and transferred the results after the project was completed. Through the connection between theory and practice, research methods were applied in this internship program, to shorten the gap between theory and practice, while giving students a diversified learning experience, so as to cultivate new talents in the financial and insurance industry and enhance future competitiveness.

6. 2019 TIRI Forum

Through the cooperation with Taiwan Investor Relations Institute (TIRI), Hua Nan Securities offered a total of 20 professional training courses in 2019 to strengthen the relationship with investors, and to effectively integrate the management responsibilities of investor relations (IR) to corporate finance, communication, marketing, and compliance with securities laws and regulations, to enable the Company to achieve the most effective two-way communication with the capital market and other stakeholders, assist in the realization of the Company's reasonable market value, and enhance shareholders' value.

4. SCIC University-industry Internship Program

Students from Chaoyang University of Technology and Ming Chuan University participated in the SCIC University-industry Internship Program in 2019. During the internship, each unit at the head office introduced the types of professional insurance products, provided opportunities to engage in practical work, business work, as well as social participation. At the end of the internship, presentations, experience sharing sessions, and seminars were held. After the internship, interns had the opportunities to work at the company.



Photo of the TIRI Forum

5.3 Caring for the Disadvantaged Groups

Investment in 2019: NT\$15,401,091 with 3,446 volunteering hours

In the process of national social development, there has always been more disadvantaged groups. The Group hopes to help the disadvantaged groups in society using its own influence. In addition to launching financial products that meet the connotation of financial inclusion, emphasizing the principle of fair treatment of consumers, and assisting disadvantaged groups in obtaining financial services, it organizes volunteering and cultural activities from time to time to assist and care for disadvantaged groups.



5.3.1

Highlight column on "Micro Insurance"

In 2019, South China Insurance assisted social welfare groups in planning the micro-insurance product using its own expertise, to provide life insurance protection for the basic needs of the economically disadvantaged, fill the gaps in the government's social insurance or social assistance mechanisms, and avoid sudden accidents that would cause serious impact on family economic conditions.

Features of micro insurance

1. The insured were economically disadvantaged
2. Insurance amount and premium were low
3. The coverage period was short and the coverage content was simple

Multiple insuring methods

1. Personal Insurance
2. Collective insurance
3. Group insurance

Results of Assistance

Assisted **13** social welfare organizations
A total of **4,803** people insured in the micro insurance plan

For more details of this product, please refer to chapter 2.4.1 of this report.



Photo of "With Hua Nan, You Never Grow Old" (Taoyuan)

5.3.2

Other Columns—Enhanced Efforts

1. "With Hua Nan, You Never Grow Old"

Since 2012, Hua Nan Financial Holdings has cooperated with the Hondao Senior Citizen's Welfare Foundation in the program of "With Hua Nan, You Never Grow Old." It organizes meal parties for the elderly and donates supplies, and responds to the charitable meal delivery and breakfast funding program, to care for the disadvantaged elderly living alone. In 2019, it organized two meal parties for the elderly in Taoyuan and Kaohsiung. In addition to donating funds, the Group's employees are motivated to devote themselves to social care services outside of work in the hope of conveying its concern and care about today's aging society through its efforts.

2. Financial Industry Love Initiative—Food (In-kind) Bank

Since 2015, the Group has made donations to the project of Financial Industry Love Initiative - Food (In-kind) Bank initiated by the Taiwan Futures Exchange (TAIFEX). According to the supplies demand form provided by the social bureaus (offices) of the cities and counties in Taiwan, TAIFEX was responsible for coordinating the procurement from supermarkets and offering disadvantaged families daily necessities. In 2019, the Group participated in the care for disadvantaged families in 22 cities and counties in Taiwan and fulfilled its corporate social responsibility.



Photo of the donation ceremony of the Financial Industry Love Initiative—Food (In-kind) Bank

3. Love and Care Concert (Hsinchu, New Taipei, and Kaohsiung)

Since 2012, Hua Nan Commercial Bank has partnered with the Taiwan U-Life Association to hold the "Love and Care Concert" across Taiwan, inviting disadvantaged groups and social welfare organizations to participate. In 2019, Hua Nan Commercial Bank's volunteering hours reached 1,226. This event not only enabled senior entertainers to continue their career and convey positive energy in a joyful atmosphere, but also soothed people's heart through beautiful music, in order to create a harmonious and warm society through its efforts.



Awarded Certificate of Appreciation at the Financial Service Charity Carnival (Hsinchu)

6. Other Actions

In 2019, through the care project of "Assistance to the Elderly and the Young," South China Insurance cared for the elderly with intellectual development disorders, the physically and mentally disabled, disadvantaged families, and children in rural areas, and organized various charitable activities to allow employees to participate in and fulfill corporate social responsibilities, while enabling the targets of the project to feel the company's enthusiasm for charity.

The Group has long supported the actions to care for the underprivileged, and cooperated with organizations with the same philosophy, to create a poverty-free and zero-hunger future for Taiwanese society through its own social influence.

Cooperating entity: Eden Social Welfare Foundation

Target: People with disabilities

Contents:

1. Created a safe learning space with adequate equipment and supplies
2. Spread love to help the disadvantaged together
3. Public liability insurance for Happy Children's Day
4. Volunteers' one-day experience at the Eden Tamsui Workshop



Photo of the volunteers of the Love and Care Concert (New Taipei)

4. Financial Service Charity Carnival (Tainan and Hsinchu)

Hua Nan Financial Holdings integrated group resources to participate in the Financial Service Charity Carnival (in Tainan and Hsinchu) organized by the Taiwan Financial Services Roundtable. A total of 48 volunteers participated in this event and made donations to the Tainan Yeast Social Care Association and the Hsinchu City Social Assistance Fund Account to help local vulnerable groups.

5. 2019 Face Equality Taipei Expressway Marathon

Hua Nan Securities cooperated with the Sunshine Social Welfare Foundation and Chinese Taipei Road Running Association to organize the 2019 Face Equality Taipei Expressway Marathon. Many members of the road running club of Hua Nan Securities also signed up to run on the expressway with runners from the foundation, to convey to the public that everyone's abilities and values were not affected by their appearance as defined by "face equality" through the participation. The company's volunteers also participated in the activities on that day to support the face equality movement through practical actions, while calling for the public to respect people with burn marks and facial injuries through this road running event.

Cooperating entity: Chensenmei Social Welfare Foundation

Target: The elderly with intellectual development disorders

Contents:

1. Donated fire detector central control systems
2. Participated in parent-child activity and volunteer activities
3. Donated supplies—reuse of desks
4. Auto insurance planning, public accident liability insurance, and commercial fire insurance planning

Cooperating entity: Andrew Charity Association
Target: Disadvantaged families and children in rural areas

Contents:

1. 100 portions of Lunar New Year dishes and participated in volunteer activities
2. Summer life growth camp



Photo of the volunteers of the Lunar New Year dishes

Cooperating entity: Limited Liability Indigenous Cultural, Creative, and Aesthetic Labor Cooperative of Hsinchu County

Target: Indigenous women

Contents:

Assisted indigenous women in acquiring the ability to earn a living by learning traditional weaving techniques



Photo of the donation to indigenous women to start their own business

Cooperating entity: Raising Children Medical Foundation

Target: Children

Contents:

Established a friendly children's medical space at Ren Ai Hospital and introduced elements of art and education to create a child-friendly and warm medical space

Cooperating entity: World Vision

Target: Disadvantaged children

Contents:

Hunger experience DIY, made Gubat canvas bags for charity sales



Photo of the DIY bag charity

5.3.3

Other Columns—Featured events in 2019

Support Domestic Agricultural Products

In 2019, Hua Nan Financial Holdings, Hua Nan Commercial Bank, and South China Insurance took the initiative to order mangoes, dragon fruits, pomelos, and guavas to support domestic agricultural products and help farmers produce and sell them, with a total value of NT\$1,208,324, to express their support to farmers.



Purchase of Tainan pomelos to support Taiwan farmers

5.4 Supporting Sports Activities

Investment in 2019: NT\$ 24,642,652

The Group has long paid attention to the development of sports in Taiwan. In addition to supporting sports activities, players, equipment, etc., it provides players with its core services, including trust, insurance, and financial planning, while making Taiwanese outstanding athletes shine on the domestic and global stages using its own influence and taking care of them who work hard for the honor inside and outside the sports fields. In 2019, Hua Nan Financial Holdings received the Gold Sponsorship, Long Term Sponsorship, and Promotional Bronze Awards in the "Sports Contribution Award" of the Sports Administration of the Ministry of Education.

"One Ball, One Dream" Grassroots Baseball Training Program

Hua Nan Financial Holdings' "One Ball, One Dream" Grassroots Baseball Training Program has entered its 13th year. In 2019, in conjunction with the 100th anniversary of the subsidiary Hua Nan Commercial Bank, the Group launched a series of events under the theme of "One Ball, One Dream: Guarding Your Baseball Dream." First, the 2019 Hua Nan Financial Holdings Cup National Little League and Youth League Championship was held, at which the best national team was selected to represent Taiwan in the U-12 Baseball World Cup Game and the Asian AA Baseball Championship Champion. On addition, it sponsored the "Hua Nan Financial Holdings MLB CUP Camp" to cultivate baseball players at grass roots level. Finally, it sponsored the 2019 V WBSC U-12 Baseball World Cup held in Tainan, which was the world's highest-level international little league event. The national team selected at the Hua Nan Financial Holdings Cup National Little League Championship participated in this even on behalf of Taiwan and won the world championship!



Chang, Yun-Peng (6th from right), Chairman of Hua Nan Financial Holdings and Hua Nan Commercial Bank, threw the ceremonial first pitch at the final of the WBSC U-12 Baseball World Cup and awarded the best popularity award to various countries.



Taitung County Team won the championship at the Hua Nan Financial Holdings Cup National Youth League Championship



Taoyuan City Team won the championship at the Hua Nan Financial Holdings Cup National Little League Championship



Taoyuan City Guishan Elementary School Team won the championship at the MLB CUP Taiwan



The national team selected at the Hua Nan Financial Holdings Cup National Little League Championship successfully kept the World Cup trophy in Taiwan



5.4.1 Highlights Column

"Gymnasts Li, Chih-Kai and Huang, Ko-Chiang as well as Coach Lin, Yu-Hsin" and "The 2nd Little Gymnast Camp"

Hua Nan Financial Holdings considers that gymnastics has received increasing attention from the Taiwanese people and is one of the national key sports. Since 2017, it has sponsored Taiwanese gymnasts Li, Chih-Kai, Huang, Ko-Chiang, and Coach Lin, Yu-Hsin for the following items until the Tokyo Olympics will take place:

Gymnast/Coach	Sponsored Item
Li, Chih-Kai Huang, Ko-Chiang Lin, Yu-Hsin	The training budget was in the amount of NT\$1.68 million
Li, Chih-Kai Huang, Ko-Chiang	Personal injury insurance was in the amount of NT\$10 million each
Li, Chih-Kai Huang, Ko-Chiang Lin, Yu-Hsin	Trust services and exclusive financial planning

Since 2018, Hua Nan Commercial Bank has combined the sports projects sponsored by the Group for a long time and launched a project entitled "Safeguarding your original intention" based on the theme of "Protecting Your Original Intentions," to convey the original intention and vision of protecting sports at grass roots level; the "Little Gymnast Camp" was also held to cultivate little gymnasts. The "Second Little Gymnast Camp" was held at the National Sports Training Center, Zuoying, Kaohsiung, in November 2019. Gymnasts Li, Chih-Kai and Huang, Ko-Chiang and Coach Lin, Yu-Hsin were also invited to serve as spokespersons for this event. They led the training with the national team coaches while sharing valuable experience in international competitions with those little gymnasts to jointly cultivate Taiwan's emerging gymnasts.



Hua Nan Commercial Bank's 2nd Little Gymnast Camp





2. 2019 Ministry of Finance Invoice Cup Road Running Race (Nantou)

The Group has participated in the Invoice Cup Road Running Races organized by the Ministry of Finance and the National Taxation Bureaus in various areas for nine consecutive years since 2011 to support exercises for building body strength and donate invoices for charity purposes. In 2019, it co-organized the 2019 Ministry of Finance Invoice Cup Road Running Race (in Nantou) with the National Taxation Bureau of the Central Area in 2019. This event was held at the Xiangshan Visitor Center in Sun Moon Lake, Nantou. In addition to donating funds to this event, it collected a total of 218,688 uniform invoices, donated all of them to six social welfare groups, namely the Yu An Retarded Children's Home Miaoli R.O.C., the Association for the Care and Growth of Women and Children, Republic of China Association for Care and Growth of Women and Children, the Changhua County Lien-Lien-Pan-Hsien Dementia Association, the Nantou County Trouble Angel Association, the Nantou County Mentally Disabled Parents Association, and the Yunlin County Welfare Association of the Deaf.



5.4.2

Other Columns—Enhanced Efforts

1. Hua Nan Financial Group Badminton and Table Tennis Tournaments

To foster the ethos of exercise in the Group and encourage employees to exercise, Hua Nan Financial Holdings has organized the badminton and table tennis tournaments for nine consecutive years since 2011. Featuring "Safeguarding your original intention," the 2019 Hua Nan Financial Group Badminton and Table Tennis Tournaments was held at the National Taiwan University Sports Center on May 18. Teams from the Group's subsidiaries, FSC, and the National Development Council were invited to compete against each other and cultivate the sports atmosphere within the Group.



3. Funding for the Tug-of-War Team of Taipei Municipal Jingmei Girls' High School

The Jingmei Girls' High School's Tug-of-War team has been established for 15 years since 2003, and has achieved great results repeatedly under the leadership of professional coaches. In 2010, it won the Tug of War World Indoor Championships in Italy in the category of 540kg as the world's youngest and lightest tug-of-war team for the first time. In recent years, it has participated in various international competitions and won multiple championships with high international visibility; it has also been honored to receive congratulatory calls from the President and been invited to meet with the President three times. Since 2018, Hua Nan Commercial Bank has continued to sponsor the team's activity funds every year, to continuously safeguard the national athletes, while increasing Taiwan's international visibility.



3. 2019 Holyland International E-sports Summit

In addition to traditional sports activities, Hua Nan Commercial Bank pays attention to the development of e-sports activities in Taiwan.

In 2019, it sponsored the 2019 Holyland International E-sports Summit, which was held on August 2 to 3, 2019 at the international conference hall on the second floor of the headquarters building of the bank. The summit co-organized by the Taiwan Cyber Athlete Association and the Taiwan Creative Economy Association. Through the cooperation of the industry, the government, and the academia, Taiwan e-sports is promoted to the world.



5.4.3

Other Columns—Featured events in 2019

1. 2022 FIFA World Cup Asian Qualifying Competition

The Chinese Taipei Football Association is the highest-level unit in Taiwan's football development and has long promoted football. In 2019, Hua Nan Commercial Bank sponsored the association to host the 2022 FIFA World Cup Asian Qualifying Competition in the hope of promoting the youth football trend in Taiwan and increasing the international visibility of Taiwanese football.

1. 2019 FINA Marathon Swim World Series (Nantou)

Hua Nan Commercial Bank also made a donation to the 2019 FINA Marathon Swim World Series in Nantou held by the Chinese Taipei Swimming Association on September 7, 2019, at the Yidashao Wharf in the Sun Moon Lake. It is a historical international event on a large scale in the Sun Moon Lake since it was held in 1983. Participants are outstanding swimmers from all over the world. It is hoped that Taiwan's international visibility can be enhanced when this event continues to be promoted.

4. National Team Training by Golf Association of R.O.C. (GAROC)

In addition to the promotion of the above-mentioned long-term sports activities, the Group always pays attention to the needs of the Taiwan sports industry. For example, in 2019, it made a donation to GAROC for organizing the national training team, and sponsored its monthly and quarterly competitions to provide amateur players with a stage to play while training excellent golf talents for the country.

5.5 Nurturing the Cultural and Creative Industry

Investment in 2019: NT\$ 26,840,000



The Vice Chairman of Hua Nan Commercial Bank, T. LIN, at the 10th Presidential Culture Awards

The Group supports the cultural and creative industry by organizing or sponsoring high-quality exhibitions and performances at home and abroad, and making donations to or assisting cultural and creative events, groups, and individuals. In 2019, in addition to responding to the government's policies to promote local culture, and make donations to the activities held by the General Association of Chinese Culture, it sponsored many national and community art and cultural projects in the hope of promoting the development of national art and culture to create job opportunities, promote the overall economic growth of the country, and enrich the spiritual life of the people.

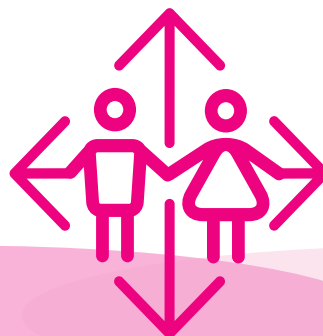


5.5.1 Highlight Column—Bay Picture Book Library "Gymnasts Li, Chih-Kai and Huang, Ko-Chiang as well as Coach Lin, Yu-Hsin" and "The 2nd Little Gymnast Camp"

Since 2019, Hua Nan Commercial Bank has continued to made donations for the operating costs of Taichung's "Bay Picture Book Library" every year. In addition to various types of picture books for reading, the library holds various children's theaters, picture book exhibitions, and other activities from time to time, while organizing themed exhibitions of picture books every March, July, and November on a regular basis. Since its opening, it has become one of the local popular attractions, successfully creating a story paradise for parents and children. Through diversified activities and events, it provides children with a multi-level reading experience and brings art and cultural education into neighborhoods and communities.



Hua Nan Commercial Bank sponsors the operating costs of Bay Picture Book Library



5.5.2

Other Columns—Enhanced Efforts

1. French Musical of Notre Dame de Paris

Hua Nan Financial Holdings is committed to promoting international high-quality performances. Since 2015, it has sponsored the French Musical of Notre Dame de Paris organized by udnFunLife every two years. In 2019, it invited 60 teachers and students in the drama program Taipei Municipal Fuxing High School to watch this musical, with the aim of allowing the public and young students to be exposed to diverse cultures and arts.

3. Taipei Fashion Week SS20

In order to support the development of local art and culture, help enhance the visibility of our country's fashion industry, and enhance exchanges between the Group and a variety of industries, the Group has sponsored the Taipei Fashion Week event every year since 2018.



The autograph session at the WJSO New Year Concert

2. Duo Baldo Italian Legendary Piano and Violin Comedy Concert

The Group sponsored the performance of the Italian Legendary Piano and Violin Comedy Concert by Duo Baldo hosted by Perfection Arts Management Ltd. at the National Concert Hall. The performance was staged by the violinist Brad Repp and the pianist Aldo Gentileschi, combining classical music with comedy performances, making classical music more accessible.



LA LA LAND press conference Photo: MNA

2. Cellist Chang—Opera for Children

The Music of Beyond the Strings was established in 1992, and many domestic first-class musicians come from this orchestra, including Wu, Ting-Yu, Lin, Tien-Chi, Chiang, Chih-I, Ho, Chun-Heng, Chou, Chun-Hsiang, Chuang, Ssu-Yuan, etc. Its artistic director, Chang Chen-Chieh is a well-known cellist in Taiwan, with a wide range of performance styles. In recent years, he has made a great deal of efforts in parent-child music education and won over music fans using his original planning, creativity, and fun. The bank has sponsored the event every year since 2017.

5.5.3

Other Columns—Featured events in 2019

1. Wiener Johann Strauss Orchester (WJSO) New Year Concert (Taipei and Taichung)

The Group sponsored the WJSO New Year Concert hosted by Philharmonic Radio Taipei Co., Ltd. at the National Concert Hall in Taipei and the National Taichung Theater. The WJSO established by the Strauss family as recognized by the world visited Taiwan to stage performances. It continued the 42-member orchestra tradition and perfectly reproduced the joyful ambience of Vienna, the capital of music, as featured in the 19th century.



Duo Baldo performance scene

3. "LA LALAND in Concert

The Group sponsored the LA LA LAND in Concert hosted by the Management of New Arts at the National Concert Hall in Taipei. Directed by the original soundtrack composer Justin Hurwitz, with the pianist Randy Kerber and a jazz orchestra, as well as the live performance by the National Taiwan Symphony Orchestra, this concert relived the beauty of the movie for the fans.

**4. 2019 Taiwanese and French Music Feast—
Romantic Bel Canto Christmas Music Party**

The Group sponsored the 2019 Taiwanese and French Music Feast—Romantic Bel Canto Christmas Music Party in Taipei Eslite Performance Hall and the National Dong Hwa University in Hualien. Anne Rodier, a classic French singer, collaborated with a well-known Taiwanese pianist to perform a number of classic French chanson songs and Taiwanese ballads, leading the audience to enjoy a Taiwanese and French music feast.




Romantic Bel Canto Christmas Music Party

5. 2019 Saint Lucia Charity Concert

The Group sponsored the 2019 Saint Lucia Charity Concert held by the Saint Lucia Embassy at the International Exhibition Hall of the Shih Chien University, at which the well-known Saint Lucia jazz orchestra Boo Hinkson, the Taipei Philharmonic Youth Orchestra, and a Saint Lucia carnival performing group were invited to perform together.

GRI Core Issue Disclosure

GRI Standards	GRI Standards Year	Disclosure Item	Description	Chapter	Page
General Disclosures	2016	102-1	Name of organization	Group Introduction	8
General Disclosures	2016	102-2	Activities, brands, products, and services	Group Introduction	8
General Disclosures	2016	102-3	Location of headquarters	About This Report	7
General Disclosures	2016	102-4	Bases of operation	Group Introduction	9
General Disclosures	2016	102-5	Ownership and legal form	Group Introduction	8
General Disclosures	2016	102-6	Market served	Group Introduction	8
General Disclosures	2016	102-7	Scale of organization	Group Introduction	8
General Disclosures	2016	102-8	Information on employees and other workers	3.1 Human Resources	58
General Disclosures	2016	102-9	Supply Chain	1.2 Integrity Management	23
General Disclosures	2016	102-11	Precautionary principles or guidelines	1.3 Risk Management	26
General Disclosures	2016	102-12	External initiatives	External Initiatives and Exchanges	11
General Disclosures	2016	102-13	Association membership	External Initiatives and Exchanges	11
General Disclosures	2016	102-14	Decision maker's statement	Message from the Chairman	2
General Disclosures	2016	102-16	Values, Principles, standards, and norms of behavior	1.2 Integrity Management	23
General Disclosures	2016	102-18	Governance structure	1.1 Corporate Governance	18
General Disclosures	2016	102-40	Stakeholder groups	Identification of Material CSR Topics and Stakeholders	12
General Disclosures	2016	102-41	Collective agreement	3.3 Communication and Interaction	67
General Disclosures	2016	102-42	Identification and selection of stakeholders	Identification of Material CSR Topics and Stakeholders	12

	GRI Standards	GRI Standards Year	Disclosure Item	Description		Chapter	Page
○	General Disclosures	2016	102-43	Guidelines for communicating with stakeholders	●	Communication with Stakeholders	14
○	General Disclosures	2016	102-44	Key topics and concerns raised	●	Communication with Stakeholders	14
○	General Disclosures	2016	102-45	The entities included in the consolidated financial statements	●	Details in the consolidated financial statements of HNFHC	
○	General Disclosures	2016	102-46	Defining report content and boundaries of topics	●	About This Report	7
○	General Disclosures	2016	102-47	List of Material topics	●	Identification of Material CSR Topics and Stakeholders	12
○	General Disclosures	2016	102-48	Information amendment	●	None	
○	General Disclosures	2016	102-49	Changes in the report	●	None	
○	General Disclosures	2016	102-50	Reporting period	●	About This Report	7
○	General Disclosures	2016	102-53	Contacts for responding to questions regarding this Report	●	About This Report	7
○	General Disclosures	2016	102-54	Statement on compliance with GRI Standards	●	About This Report	7
○	General Disclosures	2016	102-55	GRI Content Index	●	Appendix	104
○	General Disclosures	2016	102-56	External guarantee/assurance	●	About This Report	7
○	Management Approach	2016	103-1	Explanation of material topics and their boundaries	●	Identification of Material Issues and Stakeholders	12
○	Management Approach	2016	103-2	Management approach and its elements	●	1.1 Corporate Governance	18
○	Management Approach	2016	103-3	Evaluation of the management approach	●	1.1 Corporate Governance	18

Disclosure of GRI specific topics

1. Economic

GRI Standards	GRI Standards Year	Disclosure Item	Description	Chapter	Page
●	2016	102-1	Name of organization	Group Introduction	8
		102-2	Events, brands, products, and services	Group Introduction	8
		102-3	Location of headquarters	Group Introduction	8

2. Environmental

GRI Standards	GRI Standards Year	Disclosure Item	Description	Chapter	Page
●	2016	302-1	Energy consumption within the organization	4.2 Green Operation	79
		302-4	Reduction of energy consumption	4.2 Green Operation	79
	2016	305-1	Direct (Scope 1) GHG emissions	4.2 Green Operation	79
		305-2	Energy indirect (Scope 2) GHG emissions	4.2 Green Operation	79
		305-5	Reduction of GHG emissions	4.2 Green Operation	79
●	2016	306-2	Waste by type and disposal method	4.2 Green Operation	79

3. Social

GRI Standards	GRI Standards Year	Disclosure Item	Description		Chapter	Page
Labor-management relations	2016	401-1	New employees and departing employees	●	3.1 Human Resources	58
		401-2	Benefits provided to full-time employees (excluding temporary or part-time employees)	●	3.2 Talent Management	63
Training and education	2016	404-1	Average hours of training per year per employee	●	3.2 Talent Management	63
		404-2	Assistance programs for enhancing staff functions and transition	●	3.2 Talent Management	63
		404-3	Percentage of employees receiving regular performance and career development reviews	●	3.2 Talent Management	63

GRI Standards	GRI Standards Year	Disclosure Item	Description	Chapter	Page
Employee Diversity	2016	405-1	Diversification of governance units and employees	3.1 Human Resources	58
Equal opportunity	2016	419-1	Socioeconomic compliance	1.4 Legal Compliance	29
Compliance	2016	418-1	Substantiated complaints regarding breaches of customer privacy or loss of customer information	2.2 Information Security and Customer Privacy	39
		403-1	Occupational Safety and Health Management System	3.4 Occupational Safety	70
Customer Privacy	2018	2018	Worker training on occupational health and safety	3.4 Occupational Safety	70
		2018	Promotion of worker health	3.4 Occupational Safety	70

Summary of Assurance Items

Information on Assurance Item	Reporting Standards	Page
1 As of December 31, 2019, the number of the Small and Medium Enterprise Innovation Development Project Loan, Small and Medium Enterprise Innovation Development Project Loan, Promotion of Industrial Innovation or Research and Development Loans, and the Culture and Creativity Industry Preferential Loan, which have been appropriated with a balance, was 147; the credit balance amounted to NT\$399.84 million.	As of the end of December 31, 2019, the number and credit balance of the Small and Medium Enterprise Loan, Small and Medium Enterprise Innovation Development Project Loan, and Promotion of Industrial Innovation or Research and Development Loans as defined by the Ministry of Economic Affairs and the Culture and Creativity Industry Preferential Loan as defined by the Ministry of Culture. Note: The same borrower may have multiple loans with a credit balance.	46
2 According to the statistics from the 4th quarter of 2019 compiled by the Trust Association, HNCB currently serves as the trustee in 34 cases which placed it second in the industry. A total of 819 accounts of disadvantaged communities (including individuals, foundations, and schools) received donations for the purpose of public welfare trusts in 2019.	In the 2019 Q4 trust business statistics released by the Trust Association of R.O.C. (data as of December 31, 2019), the number of charitable trusts undertaken by HNCB, the ranking of charitable cases undertaken by the bank as a percentage of overall charitable cases in the trust industry, and the number of accounts receiving donation for the purpose of public welfare trusts in 2019. Note: The number of scholarship beneficiaries is calculated as the number of schools or representatives, e.g. each school or representative is counted as one account even though they may have multiple scholarship beneficiaries.	53

Information on
Assurance Item

Reporting Standards

Page

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|---|--|---|----|
| 3 | As for the patents obtained in financial innovation, as of December 31, 2019, the Group has obtained 81 financial patents approved by the Intellectual Property Office, Ministry of Economic Affairs. | As of December 31, 2019, the total number of R.O.C. patents obtained by HNCB, SCIC, HNSC, and HNIT, and the number of "utility model," "invention," and "design" patents based on the classification of patents in the Patent Act. | 42 |
| 4 | As of the end of December 2019, the total balance of credit provided to the green energy technology, the new agriculture, and the circular economy industries was NT\$297.6 billion. | As of December 31, 2019, the total balance of credit provided to the entities in the green energy technology, the new agriculture, and the circular economy industries in the A10 key innovative industries loan declaration filed by HNCB to the Banking Bureau, FSC. | 52 |
| 5 | SCIC undertook 20 litchi insurance policies based on the temperature and precipitation parameters in 2019. | The number of insurance policies undertaken (Note) in 2019 by SCIC in cooperation with the Council of Agriculture to promote the pilot policy of agricultural insurance and to launch the meteorological index-based "litchi insurance based on temperature and precipitation parameters."
<small>Note: The date of "undertaking" refers to the date of inception of the policy.</small> | 53 |
| 6 | In 2019, the Group engaged in charity by the forms of charitable donations, commercial donations, and community participation, totaling NT\$79,167,603. | The total amount paid by the Group in charitable activities in 2019. A "charitable activity" is defined as: "An activity that aims to promote human well-being and provides public benefits and expresses goodwill to others and makes meaningful contribution to the society through the provision of tangible goods or intangible services. Thus, education, arts, sports, health care, and caring activities all fall into this category." | 91 |
| 7 | As of the end of 2019, the number of cases for urban renewal and reconstruction of dangerous old buildings approved was 41, and the total credit limit approved was NT\$54 billion. | As of December 31, 2019, in the "Summary of HNCB Urban Renewal Cases and the Summary of HNCB Dangerous Old Building Reconstruction Cases compiled by the Urban Renewal Team of HNCB, as of December 31, 2019, the total amount of credit limit (including closed cases) approved by HNCB in accordance with the Urban Renewal Act, the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, and the relevant enforcement rules and operating methods of the aforementioned regulations. | 54 |
| 8 | According to the statistics from the "Asset Trust for the Senior and the Disabled" from the 4th quarter of 2019 compiled by the Trust Association, HNCB accumulated 12,088 individuals as beneficiaries, which placed it first in the industry. The principal of trust assets amounted to NT\$2.628 billion. | As of December 31, 2019, in the Trust Business Statistics Quarterly Report for the Fourth Quarter compiled by the Trust Association of R.O.C., the number of beneficiaries, the principal balance of the trust assets, and the ranking of the number of beneficiaries as a percentage of the total number in the elderly and the disabled trust assets in the overall trust industry, in the business elderly and the disabled trust assets undertaken by HNCB. | 48 |

Information on Assurance Item	Reporting Standards	Page
9 As of the end of December 2019, HNCB had undertaken 731 housing loans for elderly care.	In the Survey Form for Commercial Reverse Mortgage Undertaken by Banks of the Banking Bureau, FSC, the total number of approved cases for "Happy Housing Loan" and "Elderly Care Housing Loan" of HNCB as of December 31, 2019.	48
10 As of December 31, 2019, 4,803 individuals were provided with effective micro-insurance by SCIC.	As of December 31, 2019, the accumulated number of individuals provided with effective micro-insurance in the Promotion of Micro-insurance Business by Companies in December of 2019 published by the Non-Life Insurance Association of the Republic of China.	47
11 In 2019, the amount of equity investment in industries related to energy conservation and environmental protection was NT\$1.85 billion, and the amount of green bond investment was NT\$7.46 billion.	<p>As of December 31, 2019, the original investment cost of HNCB's equity investment in industries related to energy conservation and environmental protection and the value of the green bond investment approved by Taipei Exchange.</p> <p>Note: According to the definition of investment in energy conservation and environmental protection industries, the main products sold or their processes have been designed, developed, and managed for energy conservation and actual results have been achieved in the energy conservation design, development and management; alternatively, the main products sold or their processes have obtained the green product certification. Main products sold refer to those accounting for more than 50% of the overall sales.</p>	52





CPA's Limited Assurance Report

Zi-Hui-Zong-Zi No. 20002311

Hua Nan Financial Holdings Co., Ltd.,

Hua Nan Financial Holdings Co., Ltd. (the "Company") engaged us to provide limited assurance on the selected performance indicators set out in the 2019 CSR Report. We have undertaken a limited assurance engagement and prepared a limited assurance report based on the results.

Selected Information and Criteria Applied

The selected performance indicators set out in the 2019 CSR Report (the "Selected Information") and criteria applied are set out under the "List of Assurance Items" on Pages 106 to 107 of the 2019 CSR Report.

The Company's Responsibility

The Company is responsible for preparing the performance indicators set out in the 2019 CSR Report in accordance with the criteria applied and maintain necessary internal controls relating to the preparation of the performance indicators that is free from material misstatement, whether due to fraud or error.

Our Responsibility

We conducted our limited assurance engagement in accordance with the Assurance Standard No. 1 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" to identify whether the Selected Information, in all material aspects, is not prepared in accordance with the criteria applied and needs correction, and prepared a limited assurance report.

The limited assurance engagement we conducted in accordance with the aforesaid standard involves identifying aspects of the Selected Information in which possible material misstatement may occur and designing and conducting the procedures for the aforesaid areas. The level of assurance obtained in a limited assurance engagement is substantially lower than that in a reasonable assurance engagement, and the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

We determined the scope of the limited assurance engagement based on the aspects and materiality of risks identified, and designed and performed the following procedures given the specific circumstances of the engagement:

- Made inquiries of the persons responsible for the preparation of the Selected Information to understand the procedures for preparing the above information, information systems applied, and related internal controls and to identify aspects of material misrepresentation.
- Made inquiries of, observed, and inspected the Selected Information sampled and performed the test again based on the understanding of the above matters and aspects identified to obtain the evidence of limited assurance.

This report does not provide any assurance on the 2019 CSR Report as a whole and the effectiveness of the design or performance of its related internal controls.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Ethics of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies the Standards on Auditing No. 46 "Quality Control of CPA Firm" and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Inherent Limitations

Many of the assurance items involve non-financial information that is subject to more inherent limitations than financial information. The qualitative interpretation of the relevance, materiality and correctness of the data is more dependent on individual assumptions and judgments.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information, in all material aspects, is not prepared in accordance with the criteria applied and needs correction.

Other Matters

It is the Company's responsibility to maintain the company website. We are not responsible for undertaking the assurance of any changes in the Selected Information or criteria applied after being disclosed on the company website.

PwC Taiwan
CPA Chang, Jui-Ting
July 27, 2020



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