

2021

永續報告書 Sustainability Report



About This Report

As a local community bank, King's Town Bank Co. Ltd. (hereinafter referred to as KTB) adheres to its core value of "take from society, give back to society". Through the preparation and disclosure of the Sustainability Reports every year, we respond to the concerns of our stakeholders regarding the sustainable development of KTB. The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Options and SASB Standards, in line with UN Sustainable Development Goals (SDGs), and with reference to regulations including GRI Financial Services Sector Supplement, and Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies. Data in the report are provided by specialized ESG staff in each department, sorted and compiled by the Operation Management Department as a draft, and then submitted to the heads of each department, ESG Team members and the chairman for approval to ensure the accuracy and consistency of the information. We aim to facilitate the public's understanding of KTB's implementation of sustainable development through open and transparent information, so as to raise the importance of sustainability development in all sectors of society.

Reporting period

KTB has been issuing Sustainability Reports on a yearly basis, since 2015. This is KTB's 8th CSR report. This report discloses information from January 1, 2021, to December 31, 2021. The previous Sustainability Report was published in June 2021, and the next CSR report is scheduled to be published before June 30, 2023.

The annual Sustainability Reports can be downloaded on KTB's ESG & IR English website. [【ESG Reports】](#)

Scope of the Report

The report discloses information related to the operational activities and services of KTB in Taiwan. The report discloses 97.11% of KTB's consolidated revenue, excluding subsidiaries King's Town Bank International Leasing Co., Ltd., King's Town Securities Co., Ltd. and King's Town International Construction Management Co., Ltd. Any discrepancies between the quantitative indicators and the aforementioned scope are specified in the report.

Reporting Principles

Issuing Unit	Compliance Items
The Global Reporting Initiative (GRI)	<ul style="list-style-type: none"> GRI Standards: Core Options G4 Financial Services Sector Supplement
Taiwan Stock Exchange Corporation	<ul style="list-style-type: none"> Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies
United Nations	<ul style="list-style-type: none"> Sustainable Development Goals (SDGs)
Sustainability Accounting Standards Board (SASB)	<ul style="list-style-type: none"> Sustainability Accounting Standards Board - Regulations Governing Commercial Banks

Third-Party Assurance

The report has been audited by an independent third-party assurance organization, SGS Taiwan, using the AA1000 AS v3 Type 1 Moderate level, focusing on the inclusivity, materiality, responsiveness, and impact of the information disclosed in the report. For details on SGS assurance statements, please refer to [Appendix 9.5 Independent Assurance Statement](#). In addition, this report has also been audited by EY Taiwan for limited assurance in accordance with the Statements of Assurance Engagements Standards No. 1 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Accounting Research and Development Foundation in Taiwan as well as ISAE 3000 issued by the International Auditing and Assurance Standards Board (IAASB), please refer to [Appendix 9.6 Accountant's Limited Assurance Report](#).

Feedback

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Chairman's Message

The year 2021 has been a special year. Because of the epidemic, we have gone through the most difficult Level 3 COVID-19 Alert together; Because of the epidemic, we have seen the selfless dedication of medical staff and the cooperation and sacrifice of all walks of life. Because of the epidemic, our economy, environment, society and even lifestyle are constantly changing. What remains unchanged is that KTB has not stopped its efforts to promote sustainable development. We integrate ESG into all levels of business strategies through practical actions and top-down support and participation, with the aim of promoting "sustainability" in all levels of the Company as well as spreading it to the whole society.

- **Continue to Strengthen Corporate Governance**

In the face of numerous fluctuations in 2021, we have taken a rigorous approach to risk management, set high standards for asset quality, and achieved record highs in after-tax net profit and earnings per share (EPS). We have maintained a stable dividend distribution for many consecutive years to respond to shareholders' expectations. We have been ranked among the top 5% in the "Corporate Governance Evaluation" by the Taiwan Stock Exchange Corporation for four consecutive years. We have also been selected as a constituent stock of the "TWSE Corporate Governance 100 Index by Taiwan Stock Exchange Corporation for six consecutive years. These achievements show the recognition of KTB by the competent authorities and the public. We believe that good management and operation can help to maintain a sustainable enterprise, and we will strive to continuously strengthen corporate governance to fulfill our responsibilities as an enterprise operator.

- **Deepen and Respond to the Sustainable Development Goals (SDGs) of the United Nations**

The Sustainable Development Goals (SDGs) proposed by the United Nations emphasize a multiple and comprehensive synergy of economy, society and environment, and are the global development agenda from 2016 to 2030. KTB has formulated the sustainability strategy, and launched relevant action plans in line with SDGs: We participate in local activities, work with local schools and groups to organize financial education and anti-fraud publicity; We have built a gender-friendly workplace and have been again selected in the "Bloomberg Gender Equality Index"; We support SMEs by loaning funds, of which the balance is maintained at more than 50%; We set greenhouse gas reduction targets and hit them ahead of schedule. It shows that we practice sustainable development goals with specific actions, demonstrate KTB's corporate value, and expand our influence.

- **Actively Respond to Climate Change Issues**

According to the sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), the climate crisis cannot be averted even if the temperature rise is controlled by 1.5°C, and net zero emissions by 2050 has already become a global consensus. In line with international standards, KTB has actively responded to climate change issues. It has signed and supported the "Task Force on Climate-Related Financial Disclosures" (TCFD), and also completed climate change analysis as required by the competent authorities. We promote energy conservation programs, and leverage the strength of financial institutions to increase lending to green finance. In the future, we will comply with government policy and promote the "Sustainable Development Roadmap", and gradually complete the Group-wide GHG inventory and verification.

- **Enrich Digital Finance Services**

With the evolution of technology and the impact of the epidemic, the coexistence of Internet and mobile phone is more convenient than expected, which also accelerates the improvement of digital finance services. With the goal of deepening the operation of digital customer group, we have made planning for digital account product projects, and have successively launched digital products and services including "Far EastOne Friday Financial management + (Open API)", "eATM Adds [Apply for E-Banking Services]", and "Integration of Mobile Banking APP and Mobile Goalkeeper APP", hoping to bring a better experience to our customers and enhance customer loyalty.

In the post-epidemic era, any structural change is a challenge. KTB will uphold its long-standing vision and continue to promote sustainable development to live up to the expectations of all stakeholders.



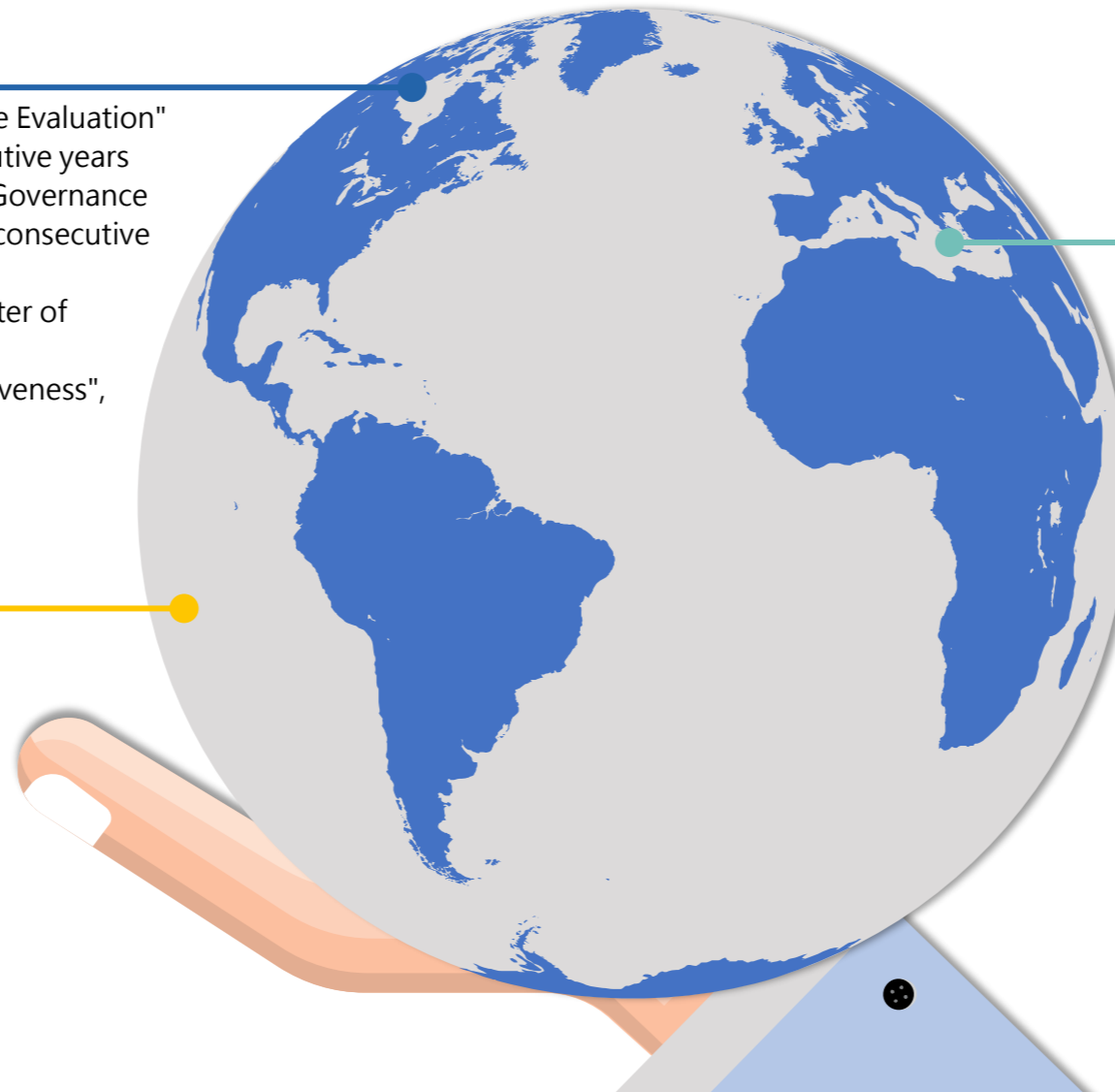
2021 Important Results and Sustainable Development Performance

Governance

- Ranked among the top 5% in the "Corporate Governance Evaluation" by the Taiwan Stock Exchange Corporation for 4 consecutive years
- Selected as a constituent stock of the "TWSE Corporate Governance 100 Index" by Taiwan Stock Exchange Corporation for 6 consecutive years
- Won the "Jin'an Award" of Joint Credit Investigation Center of Corporate Finance
- Won 7 awards in the "2020 Evaluation of Bank Competitiveness", including the "Best Bank Award"

Social

- Named to "Bloomberg Gender Equality Index" for 2 consecutive years
- A total of 326 community care activities have been organized, benefiting 19,803 people and involving 2,594 volunteers
- Overall customer satisfaction: 92.9%
- Employee satisfaction: 80%



Environmental

- Greenhouse gas emissions reduced by 25.85% compared with the base year
- Completed the overall construction project of Anhe server room, which reduced the power consumption of the server room by about 45% on average compared with the past
- The loan amount of ESG sustainable industry accounted for 9.28%
- The Headquarters passed the ISO 14064-1 Greenhouse Gas Inventory and Verification
- Signed as a TCFD supporter in July 2021, and actively developed relevant countermeasures

	Earnings Per Share(EPS)	Net value per share	Return On Equity(ROE)
2019	NT\$ 2.99	NT\$ 36.28	8.93%
2020	NT\$ 4.90	NT\$ 41.66	12.55%
2021	NT\$ 5.02	NT\$ 43.60	11.80%

	Electricity consumption per employee	Water consumption per employee	Total GHG emissions
2019	4.75 MWh	20.08 cubic meters	2,495 t-CO ₂ e
2020	4.77 MWh	19.45 cubic meters	2,344 t-CO ₂ e
2021	4.19 MWh	21.02 cubic meters	2,123 t-CO ₂ e

	Welfare expense per employee	Education training investment total expense(Note)	Total hours of volunteer participation
2019	NT\$ 925.5 thousand	NT\$ 4,379 thousand	5,258 hrs
2020	NT\$ 1,057.1 thousand	NT\$ 3,795 thousand	7,236 hrs
2021	NT\$ 1,048.0 thousand	NT\$ 3,381 thousand	5,341 hrs

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

1. About King's Town Bank

"King's Town Bank will move mountains"

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

1.1 Vision

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

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

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

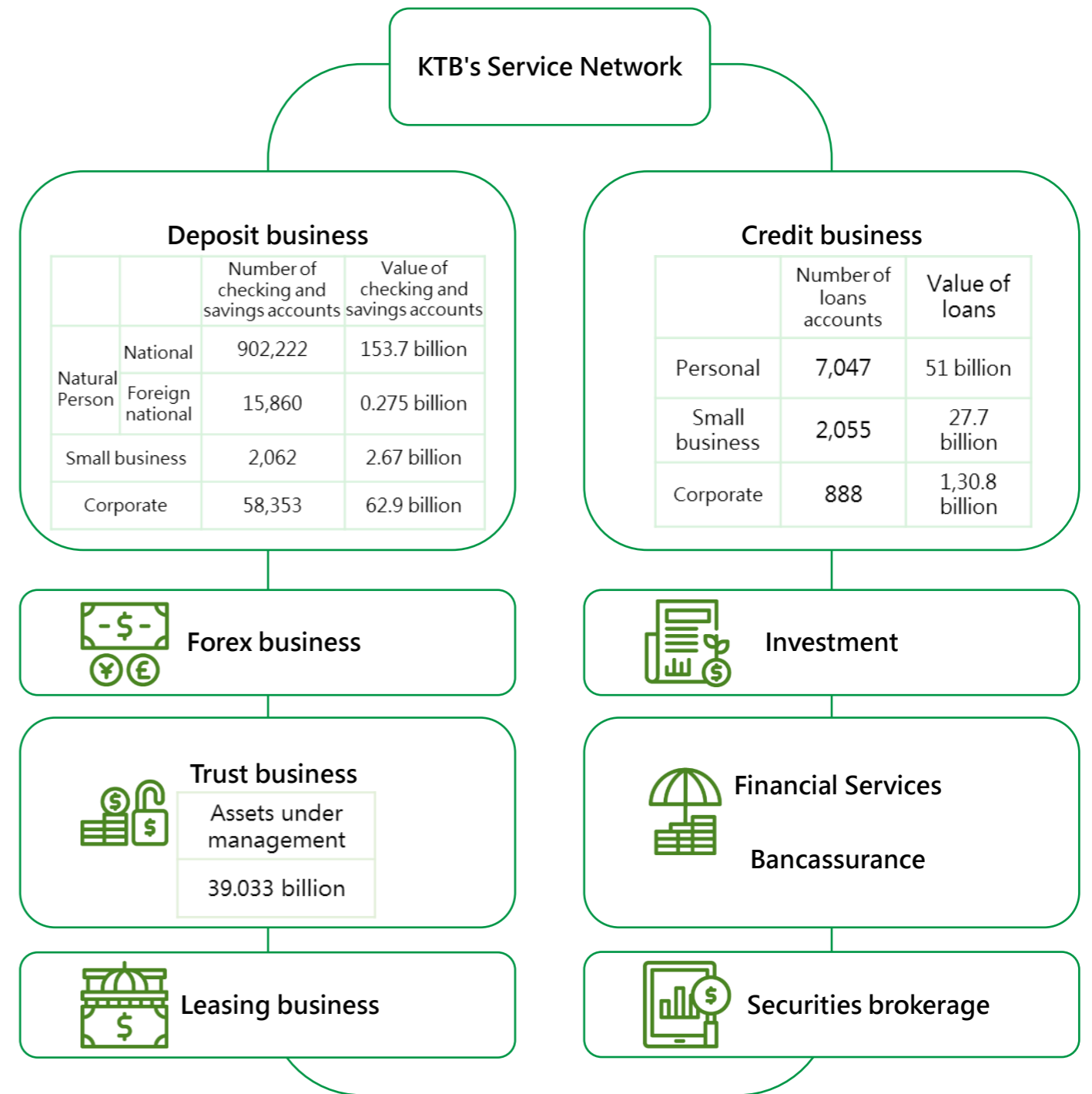
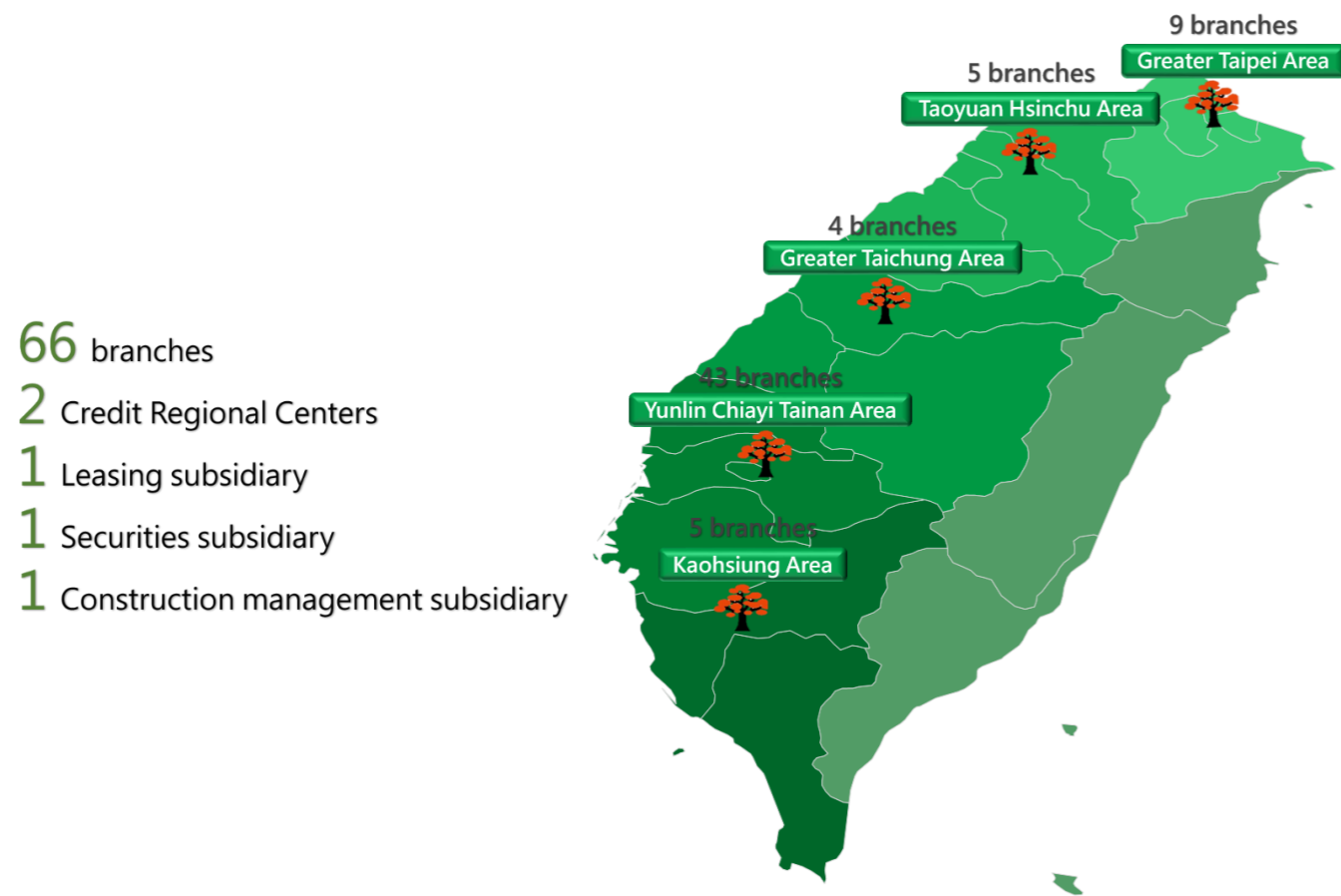
We hope that by giving the mascot a bright and vivid image, financial services will no longer be seen as cold and rigid to the public, but a loyal partner in the daily life of the people, and bring customers and local residents the "local touch".



Bank Profile		
Date of establishment	1948/11/1	Affiliates
Headquarters	Tainan City, Taiwan	<ul style="list-style-type: none"> • Kings Town Bank International Lease Corporation • Kings Town Securities Co., Ltd. • King's Town International Construction Management Co., Ltd.
Capital	NT\$11.212 billion	
Assets	NT\$343.149 billion	
No. of employees	964 persons	
Industry	Finance and insurance	
Stock code	2809	

● **Service Network**

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



Note: Small enterprises are defined under the "Small and medium Enterprises Credit Guarantee Fund" and those with capital less than NT\$25 million

1.2 Operational Performance

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

- Financial Performance**

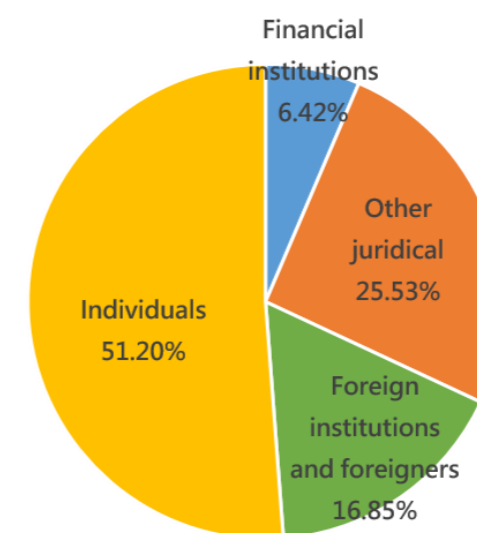
KTB's 2021 net income after tax reached NT\$5.63 billion, with an increase of 2.54% compared to the previous year. The earnings per share was NT\$5.02, return on equity was 11.8%, and return on assets was 1.68%. While having excellent financial performance, KTB's abundance in capital and outstanding asset quality allows us to have the ability to respond to market fluctuation. For relevant financial statements, please refer to [【pages 124-126 of KTB's 2021 Annual Report】](#).

Unit: NT\$ million

	Item	2019	2020	2021
Operating ability	Total assets	282,743	325,458	343,149
	Shareholder equity	40,932	46,583	48,881
	Net revenue	8,493	8,907	10,262
	Net profit after tax	3,400	5,491	5,630
	Net value per share	NT\$ 36.28	NT\$ 41.66	NT\$ 43.60
Profitability	Return On Equity (ROE)	8.93%	12.55%	11.80%
	Return on Assets (ROA)	1.21%	1.81%	1.68%
	Earnings per share	NT\$ 2.99	NT\$ 4.90	NT\$ 5.02
Quality of assets	Capital adequacy ratio	15.04%	16.23%	16.62%
	NPL ratio	0.01%	0.01%	0.02%
	Coverage ratio of allowance for bad debt	9,917.55%	11,760.49%	8,277.51%
Distributed economic value	Employee salaries and benefits	1,024	1,053	1,139
	Dividends to shareholders	1,677	2,018	2,355
	Tax paid	595	956	1,311
	Policy-based donations	0.5	0	0

- Shareholder structure**

KTB only issues ordinary shares, and the shareholding ratio and number of shares for each category are as follows:









Composition of Shareholders	Number of people (persons)	Shareholding (shares)
Government agencies	0	0
Financial institutions	15	71,940,885
Other juridical	160	286,219,222
Foreign institutions and foreigners	255	188,903,274
Individuals	47,559	57,4170,884
Total	47,989	1,121,234,265

Base date: 2022.03.11

● **Taxation Management**

Tax revenue is an important source for the government to provide infrastructure and public services such as education and social welfare. While making profits, KTB pays taxes honestly and gives back to the society, which is consistent with the Company's principle of integrity and prudence. The taxation management policies of the Company are as follows:

	<p>Legal Compliance Comply with the local tax laws and regulations and their spirits, correctly calculate the tax burden and complete the declaration within the statutory period, and fulfill the tax obligations</p>		<p>Talent Cultivation Continue to cultivate talents through education and training to enhance the professional quality of taxation</p>
	<p>Taxation Planning Make the most appropriate tax decisions on the Company's overall tax burden in accordance with laws and regulations and do not trade for tax avoidance purposes or make tax planning by using tax havens</p>		<p>Substantial Compliance Make related party transactions meeting the substantive commercial purposes, with the transaction price not different from that of non-related party transactions, in accordance with the transfer pricing norms, and conduct arm's length transactions</p>
	<p>Information Transparency Comply with financial reporting standards and annual report disclosure requirements, and make disclosure regularly through public channels to ensure information transparency</p>		<p>Honest Communication Maintain mutual trust and honest communication with tax collection authorities</p>

KTB makes all its profits in Taiwan regions, and has declared and paid various taxes within the prescribed time limit, of which the income tax paid in Taiwan accounted for 100%. It does not reduce its tax burden by setting up bases in tax havens or low-tax areas, nor does it arrange non-arm's length transactions or sets up special trading structures to manipulate profits and losses. According to the CSA Companion published by S&P Global in 2022, the average effective tax rate and average cash tax rate for the global banking industry are 20.9% and 21.28%, respectively. As 100% of KTB's operating bases are located in Taiwan, and Taiwan's statutory tax rate (20% under the general tax system; 12% under the minimum tax system) is lower than that of other tax jurisdictions, the Group's effective tax rate and cash tax rate are lower than the global average. The information on the income tax of the Group for the most recent two years is as follows:

	Net profit before tax (A)	Income tax expenses (B)	Effective tax rate (B)/(A)	Adjustments (D)	Income tax expenses after adjustment (E)=(B)+(D)	Effective tax rate after adjustment (E)/(A)	Income tax paid (F)	Cash tax rate (F)/(A)
2020	6,263	772	12.32%	403	1,175	18.76%	645	10.30%
2021	6,505	875	13.45%	611	1,486	22.84%	971	14.92%

Unit: NT\$ million

Note 1: Income tax expenses include income tax and undistributed earnings tax of the group company, etc.

Note 2: The low effective tax rate was mainly due to the high proportion of tax-exempt income. The effective tax rate after adjustment was similar to the statutory tax rate (20%) after excluding the impact of tax-free income under the Income Tax Act. The effective tax rate in 2021 was higher than that in 2020, mainly due to the impact of the recognition of undistributed earnings tax

Note 3: The difference in cash tax rate was the amount of impact caused by the time difference in tax burden

2. Sustainable Enterprise Blueprint

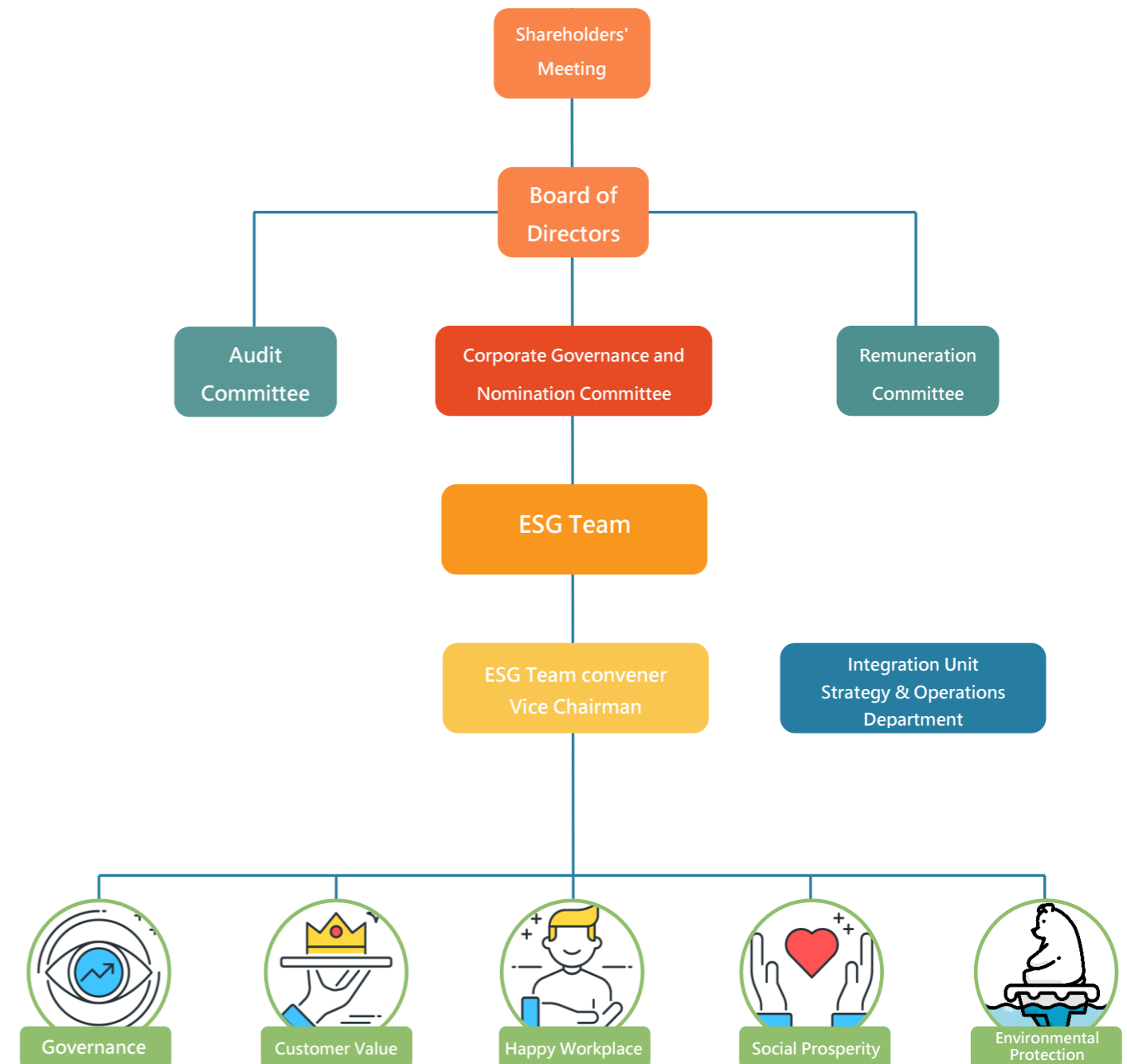
Corporate sustainable development is our unremitting goal. Apart from insisting on prudent management in the finance industry, we have also been contemplating on how to fulfill the social responsibility of an enterprise, how to deliver resources to the people in need, and how to exert our influence on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

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

2.1 Sustainable Development Management Framework

The "Corporate Governance and Nomination Committee" is the highest supervisory unit in the sustainable development management framework. The committee is composed of 4 directors, among whom 3 are independent directors, and it is responsible for finding, reviewing, and nominating board of director members and senior managers, as well as the execution, planning, review, and supervision of corporate governance, the formulation and the supervision of execution of sustainable development policies and management measures. The "ESG Team" (or the Sustainability Team) is established under the Corporate Governance and Nomination Committee. The Vice Chairman acts as the team convener, and the members consist of the President, and the heads of the Strategy and Operations Department, Administration Management Department, Human Resources Department, Digital Service and Channel Management Department, and other departments. The members discuss, analyze and track the issues, strategies, and goals of each ESG item, so as to effectively implement corporate sustainable development. The ESG Team held 4 meetings in 2021. The 2021 implementation results and the 2022 strategy plans have been presented to the Corporate Governance and Nomination Committee for discussion and then submitted to the Board of Directors.

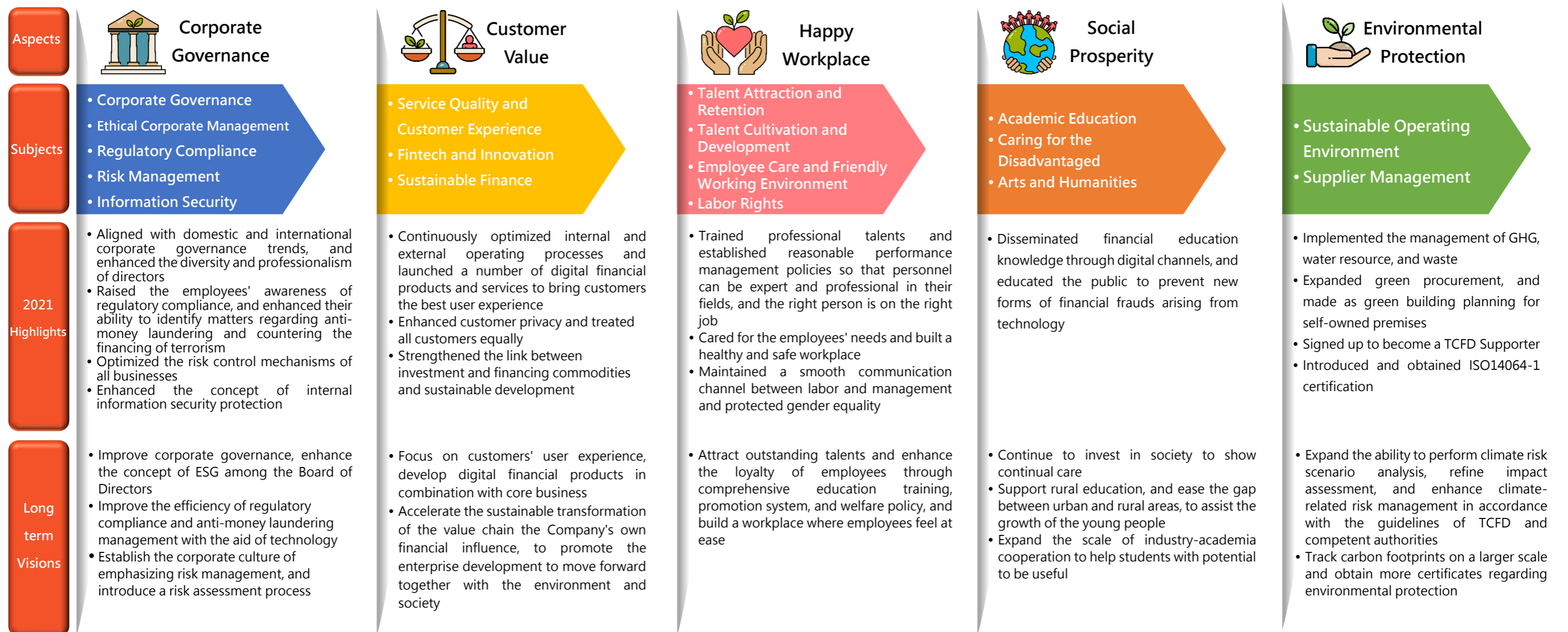
Furthermore, a dedicated ESG staff is appointed at each department as a seeding member for ESG promotion, and to provide ESG-related data, issues of concern, actual implementation results, so as to integrate "sustainable management" into daily business operations, promote the development of ESG in all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



2.2 Sustainable Development Strategies

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

Sustainable Development Strategies of King's Town Bank



2.3 Respond to the UN Sustainable Development Goals

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

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



2.4 Climate Risks and Opportunities

According to the "Global Risks Report" released by the World Economic Forum in January 2022, "Climate action failure" overtook "Extreme weather" and jumped to the top of the risk ranking. Five of the top ten risks involved environmental issues. The report also pointed out that a disorderly energy transition could lead to economic turmoil and geopolitical tensions. Therefore, in the face of climate change, governments, enterprises and society should take more practical actions, and carry out multi-party collaboration to jointly build sufficient the resilience to meet persistent global challenges.

In the meantime, managing climate-related risks to ensure financial stability has also become an important concern for domestic and foreign authorities and financial market participants. As a citizen and financial intermediary, KTB has been continuously strengthening its management and information transparency of climate risk. In August 2021, we signed the Task Force on Climate-related Financial Disclosure (TCFD). With reference to the TCFD framework, we continue to expand our disclosure of proposed items in terms of governance, strategy, risk management, indicators and goals.

- **Governance**

Governance	Description
Disclosure	<ul style="list-style-type: none"> The Board of Directors is the highest risk management unit of the Company, responsible for supervising the effective operation of the risk management system and mechanism, and approving the policies and regulations related to risk management The "Corporate Governance and Nomination Committee" under the Board of Directors is responsible for overseeing the implementation of the Company's sustainable operations, including issues related to climate governance
Oversight by the Board of Directors	<ul style="list-style-type: none"> The ESG Team has been set up under the Corporate Governance and Nomination Committee, convened by the Vice Chairman, under which a Climate Action Team is set to be responsible for promoting the Company's environmental performance management and green finance strategy, and reporting the implementation plan and results to the Corporate Governance and Nomination Committee every six months and then submitting to the Board of Directors The "Risk Management Committee" has been set up under the General Manager, with the General Manager as the chairman, and the "Risk Management Department" as the execution and promotion unit, which is responsible for reporting the Company's risk management status to the Board of Directors on a quarterly basis
Role of Management	



● **Strategy and Risk Management**

KTB's climate-related management strategy mainly focuses on three aspects, which is taken as the direction for optimization year-by-year:

- ✧ Manage climate-related risks, including physical and transition risks
- ✧ Manage the impact of the Company's operations on the climate
- ✧ Support customers in their transition to a low-carbon economy with financing or investment products

Steps and Management Processes to Identify Risks and Opportunities of Climate Change



According to the framework of the TCFD proposal, the Company has identified a total of 17 climate risk items and 8 climate opportunity items associated with the Company, and invited members of the Climate Action Team to assess the degree of impact on the Company's business, strategy or financial planning and the possibility of occurrence, and draw up the Company's risk opportunity materiality matrix.

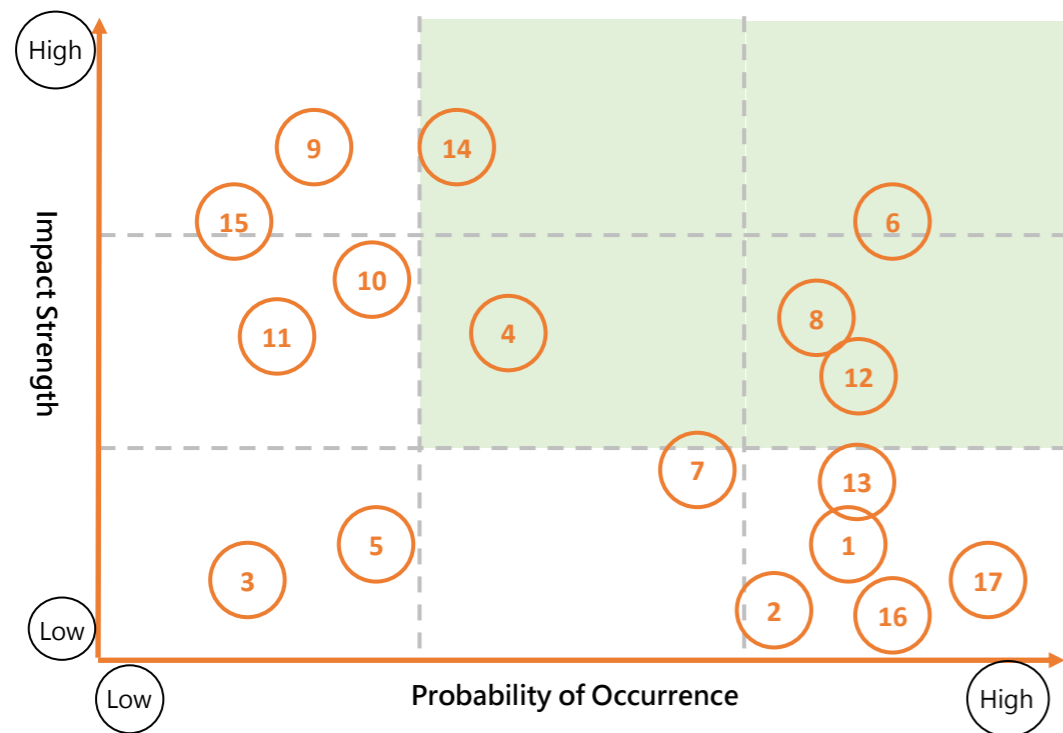
Type of Risk	Category of Risk	Risk Description	Potential Financial Impact	Occurrence Cycle	Risk Mitigation Measures	Corresponding No.
Transition Risk	Policy and regulatory risk	More stringent carbon reduction targets set by the government will result in an increase in the Company's related operating costs, such as: stipulate the proportion of renewable energy use and the acquisition of carbon credit or certification	<ul style="list-style-type: none"> • Increase capital expenditure • Increase operating costs 	Medium term	<ul style="list-style-type: none"> • Introduce ISO 50001 energy management system and obtain certification to improve energy management performance and energy efficiency • Evaluate to expand the installation of solar power generation systems in self-owned premises to increase the proportion of renewable energy use 	1
		The new sustainability related standards will result in an increase in management costs, such as: companies listed in 2027 must complete GHG verification	<ul style="list-style-type: none"> • Increase operating costs 	Short term	<ul style="list-style-type: none"> • A dedicated unit has been set up to collect information for trends of energy conservation and carbon reduction and regulatory changes at home and abroad, and develop corresponding policies through consulting and reviewing leading enterprises' cases • Introduced the ISO 14064-1 Greenhouse Gas Inventory and Verification Certification for the Headquarters Building in advance, and it is expected to expand the inventory scope to all business locations in 2023 	2
		Climate change-related litigation risks, such as: litigations arising from personnel casualties due to damage to the Company's assets by climate	<ul style="list-style-type: none"> • Increase operating costs • Decrease operating income 	Medium term	<ul style="list-style-type: none"> • Make an inventory of the service status of the Company's assets and their service life, taking into account the scenario of a 24-hour rainfall return period over 50 years 	3

Type of Risk	Category of Risk	Risk Description	Potential Financial Impact	Occurrence Cycle	Risk Mitigation Measures	Corresponding No.	
		The government implements stricter carbon tax or carbon pricing for industries with high carbon emissions, which increases the operating cost of the Company and affects the repayment capacity of its credit customers.	• Decrease operating income	Medium term	<ul style="list-style-type: none"> Measure the impact of credit customers of industries with high carbon emissions on the Company's credit risk based on the 5P principles during the credit investigation process, and conduct regular post-loan management to check the volatility of their profitability 	4	
		Policies lead to early write-off or retirement of existing assets	• Reduce asset value	Medium term		<ul style="list-style-type: none"> Purchase products with environmental protection and energy saving labels and conforming to environmental protection laws and regulations Increase the proportion of green buildings in self-owned premises 	5
	Technical risk	Products or services are replaced by low-carbon technologies, such as: transform from physical to online	• Decrease operating income	Short term, medium term	<ul style="list-style-type: none"> The company has established the Digital Service and Channel Management Department in 2015 to expand the application scope and customer base of digital financial products year by year Assess the overall digital development trend and the characteristics of its own customer base, and create digital products that truly meet market needs 	6	
		Costs of transitioning to a low-carbon economy (e.g. FinTech)	• Increase operating costs	Short term, medium term		7	
	Market Risk	Consumer behavior changes, such as: rising environmental awareness, switching to low-carbon related products and services	• Decrease operating income	Short term, medium term		8	
		Repricing of assets (e.g. land, premises, securities)	• Reduce asset value	Long term	<ul style="list-style-type: none"> Keep an eye on the current situation and development trend of the industry, and gradually reduce the exposure to companies that lack the concept of corporate sustainability Assess the level of climate change impact on self-owned land and premises 	9	
	Reputation risk	Stigmatization of investment and financing positions	• Reduce asset value	Long term	<ul style="list-style-type: none"> Carefully assess whether the counterparty is involved in major disputes related to the environment, human rights, society and governance before investing and financing We have signed the "Compliance Statement of the Code of Due Diligence Governance for Institutional Investors" in 2016, and review and disclose its implementation every year 	10	
		Increased concerns or accusations from stakeholders	• Reduced access to capital	Long term		11	
	Physical Risk	Immediate risk Increased severity of extreme weather, such as heavy rain, strong typhoon	Operation bases suffer from impact, causing damage to the premises and equipment	• Reduce asset value	Short term	<ul style="list-style-type: none"> Strengthen disaster prevention facilities for premises and equipment, take out suitable insurance policies to transfer risks when appropriate, and set up backup systems for critical information equipment Emergency Response Operation Key Points are in place to rapidly activate the standby mechanism in the event of a disaster to mitigate the impact of operational disruption Identify real estate collateral with high climate risk and manage their loan-to-value ratio 	12
			Operational disruption caused by shutdowns	• Decrease operating income	Short term		13
Asset value of the real estate collateral of credit clients has been impaired			• Reduce asset value	Medium term	14		
Long-term risk Dramatic changes in rainfall patterns, or weather patterns, such as changes in rainfall patterns, rising sea levels, and rising average temperatures		Rising sea level puts operation locations at risk of flooding	• Reduce asset value	Medium term, long term	<ul style="list-style-type: none"> Verify whether existing operation bases are located in warning areas with a high risk of flooding, strengthen their adaptation measures, and take this risk into account when selecting sites or acquiring self-owned land Replace equipment with poor water-saving and power-saving performance year by year When building or renovating premises, reduce air-conditioning energy consumption through design by referring to green building standards 	15	
		Water scarcity increases operating costs	• Increase operating costs	Short term, medium term		16	
		The increase in the number of hot days increases the demand for electricity and increases operating costs	• Increase operating costs	Short term, medium term		17	

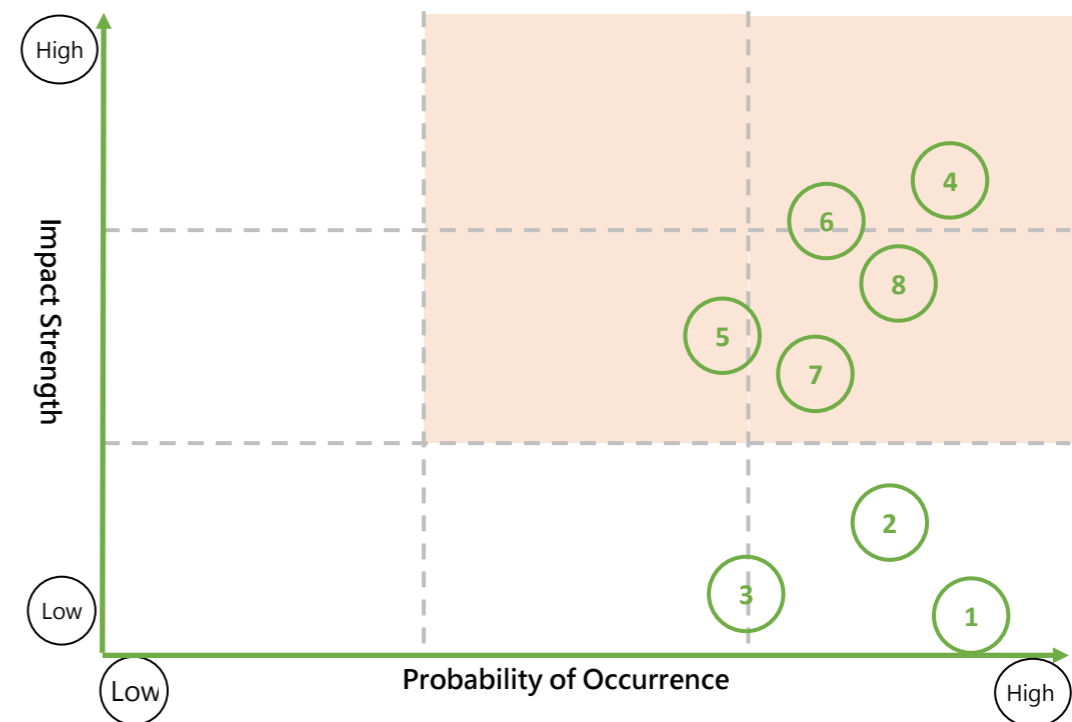
Type of Opportunity	Category of Opportunity	Opportunity Description	Potential Financial Impact	Occurrence Cycle	Actions Taken	Corresponding No.
Opportunity	Resource Efficiency	Expand the use of energy-saving and water-saving equipment	• Reduce operating costs	Short term	• Continue to prioritize the procurement of products with energy-saving and water-saving labels	1
		Promote e-statement and reduce paper printing	• Reduce operating costs	Short term, medium term	• Encourage customers to transform from paper bills into e-statement through promotional activities such as: "Digital e-Route", "Digital Random Gate", and cooperate with DOMI Earth on the "Lighting Infinite Hope Program"	2
	Energy Source	Increase the use of low-carbon energy can help mitigate the potential risk of rising fossil fuel prices	• Reduce operating costs	Short term, medium term	• Evaluate the feasibility of building a solar branch when renovating and renovating the self-owned buildings	3
	Products and Services	Respond to the green industry policies, increase the amount of green financing, increase the number of loan customers and capacity	• Increase operating income	Medium term, long term	• Respond to the "Green Finance Action Plan 2.0", and support the development of green industries based on the principle of risks consideration	4
		Provide digital products and services to reduce customers' carbon footprint in physical branches	• Increase operating income	Short term	• The Company has established the Digital Service and Channel Management Department in 2015 to expand the application scope and customer base of digital financial products year by year	5
	Market	Enhance electronic transactions and reach a more diverse customer base	• Increase operating income	Medium term, long term		6
		Grasp new market opportunities by financing green industries	• Increase operating income	Medium term, long term	• Focus on market development, give full play to the Company's own characteristics, and tailor financial products for customers	7
	Resilience	Plan green financing and investment policies to enhance the breadth and depth of green financial products	• Increase operating income	Medium term, long term		8

Note: Short term: It is estimated to occur within 1~3 years; Medium term: It is estimated to occur within 3~10 years; Long term: It is estimated to occur after 10 years

Risks Materiality Matrix of Climate Change



Opportunities Materiality Matrix of Climate Change

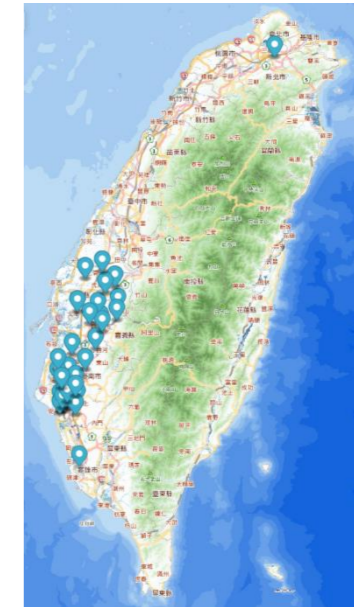


● **Scenario Analysis**

✧ Immediate physical risks of self-owned operation base

In order to further understand the impact degree of immediate risk on the operation base, KTB evaluates the specific topography and objective hydrology under extreme rainfall (650mm/24 hours) by adopting the third-generation flooding potential map of the Water Resources Agency, MOEA for all the operation bases, and conduct the flooding potential analysis for 66 branches of the Company (including the Headquarters Building), of which the self-owned premises accounted for about 51%. The analysis showed that all the owner-owned premises are either free of flooding or flooded to a depth of 1 meter below, while 3 of the tenanted premises are flooded to a depth of 1 to 2 meters. The Company has formulated emergency response measures and contingency mechanisms for various disasters (such as typhoons, flooding), which are sufficient to cope with the possible negative effects of extreme rainfall.

Operation base project	Number of operation base	No flooding / Flood depth of 1 meter below	Flooding depth of 1 to 2 meters	Flooding depth of 2 meters above
Owner-owned premises (including the Headquarters Building)	34	34	0	0
Tenanted premises	32	29	3	0



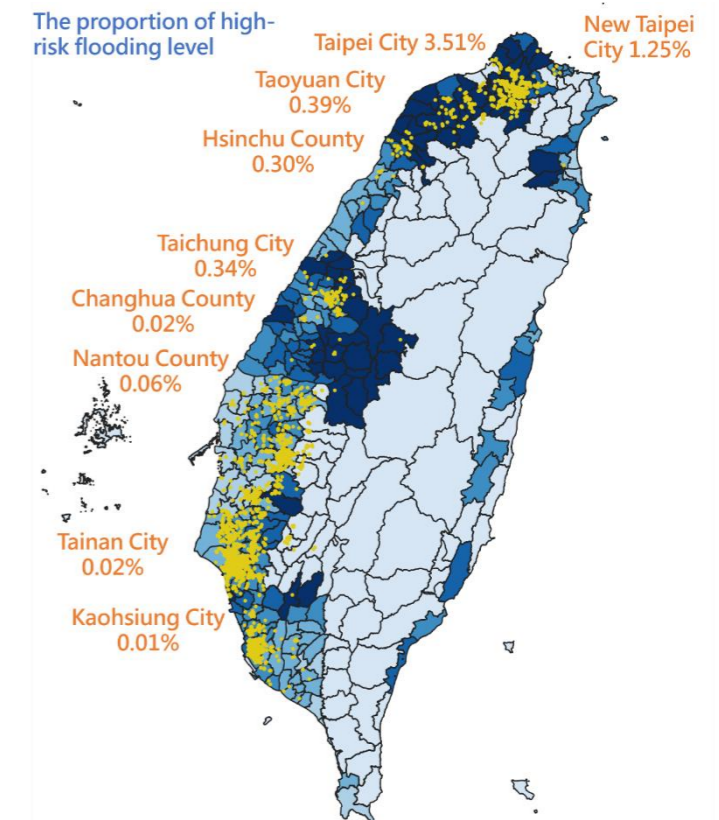
✧ Immediate physical risks of collaterals for residential real estate

About 51.32% of the Company's revenue comes from credit business. In order to prevent its real estate collateral from falling in value in the event of climate disasters, KTB assesses possible future climate change scenarios in accordance with the Representative Concentration Pathways (RCPs) in the Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC) of the United Nations, and selects the RCP 8.5 scenario to assess the risk of collateral damage; And according to the flood disaster risk data of the National Science and Technology Center for Disaster Reduction (NCDR) "Climate Change Disaster Risk Adaptation Platform", KTB classifies all townships and villages in Taiwan by risk on the basis of hazard-vulnerability (1 to 5, with 5 being high risk), compares the areas prone to flooding, and calculates the proportion of affected areas, so as to facilitate the formulation of response control measures.

It is calculated that under the RCP8.5 scenario, the collaterals for about 436 residential real estates are at high risk, and the balance of the affected collateral cases is NT\$12.3 billion, accounting for 5.88% of the overall loan balance, which are mainly located in Taipei City. In order to reduce the credit risk of the Company as a result of insufficient guarantee capacity or increased default rate caused by climate disasters, the Company will review the reasonableness of the loan-to-value in combination with the risk assessment of climate disasters during the credit investigation process.

RCP 8.5 End of Century (2075 ~ 2099)	
Risk level	No. of Collaterals
High Risk (Risk Level 5)	436
Moderate Risk (Risk Level 4)	676
Low Risk (Risk Level 3 Below)	3,174








Note: The identification is calculated based on the credit balance at the end of 2021, excluding data without explicit address



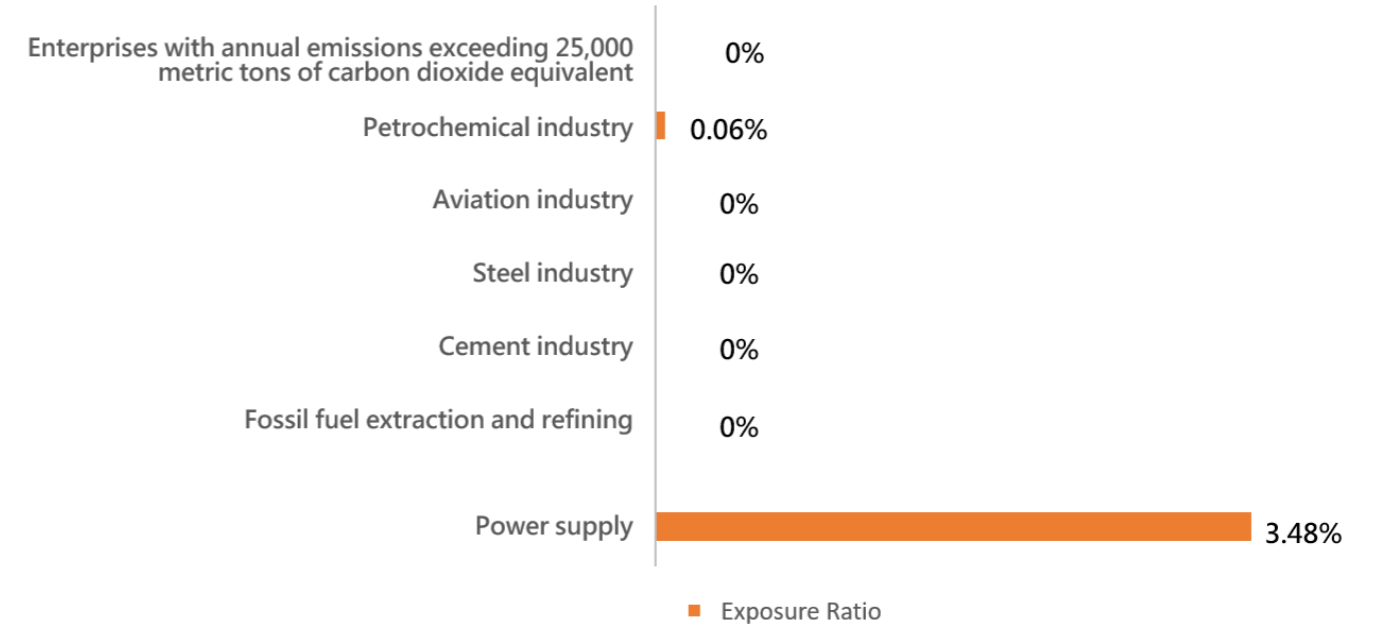
✧ Transition risk of credit business

In order to assess the transition risks of climate change faced by the Company, with reference to the high-carbon emission industries as identified by SASB and the Taiwan National Greenhouse Gas Registry of the Environmental Protection Administration of the Executive Yuan, the Company classifies the power supply industry, fossil fuel extraction and refining industry, cement industry, steel industry, aviation industry, petrochemical industry, and enterprises with annual emissions exceeding 25,000 metric tons of carbon dioxide equivalent as high-carbon emission industries, and identifies their high exposure to the power supply industry.

List of High-Carbon Emissions Industries of King's Town Bank

-  1. Power Supply
-  2. Fossil fuel extraction and refining
-  3. Cement industry
-  4. Aviation industry
-  5. Steel industry
-  6. Petrochemical industry
-  7. Enterprises with annual emissions exceeding 25,000 metric tons of carbon dioxide equivalent

The credit exposure ratio of high climate sensitivity industries

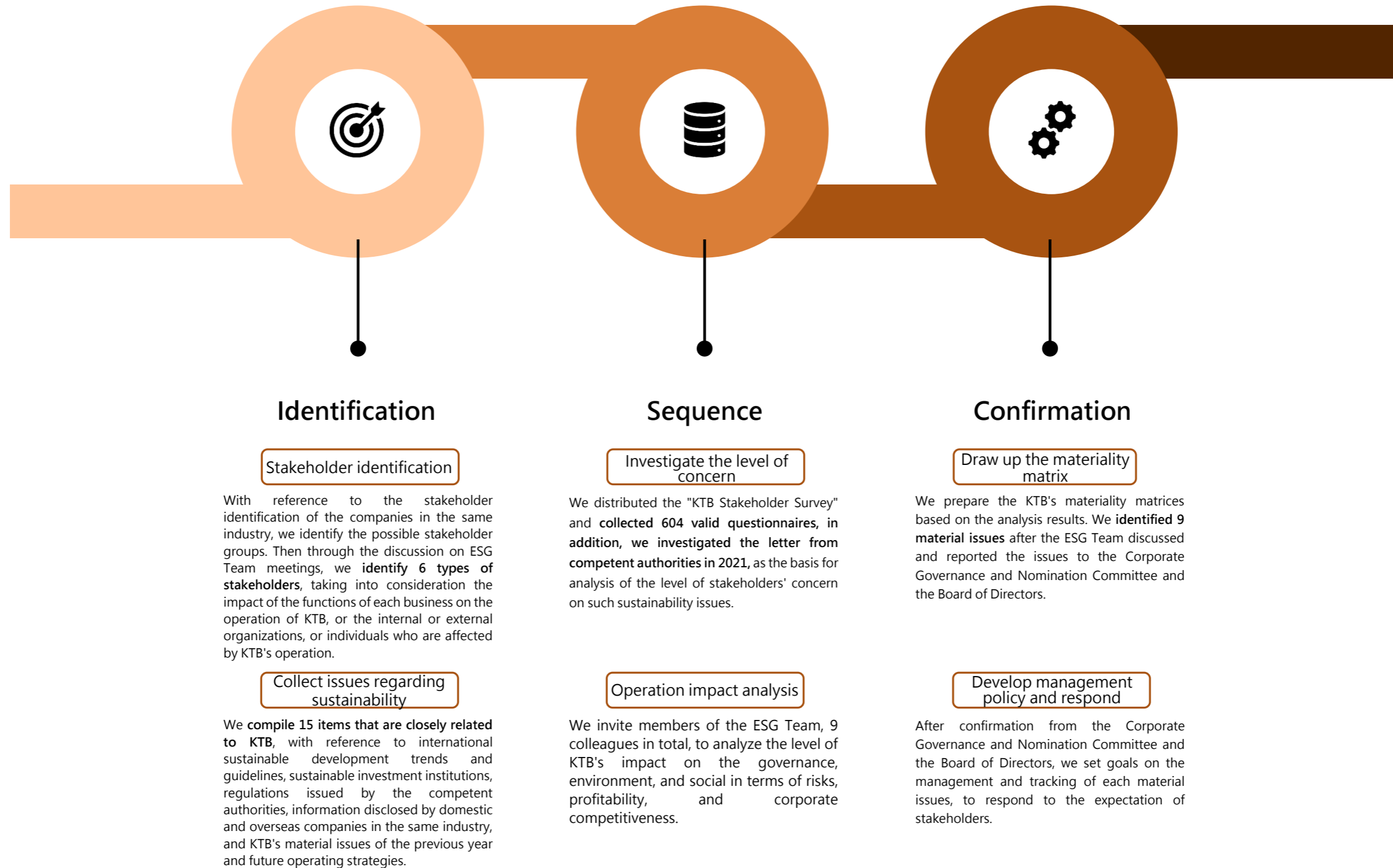


● Performance Indicators and Objectives

Please refer to [8.1 Sustainable Operating Environment](#).

3. Stakeholder Engagement

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



3.1 Stakeholder Identification and Communication

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

Stakeholder	Importance	Communication Frequency and Channels	Concerned Issues
Customers	Customers are the foundation of KTB's operation. We listen to the customers' needs and provide them with professional financial services, to help customers achieve their life goals	<ul style="list-style-type: none"> • 24-hour customer hotline • Customer complaint hotline • E-mail • Facebook fan page • LINE official account • Annually: Customer satisfaction survey • Monthly: Summarize customer complaints • When required: Organize financial wealth management and investment seminars 	<ul style="list-style-type: none"> ★ Service Quality and Customer Experience ★ Governance and Ethical Corporate Management ★ Risk Management ★ Fintech and Innovation ★ Talent Cultivation and Development
Employees	Employees are KTB's the most important partners. We value the rights and benefits of each employee, respects and cares for every employee. Through establishing a safe and healthy workplace, and proactively nurture our employees, KTB aims to grow together with its employees	<ul style="list-style-type: none"> • Employee internal communication website and general manager's mailbox • Annually: Employee satisfaction survey • Quarterly: Employee Welfare Committee meetings • Quarterly: Labor Retirement Reserve Supervisory Committee meeting • Quarterly: Labor-management meeting • Semiannually: Occupational safety and health education and training • When required: Education training and talent development courses 	<ul style="list-style-type: none"> ★ Governance and Ethical Corporate Management ★ Talent Cultivation and Development ★ Labor Rights ★ Service Quality and Customer Experience ★ Risk Management
Investors/Shareholders	The long-term and stable support of the investors/shareholders is an important recognition for KTB. We maintain a smooth communication channel with investors/shareholders through transparent information disclosure. In addition, we take sustainable operation as its own responsibility in order to live up to the trust of our investors/shareholders	<ul style="list-style-type: none"> • Establish investor relationship websites in Chinese and English for domestic and foreign investors to make inquiries • Monthly: Announce operating performance • Quarterly: Hold institutional investor conference • Annually: Hold shareholders' meetings • Annually: Prepare annual reports, sustainable development reports and due diligence governance reports • When required: Disclose financial and business inquiry and material information on the Market Observation Post System (MOPS) in accordance with related regulations • When required: Participate in and disclose credit rating • When required: Hold or participate in investor conferences 	<ul style="list-style-type: none"> ★ Governance and Ethical Corporate Management ★ Talent Attraction and Retention ★ Talent Cultivation and Development ★ Service Quality and Customer Experience • Sustainable Operating Environment

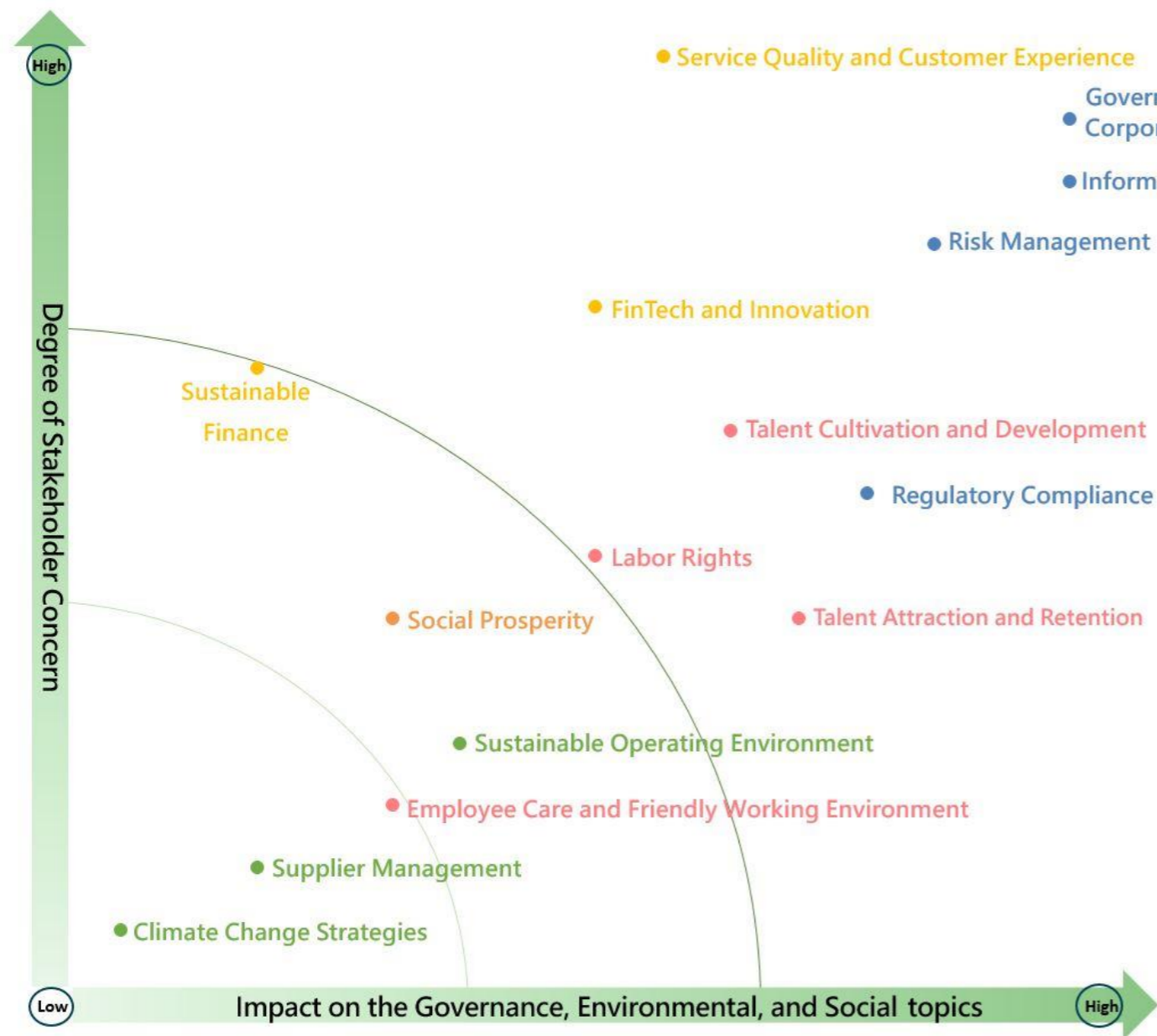
Stakeholder	Importance	Communication Frequency and Channels	Concerned Issues
Government Agencies	The finance industry is highly regulated. Compliance with government regulation, abiding by government policies, and establishment of an ethical and stable business operation are beneficial to the stability of society	<ul style="list-style-type: none"> • Reporting all required information on time • When required: Cooperate with supervision and inspection activities • When required: Participate in policy briefing sessions and symposiums • When required: Carry out field visit to related agencies to establish smooth communication channels • When required: Communicate through telephone, e-mail, and letters 	<ul style="list-style-type: none"> ★ Regulatory Compliance ★ Risk Management ★ Governance and Ethical Corporate Management ★ Information Security ★ Service Quality and Customer Experience
Suppliers	Being a responsible corporation, KTB prudently selects high-quality suppliers, exerts its influence to establish a sustainable supply chain	<ul style="list-style-type: none"> • Annually: Encourage supplier to conduct self-assessment of corporate social responsibility • Annually: Hold supplier education training, and advocate relevant matters • Annually: Visit and inspect suppliers for compliance with law and regulations • When required: Encourage major suppliers to sign the Human Rights and Environmental Sustainability Commitment. 	<ul style="list-style-type: none"> ★ Service Quality and Customer Experience • Sustainable Finance ★ Information Security ★ Risk Management ★ Regulatory Compliance
General Public/Social Welfare Organizations	Community is the foundation of KTB. KTB adheres to the concept of "take from society, give back to society", and through cooperation with local communities and social welfare organizations, KTB gives back to the community and encourages a positive cycle in the society	<ul style="list-style-type: none"> • When required: Establish a close connection with local residents through the branch offices • When required: Participate in NPO/NGO events and activities held by local communities • When required: Co-organize events with long-term partners • When required: Share financial education and anti-fraud knowledge through social platforms such as Facebook pages 	<ul style="list-style-type: none"> ★ Service Quality and Customer Experience ★ Governance and Ethical Corporate Management ★ Fintech and Innovation ★ Information Security ★ Risk Management

Note: ★ means KTB's 2021 materiality

3.2 Materiality Analysis

- **Materiality Matrix**

We compiled 15 issues that are closely related to KTB based on "level of stakeholder concern" and "level of impact of sustainable development", and developed KTB's 2021 materiality matrix (as follows), with 9 issues selected as material issues.



Classification of Material Issues



Governance

- Governance and Ethical Corporate Management
- Risk Management
- Information Security
- Regulatory Compliance



Social

- Service Quality and Customer Experience
- Fintech and Innovation
- Sustainable Finance
- Social Prosperity
- Talent Cultivation and Development
- Labor Rights and Interests
- Employee Care and Friendly Working Environment
- Talent Attraction and Retention



Environmental

- Sustainable Operating Environment
- Supplier Management
- Climate Change Strategy

Note: Apart from the 9 material issues, other issues of non-materiality are also adequately disclosed and explained in the report.

● **Material Issues and Boundaries of Impact**

The identified 9 material issues correspond to the 9 GRI specific topics, 2 general disclosure topics, and 1 aspect from GRI G4 Financial Services Sector Supplement. Please refer to the following table for the corresponding GRI topics, management policies, impact boundaries, and level of involvement:

Order of Importance	Issues	GRI Standards / Specific Topics	Management Policies (Corresponding Sections)	Impact Boundaries and Level of Involvement(Note)					
				Internal			External		
				KTB (including subsidiaries) and Employees	Customers	Investors /Shareholders	Government Agencies	Suppliers	General Public/Social Welfare Organizations
1	Governance and Ethical Corporate Management	GRI 102 General Disclosures (Governance) GRI 102 General Disclosures (Ethics and Integrity) GRI 205 Anti-Corruption (205-1)	4.1 Governance and Ethical Corporate Management	Directly	Via business relationship	Directly	Directly	Via business relationship	Indirectly
5	Regulatory Compliance	GRI 102 General Disclosures (Governance) GRI 419 Socioeconomic Compliance	4.2 Regulatory Compliance	Directly	Via business relationship	Directly	Directly	Via business relationship	
3	Risk Management	GRI 102 General Disclosures (Governance)	4.3 Risk Management	Directly	Via business relationship	Directly	Directly	Via business relationship	
2	Information Security	GRI 418 Customer Privacy	4.4 Information Security	Directly	Directly				
4	Service Quality and Customer Experience	GRI 417 Marketing and Labeling (417-1)	5.1 Service Quality and Customer Experience	Directly	Via business relationship	Indirectly			
5	Fintech and Innovation	GRI G4 Financial Services Sector Supplement (Product Portfolio)	5.2 Fintech and Innovation	Directly	Via business relationship	Indirectly			Indirectly
8	Talent Attraction and Retention	GRI 401 Employment GRI 405 Diversity and Equal Opportunity	6.1 Talent Attraction and Retention	Directly		Indirectly			
7	Talent Cultivation and Development	GRI 404 Training and Education GRI 402 Labor/ Employment Relations	6.2 Talent Cultivation and Development	Directly		Indirectly			
9	Labor Rights	GRI 412 Human Rights Assessment	6.4 Labor Rights	Directly					

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

3.3 Strategies, Goals, and Achievements of Material Issues

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

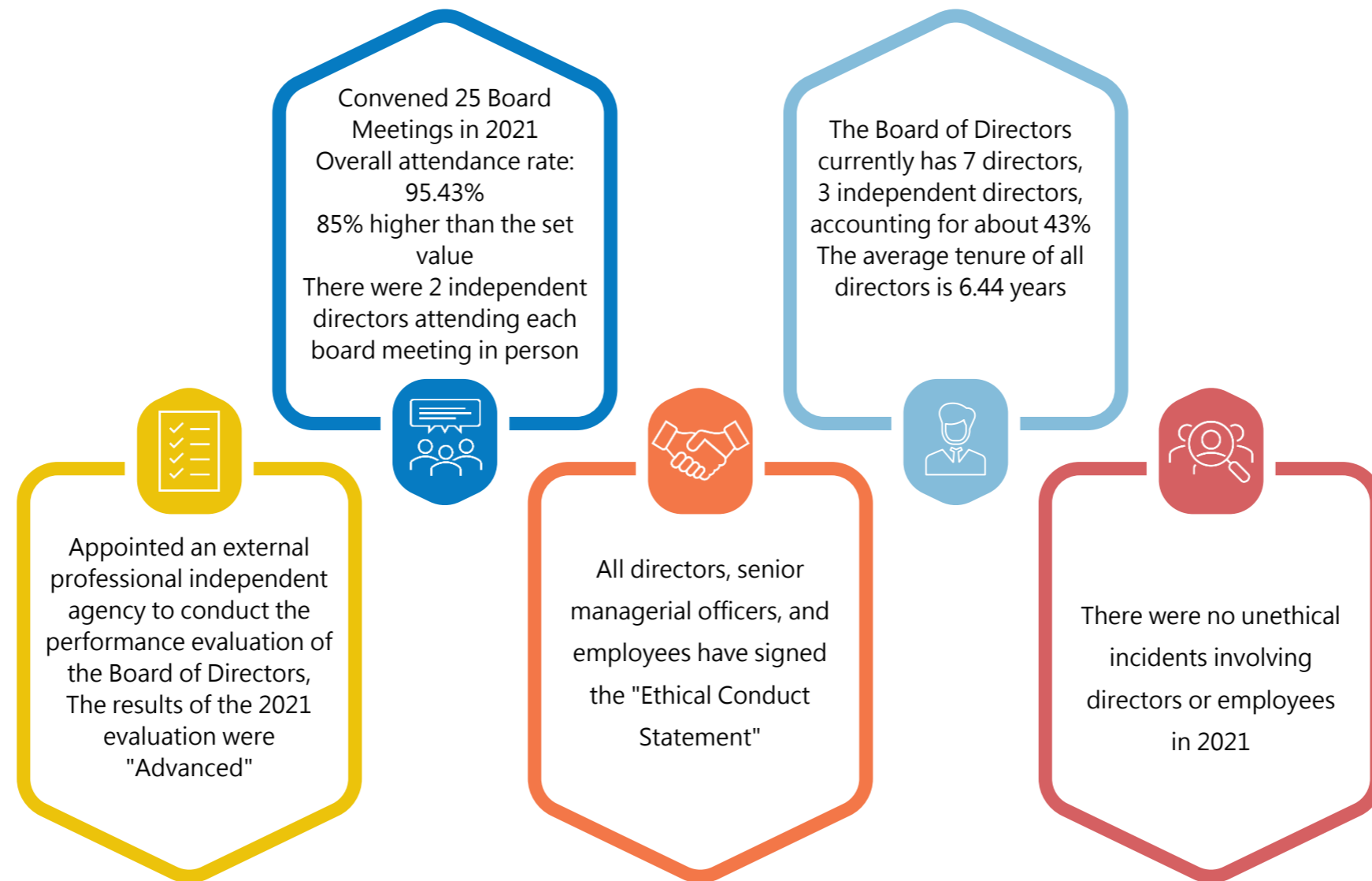
Aspects	Issues	Risks and Opportunities	Management Strategies	Key Performance Indicators	2021 Achievements	2022 Key Goals	Medium- and Long-Term Goals
Governance	Governance and Ethical Corporate Management	A good corporate governance framework allows the directors and managerial officers to effectively exert their functions, while "integrity" is the foundation of business operation	<ul style="list-style-type: none"> Enhance the Board of Director's functionality and performance assessment mechanism Be in line with domestic and international corporate governance trends Organize regular ethical management training and advocacy to internalize ethical management Formulate regulations to handle internal and external complaints channels 	<ul style="list-style-type: none"> Directors' attendance rate Implementation status of corporate governance Implementation status of ethical management Handling of internal and external whistleblowing cases on unethical management 	<ul style="list-style-type: none"> Over 90% attendance rate of board meetings and functional committee meetings 1 whistleblowing case, which was not involved ethical conduct as confirmed by investigation and was coped with and closed Completed the establishment of an English website for non-financial information 	<ul style="list-style-type: none"> Be in line with international trends, continue to enhance the concept of ESG among the Board of Directors Improve the quality of non-financial information disclosure in accordance with the "Corporate Governance Blueprint 3.0" 	<ul style="list-style-type: none"> Appoint a Corporate Governance Officer Plan for the professionalism and diversity of board members according to the characteristics of the Company's industry and future development strategies
	Regulatory Compliance	Establish a regulatory compliance culture, and reinforce it in daily business operations. This not only decrease regulatory compliance costs, but also increase the level of stakeholders' trust in us, as well as to protect everyone's rights and benefits	<ul style="list-style-type: none"> Raised the employees' awareness of regulatory compliance, and enhanced their ability to identify matters regarding anti-money laundering and countering the financing of terrorism Introduce technology aids to improve the effectiveness of regulatory compliance management 	<ul style="list-style-type: none"> Organize regulatory compliance education training and regulation advocacies on a regular basis Entrust an external professional organization to conduct a special audit on the mechanism for anti-money laundering and countering the financing of terrorism Number of self-inspection cases 	<ul style="list-style-type: none"> Organized or participated in regulatory compliance education training, with a total of 18,187 trainees An assurance report with "unqualified conclusion" was issued by the external professional organization for the audit on the mechanism for anti-money laundering and countering the financing of terrorism in 2021 A total of 221,696 self-inspection cases 	<ul style="list-style-type: none"> Complete employee education and training on regulatory compliance, anti-money laundering and countering the financing of terrorism Build an online regulatory compliance self-assessment system 	<ul style="list-style-type: none"> Continue to optimize the regulatory compliance and anti-money laundering operation system, and promote management efficiency with the aids of technology tools
	Risk Management	Preemptive risk management is more effective than remedial measures. A comprehensive risk management mechanism is beneficial to mitigate or prevent potential loss while maintaining KTB's competitiveness.	<ul style="list-style-type: none"> Comprehensive risk management mechanism and structure Carry out regular internal inspections to ensure the operation of internal control 	<ul style="list-style-type: none"> Regular Risk Management Committee meeting Submission of assessment results of each risk control item to the Board of Directors on a regular basis 	<ul style="list-style-type: none"> Convened 12 Risk Management Committee meetings Prepared the "Risk Control Report" and submitted 4 such reports to the Board of Directors Introduced loan-to-value (LTV) regulations to strengthen credit risk management of real estate 	<ul style="list-style-type: none"> Develop and formulate climate risk management policies and procedures 	<ul style="list-style-type: none"> Establish the risk control self-assessment and key risk indicator reporting platform
	Information Security	As mobile and Internet applications proliferate, the threat of information security increases. Only through ever-improving information security protection can KTB ensure a smooth operation and protects important information from leakage	<ul style="list-style-type: none"> Mitigate threats of cyber-attacks through internal information security advocacy and assessment, social engineering email attack drills, and information security emergency response drills Pay attention to the development of information security, and establish key indicators 	<ul style="list-style-type: none"> Number of hours for Information security advocacy Regular Information Security Management Committee meetings Number of core accounting system crashes 	<ul style="list-style-type: none"> Held 2 information security advocacy activities and tests. 2,853 persons participated in the training, with a 100% advocacy rate Held 4 Information Security Management Committee meetings 0 core accounting system crashes 	<ul style="list-style-type: none"> Introduce ISO 27001 international certification Complete the upgrade of the foreign exchange core accounting host system 	<ul style="list-style-type: none"> Expand the scope of international standard certification on information security and personal data to enhance the overall information security of enterprise

Aspects	Issues	Risks and Opportunities	Management Strategies	Key Performance Indicators	2021 Achievements	2022 Key Goals	Medium- and Long-Term Goals
Social	Service Quality and Customer Experience	Provide high-quality services with an emphasize on customer experience to retain long-term customers to use our products and services	<ul style="list-style-type: none"> Optimize operation procedures and improve operation efficiency Improve customer experience with the aid of technology 	<ul style="list-style-type: none"> Customer satisfaction rate Speed and progress of handling customer complaint 	<ul style="list-style-type: none"> Overall customer satisfaction rate was 92.9% 25 customer complaint cases, which was 53% fewer than the previous year. Cases were closed in 2 days on average 	<ul style="list-style-type: none"> Continue to improve the service quality of our tellers to maintain customer satisfaction above 85% Improve the operating procedures of branch offices 	<ul style="list-style-type: none"> Continue to improve the service quality of our tellers to maintain customer satisfaction above 85% Improve the usage rate of digital services to expedite operating procedures and reduce transaction disputes
	Fintech and Innovation	Continue to provide innovative, convenient, and safe digital finance and services is the driving force behind our operating development	<ul style="list-style-type: none"> Expand FinTech business cooperation and application programming interface (API) services to provide innovative services and products Initiate data bank projects, and proactively develop AI transformation 	<ul style="list-style-type: none"> Growth of digital finance products and services Growth rate of digital bank users 	<ul style="list-style-type: none"> The number of digital transaction items for customers increased from 1.2 to 2.14 The average monthly number of digital transaction users by the end of 2021 increased by 43% from the previous year 	<ul style="list-style-type: none"> Enhance digital penetration rate and active rate of customers Increase account opening for digital banking by 30% 	<ul style="list-style-type: none"> Enhance digital penetration rate and active rate of customers Continue to increase the number of digital products, and increase digital engagement of customers
	Talent Attraction and Retention	Hire outstanding talents is the foundation of a company's growth. Creating a place that attracts talents and allows them to demonstrate their strengths is a key value of a company's existence.	<ul style="list-style-type: none"> Focus on personality traits, professional abilities, and appropriate job arrangements, treat all KTB's employees with fairness and mutual respect Provide fair competition and development opportunities for both sexes 	<ul style="list-style-type: none"> Proportion of female managerial officers Retention rate of new employees after one-year service 	<ul style="list-style-type: none"> Female managerial officers accounted for 53.87% Retention rate of new employees after one-year service was 93.98% 	<ul style="list-style-type: none"> Maintain the proportion of female managerial officers to 50% above Maintain the retention rate of new employees after one-year service to 70% above 	<ul style="list-style-type: none"> Continue to build a gender-friendly workplace and fulfill the Company's responsibilities of caring for employees Expand multiple channels of seeking talents and establish a good corporate image to attract external potential talents
	Talent Cultivation and Development	Employees are the KTB's partners. The growth of employees is the growth of KTB	<ul style="list-style-type: none"> Organize education training that corresponds to the employees' work content and the organization's plans Establish a clear and fair performance assessment policy 	<ul style="list-style-type: none"> Employee education training hours Diverse functional training 	<ul style="list-style-type: none"> Average training hours per employee was 50.35 hours In response to the industry trends, employees were encouraged to attend training courses in the areas of FinTech, information security, digital transformation (a total of 47 courses), in addition to general training and regulatory compliance training 	<ul style="list-style-type: none"> Establish the English improvement plan, and organize relevant training courses Review employee performance assessment policy 	<ul style="list-style-type: none"> Promote employees' lifelong learning to improve their English and digital competencies
	Labor Rights and Interests	The protection of labor rights is the first step to a harmonious labor-management relationship	<ul style="list-style-type: none"> Maintain a smooth labor-management communication channel Eliminate employment discrimination and sexual harassment, and establish an equal working environment 	<ul style="list-style-type: none"> Hold regular labor-management meetings Resolutions of employees' grievance cases Human Rights Risk Assessment and Management Form 	<ul style="list-style-type: none"> Held 4 labor-management meetings 0 employees' grievance cases Human rights risk assessment was 0.1% 	<ul style="list-style-type: none"> Maintain a designated pass rate of labor inspection and labor-dispute handling, and maintain the violation and unresolved cases at 2 (or fewer) 	<ul style="list-style-type: none"> Eliminate employment discrimination and protect labor rights

4. Corporate Governance

4.1 Governance and Ethical Corporate Management

KTB continues to enhance the functionality of the Board of Directors, improve the efficiency of the operating team, strive for information transparency, ensure the rights and benefits of shareholders and investors, and build a foundation for sustainable development. From 2018 to 2021, KTB was ranked among the top 5% of TWSE-listed companies in the "Corporate Governance Evaluation" by the Taiwan Stock Exchange Corporation (4th to 7th session) for 4 consecutive years, demonstrating the determination and achievements of KTB in building its corporate governance policy. Achievements in 2021 are as follows:



- **A Sound Board Structure**

KTB's Board of Directors now has 7 Directors, and 3 Independent Directors which accounts for 43% of all directors. For strengthening the Board's supervisory and management functions, multiple functional committees, including the "Audit Committee", "Compensation Committee", and "Corporate Governance and Nomination Committee" are established directly subordinate to the Board of Directors. These committees are responsible for the discussion and resolution of key issues and issues in the economic, social, and environmental aspects. The functional committees consist of or participated by Independent Directors to achieve effective independent supervision and the check and balance mechanism to ensure all resolutions and actions of the Board are submitted to the Board of Directors for report and discussion. Furthermore, in February 2019, the Board of Directors appointed Chien-Ko, Yang, who has more than 5 years of work experience in finance, stock affairs, and business administration, to serve as the "Corporate Governance Officer", who is responsible for providing necessary information for the Directors to carry out their duties, regulations regarding meeting procedures and resolutions, continuing training of Directors, and other necessary assistance.

✧ **Duties and Operation of Functional Committees**

<div style="text-align: center; margin-bottom: 20px;">  <p>Audit Committee (Established in 2011)</p> </div> <p style="text-align: center;">Convened 9 meetings Average attendance rate: 100% Number of members: 3 Number of Independent Directors: 3</p> <p style="text-align: center;">Main Duties</p> <ul style="list-style-type: none"> • Fair presentation of KTB's financial statements • Appointment (dismissal), independence, and performance of the certified public accountants (CPAs) • Effective implementation of KTB's internal control • Regulatory compliance • Management of KTB's existing or potential risks 	<div style="text-align: center; margin-bottom: 20px;">  <p>Compensation Committee (Established in 2011)</p> </div> <p style="text-align: center;">Convened 9 meetings Average attendance rate: 100% Number of members: 3 Number of Independent Directors: 3</p> <p style="text-align: center;">Main Duties</p> <ul style="list-style-type: none"> • Establish and periodically review the annual and long-term performance goals, and the policies, systems, standards, and structure for the remuneration of the directors and managerial officers of KTB • Regularly assess the performance goals of the directors and managerial officers of KTB, and determine the content and amounts of their individual compensation • 	<div style="text-align: center; margin-bottom: 20px;">  <p>Corporate Governance and Nomination Committee (Established in 2017)</p> </div> <p style="text-align: center;">Convened 3 meetings Average attendance rate: 91.67% Number of members: 4 Number of Independent Directors: 3</p> <p style="text-align: center;">Main Duties</p> <ul style="list-style-type: none"> • Dedicated ethical management unit • Establish the standards of independence and diversity of background, such as expertise, skills, experience, gender, etc. required of board members and senior managerial officers, serving as the basis for identifying, reviewing, and nominating candidates for directors and senior managerial officers • Establish and develop the organizational structure of the board and each of the committees, and evaluate the performance of the board and each of the committees, evaluate the independence of the independent directors. • Be responsible for the research analysis, implementation and planning recommendations of corporate governance system, regular review of corporate governance standards and related regulations, and review of implementation effectiveness • Formulate and supervise the implementation of ethical corporate management policies and plans to prevent unethical conduct • Adopt the policies, systems, relevant guidelines for sustainable development, and implement and execute each items
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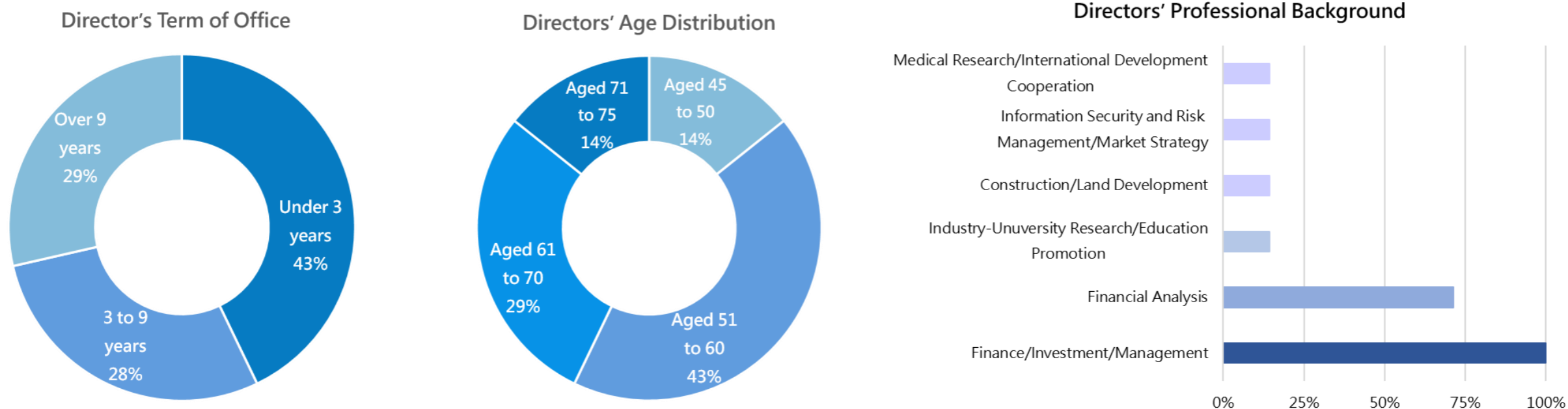
● **Independence and Interest Recusal**

In terms of the Board operation, KTB's Board of Directors carries through the promise of ethical management and has formulated the "[Rules of Procedure for Board Meetings](#)", which stipulates in Article 15 that, any motions at the board meetings that pose a conflict of interest with the Director himself/herself or the entity he/she is representing, the Directors shall recuse himself/herself from the discussion and voting on the matters, and he/she must not vote on other Directors' behalf, in accordance with the regulation or in a more rigorous approach. For the implementation status of the directors' recusal of proposal involved in conflicts of interest, please refer to [【Page 28 of King's Town Bank Co., Ltd. 2021 Annual Report】](#). Furthermore, for fulfilling the requirement of independence, the "[King's Town Bank Co., Ltd. Corporate Governance Best-Practice Principles](#)" states the number of seat, qualifications, tenure, functions, and responsibilities of Independent Directors, and explicitly stipulates that the term of independent directors shall not exceed 3 terms. In addition, KTB has formulated the "[Rules Governing the Scope of Powers of Independent Directors](#)" for independent directors to follow to perform their duties well and effectively enhance the operation of the Board of Directors and the Company's business performance. For the details on the professional qualifications of directors and independence of independent directors, please refer to [【Page 11-12 of King's Town Bank Co., Ltd. 2021 Annual Report】](#).

● **Diverse Board Members**

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

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



● **Continuing Education and Performance Evaluation of the Board of Directors**

All the KTB directors complete their continuing education in accordance with the "King's Town Bank Co., Ltd. Directions for the Implementation of Continuing Education for Directors" every year. In 2021, the average duration of training for KTB's Directors was 7.71 hours, which was 6 hours higher than the period as recommended by regulations. The courses cover the latest trends in corporate governance, anti-money laundering, regulatory compliance, and corporate social responsibility. By organizing diversified courses, KTB enhances the professionalism of directors, and strengthens the functions of the Board of Directors in business decision-making and risk management.

In addition, KTB has formulated the "[Regulations on the Board and the Functional Committee Performance Evaluation](#)". The Corporate Governance and Nomination Committee carries out annual performance evaluation on the Board and functional committees. The overall performance evaluations of the Board and the functional committees, and the self-evaluation by the Board members are carried out in the first quarter of every year, and the evaluation results are compiled by the board's meeting organization unit and submitted to the Board of Directors as a reference for each director's remuneration and nomination for re-election. For remuneration to directors, please refer to [【Page 22 of King's Town Bank Co., Ltd. 2021 Annual Report】](#).

Moreover, the "Regulations Governing the Performance Evaluation of the Board of Directors and the Functional Committee" stipulates that the board performance evaluation shall be conducted by an external professional independent institution or an external professional scholar team every three years. KTB has appointed "Ernst & Young Corporate Management Consulting Services Limited" to carry out the 2021 external board performance evaluation in 2022. The performance evaluation result was "Advanced", and the evaluation summary is as follows:

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

Other relevant information is disclosed on KTB's official website "[2021 External Evaluation Results of the Performance of the Board of Directors](#)". The next external performance evaluation is scheduled for the first quarter of 2025.

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

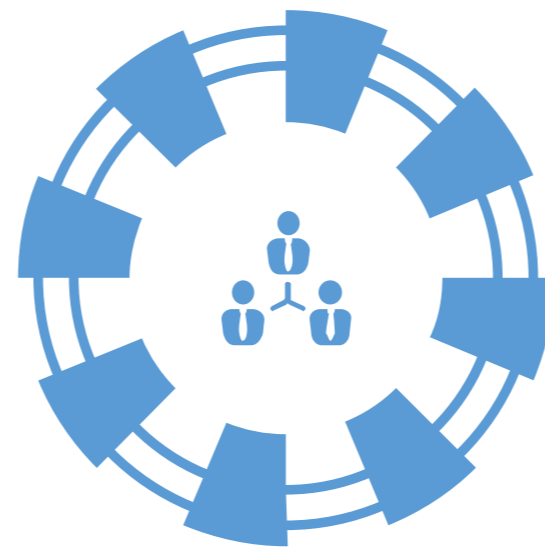


Board Performance Evaluation

5 major aspects and 26 indicators

The results of the 2021 evaluation are "excellent"

- Participation in the Bank's operation
- Improvement of the quality of the Board of Directors decision making
- Composition and structure of the Board
- Election and continuing education of the directors
- Internal control



Functional Committee Performance Evaluation

5 major aspects,
22 to 27 indicators subject to different committees

The results of the 2021 evaluation are "excellent"

- Participation in the Bank's operation
- Awareness of the duties of the functional committee
- Improvement of quality of decisions made by the functional committee
- Makeup of the functional committee and election of its members
- Internal control



Board Member Performance Evaluation

6 major aspects and 18 indicators

The results of the 2021 evaluation are "excellent"

- Alignment of the goals and mission of the Company
- Awareness of the duties of a director
- Participation in the Bank's operation
- Management of internal relationship and communication
- The director's professionalism and continuing education
- Internal control

● **Ethical Management Rules**

KTB values ethical management as the foundation for corporate management. In order to implement ethical management and anti-corruption, KTB has designated the Corporate Governance and Nomination Committee as a dedicated unit responsible for ethical management to incorporate ethics and moral values into the business strategy of KTB. It also adopts appropriate prevention measures against corruption and malfeasance in accordance with the laws and regulations. Moreover, every year, the Administration Management Department performs an unethical conduct risk assessment on all operating sites and identifies major unethical conduct risks. The Department then reports the unethical conduct risk assessment results, [Ethical management policy and the results of supervision](#) to the Board of Directors. According to the risk evaluation in 2021, no significant risk of dishonesty has been identified in the Company, nor has any director or employee involved in ethical conduct.

All Directors, senior managerial officers, and employees have signed the "Ethical Conduct Statement" and disclosed their "[Ethical Corporate Management, Anti-Corruption, and Anti-Bribery Policy and Commitment](#)" on the official website of King's Town Bank to exhibit KTB's zero-tolerance attitude and action against corruption and bribery. The Company also links employee ethics with their performance and remuneration, and has established an explicit reward and punishment system. For implementing ethical corporate management, KTB has formulated the "[Ethical Corporate Management Best Practice Principles](#)", "[Procedures for Ethical Management and Guidelines for Conduct](#)", "[Code of Ethical Conduct](#)", etc. The content summary for each principle are as follows:

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

- The Code and Procedures are formulated with reference to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", and approved by the Board of Directors, as the policy for ethical management of KTB
- Based on the "Ethical Corporate Management Best Practice Principles", KTB has formulated the "Procedures for Ethical Management and Guidelines for Conduct" as the procedures for KTB's corporate management and a program to prevent unethical conduct, which was approved by the Board of Directors
- The Principles stipulate that "all Directors, managers, employees, or anyone who has substantial control over the management should not engage in unethical conducts while engaging in business activities"
- The Principles stipulate in Article 7 that: It is advisable for the Company to refer to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, which shall at least include preventive measures against the following: A. Offering and acceptance of bribes; B. Illegal political donations; C. Improper charitable donations or sponsorship; D. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits; E. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights; F. Engaging in unfair competitive practices; G. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.
- The Procedures and Guidelines provide the prevention programs and handling procedures concerning matters such as, acceptance of improper benefits, facilitating payments, political contributions, charitable donations or sponsorships, recusal, confidentiality regime, unfair competition, and insider trading
- KTB has established internal advocacy, a system for rewards, penalties, and complaints, and related disciplinary measures
- Every year, KTB assesses its risk of unethical conduct and reports the results to the Board of Directors

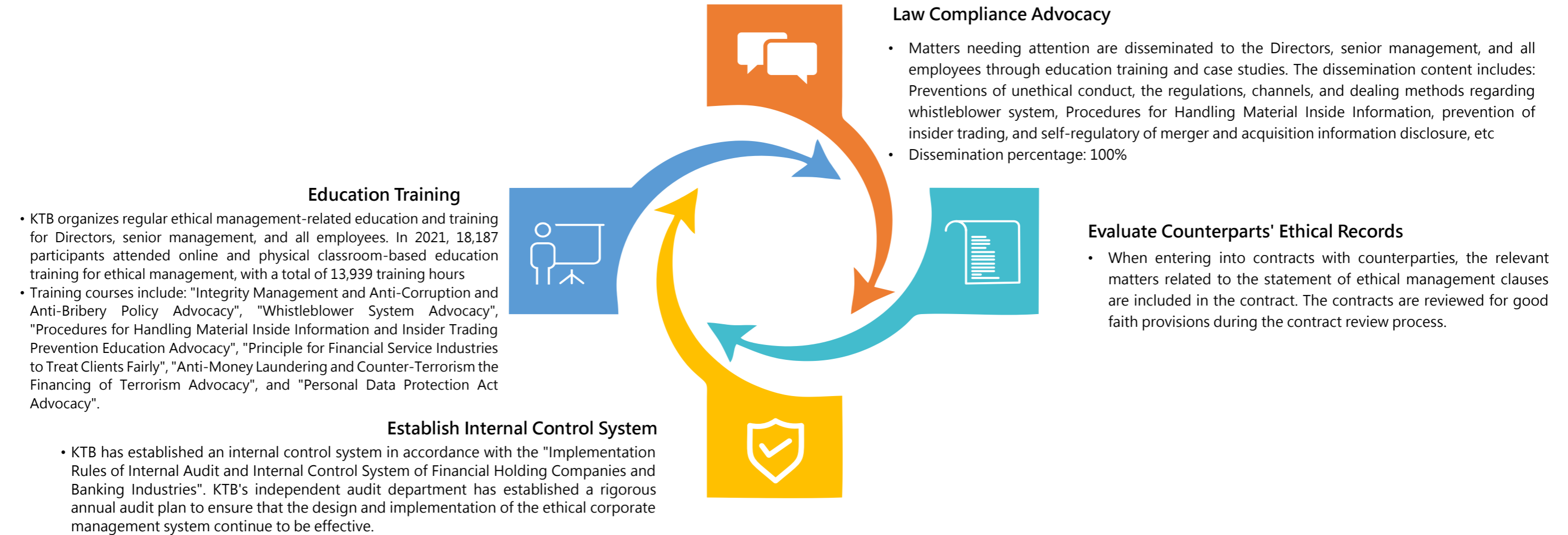
Code of Ethical Conduct

- To assist the Directors and managerial officers to act in line with the ethical standards and to facilitate the stakeholders' understanding of KTB's ethical standards, the "Code of Ethical Conduct" has been established and approved by the Board of Directors
- 100% advocacy rate of related content to all directors, managers, and employees

Ethical Corporate Management, Anti-Corruption, and Anti-Bribery Policy and Commitment

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

● Implementation Status of Ethical Corporate Management



● Political Contributions

KTB has explicitly stipulated the handling procedures for political contributions and charitable donations or sponsorships in the "Procedures for Ethical Management and Guidelines for Conduct" that donations or public sponsorships shall comply with national laws and regulations for the ethical corporate management, Codes of Ethical Conduct and Political Donations Act. The Company's donations involving political/policy influence in the most recent three years are shown in the table below:

	2019	2020	2021
Policy lobbyists/organizations and interest groups	0	0	0
Political organizations and candidates	500,000	0	0
Industry/trade associations and think tanks that influence legislation	0	0	0
Others, such as: election bills and referendum-related expenses	0	0	0
Total	500,000	0	0
Coverage	100%	100%	100%

Unit : NT\$

● **Whistleblowing System and Whistleblower Protection Measures**

To establish an ethical and transparent corporate culture, and to promote robust business, KTB has formulated the "[Regulations Governing the Implementation of the Whistleblower System](#)", after review and approval from the Board of Directors. The Regulations stipulate that the "Compliance Department" is the designated unit for KTB's whistleblowing system. The head of the Compliance Department of the headquarter is responsible for the acceptance, allocation, reply, follow-up, improvement, records, and keeping of reports. KTB has established email and hotline to receive whistleblowing cases and has disclosed them on the Company's official website "[Stakeholders Communication Channels](#)" and the Intranet for internal colleagues and external personnel. Anonymous reporting is enabled to actively prevent unethical conduct, fraud and criminal behavior.

✧ **Whistleblowing Procedures:**



✧ **Whistleblower Protection Measures**

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

✧ **Number of Cases Received in 2021 and Description of Handling**

The Company has received a total of 1 insider whistleblowing through the whistleblowing channel. No evidence for violation has been found, and the case has been reported and closed in accordance with regulations. During the process of handling, we pay attention to confidentiality to safeguard the rights and interests of the whistleblowers.

4.2 Regulatory Compliance

KTB lays great emphasis on the rule of law, pays close attention to the financial laws and regulations, and ethical rules newly issued by the competent authorities. KTB strictly abides by relevant regulations when expanding its business. Relevant action plans and results are as follows:

Supervision and Management of the Board of Directors and the Audit Committee

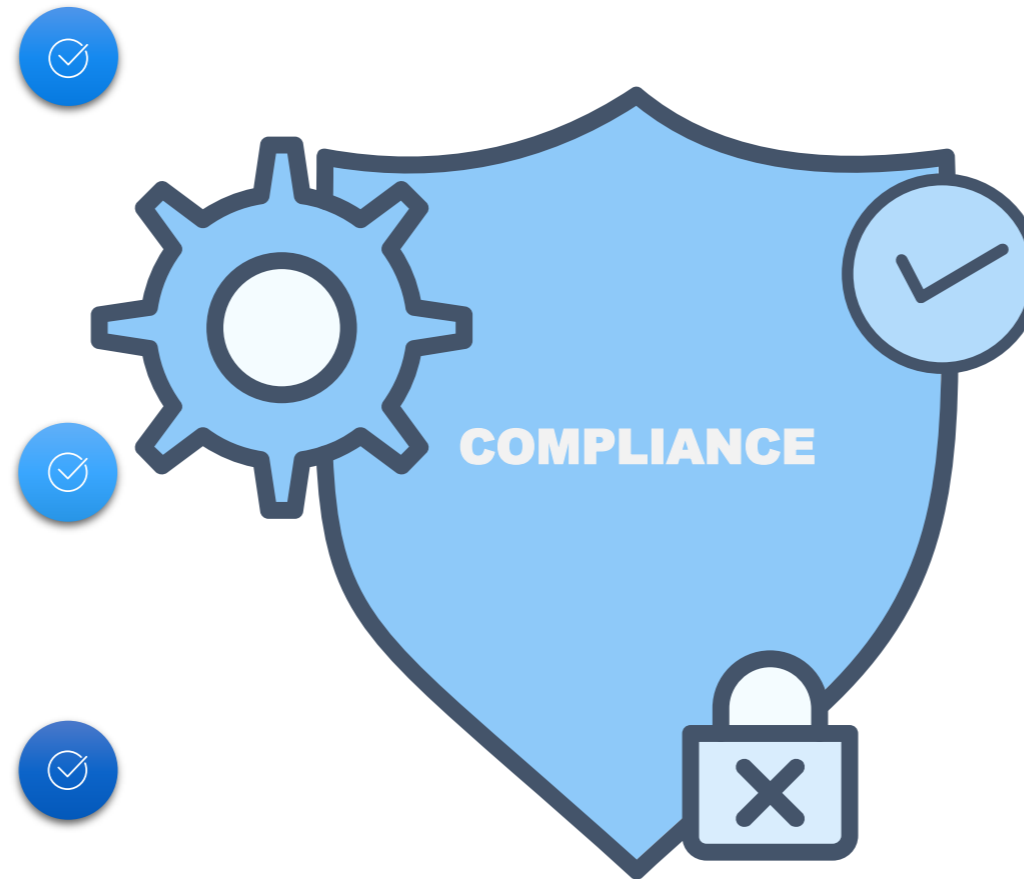
- Submit reports on the handling of regulatory compliance policy to the Audit Committee and the Board of Directors on the "implementation status of the regulatory compliance system" on a half year basis, covering the issues related to "anti-money laundering and countering the financing of terrorism" and the "implementation status of the whistleblowing system".
- Report to the Board of Directors immediately in case of any material breach of compliance.

Regulatory Compliance Self-assessment

- KTB has carried out 2 regulatory compliance self-assessments, examining the regulatory compliance status of all departments, and appointed the Compliance Department to supervise the implementation of improvement plans

Regulatory Compliance Communication and Consultation

- The head of the Compliance Department of the headquarter delivered 6 reports on the important regulatory issues, violation cases of the companies in the industry to all the departments' heads.
- In February 2019, the "Internal Query System" was launched, and the Compliance Department is responsible for the review of updates on a regular basis to ensure the correctness of the database, for personnel to make inquiry
- KTB establishes regulatory compliance communication windows at each department to discuss issues regarding regulatory compliance, when necessary



Regulatory Compliance Evaluation of New Goods/Services

- Conduct the regulatory compliance review process for the 65 new products/services (7 of which are new businesses) or the application for marketing activities by each department, to ensure that they are compliance with laws and internal regulations.

Assessment of the Implementation of Regulatory Compliance

- The Compliance Department performs annual assessments on the regulatory compliance of all departments, and the assessment results are used as a reference for each department's performance assessment of the year and for the annual individual performance appraisal.

Regulatory Compliance Education Training and Online Tests

- A company-wide regulatory compliance test is held every year. The questions are updated with the latest laws and regulations, and common mistakes in the test are publicized to all levels of the Company, so as to ensure the staff's understanding of the laws and regulations. In 2021, the test participation rate was 100%, and the average score was 98.58.
- In 2021, a total of 12 "regulatory compliance online publicities and tests" were conducted, with a total of 11,196 participants.
- KTB also organizes internal regulatory compliance courses, with content covering law advocacies, audit, anti-money laundering and countering the financing of terrorism, joint credit information security control, fair treatment of customers, Personal Data Protection Act, whistleblowing system, and handling of material inside information. In 2021, a total of 18,187 persons participated in such courses, with 13,939 person-time.

● **Material Penalties Imposed by the Competent Authorities in 2021 and Improvement Measures**

On March 19, 2021, the competent authority, in accordance with the Insurance Act, imposed 2 penalties to be corrected within 1 month and a fine of NT\$1.8 million on the Company and Fucheng Property Insurance Agency Co., Ltd. merged by the Company for violating the relevant provisions of the Insurance Act in handling insurance agent business.

The Company has formulated operational procedures to control the inspection mechanism and signing operation of accepting insurance agency cases with respect to certain deficiencies or incomplete operating procedures, and incorporated relevant measures into the scope of education and training for sales staff, supplemented by random inspection and verification measures by business management units, to facilitate the implementation of relevant internal control measures in accordance with regulations. The Company continuously endeavors to systematize the relevant processes, always maintains a high level of attention to prudent management, and strictly implements improvement measures.

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

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

● **Control Mechanisms**



Set Up Designated Office

The Compliance Department is the designated office responsible for matters regarding AML/CFT

- The "Money Laundry Prevention Section" is set up under the Compliance Department, responsible for supervising the identification and evaluation of money laundering and terrorism financing, as well as the planning and implementing policies and procedures



Supervisors Are Set Up in Each Department

- Supervise the implementation of AML/CFT-related matters in their department
- Supervise self-inspections



AML/CFT Risk Assessment

- AML/CFT risk assessments are carried out every year, and the assessment results are submitted to the Board of Directors.
- Strengthen risk precaution and control measures based on the assessment results



Entrust Certified Public Accountants (CPAs) to Carry out Reviews

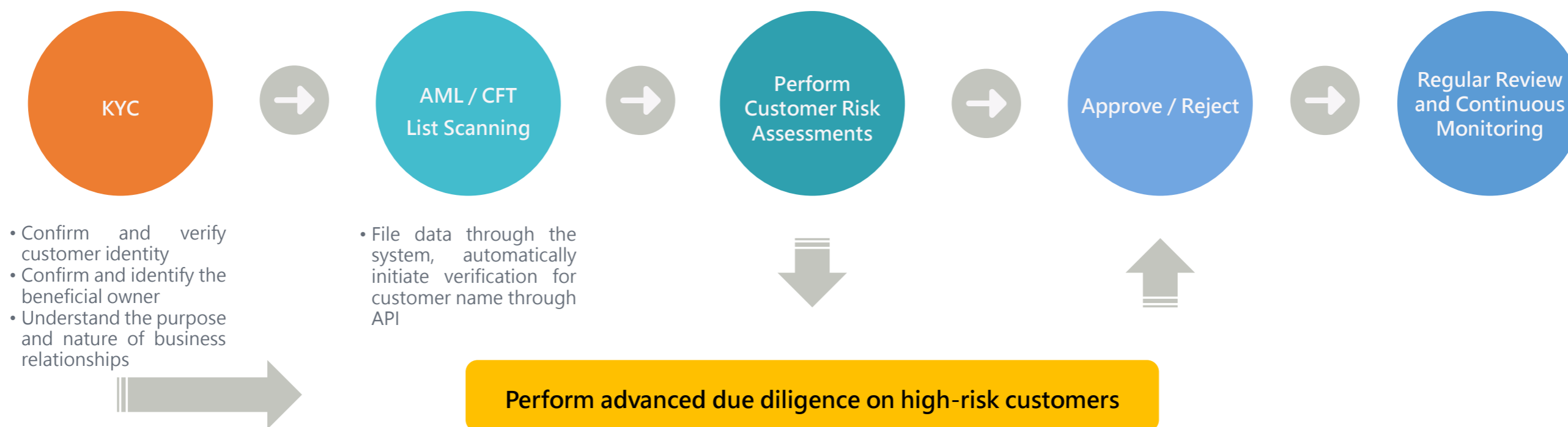
- Every year, KTB entrusts CPAs to carry out reviews on the AML/CFT mechanism of the previous year
- The CPAs issued the 2021 assurance report with "unqualified opinion"



● **Relevant Regulations on AML/CFT**

In order to implement the management of AML/CFT, KTB has formulated the "[Directions Governing Anti-Money Laundering and Countering-Terrorism Financing](#)", "[Policy and Procedures for Identification, Assessment, and Management of Money Laundering and Terrorism Financing Risks](#)", and other regulations, which sets out the implementation procedures, including the procedures for identification and verification of customers with documents from reliable and independent sources, identification of beneficial owner, face-to-face and non-face-to-face customer due diligence (CDD), anti-terrorism list review, monitoring and regular review of the list of politically exposed persons (PEPs), participation in the review of customers with high money laundering risk and terrorism financing risk by senior management, etc.

✧ **AML/CFT Management Procedures**



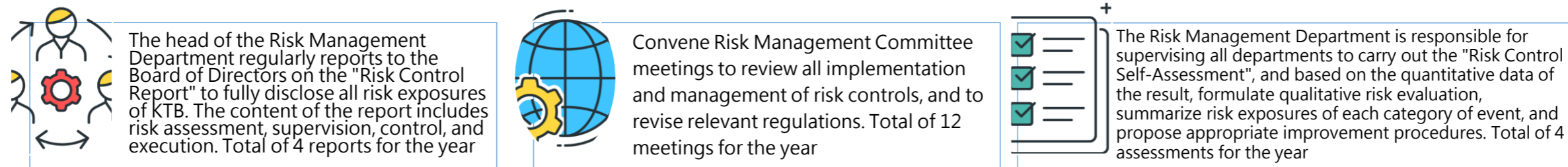
● **Education Training and Certifications**

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

Content of Education Training	Person Times	Training Hours
Regular, ongoing online courses (supplemented by penalty cases and self-assessment)	11,196	5,755.17
Internal seminar organized by Compliance Department (Group wide internal network of compliance/legal managers in charge)	1,672	1,364.80
Courses organized by the Taiwan Academy of Banking and Finance (Face-to-face training by specialized external firm)	114	1,368.00
On-the-job training courses for dedicated staff (Mandatory annual refresher training)	138	2,069.50

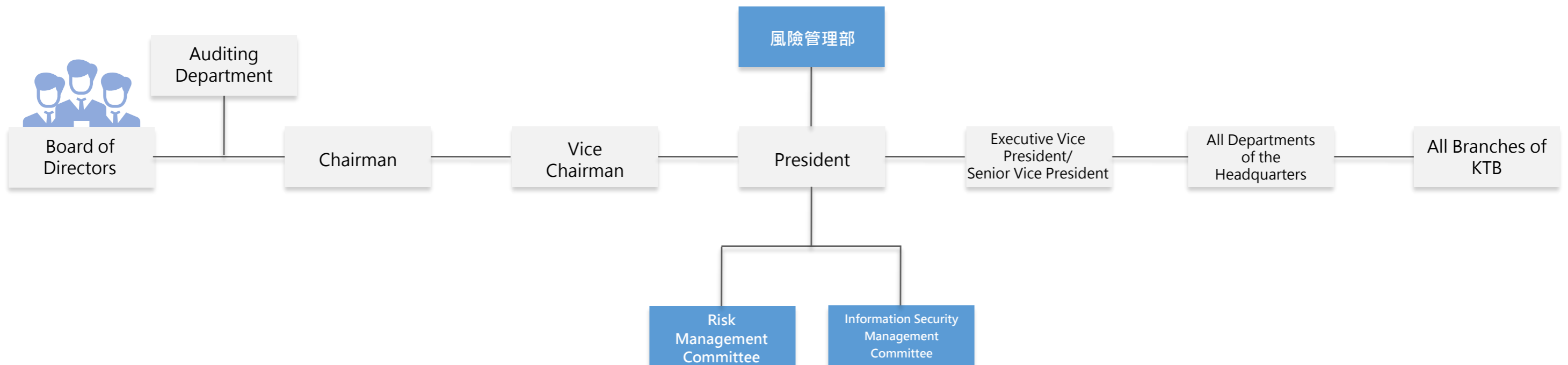
4.3 Risk Management

When developing its businesses, KTB prevents or mitigates damages that may be caused by risks through identification, balance, supervision, and management, so as to achieve reasonable risk pricing, to attain the balance between risk and performance. The implementation status of KTB risk management in 2021 is as follows:



- Organizational Structure of Risk Management**

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



● **Risk Management Policies**

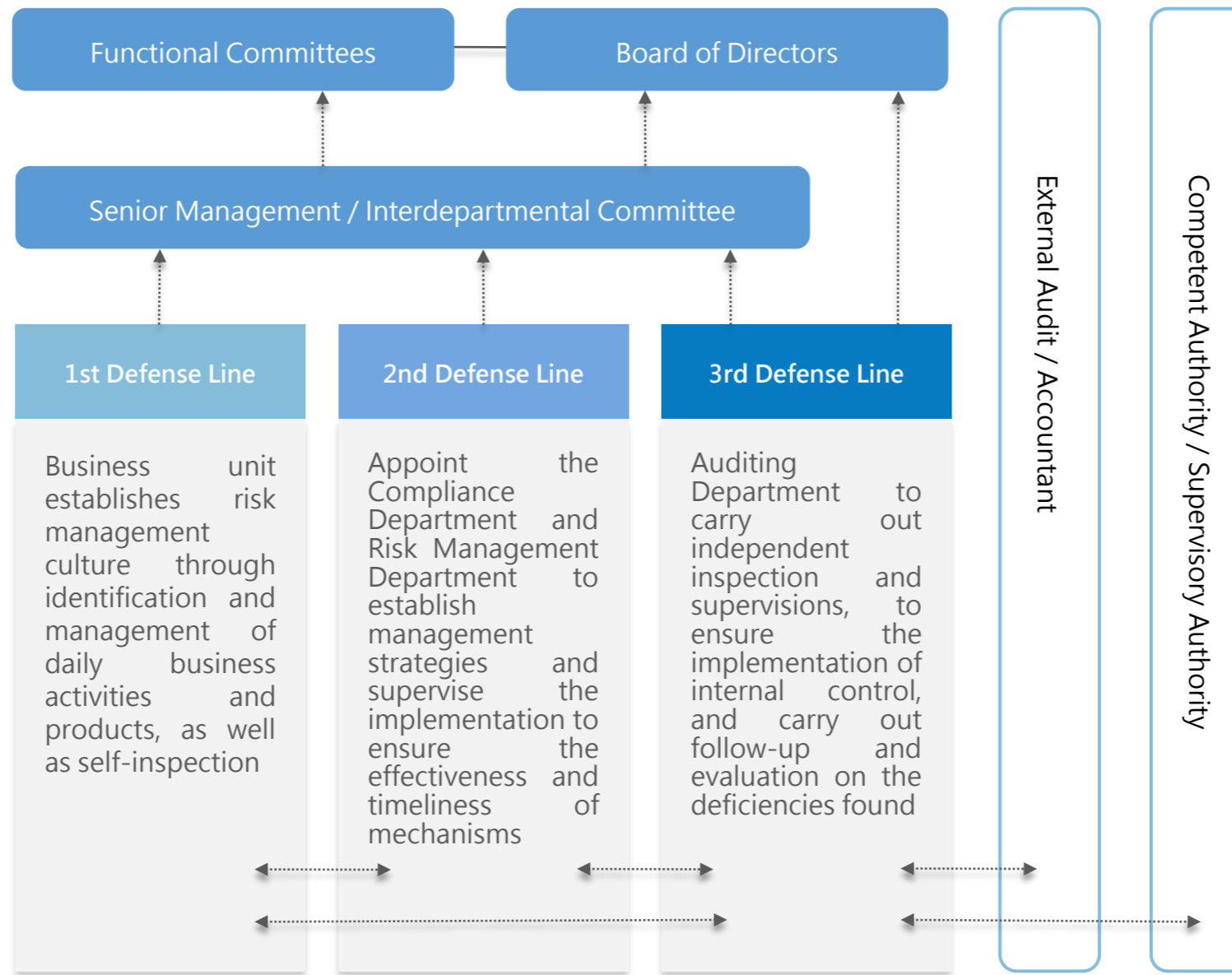
In order to ensure sustainable management and capital security, KTB clearly specifies the objectives and procedures of risk management based on the risk management policies approved by the Board of Directors. Thereby, KTB establishes effective risk management mechanisms to assess and monitor its risk-bearing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

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

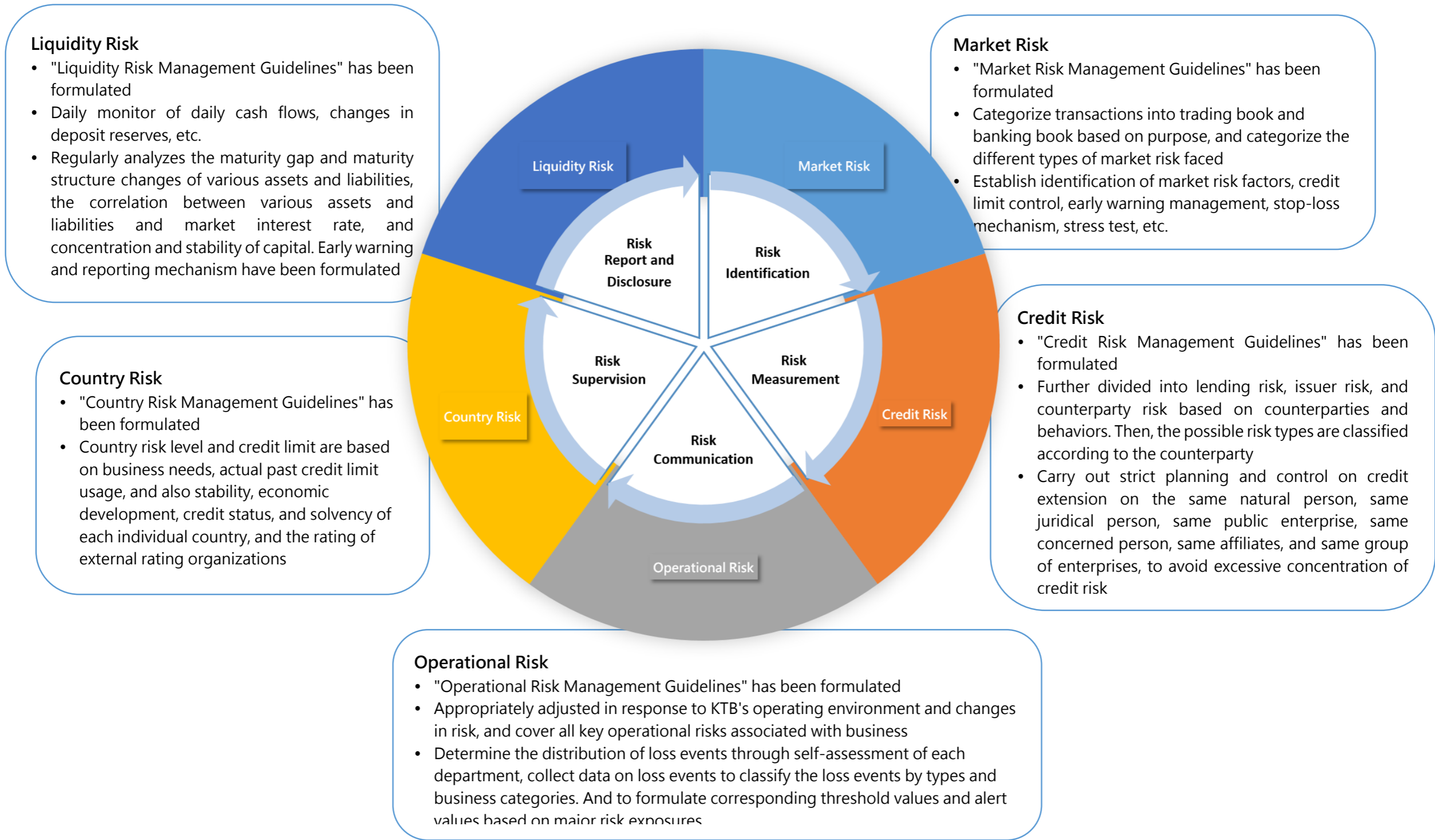
● **Risk Management Mechanisms**

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

✦ **The 3 Defense Lines of Risk Management**



✧ Risk Management Procedures and Categories



● **Build Awareness of Risk Culture**

✧ **Linking Risk and Performance**




- ✓ The performance appraisal and remuneration of general manager, senior management and employees are linked to the operational performance, as well as the internal control, regulatory compliance, ethical management and other factors. In the event of a major risk event, the Board of Directors shall, in addition to taking necessary disciplinary action as prescribed by law and regulations, take measures such as, dismissal, reassignment, termination, or reduction of remuneration, as appropriate. Please refer to "[Page 25 of King's Town Bank Co., Ltd. 2021 Annual Report](#)" for detailed regulations.
- ✓ The withdrawal rate and capital provision are included in the performance assessment items of business units to raise the attention of front-line business units to risk in daily life.
- ✓ Continuously follow up, review and track the improvement according to the inspection opinions, deficiencies and the items to be improved as listed by the internal audit unit, which is also listed as an important item for the reward and punishment and performance appraisal of the relevant units.
- ✓ The evaluation results of regulatory compliance for each unit are taken as the basis for the evaluation of relevant personnel.

✧ **Enhancement of Risk Culture**

- ✓ According to the "Key Points for the Implementation of the Risk Control Self-Assessment System of Each Unit", KTB regularly evaluate the operation status of each unit using the "Risk Control Assessment Form", including operation procedures, rules and measures, new products/businesses, activities, processes, systems, etc., maintain the quantitative data of the self-assessment and inspection results on a regular basis according to the business and risk-taking situation, and start planning, building, and developing a risk management system to ensure the continuous and effective operation of the system.
- ✓ Conduct risk management education and training for all units on a regularly basis, and deeply embed the awareness of risk management and control in daily decision-making.

● **Emerging Risks**

The Company has established a sound risk identification and response process. In addition to the management and control of important risk items such as market, credit, country, operation, and liquidity, KTB also continue to keep an eye on the long-term impact of issues arising from changes in economy, environment, geopolitics, society and technology in recent years, such as new infectious diseases, information security and climate change, on the company's operations. Meanwhile, we have established an identification process and developed risk mitigation measures, and make every effort to minimize the possible impact on the company should a risk occur.

Type of Risk	Risk Description	Impact on KTB	Risk Mitigation Strategies
New Infectious Diseases 	The global epidemic is raging without warning, changing the global economy, business models and lifestyles	<ul style="list-style-type: none"> • The increase of confirmed cases at home and abroad and the impact of the quarantine policy will lead to the suspension of work and production, which will reduce corporate profits and further affect the repayment ability of creditors. • Under the strain of the epidemic, people's willingness to go out has been reduced, and the zero-touch economy has emerged 	<ul style="list-style-type: none"> • Cooperate with government policies to support enterprises to survive the epidemic while taking into account credit risks • Strengthen the function and efficiency of the Bank's internal system to provide customers with a safe and convenient financial platform
Information Security 	Data extortion or theft and major virus attack cause system paralysis	<ul style="list-style-type: none"> • Data extortion and theft will result in the leakage of KTB's business secrets and personal/customer data. If the system is unable to operate normally due to virus attack, it will not only damage KTB's business reputation, but also erode its operation. 	<ul style="list-style-type: none"> • For details about risk management measures, please refer to section 4.4 Information Security
Climate Change 	The increased frequency and intensity of extreme climates has caused damage to physical assets, as well as changes in relevant policies	<ul style="list-style-type: none"> • Damage to physical assets will have a negative impact on assets and liabilities, and if it occurs on the creditors side, it will also affect the value of collateral • Tighter laws and regulations will increase related compliance costs 	<ul style="list-style-type: none"> • For details about risk management measures, please refer to section 2.4 Climate Risks and Opportunities

4.4 Information Security

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

In response properly to risks and opportunities brought by digital technologies, KTB has established a sound management structure and system, enhanced hardware and software strength, and conducted education and training, to take precautions and countermeasures. Major achievements in 2021 are as follows:

Management Framework and System

Introduced the international information security standard ISO 27001

- Number of Information Security Management Committee meetings held in 2021: 4
- Report the overall information security execution of the previous year to the Board of Directors by the end of March each year

Continuity of Information System

Number of core accounting system crashes: 0

- Usage rate of personal online banking: 100%
- Usage rate of mobile banking: 100%
- Usage rate of corporate online banking: 100%

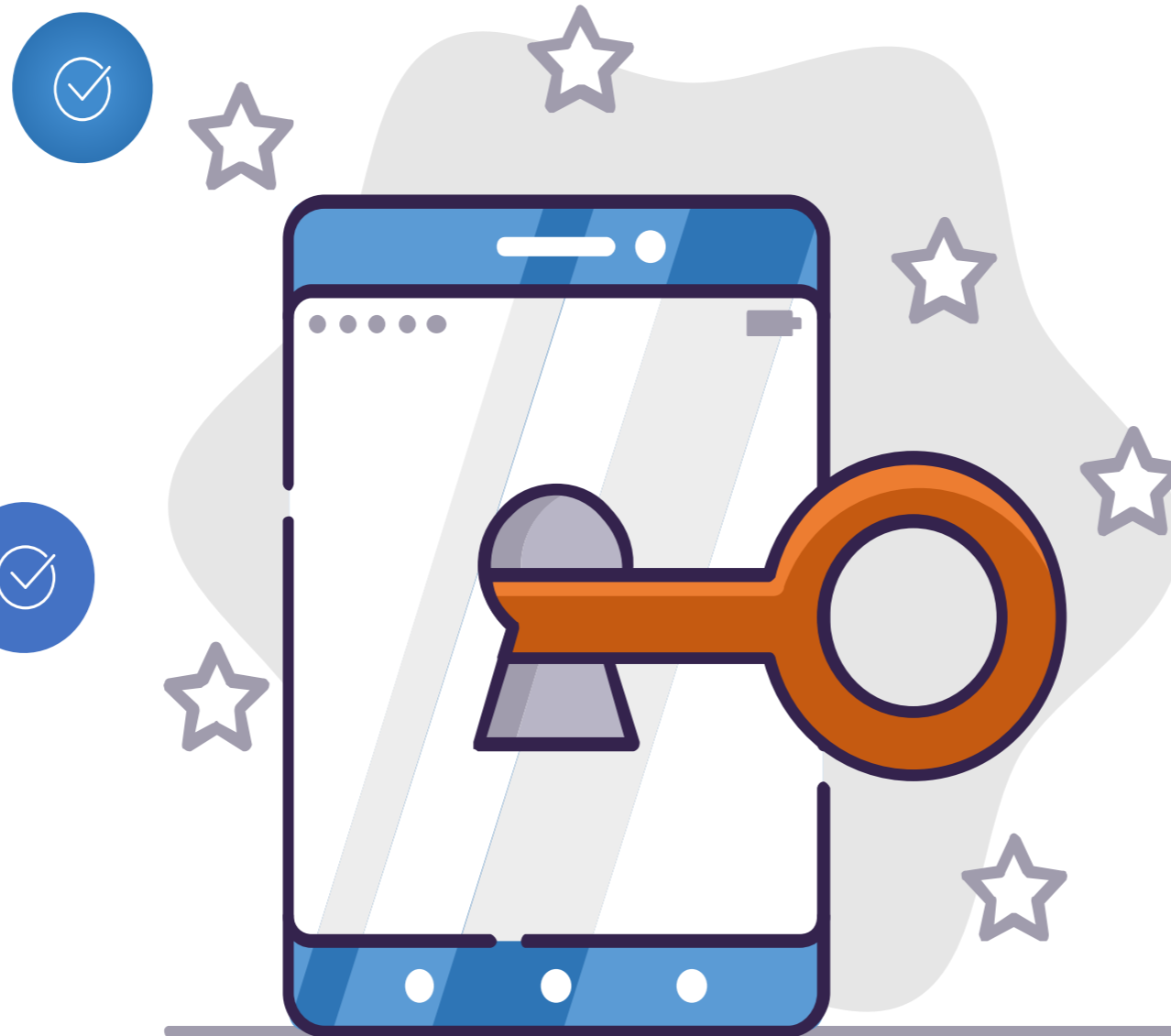
Material Information Security Incident

There were no significant cyber security incidents in the 2021

Education Training and Certifications

Organize 3-hour cyber security education and training for all employees every year,

- In 2021, we held 2 internal information security advocacy sessions, 1 information security course evaluation, with 100% advocacy rate, 2,853 participants, average test score: 98.64
- Information security personnel complete 15 hours of professional information security training every year. The total training hours in 2021 were 90.2 hours
- Number of international information security certifications obtained: 5



● **Information Security Management Framework**

The information room of KTB is the information security execution unit and the first defense line of information security internal control. With the increasing importance of information security, the Board of Directors of KTB approved the establishment of a dedicated unit of information security "Information Security Section" under the Risk Management Department in August 2015, to serve as the second defense line of information security internal control and to be responsible for the planning of the company-wide information security management system (ISMS), information security solutions, information security review and monitoring, information security maintenance and operation, information security overall implementation management, and the planning and promotion of information security education and training, so as to enhance KTB's information security management. The Auditing Department under the Board of Directors is an independent information security audit unit, which plays the role of the third defense line of information security internal control, and is responsible for information security audits to ensure the implementation of management operations.

In order to improve the Bank's information security management system, respond to changes in information security regulations, and comply with relevant government laws and regulations, so as to reduce the risks and impacts arising from information security, KTB established the "Information Security Management Committee" in November 2015. The committee has set up a convener, who is acted or designated by the general manager, to be responsible for the proposal of KTB's information security policy, the promotion of the information management system, the evaluation of the information security management system infrastructure, handling and review of major information security incidents, major issues or discussions related to information security proposed by each unit, annual review of the overall implementation of information security, etc. The dedicated unit of information security - "Information Security Section" under the Risk Management Department, submits the implementation overview to the chairman every year, and the Auditing Department will report the results to the Board of Directors.

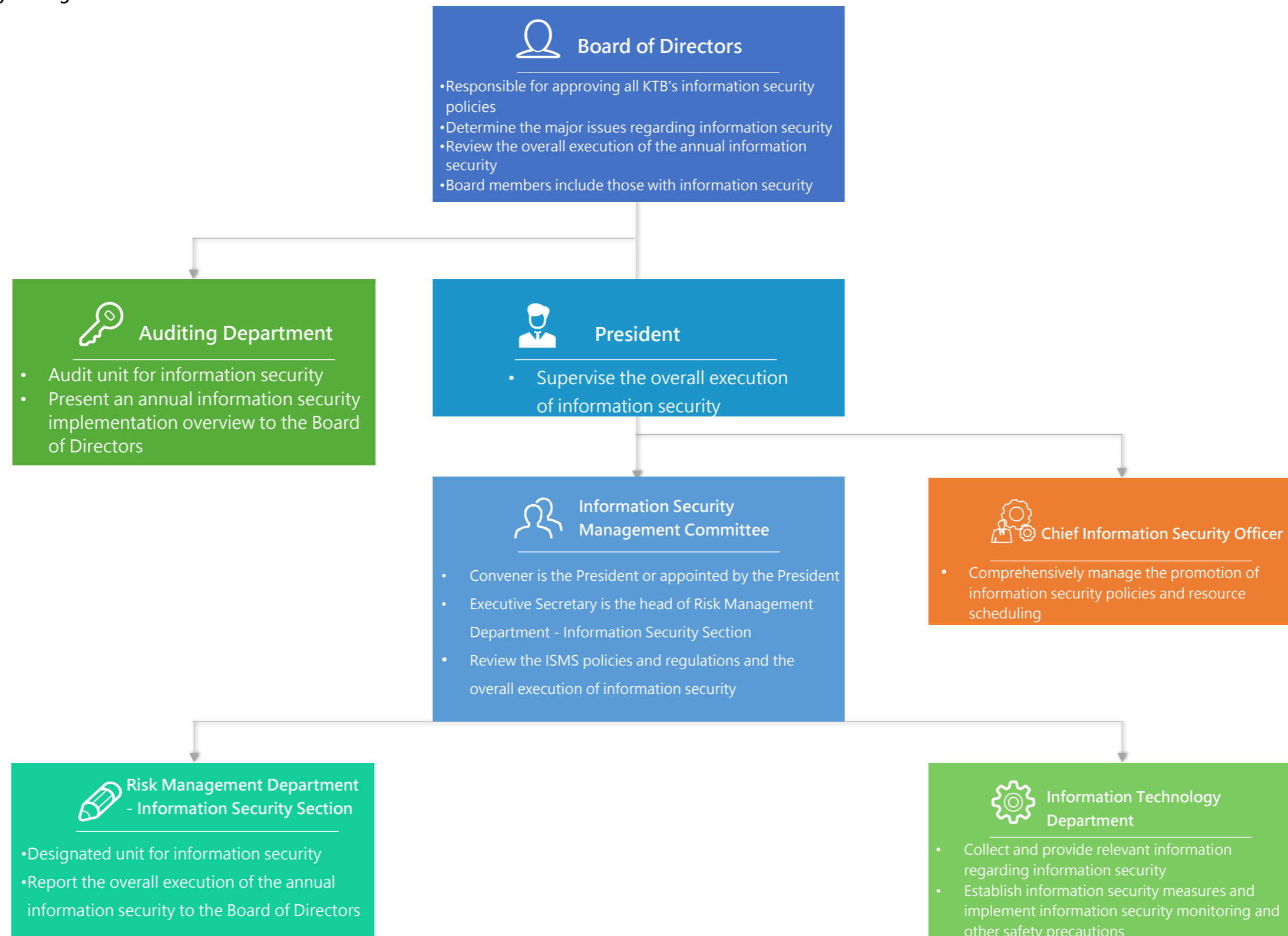
The Board of Directors is responsible for approving company-wide information security policies and making decisions on major issues related to information security. Every year, the chairman, general manager, chief auditor, and chief information security officer jointly issue an internal control system statement. Moreover, the Board of Directors includes members with information backgrounds, and is responsible for improving the supervision and governance of information security management together with the senior management.

To continuously improve KTB's ability to implement information security issues and build an organizational culture that attaches importance to information security, KTB set up a new "Chief Information Security Officer" in 2021. On December 21, 2021, the Board of Directors approved the appointment of Senior Vice President Yu, Chi-Wei to take up this position to comprehensively manage the promotion of information security policies and resource scheduling.

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



✧ Information Security Management Framework



● **Information Security Management Measures**

✧ **Information Security Policies**

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

KTB has established its ISMS standards in accordance with the ISO 27001 international information security standards, and will continue to review and improve in the future. We also expect to obtain the ISO 27001 certification by the end of 2022 to be in line with the latest development trends in information security related laws, technologies, organizations and operations. In addition, in accordance with the requirements of the competent authorities, regulations and the Bank's ISMS standards, we implement relevant control measures to build and strengthen all-round information security defense capabilities. The specific management plan is as follows:

✧ **Information Security Protection and Inspection Analysis**

- ✓ Establish an information security inspection platform for real-time information monitoring and statistical data presentation.
- ✓ Establish backup routes and "Distributed Denial-of-Service (DDoS) Attack Monitor and Traffic Cleaning Protection" mechanism for Internet network of major businesses.
- ✓ Appoint external professional companies to conduct information security evaluation on a regular basis, including information architecture review, network activity detection, security settings review, vulnerability scanning, penetration testing, compliance review, etc., and according to KTB's internal security management standards, incorporate all risk items in the evaluation report into the regular review of the Information Security Management Committee and track their improvement measures to ensure the security of information.
- ✓ Update information security protection software and hardware regularly to detect and blocks Internet attacks effectively and timely.

✧ **Information Security Emergency Response Drills**

In order to minimize the impact on business and resume operation in the shortest time in case of major disasters occurring to the information service, KTB has formulated regulations including, "Business Continuity Management Manual", "Cyber Security Incident Management Procedure", "ATM Cyber Security Emergency Response Procedure", "Information Office Handling of Denial-of-Service Attack Guide", and "Open System Backup Exercise Plan", etc. Also, KTB conducts annual drills to minimize possible information security impacts through correct operation procedures. In 2021, KTB organized 33 drills, and content is as follows. KTB has submitted the status of the drills to the Information Security Management Committee for review:

	<ul style="list-style-type: none"> • Personal Data Leakage Drill • Social Engineering Email Attack Drill 		<ul style="list-style-type: none"> • Domain Name (DNS) Host Backup Drill • Host System Backup Drill • SWIFT System Backup Drill • ATM Front-end Operating System Backup Switching Drill
	<ul style="list-style-type: none"> • ATM Information Security Incident Emergency Response Procedure Drill • SWIFT Information Security Incident Emergency Response Procedure Drill 		<ul style="list-style-type: none"> • DDoS Attack Emergency Response Procedure Drill • Advanced Defense Measures Procedure Drill for External Website Web Page Security

✧ **Resources Invested in Information Security**

KTB has been continuously investing in information security related fields. In 2021, KTB invested a total of NT\$12,849,000 in projects including the improvement of security and defense equipment, data monitoring and analysis, education and training. In terms of education training, new employees are required to receive 3 hours of basic information security training, while information security personnel complete 15 hours of professional information security training courses every year. In order to enhance and establish the awareness of information security protection throughout KTB and understand the latest information security trends, we also arrange 3-hour information security-related courses and 1 course evaluation for all employees every year. In 2021, 3,356.2 hours of internal and external courses related to information security were organized, of which 94.9% were internal education training courses and 5.1% were external education training courses. The topics covered by internal education and training are as follows:



- ✓ Risky Online Behavior
- ✓ Social Engineering (Email) Attack
- ✓ Internet of Things (IoT)
- ✓ Business Email Fraud Prevention organized by the National Police Agency
- ✓ What is Information Security
- ✓ Smartphones: Potential Threats and Cases
- ✓ Smartphones: How to Use Safely
- ✓ Password Security
- ✓ Phishing Website (Email) Attack
- ✓ King's Town Bank Co., Ltd. Information Security Policy
- ✓ King's Town Bank Co., Ltd. Information Security Sub-policies
- ✓ Publicity of KTB's Information Security Related Notices
- ✓ Precautions for Cloud Video Conference Software
- ✓ Fraudulent SMS from Fake Financial Institutions

✧ **Information Security Incident Reporting Process**

KTB has developed the "Cyber Security Incident Management Procedures" to standardize the reporting process, evaluation capability and contingency measures of information security incidents. In the event of an information security incident, the personnel of relevant units being notified shall classify and identify the incident in the first time, and decide whether to form an "emergency response team" according to the incident level, identify the scope of impact within certain time, find out possible causes, eliminate and solve the information security incident, and analyze and produce reports after handling the incident to prevent the incident from happening again. No major information security incidents or related losses occurred by KTB in the most recent three years.

Material Information Security Incident	2021	2020	2019
Total number of information security incidents	0	0	0
Number of customer data loss cases due to information security incidents	0	0	0
Number of customers affected by information security incidents	0	0	0
Financial loss due to information security incidents	0	0	0

Data Leakage Incident	2021	2020	2019
Number of data leakage incidents (A)	0	0	0
Number of personal data leakage incidents (B)	0	0	0
Proportion of personal data leakage incidents (B/A)	0	0	0
Number of customers affected by data leakage incidents	0	0	0

4.4.1 Personal Data Protection

KTB lays great emphasis on the personal data and privacy of customers. It has formulated "[King's Town Bank Co., Ltd. Personal Data Management Goals and Policies](#)" and management guidelines in accordance with the "Personal Data Protection Act", the "Self-discipline Regulations on Confidentiality of Customer Data by the Banking Industry", the "Rules Governing the Security and Maintenance of Personal Data Files of Non-government Agencies Designated by the Financial Supervisory Commission" and the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation", to protect the customer's right to personal data, which is applicable to all the behaviors of all KTB employees who come into contact with personal data in the performance of their duties. KTB has also established the "Task Force for Implementing Personal Data Protection Management (Personal Data Team)", to handle relevant issues and implements personal data protection measures through regular education training and drills. In 2021, there were no cases of personal data leakage, nor complaints involving infringement of customer privacy.

- **Personal Data Protection and Management Implementation**

KTB's important regulations on personal data protection and management are as follows:

Personal Data Management Goals and Policies

- The basic framework of KTB's personal data protection and management system provides the framework and establishment methods of KTB's personal data management, elaborates the personal data management goals and policies to be abided by all KTB employees, and specifies the roles and responsibilities of the employees in their work of planning, implementation, and continuous improvement of personal data management
- Specify the operation mechanism of the personal data management system and the responsibilities of the management, and have a regular evaluation mechanism to reflect the latest developments in government laws, information technology, corporate business, so as to ensure the achievement of personal data management goals.

Guidelines for Personal Data Risk Assessment

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

Guidelines for Personal Data Leakage Crisis Management

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

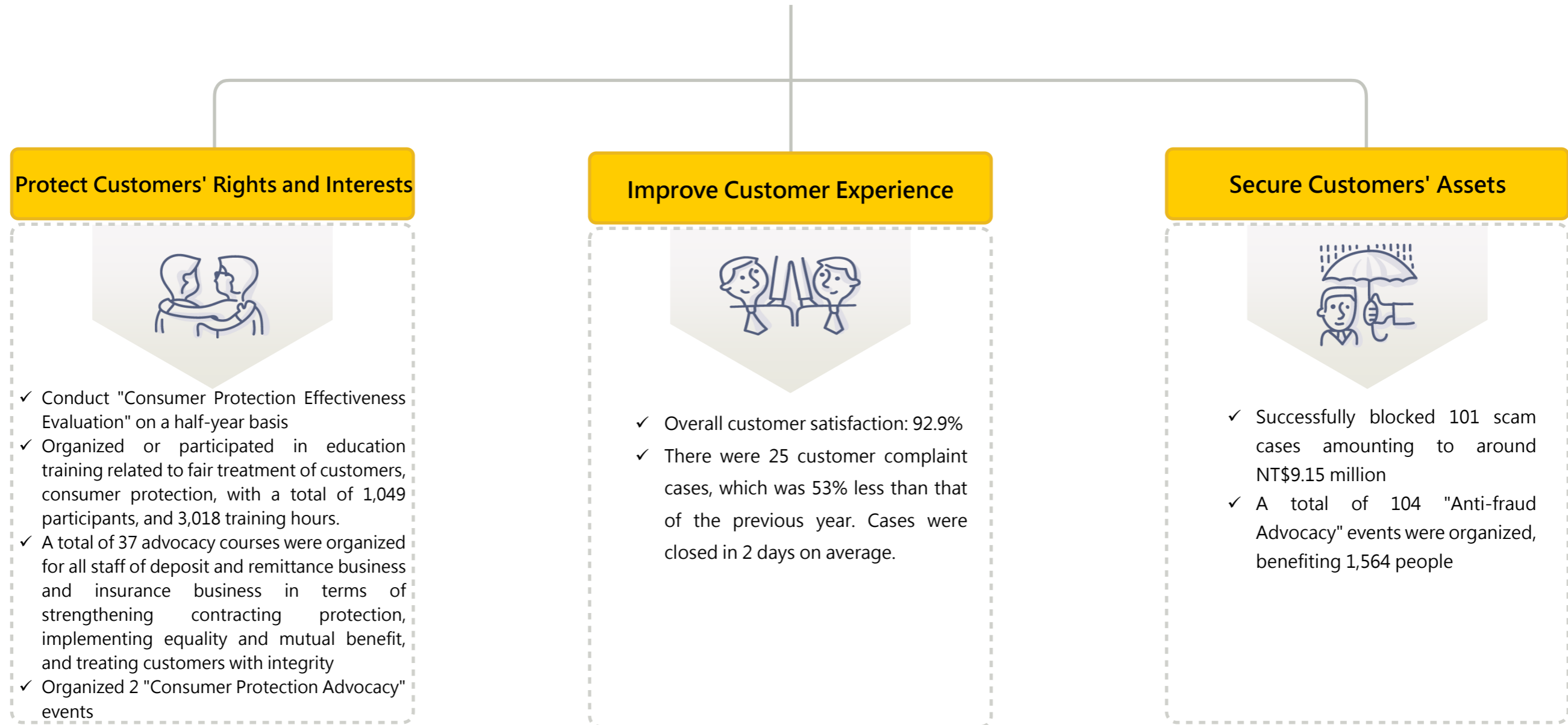
Regulations on the Personal Data File Security Maintenance

- It is enacted after being approved by the Board of Directors, as a reference for the planning, formulation, revision, and implementation of KTB's personal data file security maintenance plans, and the processing method for personal data after termination of the business relationship
- Require that all departments should respect the rights and interests of the concerned parties when gathering, handling, or utilizing personal data and that they should conduct all related matters with honesty and credibility, and not exceed the scope of the specific purpose
- Develop a Privacy Policy to clearly inform the customers about KTB's personal data and privacy protection measures. KTB has disclosed the [\[Privacy Protection Policy\]](#) on the company website to inform customers that their personal data transmitted through the Internet is protected appropriately
- Specify relevant personal data management procedures and measures, for example: when entrusting a third party to gather, handle or utilize personal data, the entrusted party shall be subject to the provision of this method. The entrusting party shall be responsible for the supervision of the entrusted party, and specify the details in the entrustment contract or relevant documents. And, the data subject shall be clearly informed of the purpose of data collection, the types of data collection, the period, objects and methods of personal data utilization and other matters, which shall be provided to the data subject and disclosed on KTB's ESG & IR English website [\[Personal Information Notice\]](#).
- Specify the management procedures and measures, audit and record-keeping systems, education training and advocacy matters of personal data

5. Customer Value

5.1 Service Quality and Customer Experience

Customers are the foundation of KTB business. Our goal is to improve customer experience, protect customers' benefits and rights, secure customers' assets, and assist customers to achieve their goals in life. Major achievements in 2021 are as follows:



● **Build a Culture of Treating Customers Fairly**

In line with international trends in financial consumer protection, in compliance with the "Principle for Financial Service Industries to Treat Customers Fairly" formulated by the FSC, and to enhance all our employees' awareness of consumer protection and compliance with relevant laws and regulations, KTB has formulated the "Policies and Strategies on Fair Treatment of Customers" and the "Regulations on Consumer Protection", all of which have been approved by the Board of Directors, aiming to implement the fair treatment of customers throughout the entire process of dealing with customers, from design, advertising, sales, contract fulfillment, service consultation to complaint handling. KTB specifies the relevant laws and self-regulatory guidelines regarding the "principles for fair treatment of customers" for all products and services, and stipulates the supervision and improvement plans for "principles for fair treatment of customers" and the education advocacies and training of employees, to ensure that the customers can fully understand the important contents of the goods or services and contracts, and be aware of their risks before entering into a contract with KTB.

✧ **Practical Actions for Fair Treatment of Customers**

<p>The Board of Directors promotes the corporate culture of "fair treatment of customers"</p>	<p>Regularly review the implementation of fair treatment of customers</p>	<p>Comprehensive education training and advocacy</p>
<p>Designate the "Digital Service and Channel Management Department" as the responsible unit for fair treatment of customers</p>	<p>As of the end of 2021, there was no violation of "principles for fair treatment of customers"</p>	<p>Organized or participated in education training related to fair treatment of consumer protection, with a total of 1,049 participants</p>
<ul style="list-style-type: none"> ✓ Report to the Board of Directors on a regular basis regarding the implementation of consumer protection. The content shall include: analysis of and improvement plans for customer complaints, the progress of consumer litigation cases, consumer protection evaluation, and education training and advocacy results of consumer protection ✓ A total of 7 Directors and the responsible persons have completed the "Education Training for Fairness in the Financial Services Industry", which focused on the Financial Consumer Protection Act, principles for fair treatment of customers, and case studies of financial consumer disputes 	<ul style="list-style-type: none"> ✓ Establish an evaluation table, to assist the management unit to review the regulations regarding the principles for fair treatment of customers ✓ Both regulatory compliance self-assessment and self-inspection contain "principles for fair treatment of customers", and KTB carries out review, improvement, and follow-ups on the process of each item. In 2021, there were about 221,696 self-checked cases. ✓ Carry out the "Consumer Protection Evaluation" semiannually, and the management unit is responsible for self-evaluation on the aspects of "appropriateness of consumer policy", "completeness and correctness of consumer information disclosure", "effectiveness of consumer dispute handling mechanism", and "results of consumer protection measures" 	<ul style="list-style-type: none"> ✓ Organize education training regarding consumer protection. The content of the training shall include Financial Consumer Protection Act, principles for fair treatment of customers, case studies on financial consumer disputes, customer service and treatment, handling procedures, and listening and questioning skills, so as to help the trained personnel build the skill of responsible product sales ✓ Regularly organize consumer protection advocacy sessions, to understand the customers' level of understanding of consumer protection, show them the common misconceptions, so as to achieve bilateral education and consumer protection purposes

The Board of Directors has always attached great importance to customer service, deeply cared for local customers, valued consumer rights and interests, and continued to support the promotion of the principle of fair treatment of customers. When reporting the "Implementation Results of Consumer Protection Measures in the First Half of 2021" on August 16, 2021, in response to a customer complaint related to the epidemic, the then KTB's independent director Chiang asked the business management unit to evaluate and note the mailbox and contact window of KTB's customer service on the notification letter to facilitate customer communication and handling, and asked whether there were any customer complaints arising from KTB's adjustment of business hours for the epidemic, and brought it to the attention of the business management unit.

● **Implement Customer Protection and Complaint Protection**

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

Pre-incident Prevention

- KTB has formulated relevant regulatory compliance procedures for matters regarding consumer rights and interests, such as operational guidelines, products, application forms, contract of adhesion (including terms and conditions), revision of other related documents, or before the introduction of new products and services and application to the competent authorities for new businesses, to ensure that their contents comply with laws and internal regulations such as the principles of fair treatment of customers. In 2021, the Compliance Department inspected 65 new products and services, with a 100% inspection rate.
- KTB has set up a "Dedicated Money Trust Commodity Review Team" and "Insurance Agency Business Commodity Review Team", and hold product review meetings from time to time to properly evaluate its legality, reasonableness of cost, risk remuneration and full disclosure of information, to determine whether it can be sold on the channel or only available to professional investors.
- KTB has build a "Customer Investment Attribute Evaluation Form", and has indeed carried out the evaluation of customer risk attributes before conducting financial transactions or providing customers with foreign currency or investment-type insurance products, so as to provide products with suitable risk attributes. In addition, for customers who have taken out insurance products, KTB has established different suitability inquiry mechanisms to distinguish the suitability of various products or services for customers and ensure that the suitability measures are properly implemented.
- KTB fully discloses and explains information including the basic knowledge, all fees and collection methods, risks involved, and complaint channels, so as to ensure that the customers understand the nature of the products and the potential risks



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

Handling During Incidents

Post-incident Tracking and Improvements

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



● **Provide Heartfelt Customer Services**

KTB prioritizes "customers' needs", when developing all its products and services. Through visiting customers, customer suggestions, brainstorming by internal employees, KTB optimizes the contents and procedures of its products and services, aiming to bring customers the most heartfelt products and services of the highest quality.

Survey

- Understand the customers' satisfaction and suggestions through distributing surveys at the counter and online.
- In 2021, a total of 1,840 valid questionnaires were collected, with an overall satisfaction rate of 92.9%, in which, 93.8% of the customers are satisfied with the services they received at the counters.
- Summarize the customers' suggestions and inform each management unit to respond with countermeasures.



Brainstorming by Internal Employees

- Hold the "King's Idea 2.0!" creative proposal activities. Employees are invited to brainstorm and spark new ideas with their experiences and creative thinking to create a more effective business model in the aspects of business procedures, internal control, system, new products and services, and customer satisfaction improvement.
- A total of 628 proposals have been submitted, of which 172 proposals were adopted after evaluation by each department and section.



Modular Service Training Courses

- Beginner courses: The training content for new colleagues covers basic customer service and etiquette.
- Through the "Deposit and Exchange Reminders" held every Wednesday, front-line colleagues can instantly understand the latest laws and regulations, projects, and frequently asked questions from customers.
- Carry out quarterly case analysis at the online education and training, including: promoting the items that should be paid attention to in fair treatment of customers and service etiquette.
- Advanced courses: In 2021, KTB organized the courses of "Problem Analysis and Decision-making Practice Class" and "Service Etiquette and Customer Complaint Practice Training" to promote colleagues to listen attentively, think from customers' perspectives, and consider customer needs with empathy.



Secret Customer Investigation

- Branches are randomly selected every quarter for surprise check.
- In response to the epidemic, we carried out to a random check by telephone instead, covering the following topics: frequently asked questions for deposit and remittance by customers, newly launched products, functions and telephone etiquette.



5.2 Fintech and Innovation

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

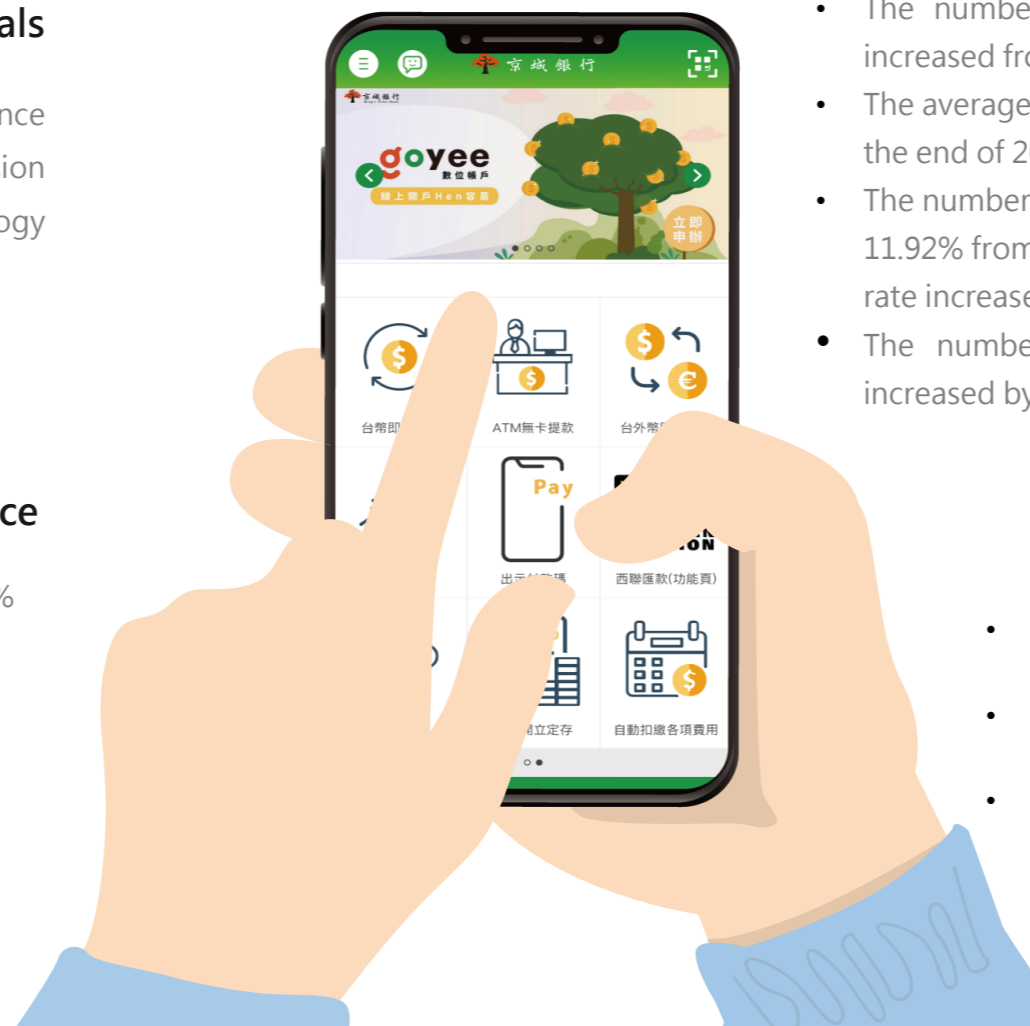
In 2015, KTB noticed an imminent revolutionary wave in the finance industry and thus established the "Digital Service Department" in response to this wave. In 2016, KTB integrated its resources and merged the "Business Department" into the "Digital Service and Channel Management Department", to incorporate technology into the traditional industry, so as to stimulate new ideas, new services, and new customer experience. Nonetheless, bringing more convenient and safer (for relevant mechanisms, please refer to section [4.4 Information Security](#)) financial services to our customers, and delivering heartfelt services through digital tools are our unchanging goals. To this end, we provide a variety of digital platforms that make it easy for business owners and individuals to complete the transactions they want, whether using computers or mobile phones. At the same time, through the patient explanation and active expansion of our staff, we can eliminate the pain points of customers in use, so that customers can truly experience the convenience brought by technology. We can see that customers of KTB are more willing to use digital services year by year. In the future, KTB will continue to introduce more safe and convenient products to bring customers zero-hour and zero-distance financial services. KTB's achievements in digital services in 2021 are as follows:

KTB's Digital Finance Development Goals

- ✓ Perfect customer experience
- ✓ Improve customer digital adhesion
- ✓ Reduce operation risks and costs by using technology

Perfect customer experience

- Customer satisfaction for digital channels was 89.0%
- 6 new personal digital services launched, 8 existing functions optimized
- 7 new functions of corporate online banking, 17 existing functions optimized



Improve customer digital adhesion

- The number of digital transaction items for customers increased from 1.2 to 2.14
- The average monthly number of digital transaction users by the end of 2021 increased by 43% from the previous year
- The number of corporate online banking users increased by 11.92% from the previous year, and the annual actualization rate increased by 4.5%
- The number of corporate online banking transactions increased by 53% from the previous year

Reduce operation risks and costs

- The proportion of digital transactions in branches increased by 4.8% compared to 2020
- The monthly average rate of digital account opening was 31%
- A new digital account opening platform was launched, which effectively reduces the waiting time and human errors for customers to open an account

Innovative and Intimate Digital Services

Faced with the continuous innovation of digital financial services, the differences among peers are gradually narrowing, and strengthening KTB's digital competitiveness has become the primary issue of the financial industry under the trend of digitalization. We believe that digital competitiveness lies not only in the provision and innovation of products, but also in "digital inclusion". In particular, we have a large number of customers in the central and southern regions. We are more aware of the digital divide caused by age and place of residence, as well as the concerns and considerations of customers when they actually use digital services. Therefore, KTB's concepts of designing digital products are focused on a digital platform that can provide customers with all-rounded services, so as to satisfy customers' needs, improve business efficiency, create unique values, and promote the transformation toward digital finance. New key digital products and services in 2021 include:

Expansion of Mobile Payment Services

Under the epidemic, "contactless finance" has become an important part of the epidemic prevention. KTB has actively promoted "Taiwan Pay", "Jko Pay" and other mobile payment services. Shopping and money transfer can be completed by scanning QR Code or showing payment code, which satisfies customers' needs for mobile payment in different areas of life, and assist and reassure store owners in opening their stores despite the epidemic.

In addition, to expand the application field of Goyee digital accounts, KTB has teamed up with Jko Pay to launch the "Goyee Digital Account Binding" campaign. By binding, customers can connect to digital account debit services. From account opening to payment, all can be done by one click.

Open API

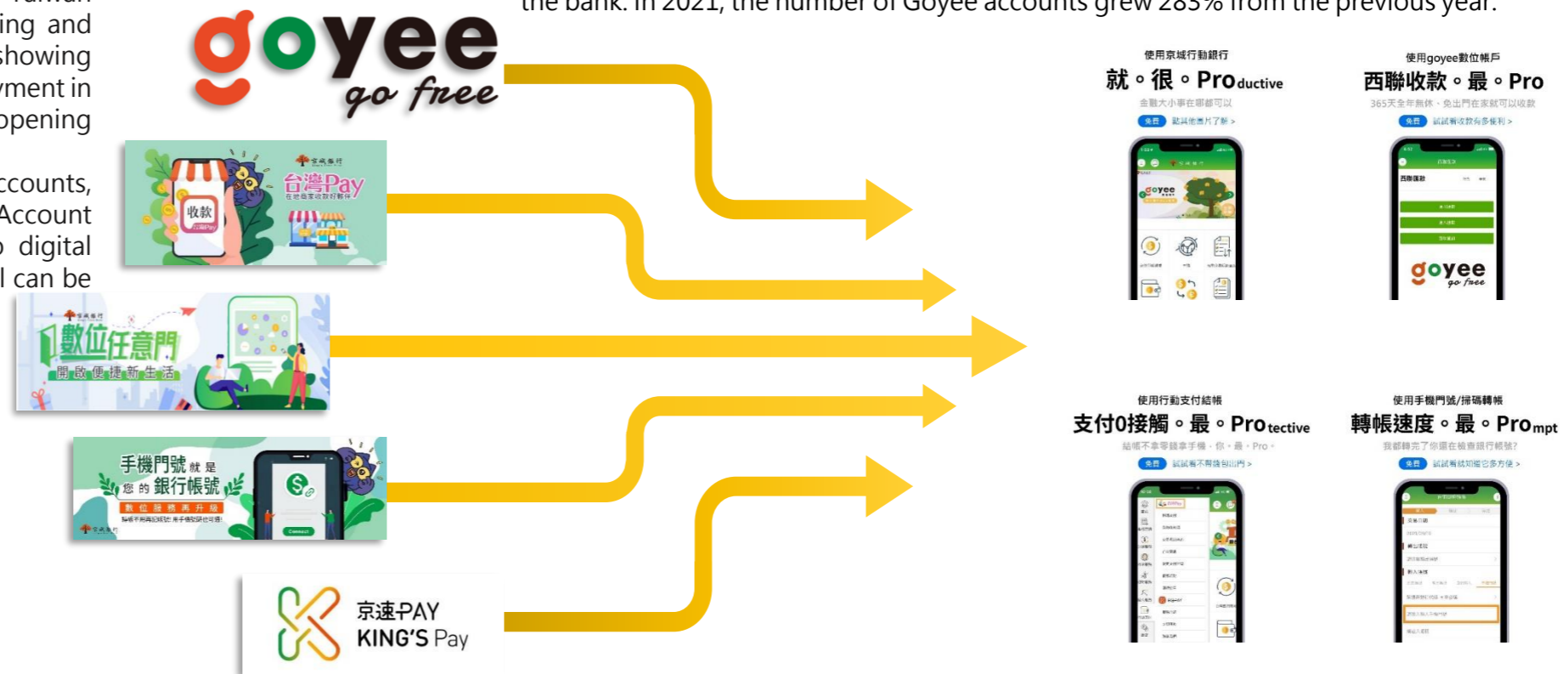
In response to promoting the development of Open Banking, KTB completed the first phase of service interface together with TSP operators in August 2021, by which consumers can enjoy instant and diversified financial value-added services in various consumption scenarios. KTB is also actively engaged in the second phase of Open API service, expecting to build a one-stop account and a 360-degree financial service platform.

Wire Transfer with Phone Number

KTB provides customers with the wire transfer service with mobile phone numbers as payment accounts jointly with Financial Information Service Co., Ltd. Customers can transfer funds by themselves or make interbank transfers through digital banking, without memorizing a long list of account numbers, which reduces the risk of incorrect account input, and improves the convenience of use.

goyee Digital Account

Customers can open new NTD and foreign currency accounts online, and enjoy services including money transfer, mobile payment, currency exchange, overseas remittance, funds and wealth management, securities investments without going to the bank. In 2021, the number of Goyee accounts grew 283% from the previous year.



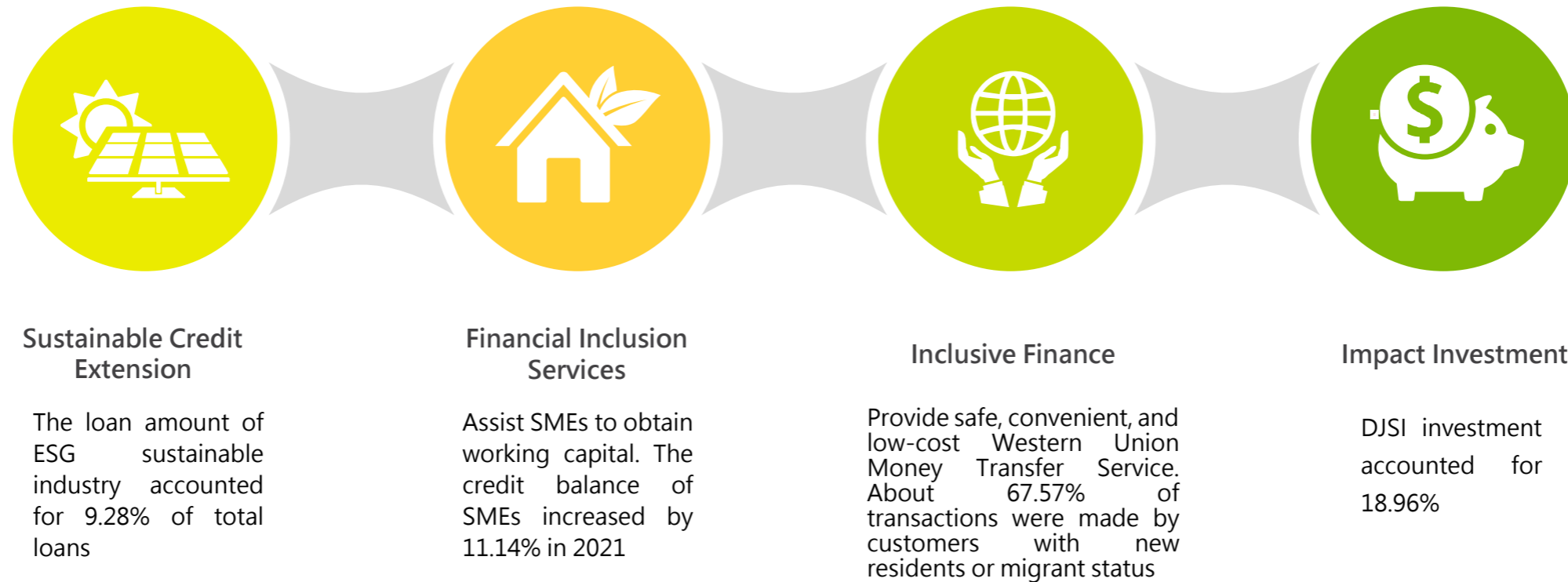
King's Pay

In 2020, KTB launched digital channel services jointly with Western Union, providing a true digitalized wire transfer platform from opening accounts to wire transfer. Through King's Pay, customers can instantly make wire transfer to more than 80 countries and regions around the world, which will be done immediately, with a low commission and no additional fees for beneficiary.

In 2021, the number of wire transfer increased by 2,437% from the previous year.

5.3 Sustainable Finance

In the development of social economy, financial institutions play the role of financial intermediation and are crucial to the direction of industry development. Capital lending, investment, deposit and remittance services, and financial products are the main source of income of KTB. By incorporating the concept of ESC into our businesses, we review the identities of our credit and investment targets, and inspect the products, and provide inclusive financing, to effectively exert the influence of the financial supply chain and promote society's awareness of sustainable development. Major achievements in 2021 are as follows:



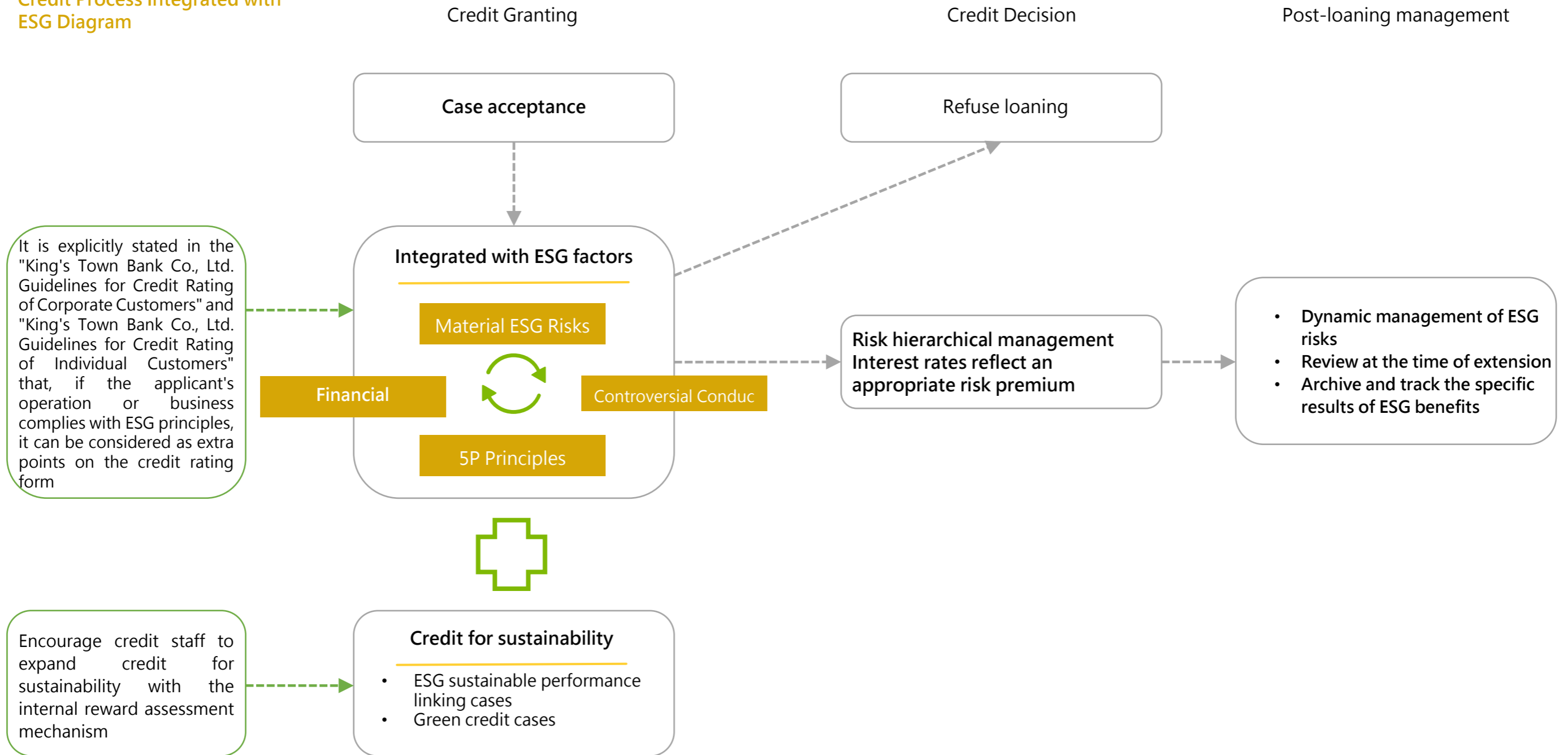
- Sustainable Credit Extension**

Before released loans to corporate customers, KTB reviews the loaning based on the 5P principle - people, purpose, payment, protection, and perspective, according to the borrower's situation, fund use, repayment source, guarantee of creditor's rights and borrower's prospect, also incorporates the enterprise's ESG status into the credit investigation process, such as whether it has been subject to major pollution penalties, whether it has been involved in civil and criminal litigation, whether there is any incident that has an obvious adverse impact on the operation or image of the enterprise, and the prospects and risks of the industry, such as policy directions and changes in laws and regulations. Moreover, the "King's Town Bank Co., Ltd. Guidelines for Credit Rating of Corporate Customers" and "King's Town Bank Co., Ltd. Guidelines for Credit Rating of Individual Customers" stipulates that, if the applicant's operation or business complies with ESG principles, it can be considered as extra points on the credit rating form. In addition, for enterprises that are beneficial to sustainable development, KTB also implements an internal award mechanism to encourage the sales employees to develop credit business of sustainable industries, so as to increase capital investment in eco-friendly industries, including green power, clean energy, circular economy, and health care. The business unit will check and annotate on the application documents for disclosure purpose. As of the end of December 2021, KTB's loan balance to ESG-related industries totaled NT\$19.45 billion, accounting for 9.28% of KTB's total loans.

Unit: NT\$ one hundred million

ESG opportunities	Industry	Loan balance at the end of 2021	Proportion in total loans
Environmental friendly	Green energy technology	132.67	6.33%
	Circular economy	23.19	1.11%
Social friendly	Biotechnology & medical	27.84	1.33%
Environmental & social friendly	Innovative agriculture	10.80	0.52%
Total loans to ESG sustainable industry		194.50	9.28%

Credit Process Integrated with ESG Diagram



● **Support Small- and Medium-Sized Enterprises (SMEs)**

The small- and medium-sized enterprises are the backbone of Taiwan's industry and economic development. However, these enterprises face higher operating costs due to small loan amounts, but large number of transactions, or they have to bear higher financing risk due to relatively imperfect accounting system and higher difficulty in the credit check. These factors lower the financial institutions' willingness to finance small- and medium-sized enterprises. As a consequence, many promising enterprises are nipped in the bud due to a lack of capital. KTB has spared no effort in supporting SMEs over the years. KTB utilizes its advantages in the concentration of branch offices in central and southern Taiwan, understanding of the nature of the customers and industries, flat organization, flexible operating strategies, to provide small- and medium-sized enterprises with different financing plans based on the nature of their industry and life cycle, complemented by digital financial products, so as to address their capital needs, from loans to daily operation. As of the end of 2021, the loan balance of SMEs accounted for 60.1% of the total loans, among which the loan balance of small enterprises with capital less than NT\$25 million accounted for 13.23%.

Unit: NT\$ one hundred million

Outcomes for Supporting SMEs	2019	2020	2021
Loan balance at the end of the year	847.12	1,133.04	1,259.34
No. of loans	2,681	4,745	5,417
Number of customers	1,229	2,751	2,613
Percentage of loan balance	53.75%	60.32%	60.1%

Note: SMEs are defined in accordance with the "Small & Medium Enterprise Credit Guarantee Fund of Taiwan"

Unit: NT\$ one hundred million

Outcomes for Supporting Small Enterprises	2019	2020	2021
Loan balance at the end of the year	207.36	350.51	277.29
No. of loans	1,397	2,963	2,825
Number of customers	810	2,283	2,055
Percentage of loan balance	13.16%	18.66%	13.23%

Note: "Small enterprises" refer to SMEs with a capital of less than NT\$25 million

● **Responsible Investment**

Besides undertaking credit businesses to support sustainable development, KTB also lays great emphasis on the investees' actions in the aspects of environmental, social, and governance, when investing in shares or credits. Thus, the "Stewardship Principles" was formulated, and approved by the Board of Directors, specifying the principles, such as the due diligence policy, with the aim to facilitate the improvement of investees' corporate governance quality, through caring for, communication, and interaction with the investees, thereby promoting an overall positive development in the industry, economy, and society as a whole. The "[Stewardship Principles](#)", "[Stewardship Compliance Statement](#)", and "[Stewardship Report](#)" are available for download from KTB's official website.

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

1 Investment Analysis

- Quantifiable financial indicators
- Whether it is a potentially controversial industry
- The degree of involvement of major issues, such as whether major shareholders have credibility issues, major changes to management level and financial personnel, whether there are penalties or lawsuits due to pollution, whether major industrial safety incidents have occurred, whether there have been violations of international human rights, etc.

2 Investment Decision and Execution

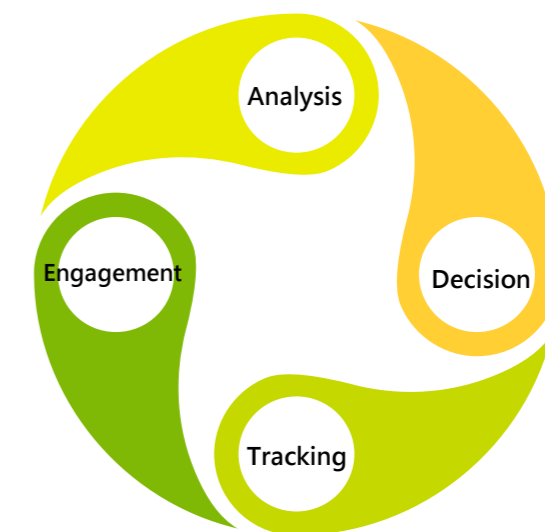
- If it is a potentially controversial industry, due diligence and careful evaluation are required
- Refer to external ESG scoring performance
- Evaluate the level of involvement and impact of major issues
- Other potential ESG risks

3 Investment Risk Tracking

- Evaluate the performance of all aspects of the investments through regular and irregular review

4 Engage with the Investee

- Determine the method and frequency of communication and interaction with the investee company based on the sustainable development of each investment



✧ **Specific achievements of responsible investment in 2021:**

The Dow Jones Sustainability Index (DJSI) is the world's number one corporate sustainability assessment index. DJSI started in 1999 and invited thousands of corporations worldwide to participate in the Corporate Sustainability Assessment, and only the top 10% companies with the highest scores in their corresponding industry are selected as the DJSI constituent stock. As of the end of 2021, about one-fifth of the securities held by KTB belong to DJSI constituent stock. This fully shows that KTB not only balances the risks and revenue when investing but also adheres to its principles of responsible investment.

Unit: NT\$ one hundred million

Investments	Amount	Percentage
Stock position in the DJSI	15.53	26.02%
Credit position in the DJSI (excluding domestic government bonds)	58.62	17.69%
Total	74.15	18.96%

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

KTB is currently the only bank in Taiwan that has cooperation with Western Union. Due to the tightening of anti-money laundering laws, regulatory compliance costs of banks has increased. Therefore, many financial institutions chose to withdraw from the market due to the consideration of operating efficiencies, while others increased the handling fee for international remittance. However, being an island country, Taiwan has always been a multi-cultural society. With the development of trade and globalization, people of different nationalities, ethnic groups, beliefs, cultures come to Taiwan, and thus drives the growth of international remittance. New immigrants and foreign workers have traveled to Taiwan with dreams. However, they face great difficulties in basic financial services, such as sending money to their home countries, due to factors such as language barriers, lifestyle, and cultural backgrounds. As a consequence, they turn to illegal underground banking. We noticed that our customers rely heavily on Western Union, and we believe that we should shoulder the responsibility of inclusive financing, to provide comprehensive financial services to everyone in the society. With strict control mechanisms, employee training, and supplementary systems (please refer to section [4.2.1 Anti-Money Laundering and Countering the Financing of Terrorism](#) for details), KTB has implemented the AML/CFT policy, and simultaneously launched online Western Union service, and King's Pay, so that our customers may complete remittance through PCs and mobile phones. Moreover, customers can enjoy the immediate collection and low handling fees, compared to normal international remittances which take 2 to 3 days to receive the money and has high handling fees.

In 2021, the total number of Western Union remittance transactions was 365,664, of which about 67.57% were made by new immigrants and foreign workers, and 56.12% were made through the Internet or APP, which shows that the development of the Online Western Union remittance service has greatly helped new immigrants and foreign workers to overcome the limitations of time and region in the past and find a safe way to send money home.



6. Happy Workplace

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

KTB actively is actively reducing the "gender gap in the workplace" and taking concrete actions to achieve the UN Sustainable Development Goal - SDG 5 Gender Equality. In January 2022, KTB was once again included in the Bloomberg Gender-Equality Index (GEI) evaluation. The index covered 418 companies from 45 countries and regions across a wide range of industries. The evaluation includes the following aspects: Female Leadership & Talent Pipeline, Equal Pay & Gender Pay Parity, Inclusive Culture, Sexual Harassment Policies, and Pro-Women Brand. We received excellent score in Pro-Women Brand and Equal Pay & Gender Pay Parity, and perfect score in Sexual Harassment Policies. This is a recognition of KTB's long-term efforts in building a gender-friendly workplace.

6.1 Talent Attraction and Retention

● Current Employee Structure

In 2021, KTB had 964 full-time employees and 76 temporary employees (74 contracted employees and 2 dispatched employees). For details on the distribution of employees, please refer to [Appendix 9.4 Human Resource Management Indicators](#). The ratio of female to male employees was 63:37, and the number of female employees holding managerial positions accounted for 53.87% of the total, which demonstrates KTB's focus on personality traits, professional abilities, and appropriate job arrangements when hiring employees and recruiting outstanding talents. KTB treats all its employees with fairness and mutual respect, to provide fair competition and development opportunities for both sexes.

✧ Percentage of female employees of all groups in the past three years

Category	2019	2020	2021
All female employees	63.12%	64.01%	63.17%
Female managerial officers	53.85%	54.14%	53.87%
Senior managerial officers	33.33%	36.67%	41.30%
Intermediate and junior managerial officers	63.27%	62.00%	59.51%
Managerial officers of business unit	-	-	58.60%
Non-managerial female employees	67.01%	68.33%	67.32%
New female recruits	66.89%	56.36%	55.91%
Female technical professional(STEM-related) employees	-	-	30.23%

Note 1: Managerial officers of business unit: Managerial officers of branches and credit centers, and that is equivalent to management positions in revenue-generation functions.

Note 2: Technical professionals: Employees who use knowledge and skills for science, technology, engineering or mathematics (STEM) in their jobs and have relevant qualifications.

● Diversified Recruitment Channels

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

✧ College and University Internship Programs

Since 2017, KTB has been promoting internship programs in colleges and universities. In the internship, senior employees are assigned to work together with students to complete daily tasks, so as to facilitate the student's understanding of the outlook of the finance industry through practical experience. The internship also helps students combine theoretical knowledge and practical experience to reduce their inability to adapt to the workplace after they are formally recruited in the future. In 2021, there were 7 interns, among which 4 will be transferred to full-time positions, and 2 are still in the internship, with a retention rate of 85.71%. This shows that a comprehensive internship program can effectively assist students in adapting to the workplace, and enterprises can also recruit outstanding talents earlier through their internship programs.

❖ **Career Coaching Programs**

KTB participates in the "Career Coaching Program" organized by the National Cheng Kung University (NCKU). Every year, the program selects 250 to 300 students from NCKU, and invites senior managerial officers from corporations to serve as career coaches. The program is divided into corporate teams, and the coaches from each corporate team provide guidance for the students, help the students understand the environment of the industry, prepare the students for job search and employment, and share their own experience to encourage the students to explore their interests and future career developments. In partnership with NCKU, we coached for one semester in 2021. We help students gain a better understanding of the development of the finance industry. More importantly, this program allowed students to know that their aspirations to work in the finance industry do not necessarily mean having to uproot their life and work far away from home, they can stay in their hometown; allowing local Tainan residents to stay put while working in the finance industry.



The students of Cheng Kung University visit the headquarters building

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

Since August 2020, KTB has responded to the Ministry of Labor's "The Youth's Employment Ultimate Program", providing not only employment opportunities for youth, but also practical vocational training. We assigned senior employees to act as training instructors to lead and guide students to familiarize themselves with skill sets, on a one-on-one basis, and regularly track and provide feedback to them. In this way, these students may have a less steep learning curve in their future work and acquire useful skills. By January 2022, we have hired a total of 76 employees under this program.

● **Talent Retention Measures**

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

❖ **Comprehensive Remuneration Structure**

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

In 2021, KTB's total salary expense was NT\$887 million, and there were 833 non-managerial full-time employees. The average and median salary are shown in the table on the right:

Non-managerial full-time employees		2021
Weighted average of total employees for the year	Male	286
	Female	547
	Total	833
Average salary of non-managerial full-time employees (NT\$ thousand)	Male	914
	Female	777
	Total	846
Median salary of non-managerial full-time employees (NT\$ thousand)	Male	847
	Female	929
	Total	763

Note 1: "Non-managerial positions" refers to the positions excluding the "managers" as specified by Taiwan Stock Exchange Corporation.

Note 2: "Salary" refers to the employee salary for the year, including regular pay, overtime pay, and irregular pay.

Regarding the implementation of salary equality, KTB provides fair and reasonable salary and remuneration based on the ability and experience required by the position, without gender discrimination. The salary and related performance assessment of managers are also proposed to the "Compensation Committee" every year for discussions to examine the reasonableness of the correlation between personal performance, company operational performance, and future risks. The ratio of female to male employees at all levels of KTB for total salary and remuneration and for the regular salary and remuneration ratio (female: male) in 2021 are shown in the table on the right:

Category of employee	Total salary	Regular pay
Senior managerial officers	0.85	0.84
Intermediate and junior managerial officers	0.96	0.93
Non-managerial positions	0.93	0.93

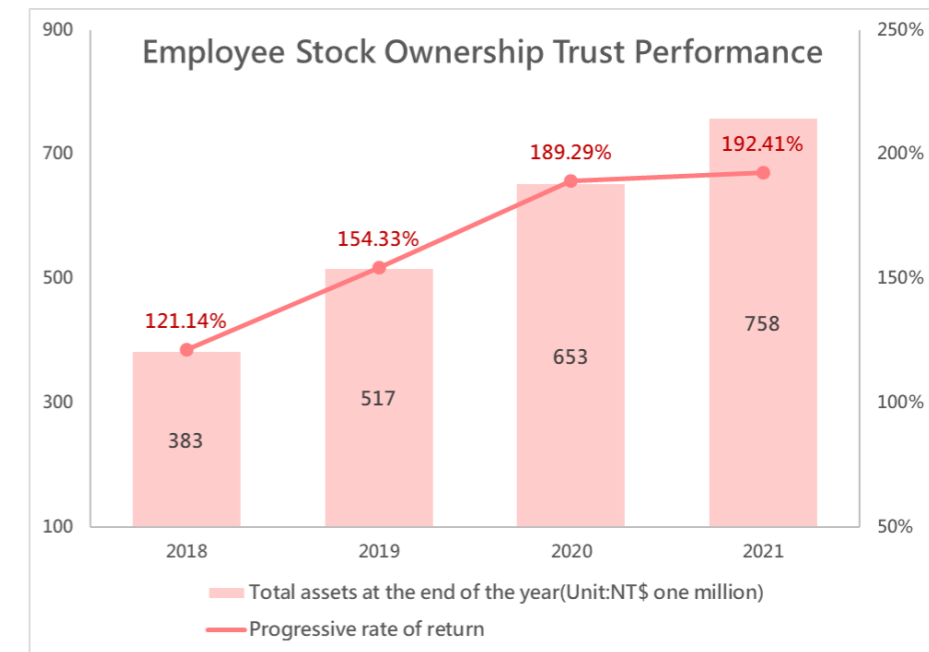
Note 1: Total salary: refers to the sum of monthly salary, allowance, and annual bonus

Note 2: Regular pay: Refers to the monthly remuneration paid to employees for their work: including the basic salary and monthly fixed allowances, transportation expenses, meal expenses, water and electricity expenses, monthly work (production, achievement, performance) bonuses and perfect attendance bonuses, etc.

Note 3: "Senior managerial officers": Refers to managerial officers at the manager level (inclusive) or above, "Intermediate and junior managerial officers": Refers to managerial officers at the deputy (assistant) level


◇ Long-term Reward Mechanism

In addition to the salary mentioned above, KTB regards every employee as its partner and believes that KTB's steady growth lies in the team's cooperation and profit-sharing. In 2010, we launched the employee stock ownership trust, and the employees formed the "King's Town Bank Employee Stock Ownership Association". It has been agreed upon that KTB allocates a certain amount from each member's salary and deposits it to the trust organization for long-term investment and management of KTB's stocks. Also, KTB allocates an additional amount as reward based on the members' performance evaluation of the previous year and their voluntary contribution. Through "from employees to shareholders", KTB gives its employees a sense of value in the workplace and the meaning of their hard work. As KTB grows and appreciates, we also assist our employees to build up their own assets so that they can enjoy a secure retirement in the future. In 2021, the employees' participation rate in employee stock ownership trust was 88.28%, and the performance from such implementation is as the figure on the right:




✧ **Employee Benefit Plans**

As employees devote most of their time and efforts to work, it is the responsibility of KTB to help employees achieve a work-life balance. In addition to the statutory labor and health insurance, KTB has introduced a number of measures and programs to take care of the employees in multiple aspects, such as the important moments of their lives, daily needs, emergency assistance, and retirement. The average welfare expense in 2021 was NT\$1.048 million.




Secure

- Employee retirement benefits
- Employees preferential deposits and loans



Caring

- Group insurance for employees and family
- Marriage, childbirth, funeral, illness or injury subsidies
- Provide prenatal check-up leave, maternity leave, paternity leave and parental leave in accordance with the Labor Standards Act



Thoughtful

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

✓ Provide employees with secure retirement

In order to encourage employees to plan their future retirement through long-term savings, KTB has formulated the "Regulations Governing Retirement of Employees" with reference to the "Labor Standards Act" and the "Labor Pension Act". Employees that can apply for retirement are those who have served in KTB for more than 15 years and have reached the age of 55, those who have served for more than 25 years, and those who have served for more than 10 years and have reached the age of 60. KTB has also set up the "Labor Retirement Reserve Supervisory Committee" to review, check, and supervise issues related to the employee's retirement reserves. A total of 5 Labor Retirement Reserve Supervisory Committee meetings were held in 2021.

With regards to the retirement system, for those who are subject to the "Labor Standards Act", KTB allocates 15% of the total salary of the employees to the "Company Pension Account" at the Bank of Taiwan every month starting 2012. When employees retire, the retirement pension is calculated based on the base unit of their service years and the approved average monthly salary for the final six months before their retirement. For the employees who are subject to the "Labor Pension Act", 6% of the individual employee's salary is allocated to their own individual labor pension account at the Bureau of Labor Insurance on a monthly basis. In 2021, NT\$32.85 million was recognized and allocated to the retirement plan.

✓ Care for important moments of employees

KTB has formulated the "King's Town Bank Co., Ltd. Working Rules", which specify the various benefits and leaves employees are entitled to. In addition, KTB has also set up the "Employee Welfare Committee" to be in charge of employee welfare matters and formulated the "King's Town Bank Enforcement Rules for Employee Benefits" as the basis for the utilization of employee welfare fund. Employee welfare fund, deposited in a special account, is exclusively for welfare purposes, and cannot be utilized unless approved by the Employee Welfare Committee. Benefit allocation is calculated in accordance with the following guidelines: 0.1% of the total monthly operating revenue and 0.5% of the monthly salary of each employee are allocated for employee benefits. All employees (including those who are on probation period) of KTB are entitled to the same rights and obligations. A total of 4 Employee Welfare Committee meetings was held in 2021.



【Welfare Initiatives】

Holiday bonuses

- Lunar New Year
- Dragon Boat Festival
- Mid-Autumn Festival

Wedding subsidies

- Applicable for employees own or their children's wedding
- Apply separately if lineal relatives or both the husband and wife are KTB's employees

Maternity allowances

- Applicable for employees or their spouses delivering babies
- For twins or more, the amount will be multiplied accordingly

Illness or injury subsidies

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

Funeral subsidies

- Applicable for employees' lineal relatives

✓ Care for the daily needs of employees

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

In mid-May 2021, the local epidemic broke out, and Taiwan entered the Level 3 alert status. In order to protect the health of employees and the rights and interests of our customers, we have adopted a number of epidemic prevention measures of the highest standards, including leading the industry in shortening the opening hours of branches located in epidemic hot areas, and arranging staff to take turns to office and work from home to strengthen personnel management and reduce the risk of infection. After months of efforts, on the first day when the epidemic was downgraded from Level 3 to Level 2, KTB took the lead in the financial industry by issuing another NT\$5,000 bailout consumption allowance, following the NT\$3,000 bailout in 2020, to encourage employees to go out and spend "without change". This not only benefits our employees, we also hope to stimulate the surrounding economy and help local stores break out of the epidemic situation, and add some strength to people's life under restrictions.

6.2 Talent Cultivation and Development

● Comprehensive Training System

In 2021, KTB held or participated in internal or external education training a total of 979 courses, with 90,999 participants. Every employee took part in 94 education training courses on average, with a total of 50.35 training hours. For details on education training, please refer to [Appendix 9.4 Human Resource Management Indicators](#).

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

● Incentives and Subsidies for Continuing Training and Certifications

Besides encouraging employees to participate in internal and external education training, KTB also designs a system to provide its employees with career growth opportunities and resources. KTB has formulated the "Major Licenses/Certificates Subsidy Scheme" based on the list of required certificates for each position and duty. For employees who obtain international certificates, such as CFA, FRM, AFMA, PMP, they may apply for subsidies for the application fee, and receive an additional monthly professional allowance. For details on the certificates held by KTB employees in 2021, please refer to "[Page 81 of King's Town Bank Co., Ltd. 2021 Annual report](#)".



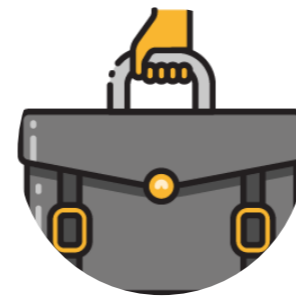
Preliminary Training

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



On Site Training

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



On Job Training

- Organize or encourage employees to participate in courses, such as: "Communication Training and Customer Complaint Handling," various "Credit Sales Seminars," "Financial Consumer Protection Law and Case Introduction," "Derivative Financial Products Seminar," "Digital Sales Personnel Course," "FinTech courses", etc., to help employees to have a better understanding and learning of job content, and to optimize their work processes and models
- In line with the bilingualism policy, we organize the "Bank Counter English Conversation Practical Class", hoping to improve the English skill of employees and create a friendly bilingual financial service environment. And we plan to launch the "English Skill Improvement Program" online training project in 2022



Development Training

- Professional managers must not only possess professional skills, but also have the abilities to handle problems, lead the team, think strategically, and manage interdepartmental communication. Organize different Development Training courses every year to assist senior and junior managerial officers to acquire all-round management skills and achieve effective management.
- In 2021, the company organized "Problem Analysis and Decision-making Practice Class" and "Presentation Required Course for Mastering Oral Expression and Stage Charm" to improve the logical thinking ability of employees through practical exercises, so that they can learn various skills and methods to avoid conflicts, as well as building the ability of team members to actively communicate and reach consensus

● Expanding Career Experience through Job Rotation

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

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

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

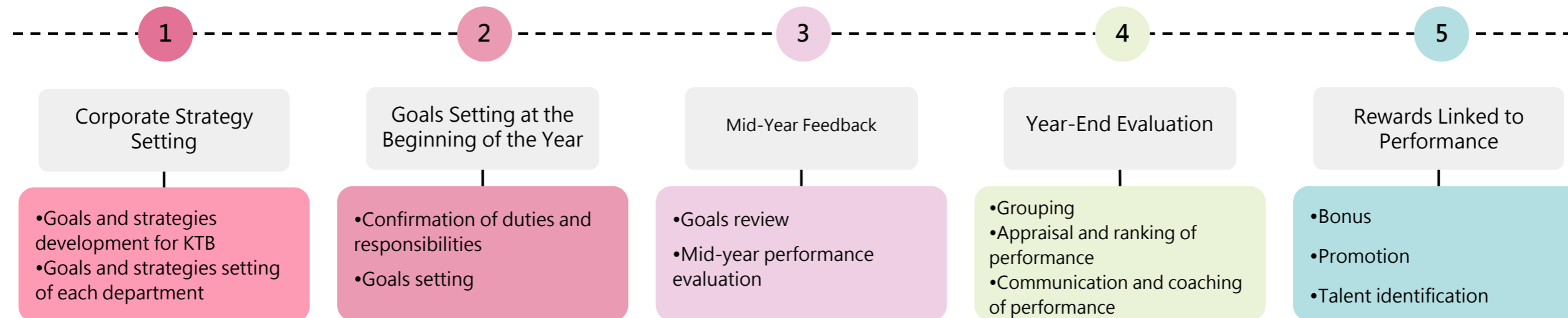
In 2021, there were 104 positions transferred through job rotation training, and only 1 position through internal recruitment. The filling rate of internal employees for vacancies was up to 52.76%. For relevant data, please refer to [Appendix 9.4 Human Resource Management Indicators](#).

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

- ✓ Where an employee has worked continuously for more than 3 months but less than one year, the notice shall be given 10 days in advance.
- ✓ Where an employee has worked continuously for more than 1 year but less than 3 years, the notice shall be given 20 days in advance.
- ✓ Where an employee has worked continuously for more than 3 years, the notice shall be given 30 days in advance.

● **Guided Performance Development Management**






A fair and reasonable performance development system can motivate and retain talents. Also, it can promote employees' understanding of the expectation and performance of their own duties, provide a clear goal for future development, and align the goals of the employees with that of KTB. KTB has formulated the "Regulations on the Annual Employee Performance Evaluation", and "Regulations Governing Promotion of Employees". The assessment items include, ethics and attitude, work performance, professional growth through learning, leadership and management, and records of awards and penalties. In 2021, 100% of KTB's employees underwent performance assessments. (For relevant data, please refer to [Appendix 9.4 Human Resource Management Indicators](#)).



6.3 Employee Care and Friendly Working Environment

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

【Identification of Employees' Health Risks】

					
Health risk issues	Traffic accidents	Prevention of the "three-hypers" (hypertension, hyperglycaemia, and hyperlipidaemia)	Maternal health protection	Abnormal workloads	Human-induced hazards
Mitigation and prevention measures	<ul style="list-style-type: none"> Advocate traffic safety Establish an internal notification mechanism Follow-up on the health condition of individuals 	<ul style="list-style-type: none"> Provide health check-up policy that is better than statutory requirements Provide on-site doctor consultation Hold health seminars Establish "Health Corner" to provide information on health 	<ul style="list-style-type: none"> Formulate "Workplace Maternal Health Protection Program" Set-up breastfeeding rooms Assist employees to return to work after giving birth 	<ul style="list-style-type: none"> Overwork screening test/overwork load assessment Interviews, telephone health consultations and guidance of engaged service physicians or health managers Follow-up on the health condition of individuals 	<ul style="list-style-type: none"> Conduct a human-induced hazard survey on an annually basis Interviews, telephone health consultations and guidance of engaged service physicians or health managers Follow-up on the health condition of individuals

● Build a Safe Workplace

✦ Develop safety and health measures

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

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

✦ Implement occupational safety and health education and training

- ✓ Arrange fire drills and first aid education training every year. In 2021, under the epidemic, KTB organized 1 self-defense fire drill, with 30 participants, and 4 CPR first-aid training courses.
- ✓ Provide a 3-hour occupational safety and health education and training for new recruits.
- ✓ Appoint safety and health personnel to participate in external professional training. Participated in a total of 4 courses, with 22 person-times in total.

✦ Statistics on occupational injuries

In case of injuries, KTB offers occupational sick leave in accordance with regulations and actual circumstances, and assists employees to apply for subsidies, and provides what they need in the shortest time possible. In 2021, there were 2 occupational injuries, all caused by traffic accidents during the employees' commute to work. There was no work-related death case. (For relevant data, please refer to [Appendix 9.4 Human Resource Management Indicators](#))

● **Promote Employees' Health**

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

✧ **Physical and mental health care measures**

- ✓ Provide health check-up that is better than as required by the law. KTB provides health check-ups every two years, analyzes the annual abnormal check-up report, and takes initiatives to care, make medical referrals, provide consultation services for employees, and follow the improvements.
- ✓ In 2021, KTB held 3 on-site consultation sessions, where employees received one-on-one health consultation, evaluation, and were given effective suggestions and assistance.
- ✓ KTB has set up the "Health Corner", and "Health Management Column", in the Intranet, to provide information on health knowledge, drug and food safety, health welfare, and health activities, to help employees build the right health concept.
- ✓ KTB has established the "Abnormal Load-Induced Disease Prevention Program", "Ergonomic Hazard Prevention Program", and "Unlawful Assault Prevention Program in the Performance of Duty" to prevent physical and mental harm caused by unsatisfactory working conditions, improper working hours, or other unlawful assaults in the workplace.
- ✓ The Headquarters Building has nutritionists to plan and cook employee meals. KTB uses local ingredients or produce that is in season. During holidays, KTB prepares festival feast and invites all employees to enjoy the festive atmosphere.

✧ **Anti-epidemic measures**



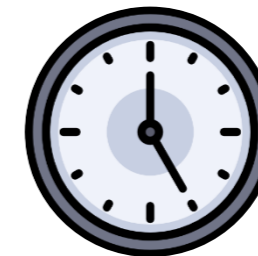
Anti-epidemic Zone

KTB has set up an "Anti-epidemic Zone" on the Intranet to update and collect epidemic information and anti-epidemic measures at any time for employees to inquire.



Anti-epidemic Mechanism and Anti-epidemic Materials

In response to the COVID-19 outbreak in mid-May, KTB quickly responded to the government's epidemic prevention policy and carried out off-site backup and personnel control, distributed adequate alcohol, hand soap on each floor and each department, and provided complete personal protection, such as masks, protective masks and other epidemic prevention materials to protect all employees.

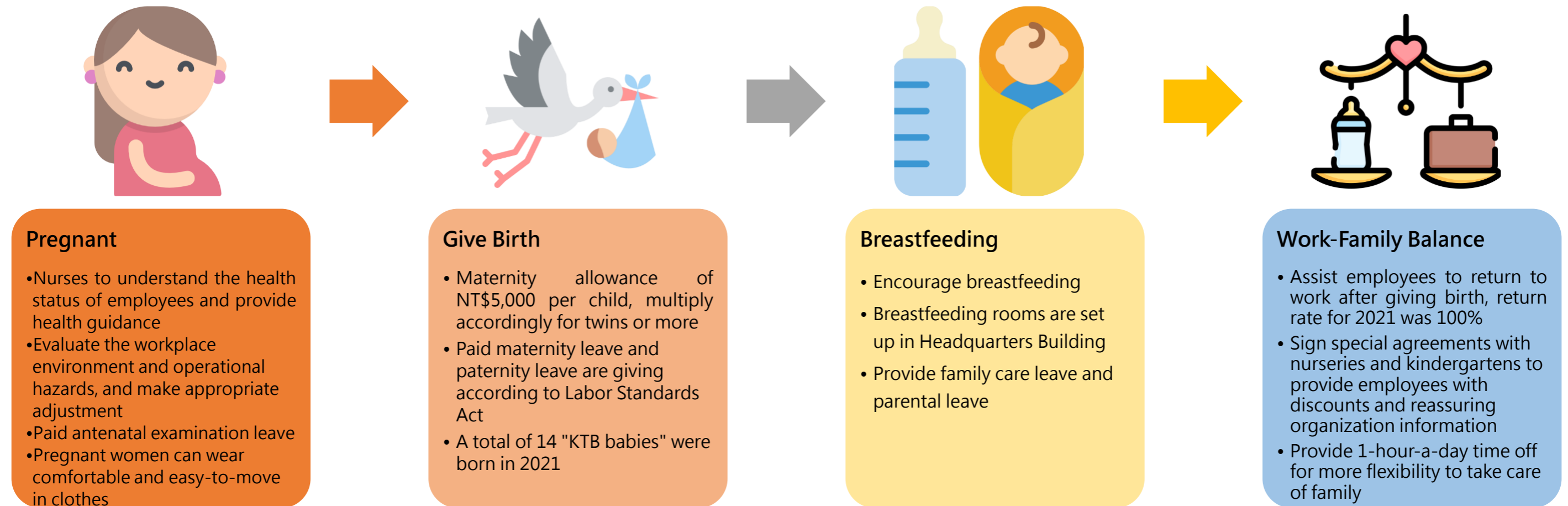


Epidemic Prevention Leave

In response to the changes in the epidemic situation, KTB provides different types of leave and flexible working hours according to the needs of home office, quarantine, care and vaccination, etc. For detailed statistics, please refer to Appendix 9.4 Human Resource Management Indicators.

✧ **Maternal health program**

KTB is devoted to building a gender equality and friendly workplace. We offer females a place to shine and be a strong support for working mothers. From pregnancy, giving birth, breastfeeding, to raising a child, females have to bear with physical discomfort, mental anxiety, and a change in their identity. On top of that, they have to juggle between family and work. KTB has formulated the "Workplace Maternal Health Protection Program", and provides employees benefits including maternity allowance, maternity leave, parental leave (for data related to parental leave, please refer to [Appendix 9.4 Human Resource Management Indicators](#)), infant care center, and preschool. We stand side by side with our female employees to welcome the most important moment of their life and help them strike a balance between family and career.



6.4 Labor Rights

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

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

- ✧ **Support employee diversity**

KTB respects the uniqueness of each individual, recognizes the different perspectives and sparks that diversity can bring to a company. KTB provides an environment of gender equality (for details, please refer to section [Percentage of female employees of all groups in the past three years](#)), and has never discriminated against employees or their age, marital status, or family background (for relevant data, please refer to [Appendix 9.4 Human Resource Management Indicators](#)). Besides, KTB fully supports the employment rights of employees with physical or mental disabilities. We adjust and evaluates the work content appropriately according to the individual employees, and continue to hire new recruits with physical or mental disabilities through all available channels. In 2021, KTB has 9 employees with physical or mental disabilities.

In order to protect gender equality and dignity at work, KTB has formulated the "Guidelines for the Prevention, Correction, Complaint, and Punishment of Sexual Harassment at Workplace", which has been disclosed on KTB'S official website - [[Guidelines for the Prevention, Correction, Complaint, and Punishment of Sexual Harassment at Workplace](#)], stipulating that all forms of sexual harassment at the workplace are prohibited. KTB also organizes sexual harassment-related education training to advocate the importance of sexual harassment prevention and eliminate the hostility originated from sex or gender, so as to protect employees, job applicants, and customers from the threat of sexual harassment.

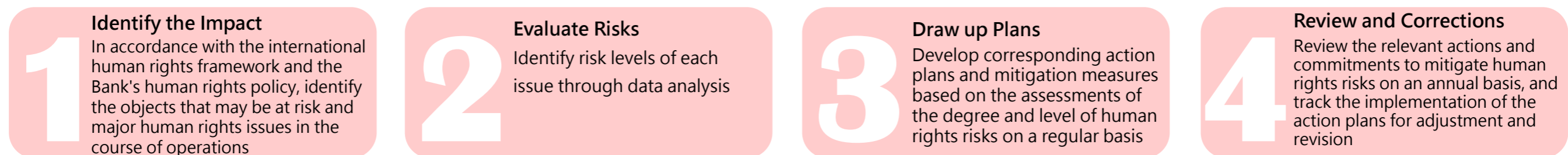
KTB has established the sexual harassment complaint channel, complaint reporting method, investigation mechanisms, handling methods, and punishment. After receiving a sexual harassment complaint, KTB sets up the Sexual Harassment Complaint Handling Committee, and, when required, may retain experts or scholars as committee members to handle the cases independently, and report to the Board of Directors based on the circumstances. The investigation shall be based on the principle of protecting the privacy and dignity of the informer, and KTB promises not to terminate, transfer, or take any disciplinary action that is adverse against employees who personally file complaints or assist other persons to file complaints regarding sexual harassment. There were 0 sexual harassment complaint case received in 2021.

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

KTB supports and implements human rights policy, practices workplace diversity, and does not treat differently or discriminate in any form on the grounds of gender, sexual orientation, race, class, age, marriage, language, thought, party, place of origin, birthplace, appearance, facial features, physical or mental impairment, or trade union membership. In addition, KTB abides by laws and regulations and has never used child labor or illegal labor. KTB has established the "[King's Town Bank Co., Ltd. Human Rights Policy](#)", which was approved by the Board of Directors with reference to the spirit and basic principles of human rights protection as outlined in various international human rights conventions, including the United Nations' "The Universal Declaration of Human Rights", "The United Nations Global Compact", "United Nations Guiding Principles on Business and Human Rights", and "International Labor Organization - Declaration of Fundamental Principles and Rights at Work". KTB carries out education training to advocate its spirit on a regular basis. In 2021, the total education training reached 162.35 training hours, with an advocacy rate of 100%.

- ✧ **Perform human rights due diligence**

KTB conducts human rights due diligence on all operation locations (including 66 branches and 2 credit regional centers) every year, identifies risks for possible issues and objects, and discloses the implementation status of subsequent risk mitigation measures, with a completion rate of 100% in 2021.



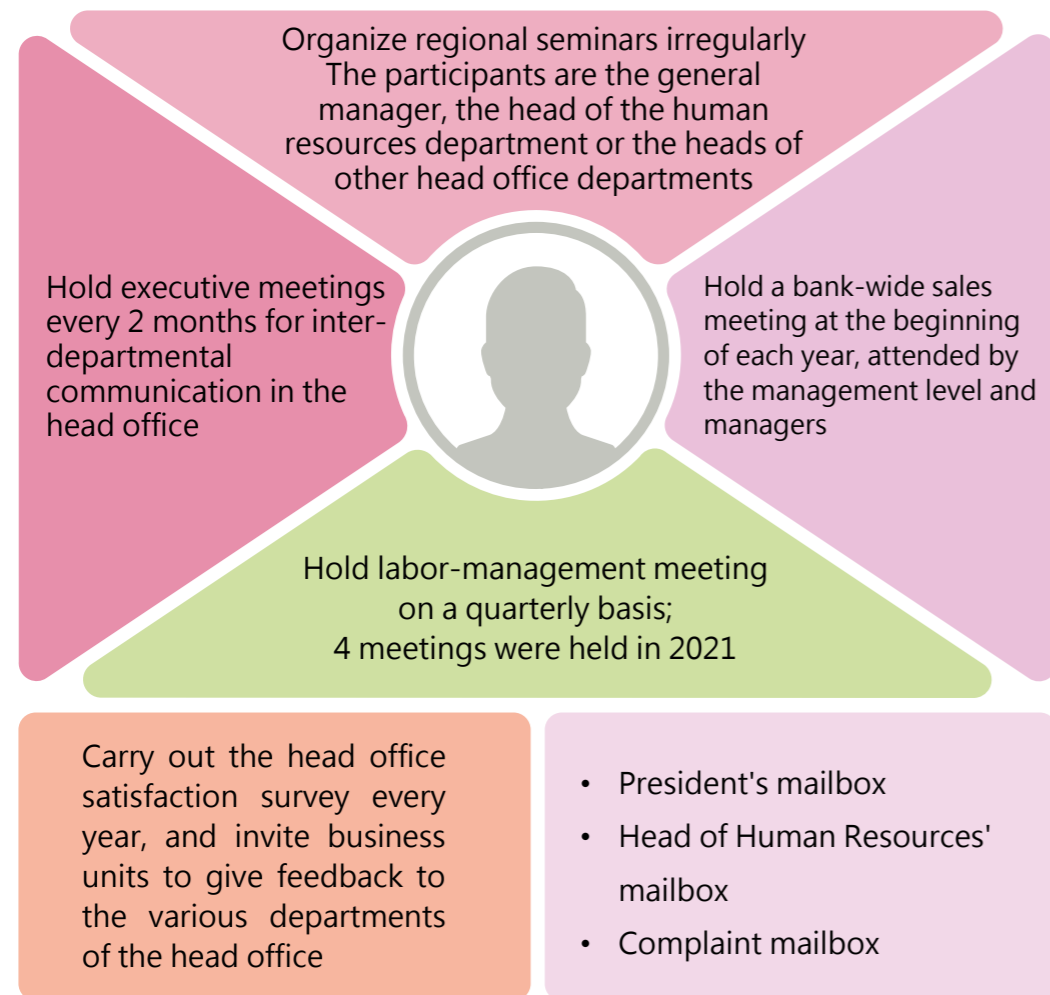
【Human Rights Due Diligence and Implementation Outcomes】

Evaluation Issues	Target of Evaluation	Risk Identification Ratio	Total Risk Ratio	Risk Mitigation Management Measures	Impact Ratio	Total Impact Ratio	Impact Remediation / Implementation Outcome
Workplace Equality	Employees with physical or mental disabilities	0.00%	3.94%	<ul style="list-style-type: none"> Control the number and percentage of employees with disabilities, personnel appointments, and management procedures. Abide by the Act of Gender Equality in Employment, and other employment-related laws and regulations. 	0.00%	0.10%	In 2021, KTB hired a total of 9 employees with physical and mental disabilities, meeting the legal requirements
Occupational Health and Safety	All employees	3.84%		<ul style="list-style-type: none"> Establish the "Code of Practice on Safety and Hygiene" and abide by the laws and regulations regarding occupational safety and health, protect the employees' health and safety, continue to improve the safety and health condition of the work environment, prevent the occurrence of occupational hazards, and ensure workplace safety. Organize employee occupational safety and health training, and first aid personnel training, and increase the employees' awareness of hazard risk. Promote health management and occupational disease prevention plans which include the "Ergonomic Hazard Prevention Program", "Unlawful Assault Prevention Program in the Performance of Duty", "Workplace Maternal Health Protection Program", and "Abnormal Load-Induced Disease Prevention Program", and carry out execution assessment checklists and surveys, and follow-up on the health condition of the employers. Provide employees with information related to work, foods, health education, exercise, workplace epidemic prevention, and health promotion, and arrange related seminars. Carry out regular employee health check-ups and invites contracted doctors to the Company to provide employees with health consultation. 	0.00%		<ul style="list-style-type: none"> In 2021, no cases of occupational accidents occurred in the workplace were reported. There were only 2 commuting occupational accidents involving 2 employees, which occurred on their way off work and in their residential buildings. In addition to carrying out health education training and traffic safety promotion for employees, KTB further suggested the building management committee to install safety protection measures Abnormal Workload-induced Disease Prevention Programs: KTB conducted an overwork screening test/overwork load assessment questionnaire throughout the Bank, with the results as: 0 for mild, 22 for moderate (interview recommended), and 0 for severe (interview required). Among the 22 employees under moderate workloads, 18 employees have been interviewed or guided by KTB's engaged service physician, and the other 4 employees have been interviewed by the health manager of the Human Resources Department. Workplace Maternal Health Protection Program: Among the participants, 18 employees were pregnant and 3 employees were within one year after delivery, all of whom have undergone interviews or telephone interviews with KTB's engaged service physician for health consultations, and are at the first-level management (Not harmful to the health of mother, fetus or infant as assessed by the physician). Human-induced Hazards Prevention Program: According to the survey results, there were 15 employees with symptoms. The Human Resources Department will arrange KTB's engaged physician or the health manager of the Human Resources Department to conduct an interview (or telephone interview) with them to provide health consultation and guidance Unlawful Infringement Prevention Program in the Performance of Duty: According to the survey results in 2020 (this program is carried out twice every three years), there were 4 business premises are rated as "high risk" after evaluation
Discrimination and Sexual Harassment	All employees	0.00%		<ul style="list-style-type: none"> Formulate the "Guidelines for the Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace", forbid relative complaint channels, and create a friendly and equal workplace environment. Set up the "Sexual Harassment Complaint Handling Committee", establish complaint channels, and handle complaints in a fair manner. Organize regular "Sexual Harassment Prevention" advocacy courses, raise the awareness of gender equality among supervisors and employees. 	0.00%		No complaints of discrimination or sexual harassment in 2021
Working Hour	All employees	0.00%		<ul style="list-style-type: none"> Strictly observe labor laws and regulations, specify regulations in the Work Rules and related regulations, and enhance related advocacies. Establish rules governing attendance and over-time management, assist the managers and employees to better manage working hours and extension of working hours. Regularly review the overtime situation of each unit, and carry out subsequent follow-up management and manpower adjustments. 	0.00%		There were no penalties for violating labor laws and regulations in 2021
Labor-management Disputes	All employees	0.10%		<ul style="list-style-type: none"> Strictly observe labor laws and regulations, and specify regulations in the Work Rules and related regulations. Hold regular labor-management meetings, communicate with employees in a proper manner, and ensure harmony between labor and management. Conduct regular employee satisfaction surveys, to understand employee concerns and feedback. 	0.10%		In 2021, there were 2 cases in which the labor-management dispute mediation failed

● **Implement Labor-Management Communication**

KTB puts emphasis on the voice of employees and smooth communication. KTB has established diverse communication channels, where employees may give their valuable opinions to the President or heads of all departments through formal meetings, face-to-face conversation, regular surveys, or the President's mailbox. The President also leads the heads of related departments to organize regional seminars at the branch offices, to build an effective, efficient, and bilateral communication mechanism. There were 0 employee complaint case received in 2021.

◇ **Employee Communication Channels**



◇ **Employee Opinion Collection**

KTB conducts a company-wide employee satisfaction survey every year, which targets the supervisors and in-service employees of each department (including employees in probation period but excluding part-time workers and interns). In 2021, KTB significantly revised the questionnaire, focusing on the following aspects: salary and benefits, job title and promotion assessment, education and training, organization and management, and added an item about the seniority for the first time to understand the satisfaction of colleagues with different seniority and their responses. The response rate of the questionnaire was 64%, and the overall satisfaction rate was 80%.

Survey Results	Response and Adjustment
<ol style="list-style-type: none"> 1. Employees generally believed that their job positions can give full play to their strengths, and they were satisfied with the content and revision of the Employee Stock Ownership Trust System. 2. There was room for improvement in salary and benefits, promotion assessment and online education and training. 	<ol style="list-style-type: none"> 1. Made a comprehensive salary adjustment in recognition of the hard work of colleagues, expecting their continued efforts. 2. Added special mail boxes for complaint handling between the branch and the head office to improve the immediacy of problem handling and maintain a good and smooth communication channel. 3. Planed to upgrade the "online training platform", enabling employees to learn without restrictions on network domains and electronic devices.

7. Social Prosperity

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

- Social Investment Mechanism**

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

Call of the Headquarters: Most plans are the responses to social needs or proposed by employees. The ESG Team is responsible for summarization and discussion and reports the final plan to higher authorities for approval and budget application. Finally, the plan is handed over to the responsible management unit depending on the nature of the activities in the plan. In order to encourage the participation of employees in the activities, we have implemented the "volunteer leave" system since 2021. All employees who answer the Call of the Headquarters will be given 1 paid day off. We aim to invite more people to participate in our activities, through which we can expand our influence.

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

- Social Investment Status**

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

【Form of Contribution】



Cash
NT\$ 27.3 million
90.26%



In-kind (including pro bono)
NT\$ 1.36 million
4.50%



Time
NT\$ 1.13 million
3.73%



Management costs
NT\$ 0.46 million
1.51%

【Driver for Contribution】



Charitable gifts
NT\$ 1.34 million
4.44%



Community investment
NT\$ 5.72 million
18.91%



Commercial initiatives in the community
NT\$ 23.19 million
76.65%

Note: Time contribution is calculated based on man-hours invested and converted to approximately equivalent value based on average personnel costs per person per hour in 2021

7.1 Academic Education

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

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

● Promotion of Digital Financial Knowledge

KTB held financial knowledge promotion mostly in face-to-face mode in the past years. As COVID-19 broke out in mid-May 2021, many physical promotion activities were suspended or postponed as a result. But we believe that social participation should not be stopped by the epidemic. While encouraging branches to resume relevant activities one after another when the epidemic slowed down, we also launched digital financial knowledge promotion, hoping to overcome the barriers of distance, increase interaction with customers and the public through social media platform posts, and achieve the purpose of "education and promotion". In 2021, a total of 8 articles on financial education and anti-scam advocacy were published, which were shared and liked 7,873 times.



● Little Financier Activities and Finance Seminar for High Schools and Vocational High Schools

A correct concept of financial management should be cultivated from an early age. Through the branch offices' collaboration with local schools, daycare centers, kindergartens, we arrange financial activities which are not commonly seen in classrooms. These activities include introduction to the correct concept of money, understanding currencies, anti-scam advocacy, and identifying counterfeit money. We aim to stimulate the children's interest and motivation through videos, Q&As, and games. We also invite children to our branch offices to experience the bank services, through which, we can satisfy their curiosity for what adults do in a bank.

In terms of financial education for teenagers, we focus on the cultivation of financial competencies and knowledge in financial institutions. We incorporate practical work into their civics classes, to facilitate the students' understanding of risks and returns, money and trading, planning and management of wealth. Moreover, many students in high schools and vocational high schools are uncertain about their future, not knowing which major and which university are suitable for them. We invited employees from the departments related to law, digital business, investment, foreign exchange, human resources, and financial management, to share their work content and pre-requisites for the jobs. This not only showed the students that bank workers do more than counting money behind the counters but play an important role in economic development, the capital market, and personal financial planning. In 2021, a total of 7 lectures for "Little Financier and Finance Seminar for High Schools and Vocational High Schools" were held, with a total of 934 students participating.



Children from Fund for Children and Families experience digital financial cardless cash withdrawal



Financial Education Lecture at National Shan-Hua Senior High School



KTB colleagues share working experience and study experience



Financial management, starting from understanding banknotes

● **Industry-Academia Cooperation among Colleges and Universities**

We value the industry-academia cooperation with academic institutions. Through bilateral communications, we integrate theoretical knowledge with practical work, which can spark new business models for the industry. For more actual performance of the industry academia cooperation, please refer to [Diverse Recruitment Channels](#), and there are also a number of courses and research projects cooperation.

- ✓ KTB co-organized an international forum with the FinTech Business Innovation Research Center of National Cheng Kung University and a number of enterprises, which not only promotes the concept of inclusive finance, but also provides more opportunities for exchanges between industry, government and academia.
- ✓ KTB participated in the Customer Experience Workshop (CXW) held by the College of Management of National Taiwan University, and acted as the owner to provide the group students with practical enterprise problems to cultivate their problem-solving ability.
- ✓ KTB serves as a lecturer on financial practice in the Department of Finance of Shih Chien University, providing courses related to real estate trust and banking practice.
- ✓ Industry-Academia Research Program: KTB signed the "Online Banking and Digital Account Preference Estimation Model" program in cooperation with the Innovative Fintech Business Models Center of National Cheng Kung University, hoping to establish a preference prediction model for online banking and digital accounts, so as to produce a targeted customer list and carry out related promotions.
- ✓ Industry-Academy Cooperation Plan: KTB signed a monthly/ calendar artwork drawing plant with the Department of Fine Arts of Tainan University of Technology, providing the school with digital financial services for creation, and going deeply into the campus through cooperation, so as to increase the Company's exposure among young people.



Vice Chairman Tsai, Chung-Ting attended the NCKU International Forum of Innovative Fintech Business Models Center

Image source: Provided by Innovative Fintech Business Models Center



Senior Vice President Yu, Chi-Wei (third from right) served as the owner of the first "CXW Customer Experience Consultant Workshop"

Image source: Provided by CXW Customer Experience Consultant Workshop, College of Management, National Taiwan University College of Management, National Taiwan University

● **Inclusive Financing Education in the Community**

✧ **"Anti-scam advocacy" protects the public's assets**

Scam tactics are constantly evolving, making it difficult for the elderly who are less concerned about the news, engages in less social interaction, and is less familiar with digital products. Most of KTB's branch offices are located in Yunlin, Chiayi, and Tainan regions, and our customers are relatively older. Therefore, we utilize the customers' trust in us and put "anti-scam advocacy" as the community care key activity to raise the public's awareness of scams through the efforts of each branch office, sharing of case studies, and anti-scam slogans. In 2021, 104 "Anti-scam Advocacy" events were held, benefiting 1,564 people. Apart from the regular advocacy, KTB employees also act as front-line gatekeeper against scams and maintain a high degree of vigilance and enthusiasm of a busybody. In 2021, KTB successfully blocked 101 cases of scams with a total amount of NT\$9.15 million.



● **Promote Equal Opportunity in Education**

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

High school is a pivotal stage for future success in education, but some children are unable to concentrate on their schoolwork or pursue further studies due to difficult circumstances at home. The "Twilight Elite Development Association R.O.C". was established for the purpose of subsidizing tuition and other fees to students in need. At present, the subsidized bases have reached 13 counties and cities and 34 cooperative schools. Through inheritance and feedback, the students who have been assisted become the main force in the operation, achieving a good cycle. Since 2014, KTB donated a year's worth of tuition and other fees for students every year. In this way, underprivileged students are able to concentrate on their education, pass the entrance exams for their desired university's major, and improve their home environment through the power of education.

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

Although primary and junior high school education is common in Taiwan, the quality of education received is deeply tied to a student's family background. For those born in locations that lack education resources, primary and junior high school education is insufficient to change their life and break the cycle of poverty. KTB has been donating NT\$200,000 to "Teach for Taiwan (TFT)" annually since 2015 to support the recruitment and development of exemplary teachers with a sense of mission. They enter classrooms in rural areas to become important figures to the children, addressing inequality in education at its root. As of 2021, TFT has cultivated 269 interdisciplinary talents and sent them to high-demand areas as full-time teachers for 2 years, supporting over 6,000 students.

Vice Chairman Mr. Tsai's encouragement at TFT's "6th and 8th Program Members Departure Ceremony":

*The more hardship the rural communities,
The more we can't give up.
Every student is a bright spot,
With endless possibilities
The sky is the limit !*

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

KTB partnered with the "Social Entertainment Enterprise: See the World with Your Heart" for the second consecutive year. In 2021, KTB provided art creation stress relief courses and financial education promotion activities for 28 students from Xiancao Elementary School in Baihe District, Tainan City, providing diversified learning content and challenges to children in remote areas. "Social Entertainment Enterprise: See the World with Your Heart" led students to understand the importance of emotional health and how to relieve stress through artistic creation, and invited artist Sun,Chuan-Li to teach and share aesthetics. The course also combined KTB's core functions to bring students an interesting and educational game of Finance Monopoly. Through the game, students can understand the importance of saving and investing, understand the difference between "need" and "want", and establish a correct concept of consumption. After the course, we held small exhibitions in Liujia Branch and Baihe Branch respectively, and displayed the paintings by school-children of Xiancao Elementary School in the branch hall, so that more people could see their extraordinary creativity.



Finance Monopoly Game Quiz Activity



Let's see who the money millionaires are



School-children from Xiancao Elementary School and artist Sun,Chuan-Li



Paintings by school-children of Xiancao Elementary School were exhibited at Liujia Branch

7.2 Caring for the Disadvantaged

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

In 2021, Taiwan Fund for Children and Families marked its 55th anniversary, representing their 55 years of accompanying disadvantaged families in Tainan. Since 2015, KTB has provided nearly 200 pings (approximately 661 square meters) of land in Tainan City for free for seventh consecutive year for the Taiwan Fund for Children and Families to establish a "Parent-Child Happy School". The school aims to be a resource center of preliminary prevention of child neglect and abuse, to provide a stable location and therapy for underprivileged children and their families, and to provide information on where to seek appropriate help. Numerous accommodations and facilities with regard to child protection can be found within the school. A wide variety of events are often held to promote parent-child interaction through co-working, co-creating, and co-learning. In addition, KTB's Vice Chairman Mt. Tsai donates belongings for charity sale every year, and all the proceeds from the charity sale will be donated to Taiwan Fund for Children and Families. At the end of the year in 2021, the Taiwan Fund for Children and Families held a heart-warming sports meeting at the Parent-Child Happiness School to commend six students for their outstanding performance in sports. The series of activities on the day are warm and joyful, bringing the feeling full of love to assisted families.

- **Taiwan Regional Revitalization Foundation: aiming to promote balanced and appropriate development between urban and rural areas and among regions**

KTB has been actively promoting and participating in local revitalization topics in recent years to reduce the gap between urban and rural areas. In 2021, KTB donated NT\$800,000 to Taiwan Regional Revitalization Foundation, hoping to solve the problems of over-populated metropolises and unbalanced development between urban and rural areas. KTB also built an information matching platform to promote the development of local revitalization in Taiwan. We also expect that under the call of Taiwan Regional Revitalization Foundation, we can attract industries and people to return to the region by combining the resources of various sectors and new revitalization, so as to achieve the goal of promoting balanced and appropriate development of urban and rural areas and regions.



Vice Chairman Mr. Tsai of KTB (first from left) attended the unveiling press conference of Taiwan Regional Revitalization Foundation

Image source: Provided by Taiwan Regional Revitalization Foundation

● Give Back to the Community

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



Taihao Branch participated in the opening of Pimajiao Senior Dining Room



Jiali Branch Community Care - Presented New Year's vegetables



Anhe Branch held a Spring Festival couplets charity sale to support Huashan Social Welfare Foundation's public welfare program "18th Love for the Elderly, Love for Reunion" with practical actions



Chung Hwa Branch participated in the charity sale of the Genesis Social Welfare Foundation



Xingye Branch participated in the "Inheritance ~ Your Love, Garden Party Event"



Xigang Branch has long set up donation boxes for the "Ciguang Mind Care Foundation" Invited the local famous calligraphers to write and present Spring Festival couplets during the New Year, and invited the children of Ciguang Foundation to join together



Yongkang Branch assisted Zhanyi Bakery Sheltered Workshop in Charity Sale



Sinshih Branch donated anti-epidemic masks to provide perfect protection for medical staff

7.3 Arts and Humanities

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

- **Tainan Arts Festival**

KTB has been sponsoring the Tainan Art Festival every year since 2012, marking its 10th anniversary this year. In 2021, in the face of the post-epidemic transformation, "Tainan Art Festival" explored an art form that is exclusive to Tainan. With the idea of taking care of the local art team, it specially invited the art and culture teams in Tainan City to re-interpret classic works, bringing people an art experience, and leading everyone to re-understand different corners of the city. In this way, the artistic atmosphere can bloom everywhere in the city of Tainan.

- **Kaohsiung Museum of Fine Arts "Pan-Austro-Nesian Arts Festival"**

KTB has always spared no effort in promoting arts and cultural activities. As one of the art centers in southern Taiwan, Kaohsiung Art Museum is our partner for close interaction and cooperation. Since 2005, the Kaohsiung Museum of Fine Arts has been concerned about Austronesian culture, exploring the contemporary art of Taiwan's aborigines, and continuously preserving, interpreting and promoting skills related to Austronesian culture from different perspectives. The Kaohsiung Museum of Fine Arts, which has a rich collection of "contemporary art" in the South Island, launched the "Pan-Austro-Nesian Arts Festival" in 2021, focusing on the South Island cultural issues, while interpreting other cultures from a western perspective, allowing the audience to experience multiculturalism exchange. By supporting the Kaohsiung Museum of Fine Arts, the Bank hopes to continue to preserve and promote Aboriginal art in Taiwan.

- **Tainan Culture Foundation**

When the epidemic broke out in May 2021, the arts and cultural circles canceled performances one after another in cooperation with the epidemic prevention. With the downgrade of the alert level and the reopening of exhibition venues and arts and cultural performances to audiences, it is an urgent need to revitalize a number of arts and cultural festivals with Tainan characteristics. However, if performing groups intends to perform without masks during the official performance, they must provide a negative certificate of rapid screening and PCR test, and take regular tests every 7 days during the performance and work. The cost of testing is a huge burden for arts and cultural organizations. In order to reduce the burden of art and cultural groups, assist performers to return to the stage, and ensure the health of the audience, KTB provides free screening for performers and staff of various art and cultural activities, which enables the art and cultural groups to rehearse and perform in peace, and supports Tainan's culture and art.

- **Various Arts and Cultural Activities**

- ✓ KTB has sponsored the musician Tseng, Yu-Chien's violin concert for two consecutive years, and invited customers and employees to enjoy world-class concerts together
- ✓ KTB sponsored a joint concert by a music team composed of Pianist Su Wei-Lun and other members- "Duet Music in the Piano - Immortal Youth "Wonderful Poems" to support the essence of Taiwan's diverse art culture and promote the famous ballads
- ✓ KTB promoted the "Acoustic Reproduction, Promoting Love Charity Concert" together with customers. While enjoying the natural singing of the indigenous children, we also gathered all strength to help more people in need with endless love
- ✓ In collaboration with Tzu Chi Foundation and the Paper Windmill Theater, KTB has launched an environmental drama called "Formosa My Home" to promote the knowledge of environmental protection and disaster prevention to everyone



KTB supports arts and culture activities and provides free screening for performers



"Pan-Austro-Nesian Arts Festival" visit



Acoustic Reproduction, Promoting Love Charity Concert



KTB colleagues acted as the environmental drama staff of the Paper Windmill Theater

8. Sustainable Environment

As global warming intensifies, controlling temperature rise is the common goal of all countries and even global enterprises. KTB is fully aware of the importance of sustainable environmental management. In recent years, in addition to introducing an energy management system, actively promoting environmental protection and energy conservation, formulating relevant concrete and feasible measures and promoting, implementing, and reviewing them, and continuously improving environmental management practices, KTB signed on as a TCFD supporter in July 2021, and has actively developed relevant countermeasures. In the future, we will cooperate with the "Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies" issued by Taiwan Stock Exchange to gradually complete the group-wide GHG inventory and verification.

8.1 Sustainable Operating Environment

- Management Policies

- ✧ Important Regulations for Environmental Management

KTB has formulated the "[Sustainable Development Best Practice Principles](#)", which was approved by the Board of Directors, as the principle to develop its sustainability, which has been disclosed on KTB's official website. KTB has also formulated the "Energy Conservation and Environmental Protection Standards Implementation Guidelines" and "Energy Operation Control Manual" as the principles for the promotion of environmental protection and energy conservation.

- ✧ Environment Management Framework

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

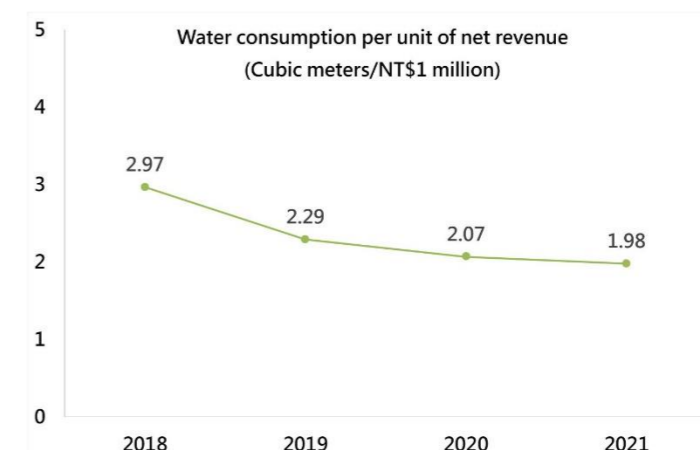
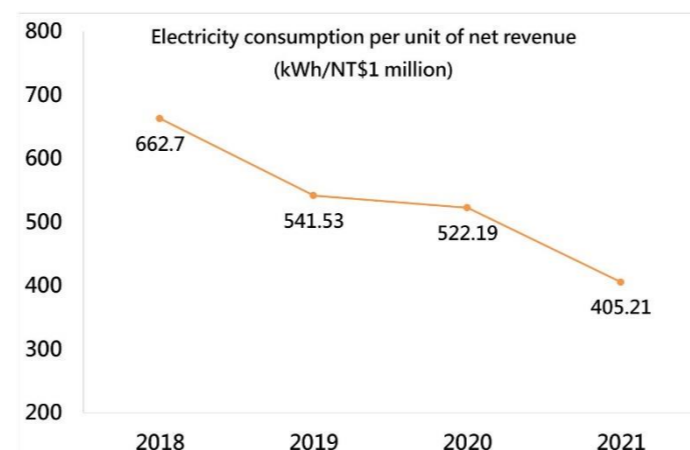
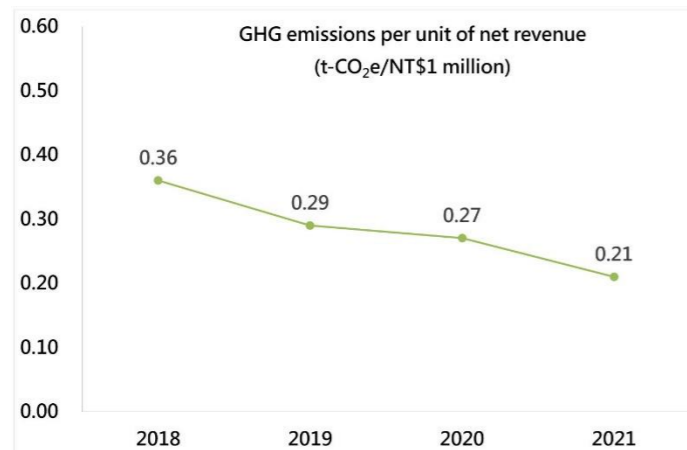
- ✧ Introduction of the Energy Management System ISO 14064

In 2018, KTB introduced the ISO 50001 Energy Management System and reduces cost and GHG emission through review, identification, measure, and management of energy consumption, and through the establishment of organizational energy management goals and action plans. In 2021, KTB introduced the ISO14064-1 verification. The initial verification focused on the Headquarters Building, which will be expanded year by year in the future. We expect to complete the inspection and verification of all branches and affiliated enterprises by the end of 2025.

- ✧ Environmental Goals

Environmental Issues	Base Year (2017)	2021 Implementation Status	Degree of Compliance	2022 Goals
GHG Management	2,863 (t-CO ₂ e/year)	A decrease of 25.85% compared with 2017	😊	A decrease of 15% compared with 2017
Energy Management	5,128,403 (kWh)	A decrease of 21.26% compared with 2017	😊	A decrease of 15% compared with 2017
Water Resources Management	21,944 (kWh)	A decrease of 10.14% compared with 2017	😊	A decrease of 10% compared with 2017

- ✧ Environment Management Achievements



● **Specific Actions**

✧ **GHG Management**

KTB's main GHG emissions are from electricity consumption. Thus, we have set forth special energy-conservation plans for light fixtures, air-conditioners, computer room, and elevators. Besides, we have also set a goal of a 15% reduction by 2022 in the total electricity consumption and GHG emissions (scope 1 and 2) compared to that of 2017. In 2021, the Headquarters Building will obtain ISO 14064-1 certification. For the first time, we conducted an inventory of Scope 3 (Category 4 - indirect GHG from products used by the organization), with an emission of 17 t-CO₂e / year. In addition, KTB's emissions throughout the whole bank for Scope 1 and Scope 2 were 2,123 T-CO₂e/year, a 25.85% decrease in GHG compared to 2017, representing an achievement of the reduction goal, as well as a decrease of 15% compared with 2017 for the second consecutive year.

【GHG Composition and Emissions of the Headquarters Building in 2021】

	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	NF ₃	Subtotal (t-CO ₂ e/year)	Proportion
Scope 1	23.4317	24.3027	0.5984	47.1937	-	-	-	95.5265	19.33%
Scope 2	381.8714	-	-	-	-	-	-	381.8714	77.27%
Scope 3	16.8375	-	-	-	-	-	-	16.8375	3.41%
Total (t-CO₂e/year)	422.1406	24.3027	0.5984	47.1937	-	-	-	494.2354	100.00%
Proportion	85.41%	4.92%	0.12%	9.55%	-	-	-	-	-

Note 1: Scope 1 refers to direct GHG emissions
 Note 2: Scope 2 refers to indirect GHG emissions
 Note 3: Scope 3 refers to other GHG emissions, and the same as Category IV: indirect GHG emissions from products used by the organization

【Total GHG Emissions】

GHG Emissions (t-CO ₂ e / year)	2018	2019	2020	2021
Scope 1 (Category 1)	41	44	29	96
Scope 2 (Category 2)	2,473	2,451	2,315	2,027
Total	2,514	2,495	2,344	2,123
Data Coverage	100%	100%	100%	100%
Scope 3 (Category 4)	-	-	-	17

Note 1: The data from 2018 to 2020 were measured by self-inspection, covering the Headquarters Building and 66 branches.
 Note 2: The data of Scope 1 and Scope 3 in 2021 were only based on the verification data of the Headquarters Building, which were 95.5265 and 16.8375 respectively. The data of Scope 2 includes the inspection data of the Headquarters Building, plus the self-inspection data of 66 branches (unit: t-CO₂e).
 Note 3: The data of Scope 1 mainly include data from official vehicle oil, liquefied petroleum gas (LPG), generator diesel and refrigerant.
 Note 4: Scope 1 emission is based on the "Greenhouse Gas Emission Factor Management Table" version 6.0.4 issued by the Environmental Protection Administration, Executive Yuan, and the global warming potential (GWP) is based on the "Climate Change 2007" IPCC Fourth Assessment Report.
 Note 5: Scope 2 emission is based on the announcement by the "Bureau of Energy, Ministry of Economic Affairs". The 2017 electricity carbon emission factor was 0.554 kg CO₂e/kWh; while that of 2021 is based on 2020's factor, which was 0.502 Kg CO₂e/kWh.
 Note 6: "Number of employees" are full-time employees at a total of 964 persons.

✧ **Energy Management**

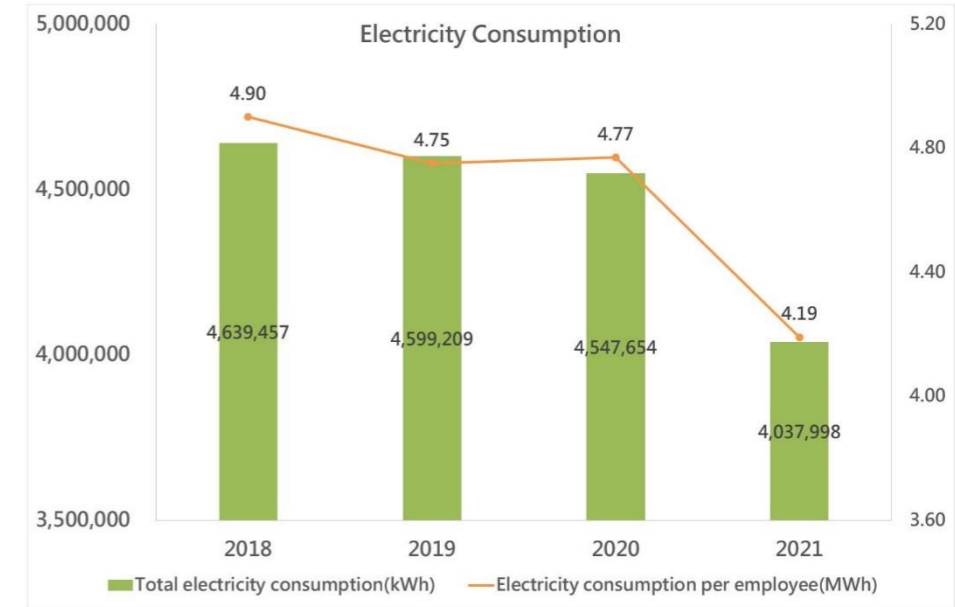
The electricity used in the operating process of KTB is mainly externally purchased electricity (non-renewable energy), and a small part of it is gasoline and liquefied petroleum gas. For the use of energy, KTB has introduced the ISO 50001 Energy management system to effectively improve energy efficiency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

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

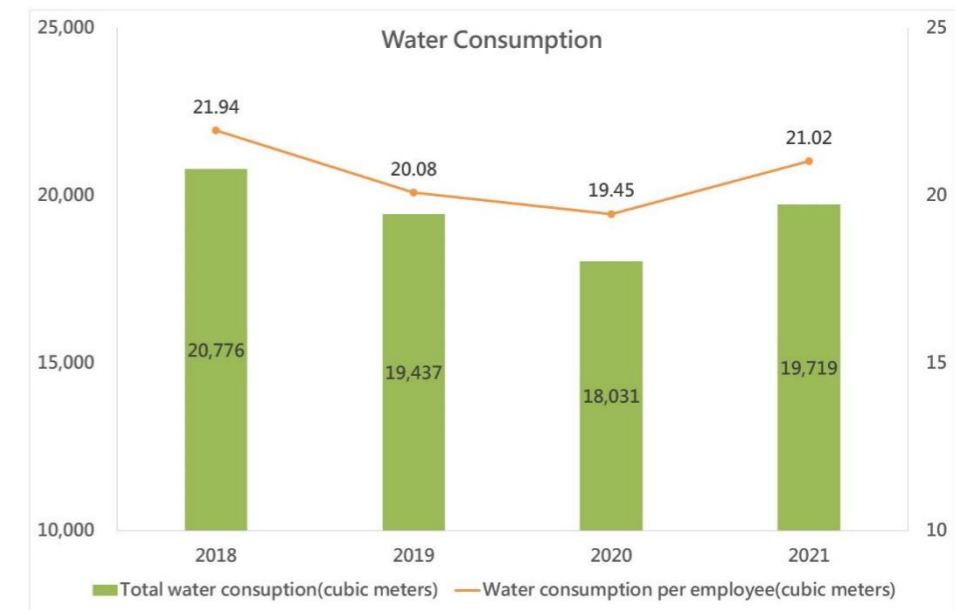
Moreover, KTB's energy policy was issued by the President and posted on all floors of KTB. Regular energy-saving and carbon-reduction education training courses are also held to remind the employees of the importance of their participation. As a result, the total electricity consumption in 2021 was 4.038 million kWh, which was a 21.26% reduction compared to 2017, reaching the target of 15% reduction for two consecutive years.

✧ **Water Resources Management**

100% of the water used in KTB's operations comes from the Taiwan Water Corporation, and no groundwater or other water sources are used. The water used in all office buildings and operating sites is only for employees and some customers. There is no significant impact to the water source and is mainly used for drinking, air conditioning systems, cleaning, and other purposes. The wastewater is then discharged through the sewage system. In the face of increasingly serious water shortage in Taiwan, KTB has set a goal of reducing water consumption per employee by 10% by the end of 2022 compared to 2017. In order to achieve this goal, our priorities are to purchase and use products with water-saving labels and inspect the water consumption in the headquarters and branch offices for any abnormalities on a monthly basis. According to the statistics, the average water consumption per employee in 2021 was 21.02 cubic meter/person, slightly higher than that in 2020, which was mainly due to an increase in water consumption resulted from the outbreak of COVID-19 in May 2021, when there were more colleagues had meals in the office and more water was used to clean dishes. After the epidemic eased, the water consumption of the branches and Headquarters Buildings returned to the level of the same period in previous years. But overall, the total water consumption of 19,719 cubic meters in 2021 was still 10.14% lower than that of the base year (2017).



Type of Energy	Unit	2020	2021
Liquefied petroleum gas (LPG)	Kg	1,804.0	1,320.0
Diesel	Liter (L)	-	121.9
Gasoline	Liter (L)	10,834.8	8,354.6
Electricity	Kilowatt hour (kWh)	4,547,654.0	4,037,998.0
Total energy consumption	GJ	16,819.4	14,883.2
Energy consumption per unit of revenue	GJ/ NT\$ million	1.93	1.49



❖ **Waste Management**

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

Period	2019	2020	2021
General waste	7,406	8,959	9,083
Recycled waste	2,606	3,330	2,788
Total waste	10,012	12,289	11,871
Total waste/employees	-	-	3.71

Note 1: All values are in "kilograms"

Note 2: "employees" refers to the number of employees in the Headquarters

❖ **Promotion of Paperless Office**

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

- ✓ Implement a paperless policy for documents, training materials, and conference materials, and promote double-sided printing and waste paper reusing. In 2021, a total of 10,770 files were exchanged through the electronic official document system, and the usage rate reached 94.23%
- ✓ In 2016, the "Knowledge Management System" was established to convert hard copies of credit cases to electronic versions for storage and transmission, reducing carbon footprint incurred during transportation and paper waste. In October 2021, the "Credit Investigation Review System" was adopted. A total of 5,900 credit cases were uploaded in 2021. Estimating the average paper usage per corporate and individual case, we expect the reduction was about 2.1 million sheets of paper, or 13.44 tonnes of CO₂ equivalent.

Note 1: In accordance with the "Taiwan Product Carbon Footprint" issued by the Environmental Protection Administration, 1 A4 paper is equivalent to 6.4 g CO₂e.

Note 2: The estimated carbon emission mentioned above is not included in the GHG emission and carbon-reduction goals of KTB.

❖ **Innovative Carbon-reduction Actions**

KTB has also worked with a B Corporation - Domi Earth to launch the "Power to Change! Light Up Infinite Hope" project since October 2020. KTB promises to donate NT\$100 for each conversion of paper bills to e-bills by KTB's customers. The donation will be used for replacing the lights of underprivileged families with energy-saving light fixtures. The Project won the Special Award of 2021 BuyingPower Procurement Incentive Mechanism for Social Innovation Products and Services - Social Co-Prosperity Group. With the innovative model, the effect of the conversion of e-billing is not restricted to the "environment" aspect, but extends to helping the underprivileged families through the expenses saved to create a win-win-win situation for corporate, society, environment. In 2021, the funds donated was used to replace the overall lighting fixtures, check the safety of household electricity consumption, and pas on the concept of basic energy-saving education for the energy-disadvantaged families in Xindian District, Xinbei City. It is expected to save 515 kWh per household per year.

❖ **Green Procurement**

KTB actively responses to green procurement, and the amount of related procurement increases year by year. In 2021, it won the Tainan City 2020 Outstanding Green Procurement Enterprise Award. KTB's procurement amount in 2021 was NT\$5,180,987. In the future, KTB will continue to support low-carbon products, green building materials and sustainable product enterprises through green procurement to improve the efficiency of all resource use.

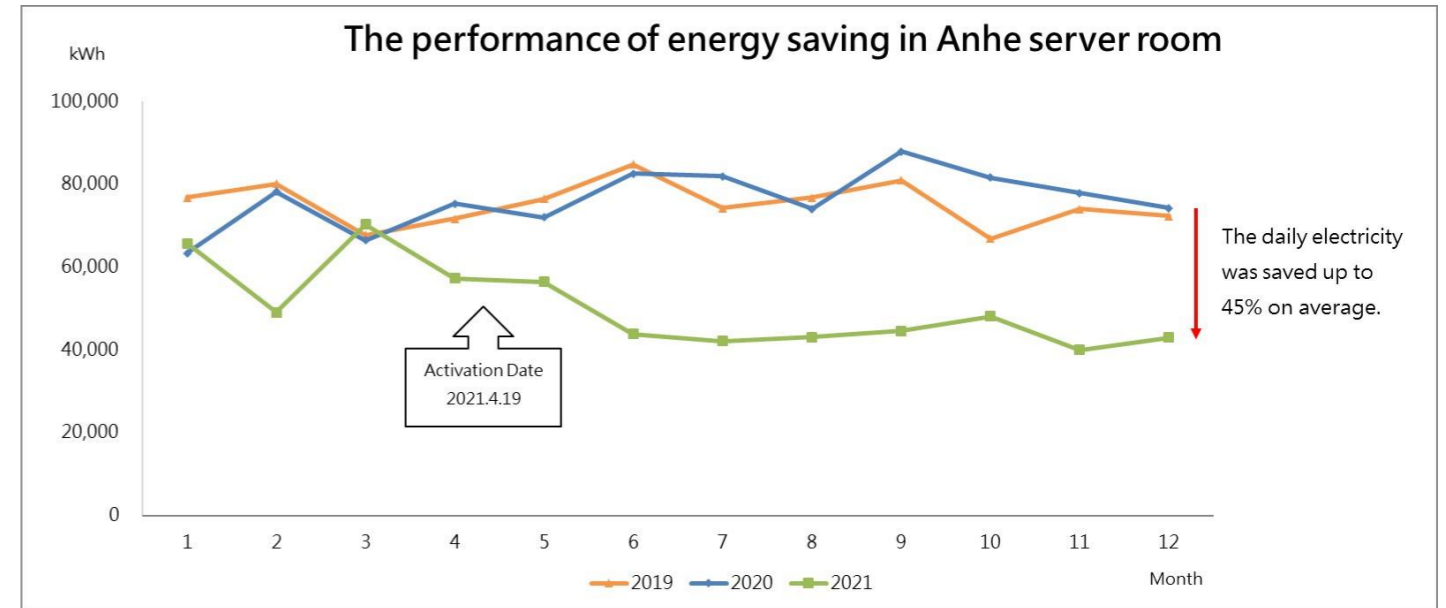
❖ **Self-generated Green Power**

Since 2011, KTB has been preparing to install its own solar power system on the roof of the Headquarters Building, with a capacity of 9.87 kW, which was connected to the grid in 2012. KTB has been looking for appropriate branch locations to expand green power generation. In 2019, we set up a solar power generation system in Taibao Branch, with a capacity of 19.825 kW. In 2021, KTB self-generated about 41,784 kWh of green electricity, reducing carbon emissions by about 20.98 metric tons. Since 2012, we have generated 210,421 kWh electricity in total, reducing carbon emissions by about 109.53 metric tons.



❖ **Build a Smart Green Server Room**

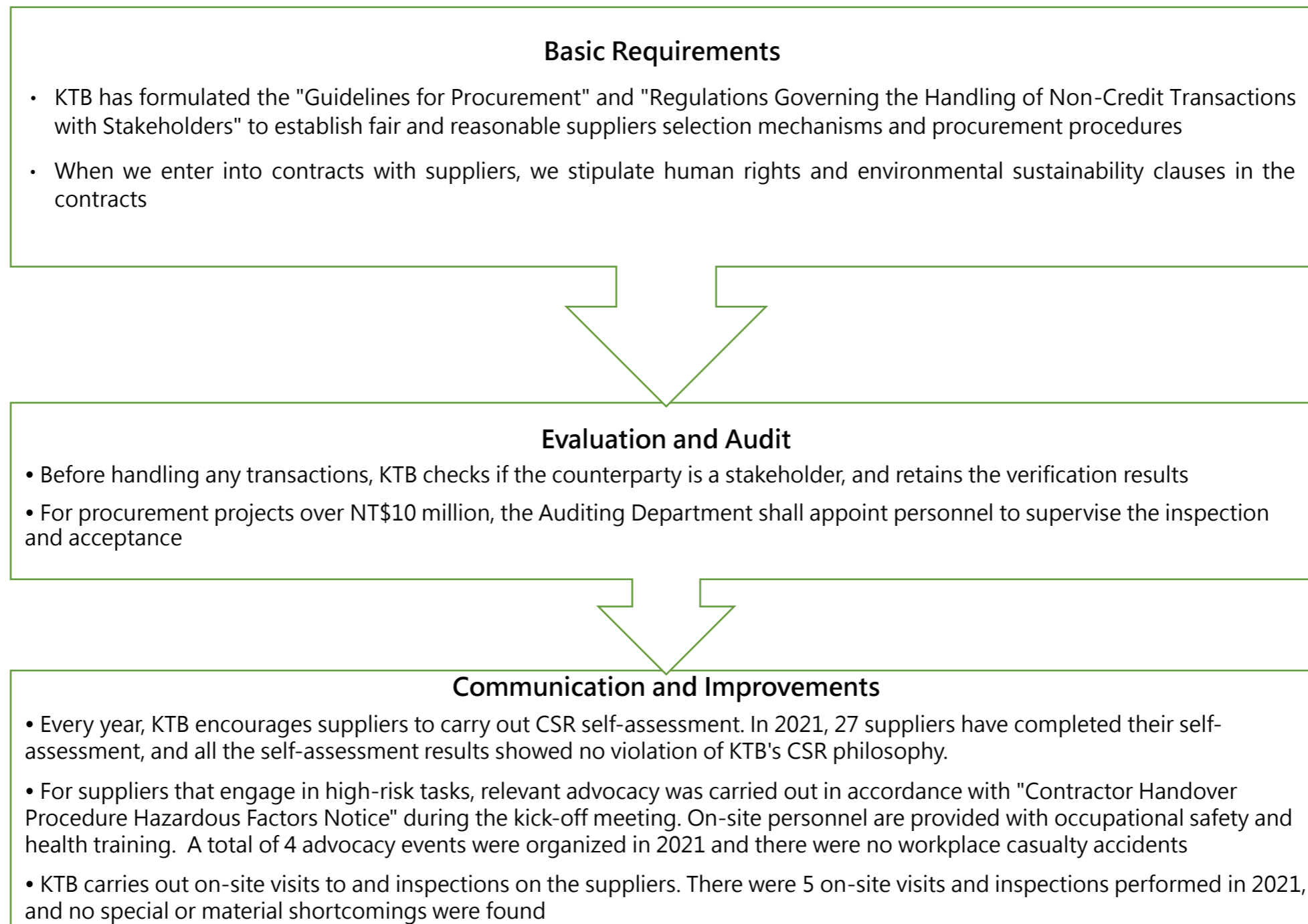
To further strengthen the operation efficiency and security of KTB's information hardware, taking into account the green trend of energy saving and carbon reduction, KTB started to build a smart green server room in 2020, and successfully completed the host system conversion in March 2021. In terms of planning, KTB designs the basic maintenance environment in accordance with ISO 27001 information security specifications, including: cabinets, power systems, UPS systems, generators, air conditioners, access control monitoring and environmental monitoring systems and other infrastructure. To achieve the effect of energy saving and carbon reduction, KTB mainly focuses on high-efficiency and modular systems in the procurement of UPS systems, so as to reduce the demand for power, facilitate equipment maintenance and improve availability. After the reconstruction of the server room, the daily electricity was saved up to 45% on average.



8.2 Supplier Management

KTB supplier management strategy covers three main aspects: "corporate ethics", "rights and interests of employees", and "environmental protection". KTB has formulated the "[Regulations on Supplier Management](#)", which has been disclosed on the KTB's official website, stipulating that suppliers shall lay emphasis on corporate social responsibility, promoting sustainable development, conducting ethical management, caring for and safeguarding the legal rights and interests of employees, and devoting to reducing their impact on the environment.

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



Appendix

9.1 GRI Standards - Content Index

⊙:Core options

★: Material issues of KTB

Universal Standards

GRI 102 : General Disclosures 2016				
Indicators	Disclosure Items	Corresponding Section	Page No	Remarks
⊙102-1	Name of Organization	1.1 Vision	4	
⊙102-2	Activities, brands, products and services	1.1 Vision	4	
⊙102-3	Location of headquarters	1.1 Vision	4	
⊙102-4	Location of operations	1.1 Vision	4	
⊙102-5	Ownership and legal form	1.1 Vision	5	
⊙102-6	Market for providing services	1.1 Vision	4	
⊙102-7	Scale of the organization	1.1 Vision 1.2 Operational Performance	4 5	
⊙102-8	Information on employees and other workers	Appendix 9.4 Human Resource Management Indicators	85	
⊙102-9	Supply chain	8.2 Supplier Management	78	
⊙102-10	Significant changes to the organization and its supply chain	1.1 Vision 8.2 Supplier Management	5 78	No material changes
⊙102-11	Early warning principle or policy	2.4 Climate Risks and Opportunities 4.3 Risk Management	10 33	
⊙102-12	External initiatives	The Company signed on as a Climate-related Financial Disclosure (TCFD) supporter in August 2021	-	
⊙102-13	Membership of associations	The Company has the following membership: The Bankers Association of the Republic of China, Tainan Chamber of Commerce, Trust Association of Republic of China, R.O.C. Bills Finance Association and Insurance Agents Association. It became a rock member of Business Council for Sustainable Development of the Republic of China (BCSD-Taiwan) in 2022	-	-
⊙102-14	Statement from senior decision-maker	Chairman's Message	1	
⊙102-16	Values, principles, standards, and codes of behavior	4.1 Governance and Ethical Corporate Management	27	
102-17	Mechanisms for advice and concerns about ethics	4.1 Governance and Ethical Corporate Management	29	
⊙102-18	Governance structure	2.1 Sustainable Development Management Framework 4.1 Governance and Ethical Corporate Management	7 24	

GRI 102 : General Disclosures 2016				
Indicators	Disclosure Items	Corresponding Section	Page No	Remarks
102-19	Appointment and authorization	2.1 Sustainable Development Management Framework 4.1 Governance and Ethical Corporate Management	7 22	
102-20	Management level is responsible for economic, environmental and social concerns	2.1 Sustainable Development Management Framework	7	
102-23	Chairman of the highest governance body	4.1 Governance and Ethical Corporate Management	25	
102-24	Nomination and selection of the highest governance body	4.1 Governance and Ethical Corporate Management	25	
102-25	Conflicts of interest	4.1 Governance and Ethical Corporate Management	25	
102-30	Effectiveness of risk management procedures	2.1 Sustainable Development Management Framework 4.1 Governance and Ethical Corporate Management 4.3 Risk Management	7 22 33	
102-31	Oversee economic, environmental, and social topics	3. Stakeholder Engagement 4.1 Governance and Ethical Corporate Management	16 22	
102-32	Role of the highest governance body in sustainability reporting	About This Report 3. Stakeholder Engagement	i 16	This report has been signed and approved by the chairman, and material topics have been reported to the Corporate Governance and Nomination Committee and the Board of Directors
⑩102-40	Stakeholders Group	3.1 Stakeholder Identification and Communication	17	
⑩102-41	Collective agreement	No collective agreement	-	
⑩102-42	Identify and select stakeholders	3. Stakeholder Engagement	16	
⑩102-43	Policy for communication with stakeholders	3.1 Stakeholder Identification and Communication	17	
⑩102-44	Key topics and concerns raised	3.1 Stakeholder Identification and Communication	17	
⑩102-45	Entities included in the Consolidated Financial Statements	About This Report 1.1 Vision	i 4	
⑩102-46	Define the contents and topic boundaries of the report	3. Stakeholder Engagement	16	
⑩102-47	List of material topics	3.2 Materiality Analysis	20	
⑩102-48	Restatements of information	No restatement of information	-	
⑩102-49	Reporting changes	None	-	
⑩102-50	Reporting period	About This Report	i	
⑩102-51	Date of most recent report	About This Report	i	

GRI 102 : General Disclosures 2016				
Indicators	Disclosure Items	Corresponding Section	Page No	Remarks
©102-52	Reporting cycle	About This Report	i	
©102-53	Contact person who can answer questions about the report	About This Report	i	
©102-54	Declaration of reporting in accordance with the GRI Standards	About This Report	i	
©102-55	GRI content index	9.1 GRI Standards - Content Index	79	
©102-56	External guarantee/assurance	About This Report	i	

GRI 103: Management Approach 2016				
Indicators	Disclosure Items	Corresponding Section	Page No.	Remarks
103-1	Explanation of material topics and their boundaries	3.3 Strategies, Goals, and Achievements of Material Issues	21	
103-2	The management approach and its components	3.3 Strategies, Goals, and Achievements of Material Issues	21	
103-3	Evaluation of the management approach	3.3 Strategies, Goals, and Achievements of Material Issues	21	

Topic-specific Standards

GRI 200: Economic Standards 2016					
Series	Indicators	Disclosure Items	Corresponding Section	Page No	Remarks
201 Economic Performance	201-1	Direct economic value generated and distributed	1.2 Operational Performance	5	
	201-2	Financial implications and other risks and opportunities due to climate change	2.4 Climate Risks and Opportunities	10	
	201-3	Defined benefit plan obligations and other retirement plans	6.1 Talent Attraction and Retention	56	
★205 Anti-corruption	205-1	Operations assessed for risks related to corruption	4.1 Governance and Ethical Corporate Management	27	

GRI 400: Social Standards 2016					
Series	Indicators	Disclosure Items	Corresponding Section	Page No	Remarks
★401 Employment	401-1	New employee hires and employee turnover	Appendix 9.4 Human Resource Management Indicators	86	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part time employees	6.1 Talent Attraction and Retention	56	
	401-3	Parental leave	Appendix 9.4 Human Resource Management Indicators	88	
★402 Labor/ Employment Relations	402-1	Minimum notice periods regarding operational changes	6.2 Talent Cultivation and Development	59	
★404 Training and Education	404-1	Average hours of training per year per employee	Appendix 9.4 Human Resource Management Indicators	87	
	404-2	Programs for upgrading employee skills and transition assistance programs	6.2 Talent Cultivation and Development	58	

	404-3	Percentage of employees receiving regular performance and career development reviews	6.2 Talent Cultivation and Development	86	
★405 Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	4.1 Governance and Ethical Corporate Management Appendix 9.4 Human Resource Management Indicators	25 85	
	405-2	Ratio of basic salary and remuneration of women to men	6.1 Talent Attraction and Retention	55	
★412 Human Rights Assessment	412-1	Operations subject to human rights review or human rights impact assessment	6.4 Labor Rights and Interests	63	
	412-2	Employee training on human rights policies or procedures	6.4 Labor Rights and Interests	63	
★417 Marketing and Labeling	417-1	Requirements for product and service information and labeling	5.1 Service Quality and Customer Experience	44	
★418 Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.4 Information Security	41	
★419 Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	4.2 Regulatory Compliance	31	

GRI G4 Financial Services Sector Supplement				
Aspects	Indicators	Disclosure Items	Corresponding Section	Page No.
★Product Portfolio	FS1	Policies with specific environmental and social components applied to business lines	5.3 Sustainable Finance	49
	FS2	Procedures for assessing and screening environmental and social risks in business lines	5.3 Sustainable Finance	49
	FS7	Monetary value of products and services designed by individual operating units to create benefits for the society, broken down by purpose	5.3 Sustainable Finance	49
	FS8	Monetary value of products and services designed by individual operating units to create benefits for the environment, broken down by purpose	5.3 Sustainable Finance	49

9.2 Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies			
Articles	Contents of Rules	Corresponding Section	Page No.
Article 3	A listed company which meets the requirements under Article 2 of the Rules shall prepare an annual sustainability report for the preceding year by referring to the Global Reporting Initiatives (GRI) Standards published by the GRI, Sector Disclosure and other applicable rules according to its sector features. In the report, the company shall disclose its identified material economic, environmental and social topics, management approach, topic-specific disclosure, and its reporting requirements, which shall, at a minimum, meet the core option of the GRI Standards.	9.1 GRI Standards - Content Index	79
	The sustainability report mentioned in the preceding paragraph shall include relevant environmental, social and corporate governance risk assessments and lay out the performance indicators to manage the material topics identified.	3.3 Strategies, Goals, and Achievements of Material Issues	21
	In the sustainability report, a listed company shall disclose what Content Index of the GRI Standards corresponds to the contents of the report and specify in the report whether the topic-specific disclosures have been assured or verified by a third party.	9.5 Statement of Independent Assurance Opinion	89
	The topic-specific disclosure referred to in Paragraph 1 shall be evaluated and disclosed by adopting the standards in compliance with the rules of the competent authorities. If the competent authorities have not promulgated the applicable standards, the company shall adopt the approach of evaluation commonly used in practice.	9.1 GRI Standards - Content Index	79
Paragraph 3 of Article 4	Listed companies within the financial and insurance industry shall disclose their management approaches, topic-specific disclosures and their reporting requirements for operation and business in major topic on data security, financial inclusion, and sustainable finance. Their reporting requirements shall include at least the following items:	4.4 Information Security	41
	(1) Number of data breaches, percentage involving personally identifiable information, and number of account holders affected.		
	(2) Number and amount of loans outstanding qualified to programs designed to promote development of small business and communities.	5.3 Sustainable Finance	51
	(3) Number of participants in financial literacy initiatives provided to the disadvantaged without adequate banking services.	7.1 Academic Education	67
Paragraph 4 of Article 4	(4) Products and services designed by individual operating units to create benefits for the environment or society.	5.3 Sustainable Finance	52
	(1) The number of the company's full-time employees who are not in a managerial position, the average and medium of the salaries of the full-time employees who are not in a managerial position, and the difference of the three figures from the previous year	6.1 Talent Attraction and Retention	54
Paragraph 4 of Article 4	(2) The company's governance around climate-related risks and opportunities, actual and potential climate-related impacts, how to identify, assess and manage climate-related risks, and metrics and targets used to assess and manage relevant climate-related issues.	2.4 Climate Risks and Opportunities	10
Article 5	The sustainability reports prepared by the food industry and the listed companies, chemical industry and finance and insurance industry prescribed under Subparagraph 2, Paragraph 1, Article 2 of the Rules shall obtain a CPA's letter of opinion issued according to the rules published by the Accounting Research and Development Foundation, ROC; the scope thereof shall all include the reporting requirements disclosed pursuant to Items 1 to 7, Subparagraph 1, Items 1 to 4, Subparagraph 2, and Items 1 to 4, Subparagraph 3, Article 4 of the Rules.	9.1 CPA's Limited Assurance Report	90

9.3 Comparison Table of Disclosure Items of Sustainability Accounting Standards Board (SASB)

Sustainability Accounting Standards Board (SASB)					
Topics	Indicator Code	Nature	Disclosure Items	Corresponding Section	Page No.
Information Security	FN-CB-230a.1	Quantitative	(1) Number of data breaches (2) Percentage involving personally identifiable information (3) Number of account holders affected	4.4 Information Security	41
	FN-CB-230a.2	Qualitative	Describe methods for identifying and addressing data security risks	4.4 Information Security	37
Financial inclusion and Empowerment	FN-CB-240a.1	Quantitative	Loans outstanding qualified to programs designed to promote development of small business and communities (1) Number (2) Amount	5.3 Sustainable Finance	52
	FN-CB-240a.2	Quantitative	Overdue loans and collections outstanding qualified to programs designed to promote development of small business and communities (1) Number (2) Amount outstanding	Relevant information will be further disclosed in the future	-
	FN-CB-240a.3	Quantitative	Total number of accounts for free services provided to the groups without banking services or without adequate banking services	1.1 Vision	4
	FN-CB-240a.4	Quantitative	Number of participants in financial literacy initiatives provided to the groups without adequate banking services	7.1 Academic Education	67
Incorporate ESG Elements into the Credit Review	FN-CB-410a.1	Quantitative	Distinguish between commercial and industrial credit risks by industry	Please refer to " Page 280 & Page 422 of King's Town Bank Co., Ltd. 2021 Annual Report " for details	-
	FN-CB-410a.2	Qualitative	Describe the method for incorporating ESG elements into the credit review	5.3 Sustainable Finance	50
Business Ethics	FN-CB-510a.1	Quantitative	Financial loss due to fraud, insider trading, anti-monopoly, anti-competitive, market manipulation, malpractice or other laws or regulations related to the financial industry as determined by legal procedures	4.2 Regulatory Compliance	31
	FN-CB-510a.2	Qualitative	Describe the whistleblower system and procedures	4.1 Governance and Ethical Corporate Management	29
System Risk Management	FN-CB-550a.1	Quantitative	Global Systemically Important Banks (G-SIBs) by Category	KTB is not a G-SIB, this indicator does not apply	-
	FN-CB-550a.2	Qualitative	Describe methods for incorporating mandatory and voluntary stress test results into capital adequacy ratio plans, long-term strategies and other business activities	Please refer to [KTB Official Website/Announcement/Statutory Disclosure] for details.	-
Activity Indicators	FN-CB-000.A	Quantitative	The number and amount of deposit accounts by individuals and small enterprises	1.1 Vision	4
	FN-CB-000.B	Quantitative	The number and amount of loans by individuals, small enterprises and business customers	1.1 Vision	4

9.4 Human Resource Management Indicators

● Employee Composition

Employment Type		Male	Female	Total
Regular employees	Contract employees	355	605	960
	Part-time employees	0	4	4
Non-regular employees	Contracted employees	Security personnel	0	72
		Cleaning staff	2	2
	Dispatched employees	Kitchen assistants	2	2
Total		427	613	1,040

Note 1: All KTB employees are hired from within Taiwan

Note 2: Contract employees include interns

● Gender and Age Distribution of Regular Employees

Gender	Age	Managerial positions				Non-managerial positions		Total	
		Senior managerial officers		Intermediate and junior managerial officers		Number of persons	Proportion	Number of persons	Proportion
		Number of persons	Proportion	Number of persons	Proportion				
Male	Under 30 years old	0	0.00%	0	0.00%	94	14.09%	94	9.75%
	31 ~ 49 years old	11	11.96%	40	19.51%	79	11.84%	130	13.48%
	Over 50 years old	43	46.74%	43	20.98%	45	6.75%	131	13.59%
Female	Under 30 years old	0	0.00%	0	0.00%	214	32.08%	214	22.20%
	31 ~ 49 years old	5	5.43%	67	32.68%	187	28.04%	259	26.87%
	Over 50 years old	33	35.87%	55	26.83%	48	7.20%	136	14.11%
Total		92	9.54%	205	21.27%	667	69.19%	964	-

● Diversity Indicators Distribution of Regular Employees

Item	Aborigines		Non-Taiwanese nationality		Number of employees with physical or mental disabilities
	Total	Number of managerial officers	Total	Number of managerial officers	
Number of persons	1	0	1	0	9
Percentage in total employees	0.10%	0.00%	0.10%	0.00%	0.93%

Distribution of new recruits	Gender		Age			Title		Group		Nationality		Total number of new recruits
	Male	Female	Under 30 years old	31 ~ 49 years old	Over 50 years old	Managerial positions	Non-managerial positions	Non-aborigines	Aborigines	Taiwanese nationality	Non-Taiwanese nationality	
	41	52	76	11	6	7	86	93	0	92	1	
Percentage in total employees	4.25%	5.39%	7.88%	1.14%	0.62%	0.73%	8.92%	9.65%	0.00%	9.54%	0.10%	9.65%

Distribution of resigned employees	Item	Gender		Age			Title		Group		Nationality		Total number of resigned employees
		Male	Female	Under 30 years old	31 ~ 49 years old	Over 50 years old	Managerial positions	Non-managerial positions	Non-aborigines	Aborigines	Taiwanese nationality	Non-Taiwanese nationality	
	Voluntary separation	38	74	68	24	20	15	97	112	0	112	0	
Involuntary separation	1	2	2	1	0	0	3	3	0	3	0	3	
Total	39	76	70	25	20	15	100	115	0	115	0	115	
Percentage in total employees	4.05%	7.88%	7.26%	2.59%	2.07%	1.56%	10.37%	11.93%	0.00%	11.93%	0.00%	11.93%	

Note 1. Voluntary separation includes resignation, retirement, early retirement and death

Note 2. Involuntary separation includes severance, etc.

Internal employees filling for vacancies	Item	Gender		Age			Title		Group		Nationality		Total	Filling rate of internal employees for vacancies
		Male	Female	Under 30 years old	31 ~ 49 years old	Over 50 years old	Managerial positions	Non-managerial positions	Non-aborigines	Aborigines	Taiwanese nationality	Non-Taiwanese nationality		
	Rotation training	37	67	24	49	31	47	57	104	0	104	0		
Internal recruitment	0	1	0	1	0	0	1	1	0	1	0	1		
Total	37	68	24	50	31	47	58	105	0	105	0	105		

Note: Filling rate of internal employees for vacancies = number of internal employees filling for vacancies ÷ number of vacancy

● Percentage of Employees Receiving Regular Performance and Career Development Reviews

No. of employees required for performance assessment in 2021 ^{Note}	Employees that had performance assessment	Gender		Title	
		Male	Female	Managerial positions	Non-managerial positions
		354	604	297	661
958	% of total	100%	100%	100%	100%

Note: Part-time employees and 2 regular employees who took office in December are excluded

● **Investment in Employee Education and Training**

		2019	2020	2021
Training hours	Female	20,541	27,121	34,882
	Male	10,372	10,664	13,653
	Managerial positions	11,906	14,640	17,189
	Non-managerial positions	19,007	23,145	31,346
Total training hours		30,913	37,785	48,535
Average training hours per employee	Female	33.6	44.5	57.3
	Male	29.1	31.1	38.5
	Managerial positions	41.6	50.5	57.9
	Non-managerial positions	27.9	34.9	47.0
Total training expense (NT\$)		4,378,967	3,795,051	3,381,320
Average training expense per employee (NT\$)		4,524	3,982	3,508

Note: Employee training has moved online over the years, which has reduced actual cost and also significantly reduced carbon emission. Total training expense decreased, but the average training hours per employee increased

● **Occupational Hazards**

Item	Male	Female	Total
Total working days	87,048	150,914	237,962
Total working hours	707,160	1,213,128	1,920,288
Number of disabling injuries	1	1	2
Total lost days of disabling injuries	6	1	7
Frequency of disabling injuries (FR)	1.41	0.82	1.04
Severity rate of disabling injuries (SR)	8.48	0.82	3.65

Note 1: Total workdays in 2021 were [249], and the calculation is based on the number of employees on December 31, 2021

Note 2: The calculation is based on the data reported on the occupational disaster reporting system

Note 3: Number of disabling injuries refers to the number of deaths, permanent total disability, permanent partial disability and temporary total disability caused by occupational accidents

Note 4: Total lost days of disabling injuries refers to the total number of days lost after all injuries occurred. The number of days in which the injured person was temporarily (or permanently) unable to return to work, excludes the day when the injury occurred and the day of returning to work, but should include the number of days in between (including Sundays, holidays or days of shut down) and any days in which the injured person was still unable to work even after returning to work as a result of the accidents

Note 5: Frequency of disabling injuries (FR) = number of disabling injuries per million total working hours = number of disabling injuries x 1,000,000 / total working hours

Note 6: Severity rate of disabling injuries (SR) = number of lost days of disabling injuries per million total working hours = total lost days of disabling injuries x 1,000,000 / total working hours

Note 7: Total number of occupational disease-related or work-related deaths: 0

Note 8: Total number of work-related deaths of contractors/suppliers: 0

● **Absence Statistics**

Item	Male	Female	Total
Days of injury leave	6	34	40
Days of sick leave	254.25	414.375	668.625
Days of menstruation leave	0	23.25	23.25
Days of personal leave	115.5	192.75	308.25
Total days of absence	375.75	664.375	1,040.125
Absence rate	0.43%	0.44%	0.44%

Note: Absence rate = (days of injury leave + days of sick leave + days of menstruation leave + days of personal leave)/ total working days x 100%

● **Anti-epidemic Measures /Leave**

Item	Number of applicants
Telecommuting	25
Flexible working hours	18
Work from home	49
Anti-epidemic care leave	42
Vaccination leave	168
Quarantine leave (for those quarantined due to official contact)	0
Quarantine leave (for those who quarantined not due to official contact)	0
One-hour out	250

● **Unpaid Parental Leave**

	Male	Female	Total
No. of employees eligible for unpaid parental leave in 2021	8	57	65
No. of employees that took unpaid parental leave	0	1	1
No. of employees that should return to work after taking parental leave in the year (A)	0	6	6
No. of employees returned to work after taking parental leave in the year (B)	0	6	6
Return to work rate (B/A)	-	100%	100%
No. of employees that should return to work after taking parental leave in the previous year (C)	0	6	6
No. of employees that returned to work after taking parental leave in the previous year and stay employed for 12 months (D)	0	4	4
Retention rate (D/C)	-	67%	67%

Note: The data for "No. of employees eligible for unpaid parental leave" is the number of employees applied for maternity subsidy in the most recent 3 years

9.5 Statement of Independent Assurance Opinion



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE KING'S TOWN BANK CO., LTD.'S SUSTAINABILITY REPORT FOR 2021

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by KING'S TOWN BANK CO., LTD. (hereinafter referred to as KING'S TOWN BANK) to conduct an independent assurance of the Sustainability Report for 2021 (hereinafter referred to as the Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during verification (2022/05/24~2022/06/13). SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all KING'S TOWN BANK's Stakeholders.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors or governing body (as applicable) and management of KING'S TOWN BANK. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all KING'S TOWN BANK's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Options and Level of Assurance	
A.	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
B.	AA1000ASv3 Type 1 Moderate Level (AA1000AP Evaluation only)

TWLPP 5008 Issue 2201

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

Reporting Criteria Options

- GRI Standards (Core)
- AA1000 Accountability Principles (2018)

- AA1000 Assurance Standard v3 Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018) at a moderate level of scrutiny; and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, Sustainability committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. In response to COVID-19 pandemic situation, partial assurance process was conducted via Cisco Webex™.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts, Task Force on Climate-related Financial Disclosures (TCFD) and SASB related disclosures has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from KING'S TOWN BANK, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

FINDINGS AND CONCLUSIONS

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the specified performance information included in the scope of assurance is accurate, reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

TWLPP5008 Issue 2201

AA1000 ACCOUNTABILITY PRINCIPLES (2018) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

KING'S TOWN BANK has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, KING'S TOWN BANK may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

Materiality

KING'S TOWN BANK has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

Impact

KING'S TOWN BANK has demonstrated a process on identify and fairly represented impacts that encompass a range of environmental, social and governance topics from wide range of sources, such as activities, policies, programs, decisions and products and services, as well as any related performance. Measurement and evaluation of its impacts related to material topic were in place at target setting with combination of qualitative and quantitative measurements.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, KING'S TOWN BANK's Sustainability Report of 2021, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, more discussion of connection among sustainable development strategies and management approaches is encouraged. As more and more frameworks or standards, such as TCFD and SASB, have been adopted, information integration and context should be taken into consideration.

Signed:
For and on behalf of SGS Taiwan Ltd.

David Huang
Senior Director
Taipei, Taiwan
22 June, 2022
WWW.SGS.COM



TWLPP5008 Issue 2201

9.6 Accountant's Limited Assurance Report

Accountant's Independent Assurance Report

King's Town Bank Co., Ltd.

I. Scope of Assurance

The firm accepts the appointment of King's Town Bank Co., Ltd. (hereinafter referred to as King's Town Bank) to conduct a limited assurance engagement and issue a report on the sustainability performance information selected from the 2021 Sustainability Report. For information on the targets selected by King's Town Bank and their applicable benchmarks, please refer to Appendix I for details.

Responsibilities of the Management

King's Town Bank's management shall prepare the 2021 Sustainability Report based on appropriate benchmarks, with reference to the GRI Standards published by the Global Reporting Initiative (GRI), and shall design, implement, and maintain internal controls related to the preparation of the report to collect and disclose its contents.

Responsibilities of the Firm

The firm planned and conducted limited assurance engagement in accordance with the requirements of Statement of Assurance Standards No. 1, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," issued by the Accounting Research and Development Foundation (ARDF) as well as ISAE 3000, which was issued by the International Auditing and Assurance Standards Board (IAASB).

II. Assurance Engagement

The nature and timing of the enforcement procedures in the limited assurance engagement are different from those applicable to reasonable assurance cases. The scope is narrower, and the level of assurance obtained is significantly lower than that of a reasonable assurance engagement. In order to obtain limited assurance, the firm has considered the effectiveness of King's Town Bank's internal control when determining the nature and scope of the assurance procedure, but the purpose is not to express an opinion on the effectiveness of King's Town Bank's internal control. To reach a conclusion of limited assurance, the firm has performed the following:

- Conducted interviews with King's Town Bank's management and staff to understand King's Town Bank's fulfillment of corporate social responsibility and the reporting process;
- Understood the expectations and needs of the main stakeholders of King's Town Bank, the

specific communication channels between the two parties, and how King's Town Bank responded to such expectations and needs through interviews and inspection of relevant documents;

- Conducted analysis on selected sustainability performance information in the report; collected and evaluated other supporting evidence and management statements obtained; selected samples for testing when necessary;
- Perused the Sustainability Report of King's Town Bank and confirmed that it is consistent with the understanding obtained by this firm regarding the overall fulfillment of CSR.

III. Congenital Limitations

As the non-financial information contained in the Sustainability Report is subject to measurement uncertainty, the choice of different measurement methods may result in significant differences in performance measurement. Because of the sample-based nature of the assurance process and the inherent limitations of any internal control, it may not be possible to detect all material misstatements that exist, whether due to fraud or error.

IV. Quality Control and Independence

The firm follows the standards for quality control of accounting firms in the No. 46 regulation of the Statement of Auditing Standards, and establishes and maintains a complete quality control system, including compliance with written policies and procedures related to professional ethics, professional standards, and applicable laws and regulations. The firm also follows the Code of Ethics for Accountants regarding independence and other ethics, which is based on the principles of integrity, impartiality and objectivity, professional competence and due professional care, confidentiality and professionalism.

V. Conclusion

According to the procedures carried out by the firm and the evidence obtained, it has not been found that the sustainable performance information selected by King's Town Bank has not been prepared in accordance with the applicable benchmark and needs to be significantly revised.

Ernst & Young Global Limited

June 30, 2022

● Summary Table for Assurance Items

Appendix I:

No.	Page	Titles	Subject Information	Notes	Applicable Criteria
1	41	4.4 Information Security	There were no major information security incidents in 2021.	In 2021, King's Town Bank recorded the number of information leakage incidents, the proportion of information leakage incidents related to personal information, and the number of customers affected by information leakage incidents according to the "Information Security Incident Management Procedures".	The disclosure of performance indicators should be enhanced as stated in Article 4, Paragraph 1, Subparagraph 3, Item 1 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies". The number of information breaches, the percentage of personal data-related breaches, and the number of customers affected by information breaches.
2	51	5.3 Sustainable Finance	Assist Small and Medium Enterprises <u>Supporting the performances of Small Businesses</u> The balance of loans at the end of 2021 was NT\$27.729 billion; the number of loans was 2,825; the number of loan customers was 2,055; and the loan balance percentage is 13.23%.	The (1) loan balance, (2) the number of loan cases and (3) the number of loan accounts for small businesses of King's Town Bank at the end of 2021. 1. Small enterprises refer to the definition derived from the "White Paper": those whose paid-in capital is less than NT\$25 million. 2. The lending balance includes NT\$ loans, foreign currency loans and overdraft accounts. 3. The number is calculated based on the number of drawdowns. 4. The number of households is based on the result after the household registration at the end of 2021 (i.e., the same Tax ID number or Logic Serial Number (LOSN) is calculated only once).	The disclosure of performance indicators should be enhanced as stated in Article 4, Paragraph 1, Subparagraph 3, Item 2 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies". The number of loans and the balance of loans to promote the development of small businesses and communities.
3	67	7.1 Academic Education	In 2021, a total of 7 little financier activities and finance seminar for high schools and vocational high schools were held, and a total	The sessions and number of participants at the financial educational services lectures provided to the disadvantaged groups who lack information on banking	The disclosure of performance indicators should be enhanced as stated in Article 4, Paragraph 1, Subparagraph 3, Item 3 of the "Taiwan Stock Exchange Corporation Rules Governing the

No.	Page	Titles	Subject Information	Notes	Applicable Criteria
			of 934 students participated in the events.	services, including students in remote areas.	Preparation and Filing of Sustainability Reports by TWSE Listed Companies". Number of participants in financial education for disadvantaged groups lacking banking services
4	52	5.3 Sustainable Finance	The total number of Western Union remittance transactions in 2021 was 365,664, of which 67.57% were made by new residents or migrant workers, and 56.12% were made through the Internet or APP. The development of the Western Union remittance service has significantly helped new residents and migrant workers to find a way to remit money home without worrying about the time and geographical constraints they have previously faced.	The number of Western Union remittances from King's Town Bank in 2021 Western Union remittances have the following benefits compared to general international remittances: easy processing; shorter collection time; lower processing fees, the recipient can receive the full amount of the remittance, etc. The above advantages can increase the frequency of financial services for new residents and migrant workers to achieve the goal of financial inclusion. It is a service that can create social benefits.	The disclosure of performance indicators should be enhanced as stated in Article 4, Paragraph 1, Subparagraph 3, Item 4 of the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies". Products and services designed by each business unit to create environmental or social benefits.

9.7 ISO 50001 Certificate




Certificate of Registration

ENERGY MANAGEMENT SYSTEM - ISO 50001:2018

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

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

Holds Certificate No: **ENMS 699053**

and operates an Energy Management System which complies with the requirements of ISO 50001:2018 for the following scope:

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

For and on behalf of BSI: 
Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2018-11-03
Latest Revision Date: 2021-09-20

Effective Date: 2021-11-03
Expiry Date: 2024-11-02

Page: 1 of 2




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

Certificate No: **ENMS 699053**

Location	Registered Activities
King's Town Bank No. 506, Sec. 1, Ximen Rd. West Central Dist. Tainan City 70051 Taiwan 京城商業銀行股份有限公司 臺灣 台南市 中西區 西門路一段506號 70051	The provision of the baking services. The main energy uses include: electricity- office activities and air condition systems; diesel oil- emergency generation; motor gasoline- company cars.
King's Town Bank Anhe Branch No. 241, Sec. 2, Anhe Rd. Annan Dist., Tainan City 70945 Taiwan 京城商業銀行股份有限公司安和分行 臺灣 台南市 安南區 安和路二段241號 70945	(1)The provision of the banking services. (2)The management and maintenance of the data center for King's Town Bank. The main energy uses include: electricity- office activities, data center and air condition systems; diesel oil- emergency generation.

Original Registration Date: 2018-11-03
Latest Revision Date: 2021-09-20



Effective Date: 2021-11-03
Expiry Date: 2024-11-02

Page: 2 of 2

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9.8 ISO 14064-1 Opinion Statement

Opinion Statement

Greenhouse Gas Emissions Verification Opinion Statement


This is to verify that: King's Town Bank
No. 506, Sec. 1, Ximen Rd.
West Central Dist.
Tainan City
700019
Taiwan 京城商業銀行股份有限公司
臺灣
台南市
中西區
西門路一段 506 號
700019

Holds Statement No: GHGEV 765479
Verification opinion statement

As a result of carrying out verification procedures in accordance with ISO 14064-3:2006, it is the opinion of BSI with reasonable assurance that:

- The Greenhouse Gas Emissions with King's Town Bank for the period from 2021-01-01 to 2021-12-31 was verified, including direct greenhouse gas emissions 95.527 tonnes of CO₂ equivalent and indirect greenhouse gas emissions from imported energy 381.871 tonnes of CO₂ equivalent.
- No material misstatements for the period from 2021-01-01 to 2021-12-31 Greenhouse Gas Emissions calculation were revealed.
- Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2018.
- The emission factor for electricity for the year 2021 is not published by Taiwan government so far, the emission factor used for electricity is 0.502 kilograms of Carbon Dioxide equivalent per kWh instead which may potentially result in different Greenhouse Gas Emission estimates.

The other selected indirect GHG emissions listed in the attached table on the next page were also reported and thus verified with limited assurance, and data quality was not considered unacceptable in meeting the principles as set out in ISO 14064-1: 2018.



For and on behalf of BSI: Managing Director BSI Taiwan, Peter Pu

Originally Issue: 2022-04-01 Latest Issue: 2022-04-01

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The British Standards Institution is independent to the above named client and has no financial interest in the above named client. This Opinion Statement has been prepared for the above named client only for the purposes of verifying its statements relating to its carbon emissions more particularly described in the scope. It was not prepared for any other purpose. The British Standards Institution will not, in providing this Opinion Statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used or to any person by whom the Opinion Statement may be read. This Opinion Statement is prepared on the basis of review by The British Standards Institution of information presented to it by the above named client. The review does not extend beyond such information and is solely based on it. In performing such review, The British Standards Institution has assumed that all such information is complete and accurate. Any queries that may arise by virtue of this Opinion Statement or matters relating to it should be addressed to the above named client only.
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BSI Taiwan is a subsidiary of British Standards Institution.

Statement No: GHGEV 765479

The greenhouse gas emissions information reported by the organization for the period from 2021-01-01 to 2021-12-31 is as follows:

EMISSIONS	Notes	tonnes CO ₂ e
Category 1: Direct GHG emissions and removals		95.527
1.1 Stationary combustion		4.5289
1.2 Mobile combustion		19.6937
1.3 Industrial processes (anthropogenic systems)		0.0000
1.4 Fugitive (anthropogenic systems)		71.3039
1.5 Land use, land use change and forestry	N/A	-
Direct emissions in tonnes of CO ₂ e from biomass		0.0000
Category 2: Indirect GHG emissions from imported energy		381.871
2.1 Indirect emissions from imported electricity	location-based approach	381.8714
2.2 Indirect emissions from imported energy (steam, heating, cooling and compressed air)		
Category 4: indirect GHG emissions from products used by organization		16.838
4.1 Emissions from Purchased goods	Treated water	1.7267
4.2 Emissions from Capital goods	Accounting property	11.8756
4.3 Emissions from the disposal of solid and liquid waste	Solid waste and recyclable waste including transportation	3.2352
4.4 Emissions from the use of assets	NS	
4.5 Emissions from the use of services that are not described in the above subcategories	NS	

* NS: Non significant; N/A: Non available.

The total emissions were verified in selected branches and representative offices, including but not limited to the following:

Originally Issue: 2022-04-01 Latest Issue: 2022-04-01

Page: 2 of 3

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Taiwan Headquarters: 2nd Floor, No. 37, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.
BSI Taiwan is a subsidiary of British Standards Institution.

Statement No: GHGEV 765479

Locations	Verification Information
King's Town Bank Headquarter No. 506, Sec. 1, Ximen Rd. West Central Dist. Tainan City 700019 Taiwan 京城商業銀行股份有限公司總行 臺灣 台南市 中西區 西門路一段 506 號 700019	The Greenhouse Gas Emissions with King's Town Bank Headquarter for the Year 2021 was verified, including direct greenhouse gas emissions 95.527 tonnes of CO ₂ equivalent and indirect greenhouse gas emissions from imported energy 381.871 tonnes of CO ₂ equivalent.

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