

Implementation of Corporate Governance

I. Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks

Assess criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary description	
<p>I. Bank's shareholding structure and shareholders' rights</p> <p>(I) Has the bank implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?</p> <p>(II) Is the bank constantly informed of the identities of its major shareholders and the ultimate controller?</p> <p>(III) Has the bank established and implemented risk management practices and firewalls for companies it is affiliated with?</p>	V		<p>I.</p> <p>(I) Dedicated personnel have been assigned to perform shareholder service and maintain proper communication.</p> <p>(II) The Ministry of Finance is the Bank's sole shareholder, and given that the Bank has assigned dedicated personnel to perform shareholder service, the Bank is in control of the identity of its major shareholder and ultimate controller.</p> <p>(III) The Bank has implemented Land Bank of Taiwan "Subsidiary Management Guidelines" and "Guidelines on Appointment of Directors and Supervisors in Business Investments and Subsidiaries" for enhanced control, supervision and management over subsidiaries.</p>	<p>No deviation was found.</p> <p>No deviation was found.</p> <p>No deviation was found.</p>

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<p>II. Composition and responsibilities of the board of directors</p> <p>(I) Apart from the Remuneration Committee and Audit Committee, has the bank assembled other functional committees at its own discretion?</p> <p>(II) Has the bank established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?</p> <p>(III) Are external auditors' independence assessed on a regular basis?</p>		<p>V</p> <p>V</p> <p>V</p>	<p>II.</p> <p>(I) Apart from the Audit Committee assembled on December 19, 2014, the Bank currently has no other functional committee in place.</p> <p>(II) The Bank is not listed on TWSE or TPEX. It compensates directors according to “Guidelines for Ministry of Finance Appointing Persons-in-charge, Managers, Directors and Supervisors in State-owned and Private Institutions” and by having directors conduct annual self-assessments in accordance with “Performance Evaluation Scorecard for Persons-in-charge, Managers, Directors and Supervisors Appointed by Ministry of Finance in Public or Private Institutions” (performance indicators include: board meeting attendance count, target attainment, support to government policies and goals etc.). Outcomes of performance self-assessment are reported to the Ministry of Finance before the end of February each year.</p> <p>(III) The Bank appoints financial statement auditors according to the procedures outlined in Government Procurement Act, and requires auditors to issue a statement of independence in accordance with “Statement of CPA Professional Ethics No. 10.” Auditor appointments are raised for discussion and approval by the Audit Committee and board of directors, and are reported to the National Audit Office for final approval afterwards. The service agreement signed with the accounting firm contains a termination and dismissal clause that allows service arrangements to be reviewed on a yearly basis.</p>	<p>No deviation was found.</p> <p>No deviation was found.</p> <p>No deviation was found.</p>

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III. Has the bank allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	V		III. Corporate governance affairs of the Bank are currently handled by individual departments and divisions within the scope of their respective responsibilities. A “Corporate Governance Officer” position was created on May 24, 2019 under board of directors’ approval to further support the corporate governance system. This position is concurrently undertaken by the board secretary and head of Secretariat, who serves as the ultimate supervisor on corporate governance-related affairs and provides assistance to directors on relevant matters.	No deviation was found.
IV. Has the bank provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		IV. The Bank has created a stakeholders section on its portal and uses management e-mail, customer grievance e-mail, customer opinion box and customer satisfaction survey as transparent and effective means of communication with stakeholders. The Intranet contains an employee complaint section, for which dedicated personnel have been assigned to address suggestions or disputes of customers, employees and concerned parties.	No deviation was found.
V. Information disclosure (I) Has the bank established a website to disclose financial, business, and corporate governance-related information? (II) Has the bank adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the bank's website)?	V V		V. (I) The Bank has created a portal and uses the website to disclose financial, business and corporate governance information as instructed by the authority. (II) The Bank has created English webpages and assigned dedicated personnel to gather and disclose key financial and business information on a regular basis. The Bank has established "Notes on News Release and Media Contact" as part of its spokesperson system, and appointed dedicated spokesperson to communicate with the public on major decisions, policies, practices and	No deviation was found. No deviation was found.

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(III) Does the bank publish and make official filing of annual financial reports according to the Banking Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports plus monthly business performance before the specified due dates?	V		<p>measures. The Public Relations Section, Secretariat, is responsible for gathering information and releasing news. Given that the Ministry of Finance is the Bank's sole shareholder, there is no need to convene investor seminars.</p> <p>(III) The Bank publishes and files annual and semi-annual financial reports within the specified due dates according to the Banking Act and Securities and Exchange Act. Monthly disclosures on revenue, endorsement, guarantee and loan are published over Market Observation Post System before the due date.</p>	No deviation was found.
VI. Does the bank have other information that enables a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of bank's directors and supervisors, and donation to political parties, stakeholders and charity organizations)?	V		<p>VI.</p> <p>(I) The Bank has established "Land Bank of Taiwan Corporate Governance Code of Conduct" based on Bankers Association's "Corporate Governance Best-Practice Principles for Banks" and related laws as an enhancement to its corporate governance framework and practices. Details of the code of conduct have been disclosed on the Bank's portal and Intranet.</p> <p>(II) Employee rights and care:</p> <p>1. Employee welfare:</p> <p>(1) Benefits offered by the Company: preferred rate loan, leave subsidy, training, social gathering for singles, inter-branch table tennis, tennis, bowling, golf, badminton, chess and bridge competitions, hiking, talent show and sport/recreational activities.</p> <p>(2) Benefits arranged by Employee Welfare Committee: group insurance, festive cash, children's education subsidy, and employee hospitalization subsidy.</p> <p>2. Retirement system: employee retirement,</p>	No deviation was found.

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			<p>redundancy and pension are handled according to “Regulations Governing Employee Retirement, Pension and Redundancy for Subordinate State-owned Financial and Insurance Institutions of the Ministry of Finance” and “Labor Standards Act.” The Bank maintains a registry of employees who are approaching the retirement age, and enforces retirement when age is met.</p> <p>3. Terms agreed between employer and employees:</p> <p>(1) The Bank actively communicates with the union and employees to address their requests. In addition, meetings are convened to alleviate queries and establish consensus among the workforce.</p> <p>(2) Pursuant to Article 83 of Labor Standards Act and Regulations for Implementing Labor-Management Meeting, the Bank takes initiative in organizing labor-management meetings as a means to promote harmonic employment relationships and unite employees.</p> <p>4. Protection of employees' interests:</p> <p>(1) The Land Bank of Taiwan Work Rules has been established in accordance with Article 70 of the Labor Standards Act to outline rights and obligations between the employer and employees and to facilitate compliance of the two parties.</p> <p>(2) Land Bank of Taiwan Co., Ltd. first signed a “Group Agreement” with its union in 2014, and a revision of the Group Agreement was proposed during the year to accommodate the latest business requirements and amendments to the Labor Standards Act. The revised version, which has been discussed extensively and drafted under the consensus of both parties, was submitted to and approved by the Ministry of Finance on June 24, 2019, and</p>	

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			<p>later signed by employer and employee representatives on November 18, 2019. The union then submitted the new agreement to Taipei City Government Department of Labor, its governing authority, for acknowledgement on November 21, 2019, and a confirmation for the acknowledgement was received on November 26, 2019. This new agreement serves a number of purposes including more stable employment relations, full communication and coordination, enforcement of business integrity, protection of workers' rights and harmony in employment.</p> <p>(3) "Employee care": All internal units are reminded each year to take initiative in caring for employees' needs, and shall assign dedicated personnel to provide counseling for newly recruited or newly transferred employees and help them familiarize and adjust to the new work environment and lifestyle, so that they may fit in to contribute skills and build a promising career within the Bank in the shortest time possible.</p> <p>(III) Investor relations and stakeholders' interests:</p> <ol style="list-style-type: none"> 1. The Ministry of Finance is the Bank's sole shareholder, for which dedicated personnel have been assigned to carry out shareholder service. 2. Directors' academic and career background and concurrent employment in other companies are disclosed in annual reports to serve as reference for stakeholders. 3. To ensure compliance with "Ethics Directions for Civil Servants," an "Ethical Incident Registration System" has been created on the Intranet and is being operated properly. <p>(IV) Directors' training - 2019:</p> <ol style="list-style-type: none"> 1. The Bank held 6 hours of Advanced Practical Workshop for Directors on two topics: "Anti- 	

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			<p>bribery and Information Security Awareness - Impacts of Bitcoin Evolution” on May 24, 2019 and “Directors’ Obligations and Legal Responsibilities & AML” on November 22, 2019.</p> <p>2. Director Hung-Hsi Chan participated in: “Personal Information Protection and Corporate Governance,” “New Corporate Governance regulations and Trends 2019 - for Directors and Supervisors,” “Cross-border M&A Opportunities for Taiwanese Businesses under Global Trends” and “Taxation risk Management and Protection of Tax Rights” organized by Chinese National Association of Industry and Commerce between March 19 and March 28, 2019 for a total of 12 hours; “2019 Board Meeting Organizers Workshop - Session 6 - Best Board Meeting Practices” organized by Corporate Operation Association of the Republic of China from September 19 to September 20, 2019 for a total of 6 hours; and “Corporate Governance Seminar - Responsibilities and Risks of a Business Administrator: Governance Trends and Case Studies under the New Corporate Governance Roadmap” organized by the Ministry of Finance on November 27, 2019 for a total of 3 hours.</p> <p>3. Managing Director Tsui-Yun Chuang participated in the “Proper Convention of Shareholder Meeting - 2019” organized by the Corporate Operation Association of the Republic of China on April 10, 2019 for a total of 3 hours.</p> <p>4. Independent Director Hung-Neng Lai participated in: “Market Misconducts and Directors’ and Supervisors’ Responsibilities” organized by Securities & Futures Institute on April 18, 2019 for a total of 3 hours; “Detection of Financial Statement Fraud by Internal Auditors” organized by The Institute of Internal Auditors on July 3, 2019 for a total of 6 hours; and “Corporate</p>	

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			<p>Governance Seminar - Crisis Management Strategies and Speech Skills” organized by Taiwan Academy of Banking and Finance on October 29, 2019 for a total of 3 hours.</p> <p>5. Director Shu-Tuan Wang participated in “Corporate Governance and Board Function” and “Corporate Governance and Directors’ Duty of Care, Prudence and Conflict of Interest” organized by Corporate Operation Association of the Republic of China on May 17 and May 22, 2019, respectively, for a total of 6 hours.</p> <p>6. Director Song-Ling Yang participated in “Corporate Governance and Corporate Banking Risk Management Practices” organized by the Corporate Operation Association of the Republic of China on December 9, 2019 for a total of 3 hours.</p> <p>(V) Risk management policy and execution of risk measurement standards: The Bank’s “Risk Management Committee” convened 9 meetings in 2019 to discuss risk monitoring reports and risk management issues. Measurement, monitoring and reporting of credit, market, operational and other risks continued to be performed by the Department of Risk Management, and amendments were made to the following risk management policies during the year:</p> <ol style="list-style-type: none"> 1. Amendments were made to “Land Bank of Taiwan List of Key Operational Risk Indicators” on 2019.05.24. 2. Amended version of “Land Bank of Taiwan Major Business Risk Detection Guidelines” was implemented on 2019.07.16. 3. Amended version of “Land Bank of Taiwan Market Risk VaR Limits” was implemented on 2019.09.12. 4. Amended version of “Land Bank of Taiwan Major Business Risk Detection Guidelines - Attachment: 	

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			<p>Major Business Risk Detection Checklist” was implemented on 2019.11.18.</p> <p>(VI) Implementation of customer policy:</p> <ol style="list-style-type: none"> 1. A Customer Care Committee has been assembled to enhance protection for customers and consumers. The committee convened meetings once per quarter; any motion of material impact is reported during the board of directors (or managing directors) meeting. 2. The Bank continued to train its employees on “Fair Customer Treatment Principles - Theory and Practice”; 3 hours of training course were organized in 2019, and a total of 5,651 employees had completed training. 3. All service announcements are made over the Bank’s portal and are readily accessible by the general public. 4. The Bank offers a broad diversity of service channels. A customer service center has been created on the Bank’s portal to provide 24-hour consultation on services such as mortgage, ATM card and credit card, as well as access to Web Call, online chat and toll-free complaint hotline (0800-231590) that customers may use to make service inquiries and raise requests. 5. All fees and standards are compiled into a comprehensive sheet and disclosed in a visible manner at all office locations and on the Bank’s portal for the protection of consumers’ interest. 6. The portal and credit service section have been configured to display “Anti-fraud alerts” to remind customers to exercise caution and protect themselves from fraud. 7. The Bank caters for the rights and convenience of people with visual impairment, and offers them the option to apply for loans either by engaging a “public notary” (in accordance with The Notary Act” or having a “witness” present (which can be 	

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			<p>spouse, blood relative, other relative, friend or social worker.”</p> <p>8. To ensure protection of consumers’ interest and compliance with Article 47-1 of the Banking Act, the Bank has specified in its “International Credit Card Terms and Conditions” that credit card revolving interest rate shall not exceed 15% per annum. Furthermore, business units are instructed to ensure that terms and conditions are given to credit card applicants.</p> <p>9. The following actions were taken in 2019 to enforce the Bank’s personal information protection policy:</p> <p>(1) The Bank had engaged KPMG to conduct a special audit on personal information for the year 2018. The assurance report was completed on February 27, 2019 and was later acknowledged by the Financial Supervisory Commission on April 26, 2019.</p> <p>(2) Amendments were made to the Bank’s “Personal Information Protection Guidelines,” “Personal Information and File Security General Control Measures” and “Personal Information and File Security Detailed Control Measures.”</p> <p>(3) 69 hours of personal information protection training were organized in 2019, and a total of 3,605 people were trained.</p> <p>(4) Personal Information Protection Committee meetings are convened once per year; the 2019 session was convened on November 20, 2019 and recorded in minutes.</p> <p>(5) Internal policies were amended so that business administration units of the Head Office are responsible for the investigation, analysis and improvement of incidents involving breach of personal information security. The Bank received no report of</p>	

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			<p>personal information breach in 2019.</p> <p>(6) Internal policies were amended so that business administration units of the Head Office are required to conduct drills on malfunction of the e-commerce service system. A total of 10 units had completed the drill in 2019. .</p> <p>(VII) Insurance against directors' and supervisors' liability: The Bank is 100% state-owned and is neither listed on TWSE nor TPEX. The Bank has not purchased such an insurance considering the limited yields it may provide (and the fact that Bank of Taiwan, too, has not purchased such insurance so far).</p> <p>(VIII) Donation to political parties, stakeholders, and non-profit organizations: No donation was made to a political party or stakeholder. Driven by the motivation to care for the society and fulfill corporate social responsibilities, the Bank participates in charitable events and takes this opportunity to contribute to the society, improve corporate image and enhance the public's approval for the brand. Refer to page 30 for fulfillment of social responsibilities.</p> <p>(IX) The Bank has signed a statement of compliance with "Stewardship Principles for Institutional Investors" as a support to the Financial Supervisory Commission's shareholder empowerment initiative for banks. Progress of stewardship for 2018 was disclosed onto the Bank's portal and Taiwan Stock Exchange Corporation Corporate Governance Center on 2019.2.23, and is subsequently reviewed and updated once a year.</p>	
<p>VII. Please explain the improvements made and measures taken in response to the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center (not required if not evaluated): The Bank was not part of the evaluation, hence not required.</p>				