

Corporate Governance Memorandum

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Corporate Governance Memorandum

1 *Shareholder structure*

UTB has 3 shareholders whose participation is divided as follows:

- <i>Taiwan Cooperative Bank Ltd.</i>	90.02%
- <i>Bank of Taiwan</i>	4.99%
- <i>Land Bank of Taiwan</i>	4.99%

2 *Group Structure*

Taiwan Cooperative Bank Ltd (TCB). Being UTB's main shareholder, TCB considers UTB as making part of their overseas network as appears from their annual report. UTB is described as an equity method investee. Their stockholders equity amounts to TWD 241.79 billion (6.99 billion Euro) and their total balance sheet to TWD 3,897.26 billion (112.67 billion Euro) as at 31.12.2020 (exchange rate TWD/Euro = 34.59/ 31 December 2020).

Taiwan Cooperative Bank Ltd is now a 100% subsidiary of Taiwan Cooperative Holdings, established on 01.12.2011 and approved by the Financial Supervisory Commission on 22.09.2011.

Taiwan Cooperative Holdings with assets and stockholders equity valued around TWD 4,147.04 billion and TWD 237.68 billion respectively, ranks as the 6th largest financial holding company, as per 31.12.2020 in Taiwan in terms of assets size (as disclosed from its website). It is listed on the Taiwan Stock Exchange (code: 5880) and TCB was consequently delisted (code: 5854).

The Ministry of Finance of the R.O.C. holds 26.06% of the stock of TC Holdings.

3 *Management structure and organization*

3.1 Board of Directors: The Board of Directors is a collegial body and has the power to perform all actions that are necessary or useful for the achievement of the bank's corporate purpose with the exception of those actions that are by law or by UTB's articles of association explicitly reserved for the General Shareholders' Meeting.

The Board meets at least twice a year, usually in May and October under the chairmanship of its Chairman, being a non-executive Director, representative of the Taiwan Cooperative Bank, who decides after consultation of the

Management Committee and the other Directors what items will be submitted to the Board.

- 3.2 Management Committee: two Executive Directors (the Managing Director and the Deputy Managing Director) acting together form the Management Committee. They are appointed by the Board of Directors and dispose of all the powers mentioned in Art. 522 of the Companies Code, except the general policy of the bank and the other matters specifically reserved by that code to the Board of Directors and to the General Shareholders' Meeting.

The Managing Director is in charge of all operations functions.

The Deputy Managing Director is acting as Risk Manager, AML Supervisor and is also in charge of Compliance Function, physical safety, guarding, security, and HR.

4 *Key functions*

4.1 Staff functions:

- The Treasury Manager, the loan Manager and the Administration Manager are reporting directly to the Managing Director. These officers are chosen on the basis of their professional background and experience.
- The Advisor of the bank will advise the Management Committee in all independence in all regulatory, legal, prudential matter. He is now also acting as Compliance Officer and AMLCO, after having obtained the necessary approvals from both the NBB and FSMA. The Compliance Officer is reporting directly to the Deputy Managing Director.

4.2 Independent Control functions:

a) Internal Audit function:

in order to benefit of an entirely independent internal audit function, the bank has made a contract, in accordance with Circular D1 97/7 of BFIC, with Luc Callaert BV, external registered chartered accountant company, whereby the latter will act as sub-contractor to provide the total internal audit services, the final responsibility remaining, of course, with UTB. This contract is extended up to 31.12.2023.

b) Audit and Risk Committee

In compliance with the Article 27, 28 and 29 of Belgian Banking Code, the Audit and Risk Committee was established on 11.11.2015 in

accordance with the Audit and Risk Committee Charter, approved by the Board of Directors on 20.05.2015.

The Members of the said Committee are appointed for renewable periods of 3 years by the Board of Directors.

The Committee shall convene at least twice a year, and may call a meeting at its discretion whenever necessary. The Committee reports to the Board of Directors on the performance of the duties.

c) Compliance function:

Given the small size of UTB, the small number of products offered, the limited number of transactions, the responsibility for Compliance, AML and for the prevention policy of the bank in fiscal matters was delegated to the Advisor by the Management Committee of 28.08.2015.

d) AML/CTF function

In compliance with the Belgian AML Law of 18 September 2017, the Deputy Managing Director has been appointed as the AML Supervisor. The Compliance Officer is acting as ALMCO.

e) Risk Management function:

Given the small number of operations, the Deputy Managing Director, has been appointed as the Risk Manager. In this function, he closely monitors on a continuing basis the various risks incurred by the bank in collaboration with the Managing Director.

5 *Structural organization.*

5.1 Operational Structure

Given the small size of the bank, all activities are concentrated in three business lines under the direct supervision of the Managing Director:

- The Administration Manager is responsible for:
 - ◇ Country risk and sector concentration risk
 - ◇ processing of the daily operations
 - ◇ Accountancy
 - ◇ General Administration
 - ◇ Budget

- The Loan Manager is responsible for:
 - ◇ Credits

- The Treasury Manager is responsible for the:
 - ◇ Funding of the activities
 - ◇ Investments in Securities
 - ◇ Management of the interest rate risk, the liquidity risk and the currency risk

- The Deputy Managing Director is responsible for:
 - ◇ Human Resources;
 - ◇ Physical safety, guarding and security;
 - ◇ Risk Management.
 - ◇ AML Supervisor
 - ◇ Compliance Function

- The Compliance Officer / AMLCO is responsible for :
 - ◇ Compliance;
 - ◇ Enforcement of the law on money laundering;
 - ◇ Implementation of the prevention policy in fiscal matters;

5.2 Products and services

The small size of the bank explains that only a limited number of products are offered:

- Loans and advances to credit institutions and to corporate customers and sovereign/semi-sovereign borrowers.
- Debt securities including fixed income securities and floating rate notes issued mainly by credit institutions.
- Current account and Term Deposits are mainly offered to the staff of the UTB and the staff of the Taipei Representative Office in Belgium.

6 *Policies*

Risk Appetite principles, Risk Management Indices, and Recovery Plan are approved every year by the Management Committee and the Board of Directors.

Compliance Charter, Integrity Policy, Liquidity Policy, Funding and Lending Policy, Credit Policy, Investment Policy, Business Continuity Plan, Remuneration Policy, Credit Policy, Internal Rules concerning external functions and Outsourcing Policy are in place and reviewed every year by the Management Committee and the Board of Directors.