

Corporate Governance Memorandum

Review: 29.03.2023

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Approved by: Management Committee – 03.29.2023
Board of Directors – to be held on 25.04.2023

Corporate Governance Memorandum

Preamble:

This Corporate Governance memorandum aims at ensuring the compliance of United Taiwan Bank's governance structure with the principles and provisions set out in the Circulars [of the National Bank of Belgium: NBB 2021 28 of 08.12.2021 and NBB 2022 23 of 11.10.2022.](#)

This memorandum defines the principles that preside over the Corporate Governance at United Taiwan Bank. It complies with the Circulars [NBB 2021 28 and NBB 2022 23](#) which it has fully incorporated in its terms, except when the particularities of UTB warrant deviation, in which case the rationale of such deviation is explained.

This memorandum is an evolving tool intended for UTB's Board of Directors but also for its shareholders, its employees, the external auditor and other stakeholders. This memorandum is prone to evolve according to legislative or regulatory changes. In such a case the memorandum will be updated.

1 *Shareholder structure*

UTB has 3 shareholders whose participation is divided as follows:

- *Taiwan Cooperative Bank Ltd.* **90.02%**
Ranked 3rd largest bank in Taiwan in terms of Assets.
Privatized bank on 04.04.2005
- *Bank of Taiwan* **4.99%**
Owned by the Ministry of Finance of the Republic of China in Taiwan
- *Land Bank of Taiwan* **4.99%**
Owned by the Ministry of Finance of the Republic of China in Taiwan

The shareholders are in charge of supervising and sanctioning the strategy and they control the work of the Board of Directors. To this end they participate in the shareholders' meeting in order to demonstrate their adhesion to the Board of Directors' projects, to formulate alternative proposals and to question the Board with respect to its management of UTB.

2 *Group Structure*

Taiwan Cooperative Bank Ltd (TCB), being UTB's main shareholder, TCB considers UTB as making part of its overseas network as it appears from their

annual report. UTB is described as an equity method investee. Their stockholders equity amounts to TWD 233.77 billion (7.14 billion Euro) and their total balance sheet to TWD 4,246.51 billion (129.62 billion Euro) as at 31.12.2022 (exchange rate TWD/Euro = 32.76/ 31 December 2022).

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 of Taiwan on 22.09.2011.

Taiwan Cooperative Holdings with assets and stockholders' equity valued around TWD 4,433.84 billion and TWD 242.88 billion respectively, ranks as the 6th largest financial holding company, as per 31.12.2021 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 Policy related to the structure and the working of the management entities

- 3.1 It is a longstanding and continuing policy of the 3 shareholders to appoint at UTB's management entities (Board of Directors and Management Committee) only officers with a long track record and experience in the international sphere. They are appointed every 3 years by the General Shareholders' Meeting. When appointing the directors, the stipulations in the Diversity Policy, established in compliance with the requirements set out in article 31, &2, 1° of the Belgian Banking Law, will also be taken into account. The setup of Diversity Policy has to be submitted to the Board of Directors Meeting for approval (reference is made 3.9 here-under).
- 3.2 **The Chairman of the Board** will be proposed by the Taiwan Cooperative Bank given their major involvement in UTB. His selection will always be based on his general and international experience and be in line with his responsibilities at TCB. The latter (TCB) will decide on this point taking into account the need for the Board of UTB to preserve the continuity and the efficiency that is necessary to exercise their monitoring function efficiently. (Management Committee of 09.02.2009, approved by the Board of Directors of 11.05.2009). A preliminary approval of the NBB is necessary.
- 3.3 **The other non-executive Directors** will be selected by each shareholder, taking into account their international experience and their actual responsibilities that will be in line with their directorship. Every shareholder will decide with the same objectives as for the Chairman of the Board.

(Management Committee of 09.02.2009 approved by the Board of Directors of 11.05.2009). Here also the preliminary approval of the NBB is necessary.

- 3.4 **Independent Directors:** The 2 non-executive Directors appointed by the 2 minority shareholders can be considered as independent, pursuant to Article 3,83° of the Banking Law and Article 1:20 of the Belgian Companies and Associations Code. This was confirmed by our external lawyer and it was communicated to the NBB.
- 3.5 **The two executive Directors** in the Management Committee having a proven successful business track record are given a mandate that will normally be of at least 3 years. Their selection is under the responsibility of the Taiwan Cooperative Bank Ltd. who monitors and evaluates their past performance on the domestic and on the international front. The appointment of the chosen officers will then be proposed to and discussed with the 2 others minority shareholders. Their appointment will be done taking into account the same objectives as for the Chairman of the Board. (Management Committee of 09.02.2009 - Board of Directors of 11.05.2009) The approval of the NBB is a preliminary condition of their appointment.
- 3.6 **Remuneration policy:** the office of all Directors will be performed gratuitously, except for the mandate of executive Directors i.e. the Managing Director and the Deputy Managing Director, who receive a salary. The remuneration policy does not stimulate to take excessive risks, because it is not at all based on given turn-over figures, nor on a risk taking (Management Committee of 27.06.2008 approved by the Board of Directors of 28.10.2008). The policy was latest reviewed by the Management Committee on 12.04.2022 and acknowledged by the Board of Directors on 12.05.2022. As requested by the Remuneration Policy, the remuneration of the Executive Directors is being approved by the Board of Directors.
- 3.7 **Small and non-complex institution:** The National Bank of Belgium has informed UTB by their letter of 22 June 2021 that based on the criteria mentioned in the article 4 (1) (145) of the Regulation (EU) 575/2013 (CRR), as introduced by Regulation (EU) 2019/876, they have concluded that United Taiwan Bank can be considered as a small and non-complex institution. The Management Committee on its meeting held on 28.06.2021 agreed with the conclusion of the NBB. As requested by the NBB, we need to inform them in case we no longer meet all criteria for being a small and non-complex institution.
- 3.8 The new Belgian Code of Companies and Associations (“BCCA” hereunder) was passed by the Belgian Parliament on 28.02.2019. The BCCA came into

effect on 01.01.2020, but companies established before that the date have the time until 01.01.2024 for the implementation of the revised Code and thus to amend their Company Charter in order to be in line with the revised Code.

The Bank appointed the law firm Linklaters to assist in amending the Company Charter. The main amendments are as follows:

- Article 8: As per Articles 24 and 26 of the Belgian Banking Law, this article stipulates the governance setup in which the Board of Directors and the Management Committee respectively within the limits of the powers assigned to them by law are jointly responsible for the management of the Bank.
- Article 11: As per Article 3, paragraph 3 of the Belgian Banking Law, only non-executive directors may be elected as chairman of the Board of Directors, and in the event the chairman is absent, the replacement should also be a non-executive director.
- Article 15: As per Article 7:113 of the BCCA, all excerpts and copies of the minutes are signed by the chairman, or in his absence by the most senior member.
- Article 17~22: As per Article 7:109 of the BCCA and Articles 23~24 of the Belgian Banking Law, the powers of the Management Committee are no longer delegated by the Board of Directors. Therefore, the powers and authorization provisions are split into two parts: the Board of Directors (Article 17) and the Management Committee (Article 18~22). The Management Committee should consist of at least 2 persons (Executive Directors), which complies with Article 24 of the Belgian Banking Law.

The amendment of the Company Charter was approved on 19.12.2022 by the Board of Directors Meeting and will be presented for final approval to the next Annual Shareholders Meeting on 15.06.2023.

- 3.9 In order to comply with article 31, §2, 1° of the Belgian Banking Law, a diversity policy is being drafted which will be submitted for approval to the Board of Directors at the April 2023 Board of Directors Meeting. The Board of Directors is presently composed of 4 female directors and 2 male directors.

4 *Management structure and organization*

- 4.1 Board of Directors: The Board of Directors is a collegial body and is responsible for the general policy and strategy of the company and all acts specifically reserved for it by laws and regulations applicable to credit institutions and by the Belgian Code of Companies and Associations.

Directors are appointed for renewal periods of 3 years by the General Shareholders' Meeting whereby every shareholder will be represented in the following way:

- Taiwan Cooperative Bank: 2 non-executive and 2 executive Directors
- Bank of Taiwan: 1 non-executive Director
- Land Bank of Taiwan: 1 non-executive Director

The Board of Directors shall be composed of members from complementary horizons and having the required knowledge and experience considering the activity of UTB and taking into account the requirements under the Diversity Policy (reference is made 3.9 here-above).

Working of the Board

- The Board meets at least twice a year, usually in May and December 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 which items will be submitted to the Board.
He conducts the deliberations of the Board.
- Decisions can only be taken by simple majority if at least half of the members of the Board are present or represented. When votes are equally divided, the vote of the Chairman will be decisive.
- Each member of the Board will be provided at least 1 business days before the scheduled meeting with the meeting's agenda and useful documentation to effectively prepare for the meeting.
- No Director may vote or take part on a deliberation if he is directly concerned by a decision or has a conflict of interest.

The responsibilities of the Board are defined as follows:

- Defines strategy, objectives and values of the bank;
- Puts in place the decision-making procedures and internal control and ensures that all significant corporate actions taken are in compliance with applicable legislation;
- Appoints and terminates the mandates of the Managing Director and of the Deputy Managing Director;
- Establishes the annual accounts and the interim financial statements;
- Approves/evaluates management structure, organization, internal control and independent control functions;

- Monitors regularly the efficiency of internal control on reliability of financial reporting procedures;
- Approves/evaluates main lines of policy/strategy concerning:
 - ◇ Commercial policy/management
 - ◇ Risk profile/policy/ management
 - ◇ Capital adequacy and Liquidity Adequacy
 - ◇ Recovery Plan
 - ◇ Major Management Risk Indices
 - ◇ Risk Appetite
 - ◇ Outsourcing
 - ◇ Management Continuity
 - ◇ Integrity and client acceptance
 - ◇ Conflict of interests;
 - ◇ Protection of customer's rights on their deposited assets;
 - ◇ Remuneration Policy.
- Monitors management by using their investigation powers and management reporting.
- Acknowledges the findings of the control functions, of the auditors and of the NBB and of the remedy measures taken by the Management Committee and see to it that these measures are implemented.
- Ensures that all significant corporate actions are in compliance with the law.

The Board will conform itself to what is said in articles 8 to 17 of the Articles of Association of UTB, a copy of which is attached hereto (Annex 1).

In order to comply with the Banking Law of 25.04.2014 (art. 33 § 1) and the Company Law (art. 526 ter), the Audit and Risk Committee was established by the meeting of the Board of Directors held in 11.11.2015. The new Committee was dedicated to evaluate all the matters of audit and risk management, which originally was exercised by all the Directors of the Board. The main tasks and responsibilities of the Committee are referred to in 5.2.b) of this Memorandum.

The Belgian Banking Law of 25.04.2014 has been amended on 07.12.2016 and now stipulates that the majority of the Audit and Risk Committee members should be independent. Article 3 of our Audit and Risk Committee Charter has been amended accordingly.

Internal Regulations of the Board will also be respected (cfr. Annexes 2 and 3 Terms of Reference)

The non-executive members of the Board will evaluate once a year the interaction with the executive members and the efficiency of the management structure inclusive the qualification of management.

In accordance with Communication NBB_2018_05 dated 08.02.2018, the Board of Directors is obliged to submit an annual report to the supervisory authority on the assessment of the proper functioning of the compliance function. In addition to determining and verifying the integrity policy, the Board of Directors has to ensure that the compliance risks are adequately recognized and controlled. In this regard, the first Board Assessment Report had been submitted to the NBB on 27.06.2018 and the 2022 report was submitted on 13.05.2022.

- 4.2 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 are vested with the broadest powers to perform all acts necessary or useful for the achievement of the object of the company, with the exception of acts reserved for the General Meeting or to the Board of Directors by the laws and regulations applicable to credit institutions and by the Belgian Code of Companies and Associations.

The Management Committee is a collegiate body which is exclusively composed of members of the Board of Directors. The Management Committee has at least two members.

The members of the Management Committee are appointed and dismissed by the Board of Directors. The Board of Directors sets the terms of office of the members of the Management Committee, including their remuneration, the duration of their mission and the mode of operation of the Management Committee.

The Management Committee may delegate the day-to-day management of the company to one or more members of the Management Committee, who can act alone.

The Management Committee meets as much as necessary to permit an effective and efficient management of the bank.

The responsibilities of the Management Committee are defined as follows:

- Management of activities/establishment of management structure.
- Monitoring of line management, of observation of responsibilities and of reporting.

- Make proposals/advise Board to define policy/strategy and provide sufficient data to allow Board to take documented decisions.
- Organize, implement and evaluate all the internal control mechanisms and procedures.
- Organize a system of internal control providing sufficient certainty on reliability of internal reporting and financial reporting, so that accounts correspond to actual accountancy regulations.
- Report the financial situation to the Board in all necessary aspects with a balanced and comprehensive assessment of the banks' financial situation.
- Report to NBB and FSMA/external auditor on financials, organization, internal control, management structure, independent control functions etc.

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.

5 *Key functions*

5.1 **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 matters. 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.

5.2 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.

A risk analysis was made by the internal auditor covering all activities in the bank and the internal control thereon. Then an audit methodology was written and was agreed by the Management Committee on 31.08.2006 and submitted to the BFIC in September 2006. A 3-year Audit Plan was also approved by the Management Committee on 31.08.2006.

A reviewed analysis and methodology were agreed by the Management Committees of 04.09.2008, 05.04.2012, 10.02.2015, 26.10.2017 and 11.11.2020. A new 3-year Audit Plan was extended up to 31.12.2023, approved by the Management Committee and by the Board of Directors on 11.11.2020 and 23.12.2020.

The Audit Charter (cfr. Annex 4) and Internal Auditors' Code of Professional Ethics (cfr. Annex 4.1) have been drafted following the requirements of the National Bank of Belgium (NBB) communicated to us by its Circular NBB 2015_21. As required by the NBB, the 2 regulations have been submitted, discussed and reviewed by the Management Committee on 07.03.2017. The said regulations were also approved by the Board of Directors on 09.05.2017.

The latest yearly review of the Audit Charter and Audit Plan was done by the internal auditor and approved by the Management Committee on 16.02.2023 and will be submitted to the BOD in April for approval.

b) Audit and Risk Committee

In compliance with the Article 27, 28 and 29 of Belgian Banking Law, 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 whereby each shareholder will be represented in the following way:

- Taiwan Cooperative Bank: 1 non-executive Director
- Bank of Taiwan: 1 non-executive Director (independent Director)
- Land Bank of Taiwan: 1 non-executive Director (independent Director)

Members of the committee must possess the knowledge, experience and skill necessary to understand and evaluate the risk tolerance level and

strategy of UTB. And at least one member should be competent in accounting and/ or auditing.

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.

The main tasks and responsibilities of the Committee

- To monitor the integrity of the financial information provided by UTB and, in this framework, ensure the relevance and consistency of the accounting standards (national and international) used by UTB. This includes the assessment of the correctness, completeness, and consistency of financial information.
- To monitor the issues and recommendations made by the statutory auditor.
- To monitor the effectiveness of internal control and of risk management systems.
- To review the periodical information.
- To monitor internal audit and its activities.
- To review and monitor the independence of the statutory auditor particularly with regard to the provision of additional service to UTB or to a person on which it has a narrow link.
- At least once a year the Committee reviews the internal control and risk management systems set up the Management Team with a view to ensuring that the main risks resulting from UTB activity, including those relating to the compliance with existing legislation and regulations, are properly identified, managed, and disclosed.
- To review and comment to the Board of Directors the statements made in the annual report on internal control and risk management.
- To advise the Board of Directors for aspects of the strategy level of tolerance for risk, both current and future.
- To ensure that the price of products offered to customers, whether on or off-balance sheet, takes into account the risks borne by the UTB with regard to its business model and strategy for risk.
- To promote healthy practices and remuneration policies.

The Belgian Banking Law of 25.04.2014 has been amended on 07.12.2016 and now stipulates that the majority of the Committee members should be independent. Article 3 of our Audit and Risk Committee Charter has been amended accordingly.

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. The compliance officer has obtained the necessary approvals from both the NBB and FSMA. The Compliance Charter was approved on the 08.03.2002 (cfr. Annex 5) and further updated according to Circular Letter NBB/FSMA 2012-14 (Annex 5.1).

- The Compliance Charter was approved on 02.12.2015. The latest review and amendment was approved by the Management Committee on 23.02.2022 and by the Board on 12.05.2022.
- A Compliance and AML/CFT Action Plan is drafted each year (Annex 5.2).
- The Compliance Risk Assessment was made on 24.01.2023 and will be reviewed and analyzed annually (Annex 6).
- A compliance report is submitted by the compliance officer twice a year.

Guidelines for Deposit and Remittance Activities were also adopted in this context. The latest update was approved by the Board of 07.05.2019 (Annex 7).

In accordance with Communication NBB_2018_05 dated 08.02.2018, the Board of Directors is obliged to submit an annual report to the supervisory authority on the assessment of the proper functioning of the compliance function. In addition to determining and verifying the integrity policy, the Board of Directors has to ensure that the compliance risks are adequately recognized and controlled. In this regard, the first Board Assessment Report has been submitted to the NBB on 27.06.2018 and for the second time in June 2019.

As from 2020, we have to comply with the NBB circular NBB_2019_15 as to the content of the Board's report on the assessment of the compliance function. The Board of Directors have to approve, sign and submit the Report to the NBB before 15.05 every year. (Annex 7-1)

The Compliance Officer reports to the Deputy Managing Director, who is in charge of the compliance function within the Management Committee. This was approved by the NBB.

d) AML/CTF function

In order for Belgium to be in line with the European Union IV AML Directive (AMLD4), a Belgian law on the prevention of money laundering and terrorist financing and on the restriction of the use of cash came into force on 18.09.2017 (Belgian AML law of 18.09.2017). The National Bank of Belgium has issued a regulation on 21.11.2017 (AML NBB Regulation of 21.11.2017) which supplements the AML Law.

The law of 20.07.2020 amending Belgian AML law of 18.09.2017 (Belgian AML law of 20.07.2020). The Law provides for the transposition of the European Union V AML Directive (AMLD5) into Belgian law.

- The “Guidelines Governing Anti-Money Laundering and Countering the Financing of Terrorism of United Taiwan Bank” has been updated in order to be in line with the AMLD5, the Belgian AML law of 20.07.2020, amending Belgian AML law of 18.09.2017 and the AML NBB Regulation of 21.11.2017. The latest [review](#) of the Guidelines was approved by the Board on [19.12.2022](#). (Annex 8)
- The Belgian AML law requests that each company appoints a member of its senior management to supervise the implementation of and the compliance with the provisions of the Law and the regulations. The Board of Directors approved the appointment of the Deputy Managing Director as the AML supervisor on 14.05.2018.
- The actual implementation has to be done by the AMLCO (anti-money laundering compliance officer), which for UTB is the certified Compliance officer.
- The AMLCO submits on an annual basis an AMLCO report.

In order to comply with the provisions of Article 16 and 17 of the Belgium AML law and NBB Circular NBB 2018_02, the AMLCO drafted the overall risk assessment (ORA) report, taking into account the characteristics of the customers, the products, services offered, the countries or geographical areas concerned, and the distribution channels used. The purpose of the exercise was to assess the AML risks the bank is exposed to. The assessment report shall be reviewed annually and to be sent to the NBB. The ORA report [for 2021](#) was submitted to the NBB on [13.05.2022](#).

The AMLCO also drafted internal procedures which were based on our AML Guidelines and which followed the recommendations of the NBB. The AML and CFT Procedures were approved by the Management Committee and was latest [reviewed on 23.12.2022](#). The purpose of the procedures is to work-out more in detail what is mentioned in the Guidelines and be more concrete so as to serve as guidance for the

personnel involved with AML matters. The procedures were disseminated to all relevant staff and will be updated regularly. The procedures, as requested by the NBB, are as follows:

- Procedures regarding the execution of the AML procedures;
- Procedure in order to respect the financial embargoes and the freezing of assets imposed by the United Nations, the European Union and the Kingdom of Belgium;
- Procedure regarding the blacklist screening.
- Procedure for analyzing atypical transactions, for reporting suspicions to the CFI and for processing requests for information from the CFI to the financial institutions;
- Procedure for the storage and the protection of data and documents;
- Procedures for vigilance measures with regard to clients and transactions;
- AML Overall Risk Assessment Procedure; and
- Procedure for AML Internal Whistle Blowing.

e) Risk Management function

Given the small number of operations, the Deputy Managing Director, has been appointed as the Risk Manager, which has been approved by the NBB. In this function, he closely monitors on a continuing basis the various risks incurred by the bank in collaboration with the Managing Director. They base themselves on the following rules and policies:

- e.1 Interest rate risk and liquidity management: on [03.03.2023](#), the Management Committee reconfirmed the Policy Memorandum on this subject (cfr. Annex 9).
- e.2 A Contingency Plan for Funding Management was approved on 13.01.2010 (annex 10).
- e.3 Counter-party risks and funding gap positions are regulated by "The Criteria for Delegation of Authority for Handling International Financial Business" dated 10.12.2019 (cfr. Annex 11).
- e.4 The Loans to customers are regulated by the Credit Policy which was lastly reviewed on [05.12.2022](#) (Annex 32) and Credit Procedures which were lastly amended on [28.03.2023](#) (Annex 32.1).
- e.5 The Investment Portfolio Policy of 27.11.2006 was lastly reviewed on [19.10.2022](#) (cfr. Annex 12).
- e.6 Country Risk Allocation Rules was approved on 20.05.2020 (cfr. Annex 13) which was lastly reviewed on [23.02.2023](#).
- e.7 International organizations (Annex 13.1 M. C of 06/10/2010).

- e.8 Provisioning for country risks: policy document of 15.10.2001 (cfr. Annex 13.2) reviewed on 15/02/2010
- e.9 Yearly evaluation of all credit risks is made every year.
- e.10 ICAAP procedure (Internal Capital Adequacy Assessment): approved by the Management Committee of 11.04.2017 and reviewed annually (Annex 14).
- e.11 ILAAP procedure and methodology (Internal Liquidity Adequacy Assessment Process) approved by the Management Committee of 14.06.2018, the Board of Directors of 19.06.2018, and reviewed annually (Annex 15).
- e.12 Internal Control System is evaluated and approved annually by the Management Committee of 20.01.2023 (Annex 16).
- e.13 Evaluation Rules of financial statements (Annex 16.1).
All these policies and procedures were approved by the Board.
- e.14 Quarterly review of the tables of the Recovery Plan, the Risk Appetite and the Major Risk Management Indices. All the methodology of the tables have to be reviewed and approved by the Board annually.
- e.15 Plan of risk Management approved by the Management Committee of 28.03.2023 (Annex 35)
- e.16 ICT and Security Risk Management
The Bank's Board of Directors is ultimately responsible for setting up the ICT security framework and ensuring that ICT security is effectively managed. The ICT and Security Risk Management Policy was first set up and approved by the BOD on 07.05.2019, and lastly reviewed on 19.12.2022. The Policy is in accordance with the Guidelines of the European Banking Authority of 28.11.2019 (EBA/GL/2019/04) on ICT and security risk management and the NBB circular NBB 2020 23 of 16.06.2020.
Furthermore, the IT Environment Management and Maintenance Procedure was firstly set up and approved by the Management Committee on 20.12.2018 and lastly updated on 02.03.2023, helping the management team to have an overview of the IT environment and to develop more detailed management procedures to enhance the overall security and operational reliability of the Bank's IT environment.
The ICT and Security Risk Management Policy aims to ensure that all ICT and security risks are identified, analyzed, measured, monitored, managed, reported and kept within the limits of the Bank's risk appetite.

The following roles are assigned to relevant staff for specific tasks concerning ICT security matters:

Information Security Officer (Deputy Managing Director): to establish and maintain the Bank's vision, strategy, and program to ensure information assets and technologies are adequately protected.

IT Supervisor (Administration Manager): to supervise and control the overall operations of the ICT environment of the Bank.

IT Officer (Loan Officer): to maintain day-to-day ICT operation tasks.

6 Structural organization.

6.1 Operational Structure (Cfr. Annex 17 Organization Chart)

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
 - ◇ Acting as IT Supervisor to supervise and control the overall operations of the ICT environment of the Bank.

- **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

◇ Acting as Information Security Officer to establish and maintain the Bank's vision, strategy, and program to ensure information assets and technologies are adequately protected.

- **The Compliance Officer / AMLCO is responsible for :**

◇ Compliance;

◇ Enforcement of the law on money laundering;

◇ Implementation of the prevention policy in fiscal matters;

- **The Loan Officer is responsible for :**

◇ Credits

◇ Acting as IT Officer to maintain day-to-day ICT operation tasks.

A Management Committee of two members, the Managing Director and the Deputy Managing Director, appointed by the Board of Directors, and is vested with the broadest powers to perform all acts necessary or useful for the achievement of the object of the company, with the exception of acts reserved for the General Meeting or to the Board of Directors by the laws and regulations applicable to credit institutions and by the Belgian Code of Companies and Associations.

The Management Committee is a collegiate body which is exclusively composed of members of the Board of Directors. The Management Committee has at least two members.

The members of the Management Committee are appointed and dismissed by the Board of Directors. The Board of Directors sets the terms of office of the members of the Management Committee, including their remuneration, the duration of their mission and the mode of operation of the Management Committee.

The Management Committee may delegate the day-to-day management of the company to one or more members of the Management Committee, who can act alone.

The Management Committee meets as much as necessary to permit an effective and efficient management of the bank.

The Management Committee has delegated in conformity with Art. 19 of the bank's charter all powers of daily management to the Managing Director and to the Deputy Managing Director, each of them being authorized to act alone.

The Advisor, also acting as an Compliance Officer and AMLCO, will assist the members of the Management Committee in specific tasks described in annex 18.

6.2 Outsourcing

Under the responsibility of the Board of Directors and of the Management Committee, some activities and processing are outsourced, given the small size of the bank. Outsourcing Policy was approved on 10.12.2019. (Annex 33)

- Internal Audit: on 19 June 2006, an agreement was signed with Luc Callaert BV, external registered chartered accountant company, who performs all the necessary internal audits of the bank as from 01.01.2006. The last extension for the period 2021-2023 was agreed on 11.11.2020. See annex 19 - Cfr. above sub. 5.2.
- Payroll: a contract was signed with Asbl Partena, an agreed social secretariat for employers. An updated contract is under review and will be signed shortly.
- SWIFT Infrastructure: UTB outsourced its SWIFT infrastructure to a certified SWIFT Service Bureau, equensWorldline, located in Belgium. [Outsourcing contract was signed on 20.07.2006.](#)
- Storage of Archives: The service is provided by Merak. [Outsourcing contract was signed on 14.12.2007.](#)

6.3 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.

These assets represent nearly the totality of its balance sheet and are financed by our own funds and by inter-bank indebtedness obtained from the 3 shareholders banks and from the Central Bank of the Republic of China (Taiwan). In order to comply with NSFR and for the better risk management,

the bank obtained a 5-year, EUR 300 million, term loan from the parent bank TCB , as well as a 3-year, EUR 70 million, term facility respectively from its parent bank and CTBC bank. The bank is not trading interest rate swaps nor other derivative instruments.

6.4 Geographical perimeter of activities: although the bank holds a worldwide spread asset portfolio, its only seat of activity remains located in Belgium in its Brussels head office.

6.5 Business Continuity Plan: Cfr. Annex 21.

7 Strategic objectives – Business values – Integrity policy – Conflict of Interests

As Corporate Governance cannot be realized alone through structural organization procedures and control mechanisms, the management of the bank has also fixed corporate objectives, business values, internal codes of conduct and formal instructions concerning implementation of activities with integrity and involvement of all concerned parties.

7.1 Action plans

- Policy Memorandum about the Interest Rate Risk and Liquidity Management (Cfr. Annexes 9 to 10.1).
- The Investment Portfolio Policy (Cfr. Annex 12).
- ICAAP Procedure (Cfr. Annex 14)
- ILAAP Procedure (Cfr. Annex15)
- Business Continuity Plan
- Compliance and AML/CFT Action Plan
- Risk Appetite
- Major Risk Management indices
- Yearly budget

7.2 Internal codes of conduct

- Integrity Policy (Cfr. Annex 22).
- Internal Employment Rules (Cfr. Annex 23, 23.1).

7.3 Internal Rules concerning External Functions (Cfr. Annex 24) and concerning Credits to Bank Managers (Annex 25). The Internal Rules concerning External functions are reviewed every year. It has been updated and approved by the Board on 19.12.2022 in order to better comply with the NBB Regulation of 09.11.2021 which was approved by Royal Decree of 25.02.2022.

7.4 Regulations Governing Acquisition/Disposal of Assets (Annex 26)

7.5 ROC Financial Holding Cy Act. Regulations and authorization (Annex 27).

7.6 Disclosure of malpractice - Whistleblowing

All members of the personnel have to sign for acknowledgement our Regulation of Whistle blowing. (Cfr. Annex 28).

7.7 Customers complaints processing

The “**Procedure to handle the customer complaints of United Taiwan Bank**” was drafted based on the remark by the Internal Auditor on the Q2 2018 audit report. In addition to the customer complaint procedure which describes the handling of customer complaints internally in UTB, we have included in our revised “General Terms and Conditions” which are sent to our customers, the way they can submit complaints to UTB.

The Procedure provides more details about how the complaints have to be submitted the processing procedure, the delegated manager to be contacted by the customer, the processing period, the status of follow-up to make sure the complaints are accepted, retention of the documents and evidences, disseminating and the training to the staff, etc. The Procedure was approved by the Management Committee of 21.08.2018 and the Board of 18.12.2018 respectively. (Cfr. Annex 29)

7.8 Remuneration Policy (Cfr. Annex 30)

7.9 Transactions on Financial Instruments for members of staff (Crf. Annex 31)

7.10 Tax Prevention Policy

Reference is made to NBB circular NBB_2021_16 of 06 July 2021, NBB circular 2021_17 of 6 July 2021, and the law of 2 June 2021 containing various financial provisions on the fight against fraud. The NBB expects the financial institutions to critically examine and, where necessary, to install, to adjust and to update their tax prevention policy. The Board of Directors’ meeting held on 16.12.2021 approved the Tax Prevention Policy.

8 *Policy to make public the applied principles.*

This Corporate Governance Memorandum will be approved by the Board of Directors.

It will be adapted as soon as significant modifications to the management structure and to the organization will require it.

Anyway, it will be yearly reviewed and evaluated.

Disclosure of the contents of this memorandum are done by informing our Stakeholders (Shareholders, external auditors, members of personnel etc...) of its existence and by providing them sufficient information thereon.

Excerpts of this memorandum will also be included in our website.

9 This Corporate Governance Memorandum was approved and reviewed by our:

- Management Committee of 18.02.2008, 27.06.2008, 09.02.2009, 26.02.2010, 15/02/2011, 27.02.2012, 04.03.2013, 14.02.2014, 22.04.2015, 26.02.2016, 27.02.2017, 22.02.2018, 25.01.2019, 01.04.2020, 01,04,2021, 29.03.2022, 29.03.2023.
- Board of Directors of 21.05.2008, 28.10.2008, 11.05.2009, 13.05.2010, 17/05/2011, 25.05.2012, 28.05.2013, 21.05.2014, 20.05.2015, 20.05.2016, 09.05.2017, 14.05.2018, 07.05.2019, 20.05.2020, 10.05.2021, and 12.05.2022.

Annexes to the Corporate Governance Memorandum

1. Articles 8 to 18 of the Articles of Association of UTB; ([19.12.2022, to be finally approved by the General Shareholders' Meeting scheduled on 15.06.2023](#))
2. Internal regulations (Terms of Reference) of the Board; (17.03.2015)
3. The Audit and Risk Committee Charter; (09.05.2017)
4. Audit Charter; ([10.05.2021](#))
- 4.1 Internal Auditors' Code of Professional Ethics; (09.05.2017)
5. Compliance Charter; ([10.05.2021](#))
- 5.1 Circular Letter NBB/FSMA 2012-14 of 04.12.2012 on Compliance;
- 5.2 Annual Compliance and AML/CFT Action Plan; ([16.12.2021](#))
6. Compliance Risk Assessment; ([24.01.2022](#))
7. Guidelines for Deposit and Remittance Activities; (07.05.2019)
- 7.1 Board Assessment Report on compliance function; ([10.05.2021](#))
8. Guidelines Governing Anti-Money Laundering and Countering the Financing of Terrorism ([16.12.2021](#))
9. Policy Memorandum about interest rate risk and liquidity management; ([07.03.2022](#));
10. Contingency Plan for Funding Management; (13.01.2010)
11. Counterparty risks and Funding Gap Positions: The Criteria for Delegation of Authority for Handling International Financial Business; (10.12.2019)
12. The Investment Portfolio Policy; ([18.10.2021](#))
13. Country Risk Allocation Rules; ([23.02.2022](#))
- 13.1 International organizations (06.10.2010)
- 13.2 Provisioning for country risk (15.02.2010)
14. ICAAP Procedure; (11.04.2017)
15. ILAAP Procedure; (14.06.2018)
16. Evaluation of the Internal Control System; ([20.01.2022](#))
- 16.1 Evaluation Rules of Financial Statements (23.12.2020);

17. Organization Chart of UTB; (31.12.2021)
18. List of tasks of to be effected by the Advisor;
19. Internal audit: agreement of 19.06.2006, 13.10.2008, 12.12.2011, 04.12.2014, 08.01.2018 and 11.11.2020 with Luc Callaert BV;
20. (empty)
21. Business Continuity Plan; ([19.12.2022](#))
22. Integrity Policy; ([12.05.2022](#))
23. Règlement de travail; (02/2013)
- 23.1 Internal Employment Rules; (15.02.2007)
24. Internal Rules concerning External Functions; ([19.12.2022](#))
25. Code of conduct for credits to Bank Managers or to companies in which they have an interest (29.09.2005);
26. Regulation Governing Acquisition/Disposal of Assets; ([19.12.2022](#))
27. Regulation on Credit and Trading Processing under the Financial Holding Cy Act; ([19.12.2022](#))
28. Whistleblowing Policy; (23.02.2022)
29. Procedure to handle the customer complaints of United Taiwan Bank; (18.12.2018)
30. Remuneration Policy; ([12.05.2022](#))
31. Transactions on Financial Instruments for staff members. (03.04.2003)
32. Credit Policy; (09.06.2021)
- 32.1 Credit Procedures; ([28.03.2023](#))
33. Outsourcing Policy; (23.12.2020)
34. Tax Prevention Policy; (16.12.2021)
35. [Plan of risk management; \(28.03.2022\)](#)