

# Corporate Governance Memorandum

Review 01/2019

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## Corporate Governance Memorandum

### 1 *Shareholders' structure*

UTB has 3 shareholders whose participation is divided as follows:

- *Taiwan Cooperative Bank Ltd.* 90.02%
- *Bank of Taiwan* 4.99%
- *Land Bank of Taiwan* 4.99%

### 2 *Group Structure*

Taiwan Cooperative Bank Ltd (TCB) being UTB's main shareholder, consider the latter as making part of their overseas network as appears from their annual report, UTB being described as an equity method investee. Their stockholders equity amounts to Taiwan \$ 200.26 billion (5,65 billion Euro) and their balance sheet to Taiwan \$ 3,188.45 billion (89.94 billion Euro) as at 31.12.2017 exchange rate Tw\$/Euro = 35.45/31.12.2017).

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

Taiwan Cooperative Holdings with assets and stockholders equity valued near 3,411.24 billion NT\$ and NT\$ 205.50 billion respectively and ranks the 6<sup>th</sup> largest financial holding Cy as per 31.12.2017 in Taiwan in terms of assets.

The Ministry of Finance of the R.O.C. holds 26.06% of the stock of Taiwan Cooperative 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 Management Committee has delegated in conformity with Art. 10 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 Management Committee meets as much as necessary to permit an effective and efficient management of the bank.

### 3.3 *Key functions*

#### 3.3.1 Staff functions:

- a) The Treasury Manager, the loan Manager and the Administration Manager supervised by the Managing Director, exercise their functions immediately under the Management Committee to which they report directly. These officers are chosen on the basis of their professional background and experience.
- b) 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 the NBB and the FSMA..

#### 3.3.2 Independent Control functions:

- a) Internal Audit:

In order to benefit of an entirely independent internal audit function, the bank has contracted in accordance with Circular D1 97/7 of BFIC with an agreed external banking revisor whereby the latter will act as sub-contractor to provide the total internal audit services, the final responsibility remaining, of course, with UTB.

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 at 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:*

Given the small size of UTB and the small number of operation, the responsibility of the Compliance and for enforcement of the law on money laundering and for the effective implementation of the prevention policy of the bank in fiscal matters was delegated to the present Advisor by decision of the Management Committee of 28.08.2015.

d) *Risk Management:*

Given the small number of operations, the Deputy Managing Director is acting as risk manager and closely monitors on a continuing basis the various risks incurred by the bank in collaboration with the Managing Director.

### *3.4 Structural organization.*

#### *3.4.1 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 responsible for:
  1. Country risk and sector concentration risk
  2. Operational liquidation of activities
  3. Accountancy
  4. General Administration
  5. Budget

- The Loan Manager responsible for:
  1. Credits
  
- The Treasury Manager responsible for the:
  1. Funding of the activities
  2. Investments in Securities
  3. Management of the interest rate risk, the liquidity risk and the currency risk
  
- The Deputy Managing Director is responsible for:
  1. Human Resources;
  2. Physical safety, guarding and security;
  3. Risk Management.
  4. AML Supervisor
  
- The Compliance Officer
  1. Compliance;
  2. Enforcement of the law on money laundering - AMLCO
  3. Implementation of the prevention policy in fiscal matters;

#### 3.4.2 Products and services

- a) Current accounts and deposits to retail customers.
- b) Loans and advances to credit institutions and to corporate customers and sovereign/semi-sovereign borrowers.
- c) Debt securities including fixed income securities and floating rate notes issued mainly by credit institutions for own investments.

#### 4 *Policy to make public the applied principles.*

- 4.1 Risk Appetite principles are approved every year by the Management Committee and the Board of Directors.
- 4.2 Compliance Policy, Liquidity Policy, Funding and Lending Policy, Investment Policy, Business Continuity Plan, Remuneration Policy, Internal Rules concerning external functions are in place and reviewed every year by the Management Committee and Board of Directors.