

Statement 2020



E.SUN Commercial Bank, Ltd.

—— *Modern Slavery Act* ——



I Background and identity

In accordance with the Modern Slavery Act 2018, this statement outlines E.SUN Commercial Bank, Ltd's commitment to identifying and mitigating the risks of modern slavery and human rights abuse in our supply chains or in any part of our business for the financial year ending 31 December 2020.

E.SUN Commercial Bank, Ltd. (ARBN: 606 234 879, ABN 60 606 234 879, AFSL 481605) is a registered foreign company with ASIC and has two Australian branch locations at Sydney (Suite 1, Level 35, 259 George Street, Sydney NSW 2000) and Brisbane (Suite 2, Level 34, 123 Eagle Street, Brisbane QLD 7000). Together, "E.SUN Bank Australian Branches" means E.SUN Commercial Bank, Ltd. Sydney Branch & Brisbane Branch.

I E.SUN Bank structure, operations, and supply chains

E.SUN Commercial Bank, Ltd. was granted an authority to carry on banking business in Australia in 2016 by the Australian Prudential Regulation Authority (APRA). E.SUN Commercial Bank, Ltd. operates as a foreign authorised deposit-taking institution (ADI), with branches located in Sydney and Brisbane and currently employs 30 full time staff.

E.SUN Bank Australian Branches parent is E.SUN Commercial Bank, Ltd. in Taiwan ("E.SUN Commercial Bank"). E.SUN Commercial Bank has 139 branches in Taiwan and has 28 overseas channels (i.e. branches and subsidiaries) in nine countries including China, Hong Kong, Singapore, Vietnam, Cambodia, Myanmar, U.S.A., Australia, and Japan. E.SUN Commercial Bank is wholly owned by E.SUN Financial Holding Company ("E.SUN FHC") and is listed on the Taiwan Stock Exchange.

E.SUN Bank Australian Branches operations in Australia comprise of providing commercial financial products and services offered under an Australian Financial Service License (AFSL) and Foreign ADI Authorisation. These being wholesale deposit taking, provision of commercial finance, foreign currency, and international remittance. E.SUN Bank Australian Branches customers include individuals and corporates in Australia with Taiwanese background.

E.SUN Bank Australian Branches in the provision of financial products and services in Australia maintains relevant supply chains for its two branch office requirements. These supply chains include suppliers for IT equipment, printing and stationary, food supplies, cleaning, furniture, maintenance, auditors, legal advisers and consultants.



I Risk of exposure to modern slavery

As a financial services organisation regulated in Australia, E.SUN Bank Australian Branches considers the risk of modern slavery within our business, employees, and suppliers to be low. However, E.SUN Bank Australian Branches recognises that through our supply chains and other third-party relations, we can be indirectly exposed to the risk of modern slavery and human rights abuse. The following principles of commitment represent our expectation and exhortation to all business partners and suppliers to fulfil the principles and spirit of our values towards human rights:

(1) Employees

- (i) E.SUN Commercial Bank and its Australian Branches complies with international human rights and statutory requirements and does not permit any actions or behaviours that are in violation of human rights, including prohibiting the use of child labour under the age of 16 and prohibiting forced labour in any form.
- (ii) Equal Employment: Employees will be selected based on tertiary qualifications, work experience and skills and attributes relevant to the position. The selection process must not take into regard ethnicity, religion, gender, sexual orientation, political agenda, age, disability, or marital status.
- (iii) Safe Working Environment: E.SUN Commercial Bank and its Australian Branches is committed to the proper management of occupational health, safety and welfare, which ranks equally with all other operational considerations. The Bank aims to minimise the risk of injury and disease to our employees and other persons by adopting a planned and systematic approach to the management of occupational health, safety and welfare and providing the resources for its successful implementation and continuous improvement.
- (iv) Respect Labour Unions: E.SUN Commercial Bank and its Australian Branches respects and accepts the rights of employees to join labour unions and safeguard their occupational rights and interests. We maintain open channels of communication with employees to protect and elevate employees' rights and interests while endeavouring to promote a harmonious employment relationship.

(2) Suppliers

More broadly E.SUN Commercial Bank partners with over 1,000 supply chains including service supply chains, equipment supply chains, and project. E.SUN Commercial Bank has set a priority to purchase from Taiwanese or overseas branches' local suppliers. Regarding supplier management and selection, E.SUN Commercial Bank follows the Bank's Administration and Management Regulations and the Australian Branches follows its Vendor Selection and Expense Procedure Manual when selecting its qualified suppliers.



E.SUN Commercial Bank and its Australian Branches partners only with suppliers that comply with local regulations, have the same level of commitment to human rights and environmental sustainability, and adhere to corporate social responsibility guidelines. Suppliers should clearly demonstrate their own expectations with regards to the environment, health and safety, prohibition of child labour, fair labour management, elimination of any form of forced labour, absence of damage to basic labour rights, high levels of conduct, and ethical management.

I Our policies, processes and procedures

E.SUN FHC, E.SUN Commercial Bank and its Australian Branches is committed to alleviating modern slavery from its business and operations and is supported by policies and procedures that identify, assess and mitigate risks of modern slavery and human rights abuse. These include, but are not limited to:

Policy Name	Policy Owner
Corporate Social Responsibility Best Practice	E.SUN FHC
Human Rights Commitment	E.SUN FHC
Corporate Social Responsibility Guidelines	E.SUN FHC
Sustainable Lending Policy	E.SUN FHC
Green Policy	E.SUN Commercial Bank
AML and CTF Policy	Australian Branches
Code of Conduct and Ethics	Australian Branches
Employee Manual	Australian Branches
Fraud and Corruption Management Policy	Australian Branches
Outsourcing Policy	Australian Branches
Remuneration Policy	Australian Branches
Vendor Selection and Expense Procedure	Australian Branches
Whistleblowing Policy	Australian Branches
Compliance Policy	Australian Branches



I Our relevant processes and procedures include, but are not limited to:

- We monitor and review the effectiveness of relevant internal policies and implementation across our business operation.
- We undertake risk assessments and due diligence on customers and suppliers.
- We assess all potential Bank loans for Environment, Social and Governance (ESG) risks according to country of operations.
- We provide a reporting framework for employees to escalate any concerns in relation to alleged wrongdoing and serious malpractice, without fear of reprisals or disadvantage in the workplace.

I Open communication channels

- (1) More channels for communication: E.SUN Commercial Bank discloses ethical management policies and implementation status on its website, in annual reports, and during investor conferences. Employees can use different channels (e.g. meetings, face-to-face communications, digital platforms, and feedback surveys) to communicate any constructive opinions to executive management and the Human Resource Division.
- (2) Higher involvement in employment engagement survey: Increasing the completion rate of employee engagement questionnaire: Knowledge sharing meetings are held to communicate the overall development strategies to employees. At the end of the meeting, anonymous feedback questionnaires are distributed to collect employees' feedback regarding the long-term development of E.SUN Commercial Bank, employee engagement, identification with the organisation, and suggestions for future development. Action plans are compiled to address major proposals or trends. For example, E.SUN Commercial Bank officially adopted multiple work hour schemes for technology teams, relaxing of seniority requirement for job promotions, and rotation/transfer of marketing positions.
- (3) Higher participation in labour union: E.SUN Commercial Bank encourages its employees to join the labour union, with the ratio of employees that have joined increasing to 12.57% from 10.4% in 2020, noting that new joiners have come from different departments. Labour-management meetings were held ten times in 2020, which raised key issues such as flexible working hours, female work at night, and providing maternity and paternity leave practices that are better than required by law.



I Human Rights

E.SUN Bank Australian Branches is committed to protect the human rights of its employees and to safeguard their lawful rights and interests according to the Australian Human Rights Commission Act 1986, Fair Work Act 2009 and National Employment Standards.

Furthermore, E.SUN Commercial Bank recognises and complies to the framework and spirit of the following international human right principles:

- Universal Declaration of Human Rights
- United Nations Guiding Principles on Business
- International Labour Organization
- OECD guideline on multinational companies
- The ten principles of United Nations Global Compact

I Supplier Management

E.SUN Commercial Bank follows the Supplier Management Guidelines to carefully select suppliers who are able to provide products that meet environmental, safety, or health standards. Management efficiency is enhanced by following the plan–do–check–act procedures of supplier management.

We require suppliers performing highly dangerous work, including subcontractors in new building projects or branch renovation projects, to comply with safety and health standards. In addition, responsible persons of said suppliers and our employees must provide health and safety training for the operators involved and raise awareness against risks and dangers in order to reduce injuries in the process.

We seek to partner with suppliers and other third parties that share similar values, ethics and sustainable business practices. From 2018 to 2019, our President (Mr. Joseph N.C. Huang) received the Responsible Business Leadership Award for incorporating environmental, social, and governance (ESG) into business strategies and implementing the United Nations Sustainable Development Goals (SDGs). Under his leadership, E.SUN FHC was selected as a constituent stock of the Dow Jones Sustainability Index (DJSI) for six years in a row and received a AA rating from MSCI ESG.

I Sustainable Finance

To promote the development of sustainable finance and to control potential ESG risks, E.SUN Commercial Bank incorporated the Equator Principles into its loan review process. As such, the Know-Your-Customer and due diligence process entails scrutinising the proposed lending deal to determine if it relates to pollution, violation of human rights, and negative issues, as well as high-risk industries which may harm sustainable development of the environment and society, such as tobacco, leather/dye and printing, military fire arms, and gambling.

If a lending proposal is assessed as high-risk and the loan amount applied for is above a certain threshold, due to the potential larger impact on the environment and society, E.SUN Commercial Bank will disclose relevant risk information in the due diligence report and place the customer onto a monitoring list to manage the associated ESG risks of lending to the customer.



I Money Laundering and Terrorism Financing

Furthermore, customers engaged in modern slavery may pose money laundering and terrorism financing risk to E.SUN Commercial Bank. E.SUN Commercial Bank and its Australian Branches undertake enhanced customer due diligence and transaction monitoring to identify, manage and mitigate the risk that our financial products and services might be used to money laundering or for terrorism financing.

I Responsible Investment

E.SUN Commercial Bank's Investment Policy attaches importance to the corporate social responsibility (CSR) performance of the invested target. Based on the Principles for Responsible Investment (PRI):

- ESG issues are incorporated in investment analysis and decision-making processes, for example use of Bloomberg's ESG scores.
- Environmental aspects are based on the ratio of GHG emission to business revenue.
- Social aspects are based on the ratios of female employees to female supervisors, employee turnover rate, percentage of employees who joined a union, and time lost due to accident.
- Corporate governance aspects are based on the percentage of independent directors, female directors, average age of directors, board attendance, and board size.

The aforementioned factors were combined to form a list of things to be avoided. Regarding industries or enterprises that are potentially controversial (e.g. tobacco, military firearms, gambling, leather, mining, and lumber), investment applications and decision making must be subject to due diligence evaluation.

E.SUN Commercial Bank will only invest in targets where it has been evaluated as posing no adverse effect on the sustainable development of the environment, society, and governance.



I Monitoring effectiveness in combating modern slavery

The processes of E.SUN FHC and E.SUN Commercial Bank outlined below are used to monitor the effectiveness of the Bank's efforts to combat modern slavery and human rights abuse. E.SUN FHC holds meetings periodically and formulates human rights policies, with due reference to the latest laws and regulations and human rights trends, including the UN Universal Declaration of Human Rights, the United Nations Global Compact, international labour standards, and the Social Responsibility Guidance.

On an annual basis, the E.SUN Declaration of Human Rights gets reviewed and in relation to the E.SUN FHC Human Rights Due Diligence Investigation Procedures involves monitoring and measuring issues related to the impact of human rights, and works with all partners to continuously strengthen and improve the management of human rights issues, in order to make a contribution to international human rights.

Furthermore, by examining human rights topics and adopting social trend analysis, data monitoring, and questionnaire surveys, the Bank's Corporate Social Responsibility Committee has established a matrix of potential risks to the human rights of all E.SUN employees, suppliers, customers, and investment/credit extension targets. This analysis has attributed to the development of the Bank's modern slavery and human rights risk mitigation and compensation measures and formation of the Bank's human rights policies.

I Consultation process with owned or controlled entities

E.SUN Bank Australian Branches as the reporting entity with respect to the Modern Slavery Act 2018 does not own or control any other entity.

I Other relevant information

Corporate Social Responsibility (CSR)

On CSR and sustainability, E.SUN Commercial Bank is ranked top 5% in the Taiwan Stock Exchange (TWSE) Corporate Governance Evaluation for the 6th consecutive year. On environment, E.SUN Commercial Bank responded to climate change with its influence on green finance. E.SUN Commercial Bank is the first Taiwanese bank who pledged to stop project-financing to coal-fired power generation plant. E.SUN Commercial Bank continues to engage in financing and investments in green energy industries, such as wind power and solar energy. In 2020, E.SUN Commercial Bank approved 7 Equator Principles compliant project financing cases. Moreover, E.SUN Commercial Bank is the leading issuer of green bond among domestic banks in Taiwan by amount and number of deals.

In regards to society, E.SUN Commercial Bank continues to invest in education, support for the disadvantaged children and humanity. 158 E.SUN Libraries have been established under E.SUN Golden Seed Project; 11,842 children benefited from the Care for Schoolchildren Project in 2020. Beholding the spirit of a global citizen, E.SUN Commercial Bank's contributions and donations also reached Southeast Asia. E.SUN Volunteers devoted to medical services and the Habitat for Humanity in Cambodia for years in a row.



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I Conclusion

E.SUN Commercial Bank and its Australian Branches acknowledges the risks of modern slavery and human rights are complex and evolving. We will monitor these risks in our business, suppliers, customers and openly engage with relevant stakeholders and the competent authority to continually improve our practices. Together, E.SUN Commercial Bank and its Australian Branches will continue to advance and achieve our three aims: overall performance, corporate social responsibility, and sustainable development.

This Statement has been approved by the Board and the Bank President as the principal governing persons of E.SUN Commercial Bank and will be reviewed and updated annually.

Mao-Chin Chen
President
E.SUN Commercial Bank, Ltd.