

O-Bank Rules for Promotion of Fulfillment of Corporate Social Responsibilities by Suppliers

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A. Objective

These Rules are adopted in accordance with the "O-Bank Co., Ltd. Corporate Social Responsibility Best Practice Principles" in order to fulfill the Bank's responsibilities and commitments with regard to management of suppliers, and to collaborate with suppliers in jointly achieving good moral standards, respecting the human rights of laborers, and promoting environmentally sustainable development, while simultaneously supporting and encouraging the Bank's suppliers to endeavor to jointly fulfill the Bank's corporate social responsibility (CSR).

B. Scope of applicability

The suppliers subject to these Rules are those that provide products and services to the Bank.

C. Standards of conduct

The Bank takes an encouraging attitude and adopts related measures to help suppliers implement the following aspects of sustainable development:

(1) Corporate culture standards: Suppliers shall establish a corporate culture of ethical best practices, and shall promote the operational concepts of honesty, transparency, and responsibility.

(2) Ethics standards: In addition to requiring that suppliers comply with applicable legislation issued by government agencies and competent authorities at all levels, the Bank also encourages suppliers to hold themselves to ethics standards more rigorous than those set out in legislation. Suppliers are not allowed to engage in unfair competitive practices or infringe upon the rights of other parties.

(3) Labor standards: The hiring, discharge, and severance of all supplier employees shall be handled in compliance with legislative requirements, e.g. suppliers shall not illegally hire child labor, oppress workers, or subject workers to discriminatory or inhumane treatment or to any form of forced labor. To ensure that laborers enjoy a basic standard of living, suppliers shall set a maximum number of working hours, shall pay wages no lower than the minimum wage, and shall accord equal treatment in their handling of remuneration and opportunities for training and promotions. At the same time, suppliers shall comply with occupational safety and health legislation, provide all employees with a safe and healthy work environment, safeguard the lawful rights and interests of employees, respect the right of employees to freedom of association and collective bargaining, and ensure that their business activities will not cause direct or indirect harm to employees or other persons.

(4) Environmental standards: In their operations and in the course of providing products and services to the Bank, suppliers shall comply with national environmental protection legislation and take active and concrete actions to prevent or mitigate any and all forms of pollution.

D. Measures

The measures by which the Bank promotes fulfillment of CSR obligations by suppliers may include the following:

(1) Holding of price negotiation meetings with suppliers: When holding a price negotiation meeting with a supplier, the Bank shall familiarize the supplier with the Bank's corporate social responsibility policies, and the results of the meeting may serve as reference for the Bank's supplier management action plan.

(2) Signing of Supplier Self-Assessment Form Regarding Fulfillment of Corporate Social Responsibilities: For all suppliers with which it does business, the Bank shall assess whether there are records of their operations having affected the environment or society, and in order to avoid engaging in transactions with suppliers that have violated the Bank's CSR policies, it shall handle the matter in accordance with Article 7 of the Bank's "Rules for Purchase Requisition and Payment Procedures," which requires that when a competitive bidding or price negotiation procedure results in a purchase for an amount of more than NT\$1 million (or HK\$200 thousand or RMB \$200 thousand), the supplier shall fill out an "O-Bank Supplier Self-Assessment Form Regarding Fulfillment of Corporate Social Responsibilities," and the Bank shall not engage in substantive transactions with the supplier unless the self-assessment result does not indicate any violation of the law.

(3) On-site inspections of supplier facilities: When the Bank visits or holds a meeting at a supplier's facility, it may administer an "O-Bank On-Site Supplier Inspection Questionnaire" to check on the current state of the supplier's fulfillment of CSR obligations.

(4) Education, training, and outreach activities: When necessary, the Bank is advised to provide education and training, and to help suppliers build up their CSR management capabilities so that both sides can jointly fulfill CSR obligations.

(5) Inquiries regarding the Bank's interested parties or its AML/CFT name screening operations shall be handled in accordance with applicable Bank rules.

(6) The number of firms selected for an on-site inspection each year shall in principle be 10% of the number of firms that had been required to conduct a self-assessment in the preceding year (to be rounded up to the nearest integer in the case of a non-integral number). The selection of firms for on-site inspections shall be made in accordance with the following principles:

1. Any supplier whose self-assessment in the preceding year produced a finding of one or more failures to comply with CSR obligations is not in full compliance, and shall receive an on-site inspection.

2. All suppliers that received an on-site inspection in the preceding year due to a self-assessment finding of failure to fully comply with CSR obligation shall receive an on-site inspection.

3. Of the suppliers that accounted for the 10 largest single procurement deals in the preceding year, at least five of these suppliers shall be specifically selected to receive on-site inspections.

4. Among suppliers other than those described in point 3 above, some will be selected at random for on-site inspections.

(7) Suppliers shall be rated in the following manner:

1. Superior-quality suppliers:

A superior-quality supplier is one which has been found compliant with O-Bank requirements in both its self-assessment and an on-site inspection, has obtained an ISO environment-related certification, has obtained a Green Mark ecolabel from Taiwan's Environmental Protection Administration, or in the past three years has won either a domestic or overseas award for corporate governance or sustainability.

2. High-quality suppliers:

A high-quality supplier is one which has been found compliant with O-Bank requirements in both its self-assessment and an on-site inspection.

3. Ordinary-quality suppliers:

An ordinary-quality supplier is one that does not fall in either of the preceding two categories and is not out of compliance with any O-Bank requirements.

4. Non-compliant suppliers:

A non-compliant supplier is one which has been found in an onsite inspection to be non-compliant or in violation of business ethics or CSR commitments, or has caused significant environmental or social impact.

E. Supervision and corrective action

The Bank shall understand each supplier's fulfillment of CSR obligations, and for a supplier that does not meet requirements the Bank shall use persuasion to help the supplier adopt a suitable corrective action plan.

F. Incentive measures

When evaluating a procurement tender, the Bank may treat a supplier's fulfillment of CSR obligations as one of its evaluation criteria. Supplier ratings shall be recorded, and a list of the best suppliers shall be prepared, so that high-quality suppliers can receive priority consideration during the comparison of tenders. Such consideration

incentivizes better CSR performance.

G. Handling of material violations

If a supplier violates its business ethics and CSR commitments or causes significant environmental or social impact, thus suffering serious damage to its image, reputation, or financial condition, the Bank may subject the supplier to special monitoring and suspend it from submitting tenders for the Bank's purchasing, maintenance, and special project contracts.

H. Approval and implementation

These Rules shall be implemented following approval by the Bank's president, and the preceding shall also apply to any revisions.

The form attachments of these Rules shall be implemented following approval by Head of O-Bank's General Affairs Department.

Form Attachments

1. O-Bank Supplier Self-Assessment Form Regarding Fulfillment of Corporate Social Responsibilities
2. O-Bank On-Site Supplier Inspection Questionnaire