

Directions for Administration of Implementation of Corporate Social Responsibilities by Suppliers as Facilitated by O-Bank

Ratified and taken into force by the President on December 28, 2018

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I Purposes

For the purposes of implementing O-Bank's commitments to and responsibilities for supplier management, achieving good moral standards together with suppliers, respecting labor rights, promoting environmental sustainable development as well as supporting and encouraging O-Bank's suppliers to mutually endeavor to carry out corporate social responsibilities, the Directions are stipulated in accordance with O-Bank's Corporate Social Responsibilities Best Practice Principles.

II Application Scope and Objectives

The applicable suppliers under the Directions shall mean the objectives from which O-Bank receives goods and services.

III Code of Conduct

O-Bank upholds an encouraging attitude and adopts relevant measures to assist suppliers in implementing sustainable development in the following aspects:

- (1) Corporate governance standards: Suppliers shall establish a corporate culture sticking to the best practice principles of ethical corporate management, spread the business philosophy of integrity, transparency and accountability and avoid corruption and bribery in any form.
- (2) Ethical conduct standards: in addition to complying with relevant laws and regulations promulgated by each level of the government and the competent authority, suppliers are encouraged to require itself with ethical standards which are

higher than laws and regulations and shall not engage in any unfair trade or infringement upon others' rights.

- (3) Human rights management standards: the employment, discharge and severance of all of suppliers' own employees, including male/female employees, indigenous people, disabled employees and foreign migrant workers are in compliance with laws and regulations. No exploitation of employees, illegal employment of child workers or discrimination. Prohibition of inhuman treatment and forced labor in any form. The maximum working time is stipulated and salary is higher than the Minimum Living Wage (please refer to the asterisked note in Attachment 1 or 3 for evaluation standards) and the Minimum Wage in order to protect employees' basic living. According to Article 30 of the Labor Standards Act, the regular working time of the workers does not exceed eight hours a day nor forty hours a week. Equal pay for equal work as well as salary/compensation, training, and promotion opportunities on equal terms are implemented. Suppliers shall also comply with the laws and regulations with respect to occupational safety and health and provide all employees a safe and healthy work environment in order to protect employees' legal benefits. Employees enjoy freedom of association and the right of collective negotiations. Suppliers shall ensure that its operating activities do not cause direct or indirect hazards to employees or others, including not impacting on the local residents' right of existence and right to health. If suppliers provide employees dormitories, which shall be safe, comfortable and basically under humanized management. Supplier shall also maintain a clean and tidy environment and public order in the dormitories and comply with laws and regulations in respect of fire control and building as required by local competent authority.
- (4) Environmental sustainability standards: Suppliers shall, in business operating procedures and providing goods and services, comply with the national laws and regulations in respect of environmental protection and actively adopt practical actions for preventing or endeavoring to reduce pollution in any form.

IV Implementation Measures

The methods that O-Bank adopts to facilitate suppliers to carry out corporate social responsibilities include:

- (1) Negotiations meetings with suppliers: O-Bank announces the corporate social responsibilities policy and the human rights policy to suppliers at supplier meetings. The meeting result can be a reference of O-Bank's suppliers' management action plan.
- (2) Execution of the Self-assessment Form of Corporate Social Responsibilities for O-Bank's Suppliers and the Self-assessment Form of Human Rights Due Diligence for O-Bank's Suppliers: To avoid transacting with those who conflict with corporate social responsibilities and infringe upon human rights, all suppliers in cooperation with O-Bank shall assess its level of risk exposure of human rights and whether there is any record of impact on the environment and the society and handle the same in accordance with Article 7 of O-Bank's Regulations for Administration of Procurement and Payment. After price comparison or negotiations, a bid-winning supplier whose amount is more than NT\$1,000,000 (or HK\$200,000/RMB 200,000) shall complete the Self-assessment Form of Corporate Social Responsibilities for O-Bank's Suppliers and the Self-assessment Form of Human Rights Due Diligence for O-Bank's Suppliers. Only if there is no breach of any law and regulation in the self-assessment results and if the average score under the Self-assessment Form of Human Rights Due Diligence is not lower than 4, the supplier may proceed with substantial transactions.
- (3) On-site visitations with suppliers: When O-Bank goes to the site of a supplier for visitations or meetings, the Questionnaire of On-site Visitation for O-Bank's Suppliers may be completed to confirm the status of the supplier's implementation of corporate social responsibilities and the human rights policy.
- (4) Educational training and promotion: If necessary, O-Bank may provide educational training to assist suppliers in building up the capabilities of corporate social responsibilities and human rights management, implementing corporate social responsibilities and respecting human rights together.
- (5) The procedures of stakeholder search, anti-money laundering and watch list filtering under countering terrorism financing shall be handled in accordance with the relevant regulations of O-Bank.
- (6) In principle, the number of suppliers to have the on-site visitation per year is calculated as 10% of the total number of suppliers

ought to have the on-site visitation in the previous year (rounded up to the nearest whole number), and the visitation is conducted as follows:

1. Visitation of all suppliers where there is any item of their self-assessment results not in compliance in the previous year.
2. Visitation of all suppliers where the on-site visitation does not meet any item of their self-assessment results in the previous year.
3. Visitation of five or more suppliers whose purchase amount of a single transaction is ranked top 10 in the previous year.
4. Random visitation of all the other suppliers which do not fall within any of the aforesaid situations.

(7) Classification of suppliers is as follows:

1. Outstanding supplier:

A supplier which completes the self-assessment of corporate social responsibilities and human rights due diligence, meets all requirements of O-Bank after the on-site visitation and obtains ISO certification with respect to the environment and marks/logos recognized by the Environmental Protection Administration or ever obtained domestic or overseas awards in respect of corporate governance or sustainability in the past three years.

2. Good supplier:

A supplier which completes the self-assessment of corporate social responsibilities and human rights due diligence and meets all the requirements of O-Bank after the on-site visitation.

3. Regular supplier:

A supplier which does not fall within any of the aforesaid two classes but does not have any incidents of breach.

4. Breaching supplier:

A supplier which does not pass the on-site visitation, breaches any commitments related to ethical corporate management, corporate social responsibilities and the human rights policy or causes any material event that substantially impacts on the environment, the society and human rights.

V Supervision and Improvement

O-Bank shall be aware of the status of suppliers carrying out corporate social responsibilities and respecting human rights. For those who are not in compliance with relevant requirements, O-Bank will urge them

and assist them in stipulating proper improvement plans.

VI Reward Measures

O-Bank may consider the status of carrying out corporate social responsibilities and the human rights policy when evaluating and selecting suppliers. The classification of suppliers shall be recorded and outstanding ones will be listed for evaluation and selection with priority for further negotiations as a substantial incentive.

VII Handling of Material Breach

If a supplier breaches any commitment related to ethical corporate management, corporate social responsibilities, and the human rights policy or causes any material event that substantially impacts on the environment and the society, resulting in O-Bank's damages in image or goodwill or financial losses, O-Bank may list such supplier for monitoring and suspend it from participating in O-Bank's bidding on procurement, maintenance and project establishment.

VIII Ratification and Implementation

The Directions and any amendment hereto are to be implemented after being ratified by the President.

The revision of the forms and attachments to the Directions is authorized to be handled and ratified by the head of the Department of General Affairs.

IX Forms and Attachments

Attachment 1: Self-assessment Form of Corporate Social Responsibilities for O-Bank's Suppliers

Attachment 2: Questionnaire of On-site Visitation for O-Bank's Suppliers

Attachment 3: Self-assessment Form of Human Rights Due Diligence for O-Bank's Suppliers