

## Promoting Suppliers' Implementation of Sustainable Development Guidelines of O-Bank

Amended and approved by the General Manager on December 26, 2024

### Article I Basis and Purpose of the Establishment

In accordance with the Bank's Sustainable Development Best Practice Principles, this Guideline is established to fulfill the Bank's commitment and responsibility in supplier management. The goal is to collaborate with suppliers to strengthen corporate governance, uphold ethical standards, respect labor rights, and promote environmental sustainability, while also supporting and encouraging suppliers to work together with the Bank in realizing sustainability.

### Article II Application Scope and Objectives

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

### Article 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:

- I. Corporate governance standard: Suppliers shall establish a corporate culture of ethical management, promote the business philosophy of integrity, transparency, and responsibility, and avoid corruption or bribery in any form.
- II. 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.
- III. Human rights management standards: The supplier's workforce, regardless of gender, indigenous status, disability, or foreign migrant workers, must comply with legal regulations regarding employment, termination, and layoffs. Suppliers are committed to preventing exploitation, prohibiting corporal punishment, improper discipline, child labor, discrimination, and all forms of inhumane treatment and forced labor. They should also establish a maximum working hours limit and ensure that salaries exceed the minimum living wage (assessment criteria detailed in Attachment 1, note \*), and the minimum wage to safeguard employees' basic livelihood. In Taiwan, according to Article 30 of the Labor Standards Act, the regular working hours for workers should not exceed eight hours per day and

forty hours per week. Overseas suppliers must adhere to local legal regulations, ensuring equal pay for equal work and equal opportunities for salary, training, and promotion. 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.

- IV. 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.

#### **Article IV Implementation Measures**

The Bank promotes the following methods for suppliers to achieve sustainability:

- I. Promotion of the Sustainable Development Best Practice Principles and human rights policy: During price comparison, price negotiation meetings, and supplier conferences, the Bank shall advocate its Sustainable Development Best Practice Principles and human rights policy to suppliers, expecting their adherence and implementation.
- II. Supplier sustainability and human rights due diligence scoring: All suppliers collaborating with the Bank must be assessed to ensure no transactions are conducted with those conflicting with sustainable development or violating human rights. The evaluation should consider records impacting the environment and society as well as human rights risks. After the price comparison and negotiation process, the applying unit must provide a "Supplier Sustainability and Human Rights Due Diligence Scoring Form" for the winning vendor. Suppliers must achieve an ESG risk assessment total score exceeding 70 points to proceed with actual transactions.
- III. Supplier ESG risk assessment standards: The "Supplier Sustainability and Human Rights Due Diligence Scoring Form" is used to evaluate suppliers based on three key aspects, including environmental protection, social responsibility, and corporate governance. Suppliers

are categorized into three risk assessment levels based on their scores, namely low risk (86 to 100 points), medium risk (71 to 85 points), and high risk (0 to 70 points). The General Affairs Department conducts annual reviews to track and assess supplier risk classifications and retains relevant records.

- IV. Education, training, and promotion: The Bank shall provide training as necessary to assist suppliers in establishing capabilities for sustainability and human rights management, ensuring joint implementation of sustainable development and respect for human rights.
- V. Inquiries related to stakeholders, anti-money laundering, and counter-terrorism financing name checks shall be conducted in accordance with the Bank's relevant regulations.
- VI. Conduct on-site supplier visits: When the Bank visits the premises of a cooperating supplier for inspections or meetings, a "Supplier On-Site Visit Questionnaire" may be utilized to verify the implementation status of the supplier's sustainability and human rights policies.
- VII. The annual number of on-site visits shall, in principle, account for 5% of the total number of suppliers engaged in the previous year (rounded up to the nearest whole number). Visits shall be conducted based on the following circumstances:
  - (I) Suppliers with an ESG risk assessment rating of "Medium" in the previous year shall be visited in full.
  - (II) For the top ten suppliers by single procurement amount in the previous year, at least five shall be selected for on-site visits.
  - (III) Suppliers not mentioned above will be selected for random on-site visits.
  - (IV) Offshore companies are not included.
- VIII. Classification of suppliers is as follows:
  - (I) Excellent Supplier:

Suppliers who have completed the Sustainability and Human Rights Due Diligence rating and are classified as low-risk in the ESG risk assessment, as well as those who have obtained environmental ISO certifications, recognized environmental marks or labels from the Ministry of Environment, or have received domestic or international corporate governance or sustainability awards in the past three years, will be given special consideration.
  - (II) Good suppliers:

Suppliers who have completed the Sustainable Development and Human Rights Due Diligence rating and are classified as low-risk in the ESG risk assessment.
  - (III) General suppliers:

Suppliers who have completed the Sustainable Development and

Human Rights Due Diligence rating and are classified as medium-risk in the ESG risk assessment.

(IV) Non-compliant suppliers:

Suppliers whose on-site visit results do not meet standards and who violate policies related to ethical corporate management, sustainable development, and respect for human rights, causing significant impacts on society, the environment, and human rights.

#### **Article V Supervision and Improvement**

The Bank may issue improvement notices, provide guidance and assistance to suppliers with a medium ESG risk assessment level to help them implement sustainable development and respect for human rights. For suppliers with a high ESG risk assessment level who are no longer engaged, the Bank may also issue improvement notices, offer counseling and guidance, and assist in establishing a sound improvement plan.

If any aspect of the "Supplier On-site Visit Questionnaire" is identified as an area for improvement, the Bank may issue an improvement notice, provide counseling and guidance, and assist the supplier in implementing sustainable development and respecting human rights. If any aspect of the "Supplier On-site Visit Questionnaire" is deemed non-compliant with the standards, the Bank may temporarily suspend the supplier's eligibility to participate in procurement, maintenance, or project bidding, and issue an improvement notice, offering counseling and guidance to help them establish a sound improvement plan.

#### **Article VI Reward Measures**

When the Bank conducts procurement selection, the implementation of sustainable development and human rights policies by the supplier may be considered as one of the assessment criteria. Supplier grading should be recorded, and outstanding suppliers should be listed to facilitate their opportunity to obtain preferential selection and negotiation opportunities as a tangible incentive.

#### **Article VII Handling of Material Breach**

If a supplier violates policies related to honest business practices, sustainable development, and respect for human rights, or causes significant negative impacts on society, the environment, or human rights, resulting in substantial damage to the Bank's image, reputation, or financial interests, the Bank may monitor the supplier and suspend their eligibility to participate in the Bank's procurement, maintenance, and project bidding activities.

#### **Article 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.

**Article IX Forms and Attachments**

Attachment 1: Supplier Sustainability and Human Rights Due Diligence Scoring Form of O-Bank

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

Revision process

Version of formulation/ amendment	Approval date	Explanation of the formulation/amendment	Responsible unit	Approval level
V1.0	December 28, 2018	The first draft was approved by the General Manager for implementation	General Affairs Department	Approved by the General Manager
V1.1	August 28, 2020	To improve the ESG risk rating of the Bank, the content of the self-assessment items in the self-evaluation form has been adjusted	General Affairs Department	Approved by the General Manager for revision
V1.2	December 07, 2020	To enhance the ESG risk rating of the Bank, the content of the behavioral standards has been adjusted	General Affairs Department	Approved by the General Manager for revision
V1.3	December 01, 2021	To enhance the Bank's ESG rating, additional content regarding the supplier on-site inspection and grading standards has been added	General Affairs Department	Approved by the General Manager for revision
V1.4	July 07, 2023	To strengthen suppliers' awareness of corporate social responsibility and amend the name of the Bank's procurement regulations, the Guidelines have been revised.	General Affairs Department	Approved by the General Manager for revision
V1.5	August 04, 2023	To strengthen suppliers' awareness of human rights management and ensure employee wage protection, the guidelines and related forms have been revised	General Affairs Department	Approved by the General Manager for revision
V1.6	April 01, 2024	In response to BSI audits and corporate sustainability requirements, the Guidelines and related forms have been revised	General Affairs Department	Approved by the General Manager for revision
V1.7	December 26, 2024	In line with the "Sustainable Development Best Practice Principles" of the Bank, the title of this guideline has been amended, and the supplier ESG risk assessment standards have been established.	General Affairs Department	Approved by the General Manager for revision