

2024 Remuneration Disclosure Statement

Taiwan Cooperative Bank, Ltd. ABRN 96 139 482 634

Taiwan Cooperative Bank, Ltd. (TCB Australia) comprises of two Australian branches of Taiwan Cooperative Bank (TCB), which is one of the major banks in the Republic of China (Taiwan).

TCB Australia is a foreign Authorised deposit-taking institution (ADI) as defined under *Banking Act 1959* (Cth), and is governed by the Australian Prudential Regulation Authority (APRA).

TCB Australia is further defined as a non-significant financial institution (non-SFI) under APRA Prudential Standard *APS 001 Definitions*.

TCB Australia is required under Part B Requirements for Non-SFIs of APRA Prudential Standard *CPS 511 Remuneration* to make¹ and publish² a clear, comprehensive, meaningful, consistent and comparable public disclosure of information on its remuneration framework and practices, in a standalone document on its website, on a financial year basis for each of its full financial year,³ as soon as possible after it lodges its annual financial statements with ASIC and not more than six months after the end of the financial year to which the disclosures relate.⁴

TCB Australia's remuneration approach is designed to support and drive its overall business strategy. Therefore, it is the core of TCB Australia's strategy.

TCB Australia's remuneration objective is to ensure that TCB Australia can appropriately incentivise individuals to prudently manage the risks they are responsible for, and that there are appropriate consequences for poor risk outcomes.

TCB Australia's Senior officer outside Australia (SOOA), with delegated authority from the Board of Directors (Board), approved the latest version of TCB Australia's Remuneration Policy (Policy) for its General Manager, and Chief Risk and Compliance Officer (CRCO). This latest version of the Policy came into effect from 5 December 2023.

In reviewing the Policy, SOOA consulted CRCO and a broad range of stakeholders to achieve the right balance among the various viewpoints and interests.

Qualitative disclosures

Chapter 2 of the Policy – *Remuneration Framework, Objectives and Principles* – provides information on the design and structure of TCB Australia's remuneration framework.

¹ s91 of CPS 511

² s92 of CPS 511

³ s93 of CPS 511

⁴ s94 of CPS 511

There is a 2025 Business Plan and 3-Year Financial Projections in force in TCB Australia, which describes the strategic objectives about its operation in Australia.

There is a Risk Management Strategy (RMS) in force in TCB Australia, which describes all risks in connection with TCB Australia's business. Chapter 5 of the RMS – *Risk Management Strategy* – further provides:

- a. strategic objectives of TCB Australia, and promotes sustainable performance and long-term soundness; and
- b. support to the prevention and mitigation of conduct risk

Chapter 5 of the Policy – *Governance* – provides information on the governance of the remuneration framework of TCB Australia, and the types of positions included in specified roles, as defined in paragraph 87 of CPS 511.

SOOA is responsible to conduct approving of the Remuneration Policy and its amendment; making decision annually on the remuneration of the General Manager of TCB's Australian branches and others.

SOOA will make decision for approval of the variable remuneration outcomes for general managers of the TCB's Australian branches individually, and on a cohort basis for highly-paid material risk-takers, other material risk-takers, and risk and financial control personnel, i.e. the general managers and the Chief Risk and Compliance Officer.

Chapter 3.7 of the Policy – *Performance-based remuneration: Short-Term Incentives (STIs)* – provides how TCB Australia aligns its only form of variable remuneration outcomes with performance.

STIs are principally used to reward individuals who achieve or exceed their performance objectives, including risk outcome, and demonstrate the Branch's values.

STI targets are calculated and communicated as a percentage of fixed remuneration. The maximum STI which can be awarded is 56.27% of annual base wage and employer superannuation contributions of fixed remuneration.

TCB's STI is subject to performance conditions. Performance conditions are predominantly based on the relevant branches' financial performance, and also include non-financial metrics.

SOOA will approve pay outcomes before 30 May after the previous financial year ended on 31 December, which are discretionary. Once the pay outcomes are decided, vesting will be taken place no later than 30 June.

TCB will not accelerate the vesting of unvested variable remuneration for the persons in specified roles, who are no longer employed or engaged by TCB, unless specified exceptions are stipulated in Clause 73 of CPS 511.

Chapter 3.8 of the Policy – *Consequence Management* – provides how consequence management is applied in an event of a material breach or misconduct in TCB Australia.

Consequence management is applied in the event of a material breach or misconduct. If no variable remuneration is offered, appropriate disciplinary actions will be approved by SOOA to ensure risk management outcomes are assessed. Misconduct means an action or inaction by a person covered by the Policy that does not meet applicable:

1. Legal and prudential obligations;
2. Requirements or standards of a recognised professional body; or
3. Policies and procedures covering conduct and ethical standards set by TCB.

There are variable remuneration adjustment tools available, which can be applied to override SOOA's discretion at each decision point, which are supported by a downward-adjustments process. The total downward-adjustment to variable remuneration will be proportionate to the severity of the risk and conduct outcome.

SOOA may also reduce any STI to zero if such adjustments are necessary to protect the financial and non-financial soundness of the Branches.

Chapter 6 of the Policy – *Accounting for risk in design* – provides how TCB Australia defers and adjusts variable remuneration to take account of longer-term performance, including risk performance.

TCB's Australian branches intend that risks will be managed from the initiation of transactional activity through to monitoring of adherence to mandates and limits.

The Risk Management Framework of TCB's Australian branches outlines its key risk areas as follows:

1. Credit risk;
2. Market risk;
3. Operational risk; and
4. Liquidity risk

The primary link between the branches' Remuneration Framework and its risk management is through the annual bonus. Should an employee be found to have significantly breach any prudent regulations, policies and procedures in the year prior to the annual bonus being paid, their bonus may be reduced or forfeited.