

# **Taishin Financial Holding Co., Ltd.**

## **Policy on the Exercise of Rights and Participation in Resolutions by Controlling Corporate Shareholder**

### **(Basis)**

Article 1 This policy was established in accordance with Article 20 of Corporate Governance Best-Practice Principles for Financial Holding Companies and Article 18 of Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies for the purpose of developing sound corporate governance practices and providing guidelines over the exercise of rights and participation in resolutions by controlling corporate shareholders.

### **(Principle of utmost good faith)**

Article 2 The controlling corporate shareholder shall exercise rights and participate in resolutions in the utmost good faith for the best interest of all shareholders. Unless elsewhere specified by law or articles of incorporation, such actions must be carried out according to this policy.

### **(Definitions)**

Article 3 The term "controlling corporate shareholder" shall refer to any party that exercises control over the company, as described in Articles 369-2, 369-3 and 369-9 of the Company Act.

### **(Appointment of representative)**

Article 4 Where the controlling corporate shareholder serves as one of the company's directors , a natural person must be appointed in writing to perform duties or exercise rights on the shareholder's behalf during shareholders' meetings. The same shall apply to further changes of representatives.

### **(Representative's eligibility)**

Article 5 Persons who exhibit any one of the following conditions can not represent the company's controlling corporate shareholder:

1. Convicted of violations against the Organized Crime Prevention Act, and five years have yet to elapse after serving full sentence.
2. Convicted guilty of fraud, breach of trust, or misappropriation and sentenced for one year's imprisonment or above, and two years have yet to elapse after serving full sentence.
3. Convicted and sentenced for misappropriating funds in a public service, and two years have yet to elapse after serving full sentence.

4. Declared bankrupt and is yet to be annulled.
5. Currently blacklisted for the use of negotiable instruments.
6. Incapacitated or interdicted persons.

**(Duty of report)**

Article 6 The representative is responsible for reporting back to the controlling corporate shareholder after exercising duties and participating in resolutions on the shareholder's behalf.

**(Prohibition of inappropriate conduct)**

Article 7 The controlling corporate shareholder and its representative must refrain from the following conduct:

1. Directly or indirectly trading securities against information learned while performing duty.
2. Inquiring and disclosing business secrets without being permitted to do so by law.
3. Abusing authorities in exchange for favors, commitments or other forms of inappropriate gains.
4. Refusing to disassociate from duties that constitute conflicting interests.
5. Intervening with the company's decisions or business activities in an improper manner.
6. Obstructing the company's business activities through unfair means of competition such as monopolized procurement or closed distribution.
7. Directly or indirectly influencing the company to engage in uncommon practices or unprofitable businesses.
8. Any other conduct that may be construed as violation against laws.

**(Prohibition of short-term trading and profit attribution)**

Article 8 Where the controlling corporate shareholder serves as the company's director, any shares or equity securities traded in relation to the company in the shareholder's name or the name of the representative, the representative's spouse, underage children or any third party may only be sold six months after they are acquired or purchased six months after they are sold. The company shall claim any gains that have been made on such transactions.

**(Prohibition against insider trading)**

Article 9 Upon gaining material non-public information that is capable of influencing the company's share prices, the controlling corporate shareholder and its representative may not purchase or sell the company's shares or other related equity securities, whether in their own names or the names of spouse, underage children or any third party, until 18

hours after the information is made public. The restriction also applies to persons whose identities above were discharged less than six months ago.

**(Restrictions on sale of treasury stocks)**

Article 10 Where the controlling corporate shareholder serves as the company's director, neither the shareholder nor the representative may sell the company's shares, whether in their own names or the names of spouse, underage children or any third party, during the share buyback period described in Article 28-2 of the Securities and Exchange Act.

**(Permitted involvements in competing businesses)**

Article 11 If the controlling corporate shareholder or representative is a director of the company, they would be required to explain to the board and obtain permission before conducting business activities for themselves or for others that would be considered competitive to the company.

**(Transfer, pledge and lien removal of shares)**

Article 12 Where the controlling corporate shareholder serves as the company's director, any transfer of shares held in its own name or the name of the representative, representative's spouse, underage children or any third party in the previous month must be reported to the company before the 5th of the following month.

Where the controlling corporate shareholder serves as the company's director, any pledge of the company's shares or removal of lien thereof must be notified to the company immediately upon occurrence.

**(Participation and proxy attendance in board meetings)**

Article 13 Where the controlling corporate shareholder serves as the company's director, the representative is required to attend board meetings personally. However, the representative may appoint other directors as proxy attendants in manners compliant with law and the articles of association if the representative is unable to attend personally. Directors who reside overseas may appoint other local shareholders in writing to represent them in board of directors meetings. These proxies need to be registered to the authority before performing acting duty. The same applies to all subsequent changes.

Should the abovementioned director or representative exhibit significantly low attendance at board meetings, the company may notify the corporate shareholder in writing of the low attendance and demand improvements.

**(Participation in shareholders' meetings)**

Article 14 The controlling corporate shareholder shall appoint its representative in writing to participate in shareholders' meetings; alternatively, the shareholder may issue a

company-printed proxy attendance form to appoint others to attend on its behalf. The representative shall exercise voting rights during shareholders' meetings exactly as the controlling corporate shareholder has specified in writing for the respective agendas. Alternatively, the controlling corporate shareholder may authorize the representative to exercise voting rights at sole discretion.

**(Representatives' voting rights)**

Article 15 If the controlling corporate shareholder has two or more representatives attending the shareholders' meeting, their voting rights shall be calculated and exercised in aggregate.

**(Voting policy)**

Article 16 The controlling corporate shareholder shall perform its duties and exercise voting rights in the best interest of all shareholders. Any directors, representatives or attendants appointed by the controlling corporate shareholder shall perform their duties and exercise voting rights in shareholders' meetings according to the following principles:

1. Voting rights need to be exercised according to the controlling corporate shareholder's opinions toward the respective agendas.
2. In the event of special motions, incidental motions or amendments to the current agenda, voting rights shall be exercised in the company's best interest.
3. If the controlling corporate shareholder has two or more representatives present at the shareholders' meeting, a consensus must be reached among the representatives before exercising voting rights.
4. Representatives shall maintain high level of discipline and refrain from any inappropriate support with other directors or shareholders.

The controlling corporate shareholder may not vote on agendas that pose conflicting interests between itself and the company; and neither shall it exercise voting rights on behalf of other directors or shareholders.

**(Damage compensation)**

Article 17 The controlling corporate shareholder shall compensate the company for any losses caused as a result of following violations:

1. Directly or indirectly influencing the company to engage in uncommon practices or unprofitable businesses, without properly compensating by the end of the fiscal year.
2. The controlling corporate shareholder's person-in-charge, director or representative who influences the company into engaging the above activities shall also be held liable in compensating the company.
3. In the event that the controlling corporate shareholder influences the company to engage in the activities described in Clause 1, and therefore benefits another one of the shareholder's affiliated companies, that affiliated company shall also be held

jointly liable to compensate the company for the losses caused, up to the extent of benefits they received from such arrangements.

**(Prohibition of offsetting)**

Article 18 Where the controlling corporate shareholder is a limited liability company, and has directly or indirectly influenced the company to engage in uncommon or unprofitable businesses, the controlling corporate shareholder is prohibited under Article 369-7 of the Company Act to offset the losses caused against any debt entitlements it has over the company.

**(Enactment)**

Article 19 This policy is effected once approved by the board of directors. The same applies to all subsequent changes.

Note :

2010.12.23 Approved during the Twelfth Meeting of the Fourth Board of Directors

2015.06.25 Amendments made to Articles 4, 7, 8 ,10 and 12 during the 29th Meeting of the 5th term board of directors which will be effectively on 2015.07.01