

Status of Taishin Financial Holding's Corporate Governance and its Deviation from the Guidelines for the Practical Corporate Governance of the Holdings Industry and Reasons

Item	Operating Status			Deviation from the guidelines of the practical corporate governance of the holding industry and reasons
	Yes	No	Summary Descriptions	
1. Shareholding structure and shareholders' rights within the financial holding company				
(1) Has the financial holding company implemented a set of internal procedures to process shareholders' suggestions, queries, disputes and litigations?		✓	The company has provided "IR Contact" and "Contactus" links on its website that shareholders may use to raise suggestions, queries, disputes and litigations.	No internal procedures have been established, though several means of communication are available on the company website.
(2) Is the financial holding company constantly informed of the identities of its major shareholders and the controlling stakeholder?	✓		The shareholder services department is responsible for gathering information on the company's major shareholders. This information is also disclosed in the company's annual reports.	No deviation

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(3) Has the financial holding company established and implemented risk management and firewalls in affiliated companies?	✓		<p>Risk management practices and firewalls that the company has set up in affiliated companies: The company and its main subsidiaries (including Taishin Bank and Taishin Securities etc.) all have independent risk management units in place to perform risk controls within their fields of business.</p> <p>The company has established a “Related Party Transaction Policy” and rules of implementation to regulate transactions with stakeholders. The company and its main subsidiaries (including Taishin Bank and Taishin Securities etc.) have implemented security policies to protect their information systems. Access to sensitive information is protected by firewalls and is permitted only for risk management purposes and when instructed by the competent authority.</p>	No deviation

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2. Constitution and obligations of the board of directors				
(1) Apart from the remuneration committee and audit committee, has the financial holding company assembled other functional committees at its own discretion?	✓		<p>Taishin Financial Holdings had assembled its own "Remuneration Committee" in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" on 2011.9.22.</p> <p>The committee had held 12 meetings in total by the fourth quarter of 2016. The Company created the audit committee on July 1, 2015. The audit committee is made up of three independent directors, and has held 17 meetings as of the end of December 2016. Furthermore, under the supervision of its board of directors, the company has established functional committees, including the policy committee, corporate sustainability committee, asset & liability management committee, CRM committee, investor relationship committee, risk management committee, and personnel review committee, to supervise and review various operational procedures within the company and for better corporate governance.</p>	No deviation

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(2) Does the financial holding company conduct regular assessments on the independence of its financial statement auditors?	✓		<p>The company conducts regular assessments on the independence of its financial statement auditors. Assessment results were submitted to the ninth meeting of the first audit committee and the tenth meeting of the sixth board of directors on March 31, 2016.</p> <p>Having completed an assessment and obtained declarations of impartiality and independence from the auditors, the company deems that CPA Tza-Li Gung and CPA Kwan-Chung Lai of Deloitte Taiwan meet the company's independence requirements (Note 1) and, having issued declarations of impartiality and independence, are sufficiently qualified to be the company's financial statement auditors.</p> <p>Note1</p>	No deviation																					
			<table border="1"> <thead> <tr> <th>Item</th> <th>Result</th> <th>Independence</th> </tr> </thead> <tbody> <tr> <td>Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>No significant financial interest between the Company and the person and family that may affect independence</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not a former director or supervisor of the Company or has held any other key positions at the Company that may affect the audit services.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not having served a term of more than five years as the Company's financial statement auditor.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not having received any disciplinary action.</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Not having violated the independence requirement in any other way.</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table>		Item	Result	Independence	Not a stakeholder under Article 44 or 45 of the Financial Holding Company Act	Yes	Yes	No significant financial interest between the Company and the person and family that may affect independence	Yes	Yes	Not a former director or supervisor of the Company or has held any other key positions at the Company that may affect the audit services.	Yes	Yes	Not having served a term of more than five years as the Company's financial statement auditor.	Yes	Yes	Not having received any disciplinary action.	Yes	Yes	Not having violated the independence requirement in any other way.	Yes	Yes
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3. For financial holding companies that are exchange-or OTC-listed, does the Company have a unit or staff that specializes (or is involved) in corporate governance (including but not limited to providing information necessary for directors and supervisors to perform their duties, organizing board meetings and general meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general meetings)?	✓		<p>The corporate sustainability committee was established with the president of the company as the convener responsible for supervising campaigns for corporate governance and corporate social responsibilities. In addition, the corporate planning division oversees all corporate governance matters and supervises planning and execution in all relevant units.</p> <p>The division also provides assistance for the units in the following areas.</p> <ol style="list-style-type: none"> (1) Formulating the organizational structure and the business strategy and establishing the corporate governance code of conduct and rules regarding ethical management, corporate social responsibility best practice principles, and internal audits and internal control. (2) Providing information necessary for directors to perform their duties, convening meetings of the remuneration committee, the audit committee, the board of directors and the shareholders meeting, compiling minutes of said meetings, and handling business registration and change of registration. (3) Conducting annual director performance evaluations and having an independent external institution conduct an external evaluation at least once every three years. (4) Participating in corporate governance evaluations organized by the competent authority. 	No deviation

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4. Has the financial holding company established any communication channels with stakeholders (including but not limited to shareholders, employees, and clients)?	✓		<p>(1) The company has implemented a "Stakeholder Information System" in which the company and its subsidiaries create stakeholder profiles and make them available for inquiry. Stakeholders are also reminded on a regular basis to verify the correctness of their information.</p> <p>(2) The company complies with laws in the disclosure of financial, business and material information in the Market Observation Post System. This information is made publicly available simultaneously on the company's website. The company also has a designated spokesperson and investor relations mailbox available to serve as communication channels with stakeholders.</p> <p>(3) The company will create a Stakeholders Section on its website in 2015 as a means to communicate and consolidate queries from stakeholders (e.g. employees, suppliers, consumers and customers), so that the company can gain a better understanding of stakeholders' expectations and needs.</p>	No deviation

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5. Disclosure of information				
(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?	✓		<p>The company has disclosed financial, business and other information relevant to its operations onto its website. This information has also been reported online according to related regulations on material disclosure. The company has established an English website and assigned various departments to gather and disclose information on a regular basis.</p>	No deviation
(2) Has the financial holding company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	✓		<p>In addition, a public information reporting system has also been created with personnel assigned to gather and disclose information via the system.</p> <p>The company has a spokesperson mechanism in place to facilitate external communications. All material information relevant to investors' interests is announced using the Market Observation Post System (MOPS) and press releases. The spokesperson provides further elaboration where deemed necessary.</p> <p>The company prepares its corporate social responsibility report in both Chinese and English. This report has been made accessible at the company's website and on MOPS. The company holds quarterly investor conferences; conference proceedings are recorded and uploaded onto the company's website and MOPS on the same day.</p>	

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6. Does the financial holding company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/ supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of company directors and supervisors, and donation to political parties, stakeholders and charity organizations)	✓		<p>(1) Employees' rights and concern for employees: The company places emphasis on the rights and interests of employees and on harmonious employer-employee relationships; for this reason, an employee relations unit has been created to respond to employee queries.</p> <p>Taishin Financial Holdings believes that satisfied employees are the key to satisfied customers. The chairman and the management have long dedicated themselves to building a working environment characterized by respect, care, support and self-motivated growth. By organizing various events and providing communication channels and learning resources, employees are given the chance to work in a humane, respectful and progressive environment and to grow in step with the company.</p> <p>A. Offering of competitive remuneration and welfare packages</p> <p>(a) Remuneration: Taishin Financial Holdings offers competitive salary levels in order to recruit and retain top talents.</p> <p>(b) Employee assistance program: The company engages specialists from Teacher Chang Foundation to help employees resolve their problems outside of work.</p> <p>(c) Employee Welfare Committee: The committee organizes a variety of events such as birthday celebrations, trips, hiking, ball games and competitions to enrich employees' lifestyles and enhance teamwork.</p> <p>(d) Taishin Stress Relief Workshop: The company hires blind masseurs and masseuses to help employees relieve work stress, creating a happy and healthy work environment while contributing towards charity</p>	No deviation

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			<p>B. The company respects the opinions of its employees and has channels of communication in place.</p> <p>(a) Group-wide surveys: All employees are invited to participate in online surveys as a means of formal communication; the survey also helps to raise the level of employee engagement within the company.</p> <p>(b) Regular morning meetings: These meetings are organized to discuss the company's re-organization efforts, key projects, and to recognize employees who have displayed the values of Taishin in their work. Through the use of two way communication, employees are able to align themselves with the corporate culture and values.</p> <p>(2) Investor relations: In addition to the quarterly investor conferences, the company also participates in investor forums and investment road shows both local and abroad. The IR department addresses investors on issues of concern via email, telephone or face-to-face meeting, and makes relevant disclosures over the company's website.</p> <p>(3) Protection of consumers' or customers' interests: The company and all its subsidiaries adopt stringent measures to protect customer information. The group has implemented personal information management policies, information security policies, firewalls, and customer information confidentiality measures in accordance with the Financial Holding Company Act, Guidelines for Cross Marketing among Subsidiaries of Financial Holding Company, Personal Information Protection Act and other relevant regulations stipulated by the competent authority.</p>	

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			<p>(4) Risk management policies and risk assessment standards: The company and each of its subsidiaries have independent risk management units in place; they have also committed substantial resources to the development of risk management systems, and managing of credit, market and operational risks using both qualitative and quantitative means.</p> <p>(5) Directors' and supervisors' ongoing training: The company's directors and supervisors have all satisfied the required training hours; the progress of their training has been updated onto MOPS.</p> <p>(6) The company is insured against liabilities of its directors and supervisors. These insurance policies are reviewed on a yearly basis to ensure adequate.</p>	

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<p>7. Please described improvements in terms of the results of the corporate Governance Evaluation System in recent years and propose areas to be given priority where improvement will be needed.</p> <p>Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed.</p>	✓		<p>A. The company is ranked among Top 5% of TWSE-listed companies by TWSE in the 2nd Corporate Governance Evaluation in April 2016. The company was selected and has been one of the constituent stocks of the "Corporate Governance 100 Index in Taiwan" since June 2015.</p> <p>B. The company continued its commitment to good corporate governance in 2016 in a number of aspects, including</p> <p>(a) To improve performance of the board of directors, the company passed the Taishin FHC Board Performance Appraisal Guidelines on December 22, 2016. Performance of the board of directors will be subjected to regular performance evaluation in the future.</p> <p>(b) In response to the need for stakeholder information, the company continues to strengthen transparency and disclosure of such information in 2016 by means including revamping the official website, making disclosure in both Chinese and English, and optimizing the compilation of financial statements. Starting in the 2017 fiscal year, certified financial statements will be released in two months after the end of a fiscal year.</p> <p>(c) The company, joined by Taishin Bank and Taishin Securities, participated on a voluntary basis in a corporate governance evaluation conducted by the Corporate Governance Association in Taiwan in 2016. The structure and culture of corporate governance at Taishin was examined in depth through a professional, unbiased evaluation process designed by the association. The Company subsequently received CG6010(2015) Certification-Excellent on December 22, 2016.</p>	No deviation