

Status of the company in fulfilling management of integrity and measures

Item	Operating status		Summary description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason
	Yes	no		
1. Policies and schemes established to ensure business integrity				
(1) Has the company stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?			For the purpose of developing an ethical management culture and sound business practices, Taishin FHC has established the "Ethical Corporate Management Best Practice Principles" as part of the implementation of its core values, "integrity, commitment, innovation and cooperation". The principles demonstrate Taishin FHC's ethical corporate management policy and methods as well as the commitment of the board of directors and management team to effective business strategy implementation.	No deviation
(2) Does the company have any measures in place against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	✓		The Company adheres to its core values of "Integrity, Commitment, Innovation, and Cooperation" and observes the "Ethical Corporate Management Best Practice Principles" established by itself. In addition, the Company has fully implemented all relevant guidelines for preventing dishonest conduct, including operational procedures, code of conduct, disciplinary rules, and employee grievance systems. The personnel review committee handles disciplinary actions and complaints to ensure ethical management.	
(3) Has the company taken steps to prevent against occurrences listed in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" or business conducts that are prone to			To ensure full implementation of the "Ethical Corporate Management Best Practice Principles", the company has established relevant codes of conduct and prevention measures for business activities that are more likely to involve dishonest conduct, e.g., offering or taking of bribes; making illegal political donations, inadequate sponsorship or charity donations; and providing or receiving improper gifts, treatments, or other unjustified benefits. The company establishes guidelines for filing complaints against illegal and unethical conduct under the Employee Code of Conduct, which is disclosed on the corporate website in the corporate governance/internal guidelines section at: https://www.taishinholdings.com.tw/Investors/Investors_11_2.jsp	
2. Implementation of integrity management				
(1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?			For the selection of suppliers and public bidding for various procurements, the company follows the "measures governing procurement and supplier management," so as to assure products have stable quality and meet the requirements. Suppliers meeting the conditions can undertake evaluation and register as the company's qualified suppliers to provide services or products to the company.	No deviation
(2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	✓		<p>1. The company, pursuant to Article 6 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, has established legal compliance systems and designated the compliance division to handle the planning, management, and execution of all issues related to compliance and other matters pertaining to ethical corporate management. The compliance division also reports to the audit committee and the board of directors at least once every six months on matters pertaining to compliance and ethical corporate management.</p> <p>In addition to empowering the compliance division for the establishment, implementation and execution of the compliance policy, a compliance officer has been assigned to every unit within the company to promote employee awareness of financial regulations and business integrity. The presence of compliance officers helps improve the fairness and transparency of the company's financial activities, while ensuring that business practices are carried out in a manner that complies with laws.</p> <p>2. Taishin ensures effective implementation of the ethical management policies. Details of the practices in 2018 are as follows:</p> <p>(1) Training and education Product illustrations and promotional literature for financial products have to be checked by the compliance department to ensure compliance with the disclosure requirements under the applicable laws and regulations. Training on fair treatment of customers, ethical corporate management principles, and whistleblowing policies are provided regularly to reinforce the awareness and knowledge of compliance and fair treatment of financial consumers. Courses on fair treatment of customers, ethical corporate management principles, and whistleblowing policies were provided to 7,517 participants between October 2018 and December 2018.</p> <p>The compliance department will include important information to prevent unethical management practices in offline courses on "prohibition of concurrent employment and avoidance of conflicting interests", "gifts and entertainment policy", and "protection of intellectual property rights" during orientation for new employees.</p> <p>(2) Compliance campaign The departments raise awareness regularly through compliance case studies of penalties imposed by the competent authorities. The contents include violation of the law in unethical behaviors for financial institution employees and recommendations for future internal audit and control practices. Details of the campaigns are emailed to the appropriate departments to reiterate important rules to observe in business activities.</p> <p>(3) Communication channels Employees are able to give feedback to the management and other departments through a range of open channels. Taishin discloses its ethical corporate management policy and practice on the corporate website and in the annual reports and other published documents on a voluntary basis.</p>	

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(2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?			<p>(4) Regular inspection Corruption related risks in the operations and business activities conducted by the departments are assessed. The sales management departments perform semiannual self audits to effectively monitor the operations and enforce the rules. The audit department performs independent audits to maintain the integrity of the organization as a whole. The departments work together to manage business activities and prevent unethical behaviors. The compliance risk assessment for the banking subsidiary in 2018 listed "conflict of interest" and "anti-bribery/corruption" as the key items. Areas regarding "existing risks" and "control measures" were inspected to assess the effectiveness of Taishin's control measures against unethical corporate management practices.</p> <p>(5) Reporting procedures and whistleblower protection Taishin has implemented the Taishin FHC Whistleblowing Policy to establish the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any person who discovers crime, fraud or violation are entitled to report misconduct according to the system. Taishin's whistleblowing policy states explicitly that the following measures should be taken to protect whistleblowers.</p> <ol style="list-style-type: none"> The identity of the whistleblower shall be kept confidential. Information sufficient to identify a person shall not be disclosed. Taishin shall not take any report made by a whistleblower and use it against said whistleblower as cause for dismissal, discharge, demotion, pay reduction, damage to the rights to which said whistleblower is entitled by law, contract, or convention, or any other detrimental treatment. <p>The banking subsidiary received a total of one report in 2018. It did not involve criminal, corrupt, or illegal banking activities or provide any contact information. Therefore, the case was dismissed.</p>	No deviation
(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?			The company establishes guidelines for avoiding conflict of interest under the Employee Code of Conduct, and has reporting channels in place to accept verbal, written or electronic reports of violations.	
(4) Has the company implemented effective accounting and internal control systems for maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?			<p>Accounting System and Internal control system</p> <p>❖ Accounting System The company's accounting policies were established in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies," laws, and generally accepted accounting principles. These accounting policies have been designed to record the company's business activities, and to present the company's financial and business performance in ways that are consistent with laws and generally accepted accounting principles, thereby achieving effective internal supervision and reflecting financial status and operational results so as to serve as a reference in strategic decisioning.</p> <p>❖ Internal control system The company's internal control system has been created in accordance with Article 51 of the "Financial Holding Company Act" and Article 6 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and holding Industries." The system embodies five major principles:</p> <ul style="list-style-type: none"> To enable a corporate culture of management supervision and control. To facilitate risk identification and assessment. To control activities and segregate duties. To facilitate information sharing and communication. To monitor and improve business activities. <p>The company has appropriate policies and operating procedures in place to guide its operations. Its rules of organization, management principles, business guidelines and manuals are amended whenever deemed necessary. The company's Audit Division has implemented a set of self-audit and assessment guidelines. It also supervises self-audit practices regularly within the company. The internal control system of Taishin Securities is based on regulations including Article 2 of the Regulations Governing Securities Firms, Article 9 of the Regulations Governing the Operation of Futures Introducing Broker Business by Securities Firms, and the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets. The system consists of management processes designed by the managers, passed by the Board of Directors, and implemented by the Board of Directors, managers, and other employees for purpose of promoting sound operations of the company, so as to reasonably ensure that the following objectives are achieved:</p> <ul style="list-style-type: none"> Effectiveness and efficiency of operations. Reliability, timeliness, transparency, and regulatory compliance of reporting. Compliance with applicable laws, regulations, and by laws. <p>The system comprises the following constituent elements:</p> <ul style="list-style-type: none"> Control environment. Risk assessment. Control activities. Monitoring activities. <p>Individual units will implement regulations and guidelines accordingly and conduct regular self assessments. The units also cooperate with the internal audit unit in completing regular audits.</p>	

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(5) Does the company organize internal or external training on a regular basis to maintain business integrity?	✓		Each year, the Company arranges regular or ad hoc training courses on corporate governance for its directors, supervisors, risk management, accounting/finance staff and auditors. Mandatory courses for new employees include corporate ethics, financing regulations and code of conduct, etc. In 2018, 100% of the workforce attended courses on ethical corporate management or related topics. In total, 21,746 people finished their training in 30,265.35 hours.	No deviation
3. Reporting of malpractice				
(1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?			Taishin has implemented the Taishin FHC Whistleblowing Policy to establish the whistleblowing channels and procedures. All reports are handled and investigated by dedicated units. Any individual in or outside the company who discovers any potentially criminal, corrupt, or illegal conduct may report the case by following the whistleblowing procedures. A report may be filed by any of the following means: 1. By mail: Whistleblowing Mailbox, No. 118, Section 4, Renai Road, Taipei City 2. By E-mail: whistling@taishinholdings.com.tw 3. By telephone: (02)2325-6076	No deviation
(2) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?	✓		All reports that Taishin receives should be investigated by the appropriate units as stated in the investigation procedures. The identity of the whistleblower should be kept strictly confidential. No information sufficient to identify the whistleblower may be released.	
(3) Does the company assure employees who reported on malpractices that they will not be prosecuted for making such reports?			Taishin's whistleblowing policy states explicitly that the following measures should be taken to protect whistleblowers. 1. The identity of the whistleblower shall be kept confidential. Information sufficient to identify a person shall not be disclosed. 2. Taishin shall not take any report made by a whistleblower and use it against said whistleblower as cause for dismissal, discharge, demotion, pay reduction, damage to the rights to which said whistleblower is entitled by law, contract, or convention, or any other detrimental treatment.	
4. Strengthen information disclosure				
Has the company disclosed its integrity principles and progress onto its website and MOPS?	✓		Taishin holdings is a listed company (stock code No.2887), discloses its latest information on the Market Observation Post System of Taiwan Stock Exchange, and regularly files report on related financial figures. The "Taishin Financial Holding Co., Ltd. - Ethical Corporate Management Best Practice Principles" are accessible through MOPS & as follows: http://www.taishinholdings.com.tw/Investors/Investors_11_2_.jsp	No deviation
5. Description of deviation of the self-made guidelines for integrity management from the "Guidelines for corporate integrity management of listed firms": No deviation.				
6. Other key information conducive to the understanding of the implementation of integrity management: None.				

Note 1: Provide details in the comments regardless of the answer to Practices.

Note 2: "Reasons for deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" are optional to financial holding companies that are not exchange or OTC listed.

Note 3: "Reasons for deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" are optional to banks that are not exchange or OTC listed.