

(IV) Existing corporate governance practices and deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies

Assessment criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Financial Holding Companies
	Yes	No	Summary	
I. Shareholding structure and shareholders' rights within the financial holding company				None
(I) Has the financial holding company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(I) The Company has arranged dedicated personnel and layered authorities to handle shareholders' suggestions, queries, disputes and litigations. Contact methods have been disclosed on the Company's website to give shareholders the means to raise queries and opinions. The Company's spokesperson and acting spokesperson are responsible for handling shareholders' suggestions, disputes and queries. Where the issue concerns share administration or legal affairs, the Company would approach the share administration agency or legal department for assistance.	
(II) Is the financial holding company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(II) The Company keeps track of its shareholders by monitoring the shareholder registry as at each book closure date, and by monitoring changes in share ownership that insiders and major shareholders have reported in accordance with Article 25 of the Securities and Exchange Act and Article 16 of the Financial Holding Company Act. The Company's shares are held by a small group of shareholders that it maintains good relationship with, which enables it to keep track of the	None

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(III) Has the financial holding company established and implemented risk management and firewalls on companies it is affiliated with?	V		<p>identity of the ultimate controller.</p> <p>The Company’s website contains sections that provide information for shareholders, contact windows, important announcements, and information relevant to Articles 4, 5 and 16 of the Financial Holding Company Act. Application forms have also been made available for download from the website.</p> <p>(III) A stakeholders system has been implemented in accordance with the Financial Holding Company Act, the Securities and Exchange Act, and the Banking Act to facilitate real-time checks on whether a counterparty is a stakeholder. Transactions with stakeholders will then proceed according to the relevant regulations. Lending and non-lending transactions with the Company's person-in-charge, major shareholders, affiliated companies, and stakeholders are conducted in compliance with Articles 44 and 45 of the Financial Holding Company Act. Based on the above regulation, the Company has implemented several internal policies including “Jih Sun International Bank Stakeholders Lending Policy for Compliance with Article 44 of the Financial Holding Company Act,” “JihSun Financial Holding Mandatory Reporting and Disclosure Guidelines for Compliance with Article 46 of the Financial Holding Company Act,” and “JihSun Financial Holding and Subsidiaries Operating Principles for Non-credit Transactions with Stakeholders.”</p>	None

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<p>II. Assembly and obligations of the board of directors</p> <p>(I) Apart from the Remuneration Committee and Audit Committee, has the financial holding company assembled other functional committees at its own discretion?</p> <p>(II) Does the financial holding company conduct regular assessments regarding the independence of its financial statement auditors?</p>		V	<p>(I) During the 2009 annual general meeting, three independent directors were elected in accordance with laws and the Memorandum of Association. The board of directors has assembled an “Audit Committee” and a “Remuneration Committee;” no other functional committees have been assembled.</p> <p>(II) 1. The Company has taken steps to make sure that its financial statement auditor does not meet the definition of a stakeholder, as described in Article 45 of the Financial Holding Company Act. Not only is the auditor required to produce a declaration of independence on a yearly basis, all members of the CPA firm’s audit team are also subject to the following assessments of independence, and the outcomes of which are reported to the Company’s Audit Committee and board of directors:</p> <p>(1) Members of the audit team are free of any direct or indirect financial involvement with the Company and its related parties that would compromise their independence.</p> <p>(2) Members of the audit team had not assumed the role of director, supervisor, or any position within the Company in the last two years that would materially affect their audit</p>	<p>No material deviation is found</p> <p>None</p>

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			<p>performance.</p> <p>(3) Members of the audit team are free of all violations described in Statement of CPA Professional Ethics No. 10 that may compromise their independence.</p> <p>2. Auditors' independence is reviewed regularly once a year. The Company has acquired the Declaration of Independence from the appointed CPAs and the audit team members for review by the Company's Audit Committee and Board of Directors; also, the Company has not retained service of the same CPAs for seven consecutive years. "Appointment of 2017 financial statement auditors" was resolved during the [21st meeting of the 3rd Audit Committee] and the [21st meeting of the 6th Board of Directors] held on 03.24.2017. KPMG was appointed as the Company's financial statement audit firm, whereas Chen Jun Kuang (CPA) and Li Feng Hui (CPA) were appointed as financial statement auditors (active since 2015 first quarter financial statements).</p>	
III. Where the financial holding company is a TPEX-Listed Companies, has the company designated a department or personnel that specializes (or is involved)	V		<p>All corporate governance-related affairs of the Company are supervised by the "Administration Division." The head of the Administration Division is of Vice President grade.</p> <p>The department manages affairs relating to the convention of board of</p>	None

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in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes, etc)?			<p>directors meetings and shareholder meetings in a manner that protects shareholders' interests and enhances board functions. Its main responsibilities are to provide directors with the information needed to perform their duties, and assist directors with compliance and corporate governance-related matters. Key responsibilities include:</p> <ol style="list-style-type: none"> 1. Shareholder meeting-related affairs, such as: preparation of meeting advice, handbook and minutes; preparation of shareholder meeting annual report; and announcement of relevant information. 2. Board of directors meeting, Audit Committee meeting, and Remuneration Committee meeting affairs, such as: providing directors with information needed to perform their duties, planning of agendas, dissemination of meeting advices, preparation of meeting documents and minutes, and other meeting-related affairs. 3. Organizing unscheduled meetings to facilitate communication between CPAs, independent directors and Chief Auditor/Accountant for the purpose of enforcing the internal audit/control system. Disclosure of "Communication between independent directors and internal/external auditors" on the Company's website. 4. Maintenance of company registration and changes thereof. 5. Maintenance of Investor Relations section on the Company's portal, and disclosure of corporate governance-related information in Chinese and English. 	

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			<p>6. Organizes annual corporate governance courses for directors and supervisors of the financial holding company and subsidiaries.</p> <p>7. Evaluation and purchase of suitable "liabilities insurance for directors, supervisors and key staff" in 2017, which was later reported during the 32nd meeting of the 6th board of directors (March 16, 2018).</p> <p>8. Execution of corporate social responsibilities by the Company and subsidiaries in 2017, which was later reported during the 32nd meeting of the 6th board of directors (March 16, 2018).</p>	

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IV. Does the financial holding company have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers etc)?	V		The Company has a Stakeholders section created on its website that provides contact information and serves as a communication channel. Information is maintained on a regular basis.	None
V. Information disclosure				
(I) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?	V		(I) The Company has established a website for the disclosure of financial performance and corporate governance.	None
(II) 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)?	V		(II) Other means of information disclosure: 1. The Company has implemented a Spokesperson Policy, an Acting Spokesperson Policy, and "JihSun Financial Holding External Communication Policy." 2. A system has been established for posting public information over the Internet. 3. An English website has been made available. 4. The Company has assigned dedicated personnel for the collection of information relating to the Company, thereby facilitate more transparent and timely disclosure of information. 5. The Company has disclosed all information relevant to corporate governance in manners that complied with the regulations.	None

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VI. 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)?	V		<p>1. The Company's corporate governance-related policies include the "Memorandum of Association," "Shareholder Meeting Rules," "Board of Directors Meeting Rules," "Director Election Rules," "Board of Directors Foundation Rules," "Audit Committee Foundation Rules," "Remuneration Committee Foundation Rules," "Independent Director Responsibilities," "Director and Manager Code of Conduct," "Corporate Governance Practice Principles," "Corporate Social Responsibility Practice Principles," and "Business Integrity Principles." All of which have been complied to date.</p> <p>2. Directors' ongoing education: disclosures have been posted onto the Market Observation Post System as required by law. All of the Company's directors (including independent directors) have completed the mandatory education in 2017, and complied with the requirements of "<u>Directions for the Implementation of Continuing Education for Directors and Supervisors of TPEX-Listed Companies.</u>" Please see P.29~P.31 of this annual report for more details about ongoing education.</p> <p>3. Risk management policies and risk assessments: please see P.237~P.253 of this annual report.</p> <p>4. Customer policies: the Company has implemented and enforced confidentiality measures to protect customers' interests throughout JihSun Financial Holding and subsidiaries. All disclosures, transfers, or uses of customers' information are consented in writing by the respective</p>	None

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			<p>customers.</p> <p>5. Insurance against directors' and supervisors' liabilities: the Company has insured itself against liabilities of its directors and supervisors in accordance with Articles 39 and 49 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies; these insurance policies cover the entire duration of service of the above parties.</p> <p>6. Employee rights and care: the Company is especially dedicated to improving employees' work efficiency and loyalty by providing the best welfare and maintaining sound employer-employee relationship through care and protection.</p> <p>7. Investor relations: to enhance the transparency of financial and business information, the Company has appointed a spokesperson and an acting spokesperson to address the public with accurate and reasonable explanations to investors' queries. Furthermore, the Company makes regular public announcements as required by law and publishes information to the Market Observation Post System and to the Company's own website for easy access.</p> <p>8. Supplier relations: the Company has maintained good relationship with its suppliers and developed mutual trust through sharing of information, which in turn raises satisfaction and loyalty between the two parties and facilitates positive influences to work efficiency.</p>	

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<p>VII. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not applicable as the Company is not one of the evaluated subjects):</p> <p>The Company's corporate governance efforts have yielded tangible results, as the Company was ranked in the top 5% among TPEX-listed companies during Securities and Futures Institute's 3rd Corporate Governance Evaluation conducted in 2017. For further improvement in corporate governance, the Company established "Dishonest Conduct Reporting Policy" on December 25, 2017 as an official whistleblower protection system.</p>				

Note 1: Always provide explanations in the summary description column, regardless of whether there are any deviations from the best practice principles.