

III Deviation and causes of deviation of the Company’s actual governance from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
I. Does the Company set up and disclose the Company’s corporate governance best-practice principles based on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”?	V		<p>As the Company is a subsidiary wholly owned by JihSun Financial Holding Co., Ltd., its corporate governance operations shall follow the parent holding company’s regulations. The parent holding company has established the “Corporate Governance Best-Practice Principles for JihSun Financial Holding Co., Ltd.” as the ultimate guidelines for corporate governance by JihSun FHC and the Company.</p> <p>The parent company’s “Corporate Governance Best-Practice Principles” were established in accordance with the “Corporate Governance Best-Practice Principles for Financial Holding Companies” and “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. JihSun FHC and the Company should deal with the corporate governance matters in accordance with said principles.</p>	None
II. Shareholding Structure and Shareholders’ Equity of the Company (I) Does the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation		Not applicable	(I) Not applicable, as the Company is a subsidiary wholly owned by JihSun FHC and appoints institutional investors’ representatives to act as Directors (including Independent Directors) to attend and exercise rights at the Board of	Not applicable

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<p>matters; in addition, have the procedures implemented accordingly?</p> <p>(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?</p> <p>(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?</p>	V		<p>Directors Meetings.</p> <p>(II) JihSun Financial Holding Co., Ltd. is the Company's only shareholder; hence the Company's major shareholder and ultimate shareholder with a controlling interest are one and the same.</p> <p>(III) The Company's employees and assets are independent from those of its affiliated companies. "Rules Governing the Division of Authority" and the "Handling Procedures Governing the Acquisition or Disposal of Assets" have been established to segregate areas of authority. The Bank was also financially independent from its affiliated companies with performances and areas of responsibility clearly segregated. The above status was constantly under review by auditors. Firewalls were properly established. Credit extension and non-credit extension transactions to the Company's representative, major shareholders, affiliated companies, and stakeholders are conducted in compliance with Article 44 and 45 of the Financial Holding Company Act and other regulations. The Company has also established internal policies</p>	<p>None</p> <p>None</p>

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(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?	V		<p>such as "Operating Rules for Transactions Other Than Credit Extension with Interested Parties of JihSun Securities Co., Ltd." to ensure compliance with the above regulations.</p> <p>(IV) According to the Company's "Internal Control System" regarding consigned trading and transaction operations, employees' trade orders need to be checked for the involvement of non-public information before processing. In addition, transaction records are printed in chronological order at the end of each day and are checked and signed by the head of the Trading Department to determine whether transactions involved non-public information.</p>	None
<p>III. The constitution and obligations of the Board of Directors</p> <p>(I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?</p> <p>(II) Apart from the Remuneration Committee and Audit Committee,</p>		<p>Not applicable</p> <p>Not applicable</p>	<p>(I) As the Company is a subsidiary wholly owned by JihSun Financial Holding Co., Ltd., its corporate governance operations shall follow the parent holding company's regulations. The parent holding company has established the "Rules for Election of Directors of JihSun Financial Holding Co., Ltd.". The Board Members are advised to consider the diversified ultimate guidelines.</p> <p>(II) The Company has complied with regulations and its Articles of Incorporation and appointed three</p>	No significant variation.

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<p>has the Company assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established a set of policies and assessment tools to evaluate the Board's performance? Is performance evaluated regularly at least on an annual basis?</p>		Not applicable	<p>independent directors and established an Audit Committee and the Remuneration Committee. No other functional committees was assembled.</p> <p>(III) The current guidelines and procedures for the performance evaluation of the board of directors is handled by presenting the "annual board meeting operation (attendance rate) and annual continuing study of directors" to the Remuneration Committee; therefore, the Regulations Governing the Performance Evaluation of the Board of Directors is not stipulated.</p>	No significant variation.
<p>(IV) Is the independence of external auditors assessed on a regular basis?</p>	V		<p>(IV) 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, 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</p>	<p>No significant variation.</p> <p>None</p>

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			<p>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 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. The Company assesses auditors' independence on a yearly basis, and has obtained Declaration of Independence issued 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 the service of the same CPAs for seven consecutive years. CPAs Jun-Kuang Chen and Feng-Hui Li of KPMG were appointed as auditors for the Company's 2017 Financial Statements. This decision was resolved at the 35th Meeting of the 3rd-term Audit Committee and 34th Meeting of the 14th-term Board of Directors held on February 23, 2017.</p>	
IV. Where the financial holding company is a TWSE/TPEX listed company, has	V		Various corporate governance affairs are handled by the Company's "Administration Division". The Division	None

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the Company designated a department or personnel that specializes (or is involved) 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>shall also work hard to boost and fulfill corporate governance. The important responsibilities are stated as following:</p> <ol style="list-style-type: none"> 1. Process the relevant shareholders service: The Company is a subsidiary wholly owned by JihSun FHC, and the Board of Directors is authorized to exercise the functions of a Shareholders' Meeting. 2. In charge of the parliamentary affairs related to Directors' Meetings, Audit Committee Meetings and Remuneration Committee Meetings, including provision of the information needed by Directors to carry out business, arrangement of agenda, service of the notice for meeting, parliamentary affairs and production of meeting minutes to help the parliamentary procedure. 3. Process of the Company registration and change of registration. 4. Establishment and maintenance of relationships with investors on the website of the parent company, JihSun FHC to disclose information related to the Company's corporate governance. 5. Offering of continued education for corporate governance to Directors/Supervisors of JihSun FHC and its subsidiaries. 6. Evaluation and purchase of adequate "Liability Insurance for Directors/Supervisors and Officers". 	

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V. Has the Company provided proper communication channels and created an investor relations section on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		The Company has created an investor relations section on the website of JihSun FHC and provided a contact number and communication channel to respond to corporate social responsibility issues that are of concern to stakeholders.	None
VI. Does the Company engage a Share Administration Agency to handle Shareholder Meeting affairs?		Not applicable	Not applicable, as the shares issued by the Company are owned by JihSun FHC wholly.	Not applicable
VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information? (II) Has the 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,	V V		(I) The Company has established its own website for introducing services and promotions. The Company's corporate governance information is disclosed on the website of its parent company – JihSun Financial Holding Co., Ltd. (II) Other means of information disclosure: 1. Both the Spokesperson Policy and the Acting Spokesperson Policy have been established. 2. A system has been established for posting public information over the Internet. 3. An English language website has been established.	None

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broadcasting of investor conferences via the company website)?			<p>4. Dedicated personnel have been assigned for the collection of information relating to the Company in order to facilitate more transparent and timely disclosure of information.</p> <p>5. The Company has disclosed all information relevant to corporate governance in compliance with the regulations.</p>	
VIII. Does the 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, supplier relations, stakeholders' interests, continuing education of Directors/Supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of Company Directors and Supervisors)?	V		<p>(I) Directors' continued education: The Company's Directors (including Independent Directors) have completed their mandatory courses and learning hours in 2017.</p> <p>(II) For risk management policies and risk assessment standards, please refer to P.121 - P.127 of this Annual Report.</p> <p>(III) Implementation of consumer or customer protection policies: The Company has followed parent company's "JihSun Financial Holding and Subsidiaries Customer Data Confidentiality Regulations" to protect customers' interests.</p> <p>(IV) The Company's insurance against Directors' and Supervisors' liabilities: The Company is insured against the liabilities of its Directors and Supervisors in accordance with Articles 39 and 49 of the Corporate Governance Principles for Securities Firms. The insurance coverage spans across the duration of Directors' and Supervisors'</p>	None

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			<p>active duty.</p> <p>(V) The rights and care for employees: The Company is especially dedicated to improving employees' work efficiency and loyalty by providing the best welfare and maintaining the employer/employee relationship through care and protection of employees' rights.</p> <p>(VI) 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 JihSun Holding's website for easy access.</p> <p>(VII) Supplier relations: the Company has maintained good relationships with its suppliers and developed mutual trust through the sharing of information, which in turn raises satisfaction and loyalty between the two parties and facilitates positive influences to work efficiency.</p> <p>(VIII) Stakeholders' interests: The Company's transactions with its stakeholders are carried out in accordance with its relevant policies and</p>	None

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			stringent operating procedures. The Company's Directors complied with the "Board of Directors Conference Rules of JihSun Securities Co., Ltd." by disassociating themselves from resolutions which pose conflicting interests.	
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by the 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)				

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

Amendment explanation:

1. On September 30, 2016, the Taiwan Stock Exchange Corporation amended its Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies that require additional disclosure on whether a company has a department or personnel that specializes (or is involved) in corporate governance-related affairs. Item 4 was added to the Assessment Criteria, while existing Items 4-6 were renumbered Items 5-7.
2. To enhance disclosure on stakeholder communication and protection of stakeholders' interests across TWSE/TPEX listed companies, Item 5 of the Assessment Criteria was amended to outline minimum requirements for stakeholders.
3. Considering the fact that the Corporate Governance Best-Practice Principles do not require preparation of corporate governance self-assessment reports, whether by the Company or by an external institution, and that a corporate governance evaluation is already being performed by the TWSE Corporate Governance Center on all TWSE and TPEX listed companies while "company's voluntary participation in other corporate governance assessment systems" is already being recognized as an added credit, the additional benefits of making related disclosures in the Annual Report seemed immaterial. For this reason, the Company had decided to remove Item 8 and Note 2 from the Assessment Criteria, and renumber Item 7 to Item 8 with change of wordings.
4. Considering the fact that the TWSE Corporate Governance Center has been disclosing corporate governance assessment results on TWSE/TPEX companies on a yearly basis since April 2015, and that the Company was able to improve corporate governance by following the abovementioned results, Item 9 was therefore added to the Assessment Criteria.