

The differences with reasons between the Bank's corporate governance and the Corporate Governance Best-Practice Principles for the Banking Industry.

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
1. Structure of the bank's shareholders and equities				
1.1 Does the bank stipulate and implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		1.1 To serve the Bank's shareholders, there is a message box and a complaint hotline under the Customer Service Center on the Bank's official website. The Bank's has also designated staff to specially handle shareholders' suggestions, inquiries and even disputes. In the event of litigation, it will be dealt with by the unit in charge according to the Bank's segregation of duties. In addition, the Bank has engaged a share administration agency to handle all share-related affairs; therefore, all shareholders' suggestions, doubts, or disputes shall be referred to the agency. For the Bank's subsequent actions, the agency will immediately notify the Bank's of such suggestions, doubts or disputes as deemed relevant to the Bank's operations.	1.1 No difference
1.2 Does the bank keep track of the major controlling shareholders as well as their ownership structures?	✓		1.2 Based on the Bank's shareholders' register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, the Bank has grasped its list of major shareholders which is disclosed on the Market Observation Post System (MOPS), the Bank's annual report and official website.	1.2 No difference
1.3 Does the bank set up a fire wall and risk control mechanism to reduce the risks involved with the bank's related companies?		✓	1.3 The Bank has no affiliated enterprises.	1.3 N/A
2. Board of directors and its responsibilities				
2.1 Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?		✓	2.1 At present, the Bank has lawfully instituted the Remuneration Committee and Audit Committee.	2.1 In the future, the Bank will institute various other functional committees in accordance with its actual operations.
2.2 Does the bank regularly evaluate the independence of CPAs?	✓		2.2 When the Bank appoints the CPA for attestation on financial statements, the Bank has made sure that none of their audit team members has commercial relationships with the Bank for significant financial benefits, which will probably affect their independence. During the appointment period, the Bank also, on a regular basis (at least once a year), carefully assesses the CPA's independence by the following criteria and submit an assessment report to the Audit Committee and the Board of Directors for their deliberations: a. The CPA does not have in his/her possession of the Bank's shares or have any relation with the Bank in terms of monetary loans, joint investment or shared interests. b. The CPA does not assume the post as the Bank's person responsible, Director, manager or employee. c. The CPA's behavior does not violate the "Professional Ethical Guidelines Communique No. 10: Integrity; Fairness; Objectivity and Independence" of the Taiwan CPA Association, ROC.	2.2 No difference
3. In the event the bank is a publicly listed or OTC-listed company, has the bank instituted a dedicated (or concurrent) corporate governance unit or personnel to be in charge of affairs relating to corporate governance (including but not limited to the provision of necessary data for Directors and Supervisors to execute their duties, administering matters relating to the Board of Directors' meetings and shareholders' meetings in accordance with law, administering company incorporation and change in incorporation, and producing minute books for the Board of Directors's and shareholders' meetings)?	✓		The Bank's Secretariat Division and Legal Affairs and Compliance Division serve as the concurrent units for handling corporate governance. The task allocation of matters relating to corporate governance is as follows: 3.1 Secretariat Division a. In charge of administering incorporation and changes in incorporation; b. Administering matters relating to shareholders' meetings in accordance with law; c. Producing minute books for shareholders' meetings; d. Matters relating to investor relations; e. Other matters and items laid out in the charter. 3.2 Legal Affairs and Compliance Division In accordance with the Bank's "Procedural Rules for the Board of Directors," the Compliance Section of the unit in charge of meeting affairs for the Board of Directors shall administer matters relating to the Board of Directors' meetings per regulations, in addition to providing adequate data for these meetings as well as producing minute books.	No difference

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4. Does the bank establish a channel to communicate with shareholders (including but not limited to shareholders, employees and customers, etc.)?	✓		<p>4.1 The Bank set up "Stakeholders' Dedicated Section" (including the general public, shareholders and employees, etc), the "Investor Relations" the "Dedicated Section for the After-sales Grievance of Non-performing Loans" and the "Customer Service Center" on the Bank's official website to serve as communication channels with related stakeholders, and also addresses material issues that stakeholders are concerned about by way of compiling and producing annual CSR reports.</p> <p>4.2 When extending credit to stakeholders stipulated in the Banking Act, the Bank administers it in full compliance with the Banking Act and related regulations by the governing body. Furthermore, the Bank has formulated specific operating guidelines for transactions with stakeholders beyond credit extension so that all units within the Bank can abide by.</p>	No difference
5. Information disclosure				
5.1 Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?	✓		5.1 The Bank has disclosed financial reports, information as well as corporate governance such as complete annual reports and quarterly reports in sections "Investor Relations" and "Corporate Governance" on its official website.	5.1 No difference
5.2 Does the bank take any other methods to disclose its information (e.g. English website, a special group engaged on gathering and compiling the bank's information, the information announced through the bank's spokesman, and regular investor conference process disclosed on the bank's website)?	✓		<p>5.2 a. The Bank has installed an English version on its official webpage to disclose the Bank's related business operating information. The general public and investors can inquire and browse online at all times.</p> <p>b. The Bank has established a spokesperson system to make external announcements about information relating to the Bank's business operations in a timely fashion. Regarding material information, the Bank also designates dedicated personnel to be responsible for collecting information, while making simultaneous disclosure in both Chinese and English on the MOPS website as required by regulations.</p> <p>c. Related information about the Bank's investor conference is disclosed on MOPS as well as the Bank's official website.</p>	5.2 No difference
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		<p>6.1 Related charters about corporate governance</p> <p>a. The Bank has formulated the "Corporate Governance Practical Guidelines of the CHB" as the basis for pushing forward with matters relating to corporate governance.</p> <p>b. With regard to the Bank's Article of Incorporation, organizational regulations, the accountability allocation chart for business operation items and operating guidelines for various operations, the Bank has specifically set forth the authorities and accountability of managers at all levels, so that accountability can be established across various levels within the scope of authorities and accountability of the managers.</p> <p>6.2 Matters and items relating to the Board of Directors</p> <p>a. The implementation of directors diversification policy: The Bank has stipulated the directors diversification policy in its item 2, article 30, Corporate Governance Practical Guidelines which is disclosed on the Bank's official website. The implementation of Directors diversification is shown in the attached list.</p> <p>b. The Bank has formulated the "Directions for the Enforcement of the Plan for On-the-job Education for Directors," and the on-the-job education for the Directors is uploaded to the declaration system on MOPS in accordance with regulations.</p> <p>c. The situation with respect to the attendance of the Bank's Directors (including Independent Directors) in Board of Directors' meetings and attendance of Independent Directors in the Audit Committee meetings has been uploaded to the declaration system on MOPS in accordance with regulations.</p> <p>d. The Bank's Directors proactively avoid Board of Directors' meeting agenda items involving his/her personal stake or the stake of the institution he/she represents, as well as refrain from taking part in related discussions and voting.</p> <p>e. To further consummate the Bank's corporate governance and to reduce the risks assumed by the Bank, its Directors and managers associated with governance liability, the Bank has purchased the "Liability Insurance Policy for Directors, Supervisors and Managers" for its Directors and managers.</p>	No difference

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7. With respect to the results of annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. The Bank was evaluated as top 5% among Taiwan listed companies of the 3 rd Corporate Governance Evaluation in 2017. To strengthen corporate governance, the Bank has conducted an active review and improvements of the failed indicators as shown in the results of the 3 rd Corporate Governance Evaluation. The improvements are as follows:			<p>a. In the 2016 annual report, the Bank disclosed the implementation for resolutions of the previous year general shareholders' meeting.</p> <p>b. The Bank disclosed communications between the independent directors, internal auditing head, and CPAs (which should include the material matters, ways and results in the Bank's finance and business) on the Bank's official website.</p>	

Attached list:

Qualifications	Professional Background					Professional Ability						
	Law	Accounting	Finance	Marketing	Technology	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead and make policy decisions
Name												
Ming-Daw Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cheng-Ching Wu		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Kuo-Yuan Liang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julius Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ching-Hwa Juan	✓	✓				✓	✓	✓	✓	✓	✓	✓
Chih-Hsien Lin	✓				✓	✓		✓	✓	✓	✓	✓
Shih-Tsung Lee	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Jung-Chun Pan	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Chi-Chang Yu	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓