

Corporate Governance Status and Deviations from the Corporate Governance Best-Practice Principles for Financial Holding Companies

Items of Evaluation	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summaries	
1. Shareholding structure and shareholders' rights within the financial holding company				
(1) Has the financial holding company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		(1) The Company has implemented a set of “Investor Relations Guidelines” and established Secretariat Division and Investor Relations Division to handle shareholders' suggestions, queries and disputes. Shareholders' rights to attend, nominate, propose, vote and complain during annual general meetings have been clearly outlined in the Company's “Rules Governing the Procedures for Shareholders Meetings ,” “The Procedures for the Election of Directors ,” “Rules for Accepting Director Candidate Nomination and Shareholder Proposals” and in relevant law	None
(2) Is the financial holding company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(2) The Company makes monthly reports of shareholding by individual parties and aggregate related parties, and is therefore constantly informed of the identities of its major shareholders and the ultimate controller.	None
(3) Has the financial holding company established and implemented risk management and firewalls on companies it is affiliated with?	✓		(3) The Company has a Risk Management Committee assembled directly under the Chairman to monitor execution of risk management policies by the Company and its subsidiaries. The Company has robust risk	None

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			management policies and management guideline in place, and has an independent risk management unit responsible for monitoring risks within the group. The Company has implemented “Related Party Transaction Management Policy for Fubon Financial Holding Co., Ltd. and its Subsidiaries ” in accordance with Articles 44 and 45 of the Financial Holding Company Act to regulate transactions with stakeholders. The Company has also established “Firewall Management Policy for Fubon Financial Holding Co., Ltd. and its Subsidiaries ” that introduces the use of firewalls for various activities such as use of information, sharing of information, business transactions, and use of capital	
<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) Apart from the Remuneration Committee and Audit Committee, has the financial holding company assembled other functional committees at its own discretion?</p>	✓		(1) In addition to the “Audit Committee” and “Remuneration Committee,” the Company has also assembled a “Corporate Governance and Sustainability Committee” directly under the Board of Directors to support its management. Purposes of the “Corporate Governance and Sustainability Committee” are to: assist the Board of Directors in nominating, verifying and recruiting director	None.

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(2) Has the Financial Holding Company evaluated external auditors' independence regularly?	✓		<p>candidates; make recommendations that enhance the board's functions and management; and enforce corporate social responsibility and sustainability actions in ways that enable the Board of Directors to fulfill its duties to the Company, the employees, the shareholders and stakeholders.</p> <p>An ESG Task Force was assembled under the “Corporate Governance and Sustainability Committee” to execute tasks relating to sustainable operations. The ESG Task Force is divided into 6 team of different specialization including corporate governance, employee care, responsible finance, customers engagement, social commitment, and environmental sustainability.</p> <p>(2) The Company has established the "Annual Performance Assessment, Appointment and Compensation Approval Instructions for the Auditors of the Company and its Subsidiaries". The Company's auditor is appointed annually and the Audit Committee and the Board of Directors of the Company should review the performance and independence of the auditor periodically (around every March) and to use the result as reference for the engagement of the auditor.</p> <p>The Company's Audit Committee and Board of Directors</p>	None.

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			<p>discussed the engagement and independence of auditors for 2016 on March 16, 2016 and March 29, 2016, respectively. For the discussion, the auditors' personal resumes (with descriptions of current and former clients) and the auditors' declaration of independence (non-violation of the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10) were provided. Further, independence of auditors was evaluated. The evaluation criteria include:</p> <ol style="list-style-type: none"> <li>1. There exists no material financial interest between the auditors and the Company as to affect the auditors' independence.</li> <li>2. Auditors have not, in the most recent 2 years, served as directors or supervisors of the Company, or any other position that may materially affect the audit service.</li> <li>3. There is no circumstance that the Company would defend the auditors' opinions or positions in any way that would affect their independence.</li> <li>4. Auditors and their auditing teams have not provided the Company non-audit services that may affect their independence.</li> <li>5. There is no other circumstance as set out in the Bulletin of Norm of Professional Ethics for Certified Public</li> </ol>	

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			Accountant of the Republic of China that may affect the auditors' independence.	
3. Where the financial holding company is a TWSE/TPEX listed company, has 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>The Company has assembled an ESG Task Force that is spearheaded by the President. The ESG Task Force is further divided into 6 task forces of different specialization including corporate governance, employee care, responsible finance, customers engagement, social commitment, and environmental sustainability; these 6 team are supervised by the Secretariat Division, the Human Resource Division, the Corporate Communications Division, Investment Management Group, and General Administration Division, respectively. The corporate governance team (supervised by the Secretariat Division) has the following main responsibilities:</p> <ol style="list-style-type: none"> <li>(1) Devise effective corporate governance system to ensure compliance and support internal management.</li> <li>(2) Organize meetings for board of directors and functional committees, such as providing directors with the requested information, arrangement of meeting proceeding, issuance of meeting advice, and preparation of meeting affairs, minutes, and annual board meeting plans.</li> <li>(3) Handles affairs relating to shareholder meetings, such as: preparation of meeting advice, conference manual,</li> </ol>	None.

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			<p>minutes and annual report, and announcement/reporting of relevant information.</p> <p>(4) Maintains company registration details.</p> <p>(5) Creates and maintains corporate governance section on the Company's website, and discloses corporate governance-related information and progress in Chinese and English.</p> <p>(6) Conducts annual performance evaluation for the board and individual members, and forwards evaluation results to the Corporate Governance and Sustainability Committee and the board of directors for review and improvement.</p> <p>(7) Organizes annual tuition courses for directors/supervisors of the financial holding company and subsidiaries for a minimum of 6 credits; evaluates and purchases suitable "Director, Supervisor and Key Staff Liabilities Insurance."</p>	
4. Does the financial holding company have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers etc.)?	✓		<p>(1) The Company has spokesperson and acting spokesperson in place to convey messages to the outside world.</p> <p>(2) The Company has Investor Relations Division available to address shareholders' queries and suggestions. Contact methods have been disclosed on website. In addition, other communication channels such as quarterly investor conferences, local/overseas forums, roadshows and</p>	None.

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			<p>one-on-one investor meetings are also available.</p> <p>(3) The Company has established a “Stakeholders Engagement” section on its website to respond to stakeholders' concerned issues. A CSR mailbox has also been made available and is being maintained by dedicated personnel from the Corporate Communications Division. The Company has communication channels set up exclusively for the different types of stakeholders; they are used to facilitate timely reply to stakeholders' demands and queries.</p> <p>(4) The Company's website also provides “Independent Directors' Mailbox” as an alternative means of communication for all stakeholders. This mailbox is managed personally by the Audit Committee convener.</p> <p>(5) “Employee Complaint Hotline,” “Complaint Facsimile Number,” “Complaint Mailbox” and “Dedicated Employee Complaint Section” have been disclosed on the Company's intranet, whereas a “Complaint Mailbox” has been made available on the Company's portal. All of which can be used by employees to raise complaints and opinions, and are being maintained by dedicated personnel. All grievance channels are functioning properly.</p> <p>(6) The Company complies with laws and announces material</p>	

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			<p>information over the Market Observation Post System. The same information is disclosed simultaneously on the Company's website, thereby keeping shareholders informed. The website also contains full contact information of the Company's share administration agency, which stakeholders may use to establish communication.</p> <p>(7) The Company has provided customers with means to raise complaints. In the event of a major complaint, the Company will communicate and coordinate across subsidiaries to make sure that customers' interests are protected in a professional and efficient manner.</p>	
<p>5. Information disclosure</p> <p>(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?</p>	✓		<p>(1) The Company has a public portal and an Investors section (available in Chinese and English) dedicated to disclosing financial/business information and activities that are relevant to investors' interests. Audited (auditor-reviewed) financial statements of the Company and subsidiaries are disclosed here on a quarterly basis. In addition, the portal has a Corporate Governance section that discloses the Company's corporate governance information and policies.</p>	None.
<p>(2) Has the financial holding company adopted other means to disclose information (e.g. English website,</p>	✓		<p>(2) The Company has created an English version of its portal, and ensures the consistency of information presented in</p>	None.



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assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?			Chinese and English. Proceedings of investor conferences are kept in Chinese and English documents as well as audio records. They have been made available on the Company's website and on web pages specified by Taiwan Stock Exchange Corporation (TWSE). After each monthly earnings announcement, the Company summarizes key points and uploads them onto its website in both Chinese and English. Should any queries arise, the Company would address the public through its spokesperson.	
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)?	✓		(1) Employee rights and care 1. Relief: The Company has a relief policy established to care for dependents of deceased employees (whether caused by illness or accident). Employees who die of illness or accident during employment are paid relief and funeral subsidies, which are calculated based on years of service in accordance with the Labor Standards Act. The amount of illness/accidental death relief is subject to a minimum of 15 months average salary and a maximum of 45 months average salary. Employees who die of occupational injury or occupational illness are paid 45 months average salary, regardless of their years	None.

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			<p>of service.</p> <p>2.Club activities and recreation centers: In addition to the regular activities of various clubs, Fubon has also been hosting in-group basketball tournaments as a means to promote unity and good exercise habits among employees. The Company continues to set up “express recreation centers” at office locations that are more populated with employees, so that employees have somewhere close to perform exercises during breaks or after work. The recreation center offers complimentary facilities such as table tennis, hoop games, treadmills, and indoor cycling machines. It has adequate space to house yoga, aerobics and fitness programs, giving employees the opportunity to relax and relieve work stress.</p> <p>3.Health check: To help employees monitor health and prevent against disease, Fubon offers complimentary “regular health check” benefits that are more favorable (in terms of frequency and scope) than what the laws require. These health checks are organized in collaboration with several reputable medical institutions, so that employees can be informed of their health conditions early and make improvements to minimize or</p>	

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			<p>avoid chances of disease. The Company has also negotiated with medical institutions to expand this service arrangement to cover employees' dependents and retired employees, and to accept Fubon's group health check package.</p> <p>4. Complimentary stress relief and counseling: The Company hires visually impaired persons to provide massage service at office locations that have more employees; this service is offered both as an employee benefit and a means to promote health and relieve stress. Meanwhile, the Company works with “Teacher Chang Foundation” and “Taiwan Institute of Psychotherapy” to provide employees with complimentary mental counseling at its own expense.</p> <p>5. Wedding and funeral: The Company extends its blessing and compassion to important moments of employees' lives, and offers subsidies for occasions such as weddings, childbirth and funerals.</p> <p>(2) Investor relations To ensure consistency and accuracy in all messages conveyed to the public, the Company has implemented a set of “Investor Relations Maintenance Guidelines” that outlines clear rules regarding information disclosure,</p>	

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			<p>external communication, and proceeding of investor/analyst conferences.</p> <p>(3) Stakeholders' rights The Company has established a “Stakeholders Engagement” section on its website to disclose information and practices regarding stakeholders' concerned issues. Stakeholders may raise whatever queries they have at any time using the means provided in the Stakeholders Engagement section. Please refer to “Fubon Financial Holdings 2016 Corporate Social Responsibility Report” for detailed practices.</p> <p>(4) Director' education The Company organizes tuition courses for directors and supervisors of the company and subsidiaries based on current year's operational strategies and focus. On 2016.08.19, the Company invited NTU Finance Professor Chung-Ming Kuan, Kyber Capital CEO Thomas Hu, and Modernity Financial Holdings CEO Alex Liu to discuss the topic of “The Future of Banking - Blockchain Development, Trends and Execution”; on 2016.10.29, Chairman Morris Chang of TSMC was invited to speak on the topic of “Corporate Governance Framework and Board of Directors' Role.” Apart from the above, the Company</p>	

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			<p>also provides information on various courses and conferences organized by external institutions, and encourages participation from the directors. See “Directors’ education 2016” of this annual report for more details.</p> <p>(5) Risk management policies and risk assessment standards The Company has a robust Risk Management Policy in place to manage credit risks, market risks, operational risks, and liquidity risks. This policy has been followed consistently throughout all subsidiaries. The Company has set limits for the various types of risks based on the economic, banking and market environment and its operational goals. Both qualitative and quantitative methods have been adopted to measure, monitor, report and manage risks.</p> <p>(6) Protection of personal information The Company has assembled a Personal Information Protection Supervision Committee that specializes in supervising personal information management, and implementing proper policies to support its purpose. The committee adopts a “Plan - Execute - Check - Act” approach to develop the Company’s personal information protection system, and the process involves creating</p>	

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			<p>internal rules such as “Fubon Financial Holding Co., Ltd. Personal Information Management Policies” and “Fubon Financial Holding Co., Ltd. Guidelines on Maintaining Personal Information File Security and Handling Information When Customer Relationships No Longer Exist.” The Company devises personal information protection plans in the beginning of each year, and carries them out throughout the year according to schedule.</p> <p>(7) Customer policy The Company has implemented “Management Rules of Consumer Protection for Financial Products” to ensure the consistency of financial consumer protection practices adopted throughout subsidiaries. All subsidiaries are bound to comply with financial consumer protection requirements imposed by their respective authorities, accept these requirements as part of their internal control and audit system, and carry out financial consumer protection measures properly. The guidelines are used by subsidiaries to ensure protection for consumers of their respective businesses.</p> <p>(8) Purchase of Liability Insurance for Directors and Supervisors In order to complement the existing corporate governance</p>	

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			<p>system and effectively reduce the level of legal and financial risks that directors, supervisors and key staff present to the Company while performing their duties, the Company has made arrangements to acquire “Director, Supervisor and Key Staff Liabilities Insurance” coverage on a yearly basis for all directors, supervisors and key staff within the group.</p> <p>(9) Donation to political parties, stakeholders, and non-profit organizations</p> <p>1. Giving back to the society has not only become a part of the Company's philosophy, but is deeply etched into the Company's corporate culture. For many years, the Company has dedicated itself to fulfilling its commitments to shareholders, employees, customers, the environment, and the society, and responding to issues that are of highest concern to stakeholders. The Company makes annual donations to Fubon Charity Foundation, Fubon Cultural &amp; Educational Foundation, Fubon Art Foundation and Taipei Fubon Bank Charity Foundation, thereby giving them the funding they need to organize different types of charity activities. In addition, the Company encourages its employee to care for the socially disadvantaged as well as education, arts</p>	

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			<p>and culture for the better of the society. Fubon has been utilizing its expertise to provide financial education for the public in line with international trends, while at the same time develop products and services to address climate and social changes. By sponsoring sports events, we hope to convey our “Positive Energy.”</p> <p>2.The Company extends its compassion to victims of major disasters around the world, and hopes to ease their suffering by making donations to rescue efforts. Fubon also organizes post-disaster assistance programs to suit victims' needs; after the 6.4-scale earthquake that happened in southern Taiwan just before Chinese New Year in February 2016, for example, the Company made donations while the subsidiaries contributed ideas to develop long-term service packages that targeted the victims' needs, and thereby contributed to the mutual benefit of society. The Company and its four subsidiaries donated a total of NT\$211,038,370 in 2016, but no donation was made to political party. Please refer to the “Donations” chapter of this annual report for details.</p>	
7. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose				



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<p>enhancement measures for any issues that are yet to be rectified. (Not required if the company is not one of the evaluated subjects)</p> <p>Since Taiwan Stock Exchange Corporation first began its corporate governance evaluation, the Company has been ranked among the top 5% of TWSE-listed companies for two consecutive years, and is selected as a composition of “TWSE Corporate Governance 100 Index.”</p> <p>In support of TWSE's corporate governance evaluation, the Company has been preparing English version of its annual reports and providing more detailed explanation of its R&amp;D plans and expenses since 2015. In addition, the Company has taken active steps to participate in international environmental management system certification, develop robust dividend policy, enhance Stakeholders Engagement disclosure on website, and implement Supplier Corporate Social Responsibilities Code of Conduct to better fulfill its corporate social responsibilities. All above efforts were intended to refine the Company's corporate governance efforts in line with the rest of the world.</p>				