

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	
<p>1. Shareholding Structure & Shareholders' Rights of Financial Holding Company (the "Company")</p> <p>(1) Has the Company stipulated internal operation procedures or policies to handle shareholder suggestions, questions, disputes and lawsuits and implemented such procedures or policies?</p>	V		(1) The Company has promulgated "Investor Relations Maintenance Guidelines", and has established the Secretariat Division and Investor Relations Division to handle shareholder suggestions, questions, and disputes. The rights and the exercises methods relating to shareholders' rights of attending, nominating, proposing, voting, litigation, and other shareholders rights at shareholders' meetings have been set out 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".	None
<p>(2) Has the Company possessed a list of major shareholders and a list of ultimate owners of these major shareholders?</p>	V		(2) The Company maintains a list of major shareholders and ultimate owners of those major shareholders via monthly reporting of shareholding by the same party or the same interested party.	None
<p>(3) Has the Company established and implemented risk management mechanisms and "firewall" between the Company and its affiliates?</p>	V		(3) The Company has established a Risk Management Committee, under the Chairman of the Board of Directors, which is responsible for supervising the effective implementation of the Company's and its subsidiaries' risk management policies. The Company has established a comprehensive policy of risk management and related management practices, and an independent risk management department responsible for risk management of the financial holding group. In accordance with Articles 44 and 45 of the Financial Holding Company Act and the related regulations, the Company has established "Related Party Transaction Management Policy for Fubon Financial Holding Co., Ltd. and its Subsidiaries" and "Firewall Management Policy for Fubon Financial Holding Co., Ltd. and its Subsidiaries" to regulate the business and transactions among the Company's subsidiaries, and between the Company and its subsidiaries, in order to avoid potential conflicts of interest, to ensure the implementation of risk management mechanism, and	None

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			to protect the rights and interests of customers, the Company, its subsidiaries, and the shareholders.	
<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) In addition to Remuneration Committee and Audit Committee, has the Company established other functional committees voluntarily?</p>	V		<p>(1) In addition to Remuneration Committee and Audit Committee, the Company has established a Corporate Governance Committee to strengthen management functions. The duty of Corporate Governance Committee is to assist the Board of Directors to complete the nomination, confirmation, recruitment and other matters related to the Company's director candidates, and to develop and recommend on matters related to organizational operation and management, to the Board of Directors.</p> <p>To highlight the Company's support on implementation of corporate social responsibility, the Board of Directors of the Company resolved in November 2015 to rename the "Corporate Governance Committee" to "Corporate Governance and Sustainability Committee", and to include in its functions supervision and evaluation of the implementation of corporate social responsibility and sustainable management issues.</p>	None
<p>(2) Has the Financial Holding Company evaluated external auditors' independence regularly?</p>	V		<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 shall 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 discussed the engagement and independence of auditors for 2015 on March 13, 2015 and March 20, 2015, 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</p>	None

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			<p>the Republic of China No. 10) were provided. Further, independence of auditors was evaluated. The items of evaluation include:</p> <ol style="list-style-type: none"> 1. There exists no material financial interest between the auditors and the Company as to affect the auditor's independence. 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 assurance service. 3. Auditors and their auditing teams have not provided the Company non-assurance services that may affect their independence. 	
3. Has the Financial Holding Company established communication channel with stakeholders?	V		<ol style="list-style-type: none"> (1) The Company has designated a spokesperson and a deputy spokesperson acting as the communication channel with the public. (2) The Company has established Investor Relations Division, and its contact information is disclosed on the Company website for service of shareholder questions and suggestions. Other regular communication channels include the quarterly investor conferences, participation in domestic or overseas forums or roadshows held by securities firms, and investor interview conferences. (3) The Company maintains a dedicated "Interested Parties Section" on its website to respond to issues in the interested parties' concerns, and has established communication channels, maintained by dedicated personnel at Corporate Communication Department, to respond to needs and questions of various interested parties. (4) The Company has established an "Independent Director Mailbox" on its website, which is maintained personally by the convener of the Audit Committee. (5) "Employee Complaint Hotline", "Complaint Facsimile Number", "Complaint Mailbox", and "Dedicated Employee Complaint Section", have been put on the Company's internal website. "Complaint Mailbox" is also established on the Company's website. Dedicated personnel have been assigned to handle employee related complaint and opinions. 	None

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			<p>(6) When the Company issues material information on Market Observation Post System pursuant to the relevant regulations, the same information is simultaneously disclosed on the Company's website to ensure the shareholders' right to know. Also included on the website are contact information to transfer agent and others to ensure clear communication channels with the shareholders.</p> <p>(7) The Company maintains a customer service telephone hotline and communication channel, and will, where a major or cross-affiliate complaint shall have occurred, assist in the communication and coordination in order to ensure service quality and efficiency and to protect the interests of customers.</p>	
<p>4. Information Disclosure</p> <p>(1) Has the Financial Holding Company established a corporate website to disclose information regarding the company's financials, business and corporate governance status?</p>	V		<p>(1) The Company maintains an external website, including "Investor Relations Section" (in Chinese and English) disclosing financial and business information, and activities relating to investor relations. The Company also discloses quarterly audited (or reviewed) financial statements of the Company and its subsidiaries. The website also includes "Corporate Governance Section" which discloses corporate governance information and relevant bylaws.</p>	None
<p>(2) Has the Financial Holding Company established any other information disclosure channels (e.g. maintaining a website in English, designating individuals to handle information collection and disclosure, appointing spokespersons, uploading recording files of investors' conference, etc.)?</p>	V		<p>(2) The Company also maintains an English external website to ensure symmetrical disclosure in English and Chinese information on the website. Relevant English and Chinese information and meeting recording files of investor conference are all uploaded onto the Company's website and websites designated by the stock exchange. Further, the Company announces its monthly pro forma income statement, and voluntarily uploads summary explanation documents on the Company's Chinese and English website. In case of any question, uniform statements are given to the public via the spokesperson mechanism.</p>	None

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5. Is there any important information that may contribute to better understanding of Financial Holding Companies' corporate governance practices (including but not limited to employee benefits, employee care, investor relations, rights of stakeholders, directors' continued education records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing of liability insurance for directors and supervisors, and donation to political parties, interested parties, and charitable organizations)?	V		<p>(1) Employee benefits and employee care</p> <ol style="list-style-type: none"> 1. Condolence: Condolence Rules are established for care of the survivors of employees (due to sickness or accident). For employees who passed away while employed due to sickness or accident, condolence payment and funeral expenses are provided based on the service years calculated pursuant to pension provisions in the Labor Standards Law, which is at least 15 months and at most 45 months of average salary. For employees who passed way while employed due to occupational injuries or sicknesses, 45 months of average salary is paid regardless of service years. 2. Small Fitness Centers: To encourage employees to exercise in spare time or after work, the Company has established small fitness centers in major offices to provide employees free access to ping-pong room, basketball arcades, treadmills, and other fitness equipment, and to provide yoga, aerobic, and fitness classes to allow employees to relax and decompress from stress at work. 3. Physical examination: To assist employee in health management and disease prevention, the Company provides, as benefit, free periodic physical examination which are more favorable than legal requirements in both frequency and examination items. By cooperating with many qualified medical institutions, the physical examination aims to give employee advance notice of their health conditions and areas for improvement, as to decrease or prevent diseases. In addition, to increase care coverage, the Company also negotiates for family members of current employees and retired employees to be included in the discounted physical examination rates. 4. Free Massage and Consultation: To enhance employee welfare, promote health, and reduce stress, the Company has hired vision impaired massagists to provide massage services in major offices. The Company also cooperates with “Teacher Chang Foundation” and “Taiwan Institute of Psychotherapy” to provide free consultation paid by the Company. <p>(2) Investor Relations</p>	None

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			<p>To ensure the consistency and accuracy when disclosing information to outsiders, the Company has enacted "Investor Relations Maintenance Guideline" to establish clear regulations for disclosure of information to the public and to manage external communications and conducts in conferences with investors and analysts.</p> <p>(3) Rights of Stakeholders The Company has established an "Interested Parties Section" on its website and disclosed communication and measures relating to issues of interested parties' concerns. If an interested party has any questions, it can voice its concerns via the communication channel list in the section. Relevant measures can be found in the "2015 Corporate Social Responsibility Report of Fubon Financial Holding Co., Ltd."</p> <p>(4) Directors' Continued Education The Company provides "On-Site Lecture" classes for the directors and supervisors of the Company and its subsidiaries. The content of the classes includes issues on corporate governance relating to financial and risk management, corporate social responsibility, among others. Also, the Company provides information of various external classes and seminars from time to time, including topics such as green economy, legal compliance, financial statements information, risk management, and corporate ethic, which the Company encourages directors to attend. For further details please see the "2015 Directors' Continued Education" section in this annual report.</p> <p>(5) Risk Management Policy and Execution of Risk Evaluation 1. The Company has established comprehensive risk management policies and rules to efficiently manage credit risk, market risk, operational risk, liquidity risk, etc. The Company and its subsidiaries have followed them uniformly. The Company has set up risk limits based on market conditions and operational goals, and has implemented qualitative and quantitative analysis on evaluating, monitoring, reporting, and managing risks. 2. To reinforce the protection and management of personal information, the Company has established a Personal</p>	

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			<p>Information Protection Supervision Committee to supervise the protection of important personal information, establish appropriate personal information protection management system, and adopt the personal information protection based on "Plan, Execute, Check and Act" methods, including formulating the "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" and other related personal information protection regulations. The Company annually conducts personal information inventory, privacy impact assessments, personal information self-assessment, and evaluation of personal information management system. The Company regularly tracks reviews and reports personal information management issues. By adopting the personal information protection on basis of "Plan, Execute, Check and Act", the Company carries out personal information protection in its daily business operations and to comply with personal information protection regulations.</p> <p>(6) Execute of Client Relations Policies The Company has established "Management Rules of Consumer Protection for Financial Products" as basis for subsidiaries' protection of consumer rights in their relevant business scope.</p> <p>(7) Purchase of Liability Insurance for Directors and Supervisors Considering the importance of the directors, supervisors and key employees in exercise of rights and performance of obligations, and to effectively reduce the risk of the directors, supervisors and key employees, the Company purchases "director, supervisor and key employee liability insurance" for its board members and key employees annually.</p> <p>(8) Donation to political parties, interested parties, and charitable organizations 1. The Company has committed to be a "social catalyst" and deemed giving back to society as its mission. To never forget its roots in the society, the Company is making corporate social responsibility a part of its corporate culture. In the past years,</p>	

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			<p>the Company has dedicated to fulfill its commitments to its shareholders, employees, customers, and to the environment and society, and actively responded to issues concerning interested parties. In addition, the Company donates annual activities funds to Fubon Charity Foundation, Fubon Cultural & Educational Foundation, Fubon Art Foundation and Taipei Fubon Bank Charity Foundation every year. The Company uses these four charitable foundations as charitable platforms to engage in public welfare activities in various areas and encourage employees to join the activities. The Company contributes significant resources to disadvantaged groups and makes important contributions to education and art. Following the international trends, the Company utilizes its core business resources to develop financial education, and had developed products related to climate and society changes. Further, by sponsoring sport activities, the Company aims to spread its brand spirit, "Positive Energy".</p> <p>2. With regard to domestic and international major natural disasters, the Company has shown humanitarian compassions, and has donated funds for emergency aids to assist disaster affected families to endure hardship. At the same time, based on actual needs of the affected families, the Company has developed further assistance measures to serve the common good by maximizing social resources. In 2015, the Company and its 4 subsidiaries combined to donate NT\$ 192,614,263. Neither the Company nor any of its subsidiaries has made donations to political parties. Please refer to the Company's annual report "The Execution of Donation" for details.</p> <p>(9) Others</p> <p>1. To improve performance of the Board of the Directors, the Board of Directors of the Company enacted "Rules of Evaluation of Performance of the Board of the Directors" on November 24, 2015, and such was disclosed on the Company's website. Pursuant to such rules, the Company had completed, in the beginning of this year, the performance evaluation of the Board of Directors in 2015. The evaluation methods include individual directors' self-evaluation and evaluation of the</p>	

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			<p>Board of Directors as a whole. Categories of evaluation include, among others, individual director's grasp on the Company's goals and tasks, his/her level of participation in the operation of the Company and professional qualifications and continuing education, his/her awareness of directors responsibilities, ability to communicate, and ability to improve quality of Board of Directors' resolution, and the composition and internal control of the Board of Directors. The result of the Company's 2015 performance evaluation for the Board of Directors shows a 95% average approval rate for each category.</p> <p>2. To improve the composition of the Board of Directors, the Company had amended the "Director Election Procedures" on the 2015 Annual Shareholders Meeting, and had included relevant rules on diversity for composition of the members of the Board of the Directors.</p>	
6. Has the Financial Holding Company produced corporate governance self-evaluation report or has engaged professional institutions for corporate governance evaluation report (if so, should include an explanation of the results of the report, major deficiencies (or suggestions), and status of improvement)?	V		<p>(1) The Company has received, in April 2015, a top 5% designation in the First Annual "Review of Corporate Governance of Companies Listed on Taiwan Stock Exchange and Taipei Exchange", and has been chosen as an index component stock for the TWSE Corporate Governance 100 Index.</p> <p>(2) The Company and its major subsidiaries had participated in the "Corporate Governance System Assessment Certification" evaluation held by the Taiwan Corporate Governance Association since 2009 and were certified as meeting the advance standard four times in the round. The latest "Certificate of Corporate Governance System CG6009 Advanced Assessment" was awarded on September 30, 2014, and the certification is valid from September 30, 2014 to September 29, 2016. Assessment comments are as follow:</p> <p>Strengths:</p> <p>1. Since 2011, the Company took the unprecedented step in the financial industry by having shareholders vote on resolutions on a resolution-by-resolution basis, and beginning in 2012, the Company went a step further by instituting an electronic voting system, fully demonstrating the importance the Company placed on shareholders' rights.</p>	None

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			<p>2. The Company took the unprecedented step in the financial industry by establishing "Deferred Bonus Guidelines", linking directors and executives' performance, company performance, and future risks with bonuses.</p> <p>3. The Company was selected as one of the top 10 component stocks of Taiwan High Compensation 100 Index, and was ranked highest in the financial industry, which shows that the Company's management takes care of the employees with actual needs in order to effectively motivate its employees.</p> <p>Suggestions:</p> <ol style="list-style-type: none"> 1. The Company should review the information within its website, and improve English content. 2. The succession plan of the Company's important managers should be included in the Remuneration Committee's scope of authority and be periodically reviewed and discussed. 3. The Company should set out standard operating procedures for important matters (e.g. mergers and acquisitions, investments, etc.) to allow the parties handling the matter to follow and to allow their supervisors to check and confirm. <p>The results of the above corporate governance system assessments had been reported to the Company's Corporate Governance and Sustainability Committee and Board of Directors. On the suggestions, in addition to providing full English translation of the annual report since 2015, the Company also implements information symmetry on the Company's Chinese and English websites. The Company also completed the amendment of the Audit Committee Charter to include relevant rules regarding the Company's mergers and acquisitions.</p>	