

# 2017

2006

2014

2015

2016

## CORPORATE SOCIAL RESPONSIBILITY REPORT



# Editorial Summary

SinoPac Holdings, through a public and transparent Corporate Social Responsibility (CSR) report, aims to enable the public to better understand the comprehensive CSR activities of SinoPac Holdings. Concurrently, through this self-evaluation process, we also can shape the future direction and strategy towards continued excellence in our corporate culture and our role as a responsible citizen.



## Scope and Boundaries of the Report

This report encompasses SinoPac Holdings and its 5 major subsidiaries (banking, securities, investment trust, leasing, and venture capital) in the 2017 fiscal year (January 1st ~ December 31st) in the areas of economics, society, and environmental performance and material changes. The scope of this report, which was issued in June 2018, is focused in our core operating region in Taiwan. Statistical data is based on units as specified, referencing public data or collected by us. Financial data is presented in New Taiwan Dollars based on audited financials. Environmental protection items covering explanations and usage of electricity, waste management, and encompasses major buildings of SinoPac Holdings, including the holding company headquarters, Nanjing, Jianbei, and the Songshan buildings of its banking subsidiary, and its securities firm headquarters.



## Report Auditing

This report is drafted by the SinoPac Holding's CSR report drafting team and the senior, high level management team, and audited by an independent third party, SGS, in accordance to the AA1000 assurance standard, type 1 moderate level of assurance. This report is compliant with the AA1000 assurance principles of Inclusivity, Materiality, and Responsiveness, and in accordance to the Core level of disclosures of the GRI G4. The independent audit report is also included in the appendix of this report.



## Contact Information

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## Reporting Standards and Principles

This report follows the guidelines set by the Global Sustainability Standards Board (GSSB) through its Global Reporting Initiative (GRI), guidelines. The report includes key disclosures on major benchmarks, including the Company's corporate governance and business conduct, legal compliance, risk management and internal controls, managerial performance and strategy, anti-money laundering and financial crimes prevention, client satisfaction, product performance and service quality, digital channels, and innovative services, corporate image, green financial products, community and charity activities, human resources retention and career planning, among other areas of interest. This report is also available for download on SinoPac Holding's website, under the section for Corporate Social Responsibility.

## Design Concept of the CSR Cover

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In support of government policy in green energy, SinoPac Holdings and its subsidiaries proactively implements green financial services and managerial direction. Internally, through diverse actions and initiatives, we implement “Office Energy Saving Guidelines,” aggressively promote environmental protection education, strengthen proper knowledge of the usage of electricity, and from details implement energy saving actions, to mobilize efforts in environmental protection.

Subsidiary, Bank SinoPac, in 2017 launched a cooperative partnership with the 5 major industrial zones in New Taipei City, and with the Tainan City Government, enabling assistance to Companies and families in building solar panel electricity systems, developing a green energy, low carbon emission city, fulfilling our social responsibility.

The 2017 cover page design is along the theme of protecting the earth, care of our environment, and appreciate our resources. Together, we hope to contribute to our environment, protect our homestead, and continue to build a sustainable future.

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## Chairman's Message

Since our founding in 1948 and progressing through multiple restructurings and mergers, together in the past 70 odd years, we have created a SinoPac Holdings family with over NT\$1.6 trillion in assets. On this road, we have provided products and services with the aim of enabling a better life for our clients. Building on each stage of economic development together here in Taiwan, assisting small and medium enterprises through corporate turnarounds and developments, and assisting Taiwanese corporates in their moves on the international stage, we, together with our employees, clients, shareholders through multiple generations, shall continue to grow with all stakeholders.

### **Initiating the "Five Major Action Plan", achieving the highest standards in the industry**

2017 was a challenging year for SinoPac Holdings. In a stable economic environment, we continued to seek stable growth in our profitability, achieving net income of NT\$9.085 billion, an increase of 9.68% versus 2016. Facing intense scrutiny by regulatory agencies, media, investors, and the public, we increased our efforts in open and transparent bilateral communication, to demonstrate our resolve in improving our corporate governance. We retained a well-renowned external consultant and initiated a 3-month "Corporate Governance Evaluation and Improvement Project", and in the execution of the project, identified areas that can be immediately implemented to strengthen governance, and after the conclusion of the Project, initiated a "Five Major Action Plan" including:

- 1) Quickly establish independence in compliance and legal functions, eliminating concurrent postings, improve the depth and strength of training, and establish a new culture in regulations and compliance.
- 2) In 1Q 2018, establish an "Ethical Management Committee", becoming the 5th Financial Holding Company with such a committee.
- 3) Established a whistleblower mechanism in 2Q 2018, protecting whistleblowers that act on behalf of the public good.
- 4) Re-evaluate internal auditing, and the three levels of internal controls, and their separation of responsibilities, ensuring functional effectiveness, also establish "Operating Risk Monitoring" of internal mechanisms, including operating risk identification, risk controls indicators data gathering, monitoring of abnormal signals, and follow up mechanisms.
- 5) Comprehensively promote internal auditing policies, and establish internal systems and

preparation, and applying to the Financial Supervisory Commission (FSC) for application of a "Risk-oriented internal audit system", effectively allocate auditing resources, strengthening audit efficiency, and achieve industry best practices.

### **Establish a "Sustainable Development Committee", seeking sustainable management**

In 2017, the Company has been planning for the implementation of a Sustainable Development Committee, which was finally established in the first half of 2018, with 5 sub-committees encompassing corporate governance, client relationships, employee care, community involvement, environmental sustainability. Phased plans for the implementation of a blueprint of sustainable development was also planned with 2018 seeing a strengthening of the corporate governance scorecard, implementing ISAE3000 assurance standards in establishing environmental targets for lowering impact, and introducing the SROI principles for charity projects. In the mid-term, we shall proactively promote responsible investment principles, and implementing integrated reporting. In the long-term, we shall apply the "Equator Principle" in our lending policies, and seek membership in the Dow Jones Sustainability Index (DJSI), to more proactively fulfill our Corporate Social Responsibility, and see sustainable management.

### **A Beautiful Life Through Finance – Operational Vision**

Facing the wave of FinTech solutions, we expect digital finance technology and services will continue to increase. AI big data applications are being widely used in the financial industry, and in response to the fast-paced technology age, we are entering the age of digital transformation. Through senior management and our consensus vision of "A Beautiful Life Through Finance", we are developing digital finance, eco-finance, and green finance as our core services for development. In 2018, we shall greatly increase our capital expenditures in IT infrastructure and construction, increasing over 80% from 2017. Currently, we have completed the "Digital development IT infrastructure construction blueprint" and expect greater performance in the digital finance space.

Subsidiary, Bank SinoPac has for the past 2 years placed emphasis in "eco-finance" services, which generated attention in 2017. In our cooperation with the "Taipei Fishery Transportation and Sales Company", we have built Taiwan's first smart exchange platform for fishery resources. Developing a customized solution for our most critical problems, from the upstream eco-finance, we aim to become a valued partner, enabling expansion of such types of partnerships to other agriculture wholesale markets.

In green finance, we are the first Company in Taiwan that was granted the qualification to issue green bonds. In support of government policies in green financing policies, we aggressively promote lending projects for solar energy. In 2017, loans to enterprise customers increased by 116% by value. Also, internally we also fully promote "Office Energy Saving Guidelines", winning the "2017 Taipei City Energy Saving Leadership Award", demonstrating our efforts both internally and externally in promoting green finance and an operating strategy that receives support from clients and colleagues, contributing our efforts to saving our beautiful planet earth.

Also, we continue our partnership with the Sunshine Social Welfare Foundation with our "SinoPac Care Volunteer" charity event, using corporate resources in 1-on-1 meetings with victims of the Formosa Fun Coast Dust Explosion, and updating on their recovery progress. We also assist students that are keen in joining the financial industry with understanding entry requirements. In 2017, we held financial career seminars, internet startup workshops, and financial site visits. Through the assistance of volunteers, selected students have already joined the SinoPac family. We hope that in the future we can continue to develop even more Sunshine students that are interested in entering the financial industry, enabling growth within the SinoPac group.

The financial services industry is based upon people with professionalism as our foundation, and ethical conduct as our cornerstone. SinoPac has been a partner for over 70 years, our colleagues shall not forget our primary directive, the Board of Directors will be even more diligent in guiding the management team to move forward with purpose, and together with colleagues, clients, and shareholders develop a bright future.

SinoPac Holdings, Chairman

Ong, Wen-Chyi



**A**

# About SinoPac Holdings

" A Beautiful Life Through Finance "

<b>Company Name</b>	<b>SinoPac Financial Holdings Co. Ltd.</b>
<b>Company Type</b>	<b>Listed Company</b>
<b>Established Date</b>	<b>May 9th, 2002</b>
<b>Address</b>	<b>3rd, 6th-13th Floor, No. 306, Bade Rd., Sec. 2, Taipei 104, Taiwan</b>
<b>Number of Employees</b>	<b>7,674</b>
<b>Number of Branches</b>	<b>Approximately 200 locations (including overseas locations)</b>
<b>Total Assets</b>	<b>NT\$1.59 trillion dollars</b>
<b>Paid-in Capital</b>	<b>NT\$110.601 billion dollars</b>
<b>2016 Net Income</b>	<b>NT\$9.085 billion dollars</b>
<b>2016 EPS</b>	<b>NT\$0.82/share</b>
<b>Ticker Code</b>	<b>2890</b>

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# SinoPac Holdings and subsidiary profiles and operating performance

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SinoPac Holdings and its subsidiaries adheres to policies, procedures, and guidelines in its management strategy, thus, established the "SinoPac Holdings Subsidiaries Management Guidelines", and the "SinoPac Holdings Subsidiaries Performance Evaluation Rules", to effectively manage its subsidiaries, to achieve a collaborative effectiveness in its performance, and to promote the holding company and its subsidiaries to effectively achieve overall strategic performances and the goals of major policies.

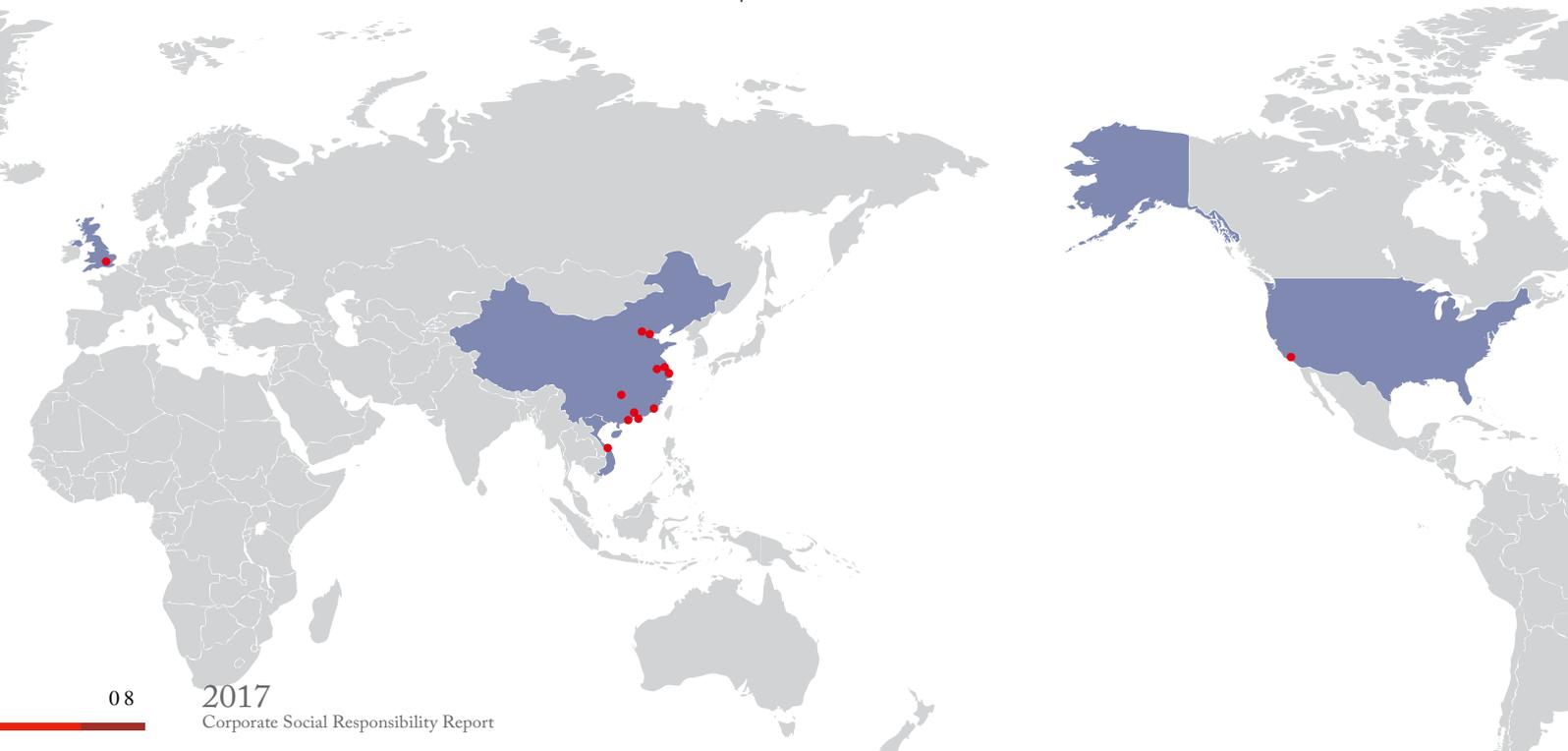
SinoPac Holdings and Subsidiaries, Profiles and 2017 operating performance as follows:



## A Beautiful Life Through Finance

### 1. Milestones

- Taipei Mutual Savings and Loan Company established on May 4th, 1948
- In 1978, the name was changed to the Taipei Business Bank
- May 14th, 1998, organizational structure was changed again to the International Bank of Taipei.



- Through further mergers and reorganization, the International Bank of Taipei through a stock exchange became a subsidiary of SinoPac Holdings on December 26, 2005
- Subsequently on July 20th, 2006 changed to its current Chinese name of "Yuen Foong Holdings".

## 2. Organizational structure and locations

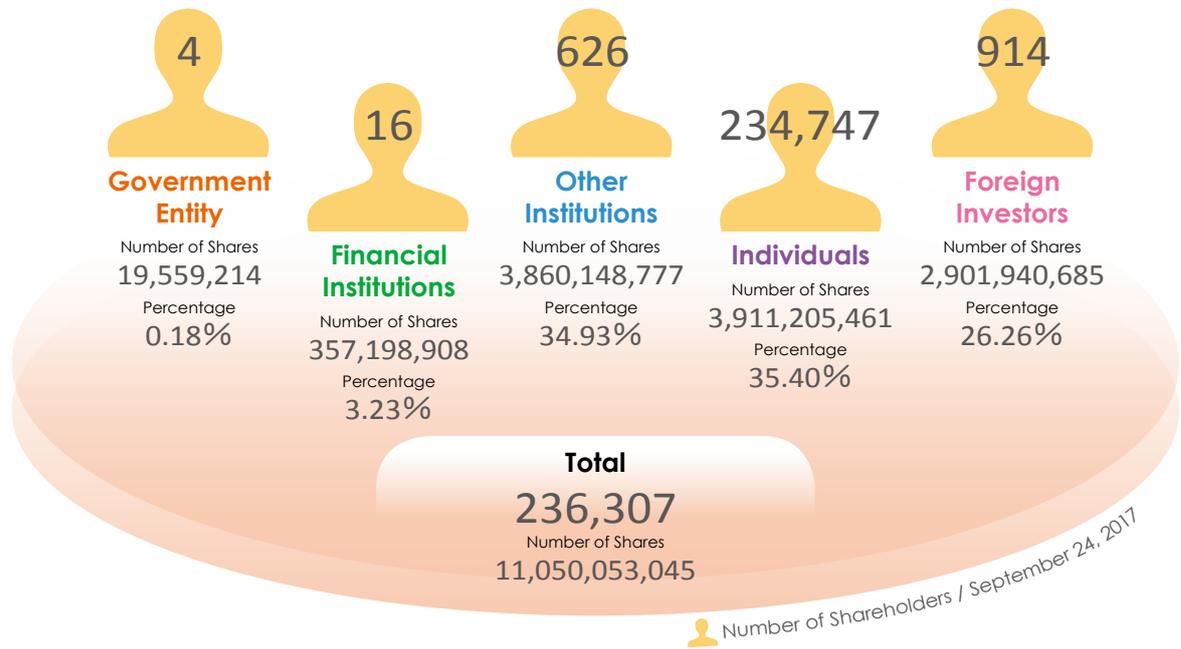
- Overseas branches encompass Hong Kong, Macao, Beijing, Nanjing, Shanghai, Xiamen, Dongguan, Kunshan, Tianjin, Chongqing, Vietnam, Los Angeles, London, and others.
- SinoPac Holding's 100% subsidiaries include banking, securities, leasing, investment trust, venture capital, and customer service technology, with invested amount as indicated in the following chart. Foreign ownership of SinoPac Holdings is currently 26.26%, with further details on ownership structure and credit ratings as follows.

### SinoPac Holdings and Its Subsidiaries



Note:  
This report's disclosure boundaries do not include SinoPac Call Center Co. Ltd.  
Information date as of February 28, 2018, Units : NT\$ millions.

## Common Stock



## Preferred Stock

September 24, 2017

Shareholder Types	Government Entity	Financial Institutions	Other Institutions	Individuals	Foreign Investors	Total
Number of Shareholders	--	--	--	1	--	1
Number of Shares	--	--	--	10,000,000	--	10,000,000
Percentage	--	--	--	100%	--	100%

## Credit Rating

Credit Rating Company	Ratings		Outlook	Date of Rating
	Long Term	Short Term		
Standard & Poor's	BBB-	A-3	Stable	2017.6.19
Fitch	BBB	F2	Stable	2017.9.20
Taiwan Ratings	tWA	tWA-1	Stable	2017.6.19
Fitch (TWN)	A+(twn)	F1+(twn)	Stable	2017.9.20

### 3. Operating Performance

- In 2017, SinoPac Holdings main revenues comes from its two major subsidiaries, Bank SinoPac and SinoPac Securities, representing 71.91% and 24.82%, respectively. Other subsidiaries represented 3.27% of total revenues.
- SinoPac Holdings reported net income of NT\$9.085 billion, after tax EPS of NT\$0.82 per share, and ROE of 6.68%. Main subsidiary, Bank SinoPac, reported net income of NT\$7.896 billion, EPS of NT\$0.92, SinoPac Securities reported consolidated net income of NT\$1.129 billion, EPS of NT\$0.70.

#### SinoPac Holdings Operating Performance and Profitability

Unit: Million dollars

Item / Year	2015	2016	2017
<b>Net Revenues</b>	32,566	30,820	32,506
<b>Total Assets</b>	1,587,605	1,678,930	1,599,161
<b>Total Liabilities</b>	1,455,890	1,545,032	1,460,901
<b>Shareholders' Equity</b>	131,715	133,898	138,260
<b>Tax Expenses</b>	1,601	1,245	1,465
<b>Net Income</b>	10,857	8,283	9,085
<b>EPS (share)</b>	0.98	0.75	0.82
<b>Return on Assets (%)</b>	1.37	1.07	1.17
<b>Return on Equity (%)</b>	8.45	6.24	6.68

Note 1: 2013~2016, consolidated financial statements and notes are drafted and adjusted in accordance with the Financial Supervisory Commission's IFRS standards, international accounting standards, notes, and guidelines (IFRSs).

Note 2: 2017 paid income tax expenses were NT\$14.65 million.

#### SinoPac Holdings Dividend Payments

Unit: NT\$

<b>Cash Dividends</b>	<b>Cash Dividends</b>	<b>Cash Dividends</b>
0.500	0.432	0.344
<b>Stock Dividends</b>	<b>Stock Dividends</b>	<b>Stock Dividends</b>
0.736	0.5	0.35
<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total Dividends</b>	<b>Total Dividends</b>	<b>Total Dividends</b>
1.236	0.932	0.694

Note: The above years refers to the year of distribution.



## Bank SinoPac

Thankful for the past, working together, from now and in the future, achieving mutual growth

### Milestones

- On November 13th, 2006, SinoPac Holdings subsidiary, Bank SinoPac, and the International Bank of Taipei completed its merger to create a new Bank SinoPac.
- After adjusting its organizational structure and reinvestment strategies, we currently provide a full range of services including corporate banking, retail banking, wealth management, financial markets, electronic banking, etc.

### Service and Locations

- In Taiwan, we currently have 127 branches, including 86 branches in the greater Taipei area, with service locations in the East, Central and South major metropolitan areas and in Kinmen.

In the Hong Kong/Macau area, we currently have 3 branches in Hong Kong, Kowloon, and Macau, respectively. In August 2017, we established a Guangzhou branch, and together with our branch locations in Los Angeles, California, USA and Vietnam (Ho Chi Minh City and Vietnam Representative Office), we have a total of 9 locations across the Pacific Rim, forming a close service network for our clients.

Bank SinoPac also reinvested in related subsidiaries, including SinoPac Capital Limited (Hong Kong), SinoPac Life Insurance Agent, SinoPac Property Insurance Agent, etc., providing clients a full service, integrated service offering.

### Operating Performance

- In 2017, Bank SinoPac reported total capital of NT\$86.061 billion, total assets of NT\$1,433.2 billion, a decrease of NT\$72.4 billion from the previous year. Total deposits at year-end was reported at NT\$1,153.3 billion, down 8% from the previous year. Total loans outstanding was reported at NT\$878.787 billion. Full year consolidated after tax net income was reported at NT\$7.896 billion, EPS of NT\$0.92/share, and ROE of 6.45%.
- In 2017, Corporate loans represented NT\$454.6 billion, with foreign currency loans representing 39%. With the principle of "starting small", we proactively target small medium enterprises, with a loan balance of NT\$1,460 billion.
- In individual loans, 2017 year-end mortgage loan balances were NT\$415.562 billion

- Total consumer loans were NT\$18.039 billion. In 2017, we continued to optimize our credit card processing procedures, clean out bad debts, and non-active cardholders, total cards issued fell 8% but active card users increased by 16%. Outstanding credit card accounts receivable were NT\$14.905 billion.

## Bank SinoPac Net Revenues and Revenue Breakdown

Unit: Million dollars

Item / Year	2015	2016	2017
Individual Loans	3,833	4,020	4,127
Corporate Loans	6,819	5,775	5,608
Consumer Loans	1,805	1,676	1,693
Financial Markets	1,391	850	2,208
Wealth Management	3,907	3,520	3,135
Total Deposits	3,343	3,155	3,509
Sub-Total	21,098	18,996	20,279
ALM	1,349	1,768	2,208
HQ and Others	795	935	-399
<b>Net Revenues</b>	<b>23,242</b>	<b>21,700</b>	<b>22,080</b>



# Innovation leader in the securities industry

SinoPac Securities hopes to become the "most flexible and convenient financial services brand and a leader in innovation as it develops the cross-straits, greater China market". Through an innovative, balanced management strategy and professional services, we hope to provide the highest quality integrated financial service.

## Milestones



## Service and Locations

- SinoPac Securities' services encompasses broking, proprietary trading, underwriting, international, debt, new financial products, etc. Our businesses maintain leadership positions in their respective markets.
- SinoPac Securities has 55 service locations throughout Taiwan, and has overseas locations in Hong Kong, Shanghai, London, and others.

Operating Performance

- In 2017, SinoPac Securities reported net profits of NT\$1.129 billion, EPS of NT\$0.70/share, and ROE of 4.39%.
- In 2017, we also established the first digital branch.

SinoPac Securities established the first digital branch in 2017, transitioning from a bricks-and-mortar model to an all new digital operating model, providing clients with a suitable, highest quality, financial management service.



- **Enable electronic authorization eDDA mechanisms**  
Providing automatic linking of bank settlement accounts
- **Launch Robo-advisory services**  
Through communication software, Line, combined with AI technology, enabling robo-advisory services.
- **Optimize Digital Finance Service Platforms**  
Add client account openings without video conferencing, bilateral stock lending, unlimited use lending, digital service platforms. °

## Digital Branch

### Developing Innovative Financial Service

- Develop specialty wealth management services.

SinoPac Securities continues to proactively transition and develop a specialty wealth management business. We continue to develop wealth management centers across Taiwan, providing clients with an integrated, full service, wealth management solution. In 2017, we led our peers in launching a "back-end loaded fund" for our trust customers, and aggressively introduce new structured products, providing overseas bond products, enabling a more complete, financial product portfolio range for our high net worth clients.

### SinoPac Securities Net Revenues

Unit: Million dollars

Item / Year	2015	2016	2017
Brokerage	4,830	4,747	6,128
Proprietary Trading	1,967	1,881	2,754
Underwriting	635	663	573
Others	89	61	124
<b>Total</b>	<b>7,521</b>	<b>7,352</b>	<b>9,579</b>



## SinoPac Leasing

# Providing a comprehensive financing solution for cross-straits clients.

SinoPac Leasing dedicates itself to provide cross-straits leasing services, with locations in Nanjing, Tianjin, Dongguan, Xiamen, Kunshan, and Chongqing, proactively developing a business network that cooperates and connects to provide a total financing solution for greater China clients.

### Milestones

- SinoPac Leasing was established in September 1997, with Taiwan as the center for its Asia operations.
- In 2011, a subsidiary, SinoPac International Leasing Co. Ltd was established in Nanjing, China (and in 2012 branch offices in Dongguan, Xiamen, and Kunshan was established).
- In 2013, another subsidiary, SinoPac Finance Leasing (Tianjin) Co Ltd, was established in Tianjin (with a branch office in Chongqing established in 2014). Each location serves as a key component in a comprehensive, Chinese financial services network.
- In 2015, a representative office was established in Myanmar, as the Company continues to expand its territories throughout Asia, enabling operations, business exchange, and cooperation.
- In 2017, a Thailand representative office was established, further expanding international reach, and aims to develop new overseas opportunities.

### Service and Locations

- SinoPac Leasing works closely with clients in each stage of their corporate development, providing installment sale and purchases, leases, real estate leases, and other financing services with the main customer base being customers that require capital financing such as for equipment leases.
- In 2017, SinoPac Leasing achieved net profits of NT\$460 million, EPS of NT\$0.98, and an ROE of 8.65%. We offer a diversified range of products, professional services, and effective asset management for our clients, optimizing for a win-win scenario.



## A valued professional asset management partner to investors

SinoPac SITC continues to provide diversified, innovative products and services in mutual funds, discretionary accounts, and private equity funds, etc. aiming to become a valued professional asset management partner to investors.

### Milestones

- SinoPac SITC was established in 1997
- July 2007, SinoPac SITC became a wholly-owned subsidiary of SinoPac Holdings.



## Developing investments into innovative industries

SinoPac Venture Capital focuses its investments in six major industries: bio-medical, cultural creative industries, e-commerce and the digital economy, FinTech, smart manufacturing and IoT, cloud services and big data. With the increase in cross-straits exchange, we continue to actively seek cooperation partners in China to expand our scope.

### Services

- SinoPac Venture Capital invests in start-ups, growth phase, and development phase companies, supplemented with mature phase and pre-IPO Companies. We seek to diversify our exit strategies to enable exits in each year and maintain regular investment payouts. In combination with SinoPac Holdings and external partners, we aim to develop innovative industries, establish a professional investment team, and achieve a strong track record. We actively provide support to our portfolio companies, establish an ecosystem strategy in originating deals, push for cooperation opportunities, and develop strategic partnerships.

### Investment Overview

- Our portfolio companies are registered in a variety of countries, with 46% in Taiwan, 12% in the Cayman Islands, 39% in the USA, and 3% in other regions.

# ★ SinoPac Honors ★

## Bank SinoPac

- Ministry of Finance, best partner bank for Export Insurance Services in 2016
- Ministry of Economic Affairs, Small and Medium Enterprise Administration, "Excellent Credit Manager Award".
- Ministry of Economic Affairs, Energy Bureau, selection as a "Quality Financial Services Provider" for solar power projects.
- Taipei Exchange – 2nd place in the Interest Rate Swap Trading Platform Competition, Central Bank Bonds Best Market Maker
- Taipower "SME Energy Saving Competition" Grade A award
- "Asian Banking and Finance" Magazine 2017, Taiwan Domestic Technology & Operations Bank of the Year
- "Taipei City Government" 2017, Energy Saving Leadership Award"
- "The Asian Banker" 2017, Best Self-Service Banking Project in Taiwan
- The Asset Triple A Awards : Best FX / Rates/ Flow Derivatives House
- "Wealth Magazine" 2017 e-bill pay, Best Promotion Excellence Award, and Best Service Innovation Award
- "MTNI" Asia Pacific Editor's Award



- TWSE - 2nd Place in IPOs by capital raised, 3rd place in IPOs by market value, best warrant issuer by volume, warrant issuer excellent by value, ETF trading competition, "Taiwan Stocks Rising Award", "Excellence Allocation Award", Competition to increase e-trading, "Increased Trading Volume Award", "API Promotion Award"
- Taipei Exchange " 2nd most underwriter with most OTC and Emerging stock listing sponsorships for the 10th anniversary of foreign stock listing", 3rd in OTC and Emerging Stock Listing Sponsor, and "Emerging Markets Board Sponsorship Excellence", Warrant Issuer rewards program, 2nd place in "warrants issuance", 3rd place in warrants sales, Bonds ETF trading competition, "2nd place in market making", and "Best Central Bank Bonds Market Maker".
- Taiwan Futures Exchange, 3rd Annual Futures Diamond Award, "Futures Supporting Broker Trading Volume, Diamond Award-2nd Place", Excellence in RMB FX futures market making, Diamond Award, Euro to USD futures market maker Diamond Award – 2nd place, USD to JPY market maker Diamond Award – 2nd place.
- Today Magazine – 2017 11th annual Wealth Management Banking and Securities Rankings – Top 3 in "Highest Customer Satisfaction" , "Best Sales Service", "Most Forward Looking", "Best Wealth Creation".
- Wealth Magazine – 2017 Wealth Management Award – Best Wealth Management by Securities Firms. 2017 Finance Wards – Best Digital Services by a Securities Firm Award.
- Commercial Times – 8th annual Taiwan Warrants Award – Best Point Award, Warrant Promotion Awards for the Fucheng, ChongXiao, and Nanjing Branches.



- Benchmark 1st Annual Taiwan Fund of the Year Award - "Sector Funds - Technology" Best Fund House in Peer Group Award
- Benchmark 1st Annual Taiwan Fund of the Year Award - "Multi Asset Class - Balanced Funds" Best Fund Performance Award
- Benchmark 1st Annual Taiwan Fund of the Year Award - "Fixed Income – RMB" Best Fund Performance Award
- Benchmark 1st Annual Taiwan Fund of the Year Award - "China Equities - A Stock Funds" Best Fund Performance in Peer Group – SinoPac CSI 300 Dividend Index Fund
- Taipei Foundation of Finance, Bloomberg, 20th Best Fund Award "Domestic Equity Fund – 3-year tech fund". SinoPac Pioneer Technology Fund.
- Taipei Foundation of Finance, Bloomberg, 20th Best Fund Award "Domestic Equity Fund – 5-year tech fund". SinoPac Pioneer Technology Fund.

# Stakeholders and major topics

## Distinguishing stakeholders and communications

In 2014, the first CSR report issued by SinoPac Holdings, we first distinguished our stakeholders in a clear and identifiable manner. Subsequently, each year we monitor market trends and review the categories of our stakeholders. In 2017, the CSR project team after reviewing operational conditions and the interaction between the stakeholders, adjust the stakeholders into the following 6 categories, employees, customers, regulatory agencies, shareholders (investors), media, and community/NPO/NGOs. SinoPac Holdings establishes dedicated channels of communication for each stakeholder category, to ensure major topics and requirements of each stakeholder is understood.



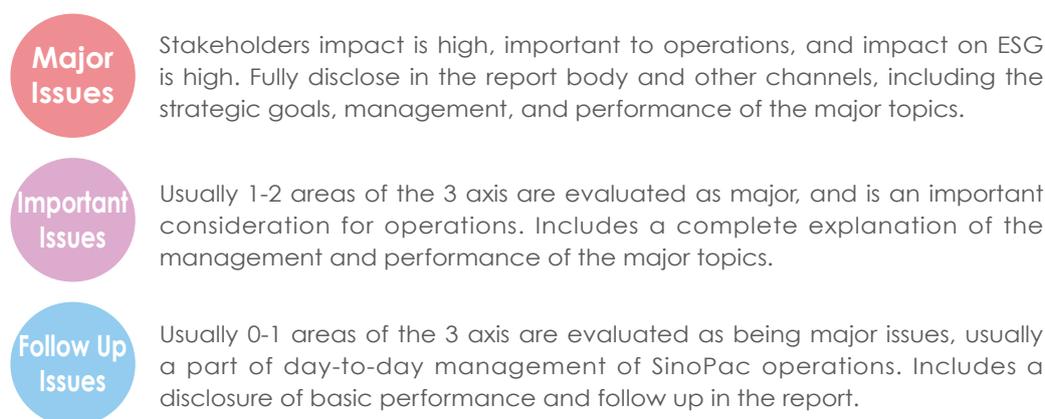
Stakeholder	Communication Channel	Frequency	Annual Communication Performance
 Employee	<ol style="list-style-type: none"> <li>1. Union</li> <li>2. Product Seminar/Education, Training, and Social Exchange</li> <li>3. Internal Feedback Platform / Commendation memos</li> <li>4. Employee Satisfaction Surveys</li> <li>5. Internal Electronic Platform Training.</li> </ol>	<ul style="list-style-type: none"> <li>• Ad-Hoc</li> <li>• Yearly</li> <li>• Monthly / Ad-Hoc</li> </ul>	<ul style="list-style-type: none"> <li>• Excluding employees in the probationary period, Bank SinoPac employee unionization rates was 93%.</li> <li>• Education and Training: Holding Company and Subsidiaries class participation: 328,472 hours</li> </ul>
 Customers	<ol style="list-style-type: none"> <li>1. Customer service hotline</li> <li>2. Depending on the sales nature, hold investment seminars, lectures, or related activities.</li> <li>3. Online Financial Advisor</li> <li>4. Customer Satisfaction Survey</li> <li>5. Customer Complaint Channel</li> <li>6. Internet Banking, Mobile Banking</li> <li>7. EDM</li> <li>8. Website</li> <li>9. Customer Feedback from Branches</li> </ol>	<ul style="list-style-type: none"> <li>• Ad-Hoc</li> </ul>	<ul style="list-style-type: none"> <li>• Telephone banking voice response system utilization rate reached 78% while credit card voice response system reached 34%; 2.17 million calls were taken by live operators and 25,569 responses taken by internet chat customer service reps. A customer service bot "Smart Foong", serviced customers 104,979 times.</li> <li>• 233 events held by Bank SinoPac, and over 700 events held by SinoPac Securities.</li> <li>• Online Financial Advisor: serviced 31,167 customers. With average time between services being 48 days/each.</li> <li>• Telephone satisfaction surveys: 42,467 samples, 95% satisfaction rate. Branch satisfaction surveys: 12,678 samples collected, 98% satisfaction rate, VOC samples of 3228. Investment Service Satisfaction Survey: 5045 samples, VOC samples 255, appointment satisfaction survey: 988 samples, satisfaction rate of 98%, 156 VOC samples collected.</li> <li>• Customer complaint resolutions 84% resolution completion rate; average days for resolution – 8 days.</li> <li>• SinoPac Securities, customer service center received 95,274 calls in 2017.</li> </ul>
 Shareholders (Investors)	<ol style="list-style-type: none"> <li>1. Monthly Operating Performance</li> <li>2. Quarterly Investor Conference</li> <li>3. Annual Shareholders' Meeting</li> <li>4. Broker's Investor Conferences and Non-Deal Roadshows</li> <li>5. Website Investor News section for announcement of financial information and material Board of Director's resolutions</li> </ol>	<ul style="list-style-type: none"> <li>• Information released on a timely basis</li> </ul>	<ul style="list-style-type: none"> <li>• Company website, MOPS, provide Chinese and English versions of operating performance reports and material information on Board of Directors' resolutions.</li> <li>• Through MOPS and the stock transfer agent provide Chinese and English versions of the AGM agenda, shareholder handbook, and meeting announcement</li> <li>• Through investor conferences, assist shareholders (investors) to understand Company operations, financial status, and development strategy.</li> <li>• Through the Investor Relations team, provide feedback to the management level as guidelines for decision making and to improve current operations.</li> </ul>
 Media	<ol style="list-style-type: none"> <li>1. Press Conferences</li> <li>2. Press Releases</li> </ol>	<ul style="list-style-type: none"> <li>• Ad-Hoc</li> </ul>	<ul style="list-style-type: none"> <li>• Press Conferences: 12 sessions</li> <li>• Press Releases: 87 Articles</li> </ul>
 Community / NPO / NGO	<ol style="list-style-type: none"> <li>1. Participation in seminars, academic conferences, and sports events</li> <li>2. Industry-Academic cooperation</li> </ol>	<ul style="list-style-type: none"> <li>• Ad-Hoc</li> </ul>	<p>In 2017, we contributed NT\$64.20 million dollars in charity, arts, education, music and other events.</p>
 Regulatory Agency	<ol style="list-style-type: none"> <li>1. Legislative Report</li> <li>2. Financial Reports</li> <li>3. Announcements</li> <li>4. Policy Recommendations</li> </ol>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Quarterly/ semi-annually/ annually</li> <li>• Cooperate and provide information to auditors.</li> <li>• Ad-Hoc</li> </ul>	<p>Cooperate with regulatory agency policies, participate in meetings, adjust operating guidelines, and provide appropriate industry recommendations.</p>
	<p>Adhere to regulations and comply with laws</p> <ol style="list-style-type: none"> <li>1. Memos/Email</li> <li>2. Meetings</li> </ol>	<ul style="list-style-type: none"> <li>• Ad-Hoc</li> </ul>	<p>In response to external regulatory changes, regularly adjust internal rules.</p>

Major Topic	Section
<ul style="list-style-type: none"> <li>Talent retention and career development</li> <li>Training and Development.</li> <li>Employee Performance Evaluation</li> <li>Talent retention and career development</li> <li>Employee Communication Management Mechanism</li> </ul>	<p>Enrich Society and Citizenship — Enrich People</p>
<ul style="list-style-type: none"> <li>Customer Privacy and IT Security</li> <li>Information Disclosure &amp; Transparency</li> <li>Client Compliant Mechanisms</li> <li>Product Performance and Service Quality</li> </ul>	<p>About SinoPac Holdings — Information Disclosure and Communications</p> <p>Developing Wealth in the World — Financial Services – Building a heartfelt lifestyle</p>
<ul style="list-style-type: none"> <li>Operating performance and strategy</li> <li>Risk management and internal control mechanisms</li> <li>Regulatory Compliance</li> <li>Produce performance and service quality</li> <li>Corporate governance and ethical management</li> </ul>	<p>About SinoPac Holdings — SinoPac Holdings and subsidiary profiles and operating performance</p> <p>— Information disclosure and communication</p> <p>Thoughts on Sustainable Management</p>
<ul style="list-style-type: none"> <li>Operating Performance and Strategy</li> <li>Community Charity and Local Community Engagement</li> </ul>	<p>About SinoPac Holdings — SinoPac Holdings and subsidiary profiles and operating performance</p>
<ul style="list-style-type: none"> <li>Product and Services for disadvantaged groups</li> <li>Community Charity and Local Community Engagement</li> <li>Corporate Image</li> <li>Green finance products</li> </ul>	<p>Developing Wealth in the World — Financial Charity - Realizing a happy life</p> <p>Planting the Seeds of a Green Legacy</p>
<ul style="list-style-type: none"> <li>Corporate governance and ethical management</li> <li>Legal Compliance</li> <li>Risk Management and Control Mechanisms</li> </ul>	<p>Thoughts on Sustainable Management</p>

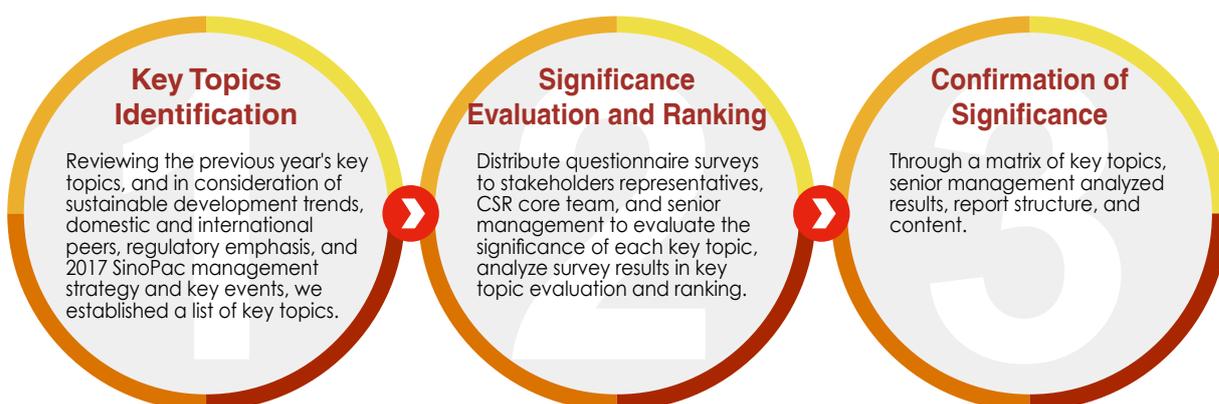
## Distinguishing major topics and disclosures

### 1. Distinguishing major topics and analysis

To distinguish the relevant major topics for SinoPac Holdings operations and key stakeholders, this year SinoPac Holdings in reference to the GRI standards reviewed its process to ensure that all aspects of stakeholder views are taken into consideration, and the matrix of major topics is adjusted to three major axis, "Stakeholder Evaluation and the Impact of Decisions", "The Impact on SinoPac Operations", and "The ESG impact of major topics". In addition, these three axis are further separated into three levels, "Major", "Important", and "Follow Up", with differing standards of disclosures.



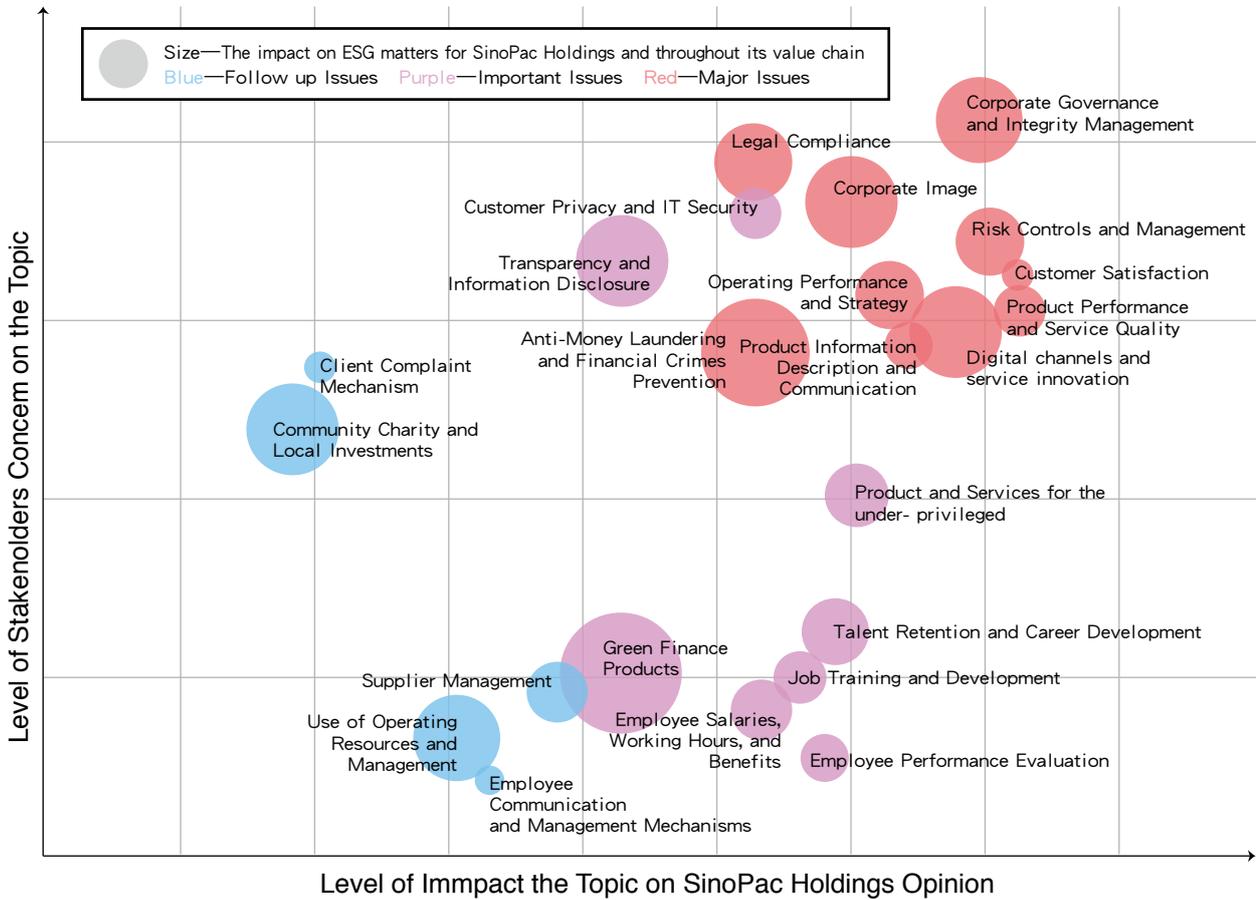
### Procedure for Key Topics Identification



### 2. Considerations and boundaries of major topics

In 2017, SinoPac Holdings has 23 major topics under evaluation. Through questionnaire data, we analyze the impact and relevance of each major topic on the different stakeholder segments, the importance of the topic on SinoPac Holdings operations, and the impact on Environmental, Social, and Governance (ESG) matters for SinoPac Holdings and throughout its value chain. This is presented as a matrix chart of major topics.

## 2017 Major Topics Matrix



### 2017 Major topics and the difference from 2016 major topics.

	Reason for Adjustment	Impacted Topics
<b>New</b>	In consideration of 2017 regulatory trends and social concerns	Transparency of information disclosure, anti-money laundering and fraud prevention, customer satisfaction
<b>Deleted</b>	Deleted repeated topics, simplified the list to focus on the more relevant issues on hand.	Optimize internal procedures, diversify product services, workplace health and safety.
<b>Other Adjustments</b>	Adjust names of key themes to refocus on major issues, demonstrate the degree of importance of each theme.	Customer privacy and data protection, employee performance evaluation, employee communication management mechanism.

The following table explains the 23 major topics, the reasons for importance, and thematic boundaries.

Major Topics	GRI Specific Topics	
	Specific Topics	Key Reason and Consideration
Corporate Governance and Integrity Management	GRI 205: Anti-Corruption	In 1Q 2018, SinoPac Holdings established a "Ethical Management Committee" and a Sustainable Development Committee" to improve corporate governance, and together work to develop a more sustainable environment, and operational resolve.
Legal Compliance	GRI 419: Social Economics and Legal Compliance	SinoPac Holdings strengthened its Related Party Transaction lending policies, regularly holding compliance, anti-money laundering training, and updating rules and regulations to strengthen legal compliance.
Risk Controls and Management	Other major topics	SinoPac Holdings in its efforts to increase profitability, also establishes risk controls and management mechanisms, limiting risks from high margin products.
Operating Performance and Strategy	GRI 201: Economic Performance GRI 203: Indirect economic impact	Companies that see profit growth require quality management strategy and targets, to enable long-term and stable performance.
Corporate Image	Other major topics	From community to society, SinoPac Holdings aims to "use Finance to achieve a happy life" as our management philosophy. Through new financial products, we aim to provide warmth and service standards to maintain a positive corporate image, working together with our colleagues to provide a wealthier life for society.
Digital channels and service innovation	Other major topics	In the past few years, FinTech has become a mainstream trend. Wee proactively develop related services and business using the latest digital technologies and providing a innovative products.
Product Performance and Service Quality	Other major topics	We hold the principle of "Empathy" , providing clients with the most appropriate and best financial products and services.
Customer Satisfaction	GRI 102 Regular Disclosure	Continue to improve our service quality, performing "Customer Satisfaction Surveys", and lower compliants.
Anti-Money Laundering and Financial Crimes Prevention	GRI 419: Social Economics, Legal Compliance	We established an "Anti-Money Laundering Center" and establishes complete management policies, regular compliance training, to ensure that financial crimes prevention and our personnel has the needed skills to accomplish their jobs.
Product Information Description and Communication	GRI 417: Sales and Signs	Properly disclose product information descriptions and related explanations and ensure clear lines of communication.
Customer Privacy and IT Security	GRI 418: customer Privacy	We take the utmost care and rules, ensuring customer privacy and IT security is held to high standards.
Product and Services for the under- privileged	GRI 203: Indirect Economic Impact	Each service location and transaction website shall provide friendly, accessible services and interfaces. Concurrently, design charitable services and products for different segments, fulfilling our social responsibilities.
Transparency and Information Disclosure	Other major topics	In 2017, SinoPac Holding's website was revamped. In addition to legally required disclosures, regularly updated new product information, we aim to provide transparency and improve our disclosures.
Talent Retention and Career Development	Other major topics	
Employee Salaries, Working Hours, and Benefits	GRI 201: Economic Performance GRI 202: Market Position GRI 401: Labor Relations GRI 405: Employee Diversity and Equal Opportunity GRI 406: No Discrimination GRI 409: Forced or Required Physical Labor	SinoPac Holdings cares for each colleagues' development and mental health and designed a comprehensive on-the-job training program, fair evaluations, and benefits package, enabling colleagues to grow and contribute competitive products and services. At the same time, follows our corporate responsibility, contributing value to society.
Job Training and Development	GRI 404: Training and Education	
Employee Performance Evaluation	GRI 404: Training and Education	
Green Finance Products	Other major topics	Create a Low Carbon World, enabling the Taiwanese public to enjoy a healthy living environment. At the same time, promote the government's green financing, providing excellence in service and a better life.
Supplier Management	GRI 204: Procurement GRI 308: Supplier Environment Policy Evaluation GRI 414: Supplier Social Policy Evaluation	SinoPac Holdings and subsidiaries will work closely with suppliers to fulfill our social responsibility, promote sustainable development and uphold human rights, balancing economics, society, and environmental issues.
Community Charity and Local Investments	GRI 203: Indirect Economic Impact	Continue to deepen local services, through innovative products, charity events, and corporate volunteers to improve the Company's image.
Employee Communication and Management Mechanisms	GRI 402: Capital / Labor Relationships GRI 407: Combine Independence and Associations	To achieve smooth communication between the Company and colleagues, subsidiary, Bank SinoPac established an employee union, in accordance to local laws. Capital and labor representatives regularly meet to discuss topics of interest.
Client Complaint Mechanism	Other major Issues	When clients engage with us, we hope to provide warm services, and not only improve our service quality, but also establishing a customer service hotline and complaint mechanisms. Each year, we aim to lower our complaint ratios as a KPI, and further improve training to lower complaints due to a lack of professionalism.
Use of Operating Resources and Management	GRI 302 : Energy GRI 305: Emissions GRI 306: Wastewater and Waste Management	Internally, through a diverse action plan, we continue to develop "Office Energy Saving Guidebook", proactively promote environment, energy saving education, strongly promoting energy saving activities. Concurrently, develop green finance products and business.

Boundaries					Related Section
Range of Impact			Degree of Involvement		
Suppliers	FHC and Subsidiaries	Clients	Direct Impact	Impact via business relations	
	●		●		Thoughts on Sustainable Management- Sustainability Governance
	●		●		About SinoPac Holdings— Stakeholders and major topics
	●		●		Thoughts on Sustainable Management—Risk Management Policy & Procedures
	●		●		Enrich Society and Citizenship
	●		●		Developing Wealth in the World
	●		●		Developing Wealth in the World—Financial Technology, providing a more convenient lifestyle.
	●		●		Developing Wealth in the World
	●		●		About SinoPac Holdings— Information disclosure and communication
	●	●	●	●	Thoughts on Sustainable Management—Risk Management Policies and Procedures
	●		●		About SinoPac Holdings— Information disclosure and communication
	●		●		About SinoPac Holdings— Information disclosure and communication.
	●		●		Developing Wealth in the World- Financial Charity—Realizing a happy life
	●		●		Developing Wealth in the World- Financial Services—Building a heartfelt lifestyle
	●		●		Enrich Society and Citizenship— Enrich People
	●		●		Enrich Society and Citizenship— Enrich People
	●		●		Enrich Society and Citizenship— Enrich People
	●		●		Enrich Society and Citizenship— Enrich People
	●		●		Planting the Seeds of a Green Legacy—Green Operations
●	●			●	Planting the Seeds of a Green Legacy—Green Operations
	●	●	●	●	Developing Wealth in the World- Financial Charity—Realizing a happy life
	●		●		Enrich Society and Citizenship— Enrich People
	●		●		Developing Wealth in the World—Financial Services, Building a heartfelt lifestyle
	●		●		Planting the Seeds of a Green Legacy—Green Operations

About SinoPac Holdings

Thoughts on Sustainable Management

Planting the Seeds of a Green Legacy

Developing Wealth in the World

Enrich Society and Citizenship

Appendix

## **Response to major events in 2017**

In 2017, SinoPac Holdings and the Sun Power Development and Construction overlending case resulted in public attention and concern in its management. In May 2017, the Company published in news media a declaration of its resolve and direction to change for the better.

Concurrently, media reporting and return of the extended financing of the case continued to be disclosed on the TWSE Market Observation Post System, as well as on its website. Through up to date information disclosure, we aim to fulfill our responsibility to the public's care and attention.

# Information disclosure and communications

## Legally required disclosure items

### 1. Client data protection and privacy policies

To protect client personal data and privacy, SinoPac Holdings implemented related management policies, including establishing a customer data privacy area, and disclose client data collection, storage, custody, and protection and related methods on its website. Also, we provide options for clients to request and opt out of data exchange and authorizations for use. Legal regulations are constantly changing due to technology development, social environment, and legal requirements. We continually adjust and revise our privacy protection policies and disclose updates.

In 2017, after an overall review of internal policies and rules, in 2017 we revised our "Personal Data Protection Policy and Data Safety Guidelines", clearly establishing domestic subsidiaries and overseas branch offices, without violating local regulations, shall adhere to Taiwan's "Personal Data Protection Act" and related regulations. Also, we add rules and procedures on how we treat private personal data after the end of a business relationship, either for one of our business lines or, including the transfer of business to another agency. This enables a more complete compliance with personal data privacy regulations.

Each subsidiary, in accordance to various business lines, shall establish a "Personal Data Protection Policy and Data Safety Guideline" for each subsidiary to maintain compliance. To ensure that personal data protection is maintained, each subsidiary shall contribute resources establishing a personal data protection management project team to lead this initiative, evaluate management plans, and on an ad-hoc basis report and discuss relevant matters.

To enable a more complete personal data privacy protection scope, in 2017, the personal data protection policy inventory includes an internal audit of relevant business procedures. Through simplified operational procedures, and limited access to privacy data, we aim to improve personal data protection and strengthen the understanding by our colleagues.

## 2017 Disclosure of each subsidiary's personal data privacy policy and related rules

	Bank SinoPac	SinoPac Securities	SinoPac Investment Trust
<b>2017 Actions</b>	<ul style="list-style-type: none"> <li>· 2017 revised "Personal Data Protection Policy and Data Safety Maintenance Rules" Procedures for after completion of new business transactions.</li> <li>· 2016 private data verification report (Deloitte), suggestions of improvements (overseas branches). Suggested improvements and rectification actions have been fully completed in 2017, and verified by the audit office.</li> </ul>	<ul style="list-style-type: none"> <li>· 2017 revised "Personal Data Protection Policy and Data Safety Maintenance Rules" Procedures for after completion of new business transactions.</li> <li>· Ad-hoc training of personal data. Also regular audits of customer data completed in the 2nd half of 2017. Data that is no longer required to be stored or without purpose shall be destroyed in accordance to rules, preventing breaches of private customer data.</li> </ul>	<ul style="list-style-type: none"> <li>· 2017 revised "Personal Data Protection Policy and Data Safety Maintenance Rules" Procedures for after completion of new business transactions.</li> </ul>
<b>Information Disclosure</b>	Website has a "Customer Data Protection Policies" section, disclosing the methods of collection, storage, and custody of customer data, and allows customers to request and/or remove data and approved authorizations.		
<b>Information Security Actions</b>	To prevent the theft, change, destruction, loss, or leakage of private data, related actions are taken to protect data, including regular inventory of personal data, personal data risk evaluation, personal data breach drills, and self-evaluation of personal data protection procedures.	<ul style="list-style-type: none"> <li>· Establish "IT Safety Policy", ensuring each unit shall report and execute actions in accordance to the stated rules.</li> <li>· Each unit shall comply with the established "Personal Data Protection Policy and Data Safety and Protection Guidelines", if any breach occurs, the "emergency response procedures" will immediately be activated and reporting and actions are taken.</li> </ul>	Regularly hold data protection meetings, discussing private data protection related actions. Instructing each unit and its responsibilities to evaluate and review procedures, regular audits, personal data risk evaluation, HQ and branch office data breach drills, and self-evaluation of personal protection procedures to ensure actions and identification of personal data management risks are taken as needed.
<b>Private Data Breaches</b>	None	2017 Customer Data allegedly exposed – 1 case. (consumer reporting mechanism). After investigation no exposure in customer data occurred.	None

### 2. SinoPac Holdings sexual harassment prevention whistleblower policy and investigative guidelines

To prevent sexual harassment and protect victims, SinoPac Holdings, in accordance to the sexual harassment prevention law, article 7, item 1 and 2, established the " SinoPac Holdings sexual harassment prevention whistleblower policy and investigative guidelines" and disclosed on a special area on the website.

## Product labeling and channel communication

SinoPac Holdings and subsidiaries design products and promotion all in accordance to the Consumer Protection Act, Personal Data Privacy Act, and all other legal compliance and risk management rules. Product rates are comparable to industry standards, and any risk disclosures are in accordance to set rules to ensure client rights and service efficiency.

### 1. Management policy

- (1) All new businesses or new products follow a procedure of risk management evaluation and controls to ensure compliance. This process goes through internal audits, compliance, risk management, and other responsible units or the board of directors before approval. Any legal documents signed by the client must be approved by an appointed lawyer or compliance officer or legal officer, ensuring the rights of the parties and the company, before they may be used.
- (2) Business units or approval units if there are any queries with regulations may verbally or in written form ask lawyers, accountants, or regulators for clarification.
- (3) Prohibited or disputed products with internal transaction management rules, clearly prohibits transacting with illegal trading enterprises or persons.
- (4) To ensure the basic standards of our promotion and transaction business, to strictly enforce rules for our transaction management personnel, establishing "Regulations governing banking sales personnel", "Regulations governing lease transactions", and other rules. We also established a comprehensive "employee reward and demerit standard", preventing illegal activities or misleading activities towards consumers.

### 2. Monitoring and control mechanisms

<p><b>Regular Execution of Business Personal Privacy Audits</b></p> <p>In accordance to: Internal Control Policies Personal Data Privacy Measurements</p>	<p><b>Interactive Channels Between Clients and the Company</b></p> <p>Clients can engage through the following channels:</p> <ol style="list-style-type: none"> <li>1. Client Services Hotline, E-Mail, Internet Guestbook</li> <li>2. Public Channels of Business Units Colleagues</li> <li>3. Proactive customer suggestion phone calls from the Company</li> </ol>
<p><b>Advertising and Promotional Material Rules</b></p> <p>In accordance to: Advertising material management guidelines</p>	<p><b>Improve Client Satisfaction</b></p> <ol style="list-style-type: none"> <li>1. Through education &amp; training Courses, improve the professionalism of colleagues.</li> <li>2. Through regular instructions from supervisors, we share our expertise with client service personnel to improve communication abilities and problem resolution in client facing activities.</li> <li>3. Through reporting tools for calls, monitoring, and recordings, we can better understand the performance of colleagues, and their service attitudes.</li> </ol>
<p><b>Client Relationship Management</b></p> <p>In accordance to: Business Relationship Manual</p>	

### 3. Fair trading terms

To prevent the external communication of our products and services violating regulations or mislead consumers, each subsidiary regularly evaluates its sales and trading processes, and establishes relevant rules with the approval of internal auditing, compliance, risk management, and other responsible units or the board of directors to establish a safe, professional, and complete financial service, and to fulfill the short, medium, long-term needs of clients.

If violations or consumer misleading activities occurs, in addition to "Employee reward and demerit rules", we also will evaluate whether management crisis response rules will have to be activated. To adhere to the demands and satisfaction of clients, the following have been implemented:

- (1) Clients have multiple dispute resolution channels including the customer service hotline, email address, business units.
- (2) We regularly randomly sample telephone recordings to understand whether customer service representative responses follow regulations and our SOP, and to understand the service quality and etiquette of our representatives.
- (3) Require time limits on customer dispute cases, record resolutions and follow up, to improve customer satisfaction.
- (4) Evaluate electronic platform functionality, operational procedures and suggestions for improvement. Collect data and feedback to relevant unit, and prompt response to customer requests.
- (5) Provide in all sales contracts risk disclosures on each item, ensuring proper understanding of the risks involved. Legal contracts for each business area have to go through an approval process, to be in compliance.
- (6) Product advertisement explanation and labelling must be approved by the legal department.
- (7) Risk disclosure language must follow relevant laws.
- (8) Regular bank advertisement shall be approved by the integrated marketing department and the holding company. Advertising shall be approved according to the approval processes established by the spokesperson.
- (9) Cross selling activities must follow external regulations and internal rules and must be disclosed to customers in subsidiary bulletin boards or on the company's website.
- (10) Venture Capital business may have different investment terms, such as shares, price, etc. the relevant rights and responsibilities shall be clearly disclosed in the investment agreement.
- (11) Interest rate announcements: Bank SinoPac website -> information dashboard -> NTD interest rate -> NTD loan rate. bulletin boards shall have financial markets information and interest rate information.

## Participation in international and domestic membership associations and promotions

SinoPac Holdings and its subsidiaries actively engage various industry associations to better understand industry developments, legislative directions and progress, and understand various initiatives. At the same time, we recognize competitive developments are constantly changing, and continued improvements in corporate competitiveness is necessary.

### External Associations Participated by Bank SinoPac

The Bankers Association of The Republic Of China	Small & Medium Enterprise Credit Guarantee Fund of Taiwan	Trust Association of R.O.C
Securities Investment Trust & Consulting Association of the R.O.C	The Bankers Association of Taipei	Chinese National Association of Industry and Commerce, Taiwan
ROC-USA Business Council	Cross-Strait CEO Summit	Foundation of Credit Guarantee Fund
Pension Fund Association, ROC	National Credit Card Center of ROC	

### External Associations Participated by SinoPac Securities Corp.

Taiwan Securities Association	Chinese National Futures Association	Trust Association of R.O.C
Securities Analysts Association, Chinese Taipei	R.O.C. Bills Finance Association	Corporate Operation Association
Chinese National Association of Industry and Commerce, Taiwan	Taiwan Corporate Governance Association	Chinese Association of Business and Intangible Assets Valuation
Financial Engineering Association of Taiwan	Taiwan Private Equity Association	Cross-Strait CEO Summit
Outstanding Enterprise Manager Association	Taiwan Stock Affairs Association	Institute of Internal Auditors – Chinese Taiwan
Pension Fund Association, ROC		

### External Associations Participated by Other Subsidiaries (Securities Investment Trust, Leasing, Venture Capital)

Taiwan Venture Capital Association	Taipei Electrical Commercial Association	Importers and Exporters Association of Taipei
Taipei Measuring Instrument Association	The National Joint Association of Car Rental of R.O.C	The Taipei Leasing Association, R.O.C
Chinese National Futures Association	Securities Investment Trust & Consulting Association of the R.O.C	Taipei Small Truck Leasing Association
Taipei Business Association		



**B**

# Thoughts on Sustainable Management

**In 2017, SinoPac Holdings has 5 major action plans for Corporate Governance, demonstrating its resolve to improvement Corporate Governance**

## Establish



1

Ethical Management  
Committee

2

Internal / external  
reporting mechanism

## Develop



3

Implement compliance  
and legal functional  
Independence

4

Risk-oriented internal  
auditing policies

## Review



5

Three levels of internal  
controls and separation  
of responsibilities

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# Corporate Governance

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## Governance structure and composition of the Board of Directors

To ensure effective operations and strengthen the functions of the Board of Director's, SinoPac Holdings follows the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" to establish the "Rules of Procedure for Board of Directors Meetings". Moreover, to establish good corporate governance and independent director policies, and to ensure that independent directors are well versed in the functions of the Board of Directors and the Company operations, we have established in accordance to article 33, item 1 of the "Corporate Governance Best Practice Principles for Financial Holding Companies", establishing the "Rules Governing the Scope of Powers of Independent Directors."

To improve the effectiveness of Board of Directors meetings, in 2014, we revised our Articles of Incorporation decreasing the number of board members to 7 to 11 members and eliminated the position of Executive Director. Concurrently, to strengthen corporate governance, we added the policy of using the candidate nomination system for the election of directors. The Board of Directors is currently composed of 9 members with relevant experience in business, finance, accounting, or company operations, with 3 directors being independent directors. The term of the directorships are three years. Board members are not limited by age or gender, and considerations are mainly based on professional expertise, moral standards, and reputation. Currently, all members of the board are male, with an average age of over 55 years old, with 3 members with doctoral degrees and 6 with masters' degrees. The Board of Directors held 20 meetings in 2017. For detailed information regarding meeting attendance and recusal due to stakeholder relationships, please refer to pages 21 ~ 22 in the 2017 SinoPac Holdings Annual Report.

The Board of Director has established the "Compensation Committee" and the "Audit Committee", with the 3 independent directors acting as committee members. The composition, roles, and operations of the committees are in accordance to the Financial Holding Company " Compensation Committee Charter" and "Audit Committee Charter", respectively. For details on the operating status of the compensation and audit committees, please refer to pages 23~25 and pages 29 of the annual report.

To improve the transparency of operational information of the board, information on continuing education of directors and attendance records are disclosed on MOPS, the company website, and the annual report. Major resolutions are disclosed in the annual report (as well as on the company website disclosing board of director meeting minute summaries) and disclosures on recusals from resolutions with possible stakeholder conflicts of interests.

In addition, we have purchased directors and supervisor liability insurance, to implement our corporate governance policies. If there are continuing education courses on corporate governance, the directors are informed to participate as needed. In 2017, 8 of our directors' continued education fulfills the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," detailed information of the status is available on page 28 on the annual report.

To better improve corporate governance standards, and to fulfill our corporate social responsibility, and to establish a moral standard of ethical management, corporate culture, and drive colleagues to adhere to high moral standards, SinoPac Holdings on December 20, 2017 and on February 2, 2018, the Board of Directors approved the "Corporate Governance Best Practice Principles", "Code of Conduct", and "Principles for Corporate Social Responsibility". In accordance to the Code of Conduct, we established a "Ethical Business Committee", responsible for policies of ethical behavior and establish rules for prevention and supervision. Plans for a "whistleblower" policy and its effectiveness is also evaluated. According to the "Principles for Corporate Social Responsibility", we establish a "Sustainable Development Committee", responsible for the policies of CSR, regulations, and other guidelines and plans for implementation and execution, with regular reporting to the Board of Directors.

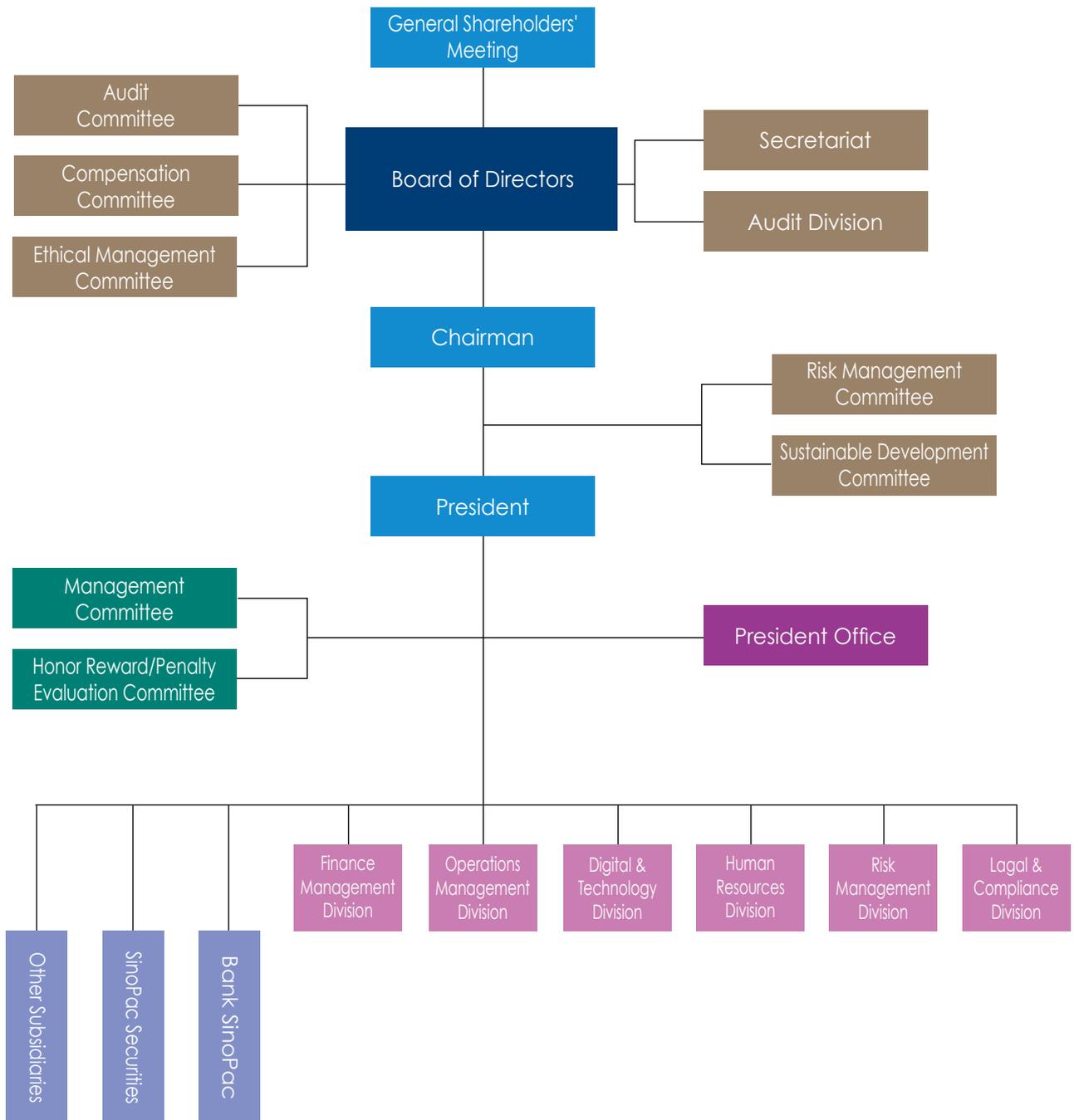
## Director (Including Independent Director's) Basic Information

December 31, 2017

Title	Name	Education and Key (Past) Positions	Gender and Education
<b>Chairman</b>	<a href="#">Wen-Chyi Ong</a> Hsinex International Corp. Representative	Chairman, Chunghwa Post Co. Ltd. Representative (Ambassador) to India Director, Financial Supervisory Commission, New York Office Counsellor, Permanent Mission of Taiwan to the WTO (Geneva) MA, London City University, Investments and Risk Management	Male Masters Degree
<b>Indp. Director</b>	<a href="#">Schive Chi</a>	Executive Yuan Councilors Taiwan Stock Exchange Director PhD of Case Western Reserve University	Male PhD Degree
<b>Indp. Director</b>	<a href="#">James J. Sheu</a>	CTBC Financial Holding Co., Ltd. General Manager Wharton School of the University of Pennsylvania MBA	Male Masters Degree
<b>Indp. Director</b>	<a href="#">Ying-Yi Tsai</a>	National University of Kaohsiung Associate Professor of Applied Economics SinoPac Securities Independent Director Essex University PhD in Economics	Male PhD Degree
<b>Director</b>	<a href="#">Cheng Hsiung CHIU</a> YFY Inc. Representative	Executive Yuan Associate Dean The Ohio State University PhD in Economics	Male PhD Degree
<b>Director</b>	<a href="#">Stanley Chu</a> YFY Inc. Representative	Chairman, Cathay Securities Corporation Spokesman and Senior Executive VP, TWSE Senior Executive VP, Taiwan Futures Exchange EMBA, National Taiwan University	Male Masters Degree
<b>Director</b>	<a href="#">CHONG Ming-Ming</a> YFY Inc. Representativ	Chairman, SinoPac Leasing Chairman, Bank SinoPac (China) Ltd. MBA, National Chengchi University	Male Masters Degree
<b>Director</b>	<a href="#">CHEN Chia-Hsien</a>	Director of International Bank of Taipei University of Virginia MBA	Male Master Degree
<b>Director</b>	<a href="#">Ho Yi-Da</a> Hsinex International Corp. Representative	YFYCPG Director and General Manager MIT Sloan School of Management MBA	Male Master Degree

Includes positions concurrently held with SinoPac Holdings and others · please refer to 2017 SinoPac Holdings Annual Report p.9~10 for further details. .

## SinoPac Holdings Organizational Structure



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Thoughts on Sustainable Management

Planting the Seeds of a Green Legacy

Developing Wealth in the World

Enrich Society and Citizenship

Appendix

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# Sustainability Governance

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Since our founding in 1948, we have progressed with the economic growth of Taiwan. In the past 70 or so years, our bank proactively supports SME enterprises and its development, and concurrently with other subsidiaries, aggressively works on developing the cross-straits, greater China financial market. SinoPac has always adhered to enriching and build family and society's wealth as our primary mission. Concurrently, we also uphold the trust and reliance from our clients and continue to develop new products and excellence in services for our clients. During the process of wealth accumulation, we aim to create a sustainable value in our operations, allowing wealth to be passed on to the next generation and enrich communities. This remains our utmost promise to our customers.

SinoPac Holdings combines the core competencies of our operations, investing in customer care, responsible service, care for employees, social charity, and environmental sustainability. We believe, a close cooperation with our customers, colleagues, society, and the environment is the key factors in sustainable management, and will move towards our ideology of "using finance to build a happy life."

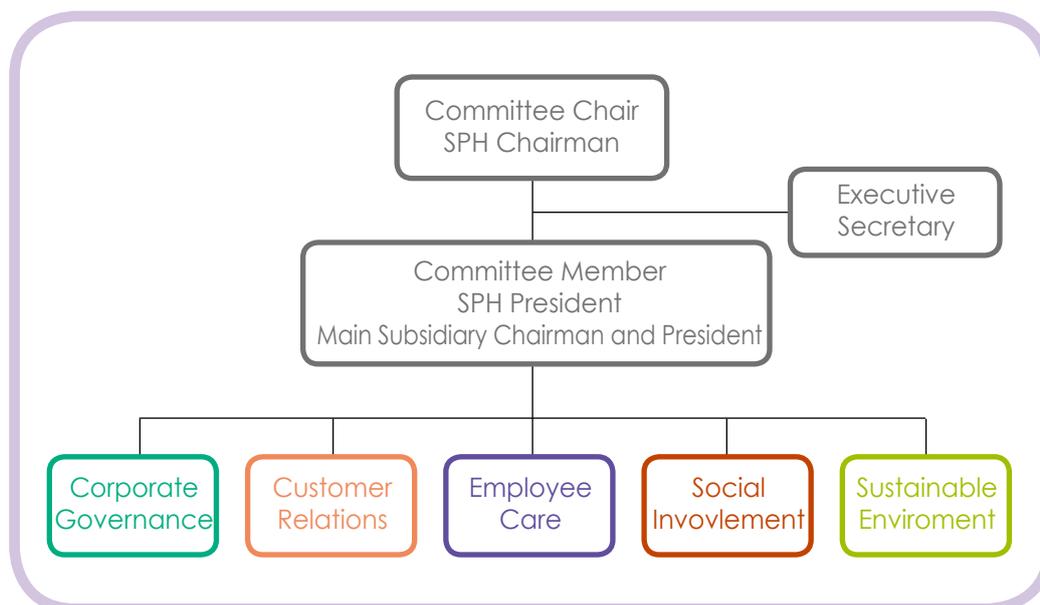
## **Sustainable Development Committee and CSR project promotion team**

SinoPac Holdings proactively fulfills our corporate social responsibility and its strategy and direction, promoting sustainable management, corporate governance, and strict adherence to laws and regulations. Provide a good working environment and reasonable remuneration and benefits to colleagues, and concurrently hold the important mission of a sustainable development. SinoPac colleagues are self-reliant and execute energy savings programs, and gather colleagues to participate in social charity events.

### 1. Sustainable Development Committee

In January 2018, we passed the "Principles of SinoPac Holdings Corporate Social Responsibility", and in March 2018 established the "Sustainable Development Committee", with the holding company chairman as the committee chair, developing 5 promotional teams, respectively, Corporate Governance, Customer Relations, Employee care, Social Involvement, and Sustainable Environment. Together, we aim to achieve our social corporate responsibility policy and manage holding company and subsidiaries' operational activities and its risk and impact on economics, the environment, and society.

## Sustainable Development Committee Organization Structure



### 2. CSR Project Promotion Team

To implement the goal of corporate social responsible management, SinoPac Holdings in 2015 established the CSR project team, with SinoPac Holdings' President as Chairman, The President Office, Office Manager as the secretarial section chief, the core promotion section composed of members of the holding company President Office, securities firm President's Office, and the bank's integrated marketing division.

The organization was separated into 3 teams, separately, the community team, governance team, and the environmental team. Relevant senior management at the holding company and subsidiaries, serves as section leaders, to promote discussion and outline the main direction and drafting guidelines for the CSR report.

The CSR project promotion team operated successfully, and its 2016 CSR Report won the Taiwan Corporate Sustainability Award (TCSA) Silver Award. In addition to drafting the report, the CSR project promotion team also leads in promoting a financial industry ESG education & training program, including green bonds, equator principles, responsible investing principles, and social ROI and valuation training, and promoting the establishment of the "Sustainable Development Committee" in 2018.

## **Explanations on SinoPac Holdings and its support of the United Nations Sustainability Development Goals (SDGs).**

In 2015, the United Nations passed the 2030 Sustainability Development Goals, including 17 goals and 169 detailed targets. In 2018, concurrent to the establishment of the "Sustainable Development Committee", we integrate the spirit of the SDGs, audit and plan in our sustainability strategic blueprint to progress towards these goals in our management principles and goals. In the future, the 5 teams of the "Sustainable Development Committee" will cooperate and execute these special projects towards the topic of SDGs.

# 2017 Corporate Governance Evaluation and Improvement Plan

In 2017, SinoPac Holdings continues to strengthen corporate governance, retaining an external management consulting firm to execute a review of the holding company and subsidiaries, including the following 6 companies, Bank SinoPac, SinoPac Securities, SinoPac Securities (Asia), SinoPac Leasing, Grand Capital. The scope of the review included corporate governance, auditing, compliance, and risk management operations.

The review indicated that SinoPac have implemented policies and rules as required by law. However, the execution of such policies have areas of improvement. Together with the request of domestic regulatory agencies, the Board of Directors proposes the following 5 major action plan.

**1**  
Rapidly implement compliance and legal functional independence, eliminating areas of concurrent postings, and to deepen the training and strength of compliance, establishing a culture of compliance.

**2**  
In first quarter of 2018, reporting directly to the Board of Directors, we establish an Ethical Management Committee, becoming the 5th financial holding company to have established such a committee.

**3**  
Establish an internal/external reporting mechanism, protecting whistleblowers. Related draft policies shall await the establish of the Ethical Management Committee to approve.

**4**  
Review the three barriers of internal controls and its respective responsibilities, ensuring functional effectiveness. Establish "Detection of Operational Risk" internal mechanisms, including identifying operational risk, risk monitoring and indicator collection, abnormal indicator monitoring, and follow up mechanisms, and eliminate over-reliance on internal audit procedures on detecting operational risk.

**5**  
Comprehensively promote risk-oriented internal auditing policies. Bank SinoPac shall establish and prepare a variety of internal rules, reporting to the FSC and applying for a risk-oriented internal auditing policy, strengthening the auditing efficiency and effectively allocate resources.

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# Three Levels of Internal Controls

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## Ethical Management

SinoPac Holdings developed a more comprehensive governance structure, guidelines, and risk management strategy, enabling the holding company and subsidiaries can better adhere to regulations and achieve information distribution and communications. In addition to policies, we also strengthen our training and information distribution to our directors, senior management, and staff, enabling a higher standard of ethical management and efficiency.

### 1. Code of conduct

To implement our corporate governance policies, SinoPac Holdings informs directors of any continuing education opportunities in regards to corporate governance. In 2017, 8 directors have participated in corporate governance continuing education in adherence to the rules in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."

Concurrently, in accordance with the labor standards laws and relevant rules, we have established "work rules", "employee service standards", "rules governing employee rewards and discipline", and other internal rules as the ethical guidelines for our Company and subsidiary colleagues. We clearly establish and provide our rules and service standards, ethical guidelines, and reward and discipline rules to all our employees, available in our Company intranet.

If there are any violations of the code of conduct, fraud, or bribery that is reported, HR personnel in conjunction with compliance and auditing personnel shall open an investigation and implement punishments as required. In 2017, no such cases have been opened.

Importantly, during new hire induction, all colleagues are introduced to the code of conduct and the importance emphasized to all colleagues to ensure the rules and standards are familiar. In the annual evaluation, the compatibility and execution of these standards are considered, as well as their personal records of rewards and demerits, and other comprehensive KPIs. Combined, the results of these performance assessments are reflected in their annual bonuses.

To prevent unethical actions, the holding company and subsidiaries have established effective accounting policies and internal control policies. By law, the Company shall not establish separate books or secret accounts. Moreover, in all operations, colleagues of the holding company and subsidiaries shall

not directly or indirectly offer or receive bribes, promises, or unethical profits, or act against ethical standards, existing laws, or act against their fiduciary duty as custodians. In 2017, subsidiary, Bank SinoPac per its auditing rules and procedures have ensured no such cases have occurred.

The evaluation of all accounting policies, internal control policies and operations, are scheduled in the scope of the regular audits, and results will be submitted to the Board of Directors, by internal audit personnel of the holding company and subsidiaries.

## 2. Educational training

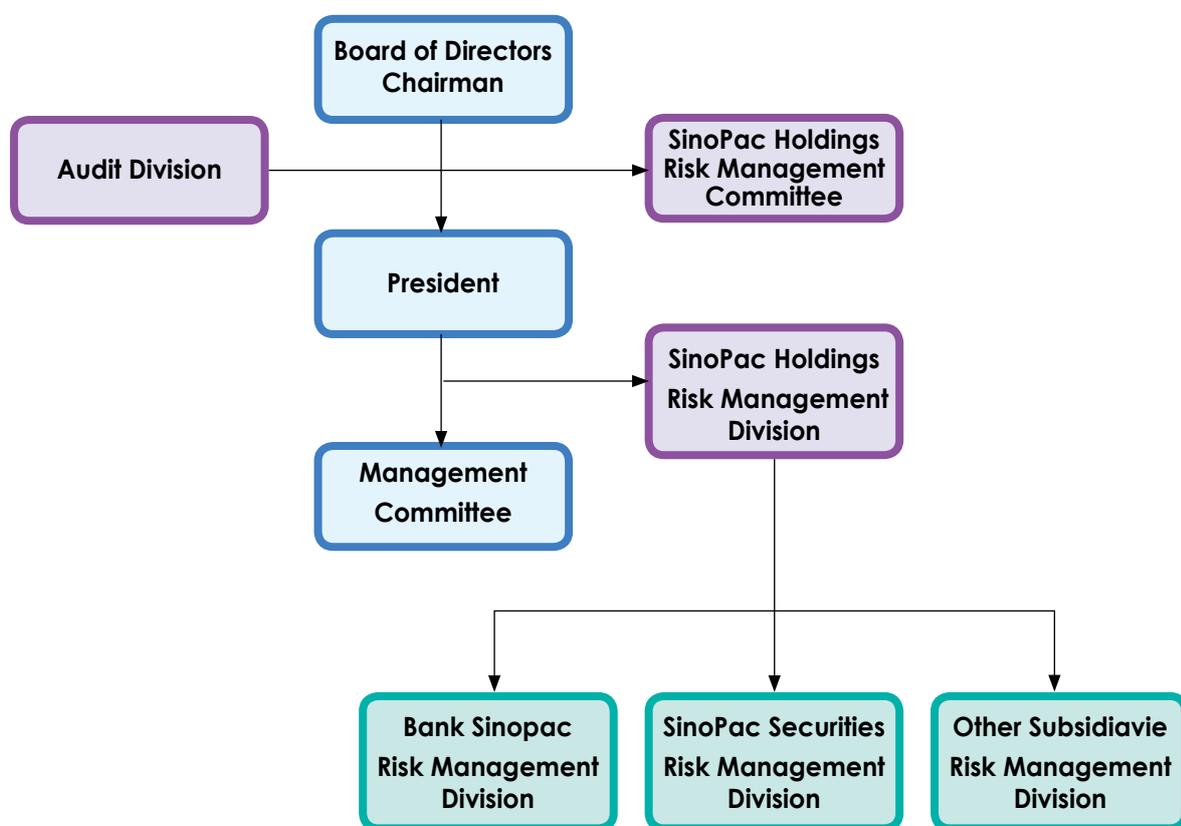
For new colleagues, new hire induction training includes training by dedicated personnel or supervisors on the aspects of professional ethics, ethical guidelines, and relevant internal rules and external laws, emphasizing and strengthening the understanding of "ethical management".

Banks particularly emphasize sales discipline training on anti-corruption policies, which involves wealth management, retail banking, insurance sales, and highlights certain precautions. Training using case studies of restricted sales behavior are held regularly for distribution channel supervisors and sales personnel, and are held in the north, central, and south regions, respectively.

## Risk Management

SinoPac Holdings has established a complete and effective risk management mechanism, separating into the following three areas: "Risk Management Culture", "Risk Management Policy and Procedures", and "Emergency Response Reporting", to ensure stable management concurrent with the pursuit of profits.

**SinoPac Holdings and Subsidiaries,  
Risk Management Organizational Chart**



### 1. Risk management culture

We have established a dedicated risk management unit to deliberate the risk management policy, and to effectively management the different types of risks emerging from operations, as per the policy and strategic principles. Establishing a risk management information system and through risk adjusted asset allocation, we seek a rationalization of risk and return, and improve overall operational efficiency. Proactive improvements of major risks through the internal auditing system, tracking and reporting updates regularly to the Board of Directors.

(1) Establish Independent Risk Management Units

<p><b>Risk Management Committee – Board of Directors</b></p>	<p>Deliberation of Risk Management Policy, Process and System of Risk management, Overall risk limits and risk management control mechanism of new business. View overall exposures and risk status, supervise departments for risk management activities, and conduct the cross-department communication and coordination of risk management functions, to effectively manage the Holding's risks from business operations.</p>
<p><b>Risk Management Division – President</b></p>	<p>Full elaboration of the Holding's overall risk management policies and principles, establish and planning of risk management systems. The policies, systems and guidelines shall be approved by the Board and promoted by the department of Risk Management, with periodic assessment on member's execution results and performance.</p>
<p><b>Risk Management Department – Banking, Securities, and other subsidiaries</b></p>	<p>Responsible for promoting different risk management policies and procedures, ensuring controls and reporting of different risks.</p>

(2) Assign sufficient professional human resources

<p><b>Clear roles and job descriptions</b></p>	<p>Department of Risk Management is in charge of businesses related to market risk, credit risk, operational risk, financial engineering, risk management system planning.</p>
<p><b>Risk management managers and personnel education and expertise adheres to the prerequisites for risk management needs</b></p>	<p>Employees working in Risk Management are all qualified with managing financial instruments or hold professional certifications. SinoPac regularly inspect and develop the professional skills of Risk Management in response to the changing global financial market.</p>

(3) Establish an appropriate risk management data system in accordance to the new Basel Accords, and continue to invest in quantitative analytical systems of risk management, to enable risk-based asset allocation and seek appropriate risk-rewards to improve the operating performance of the holding company and its subsidiaries. Importantly, focus on the three areas of "market risk", "credit risk", and "operational risk".

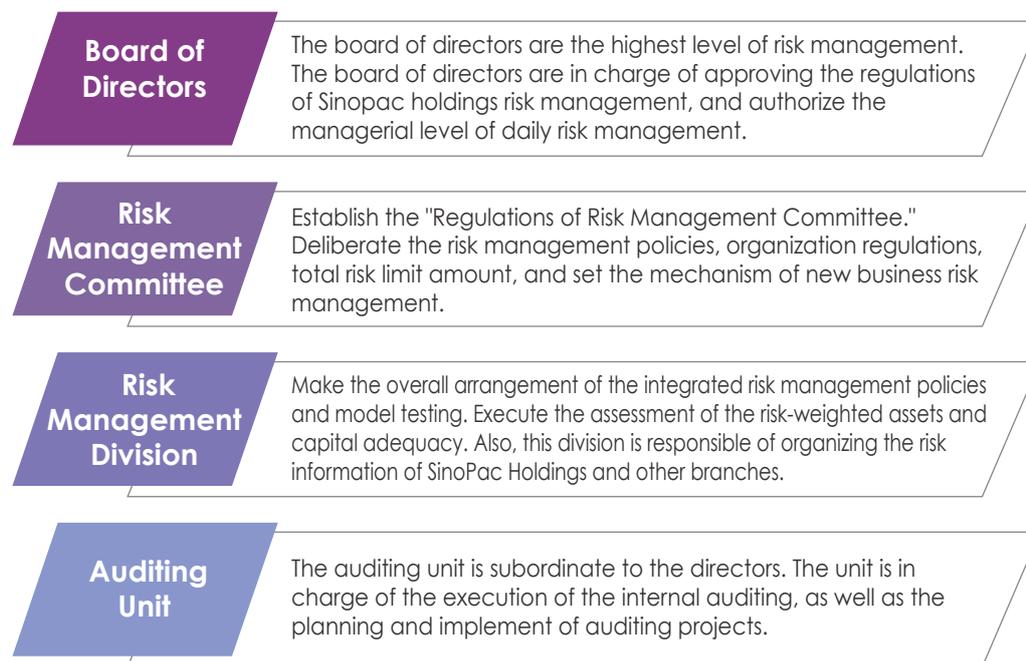
(4) Accept opinions from risk management units when auditing new services or material service standards of practices.

(5) Actively supervise and improve major risk management deficiencies. Auditing units will track execution progress through their auditing tracking systems, to ensure deficiencies are improved upon, and improvement progress reports submitted to the board.

## 2. Risk management policies & procedures

SinoPac Holdings has a clear risk management structure, split into 4 dedicated levels, namely, the Board of Directors, the Risk Management Committee, the Risk Management Division, and at the front-line level of auditing units with clear separation of duties and responsibilities. We have established complete risk guidelines and limits, enabling an appropriate balance between profitability and risk.

### (1) Clearly state risk management organizational structure, roles, and responsibilities



### (2) Establish a comprehensive risk management policy guidelines and limits on various types of risk (liquidity risk, market risk, credit risk, and operational risk), operational unit sales limits and guidelines and risk management procedures.

## 3. Emergency notification mechanisms

Bank SinoPac has established the "Bank SinoPac Emergency Response Rules", clearly listing the reporting procedures for emergency events, such as for man-made or natural disasters, internal control failures, major procedural errors, business-related losses, cybersecurity, human safety matters, that results in each unit in failing to operate regularly.

In the event of an emergency, first responses are done via telephone, text, or other appropriate methods in informing related personnel, and depending on the importance of the case, reported to related units, then passed on to the decision-making unit and escalated upwards as needed. This procedure ensures that losses and client rights are protected to the fullest.

## Auditing Mechanism

SinoPac Holdings strictly executes a third line of defense in risk management with an independent internal auditing unit with sufficient personnel and internal auditing colleagues with appropriate risk management expertise, enabling the evaluation of the appropriateness of risk management tools. In 2017, we established AN appropriate audit plan and procedures, and sufficiently understand the risk management procedures and operating status of each operating unit. After the risk management evaluation, the following items were noted:

### 1. 2017 Auditing Topics



### 2. Audited deficiencies & tracking status procedures

For auditing deficiencies, follow up by senior management and whether appropriate improvements have been implemented are as follows:

#### Financial Check

- After receiving inspection report from the competent authority, chief internal audit office will check the result and pass it onto the responsible authority. The responsible authority has to report the written improving plan to the Board, pass it to the auditing committee and deliver it to the inspection bodies after the internal chief audit office reviews and approve the plan.
- For the external inspected demerit, apart from delivering the improving plan to the inspection bodies, the chief internal auditing office will track the execution of the plan every three months until the deletion of the demerit.
- For the demerits inspected by financial inspection bodies, if classified as high-risk demerit, the chief internal auditing office will implement field check within a month.

#### Internal Auditing Check

- In order to strengthen the internal controls, after examining by the chief internal office, it will be pass onto the responsible authority to check the demerit and propose the improvement, then report it to the Board. In hope to enhance the internal control as well as reducing the frequency of the demerit occurring.
- The chief internal office will keep tracing the demerit every three months. If it is classified as high-risk demerit, the chief internal auditing office will implement field check within a month.

### 3. Internal auditing mechanisms

To assist the Board of Directors and senior management in auditing and evaluating whether internal control policies are effective, SinoPac Holdings, per the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" establishes an auditing policy and an internal auditing unit reporting to the board of directors, ensuring independence, and in its execution of audit checks, provide appropriate suggestions for improvement, within reasonable standards that maintains an effective application and review of internal auditing policies.

Internal auditing units shall report to the holding company at least once a year for regular operations, and at least once every six months evaluate the financials, risk management, and compliance of the holding company and subsidiaries. The internal auditing unit shall report at least once every six months to the board of directors and the audit committee.

### 4. 2017 SinoPac Holdings and subsidiaries internal control policy deficiencies and improvement plans

After careful evaluation of internal controls and compliance matters, SinoPac Holdings and subsidiaries in 2017 can effectively operate its business, excluding the following items:

# SinoPac Holdings Internal Control Policy Deficiencies and Improvement Plan

(基準日：2017年12月31日)

## SinoPac Holdings

### Deficiencies

- A. Regarding leasing subsidiary, Grand Capital, and its over-lending to SunPower Development and Construction, and its lack of execution of internal controls and audit policies.

### Improvement Plan

1. Evaluated the lending procedures of the subsidiary and an comprehensive evaluation of the credit risk to the same person, same related party, to a more appropriate level. The rectification was fully implemented by Nov 24, 2017. Client borrowings were fully paid back as of December 8, 2017.
2. The Risk Management Department on Jan. 19, 2017 rectified its reporting under article 46 of the FHC regulations, and on March 23, 2017 held a press conference in accordance to "Article 46 of FHC regulations reporting and disclosure", ensuring a clear and appropriate disclosure by the Company.
3. Supervised subsidiary on March 2017 to perform a self-evaluation and internal audit draft to include regulatory agency rectification actions and suggestions.

Expected Completion Date

1~3 Completed

### Deficiencies

- B. Lack of controls of related stakeholders, and conflict of interest with the responsible person, and rectification of legal compliance reporting and disclosures.

### Improvement Plan

1. Established reporting records of stakeholders, confirmed contents, and audit procedures and strengthen control mechanisms. On Jan 13, 2017 established "Stakeholder Management Operating Procedures", and requesting all subsidiaries to comply.
2. The Compliance department proposed and analyzed the reson, possible impact, and suggestions for improvements in this case, and on June 23, 2017 proposed it to the board with related information for follow up reported to the Aug 25, 2017 Board of Directors' meeting.

Expected Completion Date

1~2 Completed

### Deficiencies

- C. Incomplete Corporate Governance items, and areas of improvement

### Improvement Plan

1. To establish prevention mechanisms of conflict of interest, and to ensure separation of interest, on Dec 20, 2017, the company established the "Corporate Governance Operating Guidelines" and on Feb 2, 2018 established the "Ethical Management Guidelines" and " Ethical Behavior Guidelines".

2. On Dec 21, 2017, a memo was sent to the corporate director of the transacting entity, if the corporate director or its beneficial owner is the same as a director of the Company or its subsidiaries, the Company or its subsidiary director shall take a stricter approach to abstentions of the conflict of interest.
3. Expected to establish a director performance evaluation mechanism and whistleblower policy by June 30, 2018.

Expected Completion Date

- 1~2 Completed
- 3.To be completed before June 30, 2018.

## Bank SinoPac

### Deficiencies

- A. Rectification of issues in derivative products
  1. Providing BoD meeting minutes, no procedures for verifying actual meetings occurred.
  2. Customers provided BoD minutes, cannot confirm discussion of line of credit application.

### Improvement Plan

1. 1. Providing Copies of BoD meeting minutes, on April 19, 2017 has proposed to add "Client BoD meeting minutes (or shareholders meeting) verification procedures.
2. In April ~ May 2017 training to all corporate banking personnel, added BoD meeting minutes verification procedures in the credit application process.

Expected Completion Date

1~2 Completed

### Deficiencies

- B. During site visit, issues of SinoPac (China) site visit report, visit record forms, and due diligence report rectifications

### Improvement Plan

1. During the monthly promotion meeting, reiterate the importance of site visits and related rules and actions.
2. On May 31, 2017, in the "Corporate Banking Operational Guide – Credit Checks", specify the standards for site visit reports, and reporting requirements of "Visit Records", on March 7, 2018 announced the audit system of site visits.
3. On Feb 21, 2017, added site visit procedures as a verification checkpoint item in corporate banking, and for overseas clients, in March 2017 added into branch office, self evaluation audit items.

Expected Completion Date

1~3 Completed

### Deficiencies

C. OBU investments in foreign currencies over limit issue.

### Improvement Plan

1. In Sept 22, 2017, clearly established international finance business branch office investments in overseas currencies with an upper limit in accordance to the Banking Act, article 74-1, and shall be regulated in conjunction with overall limits. For China-based securities, investments shall be ruled by "China Risk Exposure Management Rules"
2. 2017.11.29 established in the "asset liability management guidebook", specified investment units when applying for credit limits, shall be aware of the upper limits.
3. On Sep 22, 2017, the BoD approved revisions of the "International Finance Business Branch Management and Control Rules" in regards to investment limits, shall refer to the March 6, 2018 regulatory note in evaluating related rules. After the April 2018 BoD meeting approval, to be sent to the FSC for approval.

### Expected Completion Date

1~2 Completed

3. Has been reported to the BoD for approval and submitted to the competent authority.

### Deficiencies

D. Due to program errors in cross-branch transaction systems, enabled others to verified credit card functions online and transferred funds out of the account without further approvals, submitted to the legal department for rectification.

### Improvement Plan

1. In Aug 2017, requested the supplier to revise the program to confirm verification and provide an explanation of the revised program, and add in a verification mechanism in the core back end processing system, allowing for a double verification mechanism when entering the system.
2. Expand the beta testing procedures, integrating needs and related functions. Regarding the 3rd party developer and impacted client, on March 2018 launched the "outsourced systems development testing procedures".
3. On Nov 30, 2017, revised "Anti-Money Laundering reports and asset reports", to surely record and enforce reporting.

### Expected Completion Date

1~3 Completed

### Deficiencies

E. When opening accounts, unable to perform KYC checks on reasonableness, audit procedures for AML operations are not sufficient and records are incomplete.

### Improvement Plan

1. In August 2017, adjust account opening related systems verification. Salary direct deposit accounts verification, and establishing client AML risk annual audit policies.
2. On July 2017, added AML operations control forms for under-aged customers, strengthen audits, and adjust procedures for monitoring suspected accounts, revise handbooks to further explain "suspected" actions.

Expected Completion Date

1~2 Completed

Deficiencies

F. Unsecured Car Loans for Stakeholders, issue rectification.

Improvement Plan

1. On Jan 23, 2018, during an update on consumer loan audit systems, restricted the ability of stakeholders to apply for unsecured car loans.
2. To improve audits, legal compliance in Feb 2018 shall add this information to stakeholder detailed monthly reports, to indicate whether there are abnormal unsecured cases.

Expected Completion Date

1~2 Completed

## SinoPac Securities

Deficiencies

SinoPac Securities Subsidiary and Securities (Asia) has the following items for rectification.

1. Supervision and monitoring of subsidiaries, cannot accept mainland China funded companies to open accounts without prior approval by regulatory agencies, loose lending management (China Huishan Dairy Holdings Company Limited ) , and limited internal audit execution and monitoring.
2. Securities subsidiary has not enforced AML rules.

Improvement Plan

1. SinoPac Securities (Asia) has reiterated its rules in account opening, and on Aug 1, 2017 added rules on purchasing Taiwan stocks by mainland China customers, are subject to trading restrictions. Stock trading clients must sign a declaration that funds do not come from Taiwan or China. To strengthen rules, establish "Credit Policies and Operating Procedures", reevaluating customer lending limits. Securities subsidiary audit unit has strengthened compliance monitoring standards.
2. Evaluated FINI clients on suspected AML conditions, and implemented reporting and operating procedures. Established AML and anti-financial terrorism related operations, and on Nov 29, 2017 established the "AML and anti-financial terrorism policy".

Expected Completion Date

1~2 Completed

## SinoPac Futures

### Deficiencies

- A. Indirectly paid customers commissions or payments. Clients was not physically present during account opening. Same IP and API interface used for ordering, did not save written declarations and related operational records.

### Improvement Plan

Issues of commission payments, account opening, and same IP and API ordering issues have been rectified in accordance to "Futures Internal Control Standards and Rules", enforcing paperwork and record keeping was promoted at the Feb 2017 meeting.

Expected Completion Date

Completed

### Deficiencies

- B. Accepted futures trading, did not collect sufficient margin and regulatory agency margin deposit mechanisms, non-compliant internal control procedures.

### Improvement Plan

Internal E-speeder ordering system has been discontinued as of June 1, 2017. Other trading systems are being adjusted for systems risk controls. Each transaction by clients shall verify sufficient margins before an order can be taken, and if margin is insufficient then the order is returned.

Expected Completion Date

Completed

### Deficiencies

- C. Futures subsidiary from 2010~2014 as a Europe Futures Exchange Member undisclosed transactions and reporting rectification.

### Improvement Plan

Withdrew membership to the Europe Futures Exchange on April 2017. In the future, if membership is required, shall report and adhere to local regulations as needed.

Expected Completion Date

Completed

Note: For further details please refer to pages 36~37 on the 2017 SinoPac Holdings Annual Report.

## Legal Compliance

To ensure that colleagues from all units are compliant with all relevant laws and regulations during the ordinary course of business, the legal compliance division in 2017 strengthened its activities. The team improved the execution of its self-evaluation, update of relevant laws, review of its rules, and evaluated the execution of special projects of subsidiaries, and strengthened communication and educational training through multiple channels to improve legal compliance.

### Decrees update, Regulations examination and recognition, and self-assessment

- View and announce related new decrees daily
- Inform and supervise the responsible department to amend bylaws.
- Have departments periodically self-assess compliance levels

### Communication of Legal Compliance matters and Educational training

- Regularly organize regulations training and testing for compliance.
- Hold ad-hoc regulations training and seminars for each business unit or business area.
- Convene holding company and subsidiary bimonthly meetings for compliance officers to understand the implementation situation of compliance matters.

1. Friendly and convenient communication of new laws: Added a procedure of verification for legal compliance, to ensure follow up of compliance by all units.

1  
Daily review of new or revised regulations, and communicate through email the relevant units, improving the communication between units.

2  
Establish legal compliance and legal contact windows for each business unit, assisting with reviewing and revising rules, forms, or systems to ensure operations are fully in compliance with regulations as of the effective date, and to develop a positive cycle of compliance.

3  
Each week, collate new regulations and announce to each business unit, and each month publicize relevant changes across all levels. Ensure that information regarding new regulations are easily accessible and policies are enforced to operational units to establish a corporate culture of compliance.

## 2. Communication and educational training of legal compliance matters.

### (1) Educational training

Regularly provide holding company legal compliance training on revisions to laws and regulations, and invite external lecturers with applicable expertise, through continued education strengthen the legal knowledge and understanding by colleagues, and depending on local laws and industries, provide additional training to adhere to local regulations.

#### a. External lecturers with applicable experience

In 2017, we invited former prosecutor from the Taiwan High Court, the first person to be granted the Certified Anti-Money Laundering Specialist (CAMS) Ms Ching Chi Ren, to lecture on "Domestic and International Anti-Money Laundering and Counter Terrorism, current conditions and trends", including topics on regulations, risk in money laundering, and case studies among other topics. We continue to improve the quality of our anti-money laundering team, establishing a preventative and secure corporate culture.

#### b. Financial holdings company act compliance training and regulatory revision items

- 2017 1st half lectures on regulatory revisions included Anti-Money Laundering Regulations, Basic Labor Law, Consumer Protection Act, FHC Internal Controls and Auditing Operating Procedures, Peer Group Case Studies, 2016 rectification items and revisions, 2017 audit points, stakeholder management.
- 2nd Half 2017 lectured included Personal Data Protection, High Risk Rectification and Compliance Mechanisms, Major Unexpected Event reporting mechanisms, 2017 1st half audit points and rectification, financial institution statistics, and other legal compliance matters.

#### c. Annual exam on legal compliance

To deepen the understanding of legal compliance for all colleagues, each year we hold a general exam on legal compliance. To follow the trend of anti-money laundering around the world, we also strengthen anti-money laundering and anti-terrorism financing understanding by holding courses and exams. All courses have been completed and exam results indicates that colleagues have familiarity and understanding in their operations and procedures regarding these relevant regulations

### (2) Legal compliance communications

Every half year, subsidiaries hold compliance training for managers and staff, understanding subsidiary compliance conditions, promotion of regulatory policy, regulatory items reporting, and case follow ups. With an emphasis on legal compliance and information sharing, exchanging information and special reports, strengthening the development of legal expertise.

## 3. 2017 regulatory agency fines and improvement plans

Holding company senior management and colleagues fully understand that the behavior of everyone is the cornerstone of the long-term development of the Company. Thus, continued improvements from shared experiences in actual situations and resolutions should be part of any considerations in the future optimization of corporate governance decision making. A record of disciplinary actions by regulators in 2017 and the corrective measures are disclosed on pages 36~37 in the 2017 annual report.

C

# Planting the Seeds of a Green Legacy

Creating a low carbon world, enabling the Taiwan public to enjoy a healthy quality of life. Enabling SinoPac's financial services and innovative products to contribute to a beautiful life.





# Green Finance

Subsidiary Bank SinoPac became the first bank to be granted a license to issue Green Bonds. The holding company and subsidiaries proactively works with the government to launch various green projects. In 2017, for the first time, we worked with the New Taipei City Government to launch the "Sustainable Green Energy, Brighten New Taipei" Plan. In 2012, we participated in the "Sunshine Building Million Roof Top Plan", with substantial growth in lending volumes in 2017.

SinoPac Holdings does not only promote Green Finance, but also strictly executes energy saving, carbon reduction activities that has achieved success.

## 2015~2017 Green Finance Achievements

Unit: cases, million dollar

	2015	2016	2017
<b>Application for Credit Card Electronic Bills to get Bonus (Number of conversion)</b>	26,317	36,957	26,406
<b>Household loan for solar equipment (Balance of Loans)</b>	NT\$80	NT\$220	NT\$312
<b>Corporate loan for solar equipment (Balance of Loans)</b>	NT\$2300	NT\$3100	NT\$6700
<b>Lead underwriter for green energy company IPO and capital fundraising</b>	<ul style="list-style-type: none"> <li>「YEONG GUAN Group」 Convertible bond : NT\$2500</li> <li>「Wafer Works Corporation」 Convertible bond : NT\$600</li> </ul>	「StrongLED」 IPO and capital fundraising : NT\$144	「All Cosmos Bio-Tech Holding Co Ltd」 IPO and capital fundraising : NT\$440
<b>SinoPac Venture Capital Green Investments</b>	NT\$207	NTD\$194	NTD\$136

## Developing a "Green Bonds" market

On 27, April, Bank SinoPac became the first licensed bank to issued "Green Bonds". Bank SinoPac coordinates with government policy : "Green Financing" and " The 5+2 Industrial Transformation Plan" , supporting green energy industry to get long term funds. In an effort to promote environmental sustainability and develop the "Green Bonds" market in Taiwan.

## "Green Financing" services

1. "Solar Power Equipment Financing Special Project", winning the "Top Solar System Award"

In response to the rising price of electricity and petrol, and promotion of green energy by government, Bank SinoPac offer the "Solar Power Equipment Financing Special Project", combining with "Million Solar Rooftop PV Project" which promoted by government. The "Solar Power Equipment Financing Special Project" offer loan project for households and firms, promoting the development of green energy industry in Taiwan. In 2016 and 2017, Bank SinPac was awarded "Excellent Financial Services Award" of the "Top Solar System Award" issued by Ministry of Economic Affairs. Bank SinoPac is the only bank winning this award for two consecutive years. Bank SinoPac will keep using professionalism to provide Green Financing services.

2. "Sustainable Green Energy, Brighten New Taipei" Plan, improve project efficiency, innovative bridge loan financing

Following the "Sustainable Green Energy, Brighten New Taipei" Plan promoted by government, which aims to boost up the pace of constructing Solar energy system by replacing the land with plants roofs, it was expected green electricity initiatives to increase by 33 Mega Watts in 2017. Bank SinoPac will support the goal that making target industrial area having more than 50% green energy roof cover ratio. In March 2017, Bank SinoPac had signed a MOU of solar energy loaning project with the Taiwan Photovoltaic Industry Association.

To promote greater efficiency, Bank SinoPac first to offer the Bridging loan, providing maximum 80% of the construction cost. Besides, it can provide a maximum 20% first to allocate initial construction cost, after finishing the contract with Taiwan Power Company, Bank SinoPac can then provide the remaining loan. The maximum loan period is 15 years.

In the same time, we have hold several fundraising seminars in many places since 4Q17, adopting a diverse strategy that provides flexible fundraising



Licensed Bank  
to Issued "Green  
Bound"



Bridge Loan  
Finance



Top Solar System  
Award

project, increasing the amount of credit available to small and medium enterprises. We will continue to focus on providing customized fundraising projects, for instance like roof-type or land-type. We shall keep promoting the business of Green Financing and do our best to fulfill the corporate social responsibility to Earth.

3. "Create a Low Carbon Tainan", providing unique low cost financing, assisting corporate clients in achieving sustainable development

Tainan is now developing the solar energy system, planning to construct the power equipment on the unused land and roofs in Yantian, Detention basin... etc. Expected to finish a 220 Mega Watt-solar energy system construction. Bank SinoPac is in cooperation with the Tainan government, providing fundraising project for solar energy equipment. Which can provide a maximum 80% of the construction cost and 20% before the system start running, lowering the funding burden. Furthermore, for those who intend to expand or upgrade current operating projects can also apply for a preferential loan project, promoting company sustainable development.

## Green energy services and investments

1. Promoted "Electronic Billing", limiting waste of earth resources

To reduce the waste of resources, Bank SinoPac released many electronic and digital financial services, trying to further protect the environment. There are more than 800,000 people who have submit application for composite E-Statements in 2017, we also provide bonus for conversion to E-Statements. By using a smart and easy way to get personal information, we lower the cost and production of paper as well as plastics.

2. Lead underwriter for "All Cosmos Bio-Tech Holding Co Ltd" IPO and capital fundraising

June 2017, SinoPac Securities was the lead underwriter for "All Cosmos Bio-Tech Holding Co Ltd" IPO and capital fundraising for NT\$440 million.

ACI is a leading manufacturer and marketer of Bio-Organic and Bio-Chemical fertilizers. The company's products help planters to cut down on the dependence of harmful chemicals that are harmful to our ecosystem. The products of ACI had green fertilizers certification from the Ministry of Science Technology and Innovation and serves as green agriculture consultant of MOSTI.

3. SinoPac Venture Capital Green Investments of NT\$136 million dollars

Through investments in green environmental industries, we limit the negative impacts on the environment. As of the end of 2017, our investment portfolio that consists of green environmental industries is approximately NT\$136 million, representing 8.12% of our portfolio, mostly relating to water and sewage treatment, communication equipment, internet of things, and wireless sensor related industries.

# Green Operations

In 2017, SinoPac Holdings and subsidiaries all positively implement the Green Finance and Operation. Company continues to promote environmental education and the concept of energy conservation, meanwhile replacing older equipment to improve energy efficiency.

As for our Green Operational Policy, we focus on Green Financing Operations, supporting green energy industry to get long term funds. Bank SinoPac is also the first licensed bank to issued "Green Bonds".

We got great result in 2017, Bank SinoPac was awarded for two power saving competition.

Taipei Energy Saving Leadership Award

Taipower's SME Power Saving competition-Grade A award



## "Green Operational Policy", creating a sustainable environment.

In response to climate change, SinoPac Holdings and subsidiaries all participating in "Energy saving and carbon reduction", encouraging our employees to apply e-Statement, promoting PMS conference system to reduce paper production...etc. Hoping that we can lead by example.



## Reviewing suppliers for CSR management

SinoPac takes the approach for a cooperative relationship with our suppliers. In addition to compliance management and policies, we also require suppliers to fulfill their social responsibility. In 2016, regular suppliers and major suppliers with our Company shall sign an employee human rights statement, with current signatories representing over 64% of our total suppliers. We shall continue to strive for a higher signatory rate.

To ensure our oversight responsibility of our suppliers, in each year's supplier audit we have added items on Labor Standards Law, social negative impact, and other evaluation items. The audit aim is to ensure compliance with labor laws, workplace health and safety, and that there is no forced labor, bribery, anti-monopoly, fraud, and other negative activities. We will also perform ad-hoc checks at our suppliers' place of business, and we will establish long-term partnership relationships with quality suppliers. For non-compliance suppliers, we will cancel their supplier approvals.

## Promotion of environmental education, achieving success in energy savings

In 2017, Bank SinoPac setup a topic about environmental protection in our internal publication, which periodically shares some news about energy saving and environmental protection. It has been 20 articles to date. There's also a topic about energy saving and environmental protection in our intranet website. We also attended several outside lecture and training session about energy saving to get more new information and then promote it.

Bank SinoPac won two awards about energy saving in 2017, we also join the policy that prohibit the use of disposable tableware which was promoted by the Taipei city government.

## Success in the promotion of "paperless" services

SinoPac Holdings have do our best in the promotion of a paperless workplace and the penetration rate of digital services. Since 2014, we have paid attention to paper recycling topics, organizing relevant departments and through product systems and service optimization, mid and back office operational adjustments, and information promotion to achieve the target of lesser paper usage.

We have held conferences through Lync over 3800 times, reducing over 126 million pieces of printed paper. We also reduce the transactions that require filling paper work, in an effort to reduce the use of paper and transaction cost

### Aspect of the Internal Enterprise

Fully implemented the Lync communication application and the PMS conferencing system.

- Reduce the paper use in meeting
- Cut down the employee's travel time and improve work efficiency.
- Reduce carbon emissions.
- 2017 Lync Conferences were 3,800 events, with 41,000 persons attending.
- 2017 PMS paperless conferences were approximately 750 events, with approximately 9,700 attendees.

### Aspect of Products

Promote the development of electronic and digital service

- Encourage e-statement usage. As of 2017, Banking e-statements has reached 739,950 customers, credit card statements reached 212,155 users, increasing e-statement users by 145,000 users, a substantial increase. Combined the usage of e-statements decreased paper usage by 12.6 million pieces of paper, approximately 80 tons of CO2 emissions.
- Appointment Preorder forms, and appointment for FX currency services enables pre-appointment services, replacing the need to fill out forms in branch, further saving wait times.
- Reduce the use of postal transportation, letting people finish payments at home : Bank SinoPac release the "SinoPac online payment" , offering variety and convenient online payment service, and there' s more than 3000 items can be paid online. This service is open for everyone including non-our client, allowing people finish their payment at home. The promotion of electronic bill could reduce the use of paper and the engine displacement by postal transportation.

### Aspect of the Operating Procedure

Reduce the paper use and the cost of shipping.

- Integrate all service statements into one.
- Paperless FX transaction confirmations.
- Keep promoting the electronic operation services.
  1. Promote transactions that don't require paper forms.
  2. Simplify paper statements to decrease the volume of statements.
  3. Foreign Exchange Memo be sent in form of PDF file, reducing the physical paper.
  4. Paperless when opening the account over the counter.

Note: E-statement supplemental explanation: Paper volumes are based upon sent e-statement, averaging 1 page per statement, and each piece of paper calculated as 6.32g. (5,225,902 pieces \* 6.32 g = approximately 33 tons).



## Effective savings, indicated by environmental data

### 1. Effective procurement and cost savings

SinoPac Holdings and its subsidiaries are part of the financial services industry, thus, there are no raw material and manufacturing production activities. Our suppliers are mostly operational maintenance and customer service equipment suppliers. This includes the six categories of construction, computer technology, office automation equipment, facilities management and security, printing, and advertising/sales. According to the internal "operating rules for procurement procedure management", all procurement must establish a complete purchasing, procurement, delivery, verification system, with "separate levels of management responsibility" and authority, with prior approval by managers.

Also, for standard equipment purchasing, an annual contract bid process is preferred and through this system should be able to achieve a price advantage, higher specifications, and flexible delivery times. Internal auditing units and regulators will regularly audit the processes, and will correct, review, and suggest improvements as needed.

### 2. Environmentally-friendly procurement

In 2017, our Company and subsidiaries spent a total of NT\$19.69 billion dollars in total purchasing. The purchase of environmentally friendly, energy saving approved products for branches and dormitories totaled NT\$7.71 million, green building material purchasing totaled NT\$15.19 million. The total purchasing of products with low carbon certification or environmentally friendly paper used in printing, copy paper, and greeting cards is approximately NT\$2.25 million.

There is a total of 152 important suppliers, the different types of suppliers and purchasing amount is detailed below, including IT suppliers and their

## 2017 Major Procurement

Units: Dollars

Items	# of Suppliers	Domestic Purchases	Percent	Overseas Purchases	Percent	Total	Percent
Construction and Repair Work	34	416,294,803	100.0%	0	0.0%	416,294,803	26.1%
IT Equipment	60	598,573,314	90.0%	66,807,879	10.0%	665,381,193	41.7%
Office Affairs	6	43,156,369	100.0%	0	0.0%	43,156,369	2.7%
Security Service	22	221,873,464	100.0%	0	0.0%	221,873,464	13.9%
Printings	9	88,624,875	100.0%	0	0.0%	88,624,875	5.6%
Advertising and Marketing	21	160,229,366	100.0%	0	0.0%	160,229,366	10.0%
<b>Total</b>	<b>152</b>	<b>1,528,752,191</b>	<b>95.8%</b>	<b>66,807,879</b>	<b>4.2%</b>	<b>1,595,560,070</b>	<b>100.0%</b>

Note: Major procurement more than NT\$2 million dollars

provided data, system integration, hardware equipment and software purchasing, representing the most at 41.7% (NT\$665million). Construction represented 26.1% (NT\$416 million) is next, followed by advertising/sales 10.0% (NT\$160 million), facilities management and security 13.9% (NT\$222 million), and others 8.3% (NT\$132 million). Domestic and foreign major supplier percentages is 95.8% domestic and 4.2% foreign. Foreign suppliers are computer equipment, maintenance, and pricing data service fees.

### 3. Environmental renovation and energy saving equipment

#### (1) Green building materials and energy saving equipment

Since Bank SinoPac started dormitory and branch office repairs in 2014, in accordance with building technology rules and architectural drawings, we have increased the usage of green building materials, reaching 45% of the total building area and procurement of NT\$1.519 million. We use green materials for ceiling panels, plasterboard, dry wall, paint, etc. that create the lowest impact on the environment and the most harmless materials to the human body and increased green material usage in many building materials.

#### (2) Office energy saving equipment show efficacy

The green revolution is a global trend. Within our organization, we have implemented plans for energy saving equipment, with each buildings' lights replaced with LED lighting, and promoted best practices in using energy. In addition to energy optimization in banking building server room equipment and active management, we also target energy usage, lighting, and air conditioning equipment at our branch locations in implementing energy saving plans, regularly inspecting and replacing wasteful energy equipment.

SinoPac Holdings have replaced plastic water bottle dispensers with energy saving water heater dispensers and removed all paper cups to be replaced by own cups. Off peak hours, we provide only partial elevator service. At the same time, we strengthen our video conferencing equipment to replace travel needs and will assist in lowering energy consumption and CO2 consumption.

#### (3) The reuse of office resource

Subsidiary, SinoPac Securities have initiated paper saving initiatives, promoting repeated usage of envelopes between headquarters and branch offices, usage of double-sided printing, usage of recycled paper towels, prohibited usage of paper cups in internal meetings, and paperless transmission of corporate memos.

#### (4) Keep strengthening the promotion and management of energy saving

In 2017, SinoPac Security held activities like "Electricity saving in summer", "Good ideas about electricity" ...etc., implementing several power saving policy. From June to September, saving 251,264 kWh compared to same period in 2016. 34 security buildings' lights had replaced with LED lighting, the total cost of equipment was NTD 214,000, saving 175,876 kWh in June to September. In addition, the paper towels saving project has keep reminding employees to cherish the resource on Earth.

The detailed energy saving management and promotion content as follows:

**Execution of Energy Saving Management Efforts**

- Adjust demand and appropriate equipment usage per seasons and holidays.
- Increase the temperature of ice water equipment by 1~2 degrees.
- Increase the cooling tower temperatures by 1~3 degrees.
- Enforce internal temperatures at 26 degrees, install A/C screens in doorways to prevent leakages.
- Turn off non-essential equipment, such as lighting, water coolers, during nighttime.
- Turn off lights for 1 hour during noon time in non-client facing areas

**Strengthen promotion and change in the energy usage habits of users**

- Confirm faucets are turned off completely and water flow is turned to lower levels.
- After exiting conference rooms or offices without any persons, turn off A/C and lights.
- For locations on third floor or lower, promote stairs walking rather than using the elevator.

**SinoPac Holdings Major Buildings – Energy Consumption and the Greenhouse Gas Emission Data**

Unit / Year	Unit	2015	2016	2017 (Note 4)
<b>SinoPac Holdings Headquarter (Note 1)</b>				
<b>Power Consumption</b>	degree	238,812	231,864	246,744
<b>Greenhouse Gas Emissions (Note 2)</b>	KgCO <sub>2</sub> e	126,093	122,656	130,528
<b>Bank SinoPac Main Building (Note 3)</b>				
<b>(1) Power Consumption</b>	degree	13,466,900	13,167,900	13,650,231
<b>(2) Greenhouse Gas Emissions</b>	KgCO <sub>2</sub> e	7,110,523	6,952,651	7,220,972
<b>SinoPac Securities Headquarter</b>				
<b>(1) Power Consumption</b>	degree	2,180,480	2,187,920	2,050,365
<b>(2) Greenhouse Gas Emissions</b>	KgCO <sub>2</sub> e	1,151,293	1,157,410	1,084,463

Note 1: Headquarters Power Consumption is estimated using 10% of the Chunlun Building.

Note 2: The Company is in the Financial Services Industry, with power consumption being the major energy consumption area. Other areas of consumption are small and not included. Per Ministry of Economic Affairs-Bureau of Energy, Energy industry reducing greenhouse gases information network, Electricity emission factors for 2015, 2016, and 2017 is 0.528, 0.529, and 0.529 KgCO<sub>2</sub>e/ degree, respectively.

Note 3: Bank SinoPac Major Buildings includes Jianbei, Nanjing, Songshan, Cheng Chong, and North Kaohsiung buildings.

Note 4: 2017 SinoPac Holdings HQ and Bank SinoPac Major Buildings due to an increase in personnel and equipment usage, saw an increase in power consumption. However, on a per person basis, it has decreased from 2015 levels, 5686 degrees to 5520 degrees, and 4984 degrees to 4839 degrees, respectively.

## (5) Implement waste management procedures

SinoPac Holdings and subsidiaries create waste as part of their operations, and are mostly paper and IT equipment, which are recycled and collected by external contractors. Concurrently, internal rules, in accordance to document/digital information destruction procedures follows safety and privacy principles to prevent the leakage of client data.



**Paper:** Contract recycling collection firms to specified paper factories to be destroyed and photos taken for our records. In 2017, subsidiary, Bank SinoPac and its major buildings destroyed 41,799 kg of paper, SinoPac Securities destroyed 56,900 kg of paper.



**Computer Equipment:** Replaced computer hard drives are removed from IT systems before disposal. The hard drive contains corporate and personal information, which is destroyed via drilled holes by colleagues before given to external contractors for destruction. In 2017, subsidiary, Bank SinoPac Songshan Building disposed of approximately 72 PC and laptop equipment, SinoPac Securities headquarters disposed of approximately 2,862 computers (monitors) and printers.



Other waste disposals, such as monitors, office equipment, generators, furniture, etc. if approved for disposal, is done in accordance with internal rules and procedures. Each management procedure is for sustainable management, and our efforts in environment and energy savings.

## SinoPac Major Buildings – Information of Main Waste Clearance

### General Industrial Waste

Buildings	Items	Process	Unit	Units		
				2015	2016	2017
<b>Bank SinoPac Main Building</b>	Paper	Outsourced	Kg	45,024	43,421	43,244
<b>Bank SinoPac Songshan Building</b>	Computer Equipment (Including PCs and Laptops)	Outsourced	Unit	71	171	72
<b>Securities HQ / Branches</b>	Wastepaper	Outsourced	Kg	18,869	15,121	13,666
	Personal Computer	Outsourced	Unit	299	1,467	1,329
	Printer	Outsourced	Unit	36	87	105
	Screen	Outsourced	Unit	663	2,442	1,428

Note: Bank SinoPac Major Buildings includes Jianbei, Nanjing, Songshan, Cheng Chong.



**D**

# Developing Wealth in the World

Through the introduction of innovative financial products and services, enable a closer relationship between money and lifestyles, enabling a win-win scenario with shareholders, colleagues, customers, community, and others on the value chain.



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# Financial Technology – providing a more convenient life

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The innovation of FinTech has become a big issue for financial institutions. We have invested lots of research and resource in the development of digital finance tools. The members of Internet Bank MMA financial transaction for Bank SinoPac has increase by 12.05%. Moreover, we spent NT\$120 million on a three-year project that cooperates with the National Cheng Kong University to build an AI technology center, cultivating the talent of AI. In the same time, we release the comprehensive digital service and product like “SinoPac Cloud” “Feng Yun Mortgage” , making people's life more simple through FinTech. Clients can get instant and useful information about investment. SinoPac is expected to create much wealth for clients through our new digital service.

## Developing future financial services



On May 2017, Bank SinoPac announced a project that cooperates with NCKU and the leading AI firm NVIDIA which is to combine financial big data and deep learning with the talent and R&D resources available in the university, and the goal is building a AI technology center, promoting digital transformation.

“SinoPac AI technology center” , GPU is found by SinoPac combine with opening API, through Big Data analysis, deep learning and the know-how from financial industry, providing a safe and open develop center for financial AI application. Bank SinoPac spent 120 million on this three-year project, hoping that the innovation and R&D ability of NCKU will cultivate great talents and create the Future Banking.

## New digital services, demonstrating customer service with a heart



On June 2017, Bank SinoPac released "Feng Yun Mortgage", integrating demand for funds in different stages of home buyers, making home become a flexible and safe asset. Not only the mortgage become convenient and digital in the future, but also become safer from finance to consumption. Through integration of product, participating clients' life experience.

"Feng Yun Mortgage" transform the long-term loans into a credit card facility, considering clients' daily needs first then provide flexible payment. In addition, the integration of mortgage and credit card is a consideration of clients, allowing clients finish mortgage loan online through digital banking and mortgage service.



### (1) Online application of credit cards

For clients applying for Bank SinoPac credit cards can directly finish the application through the website or app. In response to the trend of BANK 3.0, the procedure of ID verification can be done on a paperless basis. At the same time, electronic billing can also reduce the use of paper and upgrade operating efficiency.

### (2) "SinoPac Cloud", appointment booking

FinTech is opening a diverse range of digital services for banking. Bank SinoPac uses technology to improve customer experiences and increase warmth through personal engagement. SinoPac Cloud Counter closely links the user and the bank, enabling a delivery of needed services to customers, enabling them to experience "Simple is Saving". The "appointment signup" functionality, enables customers to setup specific appointments locations and time frames via mobile app, and can pre-fill deposit, withdrawal, transfer forms forgoing taking a number, filling out information, and waiting in line. When you arrive at the branch, a dedicated counter representative is available, where your needs are fulfilled in 3 minutes, saving more than half of the time. "Mutual Fund Matching" service enables money management representatives to customize recommendations for customers. Through the internet, investment

descriptions and content are delivered to the personal accounts of customers, and once logged in to the website, within 11 minutes global economic trends can be followed, saving travel time to branch office and signing paperwork. "Cloud-based account opening" services and "foreign currency withdrawal appointments" services are also available, enabling customers to specify the time and location for document delivery by a representative, saving a trip to the branch and allowing account opening of 3 types of accounts (NT\$, foreign currency, trust account) within 10 minutes. Foreign currency withdrawal appointments allow the assignment of different denominations of foreign currency and withdrawal at any of the 127 domestic locations, saving counter time. Bank SinoPac through its 4 types of appointment functionality further promotes the idea of "Banking is Simple". Mobile banking services allows O2O (Online to offline), to further extend to all, with financial services not limited by time and space. With the convenience of a digital branch in your hand, we bring a "heartfelt" service.

### (3) "Cardless cash withdrawal" services

To fulfil the clients' demand for mobile finance, Bank SinoPac release "Cardless cash withdrawal" services which allows clients to withdraw money from ATMs without providing a physical card. "Cardless cash withdrawal" will replace the physical work and save time for waiting, using a safe and convenient service.

### (4) SinoPac bill pay service, enabling online bill payments, tax payments

Bank SinoPac release the "SinoPac online payment" system, offering variety and convenient online payment service, and there's more than 3000 items can be paid online. This service is open for everyone including non-our client, allowing people finish their payment at home. The promotion of electronic bill could reduce the use of paper and the engine displacement by postal transportation.

The innovative bill payment platform "SinoPac online payment" won two awards issued by Financial Information Service Co. in 2017.



SinoPac Securities provide a multi-product and comprehensive electronic trading platform, focusing on the use of mobile devices and online services, the features of each platform as follow :

E-platform	Platform Type	Product	Features
<b>eLeader</b>	AP	Securities/ Emerging stock / Futures \ Warrant /sub-custody/ wealth management / margin loans	1. Customer-friendly interface 2. Order placed using program trading 3.Stop-Limit Order
<b>EZTrade</b>	WEB	Securities/ Emerging stock / Futures \ Warrant /sub-custody/ wealth management / margin loans	Easy to use. Need not download application.
<b>iLeader</b>	Mobile	Securities / Emerging stock / Futures \ Warrant / sub-custody	Immediate quotation and order placement
<b>Telephone Order</b>	Voice	Securities	Order can be placed using telephones.
<b>SinoPac Helper</b>	APP	Financial Services combined with lifestyle functions	Provide on-line service and signatures, video conference account opening, and additional account opening, and other lifestyle functions.
<b>Video Conference Account Opening</b>	Line@	Open securities account	Online signatures of account opening documents and upload of IDs, with video authentication to confirm account opening.
<b>Open Account with SinoPac Securities</b>	WEB APP	Open securities account	Use securities Certificate Authority via PC or mobile devices to complete and upload ID, without the need for counter service authentication.
<b>VB DLL/Excel DDE</b>	API	Securities / Emerging stock /Futures \ Warrant	Programmable access from customer systems
<b>GL-Trade/ Bloomberg/DMA</b>	FIX	Securities / Emerging stock / Futures \ Warrant	Interface designed for orders placed by institutional investors.

## Creating smart transaction eco-systems



The Taipei City Government has been promoting a "Smart City" initiative, including a digitalization of the 4 wholesale markets (agriculture, livestock, flowers, and fishery) as a key milestone. Subsidiary, Bank SinoPac promoted "Ecology Finance", in December 2017, announcing a partnership with the largest consumer fishery wholesale market, the Taipei Fish Market Company, to build Taiwan's first smart fishery trading platform.

Using the Taipei Fish Market as an example, most buyers are individuals, with limited financial statements and bookkeeping records, under normal circumstances, this would be difficult to obtain financing. However, SinoPac uses big data analysis to accurately the financing needs of the buyer, providing a line of credit to be used during the auction and negotiations. In the past, buyers needed to bring cash or checks to the Fish Market for payment, creating substantial human and processing costs for collection, verification, cash custody, etc. Currently, the buyers can use the automatic service area in the Fish Market, enjoying modern financial facilities. Even if they bring cash, deposits can be made directly into the account and the system will automatically reconcile the accounts, integrating both virtual and real platforms, providing the broadest, most comprehensive application.



Temples are at the core of religion for many of the Taiwan public, acting as a stabilizing influence on the human spirit. Subsidiary, Bank SinoPac since 2015 has cooperated with many temples across Taiwan, introducing customized ATMs and integrating an automatic lantern lighting and pacifying Tai Sui functionality, bringing traditional temple culture closer to modern technology. The innovative application closes the technology gap and is well integrated into the

daily lives of the public. During the lunar year festival in 2017, Bank SinoPac and 8 temples cooperated in lantern lighting and other automatic services, with the capacity to service 300,000 persons.

In 2017, this Speciality ATM also won the Asian Banking & Finance award for the "Taiwan Domestic Technology & Operations Bank of the Year" award, bringing to practice our principle of "banking is simple".

# Financial Charity – Realizing a happy life

SinPac believe that finance can make the world a better place, not only by dedicating to the innovation of financial products which bring the convenience and warmth of the financial industry to people, but also we even believe that financial product can help underprivileged minority to realize their dream of starting a business.

Our e-payment service “Fun Cashier” have helping many youths to start their business smoothly through an easy to use payment system. We released a ” Senior Care Trust” for elderly care allowing seniors to rely on retirement income. In the meantime, we raise the capital for the small and medium enterprises which are the main growth driver of our economy, enabling SMEs to worry less about money. We even hope that through loan project of culture and creative activities we can support the startup business and development of culture and creative industry. SinoPac hopes to realise a better life through our charity financial products.

## Third party payment "Fun Cashier"

In conjunction with the Garden of Hope Foundation, the Bank launched 3rd party payments "Fun Cashier" assisting citizens to more easily donate to the foundation. Also, Bank SinoPac internally held charity sales events, working with the Garden of Hope Foundation in assisting disadvantaged families and females to return to society and the workforce. Through a simple, innovative financial services, we can more easily demonstrate charity.

"Fun Cashier" supports Three Light Tribe Farmers. To enable the three lights tribe to not be restricted by sales and marketing channels, and to allow consumers to purchase directly from the source, Bank SinoPac through its "Fun Cashier" app, enabled the three lights tribe to fulfill its dreams for selfreliance.

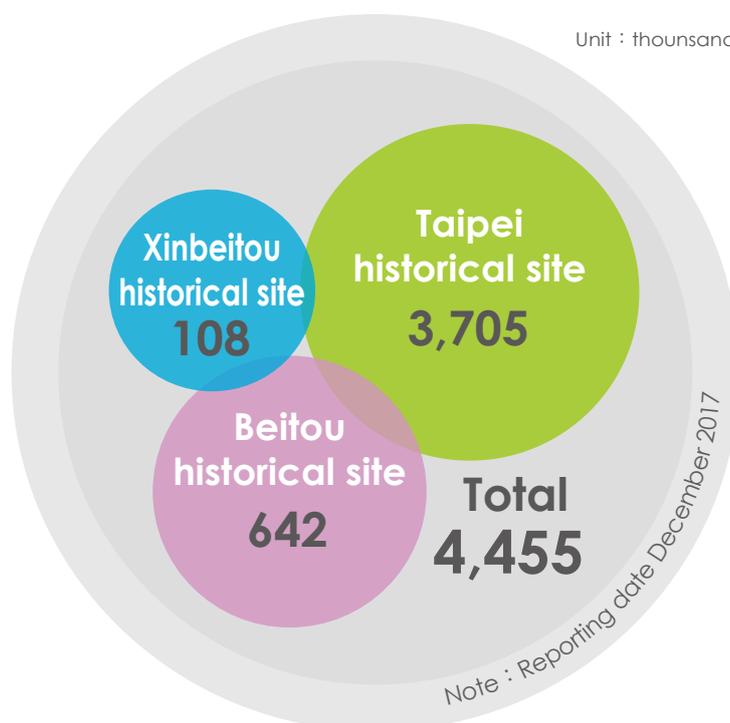
"Fun Cashier" support the Chinese Taipei Football Association, promoting the related merchandise and allowing team referees to enjoy the convenient cash flow service. In addition, "Fun Cashier" provides lecture items and T-shirt for athletes, making soccer activities more popular through supporting the development of Taiwan-based soccer sports. In Taiwan, female baseball has been difficult to develop, most athletes participate after work and rely on their passion and interest. In an environment of lack of funding and resources, these athletes continue to strive towards their ideals.

## Monuments support card "Taipei Fun Pass"

Subsidiary, Bank SinoPac further combined the thinking between cultural and asset preservation, and our products. In 2004, we launched a Taipei Fun Card that has credit card functionality, and established the "Taipei Charity Custody Historical Site Preservation and Development Trust Fund", which allocates 0.35% of all credit card spending to the trust fund, enabling protection and development of our cultural assets.

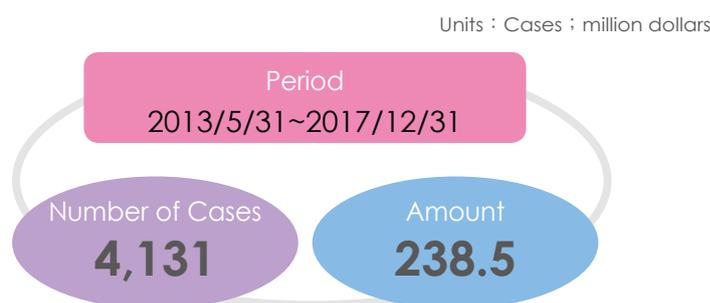
We hope to combine the resources of the public and private sectors, and together promote the preservation of historical assets, promote and revitalize the usage of the precious and limited amount of monuments and historic buildings in the greater Taipei area. Through the preservation of cultural assets, the delight of displaying a historical cityscape, and the lifestyles of ancient times, and the trace of tradition in modern society, can re-engage cultural history into the lives of the city population, and improve their cultural tastes and living environment. As of December 2017, the number of outstanding cards is 1894 and the trust fund assets have reached NT\$4.455 million.

### Taipei Charity Custody Historical Site Preservation and Development Trust Fund



## Foreign worker direct deposit lending program

In 2013, Bank SinoPac provided "Foreign Workers Salary Loans", to salary direct deposit accounts, providing loans to foreign workers that have difficulty in getting loans due to their work visa status, and allowing them to pay a reasonable interest cost.



### Bank SinoPac "Senior Care Trust"

To fulfill the financial needs of Taiwan's ageing society, and to support the Financial Supervisory Commission (FSC) and its government policy towards asset trusts for seniors and disabled persons, since 2016 Bank SinoPac launched a "Senior Care Trust" product to service this target market, enabling the use of trust vehicles to protect client assets, and to ensure the safety and independence of the assets, enabling the targeted needs of taking care of the beneficiary during long-term care.

To actively push and promote the idea of elder care trusts, and to fulfill our corporate social responsibility, in 2017, Bank SinoPac continued to provide educational training to our advisory staff, enabling them to assist clients to properly use trusts to plan a safe retirement life. Concurrently, we engaged directly to the public, participating in a variety of publicly held promotional events. In July 2017, we worked closely with the New Taipei City Government to jointly promote the idea of senior care trusts, inviting elderly charities, disabled persons NGOs, New Taipei Senior Clubs, New Taipei Senior Communities, and New Taipei Evergreen University students, providing advisory services for senior care trusts, and through questionnaires, enabling a better understanding of client needs. In November 2017, we participated in the New Taipei City Government Evergreen University roadshow, promoting the concept of trusts directly to the elderly community.

Looking forward to this year, Bank SinoPac shall continue to give back to the community, through discounted fees and customized services, as well as continued investments in human resources and systems, develop trust structures that fulfill the need of modern society, providing the optimum solution for clients' asset management, and through a trust mechanism, fulfill client's wishes to protect their assets and extend their will, to enjoy a worry-free retirement age. In addition to assisting clients to seek investment returns, by also protecting their assets, plan for their retirement, and ensure that assets use matches with the will of the individual with protection from sudden losses, shall achieve a segregated capital base for retirement, elderly and long-term care.

### Small medium enterprise loans

Bank SinoPac, satisfies the SME segment with a variety of products and services. To assist SMEs in developing foreign markets, Bank SinoPac and China

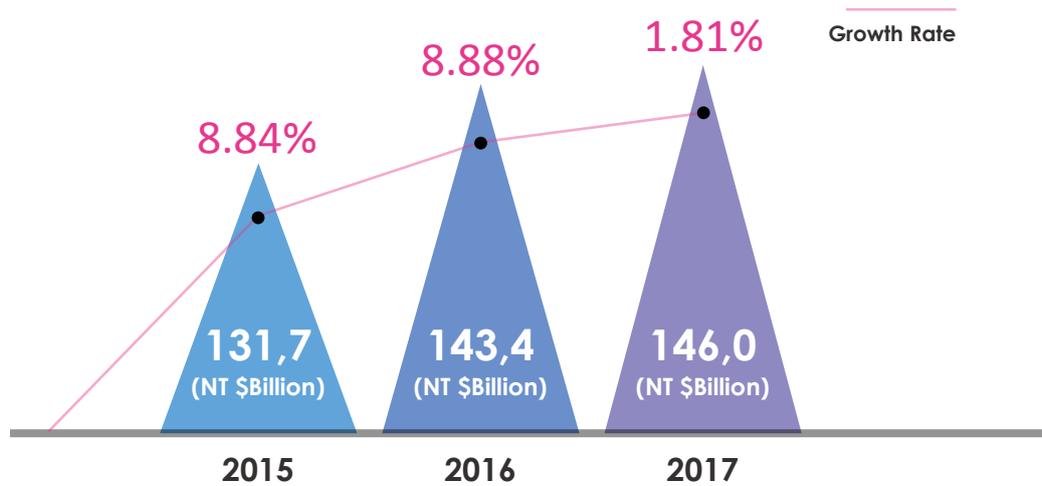
Ex-Im Bank, in October 2014 signed a "L/C Forfaiting Insurance" agreement, and lowers trade financing risks via Factors Chain International (FCI) and accounts receivables insurance. In February 2016, we won the 2015 best introductory export insurance business bank. In the future, we shall provide a more complete, wide ranging capital support for SMEs in obtaining foreign markets, and strengthen the export competitiveness of the country.

### Loans for Small & Medium Enterprises



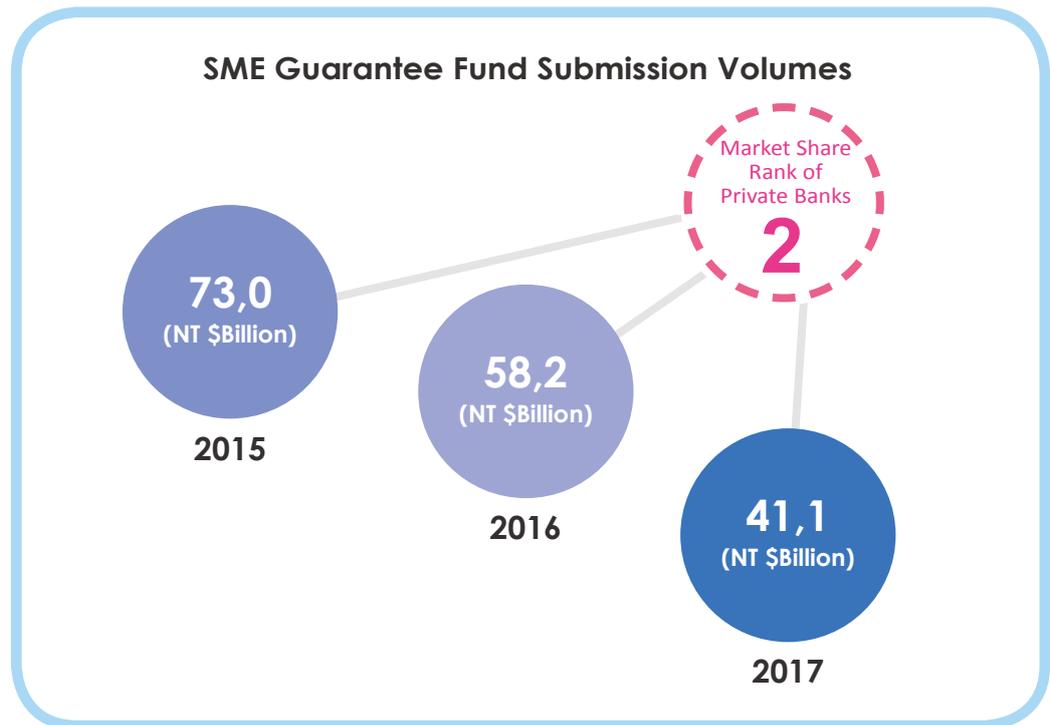
2017

- ★ Best Provider for SME Loans
- ★ Credit Manager Merit
- ★ Quality Financial Services Provider



Leveraging its strong support from SME financing, and utilizing the "SME Credit Guarantee Fund" and other guarantees, and supporting the government's economic development policies, we can fulfill the financial

### SME Guarantee Fund Submission Volumes



products and services needs of SMEs. In 2017, we won the FSC "Best Provider for SME Loans" award, Ministry of Economic Affairs, SMEA, "Credit Manager Merit", and the Ministry of Economic Affairs, Energy Bureau, award as a "Quality Financial Services Provider" for solar power projects.

## Creative industries lending programs

Bank SinoPac encourages the youth to develop new business in the creative cultural industry, in support of the government's push for the "Finance supporting innovation" project, and the FSC's "scheme for incentivizing domestic banks to loan to innovative businesses", we have assisted creative culture businesses to obtain needed capital, improve the industry's capabilities, and to improve industrial structure, to enable sustainable development. By the end of 2017, we have submitted 497 projects, with a loan value of NT\$13.5 billion including the following project types:

1. Tangible assets: Investment or startup capital to obtain business offices (including land, factory, offices, performance space), machinery & equipment, stage set, computer hardware & software (including equipment needed for IT solutions)
2. Intangible assets: Investments or creative activities and the required intellectual property (including patents, trademarks, copyrights, etc.)
3. Working capital: Working capital needed for investments or creative activities.
4. New product or new technology development or manufacturing.
5. Research & Development, human resources training programs.

# Financial Services – Building a heartfelt lifestyle

SinoPac Holdings continues to grow with its clients. In response to changing times, we further develop digital finance services combining virtual and physical stores, and further simplifying finance, and providing warmth to our services. SinoPac places importance in the engagement with each customer, regardless of whether it is online, at a physical brand, or via telephone. SinoPac aims to achieve excellence in its attitude, professional service quality, and friendly service space.

Especially, recent fraud cases have increased in Taiwan, and Bank SinoPac aims to ensure each counter customer funds can be protected. Each year, we hold "fraud prevention operational training" and "effective prevention of fraud case studies", to improve the professional skill set of colleagues. When customers come in for a transaction, we can observe their expressions and effectively ask questions, to ensure client assets are not defrauded. In 2017, Bank SinoPac Banqiao Branch was awarded by the National Police Agency, the Chunglun Branch, Shidong Branch, and Chang-an Branch all received awards by the Taipei City Government, as "Financial Institutions that Successfully prevented fraud," demonstrating the care our colleagues have for client assets and fraud prevention professionalism.

## Channels of Customer Communications

### Customer Service Hotline

"Telephone Customer Service" Established a 24 hour, 365 days per year telephone phone service hotline, providing voice-based customer service and personnel. Voice-based services includes a complete interactive voice system, with live customer service representatives providing lookup, application, transfer, deposit, FX, and mutual fund-related services.

"Internet-based Customer Service" the MMA Transaction Platform provides multiple account lookup and transaction functionality. Moreover, an internet based voice & chat services are available as well. One-Touch Customer service, Smart Fong, or Quick Message Mailboxes, are provide a variety of convenient service channels for our clients.

### Satisfaction Survey

"Telephone Service Satisfaction Surveys" are targeted to call-in clients. After service, an interactive voice response system directs the caller into a survey system.

"Branch Satisfaction Survey" establishes a counter-service satisfaction survey team, collecting 10% of all counter service clients each week for a phone call follow up. Feedback and responses are collected to provide a closer expectation in services to improve client satisfaction.

"Wealth Management Satisfaction Surveys" are held each quarter, focusing on the previous quarter's wealth management product clients with a phone call interview. The purpose is to understand business development personnel and wealth management sales personnel and their understanding of the client's investment characteristics, product appropriateness, and service satisfaction. The collection of feedback assists in securing the rights of financial product consumers.

"Cloud-based account opening appointment service satisfaction" is targeted to clients that opened accounts using cloud-based systems. A random selection of new clients is collected for phone interviews in client satisfaction, collecting opinions and feedback to provide a service quality closer to expectations.

### On-Air Financial Advisor

Breaking out of the traditional branch and phone based sales model, we target clients without dedicated financial advisors with our on-air financial advisor, providing clients with banking and investment advisory through phone, email, text messages, enabling a comprehensive service, proactively solving client demand.

### Customer Complaints

We established a customer complaint response team, enabling appropriate resolution of client complaints. We provide a convenient and diverse online platform.

### Virtual Channel

Internet Banking, Mobile Banking

### Feedback

Business Unit Customer Feedback

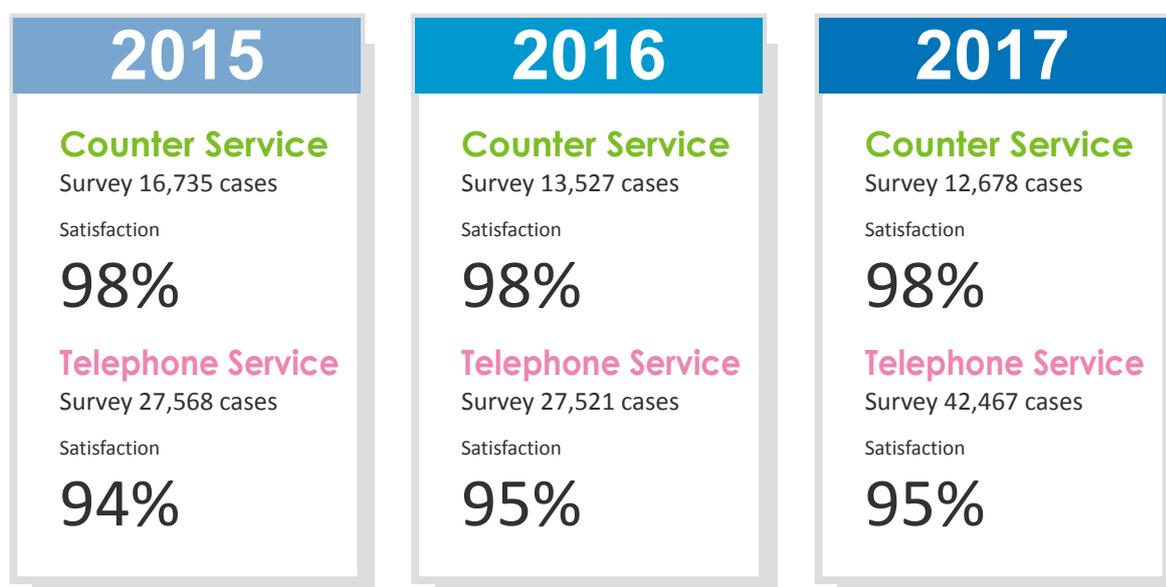
### Seminars

According to business needs, provide wealth management seminars, workshops, or related events.

## Upgrade professional service quality, establish client "satisfaction surveys" and lower client complaints

To improve the professional service quality, Bank SinoPac and SinoPac Securities in 2017 both commissioned telephone-based customer service "satisfaction surveys", the average satisfaction rate for Bank SinoPac achieved 95%, and counter service satisfaction rate achieved 98%. SinoPac Securities via its customer service call center survey achieved 95% in politeness, accuracy, and efficiency, with other metrics achieving 80% or above. Achieving the best service is a continual goal for SinoPac, with an aim for the client to feel professionalism and happiness in every contact between the client and SinoPac.

### Bank SinoPac Service Satisfaction Survey



Note 1: Banking customer satisfaction surveys are based on a 5 point scale.

Note 2: Counter service satisfaction: Customer ratings in "Satisfied" ,and "Very Satisfied", achieved 98%.

Note 3: Telephone service satisfaction is based on 3 questions: Total score over 12 points is over 95%. Very satisfied 5 points, satisfied 4 points, moderate 3 points, unsatisfied 2 points, very unsatisfied 1 point, maximum score is 15 points.

#### 1. Results of the client satisfaction survey

Bank SinoPac and SinoPac Securities to better understand customer needs, conducts an annual client satisfaction survey, with the results as follows:

- (1) Bank SinoPac: 98% satisfaction rate on counter service and 95% on telephone service, positive collected feedback increased 2x versus the previous year.

Bank SinoPac directs service hotline call-in customers, at the end of the service into an interactive voice response system proactively to complete a satisfaction survey. In 2017 a total of 42,467 samples were collected in our telephone customer service satisfaction survey, with an average satisfaction rating of 95%. Targeting counter services, each week we select a 10%



sample for a follow-up telephone survey, and at the same time collect customer suggestions. Effective calls were 12,678 samples, with an average satisfaction rate of 98%. The "Very Satisfied" response increased from the previous year by 2%.

In 2017, 3,384 cases of customer suggestions were collected via telephone surveys. The major areas of feedback include contact information, suggested improvements, service improvements, and praise. Feedback on praise items increased 2x versus the previous year. System or Email feedback from each department are provided to improve procedures or for the development of new financial products.

Targeting customers using Internet appointment scheduling services for account opening, after account opening, a telephone survey is performed to collect customer suggestions and to optimize procedures and improve service quality. For customers that require wealth management services, the Bank every quarter samples 8% of the population for a telephone interview, to better understand the interaction between personnel and customers, including investment characteristics, the appropriateness of products, service quality satisfaction and survey, to ensure the rights of financial products customers.

- (2) SinoPac Securities: For 3 years in a row, achieved 95% in politeness, accuracy, and efficiency, with others over 80%.

Through customer service hotlines, email, and other business unit sales personnel visits and other distribution channels, we continually collect customer suggestions on an ad-hoc basis, to better understand client satisfaction and needs of various services.

Through educational training, and regular instructions from supervisors, we continue to improve their communication and interaction skills with customers. Using script and forms, monitoring, recording, and other service quality management tools, we better understand the performance and service attitudes of our colleagues with clients, and effectively improve our service quality and client satisfaction. Customers can engage with us through a customer service hotline, email business unit, and multiple channels of appeal and suggestions. Regular telephone recording sampling enables a better understanding of customer service personnel service and whether interactions are compliant with related regulations and SOPs, as well as their service quality and etiquette.

For customer dispute cases, we have established response times rules and follow up resolutions, to improve customer satisfaction. For electronic-based platform functions and operating procedures, we also collect related data for the relevant business units and respond as needed.

- a. 2017 call center survey sampled 1,110 calls, with a 95% rating on politeness, accuracy, and efficiency. Other factors also achieved 80% or above in rating. If



surveyed colleagues achieve a rating below 80%, the colleague is contacted to identify issues, improve training, and share the correct method of resolution with the client.

b. 2017 email responses were 3,326 cases, with all responded within the required rules (Note). 2017 phone calls/letter responses increased substantially by 16,796 calls/833 items, due to weaker market performance and the negative impact of capital gains tax on securities. Simultaneously, SinoPac Securities improved its electronic platform, and improved its computer environment setup program, online password recovery, and other convenience tools, resolving issues that generated calls in the past.

c. 2017 proactive positive feedback was 6 cases.

### SinoPac Customer Service Centre Satisfaction Survey

	2015	2016	2017
<b>Number of Random Sampling Phone Calls</b>	1,203 calls	1,179 calls	1,100 calls
<b>Percentages of Politeness, Correctness and Effectiveness Reach the Grade of 80</b>	95%	95%	95%
<b>Number of Email Replied in the Given Time (Note)</b>	3,131 cases	2,493 cases	3,326 cases
<b>Cases Praised by Customer</b>	7 cases	5 cases	6 cases

Note: Email Reply Process

Business Hours 7:30~17:00 : 120min	Business Hours 17:00~22:00 : 240min
Non-Business Hours : Before 12:00 the next working day	Voice Message : Before 12:00 the next working day

## 2. Customer complaint response and improvement

To respond to customer issues and to ensure they receive quick resolution immediately, both bank and securities have customer complaint response and improvement processes in place. In 2017, the acceptance rate in our complaint resolution was 84%. SinoPac Securities continues to train out colleagues in professionalism and engagement through multiple channels with our customers on information requests. We resolved 38 complaints, lower than last year by 6 cases. Concurrently, SinoPac Holdings and its subsidiaries implement procedures, to ensure that customers receive the appropriate resolution to outstanding issues.

(1) Bank SinoPac in 2017 resolved 234 cases of complaints, lower than last year by 47 cases. The major dispute categories and resolutions is as follows.

## Bank SinoPac Major Dispute Items

Major Dispute	Causes	Response	Resolutions	Total Disputes and Appeals
<ul style="list-style-type: none"> <li>• Credit Card Disputes 95</li> <li>• Operational Disputes 58</li> <li>• Mortgages 20</li> <li>• Derivative Products 18</li> <li>• Others 43</li> </ul>	Mostly due to the misunderstanding of regulation.	Explain the regulations to customer	<ul style="list-style-type: none"> <li>• Provide detail explanation training before service or provide alternative Resolution.</li> <li>• The acceptance rate in 2017 is 84% (Note) °</li> </ul>	Appeal Provided
				<ul style="list-style-type: none"> <li>• 24Hour Customer Service : (02)2505-9999</li> <li>• Consumer Complaint : (02)6632-6189</li> <li>• Email : cchs@sinopac.com</li> <li>• Website : https://bank.sinopac.com</li> <li>• Address : No.36, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan</li> <li>• Branch Address : Check on our website or 24Hour Customer Service</li> </ul>
				Total Dispute 234

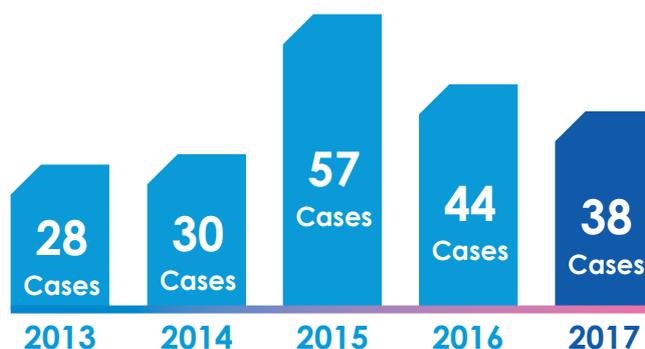
Note: Acceptable number of case 197/the total number of cases 234

- (2) SinoPac Securities: Provide a service hotline and mailbox, enhance professional training. In 2017, decreased disputed cases.

We maintain a proactive attitude and empathy in resolving client issues, contact and communicate with each business unit, and assist customers in solving their needs or resolving complaints. We have established major customer complaint procedures and follow a tiered process of resolution and reporting.

SinoPac Securities' e-commerce department provides a service hotline 0800-038-123/ 02-6630-8899 and SinoPac Securities' website (www.sinotrade.com.tw). In addition to providing a service hotline and customer service email box, we have also established special hyperlinked sections on "personal data protection measures" and "contracts for joint marketing products."

### Cases of Customer Complaints That Has Been Resolved in Given Time for 2017



Note : Trade disputes, complains, appealing processing time

- Customer's general complaints and suggestions shall be replied to in two working days
- For complaints requiring cooperation of other departments, the related department shall be informed and complaint recorded within two hours from the complaints.

These two sections provide customers with information on data protection measures and subsidiary service contact windows on joint marketing product contracts.

## Establish a friendly service space

Subsidiary Bank SinoPac follows measures for accessible space in compliance with building codes and building use permits and establish ramps or (handicap) parking spaces, and establish handicap accessible ATM and voice accessible ATM equipment. In 2013, Bank SinoPac's website introduced an accessible website (accessibility.sinopac.com) and in 2014 received the NCC accessible website A+ badge. In 2016, all major functionality was introduced for the accessibility website, enabling a more user friendly, convenient interface for customers.

SinoPac mobile banking further innovates with a "voice activated" service, with a new method of access, where voice can be used to provide customers a friendlier, better quality mobile financial service.

## Service Friendly Spaces - Overview

	Bank SinoPac	SinoPac Securities
<b>Service Friendly Space</b>	<ol style="list-style-type: none"> <li>1. Set up slope and handicap parking space</li> <li>2. Courtesy Glasses</li> <li>3. Customer Services Ambassador Assistance and Guidance</li> </ol>	<ol style="list-style-type: none"> <li>1. Set up slope and handicap parking space</li> <li>2. Courtesy Glasses</li> <li>3. Customer Services Ambassador Assistance and Guidance</li> </ol>
<b>ATM</b>	Accessibility ATM and ATM with Voice Function	No related service
<b>Phone Service</b>	3 Languages (Chinese \ Taiwanese \ English)	
<b>Internet Banking Service</b>	<ol style="list-style-type: none"> <li>1. Bank SinoPac MMA Public Information Website, transfer transaction and account inquiry have received NCC accessibility A + mark.</li> <li>2. Bank SinoPac MMA Voice recognition service.</li> </ol>	<ol style="list-style-type: none"> <li>1. Order inquiry through telephone systems.</li> <li>2. Established a friendly finance special area on the SinoPac Securities website.</li> </ol>

**E**



## Enrich Society and Citizenship

SinoPac Holdings upholds the professionalism of the Financial Services industry, wields its influence to gather corporate volunteers to join in charity events, participate in seminars, and to participate in community and equal rights events, hoping to enrich society.

## Bank SinoPac and SinoPac Securities Community Involvement

Units: 10,000 dollars

	6,420	4,222	5,141
 <b>Education Investments</b>	<b>2017</b> <b>4,251</b>	<b>2016</b> 780	<b>2015</b> 1,043
 <b>Creative Sponsorships</b>	<b>2017</b> <b>1,899</b>	<b>2016</b> 2,302	<b>2015</b> 2,219
 <b>Arts / Music Sponsorship</b>	<b>2017</b> <b>227</b>	<b>2016</b> 120	<b>2015</b> 437
 <b>Health/Sports and Others</b>	<b>2017</b> <b>43</b>	<b>2016</b> 20	<b>2015</b> 430
 <b>Charity Donations</b>	<b>2017</b> <b>0</b>	<b>2016</b> 1,000	<b>2015</b> 1,012

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# Enrich Society

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SinoPac Holdings invested substantial corporate resources to charity donations, international financial topics, personnel development, sustainability and the environment. To leverage the professionalism of the financial services industry, and to welds its influence to gather corporate volunteers to join in charity events, participate in seminars, and to participate in community and equal rights events, hoping to enrich society.

SinoPac Holdings and its subsidiaries in 2017 contributed NT\$64.2 million in education, culture, arts, and community service. Education represented NT\$42.51 million in contributions, creative cultural sponsorships NT\$18.99 million, and arts and music sponsorships NT\$2.77 million.

## **Gather corporate volunteers, assist Formosa Fun Coast dust explosion victims to understand career entry standards for the financial industry**

SinoPac Holdings believes that "accompaniment" is very important. Showing "care" to others is important in helping others to overcome adversity and move forwards out of the pain. Thus, in addition to the NT\$10 million donated to the New Taipei City "Formosa Fun Coast Dust Explosion Social Assistance Fund", we also announced an internal call to action for "SinoPac Volunteers", where we provided 1-on-1 interactions with injured students. Volunteers helped students understand what is required to develop a career in finance industry, and demonstrated empathy for the students and their recovery progress. By contributing their time and effort, we hoped to enable students to feel the warmth from society, and walk with them to become a contributing member of society.

In 2017, through a cooperation with the Sunshine Foundation, we planned financial career seminars, and financial industry site visits, enabling students that have an interest in the financial industry to more quickly understand the nature of the business, with the hope that they can more smoothly return to a career path. As of 2017, 2 of these students have joined the SinoPac family.

## **Support arts, music, and cultural creative industries, enriching our lives with arts and humanities**



Title Sponsor of the "Simple Life" festival, a 2-day event that attracted over 40,000 attendees.

For the 4th consecutive year, Bank SinoPac sponsored the "Simple Life" festival, which promoted youth culture and creative markets as its core focus. Since 2014, this event has attracted over 200,000

attendees, with invitations to the entertainment industry, cultural industry, and hundreds of life gurus, share their experiences through concerts and farmers' markets, enabling participants to enjoy "a Simple Day".

In 2017, the Simple Life Festival, was held on December 9 and 10th at the Taichung Civics Square, attracting 40,000 attendees. On location, a convenient payment environment was created, but also through the diverse activities at the festival, combined the convenience of banking with a life experience. We aimed to share the concept of "Banking is Simple". Over 2 days, 28 musical performances were hosted, and 58 brands were showcased on location, with over 100 creative personnel participating, demonstrating achievements of the youth creative cultural entrepreneurial spirit. Locally raised produce was also showcases, with 6 local specialty restaurants invited to redefine local snack foods, enabling the charisma and enjoyment of simple foods. Concurrently, to support youth creativity, we cooperated with 50 local stores and in the Taichung area branches distributed "Life Travel Coupons", combining financial transactions with discounted consumption, together supporting youth entrepreneurs.

Co-hosted the Elephant String Group "Mountain and Sea Music Recital Summer Camp and Presentation", event, enabling children to learn through music cultural exchange

Subsidiary, SinoPac Securities for the past 5 years (2013-2017) supported "City-Rural" exchanges in music cultural education through a summer camp. Enabling city music students to travel to the Miaoli Nanzhuang Township Donghe Primary School to learn from each other. We also provided space to hold "Change" a mountain and sea music recital, inviting rural primary school students and city students to jointly participate in a presentation recital.

Supported the "Taipei Children's Arts Festival" for the 10th year, enabling the development of art appreciation from a young age

Bank SinoPac understands that children are your future, in addition to providing an mma Child Account, teaching children the value of savings and financial management from a young age, we also actively promote financial literacy to children, and from life and art, proactively participate in social community events and deepen our linkages with the local community.

Since 2008, we have donated to the Taipei City Government, Department of Culture's annual summer "Taipei Children's Arts Festival" and related events.

For the past 10 years, we have supported over 1900 events, with over 2.35 million participants. The "2017 18th annual Taipei Children's Arts Festival" especially combines a variety of theatre performances, providing Taipei City children a happy summer and participation in diverse arts and culture activities, enabling children to develop an interest and appreciation for the arts through these events.

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Participated in the 2nd annual "Taipei World Animal Day" promoting a respect for life, and love of animals

To establish a friendly environment and fulfill a responsibility to society, our subsidiary, Bank SinoPac in 2017 participated in the 2nd annual "Taipei World Animal Day", organized by the "Asian Environmental Ecology Protection Exchange Association".

An invitation was extended for parents to participate, jointly respect life and love for animals, and pay attention to the topics of respect for life. Children were encouraged to learn about animal protection through drawings, and work together to sustainably protect the earth. This event invited about 500 families to participate, and through promotion and actions, brought the community together to give voice to the world, supporting the love for animals.

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# Enrich People

## Seek growth within the corporate organization

SinoPac Holding strives to provide a growth-oriented organizational environment. Depending on the personality and professional skills of individuals, we provide both horizontal or vertical development opportunities. Through a fair assessment policy for colleagues, we shall provide a fair and appropriate career plan, aiming to create a fair and just work culture. At the same time, we hope that colleagues can seek personal growth, demonstrate excellence in performance, and create value for the organization.

We provide a quality work environment, and an equal opportunity environment for stable growth and happiness. In 2017, we provide multiple benefits and employee welfare programs and flexible work hours, to enable colleagues to grow, feel at ease with their careers, achieve a work-life balance, happy work, and lifestyle.

### 1. An equal opportunity work environment

SinoPac has a policy of equal opportunity. All job offers, promotions, assessments, transfers, training, career planning, and bonus opportunities are available on an equal opportunity basis with no consideration due to gender, religion, race, or other non-performance factors. We maintain a fair and just attitude to our all colleagues, and ensuring compliance with the government labor laws and related regulations. In addition to permanent employees, we also employ contract workers, 207 females and 63 males, which also provides for an equal opportunity work environment, and depending on company needs allow for opportunities for contract workers to become permanent employees.

We provide pregnant colleagues with pregnancy leave, examination leave, nursery leave without pay, and paternity leave, along with group insurance coverage. For pregnant colleagues, performance assessments shall not be affected by their pregnancy, and a colleague dispute resolution channel is available, to ensure that pregnant colleagues enjoy equal treatment.

In addition to providing an equal opportunity work environment, we also offer work opportunities for charitable causes. In the past, SinoPac prioritizes handicapped colleagues. Bank SinoPac and SinoPac Securities has hired 61 handicapped personnel. Bank SinoPac has hired 38 handicapped personnel (including 6 with major disabilities). SinoPac Securities has hired 23 (including 4 with major disabilities). At SinoPac, we have opportunities for the disabled, including positions as clerks, IT programmers, IT personnel, etc. with high performing colleagues already being promoted to the managerial level.

## 2. Complete and Fair Performance Assessment Policies

SinoPac Holdings provides an annual assessment and career progression evaluation in accordance to the "Rules on Employee Evaluation" to our colleagues. This process is used as a benchmark for learning development and future progress. At the start of the year, goals are established, then monitored and revised by direct supervisors. All full time employees past the probation period must participate in the assessment program. In 2017, 100% of eligible employees participated.

During the annual review, colleagues are expected to exchange career development plans (across the group, company, or business areas), and suggest courses and training that may be beneficial to career development. Through a face-to-face interview with the direct supervisor and colleagues, we can better understand the career ideas of our colleagues and plan for future directions.

After the review, the performance assessment forms are signed by the colleague, and verified by the supervisor then passed onto human resources for record keeping.

## Employee Types

			Taiwan	Overseas	Contract Employees	Full-Time Employees
<b>Full Time Staff</b>	2,942	4,732	7,393	281	0	7,674
<b>Contract Staff</b>	63	207	270	0	270	0
<b>Total</b>	3,005	4,939	7,663	281	270	7,674

## Current Employee Breakdown

Unit: Persons

2017 Year-End	SinoPac Holdings			Bank SinoPac			SinoPac Securities			SinoPac Leasing			SinoPac SITC			SinoPac Venture capital			Total
			Total			Total			Total			Total			Total			Total	
<b>&lt;30</b>	0	0	0	206	560	766	68	91	159	3	8	11	0	0	0	0	0	0	936
<b>30-49</b>	0	3	3	1,432	2,478	3,910	580	950	1,530	26	27	53	38	69	107	2	5	7	5,610
<b>&gt;50</b>	14	3	17	387	214	601	169	320	489	7	0	7	9	4	13	1	0	1	1,128
<b>Total</b>	14	6	20	2,025	3,252	5,277	817	1,361	2,178	36	35	71	47	73	120	3	5	8	7,674

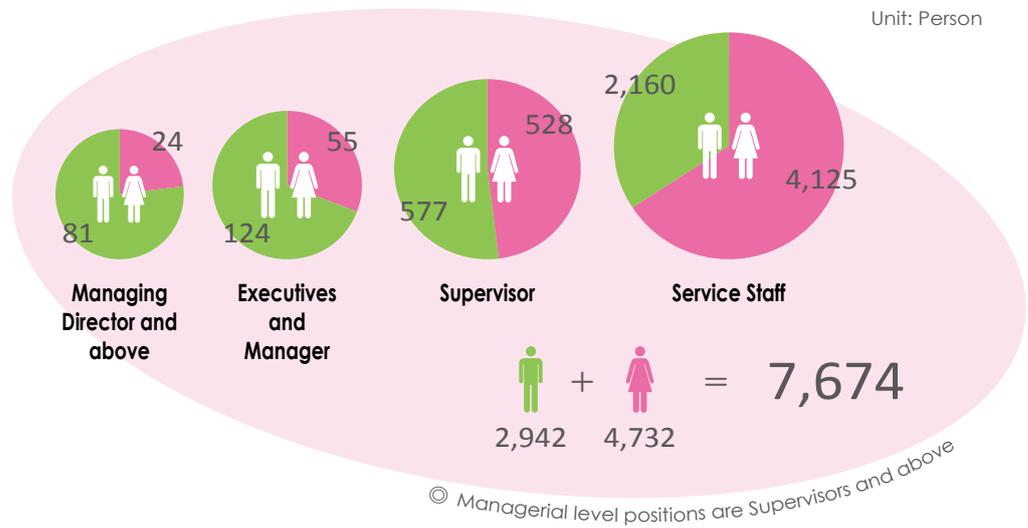
Note: Non-supervisor Employees: Female 4,125, Male 2,160

## New Recruits and Resignation Rates

Unit: Persons

	Domestic Permanent Employee				Overseas Permanent Employees (Expatriate Employee Included)			
	Staff	% of New Recruits	Resignations	% Resignation	Staff	% of New Recruits	Resignations	% Resignation
<b>2015</b>	7,735	15.86%	999	12.92%	304	24.01%	70	23.03%
<b>2016</b>	7,663	10.67%	882	11.51%	293	19.11%	72	24.57%
<b>2017</b>	7,393	7.93%	872	11.79%	281	21.71%	76	27.05%

## 2017 Year End Employee Structure – Categorized by Position



## Structural Analysis of New Recruits

Unit: Persons

		Domestic Permanent Employee			Overseas Permanent Employees (Expatriate Employee Included)		
<b>Number of Permanent Employee in 2017</b>		7,393			281		
<b>Percentage of New Recruits in 2017</b>		7.93%			21.71%		
Gender	Age	Supervisor	General Staff	Total	Supervisor	General Staff	Total
New Recruits							
♂	Below 30	0	103	103	0	9	9
	30-50 y.o.	10	141	151	0	10	10
	50 y.o. And above	13	6	19	0	0	0
	<b>Total Males</b>	<b>23</b>	<b>250</b>	<b>273</b>	<b>0</b>	<b>19</b>	<b>19</b>
♀	Below 30	0	142	142	0	19	19
	30-50 y.o.	7	153	160	0	21	21
	50 y.o. And above	1	10	11	0	2	2
	<b>Total Females</b>	<b>8</b>	<b>305</b>	<b>313</b>	<b>0</b>	<b>42</b>	<b>42</b>
<b>Total</b>		<b>31</b>	<b>555</b>	<b>586</b>	<b>0</b>	<b>61</b>	<b>61</b>

Note: New Recruits Rate= the annual number of new colleagues / the number of people staying in the end of the year

## Structural Analysis of Dismissed Employees

Unit: Person

		Domestic Permanent Employee			Overseas Permanent Employees (Expatriate Employee Included)		
<b>Number of Permanent Employee in 2017</b>		7,393			281		
<b>Percentage of Dismissed Employees in 2017</b>		11.79%			27.05%		
Gender	Age	Supervisor	General Staff	Total	Supervisor	General Staff	Total
Number of Dismissed Employees							
	Below 30	0	109	109	0	11	11
	30-50 y.o.	26	214	240	1	16	17
	50 y.o. And above	44	29	73	1	0	1
	<b>Total Males</b>	<b>70</b>	<b>352</b>	<b>422</b>	<b>2</b>	<b>27</b>	<b>29</b>
	Below 30	0	160	160	0	16	16
	30-50 y.o.	14	245	259	1	29	30
	50 y.o. And above	11	20	31	0	1	1
	<b>Total Females</b>	<b>25</b>	<b>425</b>	<b>450</b>	<b>1</b>	<b>46</b>	<b>47</b>
<b>Total</b>		<b>95</b>	<b>777</b>	<b>872</b>	<b>3</b>	<b>73</b>	<b>76</b>

Note: Dismissal Rate = Annual number of Dismissed Employees/ Annual Average Number of Permanent Employees

## Information of Parental Leave without Pay

Unit: Person

Items			Total
<b>Number of Employees That Are Qualified to Apply for Parental Leave (A)</b>	303	555	858
<b>Actual Number of Employees That Applied for Parental Leave in 2017 (B)</b>	3	105	108
<b>Apply Rate in 2017 (B/A)</b>	0.99%	18.92%	12.59%
<b>Number of Employees That Should Have Returned in 2017 (C)</b>	7	81	88
<b>Actual Number of Employees That Returned in 2017 (D)</b>	2	63	65
<b>Return Rate in 2017 (D/C)</b>	28.57%	77.78%	73.86%
<b>Number of Returned Employees in 2016 (E)</b>	3	53	56
<b>Number of Post Parental Leave Employees Who Stayed for a Year in 2016 (F)</b>	1	47	48
<b>Retention Rate in 2016 (F/E)</b>	33.33%	88.68%	85.71%

Note: The number of parental leave applicants meet the eligibility = the number of children born in 2015 ~ 2017

## Innovative learning tools

To enable growth and learning opportunities in the organization for colleagues, SinoPac Holding creates a learning environment for learning, and in consideration of the professionalism and characteristics of colleagues provides on the job training and growth opportunities. Each year, the holding company and subsidiaries in consideration of operational strategy, business focus, and human resources strategy, drafts educational and training guidelines and provides systematic courses schedules enabling colleagues to improve their professional knowledge, and continue growth with the organization. In 2017, the total budget for training was NT\$29.01 million, with over 328,472 hours of training hours.

### Training Hours (including internal, external, and online training)

Categories	Persons		Total Hours		Average Hours	
						
<b>Associate VP and above</b>	81	24	4,236	1,552	52	65
<b>Manager Level</b>	124	55	8,960	3,718	72	68
<b>Assistant Manager</b>	577	528	31,247	28,620	54	54
<b>Staff</b>	2,160	4,125	83,393	166,746	39	40
<b>Total</b>	2,942	4,732	127,836	200,636	43	42

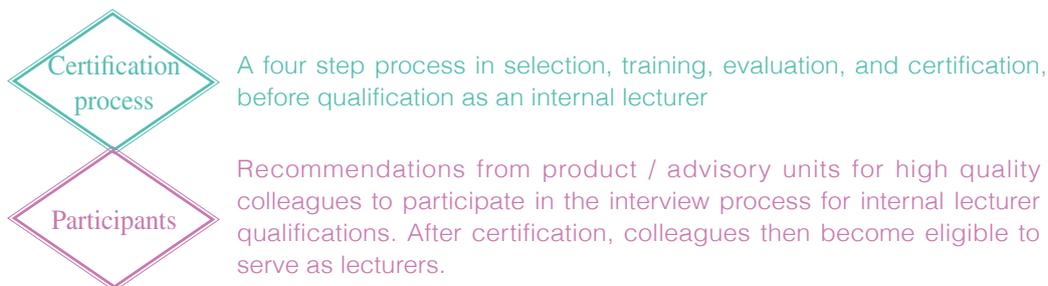
Developing staff towards professional skill sets and capabilities are our main goal. Enabling colleagues to learn on the job at an accelerated pace, and to contribute what they learn. We promote a learning-outcome oriented organization, through internal lecturers and a Mentor program, facilitate a variety of classes and experience exchange, enabling a culture of cross learning, developing a strong and effective knowledge management system.

Concurrently, to develop management's consensus to the organization, and deepen the skill sets of the managerial staff, for mid and high level managers, we have a cornerstone of "expectations of the organization to senior leadership", continue to execute a leadership training system throughout our whole organization, and deepen the training and management skill set training program, enabling senior leadership to use what they learn, and lead a team to move forward together, and create value.

## 1. Systematic on-the-job educational training

### (1) Establish internal lecturer criteria

Within the organization, valuable experience by colleagues should be exchanged and passed on. Thus, we've promoted an internal lecturer training program, to establish an internal lecturer certification policy:



### (2) Mentorship Program

Subsidiary, SinoPac Securities is currently developing 120 approved mentors to assist new colleagues. Approved trainers have all completed comprehensive mentorship training, and are eligible to share and pass on their experiences.

### (3) Corporate university training program

At Bank SinoPac, we combine with the new human resource policy and operational targets for the year to develop an action plan. For example, we provide different levels of professional courses in our corporate university training program, and create internal certification systems for different professional skillsets, as a benchmark for the career development of colleagues and the organizational human resources training program. At SinoPac Securities, in response to the five-year development plan for the wealth management business, in 2017 we continue to expand training for wealth management personnel, introducing training course programs, and assisting colleagues in completing programs appropriate to their job responsibilities. Targeted training includes special seminars on "management skills", and "professional skills", to strengthen the capabilities of colleagues. A partial list of courses is as follows.

## Strengthening Employability Skills Training Program

Target	Content	Hours	Benefits
<b>Trading business operator Trade marketing specialist (corporate banking / wealth management)</b>	Operations class Corporate banking class Wealth management class	31 hours/time 55 hours/time 98 hours/time	Combine modular courses, branch internships, and mentorships, assist colleagues in developing sales techniques, to help contribute to other businesses.
<b>Channel operator</b>	Operations Supervisor Training Operations Auditor Seminars Operations Auditor MA training Corporate Banking lending educational training FX education training Consumer Banking lending operating seminar Branch office FX exchange Practice Payment processing new service model Service management and skill upgrade – fair treatment of clients ID verification, document, handwriting, and printing verification technology	44.5 hours/year 7.3 hours/time 22.5 hours/time 4.5 hours/time 7.5 hours/time 6 hours/year 14 hours/year 6 hours/year 28 hours/year 16 hours/year	
<b>Channel operator (corporate banking / wealth management)</b>	Corporate banking tactics series FX business Corporate banking lending key products Credit gurantees Payment processing business Derivative products Credit lending risk control applications and case studies A/P business Integrated products workshop Tax series coursework Technical analysis advanced introduction Global multi-asset class financial products introduction Client development techniques Relationship management and business practices Real estate seminar Personal finance lending workshop Credit personnel workshop	33.35 hours / Year 7 hours / Year 2 hours / Year 4 hours / Year 2 hours / Year 1 hours / Year 3 hours / Year 1.5 hours / Year 2.75 hours / Year 6 hours / Year 16 hours / Year 4 hours / Year 3 hours / Year 10.5 hours / Year 12 hours / Year 4 hours / Year 6 hours / Year 5.25/Year	According to the business scope, assist each position to improve and develop through a series of courses, continue to develop different skill sets.
<b>HQ Auditors HQ / Channel Supervisor, Personnel, channel operators, distribution operators (managers/ corporate banking / financial advisory / consumer banking)</b>	Anti-Money Laundering (AML) Auditor Class AML and counter terrorism pre-work seminar AML operations course AML retail course AML corporate banking course Annual AML training New colleague training	4 hours / class 24 hours / class 4 hours / class 3.5 hours / class 4 hours / class 2 hours / class 0.5 hours / class	Assist colleagues in understanding international AML and counter financial terrorism rules and trends in supervision. Through actual cases understand how criminal activity can occur and understand how we implement preventative actions.
<b>Unit Compliance Officer</b>	Compliance Officer Training Compliance Senior and Deputy Officer Legal Training	30 hours / class 15 hours / Year	Compliant with external legal regulations and to improve managers' ability to maintain compliance with the latest laws, each year we organize regulatory approved training courses help by institutions.
<b>Headquarter / Distribution Channel Selection of Professionals</b>	Certified Anti-Money Laundering Specialist – Certification Course	36 hours / class	Freely available for registration, together with a selection mechanism, we assist personnel interested in AML, through an approved certification course, obtain the internationally recognized CAMS certification.
<b>Channel Wealth Management Supervisor</b>	Wealth Management Supervisor	9.5 hours / class	Focused on wealth management related business, offer " Sales planning, sales management, professional knowledge, dispute response, etc." and other training, to assist the improvement of wealth management professionals.

Note: Training Programs are designed for domestic colleagues.

## Comprehensive investments in elite personnel

### 1. Management skills training

Management guru, Peter Drucker stated that the key to quality and performance for a business is to continue to produce key management talent. This also drives the survival and development of the business. Management quality and performance with a strong foundation will better know the direction for improvement. Since 2015, SinoPac Holding has put in place a comprehensive management talent leadership program, deepening its training. In 2017, through a review of historical management data, senior managers' expectations, and current management trends, we developed a six-pronged management functional list, defining job indicators and management behavior.

To integrate and drive the six functional lists, in 2017 we strived to achieve management consensus, integrating management strategy and organizational direction. In addition to promotional management talks, and monthly promotions, in 2017 during our management function evaluation, managers from each level were outlined the managerial expectations and self-identification in these roles.

Training was re-oriented towards management functional skills as a basis, provided to management trainees, new supervisors, and senior managers a comprehensive training program, expanding on the blueprint of management course development, and matched closely with management personality testing and management skillset evaluation, gradually identifying key talent and organizing management leader EMBA series of training, to strengthen our talent base and develop the core team of the Company and confirm the management training plan for 2018.

### 2. EMBA+ and EMBA class training

Class members are recommended from each subsidiary of the Holding Company, targeting SinoPac Holdings managers and assistant vice president level managers as EMBA+ class members, EMBA class members are deputy manager and assistant manager level managers. Both classes implement a low teacher to student ratio, emphasizing interactive learning and learning outcomes focused on "learning", "interaction", and "observation".

EMBA+ classes are held quarterly, with 2 classes each session, and lasting for 2 years in total. EMBA classes are held every 2 months, lasting for 1 year. In addition to courses cooperating with domestic renowned consultancy companies, we also implement the international DDI training solution, and through a cooperation with National Cheng Kung University, opened a "Design Thinking" course, to inspire managers with new ideas and logical thought processes, to ask questions and solve problems more effectively.

In addition to course work, the class also organized "Beach Cleaning", "Reading Workshops", "Speeches", and "Mountain Climbing" events,

improving and broadening the scope of learning, and to create a learning environment that better facilitates overall performance.

For class members, in addition to expectations that such course work can improve personal management, leadership skills, we also hope to establish an internal network for greater engagement, trust, and understanding, providing upward career development and an enhanced support system.

### Strengthen Employability Skills Training for Colleagues – "Functional Management" Course

Target	Content	Hours/Times	Effectiveness
<b>New Managers Basic Managers</b>	New Manager Training Course Performance Management Techniques and Applications Recruiting Interview Techniques	15 hours/ 次 4 hours/ 次 4 hours/ 次	Strengthen management skills – learning goal: In addition to learning performance management tools, and to strengthen their skills, also enable new and mid-level managers to develop the ability to develop performance improvement plans, increasing performance management lifecycle operational efficiency.
<b>Mid-Level Manager</b>	Performance management techniques and applications  Retail managers' team inspiration training – From Cooperation to Collaboration	4 hours / class  7 hours / class	
<b>Training Managers Mid-level Managers High level manager</b>	Manager in Training Program – EMBA series of training	180 hours / Year	A systematic training program as a start, providing current managers with their demand for higher level training, sharpening their macro perspectives.
<b>High Level Managers</b>	High Level Manager Consensus Camp	8 hours / class	Managerial skills training – creating influence through shared values – Through a global risk trend seminar, combined with internal high level managerial training, case study sharing, we aimed to build a consensus organizational structure with shared values for our future direction.
<b>Basic Managers Mid-level Managers</b>	Labor Standards Law Compliance Workshop	3Hours / Time	According to the Company's near-term strategy, and in response to the external environment, we provide managerial training to better understand organizational conditions, understand management types, and improve managerial skills.
<b>Mid-Level Managers High Level Managers</b>	Manager's Internal Control Training Stakeholders Promotional Training	3 hours / Year 1Hours / Time	
<b>Mid-Level Managers High Level Managers</b>	ITDP International Financial Professionals Training LEAP Financial High Level Managers Training Plan	140 hours / Year 100 hours / Year	Through external learning institutions, engage with financial industry peers for cross sharing, develop positive relations, and obtain business opportunities for co-prosperity.

### 3. Financial consultant (FC Training)

SinoPac Securities communicated to distribution channel managers our expectations for an attitude change, execution, and communication as core ideas. In 2017, our "FC Training II" program extends the core values from the coursework in the past 2 years, advancing a 2-year series of training programs from 2017~2018, with classes on average 1~2 times per month, separated into the 3 North, Central, South regions, with a hope to improve the functional management skills of our front-line managers. In 2017, we organized "Building a Responsible Team", "Human Resource Training and Job Instructions", and "Finance in the Digital World", 3 courses, targeting "leadership" and "Digitization" as the focus areas. The course topics are as follows:

#### "Course 1 – Building a Responsible Team"

- 1) How to effectively set goals, 2) How to delegate.

#### "Course 2 – Human Resource Training and Job Instructions"

- 1) How to Implement Visual Thinking Tools - Mind Map

#### "Course 3 – Finance in the Digital World"

- 1) Understanding future digital technology development trends. 2) FB social media marketing, Line chatbot implementations.

The courses are designed as 1 day of lectures and 1 day of retraining, including current work examples through case studies engaging in cross communication and discussions with an external presentation of learning outcomes in the 4th quarter. The presentations are assigned by the professional lecturer according to actual conditions and students are expected to present the current status /problem /reason /solution /target and offer an executable action plan. The distribution channel department after consideration of feasibility and appropriateness will create an improvement plan for implementation, to face the future and changing market conditions.

### 4. Developing professionals and a core base of SinoPac elite talent through the Management Associate (MA) program

Through an intensive and solid diversified training program, job rotation, Bank SinoPac enables elite talent during its training period to quickly grow, develop real world experience, and become a new engine of management and professional expertise for SinoPac. The MA program takes a tiered development approach, including co-learning, related department training, and deep development in an unit, enabling professional skills development encompassing both deepness and breadth. Also, the integration of "Coach" , " Mentors" , and other learning tools enables a strengthened interaction and communication with others and quickens the learning and growth process.

## Diverse communication platforms between capital and labor

### 1. Collective bargaining agreement

To achieve smooth and effective communication between the Company and colleagues, Bank SinoPac colleagues in accordance with the Labor Union Act, established the Bank SinoPac Union. Representatives between the Company and the Union regularly or on an ad-hoc basis communicate on topics relating to labor issues. In accordance to the Collective Agreement Act, representatives from both sides shall negotiate, and with the approval of the board of directors and union member general assembly approve the collective agreement. On August 16, 2011, a collective agreement was signed, focused on the right to work for members. On November 10, 2014, a new collective agreement was signed, adding in clauses of legal support for colleagues that face lawsuits due to work-related causes. SinoPac Securities is the first securities firm to establish a union.

To ensure the rights of colleagues, Bank SinoPac signed a collective agreement with its union, with the bank agreeing to provide the union with office space and required hardware and software for operational needs. The union president is a full time representative of the union, and in accordance with regulations is allowed to apply for public service leave, and their monthly salary paid from the monthly union fees collected from union member salaries.

Also, there is a no free rider clause, where any agreement between the bank and the union, shall not extend to non-union colleagues. Excluding colleagues that are still in the probationary period, the unionization rate is approximately 93%.

Subsidiary, SinoPac Securities and its union have also signed a collective agreement. The union president, directors and supervisors, and members that participate in union business may apply for public service leave and their monthly salary paid from the monthly union fees collected from union member salaries. Excluding colleagues that are still in probation, the unionization rate of colleagues is near 81%.

The union represents an important communication bridge and supervisory role between the Company and colleagues. If there are labor-related issues, the Company will discuss first with the union before announcing to colleagues. In the event of closure, transfer, losses, business reduction, or colleagues' inability to perform their job, at least 10~30 day notification is required before the end of the labor contract.

According to the "Labor Standards Law", and SinoPac Holdings work rules, if due to business needs overtime hours is required, after agreement by the relevant personnel an "overtime form" should be submitted for each individual before overtime is requested. Without approval of the union, work beyond 10pm is not allowed. Similarly, each subsidiary union agrees that regular overtime does not require prior approval, but if colleagues are required to



#### Establish "employee service specialist"

enable each colleague to have a dedicated contact window for employee matters.



#### "SinoPac Academy"

Enables colleagues to share ideas, feedback, intermediary, and responsible business units to allow better communication.



#### 「 Good Idea 」

Encouraging colleagues to provide procedural, system, and other suggestions

work overtime during holidays, then prior approval from the union is needed, to ensure that the rights of colleagues are protected. In 2017, this communication channel has been effective and there were no dispute cases. We will continue to monitor and protect the rights of colleagues. For our subsidiaries, in 2017 18 labor inspections were done, with no deficiencies. In 2016 Bank SinoPac had one deficiency fined in 2017, which has been resolved in accordance to regulations.

## 2. Establish "employee service specialist" and "SinoPac Academy" website platforms

"Employee service specialists" enable each colleague to have a dedicated contact window for employee matters. SinoPac Academy" website platform enables colleagues to share ideas, feedback, intermediary, and responsible business units to allow better communication. In addition, a "Good Idea" section was also established, encouraging colleagues to provide procedural, system, and other suggestions that can assist in making more organization even better.

## 3. Establish a sexual harassment prevention hotline

We have internal rules and dispute appeal procedures regarding workplace gender equality (sexual harassment prevention). In addition to announcements to colleagues, we also regularly publicize and provide training on how to respond to discrimination matters. In 2017, we received 2 cases, which were immediately acted upon and responded. After investigation, related personnel has been penalized.

## 4. Established an evaluation dispute channel

If a colleague disagrees with its evaluation, through an evaluation dispute channel they can submit a review. Banking HR personnel will collate and report for review, and the review results will be processed for approval. Also, through promotion and engagement, unit managers are trained to communicate and interview with colleagues, enabling colleagues to understand their areas of improvement, and to limit conflicts due to differences in expectations. In 2017, the evaluation dispute channel received 19 cases, and review and evaluation 7 cases were passed.

## 5. Regularly hold an "Organization Condition Surveys"

To better grasp colleagues and their views on the Company and its variety of management policies, feedback, and organizational atmosphere, every 2 years we plan to hold an "Organization Condition Survey", investigating 2 main areas of interest. The first area is to identify the satisfaction rating of the Company's management policies, and the second area is to gather data on the atmosphere and perception of the workplace, to observe indicators of areas of improvement and to establish a baseline for future changes in policy.

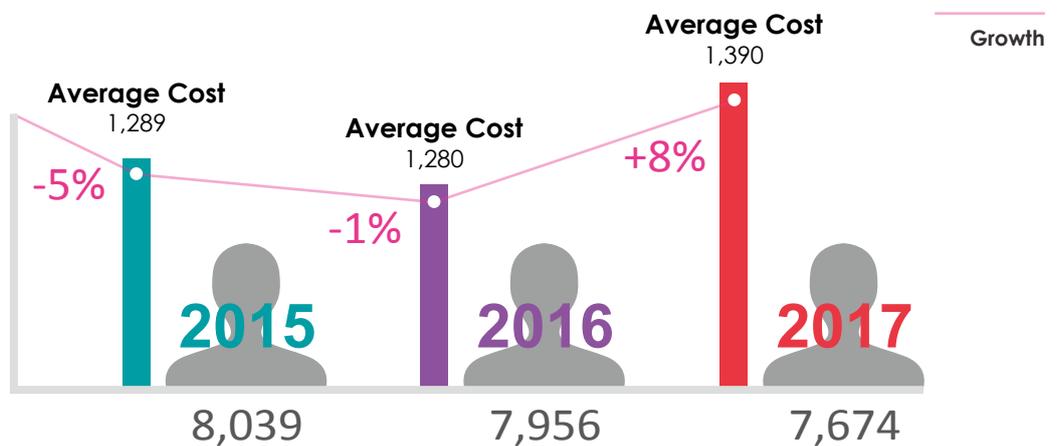


### Creating a happy and enriching workplace

SinoPac Holdings maintains its efforts in improving employee benefits to show concern and care for our colleague's family and lifestyles as a goal. We have a systematic planning method, with a focus on the personal development and growth of our colleagues to provide a stable growth environment to the corporate culture, provide learning opportunities and a comfortable work environment, jointly with our colleagues to work together. SinoPac believes "people" is our organization's most important asset. Only with happy colleagues, will our Company's profits rise, and create value to society.

### SinoPac Holdings 2017 Non-senior manager level employees, annual average cost of benefits, and changes

Unit: Thousand dollars / person



## 1. Complete and fair remuneration management policies

SinoPac Holdings has established a remuneration committee, which regularly reviews salary and compensation management policies. To attract and keep talent, and to support a goal-oriented, high performance culture, each year, we proactively participate in global salary surveys, providing company operational performance, personal performance, and external market oriented factors in its considerations for future salary adjustments, ensuring that salary levels maintain market competitiveness, and a positive upward cycle combining employee incentives, improving profitability, and a sharing of our success.

This has allowed SinoPac Holdings, since 2014, to maintain its selection as one of the "Best Paid Top 100 Companies Index", index members. SinoPac shall hold onto its spirit in fulfilling its corporate responsibilities, as well as provide an incentive program that is actively managed.

SinoPac Holdings also maintains a belief in gender equality. For front-line staff, the female-male ratio is 100:110, and for managerial staff (deputy managers and assistant managers and above) is 100:111. For basic staff, the female:male ratio is 100:98, virtually on par. The average salaries for basic staff are 138% of minimum wage. Contracted employees are paid according to the "Employee Appointment Guidelines", where each new contracted employee is reviewed by dedicated personnel and exceeds the minimum regulatory requirement.

## 2. Work-life balance, implementing flexible work hours

Bank SinoPac implemented flextime for selected employees. Colleagues can adjust their work hours in consideration of family situations, adjusting weekly work hours or days can assist colleagues in better achieving work-life balance.

## 3. Alleviate stress, establish communication channels, effectively care about mental and physical well being

Bank SinoPac established a "Colleagues conversation" platform, collating clubs, benefits, and thematic interaction areas, enabling colleagues to have greater interactions beyond work-related engagements. Through collecting various happy workplace suggestions, any feedback can possibly be implemented. This program is planned to be extended to all Holding Company subsidiaries.

SinoPac Securities launched an Employee Assistance Program (EAP), a system allowing colleagues to build mental and physical health and balance. The program encompasses work, life, and health. Through the build out of a service network, and integrating the resources both internally and externally, we solve the problems of our colleagues, improve work efficiency and productivity, further lowering operating costs, work performance, and management efficiency.

#### 4. Employee welfare and benefits for your whole family

SinoPac Holdings and subsidiaries and our benefits program provides our permanent employees many employee benefits beyond what is required by law. We hope that in addition to working hard at work, they take the opportunity to enjoy parent-child events and multiple benefits planned and provided by the Company.

##### (1) Holiday leave policy better than required by law

###### Special annual leave

We provide a leave policy better than required by the Labor Standards Law. New employees shall immediately enjoy pro-rated annual leave in the first year; Bank SinoPac also provides seniority and job rank-based annual leave increases, to enable colleagues to have more time for rest, and obtain a work-life balance.

###### Full salary sick leaves

The Labor Standards Law only requires half pay for sick leave. We provide employees with full salary sick leaves based upon seniority levels. For each year, 5 days of full-pay sick leave is available, enabling colleagues to recover with care.

###### Cancer rest leave and pregnancy rest leave

In accordance to the "rules for holiday procedures", we provide colleagues with rest leave, and will continue to provide company benefits during their leave, enabling colleagues the opportunity to enjoy benefits while they recover.

##### (2) Employee care package benefits

Employee care package includes marriage leave and congratulation bonuses, maternity leave and childbirth subsidies, bereavement leave and funeral grant, the three holiday bonuses (Chinese New Year holiday, dragon boat festival, mid-autumn festival) and birthday bonus, comprehensive group insurance.

##### (3) Job-related tuition reimbursement

We encourage employees to continue to improve their skills, and established a continuing education grant, enabling colleagues to organize their own classes and obtain grants to be spent each year.

##### (4) Protect employee mental health and safety

SinoPac has no colleagues that engages in job positions with high risk or at risk to certain diseases. Moreover, SinoPac cares for the physical, mental health challenges, emotional management, and emotional control of our employees, and aims to ensure colleagues work in a safe and comfortable work environment.

### Health checks:

We provide health checks every 2 years, better than required by the work safety and health regulations. In addition, we provide multiple items of health checks, assisting colleagues in regular check-ups and ensuring care with their health conditions. The availability of health checks to colleagues is well publicized, with the average rate of check-ups reaching 80%. In addition, we have signed contracts with multiple health check institutions, providing family members the opportunities to also have health checks. We promote the SinoPac family to work together in protecting our physical and mental health, caring for our retired colleagues, and contracting discounted health check packages with medical institutions, and enabling retired colleagues to enjoy the same benefits.

### Full Salary sick leaves

The Labor Standards Law only requires half pay for sick leave. We provide employees with full salary sick leaves based upon seniority levels. For each year, 5 days of full-pay sick leave is available, enabling colleagues to recover with care.

## (5) Protect employee mental health and safety

SinoPac cares for the physical, mental health challenges, emotional management, and emotional control of our employees, and aims to ensure colleagues work in a safe and comfortable work environment.

### A high quality working environment

SinoPac Holdings and its subsidiary companies operates our work environment in a compliant manner. Our work environment has been inspected and approved by regulators, with annual fire safety drills, workplace safety lectures, drafted emergency response procedural manuals, and perform ad-hoc drills to limit the possibility of workplace accidents. To create a high-quality work environment, we also regularly inspect our water quality, providing a safe water source.

### Care for new parents

In accordance to the Gender Equality in Employment Act, establish breastfeeding rooms and other facilities to provide a comfortable working environment for colleagues. We also provide day care assistance enabling new parents during this important stage of their life, to have SinoPac Holdings as a supportive partner, enabling colleagues to be worry free.

### Occupational safety and health system

Bank SinoPac in accordance to the Occupational Safety and Health Act, establishes an occupational safety and health system and an occupational health and safety committee, with the administrative division, division head representing the employer in health and safety management. Each division head, in accordance to their responsibilities, supervise personnel in execution.

The occupational health and safety committee is composed of 8 members. In addition to business units responsible for occupational health and safety, the Bank SinoPac Union also appoints 3 members for participation and assisting in supervision and suggestions for occupational health and safety related planning.

The Bank has many operating divisions, managed together by the headquarters. Final authority of the occupational health and safety management system remains with the Bank SinoPac headquarters.

Facing workplace violence topics and educational training

SinoPac Holdings prohibits any type of workplace violence. In addition to posters and announcements in the office space, we also provide an online group training facility that can provide coursework on "Workplace violence prevention".

#### (6) Sharing the results of employee benefits

Housing loans at below market rates

We provide housing loans at interest rate better than the market, to lessen the mortgage debt load on colleagues and assist them in creating a warm home.

Implement custody of stockholdings

Subsidiary, SinoPac Securities, provides colleagues with long-term investments and management of SinoPac Holding shares, to build wealth, and secure funds to maintain a stable lifestyle in retirement or after their resignations.

Annual year-end party event

Each year, we hold a large scale year-end event, bringing together colleagues from various locations and to celebrate our accomplishments for the year. We use this opportunity to reconnect and further develop collegial relationships, enhance cohesion towards a community consciousness, and arrange performances to show gratitude to our colleagues.

SinoPac accomplishments

To reward long-term employees, we provide seniority recognition awards and custom gifts, and public recognition by senior management.

Discounted preferred vendors

Regularly sign discounted preferred vendor contracts with retail partners on a regular interval, providing opportunities for colleagues to save money on spending.

#### (7) Comprehensive retirement planning

Our Company, in accordance with Labor Standards Laws and the Labor Pension Act. We contribute to the pension plans to ensure security for the retirement funds for colleagues. Details on pension fund contributions are available in the 2017 annual report on pages 150~153.



## GRI Reference Table

GRI Standard	Disclosure Item	Page and/or URL	
Normal Disclosure ( Core Items )			
GRI 102 : Normal Disclosure 2016	102-1 Name of the organization	· About SinoPac Holdings	06
	102-2 Primary brands, products, and/or services	· About SinoPac Holdings\ SinoPac Holdings and Subsidiaries Profile and Performance	08
	102-3 Location of organization's headquarters	· About SinoPac Holdings	07
	102-4 Operating Locations	· About SinoPac Holdings\ SinoPac Holdings and Subsidiaries Profile and Operating Performance	11
	102-5 Nature of ownership and legal form	· About SinoPac Holdings\ SinoPac Holdings and Subsidiaries Profile and Operating Performance \ SinoPac Holdings ” Using Finance for a Happy Life”	11
	102-6 Markets served	· About SinoPac Holdings\ SinoPac Holdings and Subsidiaries Profile and Operating Performance \ SinoPac Holdings ” Using Finance for a Happy Life”	11
	102-7 scale of the organization	· About SinoPac Holdings\ SinoPac Holdings and Subsidiaries Profile and Operating Performance	11
	102-8 Report the total number of employees and related information	· Enrich Society and Citizenship\Enrich People	93
	102-9 Supply Chain	· Planting the Seeds of a Green Legacy\Green Operations	63
	102-10 Significant changes regarding the organization and its supply chain	· About SinoPac Holdings\ SinoPac Holdings and Subsidiaries Profile and Operating Performance \ SinoPac Holdings ” Using Finance for a Happy Life”	11
	102-11 Report whether and how the precautionary approach or principle is addressed by the organization	· Thoughts on Sustainable Management \ Corproate Governance \ Risk Maangement Policy and Procedures	46
	102-12 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	· Thoughts on Sustainable Management \ Ethical Management	46
	102-13 List memberships of associations	· About SinoPac Holdings\ Participation in international and domestic membership associations and promotions	33
	102-14 Statement from the most senior decision-maker of the organization	· Chairman's Message	04
102-16 Values, Principles, Standards, and Code of Conduct	· Thoughts on Sustainable Management \ Risk Management Policy and Procedures	46	

GRI 102 : Normal Disclosures 2016	102-18 Governance Structure	· Thoughts on Sustainable Management\ Corporate Governance · Thoughts on Sustainable Management\ Sustainability Management	36/40
	102-40 Stakeholder Groups	· About SinoPac Holdings\ Stakeholders and major topics	21/25
	102-41 Collective Bargaining Agreement	· Enrich Society and Citizenship\ Enrich People\ Diverse communication platforms between capital and labor	93
	102-42 Distinguishing and selection of stakeholders	· About SinoPac Holdings\ Stakeholders and major topics	21/25
	102-43 Report the organizations approach to communication with stakeholders	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing stakeholders and communications	21/22
	102-44 Report major topics and concerns that have been raised through stakeholder engagement	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing stakeholders and communications	21/22
	102-45 Report items outlined in the consolidated financial statements	· About SinoPac Holdings	11
	102-46 Report aspects of the boundaries of the report content and boundary considerations.	· Editorial Summary · About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures\ Considerations and boundaries of major topics	01/21
	102-47 List of major topics	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21/25
	102-48 Information Revisions	NA	-
	102-49 Report Changes	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21/25
	102-50 Reporting period for information provided	· Editorial Summary	01
	102-51 Date of most recent previous report	· Editorial Summary	01
	102-52 Reporting cycle	· Editorial Summary	01
	102-53 Provide the contact point for questions regarding the report or its contents	· Editorial Summary	01
	102-54 Report the GRI standard option the organization has chosen	· Editorial Summary	01
	102-55 GRI Reference Table	· GRI Standards Reference Table	-
102-56 External Promise / Declaration	· Editorial Summary	01	

Critical Aspects and Major Topics			
Corporate Governance and Ethical Management			
GRI 103 : Management Direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics \ Distinguishing major topics and disclosures	21/25
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics \ Distinguishing major topics and disclosures · Thoughts on Sustainable Management \ Corporate Governance · Thoughts on Sustainable Management \ Corporate Governance	21 /36 /40
	103-3 Management Direction and Evaluation	· Thoughts on Sustainable Management \2017 Corporate Governance Evaluation and Improvement Plan	43
GRI 205: Anti-Corruption 2016	205-2 Communication and training on anti-corruption policies and procedures	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures	46
	205-3 Confirmed incidents of corruption and actions taken	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Auditing Mechanisms	46
Risk Management and Internal Control Mechanisms			
GRI 103 : Management Direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics \ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics \ Distinguishing major topics and disclosures · Thoughts on Sustainable Management \ Risk Management Policies and Procedures \Risk Controls	21/46
	103-3 Management Direction and Evaluation	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Auditing Mechanisms	46
Client Satisfaction Rating / Client Compliant Mechanism			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures · Developing Wealth in the World\ Financial Services – Building a heartfelt lifestyle	21/82
	103-3 Management Direction and Evaluation	· Developing Wealth in the World\ Financial Services – Building a heartfelt lifestyle	82
Product Performance and Service Quality			

103-3 Management Direction and Evaluation	103-3 Management Direction and Evaluation	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-3 Management Direction and Evaluation	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures · About SinoPac Holdings\ SinoPac Holdings and subsidiaries profiles and operating performance · Developing Wealth in the World\ Financial Services – Building a heartfelt lifestyle	21 /08 /82
	103-3 Management Direction and Evaluation	Developing Wealth in the World\ Financial Services – Building a heartfelt lifestyle	82
<b>Digital Channels and Service Innovation</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures Developing Wealth in the World\ Financial Technology – providing a more convenient life	21/72
	103-3 Management Direction and Evaluation	None	-
<b>Corporate Image</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	None	-
	103-3 Management Direction and Evaluation	None	-
<b>Management Performance and Strategy</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures · About SinoPac Holdings\ SinoPac Holdings and subsidiary profiles and operating performance · Enrich Society and Citizenship\ Enrich People\ Seek growth within the corporate organization	21 /08 /93
	103-3 Management Direction and Evaluation	· About SinoPac Holdings\ SinoPac Holdings and subsidiary profiles and operating performance	08

GRI 103 : Economic Performance 2016	201-1 Report the organizations production and allocation and direct economic value	<ul style="list-style-type: none"> <li>· Net Profit: About SinoPac Holdings \ SinoPac Holdings and subsidiary profiles and operating performance \SinoPac Holdings "A Beautiful Life Through Finance"</li> <li>· Procurement: Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data</li> <li>· Social Investment: Enrich Society and Citizenship</li> <li>· Employee remuneration and benefits: Enrich Society and Citizenship\Enrich People\ Creating a happy and enriching workplace</li> </ul>	06 /63 /88 /93
GRI 203: Indirect Impact 2016	203-2 Visible indirect economic impact	<ul style="list-style-type: none"> <li>· Planting the Seeds of a Green Legacy</li> <li>· Enrich Society and Citizenship</li> <li>· Developing Wealth in the World\Financial Charity - Realizing a happy life</li> </ul>	58 /88 /77
<b>Product Information Explanation and Communications</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	<ul style="list-style-type: none"> <li>· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures</li> <li>· About SinoPac Holdings \ Information disclosure and communications \ Product labeling and channel communication</li> </ul>	21/29
	103-3 Management Direction and Evaluation	· About SinoPac Holdings \ Information disclosure and communications \ Product labeling and channel communication	29
GRI 417: Sales & Labeling 2016	417-1 Product and Services Product Information and Labeling requests	· About SinoPac Holdings \ Information disclosure and communications \ Product labeling and channel communication	29
	417-2 Non-compliant product and services and labeling regulations	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Legal Compliance	46
	417-3 Non compliance sales methods and related regulations	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Legal Compliance	46
<b>Anti-Money Laundering and Financial Crimes Prevention</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	<ul style="list-style-type: none"> <li>· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures</li> <li>· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Legal Compliance</li> </ul>	21/46
	103-3 Management Direction and Evaluation	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Internal auditing mechanism	46

GRI 419: Social Economic Impact Legal Compliance 2016	419-1 Violations of social and economic areas of legal rights and rules	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Legal Compliance	46
<b>Client Privacy and IT Security</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures · About SinoPac Holdings \ Information disclosure and communications \ Legally required disclosure items	21/29
	103-3 Management Direction and Evaluation	· About SinoPac Holdings \ Information disclosure and communications \ Legally required disclosure items	29
GRI 418: Client Privacy 2016	418-1 After verification, client data privacy or loss of client information cases	· About SinoPac Holdings \ Information disclosure and communications \ Legally required disclosure items	29
<b>Legal Compliance</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings \ About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures · Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Legal Compliance	21/46
	103-3 Management Direction and Evaluation	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Internal auditing mechanism	46
GRI 419: Social Economic Impact Legal Compliance 2016	419-1 Violations of social or economic areas of legal rules	· Thoughts on Sustainable Management \ Risk Management Policies and Procedures \ Legal Compliance	46
<b>Disclosures and Transparency</b>			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings \ Stakeholders and major topics \ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	None	-
	103-3 Management Direction and Evaluation	None	-

Product and Services for the Under - Privileged			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures · Developing Wealth in the World\Financial Charity - Realizing a happy life	21/77
	103-3 Management Direction and Evaluation	· Developing Wealth in the World\ Financial Services – Building a heartfelt lifestyle \ (2) Establish a friendly service space	82
GRI 203: Indirect economic impact 2016	203-2 Evident indirect economic impact	· Developing Wealth in the World\Financial Charity - Realizing a happy life	77
Talent and Career Development			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures · Enrich Society and Citizenship\Enrich People	21/93
	103-3 Management Direction and Evaluation	None	-
Functional Training and Development			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures · Enrich Society and Citizenship\Enrich People	21/93
	103-3 Management Direction and Evaluation	None	-
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	· Enrich Society and Citizenship\Enrich People	93
	404-2 Programs for skills management and lifelong learning that support the continued employability of employees	· Enrich Society and Citizenship\Enrich People	93

Employee Performance Evaluation			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures · Enrich Society and Citizenship\Enrich People	21/93
	103-3 Management Direction and Evaluation	None	-
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	· Enrich Society and Citizenship\Enrich People	93
Employee Remuneration, Working Hours, and Benefits			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing key themes and boundaries	· About SinoPac Holdings\ Stakeholders and major topics\ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and key themes\ Distinguishing key themes and disclosures · Enrich Society and Citizenship\Enrich People	21/93
	103-3 Management Direction and Evaluation	None	-
GRI 201: Economic performance 2016	201-3 Definitions of benefits programs and retirement plans	· Enrich Society and Citizenship\Enrich People	93
GRI 202: Market Positioning 2016	202-1 Comparison of basic staff standard pay versus local minimum wage ratio	· Enrich Society and Citizenship\Enrich People\ Creating a happy and enriching workplace	93
GRI 401: Labor Relations 2016	401-1 Total number and rates of new employee hires and employee turnover	· Enrich Society and Citizenship\Enrich People\ Seek growth within the corporate organization	93
	401-2 Benefits provided to full-time employees	· Enrich Society and Citizenship\Enrich People	93
	401-3 Parental leave	· Enrich Society and Citizenship\Enrich People\ Seek growth within the corporate organization	93
GRI 405: Employee diversity and equal opportunity 2016	405-1 Diversity of management organization	· Enrich Society and Citizenship\Enrich People\ Seek growth within the corporate organization	93
	405-2 Female to male ratio and gender pay analysis	· Enrich Society and Citizenship\Enrich People\ Creating a happy and enriching workplace	93
GRI 406: anti-discrimination 2016	406-1 Discriminatory events and remedial actions taken by the organization	· Planting the Seeds of a Green Legacy\Green Operations\ Reviewing suppliers for CSR management	63
GRI 409: Forced labor 2016	409-1 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	· Planting the Seeds of a Green Legacy\Green Operations\ Reviewing suppliers for CSR management	63

About SinoPac Holdings

Thoughts on Sustainable Management

Planting the Seeds of a Green Legacy

Developing Wealth in the World

Enrich Society and Citizenship

Appendix

Green Finance Products			
GRI 103 : Management direction 2016	103-1 Reporting distinguishing major topics and boundaries	· About SinoPac Holdings\ Stakeholders and major topics \ Distinguishing major topics and disclosures	21
	103-2 Management direction and components	· About SinoPac Holdings\ Stakeholders and major topics \ Distinguishing major topics and disclosures · Planting the Seeds of a Green Legacy\Green Finance	21/60
	103-3 Management Direction and Evaluation	· Planting the Seeds of a Green Legacy\Green Finance	60

### Additional Items

GRI Standard	Disclosure Item	Page and/or URL	
<b>Supplier Management</b>			
GRI Purchasing 2016	204-1 At important operating locations, percentage of purchasing costs from local suppliers	· Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data	63
GRI 308: Supplier Environmental Evaluation 2016	308-1 Using suppliers that fulfill environmental standards	· Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data	63
GRI 414: Supplier Social Evaluation 2016	414-1 New suppliers that fulfill the social evaluation standards	· Planting the Seeds of a Green Legacy\Green Operations\ Reviewing suppliers for CSR management	63
<b>Use and Management of Energy Resources</b>			
GRI 302: Energy 2016	302-1 Internal energy consumption by the organization	· Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data	63
	302-4 Reduction of energy consumption	· Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data	63
GRI 305: Emissions 2016	305-2 Energy indirect greenhouse gas (ghg) emissions	· Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data	63
	305-5 Reduction of greenhouse gas (ghg) emissions	· Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data	63
GRI 306: Effluents and Waste 2016	306-2 Total weight of waste by type and disposal method	· Planting the Seeds of a Green Legacy\Green Operations\ Effective savings, indicated by environmental data	63

Employee Communication Mechanisms			
GRI 402: Labor Capital Relationships 2016	402-1 Regarding operations change and shortest announcement period	· Enrich Society and Citizenship\Enrich People\ Diverse communication platforms between capital and labor	93
GRI 407: Close of business negotiations 2016	407-1 Risk and collective bargaining in the event of close of business by freelance or collective bargaining with the operator or suppliers	· Planting the Seeds of a Green Legacy\Green Operations\ Reviewing suppliers for CSR management	63
Social Charity and Local Investments			
GRI 203: Indirect Impact 2016	203-2 Visible indirect economic impact	· Planting the Seeds of a Green Legacy\Green Finance · Developing Wealth in the World\Financial Charity - Realizing a happy life	60/77

### GRI G4 Financial Services Industry additional Guidelines

Indicator	Item	Page
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	11, 13, 15-17, 77-81
G4-FS7	products and services designed to deliver a specific social benefit	77-81
G4-FS8	products and services designed to deliver a specific environmental benefit	60-62
G4-FS14	Designed or promoted actions to engage the underprivileged for financial services.	86-87



## ASSURANCE STATEMENT

### **SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SINOPAC HOLDINGS CO., LTD.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2017**

#### **NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by SinoPac Holdings Co., Ltd (hereinafter referred to as SinoPac) to conduct an independent assurance of the Corporate Social Responsibility Report for 2017 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in this report.

The information in the SinoPac's CSR Report of 2017 and its presentation are the responsibility of the management of SinoPac. SGS has not been involved in the preparation of any of the material included in SinoPac's CSR Report of 2017.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all SinoPac's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Standards (2016)

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

#### **STATEMENT OF INDEPENDENCE AND COMPETENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from SinoPac, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 12121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

**VERIFICATION/ ASSURANCE OPINION**

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within SinoPac’s CSR Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of SinoPac sustainability activities in 01/01/2017 to 12/31/2017.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation’s Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

**AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

**Inclusivity**

SinoPac has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization’s understanding of stakeholder concerns. For future reporting, SinoPac may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

**Materiality**

SinoPac has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

**Responsiveness**

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

**GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

The report, SinoPac’s CSR Report of 2017, is adequately in line with the GRI Standards in accordance with Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI’s Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of SinoPac’s involvement with the impacts for each material topic (103-1), and encouraging to have more descriptions of SinoPac’s evaluation of the effectiveness of the management approach (103-2 & 103-3) and to address the progress of goals and target’s achievement.

Signed:  
For and on behalf of SGS Taiwan Ltd.



**David Huang, Director**  
Taipei, Taiwan  
30 May, 2018  
WWW.SGS.COM



**AA1000**  
Licensed Assurance Provider  
000-8



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Thoughts on Sustainable Management

1978

Planting the Seeds of a Green Legacy

1992

Developing Wealth in the World

1998

Enrich Society and Citizenship

2002



2017

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