

2019 Stewardship Report

Compliance statement

Finance and Financial Market Group

Taishin International Bank signed a Statement of Compliance with the “Stewardship Principles for Institutional Investors” issued by the Taiwan Stock Exchange Corporate Governance Center on December 5, 2018.

For the purpose of sustainable management, Taishin International Bank undertakes stewardship governance actions to enhance investment value in the best interests of its fund providers. In order to safeguard the long-term benefits of these fund providers (including trust clients, beneficiaries, and bank shareholders), proper attention to and dialogue with the invested enterprises and positive interaction with them improve the quality of corporate governance at those invested enterprises, which also benefits the industries they are in and the overall economy.

Taishin International Bank has declared that it will follow the sixth principles of its “Stewardship Principles for Institutional Investors” and regularly disclose to its clients and beneficiaries its performance in stewardship. In 2019, the bank also made a disclosure on its stewardship practice.

Stewardship Principles

After signing the “Stewardship Principles for Institutional Investors” compliance statement, the bank instituted the “Code of Stewardship Principles for Institutional Investors” on April 18, 2019 for internal compliance.

To ensure that the Bank receives sufficient and useful information to evaluate the nature, timing and intensity of dialogue and interaction with its invested companies, and to create a good foundation for its investment decisions, the Bank monitors its invested companies through related news, financial performance reports, industry overviews, business strategy, environmental protection, social responsibility, labor rights, and corporate governance.

The Bank determines the means, intensity and frequency of its stewardship governance actions based on its investment objectives, costs, and benefits. These actions include continuous monitoring of the operating conditions of the invested companies, proper dialogue and interaction with the invested companies, participation and voting in the shareholders’ meetings of those invested companies, etc., all in order to enhance the value of the Bank’s investments and enhance the long-term interests of its fund providers.

Rules regarding exercising rights associated with shares

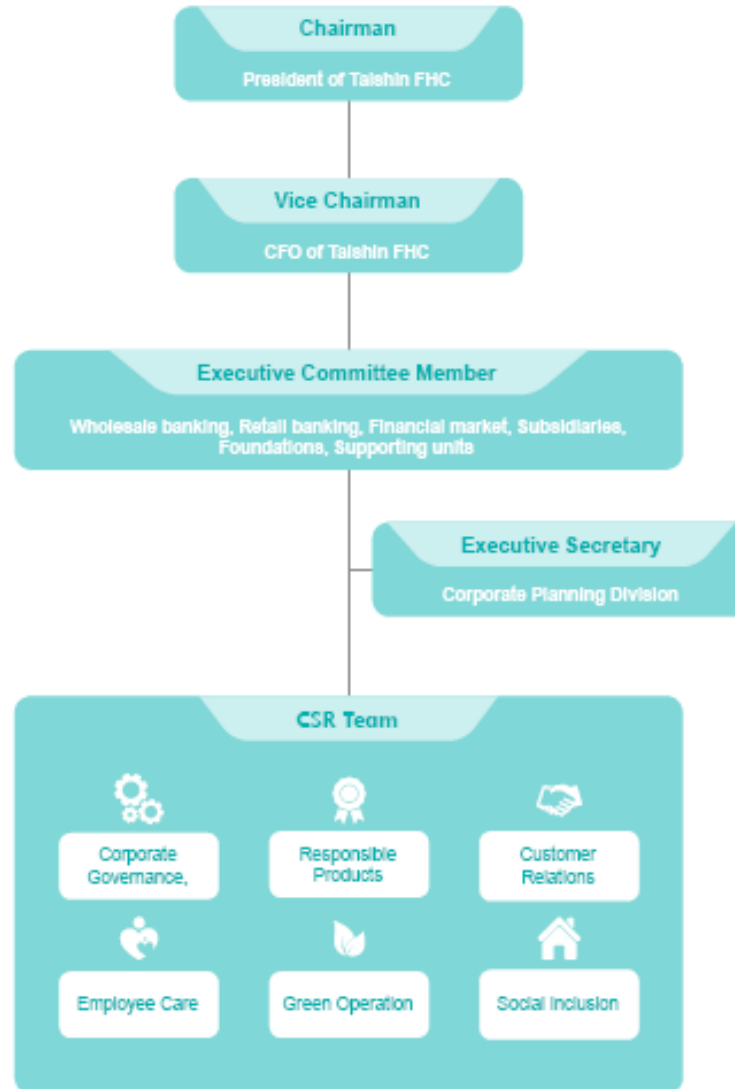
Finance and Financial Market Group

The Bank's exercise of the voting rights of shares held shall be handled in accordance with the Board's decisions regarding exercising those voting rights. Voting rights exercised by electronic means do not require a power of attorney. Powers of attorney must clearly state instructions for exercising the voting rights regarding proposals. Powers of attorney in person or the electronic voting records of the original rights holders shall be kept in writing or electronically for future reference.

This method pursues the best interests of the fund providers and enables active exercising of voting rights at the shareholders' meetings of invested companies in accordance with shareholding and investment under stewardship governance.

CSR Committee

Finance and Financial Market Group



Stewardship Governance Affairs

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The DJSI Dow Jones Sustainability Indices are among the most trusted sustainable development assessments in the world. Every year, it uses a rigorous questionnaire to track the social responsibility performance of the world's foremost enterprises. It is an important reference for investment institutions around the world. **Taishin Financial Holdings first became a constituent stock of the “World Index” and “Emerging Markets Index” in 2018 and its inclusion in both indices continued in 2019.**

Corporate sustainability must be oriented towards balanced development in terms of financial integrity, environmental protection, social participation, and corporate governance. With the support of its Board of Directors, Taishin Financial Holdings has in recent years formulated strategies and promoted projects that have made sustainability an integral part of the company's culture. Each aspect of corporate conduct has also repeatedly met specific achievements, which has been repeatedly recognized by domestic and foreign specialized institutions. In 2019, for instance, we won more than 100 awards. In addition, **among specialized ESG market indexes, Taishin Financial Holdings was selected for the “Taiwan Corporate Governance 100 Index,” “Taiwan High Compensation 100 Index,” “Taiwan Sustainability Index,” and was a constituent company of the FTSE4Good Emerging Market Index. This year, our bank was also selected as one of Vigeo Eiris' Top 100 Best Performing Emerging Market Companies.**

Green Finance Principles

In 2018, Taishin Financial Holdings adopted its “Green Finance Principles” for the entire holding, extending to all subsidiaries and businesses in the group. The standards clearly lay out the investment targets that they may support or must avoid. ESG risk management is included in transaction reviews and post-transaction management.

To encourage invested companies to pay attention to environmental protection, corporate social responsibility and corporate governance practices, as well as Taishin’s own emphasis on responsible investment, Taishin Financial Holdings actively follows the six principles of the Principles for Responsible Investment (PRI) as a basis for its operations and disclosures.

With regard to responsible investment commodities in sustainable financing, Taishin conducts ESG risk assessments of 100% of its transaction activities and financial commodities through the group’s Green Finance Principles, and has incorporated environmental and social risk assessments into its financing and investment policies, whose scope covers all subsidiaries.

Stewardship Governance Affairs

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Pre-investment target selection and post-investment management

Investment research

Research on the investment target (invested company)

- Study the investment target report
- Participate in investor conference
- Participate in brokerage seminars
- Conduct research on the industries of investment targets

Investment decision making

Report and make investment decisions at the weekly investment meeting

Investment execution

Based on investment decision

Authorize to execute buy or sell

Investment review

Report weekly on portfolio performance review

Examine the quality of assets in investment locations

Continuously monitor the dynamics of investment targets

The pre-investment assessment of targets includes an assessment of benefits and risks, impact on the relevant limits of the total investment positions and a risk analysis. Also, the ESG, and company sustainability are considered and ultimately, investment recommendations are made. Post-investment management, besides tracking market prices, periodical industry status analysis and major economic events, continuously monitors the dynamics of investment targets with regard to its performance in environmental protection, corporate integrity management and social responsibility. At periodical meetings the quality of assets and overall investment positions are reviewed.

Stewardship Governance Affairs

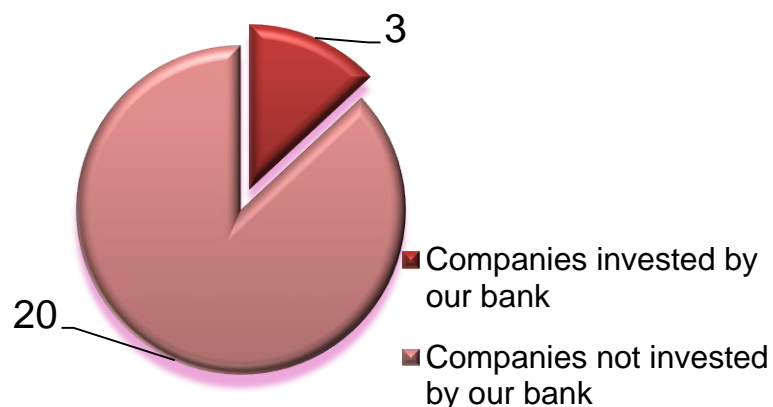
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Stewardship governance of investment targets

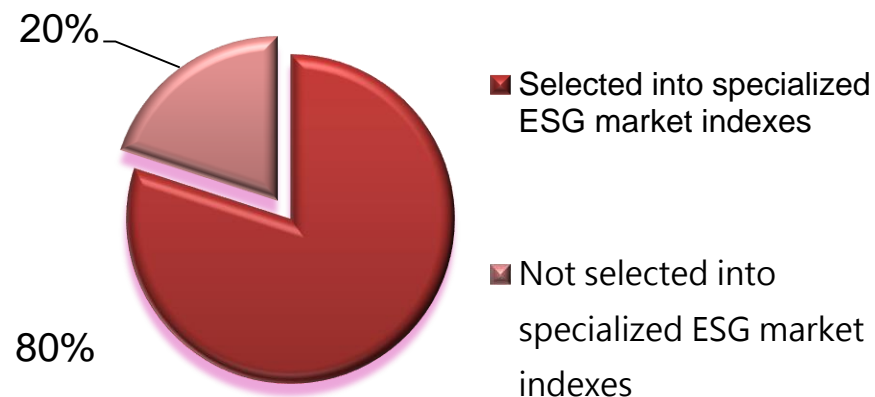
In the 2019 list of constituent stocks of the Dow Jones Sustainability Indices (DJSI), Taiwanese companies increased to 23, three of which were companies invested in by Taishin.

In 2019, 80% of our invested companies were included as constituent companies in the DJSI, Taiwan Corporate Governance 100 Index, FTSE Index, or other specialized ESG market indexes.

Selected by Dow Jones Sustainability Indices in 2019



Invested companies selected into specialized ESG market indexes



Summary of votes in shareholders' meetings in 2019

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The bank actively exercised its voting rights in shareholders' meetings of its invested companies. In 2019 we voted on 34 motions in the shareholders' meetings of five invested companies. Our votes on motions are disclosed as follows:

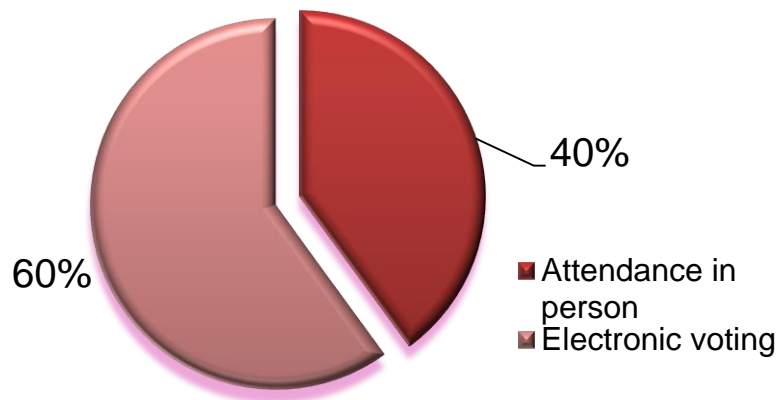
| Motion | Total number of motions | Support | | Oppose | | Abstain | |
|---|-------------------------|-------------------|------|-------------------|----|-------------------|----|
| | | Number of motions | % | Number of motions | % | Number of motions | % |
| Recognition of business reports and financial reports | 5 | 5 | 100% | 0 | 0% | 0 | 0% |
| Surplus distribution or loss off-setting | 5 | 5 | 100% | 0 | 0% | 0 | 0% |
| Amendments to articles of association or operating procedures | 14 | 14 | 100% | 0 | 0% | 0 | 0% |
| Elections of directors and supervisors | 1 | 1 | 100% | 0 | 0% | 0 | 0% |
| Lifting a non-compete ban on directors | 8 | 8 | 100% | 0 | 0% | 0 | 0% |
| Capital increase (surplus/capital reserve/dividend distribution toward capital increase or cash capital increase to issue new shares) | 1 | 1 | 100% | 0 | 0% | 0 | 0% |
| Total | 34 | 34 | 100% | 0 | 0% | 0 | 0% |

Methods of attending shareholders' meetings in 2019

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Our bank interacts with its invested companies by actively participating in investors conferences, seminars and shareholders' meetings. The bank actively exercised its voting rights at shareholders' meetings of invested companies. In 2019, we participated in shareholders' meetings by "attendance in person" and through "electronic voting." The methods of attendance are disclosed as follows:

Invested company



Motion

