

Corporate Governance Implementation Status and Deviations from Bank Corporate Governance Best-Practice Principles

Evaluation Item	Implementation Status			Deviations from Bank Corporate Governance Best-Practice Principles and Reasons
	Yes	No	Summary	
<b>1. Shareholding structure &amp; Shareholders' Equity</b> (1) Does the Bank establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, as well as act in accordance with the said procedure?  (2) Does the Bank possess the list of its major shareholders as well as the ultimate owners of those shares?  (3) Does the Bank establish and execute the risk management and firewall system with the Bank's related companies?	✓   ✓   ✓		<p>SCSB's Shareholders Office has internal operating procedures in place to address shareholders' suggestions, doubts, disputes and litigations.</p> <p>SCSB's Shareholders Office is responsible for gathering and handling information on major shareholders and their ultimate owners.</p> <p>Dealings with related parties are subject to Articles 32 and 33 of the Banking Act, applicable provisions of the Company Act, SCSB Guidelines for Financial Dealings between Affiliates, SCSB Guidelines for the Supervisory and Management Control Operations of Subsidiaries, and SCSB Regulations Governing Management to Interested Parties.</p> <p>To step up the supervision and management of subsidiaries, SCSB calls all departments to a meeting every month to consolidate and review the operational practices of subsidiaries and produce meeting minutes which are reported to the Board of Directors every quarter.</p>	No Difference   No Difference   No Difference
<b>2. Composition and Responsibilities of the Board of Directors</b> (1) Does the Bank voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		A. The Remuneration Committee and Audit Committee, as well as the Risk Management Committee and the Nomination Committee,	No Difference

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<p>(2) Does the TWSE/GTSM Listed Bank develop policies and methods of its board performance assessment, regularly implement performance assessment on an annual basis, submit the results to the board of directors meetings, and use them as a reference for individual directors' remuneration and nomination for employment renewal?</p>	✓		<p>have been established as required by law. Each committee has developed its organization procedures.</p> <p>B. For the committees' operations, please refer to "(2) Audit Committee" and "(5) Remuneration Committee" under "3. Implementation of Corporate Governance".</p> <p>SCSB has established the Regulations Governing Performance Assessment of the Board of Directors approved by the Board, which stipulates the cycle, period, scope and method, implementing unit(s), procedure, and other regulations to be complied with regarding the Board performance assessment. The results of the assessment shall serve as a reference for the election or nomination of directors. The results of individual director assessments shall serve as a reference for determining the remuneration for individual directors.</p>	No Difference
<p>(3) Does the Bank regularly evaluate the independence of CPAs?</p>	✓		<p>The independence of CPAs is assessed once a year.</p>	No Difference
<p>3. Does the Bank appoint competent corporate governance personnel of an appropriate number, and designate a corporate governance officer who is in charge of matters related to corporate governance (including, but not limited to, providing directors and supervisors with data required for the implementation of related businesses; assisting directors and supervisors to exercise compliance; organizing the board of</p>	✓		<p>A. The Bank has designated the Secretarial Office of the Board as the unit to take charge of corporate governance. The head of the Office is appointed the chief governance officer to take charge of corporate governance-related matters, including:</p> <p>a. Relevant matters of the Board of Directors meeting and the shareholders' meeting as required by law.</p> <p>b. Production of minutes for</p>	No Difference

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directors meeting, the shareholders' meeting and other related matters; and preparing the minutes of the board of directors meeting and the shareholders' meeting)?			<p>the Board of Directors meetings and shareholders' meetings.</p> <p>c. Election and continuing education and training of directors.</p> <p>d. Provision of information required for directors' performance of duties.</p> <p>e. Assistance in directors' compliance.</p> <p>f. Other matters specified in accordance with the SCSB Articles of Incorporation or contracts.</p> <p>B. The Corporate Governance Officer also participated in training courses related to corporate governance and competency development &amp; leadership for a total of 31 hours in 2019.</p> <p>C. In 2019, SCSB not only amended regulations related to corporate governance and established the corporate governance section on the SCSB website, but also provided directors with relevant legal information, promoted the Board performance assessment, and arranged all directors to continue education and training.</p>	
4. Does the Bank establish a channel to communicate with interested parties (including but not limited to shareholders, employees and customers, etc)?	✓		<p>A. SCSB has set up a complaint hot line, an independent complaint mailbox on both SCSB's internal and public websites, a 24-hour call center, an official website and branches across Taiwan to provide multiple channels for stakeholder communication. SCSB's contact persons, their telephones and emails are posted on the MOPS and the SCSB website.</p>	No Difference

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			B. SCSB has established Employee Communication Guidelines. Employees may communicate with SCSB via internal meetings, the employee feedback mailbox, or the human resources website. The “iTalking” employee care mailbox is also set up to offer employees a communication channel where they can raise concerns immediately.	
5. Information Disclosure				
(1) Does the Bank set up a website for the disclosure of financial information and corporate governance?	✓		Disclosure of financial information and corporate governance is available on the SCSB website in accordance with the FSC regulations.	No Difference
(2) Does the Bank have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, implementing a spokesperson system, and placing the record of investor conferences on its website)?	✓		A. SCSB has constructed a Chinese-English website and designates a staff to take charge of gathering SCSB information and disclose related information on the SCSB website. Material information is posted on the MOPS as required by law. Investor conference information is also posted on MOPS and the SCSB website. B. SCSB has appointed a spokesperson and a deputy spokesperson.	No Difference
(3) Does the Bank announce and declare its annual financial report after the fiscal year ends in accordance with the Banking Act and Securities and Exchange Act, and announce and declare the financial reports for the first, second and third quarters as well as monthly operations well before respective deadlines	✓		All SCSB's financial reports and operation reports have been announced and submitted within the deadlines specified by competent authorities.	No Difference

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6. Does the Bank have provided other important information to facilitate better understanding of the Bank's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors and supervisors, political donation and donation to interested party and public interested group)?	✓		<p>A. Employee rights: In compliance with regulatory requirements, SCSB offers competitive salary and retirement plans and leave policies for each job position, as well as labor insurance, health insurance, group insurance, and monthly pension contributions. Labor meetings are held to bring harmony to the workplace.</p> <p>B. Employee wellness: SCSB ensures the health of employees by providing a sound work environment and medical subsidies, setting up health consultation centers, and offering physical checkups, medical consultation and health seminars from time to time. In order to ensure balance between work and health, SCSB provides travel subsidies, child education grants, and rewards for outstanding employees. The Employee Benefit Committee is responsible for employee-benefit activities.</p> <p>C. Investor relations: SCSB operates with full integrity and honesty to create the best market value for investors. SCSB has a dedicated unit to address investor affairs and maintain a good relationship with investors. Financial information is available on the SCSB website and the MOPS for investors' reference.</p> <p>D. Rights of stakeholders: Full disclosure of information and smooth communication for stakeholders is available</p>	No Difference

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			<p>through the SCSB website, the call center, and the spokesperson.</p> <p>E. Directors' and supervisors' training records: The incumbent directors for 2019 participated in the 2019 Corporate Governance Forum – Director/Supervisor Equity and Corporate Governance Legal Compliance and the Corporate Governance Forum – Domestic and Foreign Laws and Regulations on Anti-Money Laundering and Combating the Financing of Terrorism (including anti-corruption and anti-bribery) courses totaling 6 hours held by the Taiwan Academy of Banking and Finance, as required by law.</p> <p>F. Implementation of risk management policies and risk evaluation measures:</p> <p>a. SCSB' risk management policies ensure the effectiveness of internal controls, and delineate specific risk management goals and risk measurement framework which provides adequate gauge and assessment of risks, taking into account risk diversification and tolerance. Risk limits are set and monitored real-time through information technology and risk management reports. The aim is to maximize shareholders equity and market value while minimizing potential risks and achieving long-term sustainable growth.</p>	

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			<p>b. Metrics of risk measurement: SCSB's credit risk is measured by the amount of exposure less the secured debt; market risk is measured on a daily basis based on market prices to monitor loss limit; interest rate risk is analyzed using interest rate sensitivity gap (IRSG) with limits set; liquidity risk is calculated by the current ratio, fund gap in that period, LCR and NSFR; country risk is measured by the claims or assets in the country where the debtor or final debtor is located; and operational risk is measured by operational losses reported internally.</p> <p>c. Risk management implementation status: In addition to complying with the Banking Act regarding credit limits to stakeholders, same natural person or same juristic person, SCSB has developed credit policies and rules, and established guidelines for managing investment and market risks, liquidity risks, interest rate risks, country risks and operational risks. Operating manuals have been prepared for different business operations based on the management needs and characteristics of each business. SCSB has set up a Risk Management Department to monitor reports and integrate Bank-wide risk</p>	

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			<p>management. A Board-level Risk Management Committee is set up to oversee risk controls and the Risk Management Department reports Bank-wide risk status regularly to the Board of Directors. Risk management is centralized with regular self-checks and internal audits conducted that show good risk management results.</p> <p>G. Implementation of customer relations policies:</p> <p>a. SCSB's customer service policies include service quality promises, standardized service policies, customer service staff standardized services, customer relationship management (CRM), and complaint handling. The Consumer Protection Guidelines have been drawn up and available on the Bank website for the perusal by consumers.</p> <p>b. To enhance consumer protection, SCSB has Fair Treatment Principles policies and strategies in place and the implementation status is reported to the Board of Directors on a regular basis.</p> <p>c. SCSB strictly observes the Personal Information Protection Act, the Consumer Protection Act, the Financial Consumer Protection Act, and regulations stipulated by the competent</p>	



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			<p>authorities on standard-form contracts.</p> <p>d. Customer relationship management comprises know-your-customer (KYC), defining customers of value, making use of information technologies, establishing customer databases, formulating customer rating systems, providing most appropriate products and services, integrated marketing, improving overall customer contribution, and improving customer satisfaction with a customer-centered approach. In the continuous efforts to improve the quality of service, SCSB sends mystery shoppers on an irregular basis to visit our operating offices and make phone calls to branches and the offices of logistics units. The monthly Customer Relationship Management Report enables staff to learn and share experience in customer service through case studies, thus conveying the SCSB's commitment to consumer service and protection.</p> <p>e. SCSB has internal and external complaint mailboxes, 24-hour service hotline and complaint hotline, "opinion box" on the website, online customer service and branches across Taiwan to provide</p>	

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			<p>customers with convenient channels for communication.</p> <p>f. SCSB's deposits business policies center around high-quality customers, seeking to elevate SCSB's competitive position in the market, intensifying relationship with quality customers, improving customer contributions, increasing the ratio of demand deposits and lowering funding costs, increasing non-profit incomes, raising deposit/withdrawal interest spreads, enhancing debt management, and improving competitiveness.</p> <p>g. As a socially responsible business, SCSB has aligned our operational strategies with our corporate social responsibilities, and resources have been integrated to meet our CSR goals. SCSB has built a positive corporate image through continued efforts to carry out its CSR commitments, including improvement of banking practices, protection of depositors, and development of better financial services for individuals and businesses. SCSB participated in the Campus and Community Financial Literacy campaign sponsored by the FSC, and was awarded a medal for its contribution to</p>	

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			<p>promoting financial education. Online application, e-billing, and an online cash flow platform have been adopted for environmental protection. For community engagement, SCSB has organized volunteer groups from the Headquarters and regional branches to take part in social services and charity activities in local communities.</p> <p>Furthermore, various social and charity events have been carried out through the SCSB Cultural &amp; Educational Foundation and SCSB Charity Foundation.</p> <p>h. Internal regulations governing consumer protection have been established for trust services. Procedures for handling business disputes have been stipulated to achieve effective handling of disputes, and the full contents of dispute handling methods and procedures have been published at SCSB's offices and on its website.</p> <p>i. The Consumer Protection Committee is established in the managerial department to improve employees' awareness of and compliance with financial consumer protection, establish a corporate culture centering on the commitment to consumer protection, and</p>	

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			<p>optimize the implementation of fair treatment principles, thus increasing consumers' confidence in SCSB and laying a solid foundation of SCSB's sustainable development.</p> <p>H. Purchasing insurance for directors and supervisors: SCSB has purchased liability insurance for directors and managers.</p> <p>I. Political donation and donation to interested party and public interested group: SCSB has developed Administrative Measures for External Donations to govern all external donations, in addition to applicable laws and regulations.</p>	
<p>7. Please elaborate upon improvements the company has made regarding the Corporate Governance Evaluation results for the past year released by the Center of Corporate Governance of Taiwan Stock Exchange Co., Ltd., and upon priorities and measures for areas yet to be improved. (Not required for companies excluded from reviews): SCSB was not included in the review.</p>				