

# Corporate Social Responsibility Report

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SinoPac Holdings

## About this Report

SinoPac Holdings publishes a Corporate Social Responsibility (CSR) Report each year to communicate with stakeholders and the general public about its specific actions and performances in Environmental (E), Social (S) and Governance (G) issues, as well as its commitment and actions taken in response to the United Nations Sustainable Development Goals (SDGs). With this CSR Report, SinoPac Holdings could also review and track the progress of its sustainability strategy and aims to cooperate with stakeholders to facilitate the sustainable development of the corporate itself, the environment, and the society.

### Scope and Boundaries of the Report

The boundaries of financial data used in the Report is the same as that of SinoPac Holdings Consolidated Financial Report. Financial data is presented in New Taiwan Dollars. Environmental and social information encompass SinoPac Holdings and its six major subsidiaries (Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, SinoPac Venture Capital, and SinoPac Call Center). SinoPac Call Center Co., Ltd. is included into the scope of the Report starting from this year and related information and data from the past three years are retroactively adjusted. SinoPac Holdings and the six major subsidiaries are collectively referred to as SinoPac Holdings in the Report. Business activities in Taiwan shall be adopted as the scope of the Report. Where the scope is not consistent, it shall be specified in the Report.

### Reporting Standards and Principles

The Report was published in accordance with the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" as well as the GRI Standards Core Options and GRI G4 Sustainability Reporting Guidelines (hereinafter referred to as GRI G4) for financial services published by the Global Sustainability Standards Board (GSSB). The Report is published in June 2019 and the reporting period is the 2018 fiscal year (from January 1, 2018 to December 31, 2018). The previous report was issued on June 30, 2018. The Chinese and English versions of the Report can be downloaded from the official website of SinoPac Holdings.

### Report Auditing

This report is edited by the SinoPac Holdings' CSR 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 materiality, inclusiveness, and responsiveness in accordance with the Core level of disclosures of the GRI Standards. The independent audit report is also included in the appendix of this report.

### Contact Information

If you have any suggestions regarding this report, please contact the SinoPac Holdings CSR team.

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## Chairman's Message



### Sustainability with Integrity and Sincerity

2018 was a milestone year for SinoPac as it was the 70th anniversary of Bank SinoPac and 30th anniversary of SinoPac Securities. We celebrate our past but focus on the future, on developing innovative financial services, serving our clientele truthfully and sincerely, and showing that our core value "Fulfillment of a Beautiful Life Through Finance" benefits our clients, staff, and shareholders.

SinoPac took concrete steps in 2018 to improve its corporate governance. We established the Ethical Management Committee, composed of all the independent directors of SinoPac Holdings and its subsidiaries, to develop ethical business policies and oversee their implementation. We established internal and external reporting mechanisms to protect whistleblowers. We implemented an evaluation system for the Board of Directors and established a human rights policy in accordance with the global trends. We strengthened three lines of defense: internal audit, compliance, and risk management functions. Starting from 2018, officers engaged in the three areas for the holding company and its subsidiaries are separated and function independently in line with the best market practices.

### Principled Pursuit of Sustainability

SinoPac Holdings established its Sustainable Development Committee in mid-2018 to spearhead its CSR efforts based on four principles of sustainability: ethics and decency, wealth building, environmental sustainability, and social responsibility. By applying these principles to five tangible areas: corporate governance, customer relations, employee welfare, social involvement and environmental protection, SinoPac was acknowledged for its efforts and earned its initial inclusion in the FTSE4Good TIP Taiwan ESG Index in late 2018.

Four principles of sustainability:

- Ethics and decency: SinoPac Holdings established its Ethical Management Committee to improve the company's corporate governance and its compliance with laws and regulations for the fair treatment of employees, customers, shareholders, and other stakeholders.
- Wealth building: We develop outstanding financial products and instruct our team of professionals to prioritize wealth building for clients. To do that, our staff attend seminars and training sessions covering regulatory issues, business strategies, new products and services, career development, etc. The company also ensures they enjoy a proper work-life balance.
- Environmental sustainability: SinoPac Holdings has organized various ESG seminars and trainings. Our products

and business strategies reflect these concepts, in areas such as green financing and promotion of responsible financing and investments. Bank SinoPac, SinoPac Securities, and SinoPac Securities Investment Trust have signed the "Stewardship Principles for Institutional Investors", and a group-level responsible investment policy should be in place in the next 1-2 years. Bank SinoPac completed the assessment for implementation of the "Equator Principles" and plans to become a signatory.

- Social responsibility: SinoPac Holdings supports Taiwan's arts, cultural and creativity industries. We reach out to socially vulnerable groups and organize charitable activities to help them back on their feet. We are especially proud of our long-term partnership with the Sunshine Social Welfare Foundation via "SinoPac Volunteers" activities and our aid to the victims of the Formosa Fun Coast Dust Explosion. To promote inclusive finance, Bank SinoPac has spent 3 years developing a unique financial ecosystem, the "Smart Wholesale Market Transaction Facilitation Platform". The bank started by working with the Taipei Fishery Marketing Corp. to create the first smart transaction platform for fishery products in Taiwan. To make transactions efficient, cheap, and secure, SinoPac provides tailor-made financing and payment services. Six other wholesale markets, including ones for fruit, vegetables, and pork, have joined the platform, with combined payment services value in the tens of billions of TWD.

### Staying True to Our Mission in the Pursuit of Excellence

SinoPac Holdings remains steadfast in its pursuit of financial excellence as Taiwan's economy grows and transforms. As we grow our businesses, we remind ourselves of our responsibility to take good care of our stakeholders. Equally important are corporate social responsibilities and sustainability concerns that we hold dear to heart. Hopefully, through the combined efforts of our staff and support of our stakeholders, SinoPac Holdings may be able to make a small difference in the global community.

SinoPac Holdings, Chairman

*Philip W. Ong*



# SinoPac Sustainability

## Sustainable Development Committee



Established the Sustainable Development Committee and the Sustainable Development Roadmap

## FTSE4Good TIP Taiwan ESG Index



Selected as a constituent stock of the "FTSE4Good TIP Taiwan ESG Index"

### Material topics

Business Performance

## 1.1 SinoPac Holdings Introduction

### 1.1.1 About SinoPac Holdings

SinoPac Holdings upholds the vision of "Fulfillment of a Beautiful Life Through Finance" and provides financial total solutions with sincerity, integrity and profession. Its subsidiaries involve in the finance industries such as banking, securities, investment trust, customer service, insurance agency, leasing, and venture capital. SinoPac Holdings maintains overseas service locations in Hong Kong, Macao, Nanjing, Shanghai, Xiamen, Dongguan, Kunshan, Tianjin, Chongqing, Vietnam, Los Angeles, London and so on.

#### Brand Story

SinoPac Holdings traces its history back to 1948 when Taipei Mutual Savings and Loan Company was established, with an initial capital of 20 million Old Taiwan Dollar. In 1949, the capital was converted to 500 New Taiwan Dollar (NT\$) and further increased by NT\$10,000 to become the first private mutual savings and loan company in Taiwan. The business started from providing regular deposit and amortized loan to its members, then it was reorganized into Taipei Business Bank in 1978 focusing on providing financial services to small and medium enterprises and becoming a great partner for customers when the economy in Taiwan began to take off. It was further reorganized into the International Bank of Taipei in 1998 as it ventured into international sectors with customers. The company has established a solid customer base in its decades of history. On August 26, 2005, the company approved a share swap transaction with the International Bank of Taipei to make the latter a wholly owned subsidiary. On July 20, 2006, the company changed its Chinese name to SinoPac Holdings. For 70 years, SinoPac Holdings has transformed from a regional mutual savings and loan company into a recognized financial holding company. SinoPac Holdings upheld its founding virtues of protecting customers' assets, creating wealth, and using deposits to support corporate customers to grow their businesses. SinoPac Holdings has learned that the corporate not only relies on effective management and the pursuit of profits, but also the role played by companies in the society during the transformation process.



Data Reference Date: February 28, 2019  
Unit: NT\$ million



#### Bank SinoPac

Investment Amount NT\$75,400 (100%)



#### SinoPac Leasing Co.

Investment Amount NT\$3,654 (100%)



#### SinoPac Venture Capital Corp.

Investment Amount NT\$2,000 (100%)



#### SinoPac Holdings



#### SinoPac Securities Corp.

Investment Amount NT\$18,267 (100%)



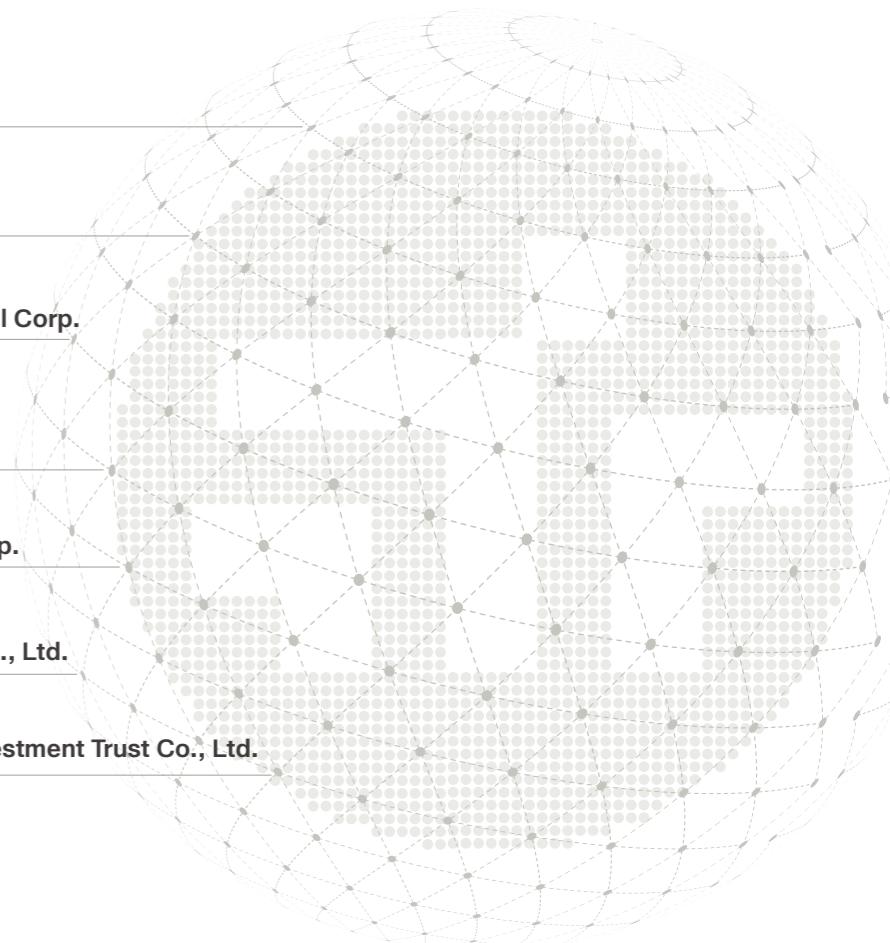
#### SinoPac Call Center Co., Ltd.

Investment Amount NT\$40 (100%)



#### SinoPac Securities Investment Trust Co., Ltd.

Investment Amount NT\$2,298 (100%)



## 1.1.2 About the Subsidiaries

### Bank SinoPac

Bank SinoPac's main businesses include corporate banking, personal banking, wealth management, financial services, and electronic banking. Bank SinoPac has 127 branches in Taiwan including 86 branches in the Greater Taipei area and it has established service locations in major metropolitan areas in the Central and Southern Regions as well as Hualien and Kinmen. Bank SinoPac has actively expanded its service networks across the globe and it has three service locations in Hong Kong, Kowloon, and Macao. Bank SinoPac's Mainland Chinese subsidiary bank, Bank SinoPac(China), officially launched its business on February 28, 2014. It is the first Taiwanese bank in Mainland China. It currently consists of two branches - Shanghai and Guangzhou branch, which officially opened for business on August 18, 2016 and August 9, 2017, respectively. Bank SinoPac has also established a service network of 9 locations along the Pacific Rim in areas including California, United States and Vietnam to provide comprehensive services for customers.

Bank SinoPac actively assisted in the construction of solar power plants in 2018 and financing cooperation has been provided for 1,650 solar plants in Taiwan, a 60% increase from the end of the previous year. Bank SinoPac shall continue to work hard toward reaching 2,000 power plants by 2020. Bank SinoPac also received the "Quality Financial Services Provider Award" under the "Top Solar

Award" by the Energy Bureau of the Ministry of Economic Affairs for the third consecutive year and it received the "Best Green Finance Award" from Excellence magazine. Bank SinoPac established the "Smart Wholesale Market Transaction Facilitation Platform" in 2016 and received the "Best Digital Finance Award" in the 9th "Outstanding Financial Enterprises Awards" from the Taiwan Academy for Banking and Finance in 2018. The award recognized Bank SinoPac's innovation and contribution in the traditional wholesale market for simplifying financial payments and accelerating operational transformation. The service has provided financing and payment services for approximately 2,000 wholesalers and accounted 99% of transactions in the cooperative markets.

The capital in 2018 amounted to NT\$86.061 billion and total consolidated assets amounted to NT\$1.485 trillion, an increase of approximately NT\$52.1 billion from the previous year. Total consolidated deposits amounted to NT\$1.195 trillion, up around 3.62% from the end of the previous year. Total consolidated loan balance amounted to NT\$932.6 billion, up around 6.13% from the end of the previous year. Bank SinoPac raked in consolidated net income after tax of NT\$9.674 billion, EPS of NT\$1.12, and ROE of 7.60%.

### SinoPac Securities

SinoPac Securities Corp. (SinoPac Securities), established in 1988, was the first securities company in Taiwan to list on Taiwan's over-the-counter (OTC) market. Its business operations include stockbroking, proprietary trading, underwriting, international business, fixed income, and new financial products, among others. SinoPac Securities is one of Taiwan's leading integrated securities companies with 55 service locations in Taiwan and overseas service locations in Hong Kong, Shanghai, and London. SinoPac Securities sets its goals on becoming a digital technology brand and innovative leader in the securities industry and adopts innovative and balanced business strategies and professional services to provide the best integrated financial services for its clients. Recent mergers and acquisitions (M&A) milestones include SinoPac Securities' merger with Pacific Securities in November 2012 and its merger with BEA Wealth Management Services (Taiwan) Ltd. in March 2016. SinoPac Securities' subsidiary SinoPac Securities (Cayman) Holdings Ltd. acquired Hong Kong-based Tung Shing Holdings Company Ltd. in April 2016. In September 2016, SinoPac Securities accepted the transfer of IBT Securities' brokerage business, business equipment, and the net assets of its margin trading and short selling accounts, providing a catalyst to improve SinoPac Securities' brokerage market share and profitability for the benefit of its shareholders.

SinoPac Securities continued to transform itself into a securities company featuring wealth management with digital technology. In 2018, SinoPac Securities launched the investment consulting service through Line@ to provide AI-based wealth management services. An in-

dustry-leading wealth management website was also set up to integrate the quotations of Taiwan stocks, options, and overseas stocks in cooperation with Thomson Reuters, creating a digital environment centered on customer experience. SinoPac Securities has received recognition in related wealth management awards organized by Business Today Weekly, Wealth Magazine, and Excellence Magazine for three consecutive years. In 2018, SinoPac Securities received the "Best Securities Firm Service Excellence Award" and "Best FinTech Securities Excellence Award" from Wealth Magazine; "First Place for Best Digital Platform Experience Award" and "Second Place for Best Digital Innovation Award" from Business Today Weekly; "Best Wealth Management Award" and "Best Comprehensive Digital Service Award" from Excellence Magazine; and the "Annual Innovation Design Award" in the Golden Torch Award.

With innovative strategies and professional services, SinoPac Securities expanded the source of revenue and its business performance constantly ranked on top. In 2018, SinoPac Securities posted consolidated net income after tax of NT\$467 million, EPS after tax of NT\$0.29, and ROE of 1.80%. In terms of market share, its ranking of the core brokerage business remained stable, and market share of the sub-brokerage business advanced to second place. On the other hand, assets under management (AUM) reached NT\$13.7 billion, increasing 34% YoY, and its growth rate ranked in first in the market.

### SinoPac Leasing

SinoPac Leasing Corp. (SinoPac Leasing) has actively expanded across Asia Pacific since its establishment in September 1997. In China, it established a wholly-owned finance leasing company, SinoPac International Leasing Corporation, in Nanjing in July 2011; it established SinoPac Leasing (Tianjin) Co., Ltd. in Tianjin in 2013. It has service locations in Nanjing, Kunshan, Dongguan, Xiamen, Tianjin, and Chongqing with diverse and flexible services offered to customers, including financial leasing, business leasing, factoring and trade financing. In Southeast Asia, SinoPac Leasing has established offices in Myanmar and Thailand since 2015 to promptly grasp business opportunities and to provide services for Chinese businesses in the Southeast Asian market.

SinoPac Leasing enhances its services in various regions and industries to provide customers with diversified and professional financial leasing services, and

continually receives external recognitions. SinoPac International Leasing was evaluated as the "2018 Jiangsu Province Financial Lease Company of the Year" by the Jiangsu Association of Financial Leasing in 2018. SinoPac International Leasing won the award for the second consecutive year and demonstrated its outstanding performance in overall operations. SinoPac Leasing will continue to expand its presence in Mainland China and overseas leasing markets. It will provide premium and flexible products and services in a timely manner to meet to changes in the structure of the environment and corporate customers' needs for transformation and innovation. It shall continue to expand its asset base and enhance the operating efficiency, thereby ensuring the sustainability of a leasing company credited with the best asset allocation and stable profits.

### SinoPac Securities Investment Trust

SinoPac Securities Investment Trust was established in 1997 and became SinoPac Holdings' wholly owned subsidiary in July 2007. SinoPac Securities Investment Trust upholds the business philosophy of "professional management, ethical services, and outstanding performance" and continues to provide diversified and innovative products and services in the mutual funds, discretionary investment, private equity, etc. SinoPac Securities Investment Trust fulfills the obligations and responsibilities of a good administrator and seeks to maximize profits for investors. With such professional investment capabilities, it often received the recognitions from major fund evaluation institutions. It received the "Gold Diamond Award" from the Taipei Foundation of Finance, "Lipper Fund Awards" in Taiwan, "Best Fund Award" from Morning Star, and the "Smart Taiwan Fund Award".

SinoPac Securities Investment Trust achieved outstanding performance in 2018 and won multiple awards in the Thomson Reuters Lipper Taiwan Fund Awards, including the SinoPac Pilot Fund - "Information Technology Equity Five-Year Fund" and the SinoPac Balance Fund - "NT\$ Balance Hybrid Ten-Year Fund". SinoPac Securities Investment Trust won major awards in the BENCHMARK Fund of the Year Awards in Taiwan including Outstand-

ing Performance in both Technology and Great China Equity sectors, and Best Performance in Balance Fund. Items nominated for the Gold Diamond Awards included SinoPac Pilot Fund - "Information Technology Domestic Equity Three-Year Fund". In response to the domestic retirement wave and investors' plans for pension, SinoPac Securities Investment Trust successfully developed the SinoPac Global Multi Income Fund in 2018 to provide investors a new choice of investment instrument to prepare for retirement. In the future, SinoPac Securities Investment Trust shall focus on demands of insurance companies and issue various bond ETF products, and respond to retailing customers' demands for retirement by promoting suitable investment products. As of the end of 2018, SinoPac Securities Investment Trust managed 20 public funds with a total of NT\$25.992 billion of assets under management. In 2018, SinoPac Securities Investment Trust posted consolidated net income after tax of NT\$99.444 million, EPS after tax of NT\$0.70, and ROE of 6.39%.

### SinoPac Venture Capital

SinoPac Venture Capital was established in January 2003. In recent years, the company has focused investments in the e-commerce, FinTech, Industry 4.0, automation, cultural and creative industries, and biomedical industries. Concurrently, with greater cross-straits interaction, the company also proactively seeks cooperating partners in China to expand its business scale.

SinoPac Venture Capital will primarily invest in companies in the expansion stage, followed by companies in mezzanine and pre-IPO stage in order to maintain sustainable and consistent income stream over time. The company will leverage the resources from SinoPac Holdings and external partners to explore investment opportunities, to establish a professional image in venture investments, and to keep a promising track record. To promote collaboration and strategic alliance between

investment portfolios, the company will do its best to help investees to cooperate with each other under the ecosystem strategy. The investee companies in the portfolio mainly domiciled in Taiwan, the Cayman Islands, and the United States. SinoPac Venture Capital will continue to promote cross-selling businesses in line with the business development strategy of SinoPac Holdings, and to integrate SinoPac group-wide resources to fulfill financial needs of investee companies at various stages and improve customer satisfaction and trust. It shall also enhance interactions with other venture capital firms, broaden the international viewpoint, cultivate international investment capability, and expand investments in Mainland China and overseas.

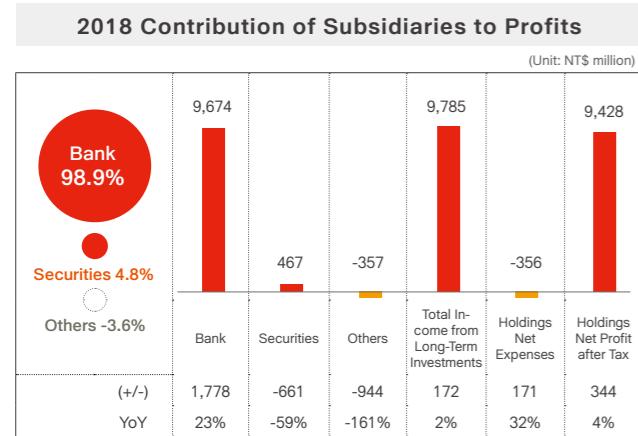
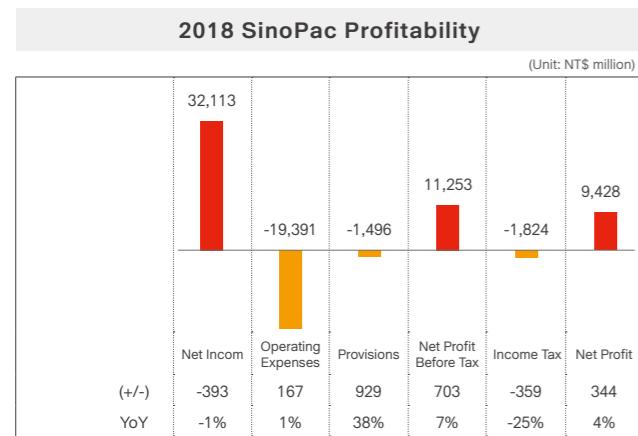
## SinoPac Call Center

SinoPac Call Center passed "SGS QualiCert" in 2015 and became the first customer service of a bank to receive the service quality certification. SinoPac Call Center will continue to optimize its system and operating procedures, use technology to promote convenient and innovative service, provide customers with the best service quality, and focus on the development of technology relating to the customer service industry so as to develop more efficient and effective operating technologies. SinoPac Call Center sincerely listens to customers' feedback and continued to improve the quality of

service and customer satisfaction. The main business is to provide 24-hour and year-round customer telephone services to customers of Bank SinoPac. SinoPac Call Center also provides Internet customer service, system operation explanation, various notifications, and information on the newest products and services to customers. SinoPac Call Center passed the ISO 10002 Customer satisfaction certification in 2018 and became the first bank customer service in Taiwan to obtain both SGS QualiCert and ISO 10002 certification.

### 1.1.3 Business Performances

Upholding Supervision and Management, Strategic Leadership, and the Realization of Synergy were the major themes for 2018. Under the framework of sound corporate governance and risk management, SinoPac Holdings witnessed steady growth in profits thanks to the diligent efforts of the management and employees. In 2018, SinoPac Holdings posted a consolidated net income after tax of NT\$9.428 billion, EPS after tax of NT\$0.84, and return on equity (ROE) of 6.72%. Our consolidated net income after tax expanded 3.79% from 2017. At the end of 2018, our net value reached NT\$141.8 billion, and our net value per share was NT\$12.58. SinoPac Holdings' net interest income in 2018 totaled NT\$15.791 billion (YoY-1.94%). If the impact of the FENB (disposed in July 2017) is removed, the annual growth rate would be 1.8%. SinoPac Holdings' net fee income in 2018 totaled NT\$9.951 billion (YoY+4.59%) which hit a record high. The main momentum for growth came from bancassurance revenue which grew by 20% and securities fee income which grew by 7.6%. Overall, profits from core businesses maintained positive growth in 2018 while profits from non-core businesses declined due to the reduction in valuation gain of marketable securities. However, appropriate cost control has contributed to a stable growth of 3.61% in net profit after tax in 2018. SinoPac Holdings' five major themes for 2019 include enhancing portfolios and raising operational efficiency, boosting fee income, elevating overseas revenues, accelerating digital transformation, and strengthening corporate governance, sustainable development and risk management frameworks.



**Financial Highlight**

(Unit: NT\$ million)

Item / Year	2016	2017	2018
<b>Total assets</b>	1,678,930	1,599,161	1,604,926
<b>Total liabilities</b>	1,545,032	1,460,901	1,463,105
<b>Shareholders' equity</b>	133,898	138,260	141,821
<b>Income tax expenses</b>	1,245	1,465	1,825
<b>Net profit after tax</b>	<b>8,283</b>	<b>9,085</b>	<b>9,428</b>
Earnings per share (NT\$)	0.73	0.81	0.84
Return on assets (%)	1.07	1.17	1.27
Return on equity (%)	6.24	6.68	6.72

**Distribution of Dividends**

(Unit: NT\$)

Actual distribution year	2016	2017	2018
Cash dividends per share	0.432	0.344	0.5
Stock dividends per share	0.5	0.35	0.2
<b>Total</b>	<b>0.932</b>	<b>0.694</b>	<b>0.7</b>



### Credit Rating

SinoPac Holdings received positive ratings from credit rating agencies in 2018. Taiwan Ratings and Standard & Poor's both increased the credit ratings of SinoPac Holdings and its subsidiaries. Taiwan Ratings increased SinoPac Holdings' long-term and short-term ratings to "twA+ / twA-1" and increased those of Bank SinoPac and SinoPac Securities to "twAA-/twA-1". Standard & Poor's adjusted SinoPac Holdings' long-term and short-term ratings to "BBB/A-2" and those of Bank SinoPac and SinoPac Securities to "BBB+/A-2". Taiwan Ratings recognized the improvements in SinoPac Holdings' corporate governance, saying via its Media Release that "SinoPac group has been strengthening its governance standard after the financial regulator fined the group several times in 2016-2017 to reflect internal control deficiencies. The group has built up an improved mechanism to manage related-party information and is streamlining its holdings structure to improve operating transparency. These efforts help to strengthen our assessment of the group's risk position."

### SinoPac Holdings 2018 Credit Ratings

Credit rating agencies - publication date of the latest ratings	Long term	Short term	Rating outlook	Latest rating date
Standard & Poor's	BBB	A-2	Stable	2018/8/13
Fitch Ratings	BBB	F2	Stable	2018/9/12
Taiwan Ratings	twA+	twA-1	Stable	2018/8/13



### Shareholder Structure

SinoPac Holdings discloses its shareholder structure as shown in the table below. Shares held by government entities account for less than 5%. Please refer to page 78 of the Annual Report of SinoPac Holdings for more information.

Object	Government Entity	Financial Institutions	Other Institutions	Individuals	Foreign Investors	Total
Number of People		4	24	619	235,875	1,092
Number of Shares	59,175,102	348,426,646	4,068,555,053	3,682,141,715	3,112,755,590	11,271,054,106
Percentage	0.53%	3.09%	36.09%	32.67%	27.62%	100%

### Percentage of Shares Held by Family Members

There is one single individual or legal person holding more than 5% of SinoPac Holdings shares. The major shareholder Shou-Chuan Ho and the same related party reported a shareholding ratio of 18.81% (major shareholders and the same related party with more than 10% of shares). Please refer to the "Bank (financing holding company) major shareholder shareholding change report inquiry information" on the Market Observation Post System (stock code: 2890) <http://mops.twse.com.tw/mops/web/t142sb01>.



### 1.1.4 Participation in Associations

SinoPac Holdings and its subsidiaries actively participate in associations of related industries to learn about the trends, the regulatory development, the dynamics of competitors and partners in the industry so as to ensure its ability to match current requirements, respond to various initiatives and improve corporate competitiveness. SinoPac Holdings supported participation in associations and membership fees amounted to approximately NT\$5.84 million in 2018. The top three associations for SinoPac Holdings in terms of monetary contributions of member fees were The Bankers Association of the Republic of China (membership fees totaled NT\$2,603,100), Trust Association of R.O.C. (membership fees totaled NT\$1,533,105), and Securities Investment Trust and Consulting Association of the R.O.C. (membership fees totaled NT\$400,000).

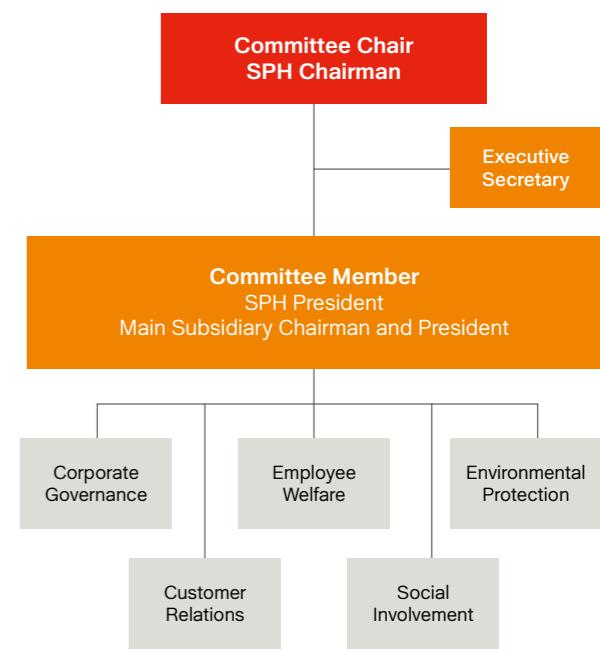
Bank SinoPac	SinoPac Securities	Other subsidiaries (SinoPac Securities Investment Trust, SinoPac Leasing, SinoPac Venture Capital)
<ul style="list-style-type: none"> <li>• The Bankers Association of the Republic of China</li> <li>• Overseas Credit Guarantee Fund</li> <li>• Trust Association of R.O.C.</li> <li>• Securities Investment Trust and Consulting Association of the R.O.C.</li> <li>• Cross-Strait CEO Summit</li> <li>• National Credit Card Center of R.O.C</li> <li>• R.O.C. Bills Finance Association</li> <li>• Small and Medium Enterprise Credit Guarantee Fund</li> <li>• The Bankers Association of Taipei</li> <li>• Chinese National Association of Industry and Commerce, Taiwan (CNAIC)</li> <li>• ROC-USA Business Council</li> <li>• Taiwan Securities Association</li> <li>• Asian Bankers Association</li> </ul>	<ul style="list-style-type: none"> <li>• Taiwan Securities Association</li> <li>• Chinese National Futures Association</li> <li>• Trust Association of R.O.C.</li> <li>• Securities Investment Trust and Consulting Association of the R.O.C.</li> <li>• R.O.C. Bills Finance Association</li> <li>• Securities Analysts Association, Chinese Taipei</li> <li>• Taipei Electrical Commerce Association</li> <li>• Taipei Small Truck Lease Association</li> <li>• Importers and Exporters Association of Taipei</li> <li>• Taipei Leasing Association</li> <li>• Taipei Passenger Car Lease Association</li> <li>• Taiwan Venture Capital Association</li> <li>• Taiwan ITRI New Venture Association</li> </ul>	<ul style="list-style-type: none"> <li>• Securities Investment Trust and Consulting Association of the R.O.C.</li> <li>• Chinese National Futures Association</li> <li>• Securities Analysts Association, Chinese Taipei</li> <li>• R.O.C. Bills Finance Association</li> <li>• Securities Analysts Association, Chinese Taipei</li> <li>• Corporate Operation Association of the Republic of China</li> <li>• Chinese National Association of Industry and Commerce, Taiwan (CNAIC)</li> <li>• Taiwan Corporate Governance Association</li> <li>• Pension Fund Association, R.O.C.</li> <li>• Institute of Internal Auditors, R.O.C.</li> <li>• Public Company Stock Affairs Association</li> <li>• Outstanding Enterprise Manager Association</li> <li>• Cross-Strait CEO Summit</li> <li>• Taiwan Private Equity Association</li> <li>• Financial Engineering Association of Taiwan</li> <li>• Chinese Association of Business and Intangible Assets Valuation</li> </ul>

## 1.2 Sustainability Governance and Vision

### 1.2.1 Sustainable Development Committee Structure

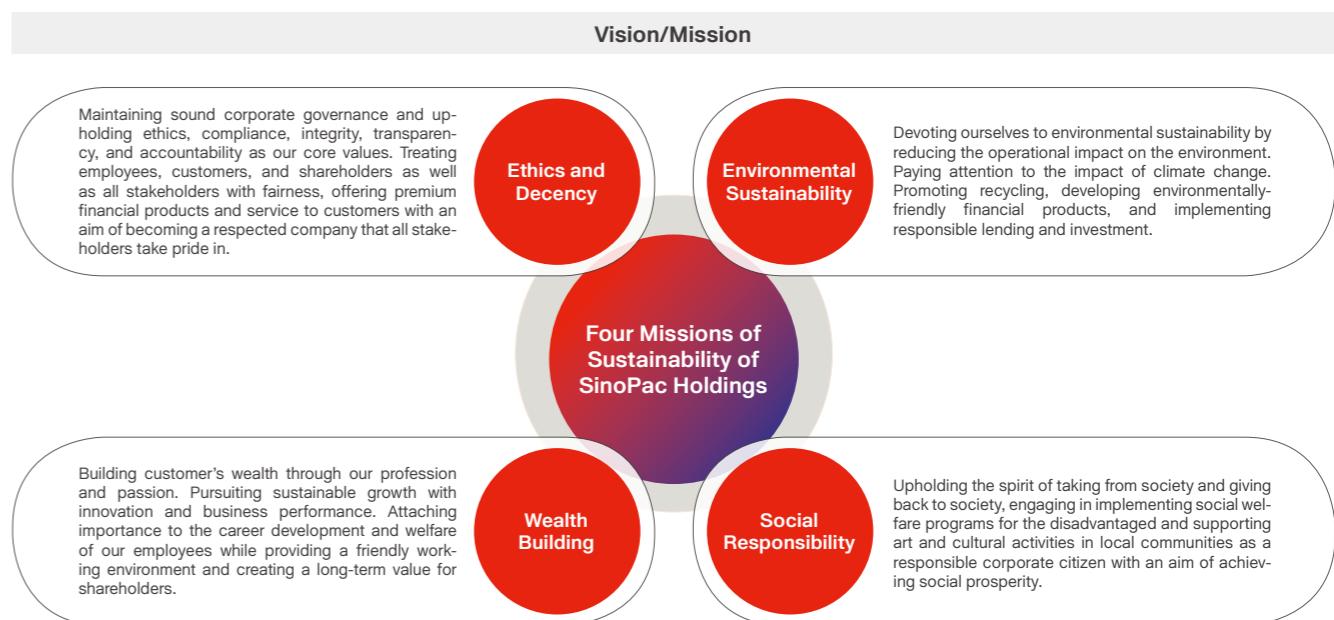
SinoPac Holdings established the "CSR Project Team" in 2015 to actively plan CSR related affairs. In 2018, the company established the "Guidelines for Corporate Social Responsibility" and actively responded to international sustainability trends and implemented corporate social responsibilities of the financial industry. SinoPac Holdings established the "Sustainable Development Committee" to develop specific sustainability strategies and five dedicated task forces to strengthen the implementation of corporate social responsibilities. The Sustainable Development Committee has 7 members, where the Chairman of SinoPac Holdings acts as the chairperson, with the President of SinoPac Holdings and the chairmen and presidents of major subsidiaries act as members. The Committee oversees five task forces which are responsible for corporate governance, customer relations, employee welfare, social involvement, and environmental protection. The leaders of the task forces consist of senior executives of SinoPac Holdings. They jointly establish CSR policy, sustainable development roadmaps with short, medium, and long-term plans, and annual work plans to fulfill corporate social responsibility and manage the risks and impact of operations of SinoPac Holdings and its subsidiaries on the economy, environment, and society.

The vision, mission, policy, and roadmap for sustainable development established by the Sustainable Development Committee were approved by the Board of Directors in June 2018. The Sustainable Development Committee convenes a meeting every quarter and reports the progress of corporate sustainable development to the Board of Directors every half a year. The Sustainable Development Committee organized three meetings in 2018 to establish SinoPac Holdings' sustainable development roadmaps with short, medium, and long-term plans, and action plans. In the future the Committee shall hold a meeting every quarter to discuss material sustainability issues and follow up and review the implementation progress of sustainable development.



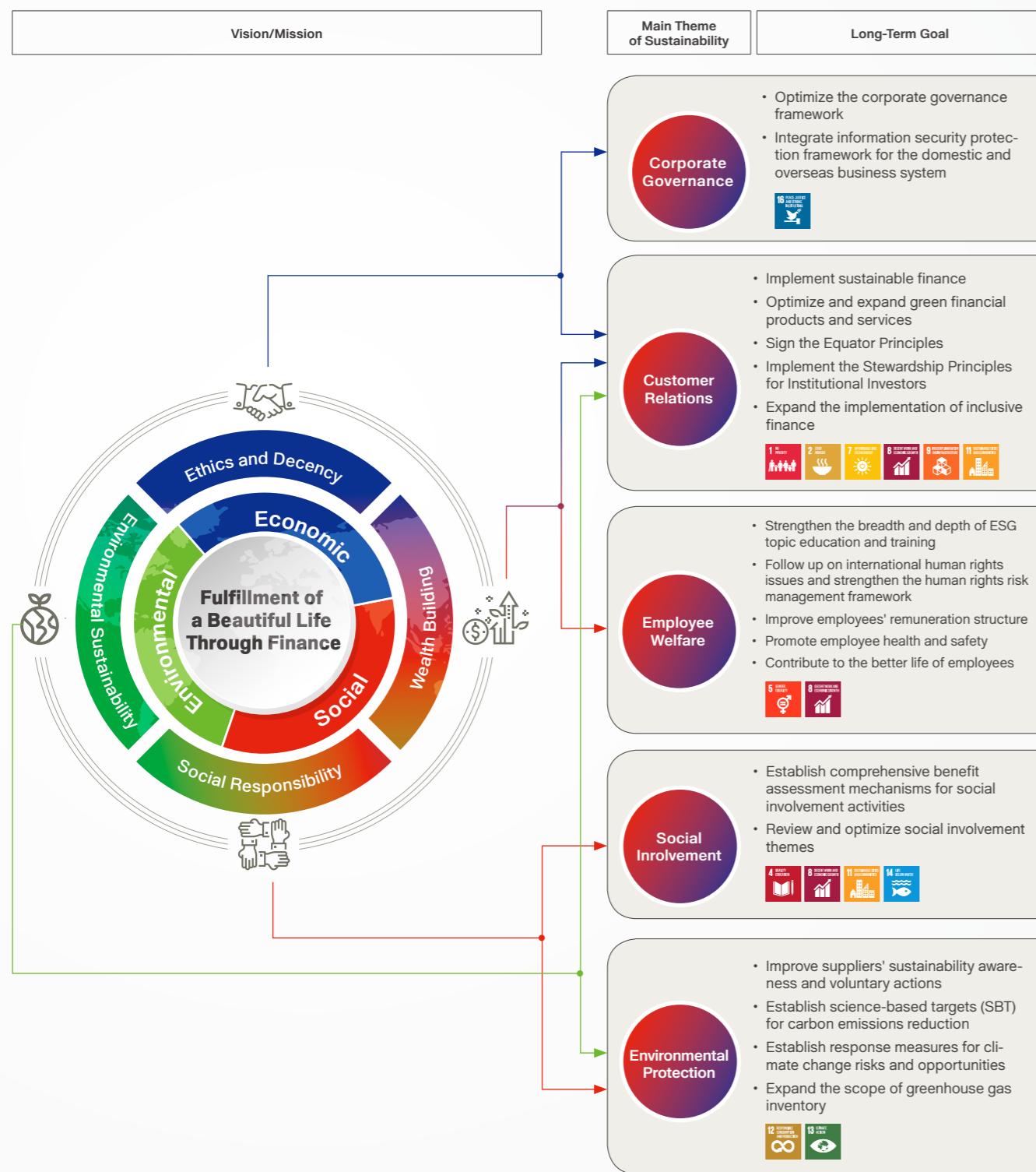
### 1.2.2 A Roadmap for Sustainable Development

SinoPac Holdings upholds the vision of "Fulfillment of a Beautiful Life Through Finance" and provides financial total solutions with sincerity, integrity and profession. SinoPac Holdings has been established for over 70 years. All employees have insisted on this original intention, and all members of the Board of Directors have done their utmost to guide the management to forge ahead steadily in the hope of creating a bright future for employees, customers, and shareholders. SinoPac Holdings officially established the Sustainable Development Committee in 2018 to integrate its core financial competencies for sustainable development. It established a roadmap for sustainable development and proposed missions for sustainable development in four dimensions: Ethics and Decency, Wealth Building, Environmental Sustainability, and Social Responsibility. SinoPac Holdings was selected as a constituent stock of the FTSE4Good TIP Taiwan ESG Index in December 2018. As of the end of 2018, the Index included only 69 listed companies.



## A Roadmap for Sustainable Development

SinoPac Holdings upholds the vision of "Fulfillment of a Beautiful Life Through Finance" as the core to develop the roadmap of sustainable development of the Group. Based on the three major aspects of sustainable development, Environmental (E), Social (S), and Governance (G), SinoPac Holdings developed the sustainability mission in four dimensions which include Ethical and Decency, Wealth Building, Environmental Sustainability and Social Responsibility. SinoPac integrates the four dimensions to establish the five main strategies for sustainable development and the five task forces are deployed correspondingly to implement those strategies.



## 1.2.3 Sustainable Development Performance and Short /Medium-Term Goals

Main Theme of sustainability	2018 implementation progress	Short/medium-term goals (1-2 years)
Corporate Governance	<ul style="list-style-type: none"> <li><b>Improved in the Corporate Governance Evaluation:</b> SinoPac Holdings established the Corporate Governance Guidelines, Guidelines for Ethical Corporate Management, and Guidelines for Codes of Ethical Conduct. It established the Ethical Management Committee and Sustainable Development Committee, formulated a culture for audit, compliance, and risk management, and separated the roles and responsibilities of internal audit, compliance, and risk management officers to sole duties in Holdings from the related functions in subsidiaries. The functions of legal affairs and information technology were segregated from regulatory compliance and information security respectively at Bank SinoPac, and SinoPac Holdings improved the weights of KPI in audit, compliance, and risk management in subsidiary companies.</li> <li><b>Strengthened the mechanisms of business integrity management:</b> SinoPac Holdings established the "Procedures for Ethical Management and Guidelines for Conduct" and "Whistleblowing Policy" and implemented the signature of the "Ethical Management Code of Conduct" by all personnel.</li> <li><b>Improved information disclosure transparency:</b> SinoPac Holdings completed the optimization of the official website and increased the quality of disclosure of corporate governance and sustainable governance in both Chinese and English.</li> </ul>	<ul style="list-style-type: none"> <li>Improve the performance in the Corporate Governance Evaluation</li> <li>Implement the Corporate Governance Inspection and Improvement Project</li> <li>Strengthen the information security management system</li> </ul>
Customer Relations	<ul style="list-style-type: none"> <li><b>Planned the implementation of the Equator Principles:</b> Completed the impact assessment for the implementation of the Equator Principles for Bank SinoPac.</li> <li><b>Planned the implementation of responsible investment:</b> Completed the impact assessment for the compliance of responsible investment, and expected to formulate the "Responsible Investment Management Guidelines" in due course.</li> <li><b>Strengthened customer communication:</b> SinoPac Holdings organized two ESG Investment Forums on the topics of responsible investment and climate change and invited renowned international ESG investment consultants and international asset management companies to share their practical experience.</li> <li><b>Planned the green finance product development roadmap:</b> SinoPac Holdings analyzed international ESG and sustainable finance trends and continued to promote existing green finance products including green bonds, green financing, green investment, and green funds.</li> <li><b>Implemented inclusive finance products:</b> SinoPac Holdings continued to promote inclusive finance products.</li> </ul>	<ul style="list-style-type: none"> <li>Develop the roadmaps for green finance products</li> <li>Adopt the Equator Principles</li> <li>Establish responsible investment policy</li> <li>Organize regularly ESG seminars for the finance sector</li> <li>Expand inclusive finance products and the scope of implementation</li> </ul>
Employee Welfare	<ul style="list-style-type: none"> <li><b>Established human rights policy:</b> SinoPac Holdings integrated suggestions from external experts and completed the formulation of human rights policy which was approved by the Board of Directors.</li> <li><b>Established internal grievance mechanisms:</b> SinoPac Holdings conducted an inventory of the subsidiaries' grievance mechanisms. Any deficiency or unclear parts are strengthened or adjusted.</li> <li><b>Organized ESG related courses:</b> Invited external experts to lecture on climate change issues.</li> </ul>	<ul style="list-style-type: none"> <li>Organize regularly ESG training courses</li> <li>Implement human rights risk management systems</li> <li>Review employee compensation standards</li> <li>Promote a healthy and safe workplace</li> <li>Strengthen connections with employees</li> </ul>
Social Involvement	<ul style="list-style-type: none"> <li><b>Planned social involvement themes:</b> SinoPac Holdings organized the charity events based on the two major social involvement themes of "sustainable environment" and "local care".</li> <li><b>Assessed the adoption of social return on investment (SROI):</b> SinoPac Holdings completed the screening and evaluation of SROI for social involvement activities and it shall continue to implement SROI analyses.</li> </ul>	<ul style="list-style-type: none"> <li>Establish the main goals for social involvement to integrate current social involvement projects</li> <li>Implement the social return on investment (SROI) system</li> </ul>
Environmental Protection	<ul style="list-style-type: none"> <li><b>Obtained ISO environmental management certification:</b> SinoPac Holdings obtained external certification for the ISO 14001 Environmental Management System and ISO 14064-1 Greenhouse Gas Inventory.</li> <li><b>Established the supplier sustainability management policy and mechanisms:</b> SinoPac Holdings completed the establishment of the "Supplier Corporate Social Responsibility Code of Conduct" and completed the ESG risk assessments of suppliers.</li> <li><b>Implemented the environmental education and training:</b> SinoPac Holdings organized related education and training for carbon disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>Establish the supplier sustainability management policy and mechanisms</li> <li>Participate in the Carbon Disclosure Project (CDP)</li> <li>Introduce the Task Force on Climate-related Financial Disclosures (TCFD) framework</li> <li>Implement ISO verification of the greenhouse gas, environmental management, and energy systems</li> </ul>

## 1.3 Sustainability Risks and Challenges

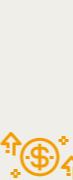
### 1.3.1 Stakeholder engagement

SinoPac Holdings identified the stakeholders for the first time in 2014 and it has reviewed the groups of stakeholders based on market trends and current engagement result with stakeholders in each year thereafter. Stakeholder groups include employees, customers, regulatory agencies, shareholders (investors), media, and communities/NPO/NGO. In 2018, SinoPac Holdings continued to evaluate the connections between stakeholders and SinoPac Holdings and the level of impact on the SinoPac Holdings' operations through discussions of the CSR Project Team and the identification of stakeholders for the current year. SinoPac Holdings identified seven stakeholder groups. In response to international trends of sustainable supply chain and expand social influence, SinoPac Holdings invited upstream suppliers and contractors to jointly implement corporate social responsibilities this year. SinoPac strengthened interactions with suppliers and the supplier group was added to the stakeholder groups. SinoPac Holdings has established exclusive communication channels for each stakeholder group to respond to the issues of concern and the needs of stakeholders.



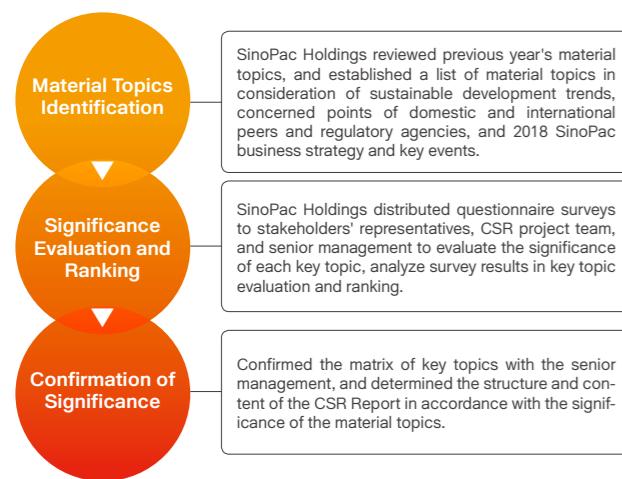
Stakeholder Communication Channels and Communication Results

Stakeholder	Communication Channels	Frequency	Communication Results in 2018
 Employees	Company labor union	Irregularly	Bank SinoPac aims to protect the rights of employees. With the exception of employees in the probationary period, approximately 97% of employees have joined the union. The ratio is 85% for SinoPac Securities.
	Product seminars / education and training	Irregularly	Education and training: Total training hours for SinoPac Holdings and its subsidiaries amounted to 380,053 hours.
	Internal feedback platform / commendation announcements	Irregularly	Bank SinoPac announced its gratitude for employees with anniversaries of their work service in the colleagues' conversation platform each month. Bank SinoPac commended employees who helped prevent fraud in the colleague's conversation platform from time to time.
	Employee satisfaction survey	Every two years	The "2018 Employee Commitment Survey" was conducted online and SinoPac issued an external website link that allowed employees to answer the survey anonymously to increase their sense of security and fairness. The targets consist of all employees of Bank SinoPac and its subsidiaries (including life insurance agency and property insurance agency) totaling approximately 5,200 people.
	Internal digital platform education and training	Irregularly	Online training hours totaled 187,630.77 hours
 Customers	Customer service hotline	Irregularly	Telephone audio service usage rate of Bank SinoPac was approximately 77%. Credit card audio service usage rate was approximately 35%. Dedicated staff provided services for approximately 1.96 million calls. Personnel of SinoPac Securities customer service center provided services to 76,824 calls in 2018.
	Smart customer services	Irregularly	The Bank SinoPac customer service robot "Smart Feng" provided services 143,621 times. The SinoPac Securities customer service robot "Smart Feng" provided services 28,918 times.
	Virtual channels (Internet banking, mobile banking)	Irregularly	The Bank SinoPac online text customer service provided services 29,760 times. The SinoPac Securities online text customer service provided services 2,636 times.
	Online wealth management specialists	Irregularly	Bank SinoPac assigned online wealth management specialist to use telephones, e-mails, and SMS to provide active care and understand customers' needs. They provided services to 53,422 customers.
	Customer opinions	Irregularly	Bank SinoPac conducted customer satisfaction surveys and collected 4,220 records of VOCs from customers.
	Seminars	Irregularly	Bank SinoPac organized a total of 338 customer events. SinoPac Securities organized more than 985 customer events.
	Customer satisfaction surveys	Irregularly	Bank telephone customer satisfaction surveys: 55,241 records were collected, and the satisfaction rate was 96%. Bank branch service satisfaction rate: 14,966 records were collected, and the satisfaction rate was 97%.
	Customer complaints	Irregularly	Bank Customer complaints: The acceptance rate of complaints processed was 84% and the average days for processing was 8 days.
	Other channels	Regularly/irregularly	Bank SinoPac and SinoPac Securities provide diverse information disclosure channels. In addition to EDM, SMS, and monthly electronic statements which provide customers with discount information for various products and services, they also actively provide customers with reminders of important information to securely protect customer assets and interests. The aforementioned information is also announced on the website of Bank SinoPac at the same time.

Stakeholder	Communication Channels	Frequency	Communication Results in 2018
 Shareholders (Investors)	Operating performance	Monthly	SinoPac provides information on the operating performance in Chinese and English through the company website and Market Observation Post System.
	Investors' conference organized by SinoPac Holdings	Quarterly	SinoPac organized investors' conference to help shareholders (investors) understand the overall operations, financial status, and development strategies of SinoPac. Four investors' conferences were convened in 2018.
	Investors' conferences, non-deal roadshows (NDRs), and telephone conferences organized by SinoPac or broker	Irregularly	SinoPac organized investors' conference to help shareholders (investors) understand the overall operations, financial status, development strategies, etc. of SinoPac. It participated in one roadshow in Europe in 2018 and more than 30 meetings with domestic and foreign investors.
	Investor relations contact person on the official website and Market Observation Post System	Irregularly	Investors communicated with the investor relations team through the telephone and e-mail and the investor relations team will regularly compile investor and shareholder feedbacks for the management (monthly) and Directors (bimonthly) as reference in decision-making or improvement of current operations. The investor relations team currently processes approximately 10-15 calls and emails from investors each month.
	Annual shareholders' meetings	Annually	Shareholders attended meetings or use electronic voting to fully express their opinions. SinoPac published the agenda, meeting handbook, and meeting minutes of the shareholders' meeting as well as other stock affairs information in Chinese and English on the company website and Market Observation Post System.
 Media	Press conferences	Irregularly	Press conferences: 14 sessions
	Press releases	Irregularly	Press releases: 169 articles
 Communities /NPO/NGO	Sponsorship for arts and culture, academic, and sports activities	Irregularly	Investment in public welfare, arts and culture, education, music activities, etc. in 2018 totaled NT\$45.18 million
	Industrial-academic cooperation	Irregularly	Bank SinoPac donated one building, "Food and Agricultural Safety Inspection Building," to Chung Hsing University in 2018. The industry-academic collaboration created the top domestic food safety inspection center and the "SinoPac Chung Hsing University Affinity Easy Card" was also officially launched to provide contributions from payments to the University's "Hsing Wing Scholarship Program". Bank SinoPac presented scholarships to outstanding young students of National Cheng Kung University in hopes of working toward a partnership to create smart future life. Bank SinoPac began providing millions of dollars in scholarships to students of Cheng Kung University since 2017. It has provided NT\$6.1 million to 100 students in professional sectors such as information engineering, medicine, management, and finance and accounting in the University for two consecutive years. Recipients also included outstanding students from foreign countries. In addition to rewarding those with outstanding academic performance, it also helped students from disadvantaged families focus on their studies. SinoPac Securities and Pingtung University organized industry analysis courses and seminars for approximately 60 teachers and students.
	Policies recommendations	Irregularly	SinoPac Securities and the Department of Economics, Aletheia University organized corporate employer seminars for approximately 150 teachers and students.
 Regulatory Agencies	Financial statements	Monthly, quarterly, semi-annually, annually	SinoPac Securities signed internship program contracts with Tamkang University, Chinese Culture University, Shih Hsin University, National Taipei University of Business, Providence University, Tunghai University, Nanhua University, Dayeh University, Chihlee University of Technology, Chaoyang University of Technology, Ling Tung University, National Taichung University of Science and Technology, and National Formosa University. A total of 17 securities branch companies provided 56 internship opportunities.
	Letters/emails/meetings	Irregularly	SinoPac Securities signed an industrial-academic cooperation agreement with Chihlee University of Technology and supported the "FinTech Innovation Cloud FinTech Base" program and introduced financial big data and AI deep learning technologies. It integrated the R&D capacity and talent cultivation of the University to promote digital transformation, cultivate cross-sector talents, and develop new opportunities for financial development.
	Website or tender briefings for tender announcements Electronic bidding system Price negotiation meetings	Irregularly	Tender briefings, price negotiation meetings, and construction coordination conferences are organized to ensure the specifications and quality of purchases and facilitate comprehensive communication with suppliers. The domestic and foreign purchases amounted to NT\$1.863 billion in 2018.
 Suppliers	Policies recommendations	Irregularly	Comply with policies of the regulatory agencies, participated in related meetings, adjust business strategies, and provide suitable industries suggestions.
	Financial statements	Monthly, quarterly, semi-annually, annually	Regular disclosure in accordance with regulations of the regulatory agencies.

### 1.3.2 Identification and Disclosure of Material Topics

To identify the relevant material topics for SinoPac Holdings' operations and stakeholders, SinoPac Holdings reviews and identifies material topics of concern each year.



SinoPac Holdings identified a total of 20 material topics in 2018. Questionnaires were issued to stakeholders, employees, and senior executives and 55 questionnaires were recovered to analyze three major aspects of material topics including "the impact of stakeholders in assessments and decision-making", "the importance of topics to SinoPac Holdings' operations", and "positive and negative impact of SinoPac Holdings and its value chain on the environment, society and economy with regard to specific issues". The results are displayed in the three-dimensional "material topic matrix" and issues are classified into "Critical", "Important", and "Basic" levels for varying degrees of disclosure.

Topic classification		Definitions
Critical Topics		High levels of impact on stakeholders, important to operations, and material impact on ESG. Full explanation in the CSR Report in accordance with GRI Standards are disclosed with detailed strategic goals, management, and performance of the topics.
Important Topics		One to two aspects are identified as significant and of primary concern to operations. Full explanation in the CSR Report in accordance with GRI Standards are disclosed with detailed strategic goals, management, and performance of the topics.
Basic Topics		None or only one aspect among the three is identified as significant. Most of them would be routine issue so as to be considered as the basic management, and the necessary follow-ups are disclosed in the Report.



Changes in Material Topics in 2018				
Reasons for adjustment			Topic affected	
New	Adjustment due to international trends and topics of concern to society		Climate change, responsible finance, diverse and healthy workplace	
Deleted	Deleted repetitive topics to simplify the list in order to focus on the significance of related topics		Information transparency and corporate image	
Other Adjustments	Adjusted the names in order to display the materiality of different topics		Customer relations management, energy resource management, digital finance innovation, regulatory compliance, product information disclosure, operating performance, service quality and customer experience, financial inclusion, talent cultivation and retention, employee compensation and benefits, social welfare and local care, labor management relations management and communication	

Explanation of Boundaries for Material Topics				
Material Topic	Level of Materiality	GRI Standards Disclosure	Reasons and Significance of Materiality	Corresponding Sections
Corporate Governance and Ethical Management	Critical	GRI 205: Anti-Corruption	All stakeholders value corporate governance and integrity management. A sound corporate governance system helps optimize corporate organization operations and sustainable development which are important to corporate operations.	2.1 Corporate Governance and ethical management 2.5 SinoPac Story: Reforms in Corporate Governance
Operating Performances	Critical	GRI 201: Economic Performance GRI 203: Indirect Economic Impacts	All stakeholders value business operation, profitability and other financial performances. A company with well financial performance can continue to operate and practice corporate social responsibility which are important to business operation.	1.1 SinoPac Holdings Introduction
Anti-Money Laundering and Financial Crime Prevention	Critical	GRI 419: Socioeconomic Compliance	Anti-money laundering, countering the financing of terrorism, and fraud prevention are important topics for the financial industry and policies strongly supported by the government in recent years. Responding to material international and national measures can reduce operating risks and prevent penalty expenses.	2.3 Regulatory Compliance
Digital Finance Innovation	Critical	GRI 203: Indirect Economic Impacts	FinTech innovation has become mainstream in international finance in recent years. SinoPac Holdings aims to lead digital services and innovative products in the financial market. This topic has become important for the development of corporate operations.	3.2. Smart Finance
Regulatory Compliance	Critical	GRI 419: Socioeconomic Compliance	The financial industry is highly regulated by the competent authority. Stakeholders pay close attention to related regulatory compliance conditions as well as management and control mechanisms of SinoPac Holdings and it has become a very important topic for corporate operations.	2.3 Regulatory Compliance

Degree of Involvement	Range of Impact	Suppliers	Customers	Direct Impact	Impact via Business Relations
Impact via Business Relations	Direct Impact	Suppliers	Customers	Direct Impact	Impact via Business Relations

Material Topic	Level of Materiality	GRI Standards Disclosure	Reasons and Significance of Materiality	Corresponding Sections	Range of Impact	Degree of Involvement						
							Suppliers	SinoPac Holdings and Subsidiaries	Customers	Direct Impact	Impact via Business Relations	Business Impact via Suppliers
Important	Talent Development and Retention	GRI 404: Training and Education	Creating an environment suitable for talent career development and continuing to improve employees' capabilities are key to corporate sustainable development. It is not only a topic of concern to employees but also an important topic for enterprises to create influence in society.	4.2 Talent Cultivation and Retention			●		●			
		GRI 418: Customer Privacy	Business operations of SinoPac Holdings often involve customer privacy and stakeholders pay close attention to SinoPac's security measures for customer privacy and the information system which are important issues of concern in operations.	2.4 Information Security			●	●	●			
		Other material topics	SinoPac Holdings upholds the vision of a beautiful life through finance and maintains friendly and close relations with customers. The establishment of customer feedback mechanisms and improvement of customer satisfaction have always been important issues for the financial service sector.	3.4 Customer Relations			●		●			
		GRI 102: General Disclosure	Only the establishment of a comprehensive risk management and internal control system can reduce or prevent operational risks and the system is an important issue for the finance sector.	2.2 Risk Management and Audit			●		●			
	Responsible Finance	G4 -Financial Services Sector Supplement: Product Portfolio	Include ESG in the formulation of investment and financing policies and develop green financial products to help control material impact on the environment, society, and economy.	3.1 Sustainable Finance			●		●			
		GRI 302: Energy GRI 303: Water and Effluents GRI 305: Emissions GRI 306: Effluents and Waste	Faced with uncertainties in the future of energy and resources, companies must regularly review the consumption and management of energy and resources required for operations and promote energy conservation and carbon emissions reduction to control material impact on corporate operations on the environment.	6.1 Green Operations			●		●			
		GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	Potential environmental and social risks in the supply chain may lead to impact of uncertainties for companies. Therefore, the establishment of supplier screening and management mechanisms will lower operational risks and it is an important issue for corporate operations.	6.2 Sustainable Supply Chain Management			●	●	●			
		Other Material Topics	Stakeholders value the quality of financial services and the benefits of products for customers.	3.4 Customer Relations			●		●			
Basic	Product Information Disclosure	GRI 417: Marketing and Labeling	Stakeholders pay close attention to related rates and promotions of financial products and services as well as the disclosure of related risks and rights.	3.4 Customer Relations						●	●	
		GRI 305: Emissions 2016	The financial industry is the key to promoting the transformation of overall industries. The identification of risks, opportunities, and financial impact derived from climate change and the development of related management strategies and products are important issues for companies responding to climate change.	2.2 Risk Management and Audit						●	●	
		GRI 201: Economic Performance GRI 202: Market Presence GRI 401: Labor/Management Relations GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination GRI 409: Forced or Compulsory Labor	Employees are the most valuable assets and SinoPac Holdings values employees' development in the organization as well as their physical and mental health. SinoPac Holdings provides comprehensive on-the-job training, a fair performance evaluation system, and benefits for employees to grow in the organization, create competitive products and services for the enterprise, fulfill corporate responsibilities with the organization, and create value for society.	4.3 Employee Compensation and Benefits						●	●	
	Social Welfare and Local Care	GRI 203: Indirect Economic Impacts	The facilitation of social welfare activities including donations to disadvantaged groups and the support and assistance for the development of local communities have material impact on society.	5.1 Social Involvement Policies and Involvement 5.2 Arts, Culture, and Academic Cooperation 5.3 SinoPac Story: "Heart-for-Taiwan" Round-the-Island Charity Project 5.4 SinoPac Story: [Keeping the Face to the Sunshine]						●	●	
		GRI 401: Labor/Management Relations GRI 403: Occupational Health and Safety	Paying attention to employees' physical and mental health and the design of a work environment that protects human rights and diversity are important issues for corporate operations.	4.5 Diverse and Healthy Workplace						●	●	
		GRI 203: Indirect Economic Impacts G4 -Financial Services Sector Supplement: Product Portfolio and Local Communities	The issue of whether financial products and services can help customers with different conditions and allow financially disadvantaged groups to make use of various financial services has material impact on society.	3.3 Charity Finance 3.5 SinoPac Story: [Successful Integration of Fintech into Agricultural/Fishery Wholesale Markets]						●	●	
	Diverse and Healthy Workplace	GRI 402: Labor/Management Relations GRI 407: Freedom of Association and Collective Bargaining	The establishment of good labor relations, establishment of the corporate union in accordance with the Labor Union Act and encouraging employees to participate in the union are issues of concern to stakeholders.	4.4 Labor-Management Relations Management and Communications						●	●	

02

# SinoPac Governance



## Material Topics

Corporate Governance and Ethical Management	Customer Privacy and Information Security
Regulatory Compliance	Risk Management and Internal Control System
Anti-Money Laundering and Financial Crime Prevention	Climate Change



## Integrity

Established the "Ethical Management Committee" and it consisted of eight members of Independent Directors from SinoPac Holdings, Bank SinoPac, and SinoPac Securities. The scope of the committee member is unmatched in the industry.



## Information Security Committee

Established the "Information Security Committee" and the subsidiaries, Bank SinoPac and SinoPac Securities, also established dedicated information security units.



## NT\$50 Million

Actively responded to anti-money laundering and financial crime prevention measures and invested NT\$50 million to enhance the system, strengthening the function of transaction monitoring.



## 99%

Achieved 99% completion rate for its "Corporate Governance Improvement Action Plan"



## 2.1 Corporate Governance and Ethical Management

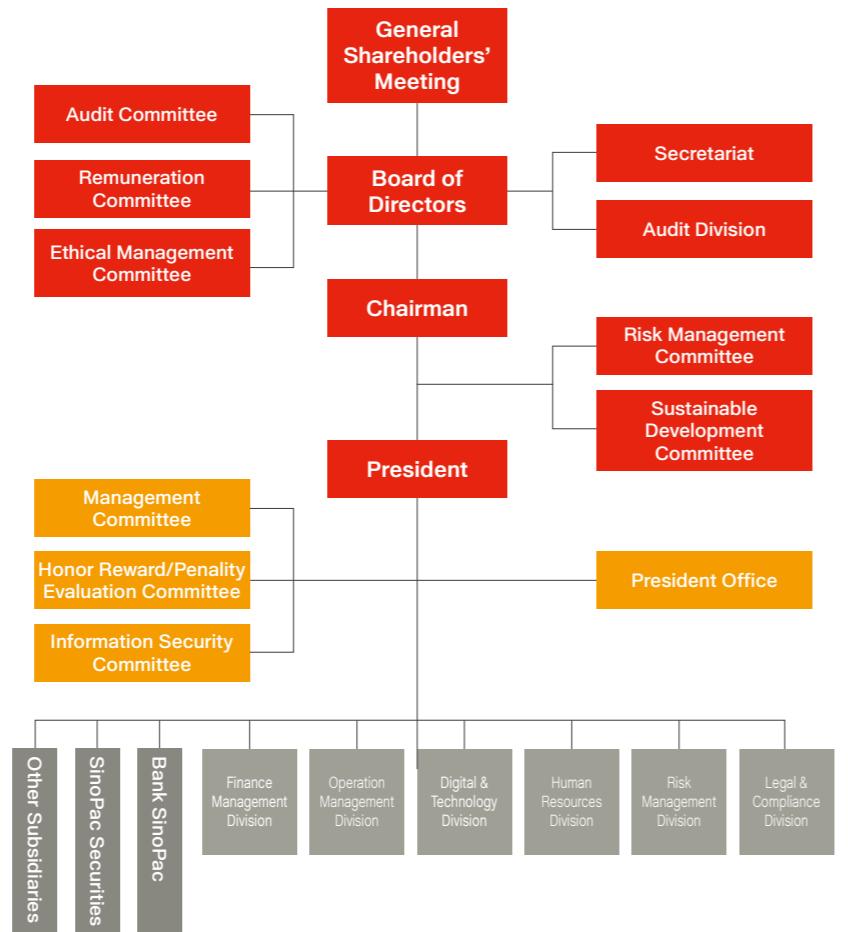
### 2.1.1 Governance Structure

In order to establish good corporate governance practices, ensure the sound operation of SinoPac Holdings, and achieve the goal of sustainable development, SinoPac Holdings has established the Corporate Governance Guidelines in accordance with the "Best Practice Principles of Corporate Governance for Financial Holding Company" and the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", with which SinoPac Holdings and its subsidiaries shall comply.

The main directions for the implementation of the SinoPac Holdings' Corporate Governance Guidelines are listed as follows:

1. Complying with laws and regulations and improving internal management.
2. Protecting shareholders' rights and interests.
3. Strengthening the functions of the Board of Directors.
4. Fulfilling the functions of the Audit Committee.
5. Respecting stakeholders' rights and interests.
6. Enhancing information transparency.

SinoPac Holdings has established the Remuneration Committee and the Audit Committee. Both Committees are composed of three Independent Directors of SinoPac Holdings. In 2018, SinoPac Holdings established the Ethical Management Committee, which is composed of three Independent Directors of SinoPac Holdings and the Independent Directors of Bank SinoPac and SinoPac Securities. The organization, responsibility, and operations of the three Committees comply respectively with the "Remuneration Committee Charter", "Audit Committee Charter", and the "Ethical Management Committee Charter".



Committee Name	Committee Composition	Responsibilities	Status of operations in 2018
Audit Committee	Convener: James J. Sheu, Independent Director of SinoPac Holdings Committee Member: Schive Chi, Independent Director of SinoPac Holdings Ying-Yi Tsai, Independent Director of SinoPac Holdings	Responsible for supervising the implementation of internal control and compliance with laws and regulations, controlling existing or potential risks, helping the Board of Directors make decisions with its professional division of labor and independence.	A total of 8 meetings were held in 2018 and the average attendance rate was 100%. Please refer to page 28 to 32 of SinoPac Holdings 2018 Annual Report.
Remuneration Committee	Convener: Schive Chi, Independent Director of SinoPac Holdings Committee Member: James J. Sheu, Independent Director of SinoPac Holdings Ying-Yi Tsai, Independent Director of SinoPac Holdings	Responsible for evaluating the remuneration policy and system for Directors and managers in a professional and objective manner, and regularly assess and set director/manager remuneration.	A total of 10 meetings were held in 2018 and the average attendance rate was 96.67%. Please refer to page 39 to 42 of SinoPac Holdings 2018 Annual Report.
Ethical Management Committee	Convener: Schive Chi, Independent Director of SinoPac Holdings and SinoPac Securities Committee Member: James J. Sheu, Independent Director of SinoPac Holdings Ying-Yi Tsai, Independent Director of SinoPac Holdings Yu-Fen Lin, Independent Director of Bank SinoPac Shan-Ying Chou, Independent Director of Bank SinoPac Chia-Yuan Wu, Independent Director of Bank SinoPac Tzu-Wen Ho, Independent Director of SinoPac Securities Tsung-Hsun Lu, Independent Director of SinoPac Securities	Responsible for the review of ethical management policies and prevention programs, supervision of the performance of the managerial departments, and regular reports on the compliance status to the Board of Directors.	A total of 2 meetings were held in 2018 and the average attendance rate was 100%. Please refer to page 42 to 43 of SinoPac Holdings 2018 Annual Report.

### Ethical Management Committee

SinoPac Holdings conducts business activities based on the principles of fairness, honesty, integrity, and transparency. To implement ethical corporate management and actively prevent unethical conduct, in 2018, SinoPac Holdings established the "Ethical Management Committee" in accordance with the "Ethical Corporate Management Best Practice Principles" and became the fifth financial holding company in Taiwan to establish an Ethical Management Committee. SinoPac Holdings established the "Regulations Governing the Handling of Reporting Cases" in the same year to complete the establishment of internal and external whistle-blowing system.

SinoPac Holdings' "Ethical Management Committee" is characterized by three traits. The first is its high level of independence as the eight members consisted entirely of Independent Directors of SinoPac Holdings, Bank SinoPac, and SinoPac Securities. The level of independence is the highest in the industry. The second is the level of the Committee as it falls under the jurisdiction of the Board of Directors and has equal status as functional committees such as the Audit and Remuneration Committee. The third is the high level of expertise as the "Ethical Management Committee" may appoint an attorney, accountant, or other professionals to conduct necessary audits or provide consultation.

The "Ethical Management Committee" is responsible for the review of the ethical corporate management policies and prevention programs, and for supervision of the implementation performance of the managerial departments. The Committee is mainly responsible for the following items and regularly reports their compliance status to the Board of Directors:

1. Assist in incorporating good faith and ethical values into SinoPac Holdings' business strategy to review the relevant precautionary measures for ethical corporate management and supervise the check-and-balance mechanisms in line with the laws and regulations.
2. Review prevention programs for unethical conduct as well as related standard operating procedures and codes of conducts for tasks in each program.
3. Supervise the managerial departments to plan internal organization structure, and job functions and set up mutual supervision and check-and-balance mechanisms for business activities with high risk of unethical conduct within the scope of business.
4. Supervise the promotion and communication of awareness training with respect to ethics policies.
5. Establish a whistle-blowing system and supervise the effectiveness of its implementation.

6. Assist the Board of Directors to supervise the managerial departments in reviewing and assessing whether the preventive measures taken for the purpose of implementing ethical corporate management are carried out effectively and prepare regular assessment reports on the compliance of related operating procedures with ethical corporate management.

SinoPac Holdings established the "Procedures for Ethical Management and Guidelines for Conduct" to specify the items that employees must pay attention to when practicing business activities. SinoPac Holdings also provides information to related stakeholders and trainings for employees to ensure they fully understand SinoPac Holdings' commitment to ethical corporate management, policies, preventive measures, and the consequences of violations or unethical conduct, continuously addressing the importance of ethical conduct. SinoPac Holdings uses the internal corporate platform to educate all employees and require them to carefully read the "Guidelines for Ethical Corporate Management" and the "Procedures for Ethical Management and Guidelines for Conduct" and sign Letter of Declaration to confirm their understanding of the related regulations for business activities to implement ethical management and prevent unethical conduct. Over 90% of SinoPac Holdings and subsidiaries' employees have signed the statement. And all new employees of SinoPac Holdings and its subsidiaries are also required to sign the "Statement of Ethical Conduct" in writing. In addition, SinoPac Holdings arranges regular or irregular communications and trainings on topics including reporting mechanism and ethical management for new and incumbent employees to strengthen SinoPac Holdings' corporate culture and sustainable development. The results of communications and trainings in 2018 are as below:

1. On April 23, 2018, external consultants were invited to give the compliance officers of Legal & Compliance Division, Human Resource Divisions, and Secretariat as well as subsidiaries (SinoPac Securities, Bank SinoPac, SinoPac Securities Investment Trust, SinoPac Futures, SinoPac Property Insurance Agent, SinoPac Leasing, SinoPac Life Insurance Agent, and SinoPac Securities Investment Service) a two-hour lecture on the whistle-blowing system. A total of 14 compliance officers attended the lecture and were requested to share the whistle-blowing system in the departments after the lecture.

2. On May 30, 2018, the "Regulations Governing the Handling of Reporting Cases" were briefed (30 minutes) to the audit officers in the audit officer meeting at a group level; in addition, external consultants were invited to lecture on the "Countermeasures for Legalization of the Whistle-blowing System" (1 hour). A total of 24 audit officers attended the lecture.

3. On August 31, 2018, SinoPac Holdings organized a 30-minute training on the "Whistle-Blowing System" for the supervisors or personnel designated by related units (including the Risk Management Division, Secretariat of the Board of Directors, President Office, Human Resources Division, Financial Management Division, Legal & Compliance Division, Digital & Technology Division, and Operation Management Division) as well as SinoPac Venture Capital, SinoPac Call Center, and SinoPac Leasing. A total of 18 supervisors and personnel attended the lecture and were requested to share the whistle-blowing system in the departments after the training.

SinoPac Holdings continues to focus on domestic and foreign ethical management development trends and regulations to adjust its internal regulations for compliance by SinoPac Holdings and meet international trends. The ethical management promotion and training program planned and implemented in 2019 include:

#### 1. Implemented items:

(1) SinoPac Holdings organized annual on-the-job training for a total of 78 compliance officers in April and May 2019. Courses included ethical conduct guidelines and issues related to the whistle-blowing system. All participants took part in the test after the courses and the employees' participation rate and test passage rate were both 100%.

(2) In February 2019, SinoPac Holdings provided the "Guidelines for Ethical Corporate Management" and the "Procedures for Ethical Management and Guidelines for Conduct" to 125 Directors and Supervisors of SinoPac Holdings and its subsidiaries for reference and compliance.

#### 2. Items planned for implementation:

(1) Compliance officers of SinoPac Holdings and its subsidiaries shall provide training and after-class tests on ethical conduct guidelines and issues related to the whistleblowing system to all personnel of their units. The implementation results will be listed as one of the compliance evaluation items for the units.

(2) To fulfill SinoPac Holdings' commitment and execution for ethical management, SinoPac Holdings will require Directors and senior management (approximately 1,670 employees ranked Senior Manager or above) to submit statements of declaration for the compliance of the Ethical Corporate Management Policy.

(3) SinoPac Holdings continues to include compliance with the Ethical Corporate Management Policy as the criteria for hiring new recruits and promote "Guidelines for Ethical Corporate Management" and "Procedures for Ethical Management and Guidelines for Conduct".

(4) SinoPac Holdings will continue to organize seminars from time to time on the key points in the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Companies, latest international issues, development trends, and case studies regarding ethical management and anti-corruption, and the competent authorities' related regulations on the whistleblowing system and international practices.

SinoPac Holdings also requests suppliers with frequent transactions and major suppliers to sign the Letter of Commitment which includes related provisions of the "Supplier Corporate Social Responsibility Code of Conduct". In addition, there were no violations of the "Guidelines for Ethical Corporate Management", "Guidelines for Codes of Ethical Conduct", or the "Procedures for Ethical Management and Guidelines for Conduct" by employees in 2018.

## Reporting Mechanisms

The Ethical Management Committee of SinoPac Holdings established reporting mechanisms in 2018 and the audit unit of SinoPac Holdings is responsible for processing all reports. SinoPac Holdings maintains the confidentiality of whistleblowers and the contents of their reports and protects whistleblowers from inappropriate disciplinary actions due to their reporting. If whistle-blowers are subject to unfavorable disciplinary actions due to reporting, they may lodge a complaint with the Ethical Management Committee of SinoPac Holdings.

Accepted reports include embezzlement or unauthorized use of company funds, unauthorized occupation or disposal of company assets, or forgery of documents that cause damage to the SinoPac Holdings, leak of confidential information, employees' or customers' information, affairs under employees' management or supervision, acceptance of bribes, dealings for personal gains, collusion or fraud, seeking direct or indirect gains for the employee or others, or other incidents that involve criminal activities, fraud, or violation of laws.

Reporting Channels	
Company	Reporting Hotline
SinoPac Holdings	E-mail: whistleblowing.fh@sinpac.com
	Telephone: +886-2-8161-8581
	Address: 7F., No.306, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10492, Taiwan (R.O.C.) To: Whistleblowing mailbox, Audit Division, SinoPac Holdings Co., Ltd.
Bank SinoPac	E-mail: whistleblowing.bk@sinpac.com Telephone: +886-2-8161-8555
	Address: 7F., No.306, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10492, Taiwan (R.O.C.) To: Whistleblowing mailbox, Audit Division, Bank SinoPac
	E-mail: whistleblowing.sc@sinpac.com Telephone: +886-2-2382-3725
SinoPac Securities	Address: 10F., No. 17, Boai Rd., Zhongzheng Dist., Taipei City 10044, Taiwan (R.O.C.) To: Whistleblowing mailbox, Audit Division, SinoPac Securities Co., Ltd.

## 2.1.2 Board Operations

To increase the efficiency of Board of Directors meetings, SinoPac Holdings revised the "Articles of Incorporation" in 2014 and reduced the number of Directors to range from 7 to 11 with no less than three Independent Directors. The role of the Executive Directors was abolished. To strengthen corporate governance at the same time, SinoPac Holdings established the candidate nomination system for the election of the Directors who shall be elected from a list of candidates in accordance with laws during shareholders meeting. The Independent Directors' professional qualifications, shareholding, and concurrent serving restrictions, determination of independence, nomination and selection methods, and other matters of compliance shall be subject to the relevant regulations of the competent securities authorities. Also, the "Articles of Incorporation" of SinoPac Holdings specifies that Directors shall serve a term of three years and may be eligible for re-election. At the expiration of the term of office of a Director and under the circumstance that the election cannot be held in time, the Director's term is automatically extended until the newly elected Director takes office.

SinoPac Holdings' Board of Directors convenes meetings once every month in principle and 12 meetings were convened in 2018. The Directors' average attendance in person rate was 98%. Directors that have conflict of interests in resolutions have been recused from voting in accordance with laws. Please refer to page 25 to 26 of SinoPac Holdings' 2018 Annual Report for the attendance of Directors in board meetings and the recusal of Directors due to conflicts of interests in 2018.

SinoPac Holdings has purchased liability insurance for Directors and Supervisors since 2003 and regularly reviews the insurance policies every year. To strengthen corporate governance system, SinoPac Holdings provides Directors with information on related courses on corporate governance and assists in making arrangements for attendance in the courses. In 2018, the education and training of all Directors complied with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx". Please refer to page 38 of SinoPac Holdings' 2018 Annual Report for the continuing education/training of Directors.

To improve information transparency in the operations of the Board of Directors, the Market Observation Post System, corporate website, and annual reports are applied to disclose the Directors' continuing education and attendance in meetings of the Board of Directors. Material resolutions are disclosed in the Annual Report (extracts of the meeting minutes of the Board of Directors are disclosed on the company website) as well as recusals of Directors from agenda items due to conflicts of interests.

### Board Composition

The "Corporate Governance Guidelines" stipulate that the diversity policy shall be adopted in the composition of the Board of Directors in Chapter 4, Strengthening the Functions of the Board of Directors. The composition of the Board of Directors shall not be limited by gender, age, etc. and should be diversified by having different professional experiences or backgrounds and possessing the knowledge, skills, and competence required to perform duties. SinoPac Holdings' Board of Directors currently consists of nine Directors including three Independent Directors, one Executive Director (Director Stanley Chu who serves concurrently as the President of SinoPac Holdings), and five non-executive Directors. Directors serve three-year terms. The current nine Directors' average tenure as of May 2019 is 5.6 years. The selection of board members is not restricted by age or gender, and the main criteria include professional skills, ethics, and reputation in society. The current board members are all male and the average age is higher than 55. Members include three PhDs and six masters. The incumbent board of the Company are diverse with different professional experience or background and possess the knowledge, skills, and competence required to perform their duties. The Board of Directors, as a whole, possesses knowledge and skills in business judgments, accounting and financial analysis, business management, crisis management, knowledge of the industry, international market perspectives, leadership, decision making, and risk management. The implementation status is listed in the table below:

Title	Name	Basic Information			Period in Office	Professional Background			Professional Skills					
		Nationality	Gender	Concurrently Serving as Managerial Officer		Age	<30	30 to 50	>50	Financial Industry	Other Industries	Banking & Securities	Business	Legal
Chairman	Wen-Chyi Ong	Republic of China	Male		• 2017/6/30~	•				•	•	•	•	•
Independent Director	Schive Chi	Republic of China	Male		• 2014/6/12~	•				•	•	•	•	•
Independent Director	James J. Sheu	Republic of China	Male		• 2014/6/12~	•				•	•	•	•	•
Independent Director	Ying-Yi Tsai	Republic of China	Male		• 2014/6/12~	•				•	•	•	•	•
Director	Cheng Hsiung Chiu	Republic of China	Male		• 2010/6/25~	•				•	•	•	•	•
Director	Stanley Chu	Republic of China	Male	•	• 2017/12/5~	•				•	•	•	•	•
Director	Chi-Hsing Yeh	Republic of China	Male		• 2018/5/1~	•				•	•	•	•	•
Director	Chia-Hsien Chen	Republic of China	Male		• 2005/8/3~	•				•	•	•	•	•
Director	Yi-Da Ho	Republic of China	Male		• 2011/6/24~	•				•	•	•	•	•

### Board Evaluation

In order to implement corporate governance and enhance the functions of SinoPac Holdings' Board of Directors as well as to establish performance targets so as to enhance the operational efficiency of the Board of Directors, SinoPac Holdings has established the Rules for Performance Evaluation of Board of Directors in 2018. The performance of the Board of Directors and functional committees should be evaluated according to the evaluation procedures and standards set forth in the Rules on an annual basis. The performance evaluation of the Board of Directors and functional committees shall be conducted by an external professional independent institution or a team of external experts and scholars at least once every three years, and the results of performance evaluation shall be reported to the Board of Directors before the end of March in the following year. The measurement items for evaluating the performance of the Board of Directors should include at least the following 5 dimensions: (1) degree of participation in the operations of SinoPac Holdings; (2) improvement in the quality of decision-making by the Board of Directors; (3) composition and structure of the Board of Directors; (4) election and continuous development of directors; and (5) internal controls. The measurement items for evaluating the performance of board members should include at least the following 6 dimensions: (1) understanding of the goals and missions of SinoPac Holdings; (2) recognition of duties as Directors; (3) degree of participation in the operations of SinoPac Holdings; (4) management of internal relationship and communication; (5) professionalism and continuing education; and (6) internal controls. The measurement items for evaluating the performance of functional committees should include at least the following 5 dimensions: (1) degree of participation in the operations of SinoPac Holdings; (2) recognition of duties as functional committee members; (3) improvement in the quality of decision-making by functional committees; (4) composition and election of functional committee members; and (5) internal controls. For the scoring criteria, each measurement item is scored using the weight method, and performance evaluation results are divided into five levels, namely excellent, very good, good, fair, and poor.

Excellent results were obtained for the internal performance evaluation of the Board of Directors, the Board members, the Audit Committee, and the Remuneration Committee in 2018. This showed that every Director (including Independent Director) attempted a positive evaluation on the operation efficiency and effectiveness of the Board of Directors, the Board members,

and functional committees. The results of the internal performance evaluation have been reported to the Board of Directors on February 22, 2019.

## 2.1.3 Remuneration for Senior Executives

The remuneration for the President and Vice Presidents of SinoPac Holdings is based on their individual professional qualifications and prevailing rates in the industry. The remuneration is discussed in the Remuneration Committee and proposed to the Board of Directors for approval. In addition to the monthly fixed base salary and allowances, overall operation results, personal performance, and future risks are also taken into consideration for the distribution of additional bonuses in accordance with related regulations of SinoPac Holdings. All performance bonuses are distributed in cash. The practice connects the remuneration for managerial officers to the business performance of SinoPac Holdings and strengthens investors' interests.

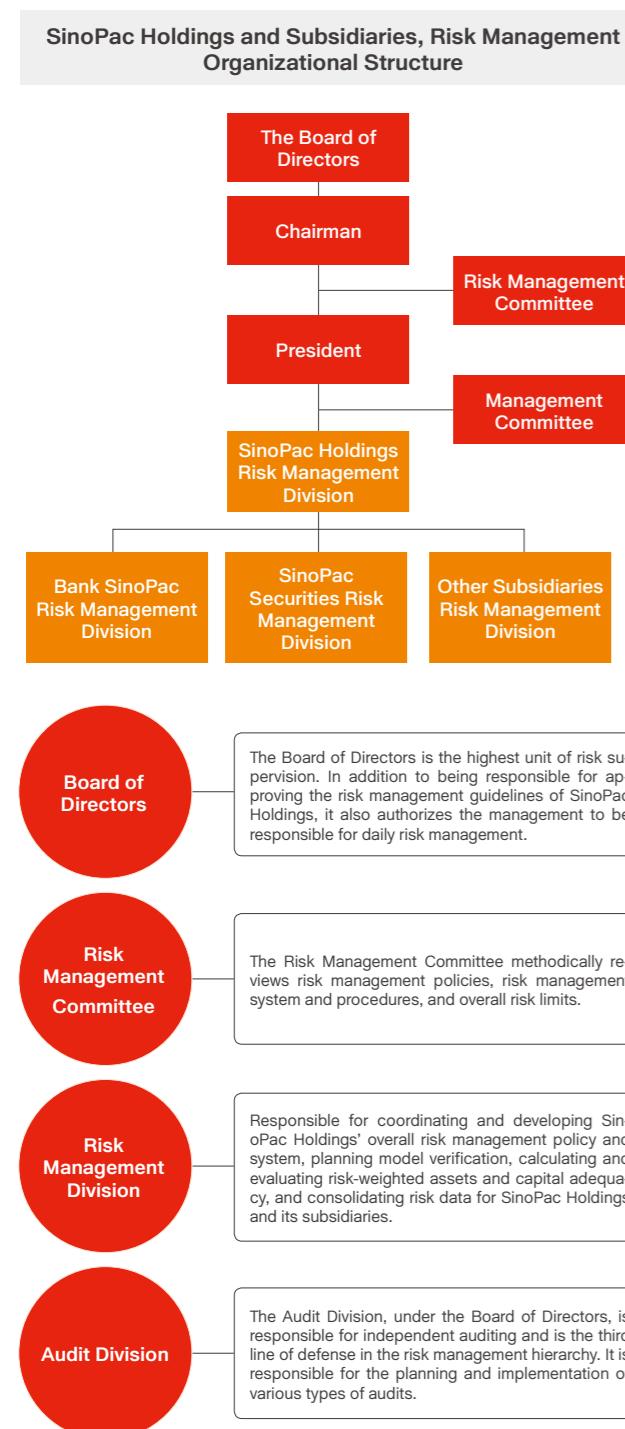
In 2018, total remuneration paid by SinoPac Holdings to the senior executives accounted for 0.82% of the net profit after tax. The remuneration to the senior executives of the companies included in the consolidated financial statements of SinoPac Holdings (including SinoPac Holdings) accounted for 1.75% of the net profit after tax of all companies. Please refer to page 20 of SinoPac Holdings 2018 Annual Report for related information on remuneration. There are no share ownership requirements for senior executives in SinoPac Holdings. As of the end of 2018, the President of SinoPac Holdings did not hold any company share while the senior executives held a share ownership of 0.71 times of their basic salary on average.

Senior executives refer to SinoPac Holdings' President and executives ranked Vice Presidents or above. Please refer to page 14 of SinoPac Holdings 2018 Annual Report. The calculation of the average shareholding ratio of senior executives to their basic salary does not include executives Stan Hsiao and Chun Hsieh who were not Vice Presidents of SinoPac Holdings as of the end of 2018.

## 2.2 Risk Management and Audit

### 2.2.1 Risk Management Structure

SinoPac Holdings has established a clear risk management structure consisting of four specialized layers. From top to bottom, it consists of: the Board of Directors, the Risk Management Committee, the Risk Management Division, and the Audit Division. This clearly distinguishes the authorities and responsibilities, hierarchical authorization, and fully defines the risk management rules and limits for each risk to be best balance between profits and risk management.



The Board of Directors is the highest supervisory unit. The chairman of the board of directors oversees the Risk Management Committee, which in turn is responsible for reviewing risk management policies, evaluating overall risk exposure and risk conditions, and supervising the risk management activities of all units. The Risk Management Division, established under the President of SinoPac Holdings, is responsible for coordinating the development of SinoPac Holdings' overall risk management policies and principles as well as the planning and implementation of the risk management system. In addition, Bank SinoPac, SinoPac Securities, and other subsidiaries also established risk management units responsible for promoting risk management policies, reporting risk exposures, and offering comprehensive risk management advice to new or significant businesses in order to fully define the risk management rules and limits for each risk and achieve the best balance between profits and risk management. At the same time, the Audit Division functions as an independent third line of defense. It is under the Board of Directors to ensure continuous improvements, and so that progress and results will be reported directly to the Board.

SinoPac Holdings has established an appropriate risk management data system in accordance with the new Basel Accords and continues to invest in quantitative analytical systems of risk management to enable proper risk-asset allocation and seek appropriate risk-rewards to improve the operating performance of SinoPac Holdings and its subsidiaries. Importantly, SinoPac Holdings focuses on the four areas of "market risk", "credit risk", "operational risk", and "liquidity risk". In addition, SinoPac Holdings and its subsidiaries have established the "Emergency Response Rules" for establishing reporting mechanisms for emergency events and responding to the occurrence of material incidents or emergencies that prevents units from normal functions or suspension of services. The Rules clearly explain the structure of the emergency event reporting structure and reporting procedures. In the event of an emergency, the telephone, SMS, or other appropriate methods are used to inform relevant personnel. Related units are also notified based on the severity of the incident for the decision-making unit to determine the reporting level based on the severity of the events to minimize SinoPac Holdings and its subsidiaries' losses and impact on customer interests.

### Auditing Mechanisms

SinoPac Holdings has established a chief audit system and established an internal audit unit under the Board of Directors in accordance with the "Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". The unit maintains its independence in the performance of auditing affairs and provides suggestions for improvements at appropriate time to ensure the continuous and effective implementation of the internal control system and to provide a basis for review and modification of the internal control system. The audit unit conducts at least one regular business audit on SinoPac Holdings each year and conducts one special business audit in the aspects of finance, risk management, and compliance at SinoPac Holdings and its subsidiaries at least once every six months. It also reports the implementation of audits to the Board of Directors and Audit Committee at least once every six months.

SinoPac Holdings uses audit plans and procedures to learn about the actual implementation status of risk management procedures taken by each unit. The items of concern are listed after the risk assessments and SinoPac Holdings follows up on the improvement measures taken by the management for discrepancies found in the audits. SinoPac Holdings has implemented the Corporate Governance Inspection and Improvement Project in 2017 in response to the disputes of the general public regarding SinoPac Leasing's credit extension to Sunpower Development and Construction Co. SinoPac Holdings proposed five major action plans. The actual improvement measures and progress in 2018 are explained in detail in SinoPac Story: Reforms in Corporate Governance.

### 2.2.2 Risk Culture Development

To ensure that SinoPac Holdings and employees implement the risk management policies and improve the quality of risk management, SinoPac Holdings Risk Management Division evaluates the risk management implementation status of subsidiaries every year in the aspects of "risk management mechanisms", "risk management awareness education and training", and "risk incident reporting". The results of the assessments are used to determine the annual performance of subsidiaries. The performance for the staffs of the risk management divisions at SinoPac Holdings and its subsidiaries is assessed based on their overall annual work performance, progress of various goals, and attendance. In addition, to implement overall risk management of SinoPac Holdings and its subsidiaries, the appointment, dismissal, promotion, rewards, penalties, and performance evaluation of the supervisors of the Risk Management Divisions of subsidiaries shall require the approval of the head of the Risk Management Division and the approval of the corresponding authority in the subsidiaries based on the hierarchical delegation of responsibilities.

### Risk Related Education & Training

To implement risk related education, SinoPac Holdings provides risk related courses at appropriate time for the Board of Directors, risk management personnel, and employees to improve their risk awareness and learn about the latest trends. All Directors have taken risk management related courses totaling 87 hours in 2018 and met requirements in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". The risk management personnel of SinoPac Holdings and its subsidiaries attended a total of 2,824 hours of risk management courses to actively improve their professional risk management skills and gain information on the latest international trends and market activities. To strengthen the risk awareness of em-

ployees and respond to changes in the international finance markets, risk management personnel planned and lectured in related risk management courses through online channels or speeches to provide Directors, senior executives, and all other employees with channels for learning about risk management and cultivate a sound risk management culture for SinoPac.

Participants	Training Completion (person)	Total Hours (hour)	Main Training Content/ Course
Members of the Board of Directors	9	87	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Anti-money laundering</li> </ul>
Risk management personnel	63	2,824	<ul style="list-style-type: none"> <li>• New Basel Capital Accord</li> <li>• On-the-job training for derivatives</li> <li>• Liquidity risk management</li> <li>• Information security</li> <li>• Money Laundering Control Act</li> </ul>
Regular employees	957	6,912	<ul style="list-style-type: none"> <li>• Corporate credit risk analysis</li> <li>• Financial practice in China</li> <li>• Derivatives and risk management</li> <li>• Risk management in securities margin financing</li> </ul>

### 2.2.3 Identification Process and Results for Emerging Risks

New risks have emerged as a result of climate change, new technologies, and demographic changes, etc. Effective identification and assessment of emerging risks and the development of response measures have become important issues for financial institutions. Each year, SinoPac Holdings refers to emerging-risk-related reports issued by external organizations, provides its subsidiaries with annual emerging risk assessments and establishes response measures, collect data on the emerging risks facing subsidiaries, identifies emerging risks at the financial holdings level, and develops risk response measures for management.

Risk Type	Impacts	Response Measures
Information security risks	Inadequate design of information security architecture, or inadequate control of the system, network, or privacy management mechanisms could increase the possibilities of hacking incidents and personal data leaks. In addition to affecting the Company's information security, this could also result in litigation, fines, interruption of business operations, and other risks, triggering a credibility crisis.	<ol style="list-style-type: none"> <li>1. Continuous ISO 27001 Information Security Management System (ISMS) certification improves information security protection mechanisms and strengthens personal information protection, including the advanced persistent threat (APT) protection, anti-DDoS attacks, e-mail content filtering, malware detection, website and APP vulnerability screening, and security testing.</li> <li>2. Ensure the continuity of operations and conduct regular on-site and off-site backup exercises based on the disaster recovery plans.</li> <li>3. Employ architecture isolation and system protection enhancement for high-risk systems, such as ATM and SWIFT systems.</li> <li>4. Enhance employees' awareness of information security and conduct regular social engineering exercises, information security/personal data training, and the exercises of contingency plans for personal information leaks.</li> </ol>
Anti-terrorism and money laundering controls	Failure to comply with the relevant regulations for preventing money laundering and combating terrorism would be detrimental to the Company's reputation and also put the Company at risk for severe penalties.	<ol style="list-style-type: none"> <li>1. SinoPac's subsidiaries are supervised and comprehensive money laundering and terrorism financing risk assessments are conducted on a regular basis so that management can determine the protection mechanisms to be established, develop the appropriate risk mitigation measures, and implement prevention plans in a timely and dynamic manner.</li> <li>2. Before launching a new product or service or handling a new business, the Company will conduct money laundering and terrorism financing risk assessments and establish corresponding risk management measures to reduce the identified risks.</li> <li>3. SinoPac Holdings established an information-sharing process and an information-sharing platform to share money laundering and terrorism financing information with its subsidiaries on a regular (or as needed) basis for use by subsidiaries in the prevention of money laundering and counter terrorism purposes.</li> <li>4. Employees are assigned to participate in anti-money laundering and combating terrorism financing education training so that colleagues can understand the latest legal developments and related internal regulations.</li> </ol>

## 2.2.4 Management Policies and Response Strategies for Climate Change Risks

SinoPac Holdings understands the risks and opportunities climate change poses to business operations, and continues to pay attention to the "Task Force on Climate-Related Financial Disclosures" (TCFD) issues. By regularly holding SinoPac ESG Seminars, SinoPac Holdings stays abreast of climate-change issues facing the finance industry and raise risk awareness from the highest corporate levels to regular employees to clients, thereby promoting industry exchanges on climate-change issues and taking advantage of international climate change development trends. In February 2019, Bank SinoPac held a "SinoPac ESG Seminar", which focused on challenges climate change poses to the financial industry. Lectures and seminars were given by external experts and scholars, and over 200 of SinoPac's senior executives, customers, and peers attended. Views on international climate change trends were exchanged, and the current state of the financial industry, appropriate responses, strategic adjustments, and future prospects were all discussed.



Opportunities and Challenges for Green Finance in Sustainable Development	Center for Green Economy, Chung-Hua Institution for Economic Research Li-Chi Wen, Director	More than 200 participants
Challenges and Response Strategies for Climate Change in the Finance Industry	KPMG Sustainability Services Niven Huang, Managing Director	
Challenges of Promoting Climate Related Financial Risk Disclosures Internationally on Companies in Taiwan	Bank SinoPac Sung-Hsing Chen, Senior Vice President	

SinoPac Holdings will continue to focus on climate change issues and possible risks. SinoPac Holdings plans to use the Carbon Disclosure Project (CDP) to conduct a self-assessment in 2019 and understand SinoPac Holdings' overall preparedness and gaps for climate change and formulate management policies and response strategies.

## 2.2.5 Taxation Risk Management

SinoPac Holdings upholds the ethical management principles and works hard to achieve corporate sustainable development. It abides by taxation laws and pays various taxes in accordance with the deadlines. Income taxes paid by SinoPac Holdings in 2018 and 2017 amounted to NT\$1,429,954 thousand and NT\$1,009,697 thousand, respectively. The percentages of income tax payment in Taiwan were 87.1% and 84.4%.

SinoPac Holdings mainly operates in Taiwan. According to related taxation laws, the general income tax rates in 2018 and 2017 were 20% and 17% respectively. The basic tax rate calculated based on the Income Basic Tax Act was 12%. The tax payable for profit-seeking enterprises in Taiwan in 2018 consisted of the higher of regular income tax and the amount of basic tax:

1. Regular income tax = Taxable income \*20%
2. Basic tax = (Taxable income + income from off-shore banking + gains derived from the securities and futures transactions - deductions) \*12%

SinoPac Holdings mainly operates in Taiwan. The proportion of net revenue in 2018 and 2017 from Taiwan were 84.4% and 80.7%, respectively.

	2018	2017
Net Income	32,112,956	32,505,951
Net Income from Taiwan	27,114,383	26,225,291
Percentage of Net Income from Taiwan	84.4%	80.7%

### Income Tax Payments and Percentages in the Most Recent Two Years are as below

Country	2018		2017	
	Amount	Percentage	Amount	Percentage
Taiwan	1,246,131	87.1%	851,879	84.4%
China	72,544	5.1%	23,336	2.3%
USA	71,979	5.0%	94,150	9.3%
Others (Note)	39,300	2.8%	40,332	4.0%
Total	<b>1,429,954</b>	<b>100%</b>	<b>1,009,697</b>	<b>100%</b>

Note: Others include: Hong Kong, Macau, Vietnam and the United Kingdom

### Effective Tax Rate in the Most Recent Two Years

SinoPac Holdings Consolidated	2018		2017	
	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Income Before Income Tax	11,252,925		10,549,768	
Income Tax Expenses	1,824,600	16.2%	1,465,349	13.9%
Tax Paid	1,429,954	12.7%	1,009,697	9.6%

## 2.3 Legal Compliance

### 2.3.1 New Legal Compliance Culture

SinoPac Holdings appointed Ms. Shu-Min Lin, a professional with extensive experience in corporate governance and legal compliance, to serve as the Chief Compliance Officer and the head of the Legal & Compliance Division in 2018. In addition to overseeing legal compliance operations, the Chief Compliance Officer reports the status of legal compliance operations to the Board of Directors at least once every six months and promotes the independent operations of legal compliance departments in the parent and subsidiary companies. Legal compliance units are transformed from a passive guardian in internal controls to an active corporate partner and build a new legal compliance culture for SinoPac Holdings. SinoPac Holdings established a Corporate Governance task force under its Sustainable Development Committee, and the unit responsible for implementation is the Legal & Compliance Division which enhances the implementation of the Corporate Governance improvement action plan.



#### Courses Provided by External Experts

- Risks of Information Security and Legal Compliance in Digital Finance
- Personal Information Protection Act and Case Studies
- Financial Consumer Protection Act and Case Studies - Principle of Fair Customer Treatment
- New International Development Trends in Legal Compliance and New Legal Compliance Legislation
- ACAMS Corporate Member Service Introduction and Institutional Risk Assessment
- Volcker Rule Training Course
- International Trends and Executives Responsibility for Anti-money Laundering
- 2018 EU GDPR and Common Reporting Standard (CRS) Training for Financial Institutions
- Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions of Taiwan
- The Securities Investment Trust and Consulting Association Guidelines for Advertisements and Business Activities Performed by Members and Their Sales Agents

15 sessions

1,573 participants

#### Internal Courses

- Financial Holding Company Act
- Banking Act
- Money Laundering Control Act
- Personal Information Protection Act
- Financial Consumer Protection Act
- EU General Data Protection Regulation and the Personal Information Protection Act
- Introduction to the Amendments of the Company Act and Securities and Exchange Act
- Policy and Management Regulations for Non-Credit Transactions with Related Parties
- Impact of the Common Reporting Standard and Response Measures

15 sessions

### 2018 Control Measures of Related Party Management by SinoPac Holdings and its Subsidiaries

<b>[System Adjustment] Management of the scope of reporting and lists</b>	<ul style="list-style-type: none"> <li>1. Amended the "Policy and Management Regulations for Credit Transactions with Related Party" and "Related Party Management Procedures" of SinoPac Holdings to adjust the categories of related parties in substance and clarify the scope of "persons in charge" of the related party that should be declared. The scope of name lists that should be kept updated by units of SinoPac Holdings was also revised for compliance by SinoPac Holdings and its subsidiaries.</li> <li>2. SinoPac Holdings required its subsidiaries to clarify the ranks of "managerial officers" of related party required for reports and jointly reviewed the accuracy of the rank settings for "managerial officers" of subsidiaries in order to facilitate automatic updates in the human resources system and related party management system.</li> </ul>
	<ul style="list-style-type: none"> <li>1. Adjusted the access authorization to framework and functions in the related party management system groups and restored the information update or amendment functions to the responsible units. Added maintenance units' inquiry authorization for the management reports.</li> <li>2. Added management reports such as the "list of laws", "mail notification reports", "reported relationship information change report", and "authorization inquiry report" to review and detect errors in reported information as quickly as possible to facilitate future management and verification.</li> <li>3. Review and plan the logic and specifications of the transaction reporting platform to verify the integrity and accuracy of the reported statistics.</li> </ul>
<b>[Operations Monitoring] Review related party</b>	Based on the requirements proposed by the units of SinoPac Holdings and its subsidiaries, the legal affairs personnel assist in verifying whether related personnel are related parties specified in the Financial Holding Company Act, Banking Act, and interpretative letters of competent authorities to ensure compliance.

### 2.3.2 Material Violations and Improvement Measures

The management levels and employees of SinoPac Holdings and subsidiaries are fully aware that they are the foundation for corporate sustainable governance. However, suitable improvements must be made based on the conditions and processing methods for incidents and adopted as lessons for optimizing corporate governance decision making in the future.

#### 2018 Major Penalties and Improvement Measures of SinoPac Holdings and Subsidiaries

Case and Amount	Improvement Measures
Bank SinoPac's Offshore Banking Unit (OBU)'s investment in foreign-currency securities had exceeded the ceiling approved by the FSC, hence violated Paragraph 2, Article 5 of the Offshore Banking Act and Paragraph 4, Article 9 of the Rules Governing Offshore Banking Branches. A fine of NT\$1 million was imposed by the FSC on July 17, 2018 in accordance with Paragraph 1, Article 22-1 of the Offshore Banking Act.	<ul style="list-style-type: none"> <li>1. On April 20 2018, Bank SinoPac has amended the "Regulations Governing Offshore Banking Branch Operations and Management" by stipulating the limit of investments in foreign-currency securities. The said regulations was approved by the FSC on June 13, 2018. Investment in Mainland China securities was stipulated in the "Regulations Governing Management of Risk Exposure in Mainland China".</li> <li>2. On November 29, Bank SinoPac amended the "Asset Liability Management Manual", stipulating that the investing applicants shall comply with the regulations regarding to the ceiling of credit facilities. The said regulations were incorporated into "II. Business Description" of the "Financial Market Business Manual" on October 3, 2018.</li> </ul>
When conducting customer due diligence for corporate customers applying for business dealings, SinoPac Securities failed to identify the natural persons with ultimate control behind the customers' corporate shareholders holding more than 25% of their shares, as well as to confirm the identity of high-risk customers. SinoPac Securities also failed to take proper measures to understand customers' wealth and source of funds and keeping records of audits. With regards to high-risk customers' dealings, SinoPac Securities also failed to take strengthened and continuous monitoring measures, which violated applicable anti-money laundering regulations for financial institutions. A fine of NT\$500,000 was imposed by the FSC on November 7, 2018.	<ul style="list-style-type: none"> <li>1. In terms of corporate account opening practice, SinoPac Securities conducted customer due diligence and identified the natural person with ultimate control over the corporate shareholder which a corporate customer held 25% of its shares.</li> <li>2. SinoPac Securities has completed the following enhanced due diligence for high-risk customers: <ul style="list-style-type: none"> <li>(1) When conducting enhanced customer due diligence (ECDD), SinoPac Securities reviewed items such as the existing business dealings, products having been traded, customer wealth, source of funds, and other high-risk matters.</li> <li>(2) In the ongoing monitoring practice, when a high-risk customer has a type of suspicious money laundering, a business executive should submit the checklist for the type of suspicious money laundering to the upper-level supervisor for approval.</li> </ul> </li> </ul>
The design of SinoPac Securities' internal control system was inconsistent with related regulations and related measures set in the internal control system were not taken properly; SinoPac Securities has failed to adequately supervise and manage its subsidiary, SinoPac Securities (Asia), resulting in evident deficiencies in its internal control system. In addition, the President engaged in trading in listed securities with information obtained from his position. These were in violation of applicable securities regulations. The FSC issued a warning, and ordered a suspension of the President's business operations for 5 months on May 23, 2018.	<ul style="list-style-type: none"> <li>1. On May 30, 2018, the Board of Directors resolved on the suspension of former President's business performance for 5 months and reported to the competent authority in charge for approval.</li> <li>2. SinoPac Securities modified the "Rules for Insider Trading Management", defining the insiders in accordance with Taiwan Stock Exchange's "Rules Governing Insiders of Securities Firms Opening Accounts at Their Securities Firms for Securities Brokerage Trading", and increased the approval level to the Board of Directors.</li> <li>3. SinoPac Securities adjusted the financing quota of former President to original level, which should be approved by the district supervisor based on the approval level. In addition, SinoPac Securities has checked the approval of the financing quota of all 98 accounts to ensure compliance of all approval levels on May 17, 2018.</li> <li>4. SinoPac Securities (Asia) established the Credit Policy to implement the evaluation and control of loans.</li> </ul>

Case and Amount	Improvement Measures
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Case and Amount	Improvement Measures
The control/check point in the trade servers provided by SinoPac Futures to Bank SinoPac for processing the market maker quotation were inconsistent with the company's internal control system,. Such facts were found to be in violation of applicable futures regulations. On October 30, a fine of NT\$240,000 was imposed by the FSC to SinoPac Futures in accordance with Subparagraph 2, Paragraph 1, Article 119 of the Futures Trading Act and Paragraph 2, Article 2 of the Regulations Governing Futures Commission Merchants.	In October 2018, SinoPac Futures updated hardware and software and modified the control/check points in the trade servers. After tests, they were in line with the regulations governing network security management (CC-27010) of the internal control system, and went live on November 5, 2018.
When conducting the futures introducing broker business, SinoPac Securities failed to: make allowances for service commissions based on customers' trading volume; implement the internal self-check mechanisms with regards to service commissions; regularly reviewing customers' trading volume and overall contribution; and timely adjusting chargeable commissions rate. All these have violated applicable futures regulations. A fine of NT\$120,000 was imposed by the FSC on March 28, 2018.	<ol style="list-style-type: none"> <li>1. On April 3, 2018, SinoPac Securities has notified all branch companies to reiterate that the service fees for customers' futures transactions must be collected based on the customer's transaction volume and the services required. Measures have been implemented to review futures service fees every three months.</li> <li>2. Enhanced internal management measures are as follows: <ul style="list-style-type: none"> <li>(1) Branches must provide different service fee rates based on customers' individual characteristics, transaction volume, and other conditions and factors. Applications must be provided with explanation and related certification documents for review.</li> <li>(2) Branches review customers' transaction volume and overall contribution each quarter and implement adjustments based on the service fee review mechanisms established by SinoPac Securities. The level of review is elevated to require approval for individual customers by the regional supervisors.</li> </ul> </li> </ol>

### 2.3.3 Anti-Money Laundering and Financial Crime Prevention

#### Anti-Money Laundering and Counter Terrorism Financing Policy

The Group focuses on establishing a comprehensive and effective anti-money laundering and counter terrorism financing system. To comply with regulations of the competent authorities, SinoPac Holdings has established the "Anti-Money Laundering and Counter Terrorism Financing Policy" for compliance by SinoPac Holdings and all subsidiaries. The subsidiaries also established their own internal regulations and operating procedures for anti-money laundering and counter terrorism financing operations based on laws for their respective industries, related industrial laws and regulations, the self-disciplinary regulations and conventions of industry associations, and references provided in the "Anti-Money Laundering and Counter Terrorism Financing Policy". Related contents shall include at least the verification of customer identity, customers' acceptance principles, customer and transaction monitoring and control, risk management and control, and record retention principles.

#### Anti-Money Laundering Management Structure and Measures

To implement the Group's Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) tasks and build an AML/CFT culture, the "Risk Management Committee" was established and placed under the supervision of the Chairman of SinoPac Holdings. The Chairman of SinoPac Holdings serves as the chair of the Committee who supervises and manages the AML/CFT risk and resource integration and distribution in different subsidiaries. The Legal & Compliance Division is the dedicated unit for AML/CFT and is responsible for supervising and assisting the planning and implementation of AML/CFT operation of subsidiaries. SinoPac Holdings established information sharing policies and procedures and established an information sharing platform for the Group to prevent omissions in horizontal communication between subsidiaries from causing gaps in AML operations. Under the premises of ensuring protection of personal information and ensuring information confidentiality, SinoPac Holdings requires all subsidiaries to share their money laundering or terrorism financing patterns and blacklists on a regular or irregular basis. The information should be uploaded to SinoPac Holdings' information sharing platform for reference by all subsidiaries to prevent similar cases from occurring in other subsidiaries.

Bank SinoPac established the Anti-Money Laundering Committee which is chaired by the President to conduct management and coordination of AML/CFT affairs of the Bank. AML Center is set up at the same time, which is

solely responsible for planning AML/CFT related system of the Bank and supervising AML operations of branches. Dedicated AML/CFT supervisors or personnel have been assigned in other subsidiaries including SinoPac Securities, SinoPac Futures, SinoPac Securities Investment Trust, SinoPac Life Insurance Agency, SinoPac Property Insurance Agency, and SinoPac Leasing to take charge of related AML/CFT affairs.

#### Assessment Mechanisms and Results

SinoPac Holdings established a consistent management structure and requires subsidiaries to adopt a consistent methodology for the annual institutional risk assessment (IRA). As an example, Bank SinoPac and SinoPac Securities appointed external consultants to help introduce the IRA methodology, designed assessment questionnaires for the four major risk factors, used evaluation mechanisms and calculate inherent risks and control measures to evaluate residual risks. The categories of risk factors include customer types, regional risks, products or services, and payment channels or methods.

The competent authority conducted regular inspections and/or special AML/CFT inspections on SinoPac Holdings and its subsidiaries including Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, etc. in 2018 and found no material discrepancies. Improvements have been successively completed for regular discrepancies. In March 2018, the subsidiary Bank SinoPac followed the regulations of the competent authority and appointed an external accountant to provide an assurance report on the design and execution of the AML/CFT internal control system. The accountant's conclusion in the assurance report was "the effectiveness of certain measures were not maintained and fair presentation in all material respects". The items that required improvements in the report have been improved.

#### Training Programs

SinoPac Holdings seeks to establish an AML/CFT compliance culture and all personnel from the Board of Directors and senior executives to regular employees have received AML training. On May 23, 2018, The Chairman personally led the Directors and senior executives of SinoPac Holdings and subsidiaries in AML training to establish consistent AML/CFT awareness. The subsidiaries implemented AML/CFT training separately and the themes included introduction of the latest regulations, identification of irregular money flow and money laundering patterns, customer risk rating analysis, practical discussions, APG evaluation procedure explanation and impact, etc. A total of 88 training courses were organized in 2018. To strengthen the sharing of experience between subsidiaries, SinoPac Holdings organizes AML/CFT special project meetings on plans for AML operations, institutional risk assessments, sharing of suspected money laundering patterns, and APG assessment experience sharing.

## Enhanced Assistance System

To strengthen the review of customer lists and enhance transaction monitoring, the subsidiaries Bank SinoPac and SinoPac Securities invested more than NT\$50 million in capital expenditures on system installation and enhanced system functions in 2018. Measures included replenishment of the name list database, optimization of screening functions, and the transaction review system to improve the performance of monitoring and control for suspicious transactions.

# 2.4 Information Security

## 2.4.1 Information Security Governance Structure and Management System

New technologies have increased online criminal activities and the financial industry must carefully respond to information security issues. SinoPac Holdings established the "Information Security Policy" to strengthen information security management and ensure the confidentiality, integrity, and availability of the information processed by SinoPac Holdings and its subsidiaries. SinoPac Holdings established the "Information Security Committee" in September 2018 and recruited the Taiwanese information security expert Eric Lee, a former police officer who became an expert in the financial industry, to serve as the convener of the Information Security Committee and make use of his expertise in processing online criminal activities and information security as well as his knowledge of the research and development of new technologies to plan SinoPac Holdings' overall information security infrastructure and monitoring functions. The subsidiaries Bank SinoPac and SinoPac Securities also established dedicated information security units and continued to update their ISO 27001 Information Security Management System certifications. In addition, the members of the Board of Directors such as the Directors Chi-Hsing Yeh and Yi-Da Ho have information technology/information security backgrounds and they can supervise and provide suggestions to the Information Security Committee of SinoPac Holdings.

The "Information Security Committee" falls under the supervision of the President. It is responsible for the implementation and governance of information security affairs and supervision and management of information security risks. The members consist of the heads of the Legal & Compliance Division, Risk Management Division, Digital & Technology Division, and related supervisors responsible for information security in subsidiaries. The Chief Auditor also attends meetings of the Committee. The Committee's mission is to review the information security policies and measures, review the information security management system, improve information security awareness and training programs, and evaluate and determine information security infrastructure. The duties of the Committee and other related departments are described below:



To ensure the implementation of the information security management system, SinoPac Holdings proposed various information security plans and operating procedures including the security management of the information system, online security management, application system access management, application system development, maintenance and management, computer asset management, system environmental security management, and information system disaster recovery management, etc.

### Information Security Evaluation Mechanisms and Results

The subsidiary Bank SinoPac proposed a computer system information security assessment plan approved by the Board of Directors in accordance with the "Regulations Governing System Information Security Evaluation by Financial Institutions". It also appointed a qualified external information service company to execute the assessment. The completed assessment report was delivered to the Audit Division to follow up on discrepancies and reviews and the reviews were reported to the Board of Directors to supervise the improvements made for discrepancies.

### Response and Management of Information Security Incidents

In the event of an information security incident, all units shall immediately process the incident in accordance with the "Emergency Response Rules" and notify the convener of the Information Security Committee to assign dedicated personnel to respond to the incident. The designated personnel shall assess the scope of the impact, formulate response plans, and notify the convener for necessary decisions and task assignments. Bank SinoPac established the "Information Security Rules" and the "Information Management Operations Manual". The "Information Security Rules" are provided with attachments that include various operating procedures to provide em-

- Discussions, establishment, and evaluation for the Information Security Policy, plans, and technical specifications.
- Review and assessment of the legal compliance of the Information Security Policy and management system

ployees with clear procedures to follow and prevent related information security/network security risks. The "Information Security Rules" include comprehensive response and management measures for information security incidents including information security incident management procedures such as the reports, response measures, follow-up, and improvements for information security incidents. The guidelines for reporting information security incidents include definitions of incident risks level and management of reporting procedures. SinoPac Securities established the "Information Security Incident Management Procedures", "Distributed Denial-of-Service Defense and Response Operation Guidelines", "Emergency Incident Response Guidelines", "Operation Risk Management Regulations" for employees to determine the classification of incidents and related processing procedures.

## 2.4.2 Information Security Training and Education

SinoPac Holdings organizes information security training and education in accordance with requirements for different job functions in management, sales, IT, etc. to improve information security. It also builds employees' information security awareness and information security management capacity to improve information security standards. SinoPac Holdings implements annual information security education and training (online course) for all employees. The course includes basic information security concepts, review of recent information security incidents, explanation on related trends in information security, introduction to social engineering methodology, promotion of internal regulations, and the cultivation of information security awareness. SinoPac Holdings also organizes training and drills to prevent social engineering via malicious e-mails. In addition to the training, SinoPac Holdings also designed various phishing e-mails and conducted comprehensive tests on all employees to improve users' information security awareness.

Subsidiary	Recipients	Results of Training Programs
Bank SinoPac	Dedicated information security personnel	The personnel completed at least 15 hours of professional information security or professional skills training in accordance with regulations.
	Regular employees	Personnel of the head office, local and foreign business units, information units, financial custody unit, and other managerial units completed at least three hours of information security training in accordance with regulations
SinoPac Securities	Dedicated information security personnel	The personnel completed at least 15 hours of courses in accordance with the Criteria Governing Internal Control Systems of Securities Firms while other personnel (including section-level supervisors) completed at least 4 hours of professional information security or professional skills training and passed the evaluation.
	Regular employees	SinoPac Securities completed at least 3 hours of information security training for other professionals who use the information system in accordance with the Criteria Governing Internal Control Systems of Securities Firms. The courses include training for strengthening website security, protection of sensitive information, improving information security awareness and skills during operations. SinoPac Securities ensures that the heads of departments complete at least 2 hours of courses each year.

## 2.4.3 Customer Information Privacy

To ensure the security and privacy of customers' personal information, SinoPac Holdings established related management policies and Bank SinoPac, SinoPac Life Insurance Agency, SinoPac Securities, SinoPac Securities (Europe), and SinoPac Securities Investment Trust appointed Data Protection Officers (DPOs). They also established "Customer Information Confidentiality Measures" sections on their websites to disclose the methods for the collection, storage, safekeeping, and protection of customer information and provide customers with rights to exercise and withdraw from information exchange and usage. The Legal & Compliance Division adjusts the confidentiality measures in accordance with technological developments and changes in the society, environment, and laws. It also announces the changes. To ensure the implementation of personal information protection tasks, the subsidiaries invested large amounts of resources in the establishment of Personal Information Protection Management Teams which are responsible for the implementation, review, and management and plans of various tasks related to personal information. They also conduct reports and discussions in meetings at appropriate time.

In response to the implementation of the EU's General Data Protection Regulation (GDPR), the subsidiaries implement ad hoc GDPR training programs and adjust the contracts as well as the privacy policy statements on company websites. Bank SinoPac revised the "Personal Information Protection and Management Implementation Rules" and added GDPR regulations and procedures for accepting applicants' requests for the exercise of rights at the counter. In addition, the subsidiaries compiled an inventory of customer information and reviewed the applicability of the legislation. Based on the inventory, the number of natural persons of the European Union with per-

sonal information registered at the subsidiaries was lower than a specified amount and the main targets of the EU's GDPR were information technology operators and not financial industries. In addition, related subsidiaries do not have branches in the EU and only SinoPac Securities has established SinoPac Securities (Europe) Limited in London which conducts "stock brokerage and agency businesses" and whose main business is the referral of corporate customers in Europe. The information of such financial institutions is open information and the risks are therefore controllable.

SinoPac Holdings discloses the "Customer Information Confidentiality Measures" on the company website and established the methods for collecting and using customers' personal information as well as the information security and storage methods. SinoPac Holdings also established clear implementation guidelines ("Personal Data Protection Policy and File Security Maintenance Measures") to implement the various regulations for the use of personal data.

### Personal Information Leakage

There was one incident involving the loss of customer information in Bank SinoPac in 2018 and the head office reported to the competent authority. Improvements were implemented after the incident and the education and training were arranged to strengthen the protection of personal information.

## 2.5 SinoPac Story: Reforms in Corporate Governance

### Origins of the Project

SinoPac Holdings voluntarily initiated the "Corporate Governance Inspection and Improvement Project" in 2017 and the President of SinoPac Holdings doubled as the project manager. SinoPac Holdings was the first financial holding company in Taiwan to proactively take the initiative to conduct thorough inspections of corporate governance to effect continuous improvements. Collaborating with a credible third party and based on the results of their inspection, a two-year action plan was derived, with the ultimate goal of "setting a benchmark of excellence in the industry".

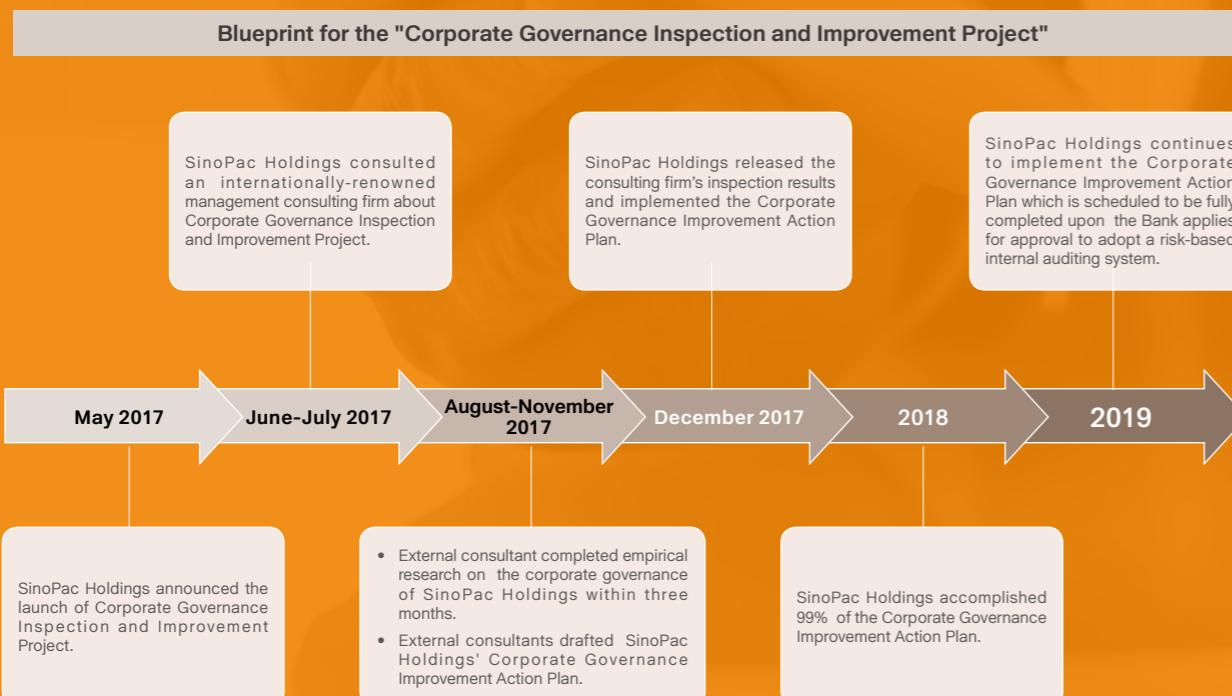
### Corporate Governance Inspection

SinoPac Holdings responded to the disputes of the general public regarding its corporate governance and management and issued a statement in May 2017 to declare its plans for comprehensive reforms and its resolve for implementing the "Corporate Governance Inspection and Improvement Project". SinoPac Holdings retained a reputable international management consulting firm in June from bidding process. Starting from August 2017, the external consultants began a three-month inspection covering SinoPac Holdings and five of its subsidiaries, namely Bank SinoPac, SinoPac Securities, SinoPac Securities (Asia), SinoPac Leasing, and SinoPac Capital International (formerly Grand Capital International). The external advisors conducted comprehensive evaluation on the corporate governance of SinoPac Holdings in terms of corporate governance and sustainable development, operations management, legal & compliance, risk management, internal audit, and enhancement of talents in internal audit, compliance, and risk management functions (hereinafter referred to as the "six key areas"). The review indicated that SinoPac Holdings have implemented policies and rules as required by law and there were no violations of laws or internal regulations. However, the execution of such policies still have room for improvement. During the inspection process, SinoPac Holdings also adopted actions to strengthen the effectiveness of corporate governance and internal controls. For example, SinoPac Holdings assumed more rigorous related party control measures such as the review responsibility for Directors to enhance the accuracy and comprehensiveness of reported information every two months and the establishment of related party information verification mechanisms for employees in managerial positions. Upholding the principle of transparency, SinoPac Holdings issued a press release to specifically communicate the inspection results to the public and the stakeholders.



### Corporate Governance Improvement Action Plan

After external consultants completed the inspection of the corporate governance, SinoPac Holdings established its goal of "setting a benchmark of excellence in the industry". SinoPac Holdings planned the Improvement Action Plan along with external consultants and set goals in each of the six key areas. SinoPac Holdings also established specific implementation methods, timeline, and R&R for the tasks. The Improvement Action Plan was launched in December 2017. The preliminary follow-up verification was performed by the Presidents offices of each subsidiary company. The results were confirmed by each responsible person for implementation and they regularly report the implementation progress to the Board of Directors. Except for the application for approval to adopt a risk-based internal auditing system which is expected to be filed in August 2019, all other action items were completed by the end of 2018. SinoPac Holdings continued to make improvements during the execution of the Action Plan and actively implemented various specific measures to demonstrate its resolve for strengthening corporate governance.



## Results and Plans for the Corporate Governance Improvement Action Plan

1 Corporate Governance and Sustainable Development	2 Operations Management	3 Legal & Compliance	4 Risk Management	5 Internal Audit	6 Enhancement of Audit, Compliance and Risk Management Functions
Completion rate 4% 2017 2018 2019	Completion rate 29% 2017 2018	Completion rate 57% 2017 2018	Completion rate 18% 2017 2018	Completion rate 8% 2017 2018 2019	Completion rate 8% 2017 2018
<b>2017 Results</b> <ul style="list-style-type: none"> <li>Formulated the "Corporate Governance Guidelines".</li> <li>Completed a comprehensive review of various regulatory disclosure procedures and improved standard operating procedures.</li> </ul>	<b>2017 Results</b> <ul style="list-style-type: none"> <li>Bank SinoPac improved internal rules and regulations for onsite visiting of corporate customers in foreign countries and Mainland China.</li> <li>SinoPac Securities implemented onsite audit mechanisms for customers with higher amount of securities margin financing and electronic trading limits.</li> <li>SinoPac Leasing and SinoPac Capital International reduced the maximum unsecured transaction credit limits for the same person, the same concerned party, or the same affiliate.</li> </ul>	<b>2017 Results</b> <ul style="list-style-type: none"> <li>Bank SinoPac, SinoPac Securities, and SinoPac Leasing formulated risk based Legal &amp; Compliance Plan for 2018 respectively.</li> <li>SinoPac Holdings adjusted the attention matters for filling out the "Counterparty Declaration of its Ultimate Beneficial Owner(s)" and highlighted the logic for identification and provided examples to counterparties and SinoPac Holdings' employees to facilitate compliance of transaction.</li> <li>SinoPac Holdings strengthened the knowledge and awareness of the declaration of related party and different types of substantive stakeholders.</li> </ul>	<b>2017 Results</b> <ul style="list-style-type: none"> <li>Bank SinoPac, SinoPac Securities, and SinoPac Leasing reviewed the comprehensiveness and appropriateness of internal risk management regulations based on their respective industrial characteristics and risk exposure, and completed amendments for such regulations.</li> </ul>	<b>2017 Results</b> <ul style="list-style-type: none"> <li>SinoPac Leasing and SinoPac Capital International established customized audit plans in accordance with their business characteristics.</li> </ul>	<b>2017 Results</b> <ul style="list-style-type: none"> <li>NA</li> </ul>
<b>2018 Results</b> <ul style="list-style-type: none"> <li>Established the Ethical Management Committee, the fifth such committee nationwide, consisting entirely of independent directors of SinoPac Holdings and key subsidiaries. The scope of the committee members is unmatched in the industry.</li> <li>Established the "Sustainable Development Committee" chaired by the Chairman of SinoPac Holdings. Members include the President of SinoPac Holdings and chairmen and presidents of major subsidiary companies. The Committee developed short, medium, and long-term plans for the sustainable development blueprint and it proposed four main missions for sustainable development including "Ethics and Decency, Wealth Building, Environmental Sustainability and Social Responsibility".</li> <li>Formulated the "Guidelines for Corporate Social Responsibility", "Guidelines for Code of Ethical Conduct", "Guidelines for Ethical Corporate Management" and "Procedures for Ethical Management and Guidelines for Conduct" which were applied to all subsidiary companies.</li> <li>Established the "Guidelines for Corporate Governance" for Bank SinoPac and SinoPac Securities.</li> <li>Introduced a performance evaluation to enhance the effectiveness of the Board of Directors.</li> <li>Formulated a Human Rights Policy, vowed to respect human rights and freedom of association in the workplace, and highlighted the importance of building a safe and healthy workplace for all employees.</li> <li>Completed an internal annual inspection to "Detect Business Risk"; annual inspections will be conducted hereafter to ensure effective operation of the internal control system.</li> <li>Reviewed the division of authority between three lines of defenses in internal controls, and reaffirmed the responsibilities of the first, second, and third lines of defense to ensure they function properly.</li> <li>Improved information disclosure transparency and instituted a system to notify the Board of major emergencies.</li> </ul>	<b>2018 Results</b> <ul style="list-style-type: none"> <li>Strengthened the reporting obligations and responsibilities for management about the related parties they declare. Management must verify the correctness and completeness of their declared related parties on a monthly basis and must be examined by systems for anomalies in unreported information about their declared related parties. For example, information must be cross-verified when a manager applies for company benefits and for addition of their dependents to insurance, or when multiple managers declare the same related party. A penalty system was established for detected errors, and for unreported and unconfirmed information within the specified time limit.</li> <li>Strengthened the related-party transaction summary and verification mechanisms and regularly checked the inconsistent declarations in the related-party database.</li> <li>Bank SinoPac strengthened its credit risk early warning mechanism, and added early-warning patterns for industrial competitive status in its internal regulations. It also established automatic early-warning mechanisms for high-risk customers with abnormal credit information.</li> <li>Bank SinoPac completed the automated review mechanisms for credit cards.</li> <li>For customers whose securities margin financing or trading amount reached a certain level, SinoPac Securities (Asia) required the customers to provide relevant documents to prove their financial resources in accordance with Taiwan's regulations. For customers with higher amount of securities financing position, SinoPac Securities (Asia) adopted a more strict assessment of the value of collaterals provided by the customers. It also established more stringent operation procedures for credit and limit management.</li> </ul>	<b>2018 Results</b> <ul style="list-style-type: none"> <li>Improved legal compliance management quality and formulated standard operating procedures for the management and random sampling inspections on compliance operations.</li> <li>Bank SinoPac established a risk-based compliance risk assessment methodology for overseas branches.</li> <li>SinoPac Securities (Asia) and SinoPac Capital International tailored their compliance regulations to meet the managerial needs of their parent companies and the special needs of local businesses.</li> </ul>	<b>2018 Results</b> <ul style="list-style-type: none"> <li>SinoPac Holdings, Bank SinoPac, SinoPac Securities, and SinoPac Leasing included digital financial risks, strategic risks, reputation risks, compliance risks, and other risks into their risk management regulations.</li> <li>SinoPac Securities and SinoPac Securities (Asia) added guidelines and measures for the liquidity management to improve the comprehensiveness of its risk management regulations.</li> <li>SinoPac Holdings included risk appetite management mechanisms into its risk management policies; Bank SinoPac, SinoPac Securities, and SinoPac Leasing completed the establishment of related regulations on risk appetite and drafted their risk appetite statements in accordance with the 2019 budget and business plan.</li> <li>After SinoPac Holdings reviewed the appropriateness of the risk management organizational structure of subsidiary companies, the role of the risk management unit of SinoPac Leasing, previously the President's Office, was assigned to the new Risk Management Division to strengthen risk management functions.</li> <li>Bank SinoPac, SinoPac Securities, and SinoPac Leasing initiated the annual operating risk self-assessment which shall be implemented on an annual basis.</li> <li>Bank SinoPac adopted a more advanced methodology to complete stress tests of the Bank. The results showed that the capital adequacy ratio under stressed conditions met qualification standards set by the competent authorities.</li> <li>Bank SinoPac incorporated the qualitative verification factors into its model verification methodology.</li> <li>Bank SinoPac optimized the credit extension and tiered authorization for corporate customers and added different scopes of authorization for different levels of managers of credit extension management units for corporate financing based on the different credit limits on the credit ratings.</li> <li>SinoPac Leasing established qualitative rating standards for industries with higher risk exposures and incorporated the development of risk measurement tools into its medium to long-term plans.</li> </ul>	<b>2018 Results</b> <ul style="list-style-type: none"> <li>Formulated a Whistleblowing Policy, stipulating acceptable methods and promising to protect whistleblowers from improper punishment. All reports involving directors of the board or supervisors shall be submitted to the Ethical Management Committee of SinoPac Holdings.</li> <li>Formulated Whistleblowing Procedures, establishing standard procedures for the acceptance of reports, investigations, and the submission of reports.</li> <li>Improved auditing methodology by adding sampling methods and sampling standards; classified auditing deficiencies by levels in writing.</li> <li>Improved the quality of internal audit and established standards for retaining audit logs, and set up sampling standards and instructions.</li> <li>Promoted risk-based internal audit, adjusted risk assessment factors for the annual audit plans, established risk assessment procedures, and regular inspection mechanisms.</li> <li>Established a quality-control mechanism for internal auditing.</li> </ul>	<b>2018 Results</b> <ul style="list-style-type: none"> <li>Enhanced the performance assessment for internal audit, compliance and risk management at each subsidiary according to the highest standards in the industry.</li> <li>Recruited supervisors with practical experience in internal audit, compliance and risk management and increased full-time positions in compliance and risk management departments.</li> <li>Expanded manpower in internal audit, compliance and risk management at SinoPac Holdings, Bank SinoPac, and SinoPac Securities by 15% to tighten supervision.</li> <li>Made special recruiting plans and courses for internal audit, compliance and risk management and developed a comprehensive training program.</li> </ul>
<b>2019 Plans</b> <ul style="list-style-type: none"> <li>Bank SinoPac plans to develop a comprehensive coverage in detecting business risks, establish a risk map, and file the application for adopting a risk-based internal auditing system.</li> </ul>	<b>2019 Plans</b> <ul style="list-style-type: none"> <li>NA</li> </ul>	<b>2019 Plans</b> <ul style="list-style-type: none"> <li>NA</li> </ul>	<b>2019 Plans</b> <ul style="list-style-type: none"> <li>NA</li> </ul>	<b>2019 Plans</b> <ul style="list-style-type: none"> <li>NA</li> </ul>	<b>Corporate Governance Improvement Results</b> <p>In 2018, SinoPac Holdings resolved to promote corporate governance, formulating four basic principles as well as establishing the Ethical Management Committee and internal whistleblowing system. In August, the rating of SinoPac Holdings was elevated by international credit rating agencies, the greatest feat it has achieved since it was founded in 2002. International credit rating agencies have affirmed the improvements in SinoPac Holdings' corporate governance standards. SinoPac Holdings have established a comprehensive system to manage related-party transactions and have refined our holding framework to enhance overall operational transparency. Furthermore, SinoPac Holdings established the Sustainable Development Committee in 2018 and set the four main missions for sustainable development including "Ethics and Decency, Wealth Building, Environmental Sustainability and Social Responsibility". SinoPac Holdings were also selected as a constituent of the FTSE4Good TIP Taiwan ESG Index for the first time. These are testaments of the improved performance of SinoPac Holdings' structural adjustments and intensification of sustainable development goals and SinoPac Holdings received widespread recognition from external entities.</p>

# 03

## SinoPac Innovations



Material Topics	
Responsible Finance	Financial Inclusion
Digital Finance Innovation	Customer Relations Management
Service Quality and Customer Experience	Product Information Disclosure

### ESG FORUM



#### ESG Investment Forums

Implemented responsible investment and organized two large-scale public ESG Investment Forums. Invited renowned international ESG investment consultants and international asset management companies to share their experience.



#### Signatory of the Equator Principles

Completed the introduction of the Equator Principles and planned to become a signatory of the Equator Principles within 1-2 years.



#### Top Solar System Award

Received the "Top Solar System Award" in the "Excellent Financial Services Award" from the Ministry of Economic Affairs, and became the sole bank in Taiwan that has received the award consecutively.



#### Mortgage and Home Loan Product of the Year in Asia

Responded to homeowners' demands for funding in various stages of their lives through "Feng Yun Mortgage" and provided four main innovative services. It was evaluated as the "Mortgage and Home Loan Product of the Year in Asia" by "The Asian Banker".



#### Launched the First Sport Card in Taiwan

Launched the first sport card in Taiwan and utilized the power of finance to promote exercise for all citizens.



#### Taiwan Banking and Finance Best Practice Awards

Successfully integrated FinTech into the ecosystem of the wholesale market with The Smart Wholesale Market Transaction Facilitation Platform and promoted inclusive finance. Received the "Special Award in the Best Digital Banking" in the "Taiwan Banking and Finance Best Practice Awards".



## 3.1 Sustainable Finance

### 3.1.1 Sustainable Finance Policy and Goals

SinoPac Holdings' Sustainable Development Committee established a "Customer Relations" task force to take charge of planning the development blueprints of sustainable financial products, formulating and implementing responsible investments, and the signature of the Equator Principles with the aim of fostering sustainable development by integrating our core financial competencies. SinoPac Holdings also directs investments to environmental friendly green energy industries. Bank SinoPac, SinoPac Securities, and SinoPac Securities Investment Trust have signed the compliance statement for the "Stewardship Principles for Institutional Investors" while SinoPac Holdings plans to establish responsible investment policies within 1-2 years. Long term plans include the implementation of accountability governance for investors. Bank SinoPac completed the internal impact assessment of the introduction of the Equator Principles in 2018 and planned to complete the introduction of the Equator Principles within 1-2 years and sign the Equator Principles.

#### Stewardship

Bank SinoPac, SinoPac Securities and SinoPac Securities Investment Trust have signed the compliance statement for the "Stewardship Principles for Institutional Investors" and they comply with the six main principles:

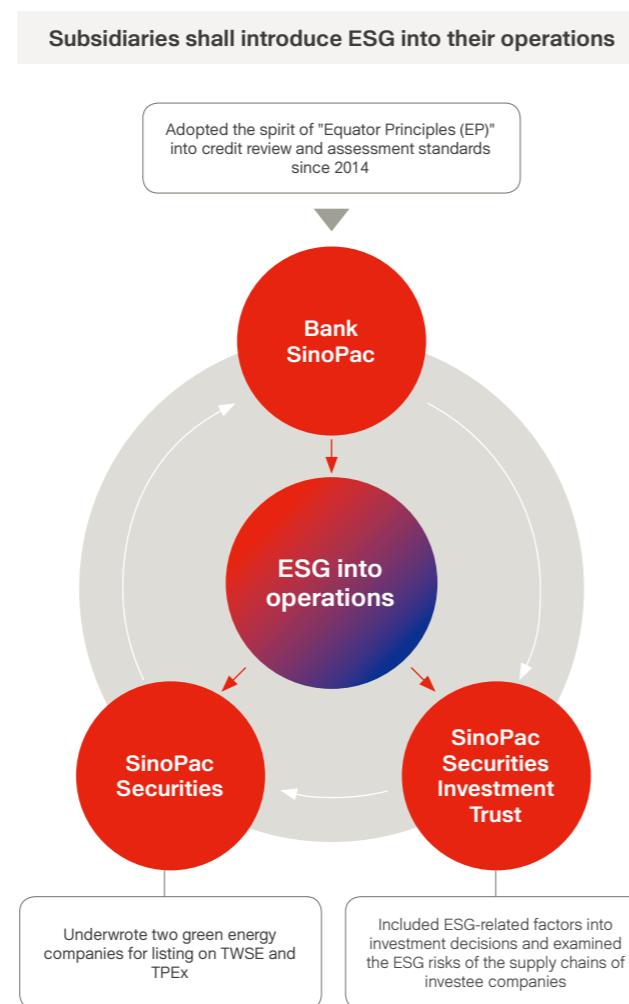
- Establish and disclose stewardship policies
- Establish and disclose policies on managing conflicts of interest
- Regularly monitor investee companies
- Maintain an appropriate dialogue and interaction with investee companies
- Establish clear voting policies and disclose voting results
- Periodically disclose to clients or beneficiaries about status of fulfillment of stewardship responsibilities

#### Planning for Responsible Investment

SinoPac Holdings plans to establish the basic principles of the "Responsible Investment Management Guidelines" in the first half of 2019 to include ESG issues into the investment risk decision-making process. The subsidiary companies shall then establish their methodology and tools for assessing ESG risks and related regulations for responsible investment in accordance with the "Responsible Investment Management Guidelines", "Stewardship Principles for Institutional Investors", and internal investment decision-making procedures to meet requirements in practical operations. SinoPac Holdings has begun formulating the basic principles of responsible investment and the operations of subsidiary companies have included ESG factors into their assessments and decisions.

#### Planning for the adoption of the Equator Principles

Bank SinoPac has included the spirit of "Equator Principles (EP)" into the Bank's corporate banking credit extension guidelines as the standards for the review and assessment of project financing and general corporate financing. Bank SinoPac also established a credit assessment system that uses system tools to enhance the control and management of ESG risk factors. They account for negative information on borrowers' environmental, social, and corporate governance risks and include them into the "Credit Risk Information Disclosure Review Items" in the credit investigation reports as reference for the review process. Bank SinoPac makes use of assessment of the customer's industry attributes (anti-money laundering risks) and ESG risk factor review procedures to verify whether customers are involved in money laundering, terrorist financing, sanctions, or other adverse information detrimental to sustainability when processing loans/investments. Bank SinoPac expressly provide regulations to exclude individual high-risk industries (e.g. funding used for political or election purposes, engaging in illegal activities, overproduction, high-pollution, high-energy consumption industries, etc.) from becoming recipients or impose limits on the amount of transactions.



Bank SinoPac is planning the schedule for signing the Equator Principles and follow the Responsible Investment Management Guidelines to establish a list of negative/sensitive industries, strengthen related responsible credit extension policies, and implement ESG policies. Bank SinoPac shall also prepare the future promotion and implementation of the ideology of "green risk ratings" and evaluate the feasibility of developing ESG models in collaboration with external credit rating companies. Bank SinoPac shall quantify the ESG risk factors and rate customers' risk levels based on customers' non-financial ESG performance. Bank SinoPac shall provide green bonuses (e.g. reduced interest rates) for borrowers that fulfill corporate social responsibilities based on the ratings. For companies with poor ESG performance, Bank SinoPac shall request risk premiums and guide customers toward joint fulfillment of social values and positive impact of sustainable finance operations.

### 3.1.2 Promoting the ESG Forum

SinoPac Securities began promoting responsible investment in 2016 and it has organized the "ESG Investment Forum" each year for the past three years to promote ESG stewardship investment values and improve institutional investors' understanding and practices of ESG values. Two large-scale ESG Investment Forums were held in 2018 and SinoPac Securities invited renowned international ESG investment consultants and international asset management companies to share their practical experience. Through the Forum, SinoPac Securities sought to infuse the ultimate goals of environmental protection, social justice, and corporate governance into the capital market and economic activities and improve the international status of the capital market and enterprises of Taiwan.



Time	Speaker	Topic	Number of participants
January 2018	<ul style="list-style-type: none"> <li>• Baillie Gifford: British asset management firm with one hundred years of history</li> <li>• Mercer: Global prime leader in the asset management consulting industry</li> </ul>	<ul style="list-style-type: none"> <li>• Global Corporate Governance and Stewardship</li> <li>• Corporate Governance Evaluation and ESG Stock Selection</li> </ul>	Nearly 100
September 2018	<ul style="list-style-type: none"> <li>• KPMG Sustainability Consulting Co.</li> <li>• Hermes Investment Management</li> </ul>	<ul style="list-style-type: none"> <li>• Important Trends in ESG Risk Management and Information Disclosure</li> <li>• Experience and Lessons in Responsible Investment</li> </ul>	278

### 3.1.3 Sustainable Financial Products and Services

SinoPac Holdings promotes sustainable finance as its core business. The main sustainable financial products include green bonds, green financing, green investment, and green funds. In 2017, Bank SinoPac became the first qualified domestic bank for green bond issuance. It also provided financing to the solar energy industry and the eco-friendly textile industry. SinoPac Venture Capital reduces its impact on the environment by investing in eco-friendly industries. In order to promote the development of domestic energy-saving industries, SinoPac Securities Investment Trust is actively investing green funds, such as China's new energies and green manufacturing, while issuing SinoPac China Economic Development Fund.

Sustainable Financial Products 2016-2018			
	Item	2016	2017
<b>Green bonds</b>	Issuance amount (USD)	Not applicable (Note: TPEX published the Operational Directions for Green Bonds in 2017)	\$45 million
	Outstanding balance of loans for financing household solar energy equipment (NTD)	\$220 million	\$312 million
<b>Green financing</b>	Outstanding balance of loans for financing corporate solar energy equipment (NTD)	\$3.1 billion	\$6.7 billion
	Outstanding balance of loans for financing eco-friendly textile industries (NTD)	\$3.66 billion	\$2.7 billion
	Bank SinoPac investment in ESG companies (USD)	\$149 million	\$43 million
<b>Green investments</b>	Lead underwritten by SinoPac Securities Green and environmental friendly companies (NTD)	"Grand Canyon - KY" IPO and cash capital increase for listing on TPEX: \$144 million	"All Cosmos - KY" IPO and cash capital increase for listing on TWSE: \$440 million
	Outstanding balance of green investment of SinoPac Venture Capital (NTD)	\$194 million	\$136 million
<b>Asset management</b>	SinoPac China Economic Development Fund (fund size as of the end of the year) (NTD)	\$1.24 billion	\$1 billion
			\$890 million

## Green Bonds

Bank SinoPac became the first qualified green bond issuer in 2017 and was recognized by the internationally-renowned bond market information platform MTN-i. Advocating the government's green finance policy and following the 5+2 Industrial Transformation Plan, Bank SinoPac helped the green energy technology industry obtain medium- and long-term funds to promote environmental sustainability. Bank SinoPac also dedicated itself to the green bond market. In 2017, it issued and raised US\$45 million in 30-year green bonds to loan money to the Solar Power Equipment Financing Project, which aims boost renewable energy and energy technology. The funds raised by the bonds had been fully injected into the Project by November 29, 2017. The Project is expected to generate approximately 38 million kWh of electricity per year, which would reduce CO<sub>2</sub> emissions by 20,000 metric tons per year. Moreover, Bank SinoPac acted as the financial advisor to the Société Générale, Taipei Branch during its first debenture issuance in 2018. The bond aimed to raise funds for Société Générale to offer loans for its Offshore Wind Power Project. Bank SinoPac underwrote NT\$200 million of the bond.



## Green Financing

SinoPac Holdings actively develops green financing products and services which currently consist of related green financing services in the solar energy industry and financing for eco-friendly textile industries. SinoPac Holdings uses financing and loans to support the development of related environmentally-friendly industries or green industries in Taiwan.

### ◆ Green Energy Financing

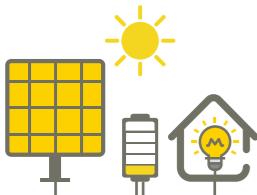
Bank SinoPac actively cooperates with the government's renewable energy policy. Since the launch of the Green Energy Financing Project in 2012, Bank SinoPac has committed to the green energy industry supply chain. Adopting a multi-channel promotion model, Bank SinoPac rendered loans and insurance services to companies in the supply chain of the PV industry. Bank SinoPac also works with electric car companies to promote installment loans for small electric cars for corporate use. Bank SinoPac also responded to government policies and worked with local governments in promoting the "Million Solar Roofs Project" by launching the "Solar Power Equipment Financing Project" for households and companies that install solar power equipment. Bank SinoPac also completed the first bridge loans and organized seminars on power plant construction, and provided customized financings for ground and water-based power plants. As of the end of 2018, Bank SinoPac has accumulated 1,650 power plants with more than 615MW(Mega Watt) in solar installed capacity across Taiwan. The financing loans provided for solar energy projects reached NT\$15.597 billion which grew by 2.2 times from 2017. The installed capacity of solar power plants of customers in New Taipei City, Taoyuan City, and Tainan City are shown in the table below:



Received the Award for the third consecutive year, the only bank in Taiwan that has received this award consecutively



	Total installed capacity	Annual green electricity generation	Number of households-year powered
New Taipei City	10.7 MW	Approximately 10.21 million kWh	3,151 households
Taoyuan City	67.8 MW	Approximately 68.48 million kWh	21,135 households
Tainan City	87.4MW	Approximately 112.92 million kWh	34,852 households
Total of the three cities	165.9 MW	Total 191.61 million kWh	Total 59,138 households



### ◆ Sustainable Green Energy to Brighten New Taipei

Bank SinoPac supports New Taipei City's "Sustainable Green Energy to Brighten New Taipei" plan and makes full use of vacant spaces of industrial plants roofs to construct solar power systems and expedite the building of a low-carbon city for New Taipei City. Bank SinoPac created the first bridge loan program and signed a Letter of Intent for financing solar energy projects with Taiwan Photovoltaic Industry Association to jointly promote the green energy rooftop policy in industrial zones. The maximum loan amount is 80% of the installation expenses and applicants may apply for a maximum of 20% to cover preliminary construction costs. The remaining loan amount is provided after the system is constructed and the power purchase agreement is signed with Taiwan Power Company. The maximum loan period is 15 years. Bank SinoPac organized financing project seminars in all areas in 2018 and adopted a diverse strategy for "industrial assistance for both corporate and individual financing" by providing flexible financing plans to increase the credit guarantee amount for small and medium enterprises. Bank SinoPac will continue to provide roof-type or land-type customized financing projects services based on the differences and characteristics of sites in all regions around Taiwan in order to help promote business opportunities for Green Financing and fulfill corporate social responsibilities to protect the earth.



New Taipei City

### ◆ Green Energy Financing in Taoyuan City

Bank SinoPac responded to the government's policy for building green energy in Taiwan and signed a Letter of Intent for Green Energy Financing with Taoyuan City Government in 2018 to jointly promote national energy transformation. Bank SinoPac shall provide companies with three major types of green energy construction and working capital totaling NT\$15 billion in loans and work with Taoyuan City to achieve the goal of 350 Mega Watts of solar energy installed capacity by 2020 and fulfill the four major visions of zero-nuclear, low-carbon, low-coal, and green energy. Together, Bank SinoPac shall build a model low-carbon city. According to the "Autonomous Regulations on Developing Taoyuan City as a Low-Carbon Emission and Green City", electricity users with a contract capacity of more than 5,000KW (kilowatts) are required to install renewable energy facilities totaling with an installed capacity of at least 10% of the contract capacity. Bank SinoPac therefore provides companies in Taoyuan that plan to install solar energy equipment or purchase energy-saving equipment with three major types of loans for solar energy equipment, upgrades of other machineries and equipment, and funding required for companies to build their bases. Bank SinoPac aims to reduce the burden of short, medium, and long-term operating capital for companies and helps Taoyuan progress into a low-carbon city.



Taoyuan City

### ◆ Creating a Low Carbon Tainan

Tainan City Government planned to use vacant areas such as salt flats and retention pools along with rooftop-type power equipment to develop solar energy. It joined forces with Bank SinoPac in September, 2017 to provide project financing for solar energy equipment. The maximum loan amount for construction expenses was up to 80% and 20% of the loans may be provided before the system is commissioned to reduce the pressure on the amount of capital required by the owners. In addition, Bank SinoPac provides companies that plan to expand their plants, machineries, or equipment, or upgrade operation equipment with special preferential loans to facilitate their sustainable development. Bank SinoPac assisted the construction of solar energy plants with a total installed capacity of 87.4 MW in 2018. The plants generated approximately 112.92 million kWh which was sufficient for powering 34,852 households for one year.



Tainan City

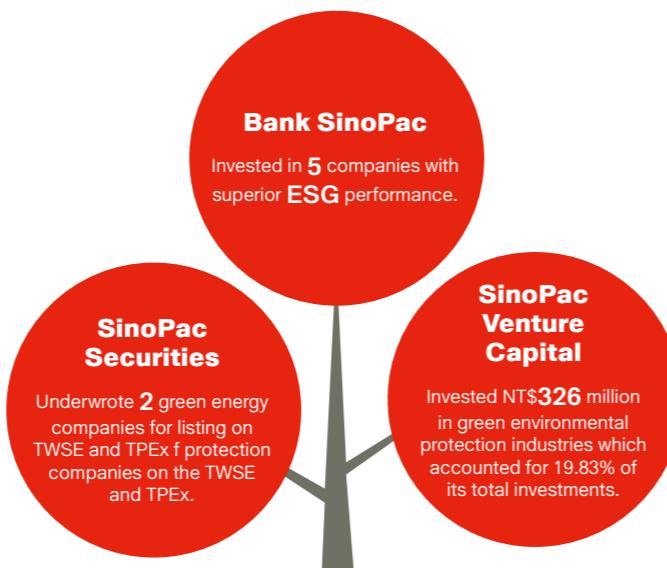


### ◆ Encouraging Eco-Friendly Textile Industries

After the "Paris Agreement" formally came into effect in November 2016, important supply chains in the global economy rushed to grasp business opportunities in the "Green Economy" trend. Renowned international sports brands issued green declarations successively, which were targeted by Taiwanese companies as the green business opportunities. Therefore, they continued to maintain growth in shipments of eco-friendly fiber materials. Bluesign is the most popular and comprehensive green standard within global textile environmental protection certifications. To receive this environmental protection certification, textile plants often have to invest more than NT\$100 million in wastewater treatment equipment and increase the cost of materials and personnel training. Minimizing the cost of obtaining the environmental protection certification became a key competitive advantage for these companies. Bank SinoPac therefore provides textile companies in Taiwan which plan to obtain the textile environmental protection certification and helps them to fulfill green transformation. Approximately 600 textile companies have obtained Bluesign certifications globally and 122 companies in Taiwan have obtained the certifications. As of the end of 2018, Bank SinoPac had provided loans to 27 domestic companies with a financing amount of NT\$4.06 billion.

## Green Investments

Bank SinoPac included the ESG policy of corporate bond issuers into the assessment items of the Bank's bond investments in 2018 and invested a total of US\$61 million in five companies with superior ESG performance. SinoPac Securities was the lead underwriter of the capital fundraising and IPO of two green energy and environmental protection companies on the TWSE and TPEx. SinoPac Venture Capital invested NT\$326 million in green environmental protection industries which was 2.4 times the amount in 2017.



Subsidiary Company	Green Investment Achievements	Amount
Bank SinoPac	In addition to referencing the credit ratings of the securities and the issuer in bond investments, Bank SinoPac also references public information on the company website, industry and company reports published by research institutions and the issuers' ESG information disclosed in the Bloomberg system. Bank SinoPac selected five companies with superior ESG performance for investment in 2018.	US\$61 million
SinoPac Securities	<b>Lead Underwriter of the "GSD - KY" IPO and capital fundraising for listing on TWSE</b> GSD-KY was the first comprehensive service provider for environmental protection equipment and technical services that focuses mainly on the water treatment market in China. It mainly engages in R&D, manufacturing, and sales of water pumps, blowers, and mixers used in related environmentally friendly water treatment equipment. It also provides professional consulting and technical services for the wastewater treatment market and it has more than 20 years of experience in the Mainland China market. With its competitive advantages in technology, brand and channels as well as high value-added services in total solutions for system processes, GSD-KY became one of the very few Taiwanese businesses that has overcome the high entry barriers and won a place in the environmental protection market in China.	NT\$315 million
SinoPac Venture Capital	<b>Lead Underwriter of the "Grand Canyon - KY" issuance of first domestic unsecured convertible bonds on TPEx</b> Grand Canyon - KY mainly engages in the development, design, manufacturing, and sales of LED lighting equipment, smart integrated control systems, and related software. The range of their product applications is wide and encompasses lighting solutions for municipal projects, building landscape designs, plazas, and commercial applications. The company also uses the highly versatile nature of LED lighting to provide total solutions for low-carbon and energy-efficient outdoor and commercial lighting for advertising, building lighting, hotel commercial lighting, household lighting, and light art.	NT\$300 million
Green Funds	<b>Investment in green environmental protection industries</b> Investments in "green environmental protection industries" in 2018 totaled NT\$326 million which accounted for 19.83% of total investments. Investments mainly included industries such as water and wastewater treatment, ICT systems, IoT, wireless sensing, precision machinery, etc.	NT\$326 million

## Green Investments

SinoPac Securities Investment Trust invested in green funds for new energy and green production and issued the "SinoPac China Economic Development Fund". The fund size as of the end of 2018 was NT\$890 million. It mainly invested in key industries in China's Five-Year Plans including new economy, new energy, environmental protection equipment, green production, etc. Pursuant to changes in the environment and market demand, SinoPac Securities Investment Trust shall continue to issue other green finance funds for solar energy, electric vehicles, smart energy conservation, or other industries.

## 3.2 Smart Finance

### 3.2.1 Innovative Smart Finance Policy

FinTech innovation has become an important issue for the financial industry. SinoPac Holdings has invested numerous research and resources in the development of digital finance services to develop smart financial technologies and new products. The development strategies for innovation in smart finance include:

- Conduct industry-academia collaboration to build an AI technology center and cultivate AI talents.
- Integrate smart finance with local customs and culture in Taiwan and fulfill financial inclusion objectives to promote the Smart Wholesale Market Transaction Facilitation Platform and Temple Finance.
- Integrate online financial service system to develop diverse digital banking services and launch integrated digital services and products such as "Feng Yun e-Counter" and "Feng Yun Mortgage". These innovations make people's lives easier through FinTech and can get instant and useful information about investment.
- Combine with FinTech and continue to develop digital and smart wealth management services. SinoPac Holdings launched biometrics, mobile payment, smart wealth management, open finance services, etc. in 2018.



### Developing future financial services: Cooperation with NCKU, NVIDIA to create Financial AI Technology Center

Bank SinoPac began cooperation with NCKU and the leading AI company NVIDIA in 2017 to introduce financial big data and AI deep learning technologies with the talents and R&D resources available in the university, and the goal is building a "SinoPac Financial AI Technology Center" to promote digital transformation. Bank SinoPac established the GPU hardware Backbone to integrate NCKU's open API for applications. Bank SinoPac used big data analysis and deep learning technology to integrate know-how in the finance industry and used machine learning technology to develop credit risk assessment models which were prioritized for the use in small and medium enterprises in corporate banking. They are used for credit risk rating and early warning to strengthen risk identification, quantify and manage business risks. Bank SinoPac invested NT\$120 million in the three-year industry-academic cooperation with NCKU to use the research and innovation capacity in the University to cultivate talents and develop AI FinTech applications. The Bank upheld the "learn by doing and do by learning" to lead the development of AI FinTech in Taiwan and open up future banking services.



### 3.2.2 Smart Finance Products and Services

#### "Feng Yun Mortgage", realizing your dream of having a home

Bank SinoPac launched the "Feng Yun Mortgage" digital platform in June 2017 to respond to homeowners' demands for funding in various stages of their lives and make their homes a flexible asset. "Feng Yun Mortgage" opened up unprecedented possibilities in the finance industry in Taiwan. It integrates digital banking, smart technology, and financial products, then uses consumers' individual criteria to provide customized and integrated innovative services to gain a lead in the industry while breaking multiple records at the same time.

##### Four major innovations of "Feng Yun Mortgage"

<b>Flexible Mortgage Payment</b>	Customers can adjust the monthly mortgage payment amount online at any time and determine whether to pay more or pay less each month
<b>House Fun Card</b>	Bank SinoPac provides mortgage customers with exclusive credit card credit limits and let customers experience the best credit card payment limits
<b>Online Refinance</b>	Bank SinoPac uses big data analytics with credit conditions to quickly provide the maximum amount of additional loans, provide mortgage services without requiring customers to visit the counter, and allow customers to obtain funding quickly within 3 days
<b>Online Instant Appraisal</b>	Applications are connected to Bank SinoPac's database and the government's actual price registration platform to calculate the loan amount within 60 seconds

The service has performed well since its launch and it continues to grow. As of the end of 2018, the number of mortgage clients reached approximately 75,000 and the total amount of the loans was approximately NT\$418.3 billion. The product platform registered approximately 100,000 visits and applications totaled 7,208. Approximately 84.05% were new customers. In 2018, "Feng Yun Mortgage" was evaluated as the "Mortgage and Home Loan Product of the Year in Asia for 2018" by the international professional finance media outlet "The Asian Banker". It also won the "14th Golden Torch Award - Innovation Design of the Year" from the Outstanding Enterprise Manager Association and the "Top 100 Innovative Products - FinTech Award" in the Information Technology Month. It received wide acclaims from domestic and foreign professional institutions.



#### Smart Wholesale Market Transaction Facilitation Platform

Bank SinoPac has actively promoted the establishment of the "Smart Wholesale Market Transaction Facilitation Platform" since 2015. The Bank studied the transaction system and operating procedures of wholesale markets in depth and proposed a cooperation plan for the Platform to optimize the functions of the wholesale market. It uses the "Internet", "Internet of Things", "big data", and "cloud technologies" to introduce smart financing which not only simplify existing accounting procedures but also save on manpower expenditures. It promotes the reforms of procedures in the wholesale markets and encourages them to use information technology to streamline the production and sales process and improve efficiency in domestic agricultural product transactions. Bank SinoPac worked with New Taipei City Fruit & Vegetable Marketing Co., Ltd. since 2016. The company became the first wholesale market in the country to adopt the "Smart Wholesale Market Transaction Facilitation Platform". Bank SinoPac has helped six wholesale markets launch the Platform.

Since 2016, the coverage rate of the Smart Wholesale Market Transaction Facilitation Platform reached 12.5% in fruits and vegetables markets and 11% in fishery products markets. As of the end of 2018, it has provided services to more than 2,000 wholesalers and paid NT\$11.33 billion in financing services. It has successfully integrated FinTech into the ecosystem of the wholesale market and promoted inclusive finance. In 2018, Bank SinoPac won recognition in the "Best Digital Finance Award" in the Taiwan Banking and Finance Best Practice Awards, also known as the "Oscars" of the finance industry. The success story of Bank SinoPac's promotion of smart wholesale market transaction facilitation will be explained in the "Smart Agricultural Product Transaction Platform Special Project" section.



Temples are religious centers for most Taiwanese people and they help stabilize the society. Bank SinoPac began cooperation with temples in Taiwan since 2015 by launching customized ATMs to help worshippers withdraw cash and help the temples deposit donations. The ATMs are also equipped with practical functions such as automatic lantern lighting and Taisui pacification. It effectively reduced the time required for worshippers to wait in line and the cost and risks of cash payment and cash processing at the counters. The ATMs closed the gap between traditional temple culture and modern technologies and innovative applications. The design of the ATMs include traditional elements of temples and provided with cartoon designs and color illustration of the main gods worshiped at each temple. The ATMs also provide auspicious and good fortune poems on the back of the transaction slips to become a part of the people's daily lives. Bank SinoPac continues to work with famous temples (e.g. Ciyou Temple, Enhui Temple, etc.) and help temples process automatic lantern lighting and Taisui pacification payment collection services. Bank SinoPac provides multiple social benefits with the innovative services.

Issues to be solved	Social benefits created
To help worshippers withdraw cash and help the temples deposit donations	<ul style="list-style-type: none"> <li>Reduced the amount of time required for waiting in line and operation time so that worshippers did not have to wait in the cold to light the lanterns</li> <li>Significantly reduced the cost and risks of cash payment and cash processing at the temple counters and simplified accounting procedures</li> <li>Integrated traditional elements of temple culture in ATM designs to let FinTech fit naturally in temples</li> </ul>



#### Smart Wholesale Market Transaction Facilitation Platform

- Provided services to more than 2,000 wholesalers
- 12.5% of coverage in the fruits and vegetables markets and 11% in fishery products markets
- Provided NT\$11.33 billion in financing and payment services



ATMs are decorated with special temple illustrations to let FinTech fit naturally in temples



People line up to experience the SinoPac Temple ATM

## The First Sport Card in Taiwan

SinoPac aims to contribute the vision of "Fulfillment of a Beautiful Life Through Finance". Bank SinoPac uses the power of finance to promote sports to all citizens and launched the "SinoPac Sport Card", the first card in Taiwan that provides bonus feedback by burning calories in Q4 2018. The credit card integrated brand-new concepts of "big data, social media, cloud computing, and wearable devices". It used sports as the key to integrate the powers of the community and cultivate cardholders' habits for exercising. By binding wearable devices on the event webpage and continuing to exercise, cardholders can use IoT technologies and let the system automatically upload calorie information each day to accumulate bonus multiples. Cardholders can thus exercise to achieve a good life and accumulate wealth and health.



■ Bank SinoPac launched the first sport card in Taiwan and used finance to promote exercise to all citizens

## Four Major Innovative Services in FinTech Development

SinoPac Holdings and subsidiary companies launched new services and products including biometrics, mobile payment, open finance, and smart wealth management in FinTech Taipei 2018.



■ Wellington L. Koo, Chairman of the Financial Supervisory Commission, visited SinoPac's biometrics, mobile payment, smart wealth management, and open finance innovations in FinTech Taipei



### Biometrics

- Experience palm vein payment and Fast Identity Online (FIDO) international standard identification applications.
- Customers can use eNote digital signatures to bind their personal palm vein data to verify personal information. They can then use their palm vein data to pay for temple lantern lighting online and experience the integration of Taiwan's traditional temple culture and modern technologies and innovations.
- Bank SinoPac introduced an app that meets biometrics certification of the FIDO Alliance and allows users to log into the investment website with facial recognition.



### Mobile payment

- Bank SinoPac introduced QR Codes for international credit cards and launched the credit card QR Pay payment.
- Bank SinoPac worked with No Worries Cafe and Maridan Farm to allow people to experience mobile payment and use QR Pay to purchase coffee and agricultural products.



### Open banking

- Bank SinoPac launched Partner APIs that included application programming interface (API) for identity verification, payment, etc. It works with partners in various industries to jointly create comprehensive financial services based on the customers' usage frequency and life settings.
- SinoPac Securities' "API Smart Wealth Management Ecosystem" used API to break through the closed system and achieve bilateral cooperation with FinTech startups. It has developed the Line@ wealth management chatbot, brand new wealth management network investment platforms, CMoney app, and Eten Stock app to set up connected ordering services.



### Smart wealth management

- Bank SinoPac launched the exclusive "target investment methodology", and applies smart investment algorithms to provide dynamic investment portfolios and uses investment performance to provide portfolio re-balance recommendations each month to ensure that investment returns are directed toward wealth management objectives. It is scheduled to be launched in 2019.
- SinoPac Securities (Asia)'s InveStart provides multiple smart-beta quantitative strategic investment products to help investors obtain better returns.

## Optimization of Online Banking Services

Bank SinoPac's digital channel transaction volume has exceeded 70% and made significant contributions to customer satisfaction, operating efficiency, and cost control. Bank SinoPac uses technologies to improve customer experience and increase interactions and warmth between people. The mobile financial services allows O2O (online to offline) services to progress into "online to all" and provide financial services unrestrained by space or time. Bank SinoPac provides customers with true "heartfelt" services by providing them with a digital branch in their hands. Bank SinoPac has introduced regular external professional information security inspections for the online platform to implement information security risk management.

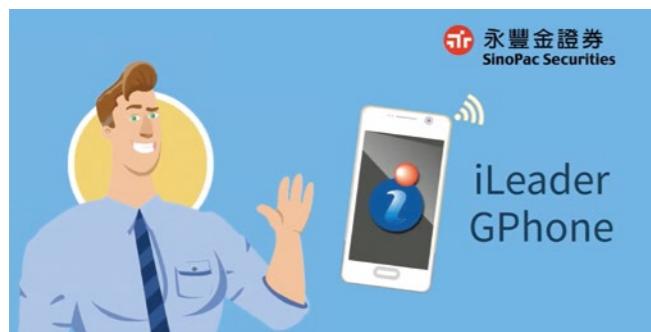


### Bank SinoPac online banking services

- |  |   |
|--|---|
| <b>Account link payment deduction</b>                  | <ul style="list-style-type: none"> <li>Bank SinoPac and JKOpay, an electronic payment service operator, jointly launched the first "account link payment deduction service" in February 2018. The service binds an account online for instantaneous payment/fund transfer. It was launched at the height of the red envelope season during Chinese New Year and the effectiveness and customer feedback were much higher than anticipated.</li> <li>Bank SinoPac partnered with Line Pay iPASS and Gama Pay in Q4 2018</li> <li>Bank SinoPac will continue to partner with e-commerce, digital voucher, digital payment operators, etc. in the future to expand digital payment solutions in online and offline settings.</li> </ul>  |
| <b>SinoPac Paybill</b>                                 | <ul style="list-style-type: none"> <li>Provide a diverse range of convenient online payment services with more than 3,000 payment items</li> <li>Open to customers that are not customers of Bank SinoPac and they can make payments without logging in and complete payment without leaving their homes</li> <li>Remote digital bill payment to effectively reduce the use of paper and emissions from postal services</li> <li>The innovative electronic payment and tax platform "SinoPac Paybill" has received consistent good reviews from customers since its launch. It has completely changed customers' payment habits and won a stream of awards in recent years. Awards received in 2018 include:           <ul style="list-style-type: none"> <li>"Best Innovation and Innovative Service Award for Digital Finance" from the Financial Information Service Co., Ltd.</li> <li>"Taiwan Domestic Technology &amp; Operations Bank of the Year" from Asian Banking &amp; Finance (ABF) in 2018.</li> <li>"Most Innovative Digital Payment Experience Award" from The Asset</li> </ul> </li> </ul>   |
| <b>"Feng Yun e-Counter" online appointment booking</b> | <ul style="list-style-type: none"> <li>Reservations and filling out forms: Customers can use the mobile app to make reservations for branches and timeslots and fill out forms for the three main services including deposits, withdrawals, and fund transfer. The service reduces the amount of time people spend on getting numbers, filling out information, and waiting in line. They can enter a branch and obtain services directly from a dedicated clerk and counter and complete their procedures within 3 minutes. It reduces at least half the amount of time required.</li> <li>Fund matching: Wealth management professionals provide customized recommendations for customers and use the Internet to deliver investment information to their personal accounts. Once customers log into the online bank, they can complete the confirmation and it only takes 11 minutes for them to catch up with global economic trends. It also reduces the complicated procedures for visiting branches and signing documents.</li> <li>Cloud-based account opening: Customers use the Internet to make reservations for opening accounts. They can specify the time and place for document delivery without going to a branch and they can open three types of accounts (NTD, foreign currency, and trust) within 10 minutes.</li> <li>Reservations for banknotes in foreign currencies: Customers can specify currencies, exchange currencies flexibly, and withdraw cash from 127 branches across Taiwan. It also saves operating time over the counter.</li> </ul> |
| <b>Online credit cards services</b>                    | <ul style="list-style-type: none"> <li>Online applications and Paperless operations: Customers can apply for credit cards directly through the website or app. Bank SinoPac provides online identity verification procedures with Bank 3.0 services. Bank SinoPac also provides applications for e-statements to reduce the use of paper and improve operating efficiency.</li> </ul>   |
| <b>"Cardless cash withdrawal" services</b>             | <ul style="list-style-type: none"> <li>Allow customers to withdraw cash in NTD and foreign currencies from ATMs without using bank cards.</li> <li>Replace the need to fill out forms over the counter and reduce customers' waiting time in the branches.</li> </ul>   |

## Digital Securities Transaction Platform Provides Diverse and Integrated Services

SinoPac Securities provides an integrated digital transaction platform for multiple products and focuses on the use of mobile device services and providing online services that do not require customers to visit the counter.



E-platform	Platform type	Products	Features
New Wealth Management Website	WEB	Securities / futures / warrants / sub-brokerage	<ul style="list-style-type: none"> <li>Instantaneous quotations and immediate profit and loss data in stocks in the United States, Hong Kong, and Taiwan</li> <li>Exclusive Thomson Reuters individual stock analysis and rating</li> <li>Fixed rapid ordering button. Click the list to open the ordering window</li> <li>Brand-new authentication function that allows customers to immediately complete installation by clicking</li> </ul>
eLeader	AP	Securities / futures / warrants / sub-brokerage / wealth management / security lending / borrowing and lending of funds for unrestricted purposes	<ul style="list-style-type: none"> <li>Rich contents and tiered versions</li> <li>Program transaction signal ordering</li> <li>Loss-control threshold ordering</li> </ul>
EZTrade	WEB	Securities / futures / warrants / sub-brokerage / wealth management / security lending / borrowing and lending of funds for unrestricted purposes	<ul style="list-style-type: none"> <li>Easy to learn and no program download is required</li> <li>Designed for the busy investors, iLeader allows investors to view stock data from their mobile phones and receive market information wherever they may be</li> </ul>
iLeader	Mobile	Securities / futures / warrants / sub-brokerage / wealth management / security lending	<ul style="list-style-type: none"> <li>Provide telephone input ordering</li> </ul>
Telephone audio ordering	Voice	Securities / warrants	<ul style="list-style-type: none"> <li>Provide online account opening services and securities account opening services without requiring customers to visit the counter</li> </ul>
SinoPac Securities APP	APP	Integrated wealth management services for a convenient life	<ul style="list-style-type: none"> <li>Provide investment and wealth management information, new finance knowledge, customer service Q&amp;A, and various promotions</li> </ul>
Feng - Leader	Line@	Chatbot / Wealth Management Assistant	<ul style="list-style-type: none"> <li>Provide investment and wealth management information, new finance knowledge, customer service Q&amp;A, and various promotions</li> </ul>
Online account opening	WEB APP	Securities customers' application for wealth management / sub-brokerage / margin account / security lending / borrowing and lending of funds for unrestricted purposes / futures	<ul style="list-style-type: none"> <li>Use the securities CA certificates on the computer or mobile devices to fill out information online and upload identity documents to complete procedures without visiting a counter</li> </ul>
VB DLL/Excel DDE	API	Securities / futures / warrants	<ul style="list-style-type: none"> <li>Customers can draft their own programs</li> </ul>
GL Trade/ Bloomberg/DMA	FIX	Securities / futures / warrants	<ul style="list-style-type: none"> <li>Institutional investors' ordering interface</li> </ul>

## 3.3 Charity Finance

### 3.3.1 Charity Finance Policy

SinoPac Holdings firmly believes that finance can make the world a better place. SinoPac Holdings not only works hard to innovate financial products to bring convenience in wealth management and create wealth but also hopes to use financial products to help disadvantaged people in starting their businesses. Bank SinoPac used the electronic payment "Fun Cashier" to help small-scale youth entrepreneurs enter the e-commerce industry. It issued the heritage co-branded card "Taipei Fun Pass" to support cultural creation and cultural heritage. It launched trust for elderly care to support the elderly, and provides lending program for foreign workers so that people who come to Taiwan for work can get loans when needed. It also used financing to support the small and medium enterprises that have contributed to economic growth in Taiwan. Bank SinoPac aims to provide loans for cultural and creative activities to support and encourage youth entrepreneurship and cultural development. SinoPac Holdings aims to use financial products for public interest and fulfill a beautiful life.

and sustainable development and integrate resources in public and private sectors to jointly promote cultural heritage preservation, promotion, and revitalization. By preserving cultural heritage and rediscovering the fun in urban historical spaces, exciting moments from the past, and the continuous blend of traditional sites and modern society, Bank SinoPac brings back cultural heritage into people's lives, improves the living environment, and the people's taste for culture. A total of 1,838 cards remained in circulation and the balance of the trust fund was NT\$4.427 million as of the end of 2018.

#### Charity Trust Taipei Heritage Preservation and Development Fund

Preserved heritage	Fund balance
Taipei heritage sites	108 thousand
New Beitou Station	3,675 thousand
Beitou heritage sites	644 thousand
Total	4,427 thousand

### 3.3.2 Charity Finance Products and Services

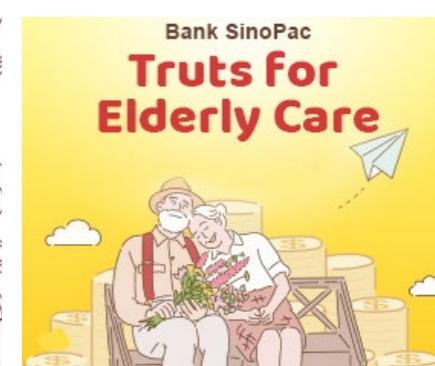
#### "Fun Cashier" for Electronic Payment

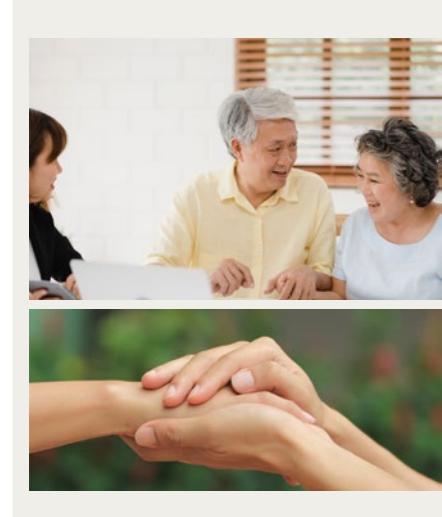
Bank SinoPac used the electronic payment "Fun Cashier" to help small-scale youth entrepreneurs enter e-commerce and help small-scale farmers sell products directly to consumers from the place of production. Bank SinoPac also collects relatively low service charges to let small-scale youth entrepreneurs and farmers utilize funds with greater ease. The convenient "Fun Cashier" payment system allows online marketing operators to fulfill their dreams and operate independently. Bank SinoPac has sponsored the Simple Life event since 2014 and it introduced Fun Cashier as the main financial service used by vendors onsite. Bank SinoPac also helped vendors introduce EMV QR Code applications in 2018 to reduce the cost of setting up and maintaining credit card terminals, increase service channels, and improve convenience.

#### Bank SinoPac "Trust for Elderly Care"

In response to demands for financial services in the aging society in Taiwan and the Financial Supervisory Commission's continuous property trust policies for the elderly and people with disabilities, Bank SinoPac launched the "Trust for Elderly Care" designed for the target groups in 2016. The Bank uses trusts to protect customers' properties, ensure the security and independence of the funds, and facilitate care for the beneficiaries. As of the end of 2018, the cumulative business volume was NT\$148.5 million for 10 beneficiaries.

Year	2016	2017	2018
Item	Trust asset principal	Trust asset principal	Trust asset principal
New undertaking in the current year	29,618,879	66,101,500	54,200,000
Cumulative undertaking	29,302,879	97,747,906	148,525,898





### Proactive promotion and education

- Short promotion videos for trusts filmed by the Trust Association are played in customer areas of all branches
- Organize trust seminars with social welfare organizations: Explain the methods and benefits of asset trusts to the elderly, people with disabilities, and family members
- Active consultation for cooperation projects: Branches in Taipei City and New Taipei City communicated with renowned social welfare organizations in 2018 to discuss cooperation in launching testamentary trusts in hopes of helping more elderly, persons with disabilities, and disadvantaged groups

### Customized services

- Provide the elderly and persons with disabilities with friendly and thoughtful services and provides home consultation and business operations based on customers' requirements.

### Launched in Q3 2018

- Bank SinoPac provides fund investment customers of Bank SinoPac that have needs for testamentary trusts to automatically deposit their future redemption funds from fund investments into their own accounts and authorize Bank SinoPac to deduct the payment directly for deposit into the testamentary trust account in order to supplement the funds required for care.
- The goal of the value-added service is to allow customers to manage the asset preservation and retirement plans while seeking profits on investment. It ensures that the use of funds is of their will, and prevent any funding interruptions caused by unexpected events to enjoy a carefree life.

### Secure wealth management functions

### Foreign Worker Lending Program

Bank SinoPac launched the "Foreign Worker Lending Program" in 2013 and uses the salary transfer accounts of foreign nationals in Bank SinoPac to provide loans and help them overcome difficulties in obtaining loans from banks due to their identity. It allows people who come to Taiwan for work to obtain loans at reasonable costs. The number of applications and amounts have grown in the past three years and 5,690 cases have been approved in the program from 2013 to the end of 2018. Total loans amounted to NT\$356.8 million. The Bank expanded the eligible customer group of foreign worker loans at the end of 2018 to allow applications from individuals who are not the Bank's payroll transfer customers.

Year	2016	2017	2018
Number of funding (cases)	557	1,354	1,559
Funding amount (NT\$ millions)	32.1	95.2	118.3

### Small and Medium Enterprise Loans

Bank SinoPac supports customers' financing services needs for their operations. It also helps small and medium enterprises open up foreign markets. Bank SinoPac and the Export-Import Bank of the Republic of China signed the "Letter of Credit Direct Purchase Insurance" in October 2014 and used the Factors Chain International (FCI) and purchase of receivables insurance policies to reduce the risks from payments in export and import trading. In the future, Bank SinoPac shall provide more comprehensive financing support to assist small and medium enterprises in expanding business opportunities in overseas markets and strengthen their competitiveness.

Year	2016	2017	2018
Outstanding balance of loans	NT\$143.4 billion	NT\$146 billion	NT\$165.3 billion
Growth rate	8.88%	1.81%	13.22%



### Cultural & Creative Industries Lending Program

Bank SinoPac encourages young people to start their businesses and provides strong support for creative industries to respond to the government's promotion of the "Finance Support Innovation" project and the "Scheme for Incentivizing Domestic Banks to provide loan for creative industries" promoted by the Financial Supervisory Commission. Bank SinoPac helps creative industries obtain the necessary funding to promote creative industry upgrades, improve the structure of the industries, and facilitate corporate sustainable development. A total of 408 applicants were accepted as of the end of 2018 and the loan outstanding amount was NT\$16.6 billion representing an increase of NT\$3.1 billion or a growth of 23.16% from the previous year.



408 applicants accepted

Balance of loans NT\$16.6 billion

Loan balance growth ↑ 23.16%

### 3.4 Customer Relations

SinoPac Holdings has always aimed to grow with customers. SinoPac Holdings dedicates full efforts to the development of digital banking to achieve a perfect integration of virtual and physical channels, make finance easier, and improve the level of care from our services. SinoPac Holdings values interactions with each customer regardless of whether they are conducted online, in physical branches/offices, or via the telephones. SinoPac Holdings aims to provide outstanding service attitude, professional service quality, and a friendly service environment.

Fraud cases in Taiwan have become increasingly severe in recent years. The subsidiary company Bank SinoPac aims to provide protection of all funds withdrawn or wired by every customer over the counter and organizes "fraud prevention operational training", "effective prevention of fraud case studies" and "latest fraud methodology reported in news media" each year to strengthen our blockage performance and improve employees' core competencies. When customers conduct transactions at Bank SinoPac, our employees will pay close attention to their expressions and ask customer questions when they detect irregularities to protect customers' assets from fraud. Dongmen Branch and Jingmei Branch received recognition as financial institutions that helped prevent fraud from Taipei City Government. Siyuan Branch, Haishan Branch, and Huilong Branch received recognition as financial institutions that helped prevent people from fraud from New Taipei City Government. These awards are testaments to employees' expertise in protecting customers' assets and preventing fraud.

In terms of customer service, the subsidiary company Bank SinoPac has always been committed to service quality and customer opinions. Its performance also satisfied external mystery clients who have always been strict in their assessments. The Bank won third place in the Global Views Five-Star Service Award - Finance and Banking Industry organized by the Global Views Magazine in 2018. In the future, Bank SinoPac shall continue to work hard to improve customer services and collect customer opinions from a variety of channels while optimizing customer experience to pursue greater customer satisfaction and loyalty.



### 3.4.1 Customer Service Channels

Service channel	Contents
Customer service hotline	<ul style="list-style-type: none"> <li>Customer service hotline: Set up 24-hour year-round customer service hotlines to provide customers with audio and dedicated personnel services. Customer service specialists provide comprehensive services for inquiries, applications, fund transfer, time deposit, foreign exchange, mutual funds, etc. all-round service.</li> <li>Online customer services: The MMA financial transaction website provides various inquiries and transaction functions as well as online telephone to connect to customer service personnel for services.</li> </ul>
Smart customer services	<ul style="list-style-type: none"> <li>Bank SinoPac uses natural language processing technologies to provide customers with various financial services and products for instantaneous one-click interactive services. Bank SinoPac can use identity verification to provide customers with multiple account functions and connect to online customer services provided by staff members for uninterrupted services.</li> </ul>
On-air financial advisor	<ul style="list-style-type: none"> <li>Bank SinoPac broke through the boundaries of physical branches and improved the traditional telemarketing service model by setting up exclusive online wealth management specialists for customers. The specialists use telephones, emails, and SMS to provide comprehensive banking, investment, wealth management, and consulting services to proactively satisfy customer needs.</li> </ul>
Customer satisfaction survey	<ul style="list-style-type: none"> <li>Telephone customer service satisfaction survey: Direct customers that called into customer services into an audio system after the services to provide an objective and real-time satisfaction survey.</li> <li>Over-the-counter customer satisfaction survey: Set up customer satisfaction survey teams for over-the-counter customers and sample 10% of the customers each week for telephone interviews to measure their satisfaction. SinoPac Holdings collects and quickly responds to customers' opinions to provide customers with services that meet their expectations.</li> <li>Wealth management satisfaction survey: Each quarter, Bank SinoPac implements telephone surveys on customers who have purchased wealth management products in the previous quarter to understand the customers' satisfaction and recommendations on the investments, product suitability and service quality of the sales personnel and wealth management sales personnel in order to protect the rights of customers.</li> <li>Cloud-based account opening appointment satisfaction survey: Conduct sampling satisfaction surveys on customers who have made appointments through the cloud to open accounts after the accounts are opened to collect and respond to customers' opinions and provide customers with services that meet their expectations.</li> </ul>
Customer complaints	<ul style="list-style-type: none"> <li>Set up a consumer dispute processing team to ensure customer complaints are adequately addressed and provide convenient and diverse digital platform services.</li> </ul>
Seminars	<ul style="list-style-type: none"> <li>Organize wealth management seminars, lectures, or related activities based on business needs.</li> </ul>
Website links	<p>The customer chat service section and 24-hour service hotlines such as the "Client Data Protection Measures" and "One-Touch Customer Service" have been established on the websites of SinoPac Holdings and its subsidiaries. SinoPac Holdings also provided the "Contracts for Jointly Marketed Products" on the websites of Bank SinoPac and SinoPac Securities for stakeholders to review their rights and make inquiries.</p> <p>"Client Data Protection Measures": <a href="http://www.sinopac.com/footer/2017051211102612600000000000863.html">http://www.sinopac.com/footer/2017051211102612600000000000863.html</a></p> <p>"One-Touch Customer Service": <a href="https://chatservice.sinopac.com/index.php/chat/categorySelection?site=holdings">https://chatservice.sinopac.com/index.php/chat/categorySelection?site=holdings</a></p> <p>"Contracts for Jointly Marketed Products": <a href="https://bank.sinopac.com/sinopacBT/about/introduction/announcement/legal-disclaimers.html">(Bank) https://bank.sinopac.com/sinopacBT/about/introduction/announcement/legal-disclaimers.html</a></p> <p>(Securities) <a href="https://securities.sinopac.com/">https://securities.sinopac.com/</a></p>

### 3.4.2 Customer Satisfaction and Customer Feedback Mechanisms

Pursuing optimal services has always been a never-ending goal for SinoPac Holdings. To improve professional service quality, Bank SinoPac, SinoPac Securities, and SinoPac Securities Investment Trust implemented satisfaction surveys in 2018 to learn about customers and make sure customers can feel the professionalism and joy whenever they reach out to SinoPac Holdings.

#### Bank SinoPac

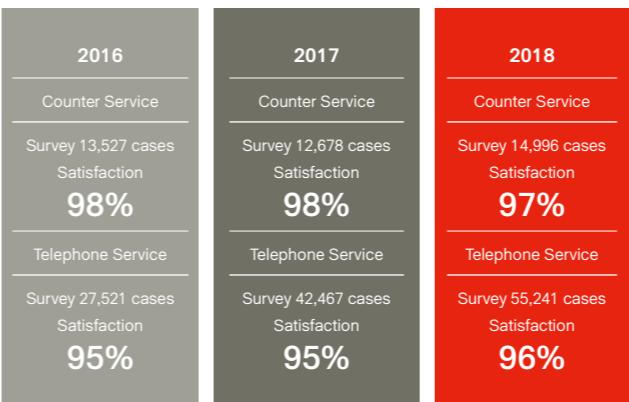
The over-the-counter service satisfaction rate was 97% and the telephone customer service satisfaction rate was 96%. Among the customer feedbacks collected, compliments increased by 23% from the previous year.

Bank SinoPac directs customers that called into customer services into an audio system for a satisfaction survey after the conclusion of services.

2018 survey results	
Telephone service customer satisfaction survey	<ul style="list-style-type: none"> <li>Direct individual and corporate customers that called into customer services into an audio system based on their willingness and the call conditions for a satisfaction survey after the end of the services. Bank SinoPac collected 55,241 records of telephone customer satisfaction surveys in 2018 and the satisfaction rate was 96%.</li> </ul>
Over-the-counter service customer satisfaction survey	<ul style="list-style-type: none"> <li>Sampled 10% of customers for the satisfaction rate survey each week with a total of 67,268 customers with 100% telephone interviews in 2018. Received 14,966 effective responses and the satisfaction rate was 97%.</li> <li>59% of customers stated that they were "very satisfied".</li> </ul>
Telephone survey	<ul style="list-style-type: none"> <li>Collected 4,220 customer suggestions. Customers mainly commented on four categories including communication, proposed improvements, additional service improvements, and compliments.</li> <li>Among which, compliments increased by 23% compared with the previous year.</li> </ul>

Bank SinoPac delivers suggestions from customers' feedback through the system or email to the respective department to improve procedures or develop products. For customers that make appointments for opening accounts online, Bank SinoPac implements telephone interviews to measure their satisfaction rate and collect customer suggestions to optimize the procedures and improve service quality. For customers that require wealth management services, Bank SinoPac samples customers each quarter for telephone interviews in order to understand the interactions between sales personnel and wealth management as well as between sales personnel and customers, nature of investments, product suitability and service quality in order to protect the rights of customers.

#### Bank SinoPac Over-the-Counter and Telephone Customer Service Satisfaction Survey Results



Note 1: Bank SinoPac's customer satisfaction survey is conducted based on the Likert scale.

Note 2: Over-the-counter service satisfaction rate: 97% of customers rated their satisfaction as "satisfied" and "very satisfied".

Note 3: Telephone service customer satisfaction: The survey contained three questions and 96% of respondents gave scores of more than 12 points.

"Very satisfied": 5 points; "Satisfied": 4 points; "Average": 3 points; "Dissatisfied": 2 points; "Very dissatisfied": 1 point. The highest possible score is 15 points.

#### SinoPac Securities

SinoPac Securities received ratings of more than 95% for three consecutive years and its performance in terms of politeness, accuracy, and efficiency were rated above 80 points.

SinoPac Securities uses customer service lines, emails, and visits by employees of different business units to actively obtain customers' feedbacks on an irregular basis in order to understand customers' satisfaction and requirements for various businesses. SinoPac Securities also use education and training courses and managers' daily guidance to strengthen customer service personnel's communication and execution skills when facing customers. SinoPac Securities also use related telephone statements, surveillance, audio recording, and other quality management tools to understand employees' performance on the calls and their service ethics to effectively improve the service quality and customer satisfaction. Customers can file complaints and specify issues through the customer service line, customer service mailboxes, and business units. SinoPac Securities regularly conducts telephone recording sampling inspections to understand whether customer service specialists provide services in accordance with related regulations and operating procedures and learn about the specialist's service quality and politeness. If the employees subject to sampling inspections receive a score of lower than 80 points, SinoPac Securities will clarify the issue with the employees first and strengthen training. It will also share correct processing methods to employees that provide services to customers.

With regard to processing customer emails, all 2,636 emails received in 2018 were responded within the prescribed time (prescribed time: within two hours if the email is received between 7:30-17:00; within four hours if the email is received between 17:00-22:00; 12:00 on the following business day for emails sent on non-business days and audio messages). To improve the quality of customer services, SinoPac Securities conducted a satisfaction questionnaire survey in 2018 on customers who called into the customer service center. A total of 24,315 questionnaires were issued and SinoPac Securities received 309 effective responses. 94% of the customers expressed satisfaction with customer service personnel's services, explanation, and speed for resolving issues. More than 90% of customers rated customer service personnel with scores of higher than 8 points (out of 10).

#### SinoPac Securities customer service center survey results

Year	2016	2017	2018
Number of calls sampled	1,179 calls	1,100 calls	1,153 calls
Percentage of calls with more than 80 points for politeness, accuracy, and efficiency	95%	95%	95%
Number of active praises from customers	5	6	10

#### SinoPac Securities Investment Trust

92% in overall digital service satisfaction and 90% in satisfaction of official website fund information.

SinoPac Securities Investment Trust uses methods such as customer visits, customer service hotlines, and emails to actively learn about customer service requirements and suggestions. It also completed the questionnaire survey for the official website usage satisfaction rate to understand customers' satisfaction rate, suggestions, etc. for the current official website interface. A total of 376 effective responses were collected in this survey which showed 92% in overall digital service satisfaction and 90% in satisfaction of official website fund information. In addition, the positive experience in using the Company's digital transactions consisted mainly of the ease of the usage of the interface and prompt transaction notifications, which accounted for 44% and 18% respectively. The negative experience in SinoPac Securities Investment Trust's digital transactions mainly consisted of the lack of discounts of service fees which accounted for 30%. Results from related surveys helped the Company improve the service quality of the official website.

### 3.4.3 Responses and Improvements for Customer Complaints

To provide customers with a channel for responding conditions and receiving solutions, Bank SinoPac sets up a consumer dispute processing team to ensure customer complaints are adequately addressed. 84% of the cases were accepted for processing in 2018. SinoPac Securities pays close attention to customer complaints and responses. It continues to provide employees with professional training and use a variety of channels to provide information for customers. All customer complaints in 2018 were reported and processed within the time limit. In addition, SinoPac Holdings and its subsidiaries have adopted appropriate systems and response channels to quickly help process customer complaints properly.

#### Bank SinoPac

There were 179 complaints in 2018, representing a decrease of 55 cases from the previous year (Note 1)

Material complaint	Cause / background information	Processing / response method	Solution or improvement	Total number of cases and complaint channels
Complaint channels provided				
<ul style="list-style-type: none"> <li>• 63 credit card complaints</li> <li>• 54 operation complaints</li> <li>• 21 mortgage complaints</li> <li>• 13 complaints regarding derivatives</li> <li>• 28 other complaints</li> </ul>	The complaints mainly derived from discussions and disputes when customers wished to learn more about related regulations	Explained the reasons to customers	<ul style="list-style-type: none"> <li>• Strengthen explanations before providing services or provide flexible alternative solutions.</li> <li>• 84% of the cases were accepted for processing in 2018 (Note 2).</li> </ul>	<ul style="list-style-type: none"> <li>• 24-hour customer service hotline:</li> <li>• +866-2-2505-9999</li> <li>• Consumer dispute hotline:</li> <li>• +866-2-6632-6189</li> <li>• E-mail: cchs@sinopac.comcchs@sinopac.com</li> <li>• Website: <a href="https://bank.sinopac.com">https://bank.sinopac.com</a></li> <li>• Mailing address: No. 36, Section 3, Nanjing East Road, Zhongshan District, Taipei City</li> <li>• Branch address: Please consult the 24-hour Customer Service Center or the</li> </ul>
Total complaints: 179 complaints				

Note 1: There were 234 complaints in 2017.

Note 2: There were 179 complaints in 2018 and 150 cases were accepted.

#### SinoPac Securities

There were 47 complaints in 2018, representing an increase of 9 cases from the previous year

SinoPac Securities adopts a proactive attitude and empathy to listen and face customer complaints. SinoPac Securities contacts and communicates with departments to resolve customer demands or customer complaints. SinoPac Securities also establishes material customer complaint processing procedures and issues notifications and reports to respective levels in accordance with the procedures. SinoPac Securities processed 47 customer complaints in 2018, which represented an increase of 9 cases from the previous year. The customer complaints were mainly caused by account control and management measures for customers who have not conducted transactions in more than five years as required by the "Regulations Governing Anti-Money Laundering of Financial Institutions".

Number of customer complaints resolved by SinoPac Securities within the required time period		
2016	2017	2018
44 cases	38 cases	47 cases

### 3.4.4 Friendly Service Space

Bank SinoPac abides by inclusive measures for financial institutions and constructed slopes or accessible parking space in cases where such construction is permitted in building regulations or usage licenses. Bank SinoPac also sets up accessible ATMs and ATMs with audio functions. Bank SinoPac MMA Financial Transaction Website launched the accessible website ([accessibility.sinopac.com](http://accessibility.sinopac.com)) in 2013 and obtained the "Web Accessibility Service Conformance Level" from the National Communications Commission. All of the Bank's service items are integrated on the public information website homepage to facilitate more intuitive and convenient use in customer operations and create a friendlier financial service environment for customers. Bank SinoPac mobile banking also provides the "audio identification" service which allows customers to communicate their needs verbally and provides customers with friendlier and superior mobile finance services.

Inclusive services	Bank SinoPac	SinoPac Securities
<b>Business venues</b>	<ul style="list-style-type: none"> <li>• Constructed slopes or accessible parking space if permitted by building regulations or usage licenses</li> <li>• Provide courtesy presbyopia glasses</li> <li>• Assign service ambassadors for assistance and guidance</li> <li>• Allow customers to verbally explain their requirements for transactions without filling out forms</li> </ul>	<ul style="list-style-type: none"> <li>• Constructed slopes or accessible parking space if permitted by building regulations or usage licenses</li> <li>• Provide courtesy presbyopia glasses</li> <li>• Assign service ambassadors for assistance and guidance</li> </ul>
<b>ATM</b>	<ul style="list-style-type: none"> <li>• The ATMs in Bank SinoPac branches and outlets outside of branches have been fully upgraded to meet accessibility requirements in order to promote friendly financial services and improve inclusive financial services for people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• No related businesses</li> </ul>
<b>Multiple languages</b>	<ul style="list-style-type: none"> <li>• Three languages available (Chinese, Taiwanese, and English)</li> </ul>	<ul style="list-style-type: none"> <li>• Provide an order inquiry system operated by telephone buttons.</li> </ul>
<b>Online services</b>	<ul style="list-style-type: none"> <li>• Bank SinoPac MMA public information website provides interest and exchange rate information, fund transfer transaction, and account inquiry services. It has also obtained the "Web Accessibility Service Conformance Level 2.0 A certification" from the National Communications Commission.</li> <li>• The webpage contents are adjusted for visually-impaired people to use. In addition to using the mouse for selection, customers can also use the keyboard to view information. The webpage facilitates more intuitive and convenient use in customer operations and create a friendlier financial service environment for customers.</li> <li>• Bank SinoPac mobile banking provides the "audio identification" service which allows customers to communicate their needs verbally.</li> </ul>	<ul style="list-style-type: none"> <li>• A friendly financial service section is set up on the SinoPac Securities official website</li> </ul>

### 3.4.5 Product Information Communication

The design and promotion of all products of SinoPac Holdings and its subsidiaries have been implemented in accordance with the Financial Consumer Protection Act, Personal Information Protection Act, and requirements for legal compliance and risk management. Product fees are consistent with prevailing standards in the industry and risk disclosures have been implemented in accordance with regulations. SinoPac Holdings also seek to ensure customer rights and service efficiency.

#### Management Policy

- All new businesses or products are regulated by risk assessment and management procedures and control mechanisms and approved by internal audit, legal compliance, risk management, and related units or the Board of Directors.
- As a principle, legal documents signed with customers must be reviewed by a legal compliance or legal affairs unit to verify that the contract between SinoPac Holdings and clients' rights are appropriately protected before they may be implemented.
- Where business units or credit control units have any doubt on regulations, they may request explanation or clarification from a legal compliance or legal affairs unit.
- Prohibit the sale of disputed products and establish internal transaction management regulations to expressly prohibit transactions with enterprises or individuals that conduct illegal transactions.
- To establish SinoPac Holdings' basic principles for promoting transactions, related transaction management personnel shall strictly abide by the business and transaction management regulations established by the subsidiaries.
- Value the fairness of transaction conditions and prevent suspicions of violations of laws or misleading consumers in external communication or advertisement in the sales of products and services.

## 3.5 SinoPac Story: Successful Integration of Fintech into Agricultural/Fishery Wholesale Markets

### Origins of the Project

In the stillness of the night, the city's agricultural product wholesale market bustles with activity. An endless stream of people and vehicles and the calls of prices ensue as people make full preparations for the start of a day. Agricultural product suppliers and merchants gather at the agricultural wholesale markets which serve as an agriculture trading platform. The cash flow and logistics must be processed efficiently to ensure smooth operations of the wholesale markets.

The wholesale markets introduced an information system in 1991 in hopes of using information technology to improve operating efficiency and the quality of services provided by both the farmers or fishers and the merchants. However, the wholesale market was still operating on a manual basis. Workers of the wholesale markets or staffs of the financial institutions on-site have to collect cash in person, and funds transferred to the suppliers of origins must be processed over the counters of financial institutions. Over-the-counter operations are time-consuming and also lead to risks for the merchants carrying cash and the storage of cash in the wholesale market. In addition, the traditional cash-only payment model cannot provide farmers or fishers and wholesalers with more proactive financial services such as payment financing for the merchants and funding of materials procurement for the suppliers of origins.

### Introduction of the Smart Wholesale Market Transaction Facilitation Platform

Bank SinoPac aims to create a new type of digital finance in agricultural transactions. Its collaboration with the wholesale market transformed financial services in the traditional wholesale market. Given the fact that the wholesale market was still operating on a manual basis, Bank SinoPac conducted an in-depth study of the wholesale market trading system and operating procedures. Using the Internet, Internet of Things, Big Data and Cloud Technology, Bank SinoPac introduced financial technology processes into the existing trading platform and built a Smart Wholesale Market Transaction Facilitation Platform. New Taipei City Fruits and Vegetables Whole Marketing and Transporting Co., Ltd. now has become the first wholesale market to use the Smart Wholesale Market Transaction Facilitation Platform since January 2016. By the end of 2018, Bank SinoPac had introduced the Smart Wholesale Market Transaction Facilitation Platform to six other companies, including Sanchong Fruits and Vegetables Marketing and Transporting Company, Banqiao Fruits and Vegetables Marketing and Transporting Company, Taoyuan Comprehensive Agricultural Products Wholesale Market, Taipei Fishery Production and Marketing Co., Ltd., Hualien County Vegetable Marketing Cooperative and Taipei Livestock Transporting and Marketing Co., Ltd.

### Bringing Changes to Stakeholder in the Wholesale Markets

#### ◆ Merchants

The introduction of the Smart Wholesale Market Transaction Facilitation Platform has brought many changes to how goods are traded on the wholesale market. Particularly, Bank SinoPac has brought merchants convenience, flexibility, smart finance and customer-oriented experience. The merchants are given merchant cards with RFID tags that allow cardholders to engage in trades, check credit limits, and print transaction details after they register with the wholesale market. As soon as the merchants make a deposit by scanning their cards' QR codes on a deposit machine, the available limit is automatically raised. The merchant cards also provide advanced payments and auto-payment services to process management fees and miscellaneous expenses.

In addition, it is not easy for most merchants to obtain bank credit lines because they usually do not set up or belong to companies and are thus not able to provide complete financial statements as supporting documents. Bank SinoPac provides credit lines to the merchants based on their transaction records and the amounts approved by the wholesale market. Based on analyses of the merchants' transaction data and potential needs, their credit limits may be raised on peak trading days (such as Chinese New Year and Mid-Autumn Festival) to meet their purchase needs.



■ Merchants carried cash and waited in line for payment transactions in the middle of the night  
■ Traditional manual onsite services



■ More security - No more carrying cash to the market for payments in the middle of the night



■ More independence - Deposit your money without lining up at the counter



■ Thoughtful assistance - Assign assistants to help merchants use automatic equipment in markets and explain the payment procedures after auctions

More importantly, the environment in the wholesale market often leads to vegetable debris and fish scales on banknotes and coins, which in turn causes difficulties for the merchants to make deposit over the counter. Bank SinoPac took a customer-oriented initiative to adjust the mechanical design of the automatic equipment to increase the readability of banknotes and the frequency of equipment maintenance, transforming the most traditional cash counters into Bank SinoPac's descaling equipment designed specifically for merchants in Taipei Fishery market.

#### ◆ Smart Wholesale Market Transaction Facilitation Platform

The Smart Wholesale Market Transaction Facilitation Platform has trimmed business risks for the wholesale markets. Wholesale markets consume massive amounts of manpower and operating costs for over-the-counter cash deposits made by the merchants in terms of payment collection, account verification, and safekeeping of cash. It must also bear the risks of the storage and identification of banknotes. The introduction of automated equipment has greatly reduced business risks for wholesale markets. In addition, the use of traditional written statements in wholesale markets is not only time-consuming but also causes difficulties in account verification for assigned onsite units for payment collection, wholesale markets, and the merchants. Through cloud system, Bank SinoPac connects the accounts and cash flow of the merchants to the digital settlement system of the wholesale markets. The system automatically checks the accounts and controls the transaction limits of the merchants. The accounting staffs of merchants and the wholesale markets can use the cloud system to obtain all account processing information timely and reduce the time and hassle of account verification. By introduction of professional cash flow operations, Bank SinoPac simplified accounting practices in the wholesale markets and prevented errors. It greatly increased the merchants' confidence in accounting procedures of the wholesale markets which helps facilitate future business development.

### External Recognition

As of the end of 2018, the Platform had a coverage rate of 12.5% in the fruit and vegetable market and 11% in the fishery market. More than 2,000 merchants were using the service, with service financing amounting to NT\$11.3 billion. Fintech was successfully integrated into the wholesale market ecology, making this an achievement of inclusive finance and garnering greater recognition for Bank SinoPac. In 2018, Bank SinoPac participated in the Ninth Annual Taiwan Outstanding Financial Business Awards for Innovative Eco-Financial Services - New Type of Digital Trading in Agricultural Commodities and was honored with the Best Digital Finance Award.



### Short, Medium, and Long-Term Development Goals of the Smart Wholesale Market Transaction Facilitation Platform

In the short term, Bank SinoPac aims to integrate FinTech into ecology of Taiwan's four types of traditional wholesale markets including fruits and vegetables, fish, meats and flowers, and help to improve the operating efficiency of these markets through big data analysis. For instance, the analyses revealed that the transaction volume increased more significantly on Ghost Festival (August 17), Mid-Autumn Festival (September 15), and Chinese New Year (February 8) in 2016. Therefore, Bank SinoPac adjusted the credit limits granting to merchants in ten business days prior to the peak trading days and provided them with appropriate financing programs based on the analyses of their transaction data.

Bank SinoPac's medium-term goal is to cooperate with the wholesale markets, visit upstream production and marketing cooperatives, arrange farmers' briefings through cooperatives, and promote supplier ecological financing programs. In the long run, Bank SinoPac hopes to introduce the implementation experience of the "Smart Wholesale Market Transaction Facilitation Platform" into oversea wholesale market trading system, and cooperate with local strategic partners to provide convenient financial services.

## 3.6 SinoPac Story: Building a Green Financial Ecosystem

### Origins of the Project

The rise of environmental protection awareness has increased worldwide emphasis on renewable energy. More and more countries have actively invested in the development of new technologies to seek ways for sustainable economic development and environmental conservation. Taiwan government has begun promoting the renewable energy policy - "Million Solar Roofs Project" since 2012. Investors of the project established special purpose vehicles (SPVs) for the purpose of investing in power plants. A large sum of capital expenditures is required for the construction of solar power systems in the early stage, but start-up companies usually do not have any revenue or other assets, which makes it difficult to obtain financing from banks. SinoPac Holdings has recognized the importance of environmental sustainability and has been responding to government policies since 2012 by supporting the solar power industry in Taiwan, supplying the development of renewable energy with financial facilities.

While over 98% of Taiwan's energy demands comes from imports and the energy spending is nearly NT\$2 trillion every year, the enhancement of energy independence and diversification of energy sources are vital. The government therefore announced policies for alternative energy and a nuclear-free homeland in 2016, planning to phase out nuclear power plants and provide 20% of electrical power generation from renewable energy sources by 2025. Such plan will require the installation of 20GW of solar power, so the policies also promote the development of the domestic green energy industry. It would then bring green energy into citizens' daily life and reduce the use of polluting energy sources to achieve the goal of a low-carbon and nuclear-free homeland and pass on a clean environment to the next generation. SinoPac Holdings upholds the ideals of "Supporting corporates through financing" and continues to provide green financial services to achieve both economic development and environmental sustainability.

### Commitment to Green Finance

Bank SinoPac began promoting financial services related to the construction of solar power plants since 2012 at a faster pace than most of other domestic competitors. Bank SinoPac is committed to building a financial service platform for industries, government and academics that integrates government policies, technology from solar power industry and other resources from banks and insurance companies. Bank SinoPac ventured into industrial parks in different counties and cities and organized green energy business seminars to provide a comprehensive and systematic introduction of policies and incentives, cost and benefits of system installation, and bank financing options. Bank SinoPac encouraged private companies to invest in the development of green energy and work together to expand solar power installation and contribute to environmental sustainability.

Bank SinoPac received the "Excellent Financial Service Award" in the third "Top Solar Award" organized by the Ministry of Economic Affairs (MOEA) in 2016. Bank SinoPac also won awards in 2017 and 2018 and became the only financial institution to receive the award from the MOEA for three consecutive years. As of the end of 2018, Bank SinoPac has collaborated with companies for up to 1,650 sites and the annual growth rate of total solar power installation capacity reached 50% with a market share of approximately 24%. Bank SinoPac plans to significantly increase the scale of green finance in 2019 and expand to the funding of onshore wind power, personal rooftop solar power systems, and electric vehicles, etc. Bank SinoPac also worked with textile companies that have obtained international environmental protection certification, construction projects that meet Green Building Mark requirements, and domestic vehicle manufacturers to promote green finance innovations. Bank SinoPac has set a goal of achieving 30% of market share in green finance.

### Solar Power Financing Projects that Evolves with Time

It has been six years since Bank SinoPac established the "Solar Power Equipment Financing Project" in 2013 and promoted the project along with the government's green finance policy. In the beginning, Bank SinoPac had been through a difficult time finding the right way to support the development of green energy industry due to lack of related experiences. However, with its long-term commitment, determination, and experiences shared by the Green Energy and Environment Research Laboratories of Industrial Technology Research Institute (ITRI), Million Solar Roofs Project Implementation Office (renamed as the Single Service Window for Solar PV in June 2018), and other industrial and government institutions, Bank SinoPac finally completed the formulation of the "Solar Power Equipment Financing Project" to provide timely and appropriate financing options for companies to assist the construction, operations and maintenance of solar power plants. The first phase of the Solar Power Financing Project was implemented in 2013. In response to adjustments in government policies and changes in demands of the industry, Bank SinoPac adjusted related conditions for undertaking individual projects, projects in specific areas, and water-based power plants. Bank SinoPac also worked with the government, Taiwan Photovoltaic Industry Association, and Industrial Park Associations in organizing seminars, adopted a diverse strategy of "providing support for the industry with both corporate and personal financing", and provided flexible financing solutions and credit limit for small and medium-sized businesses.



Power generated from the solar power equipment can be utilized as household energy consumption (independent systems) or sold to Taiwan Power Company (TPC) (Grid-Connected system). Bank SinoPac responded to the needs of personal customers with a quick loan approval process, with a loan amount up to 90% of the appraisal value of the solar power equipment and a tenor of up to 15 years. This further helped significantly reduce the barriers for the installation and increased individuals' or households' willingness to invest in the installment of solar power equipment on their own rooftops.

### Personal Solar Power Financing Plan with the Fastest Loan Approval Process in the Industry

Bank SinoPac launched household solar power financing plans across Taiwan so that participants in green energy power generation are no longer restricted to corporate entities but also include individuals, and became the best communication bridge between government and the private sectors. Individuals or families invest in the construction of solar power equipment on the rooftops of their buildings to fulfill their commitment to renewable energy and to reduce daily expenses.



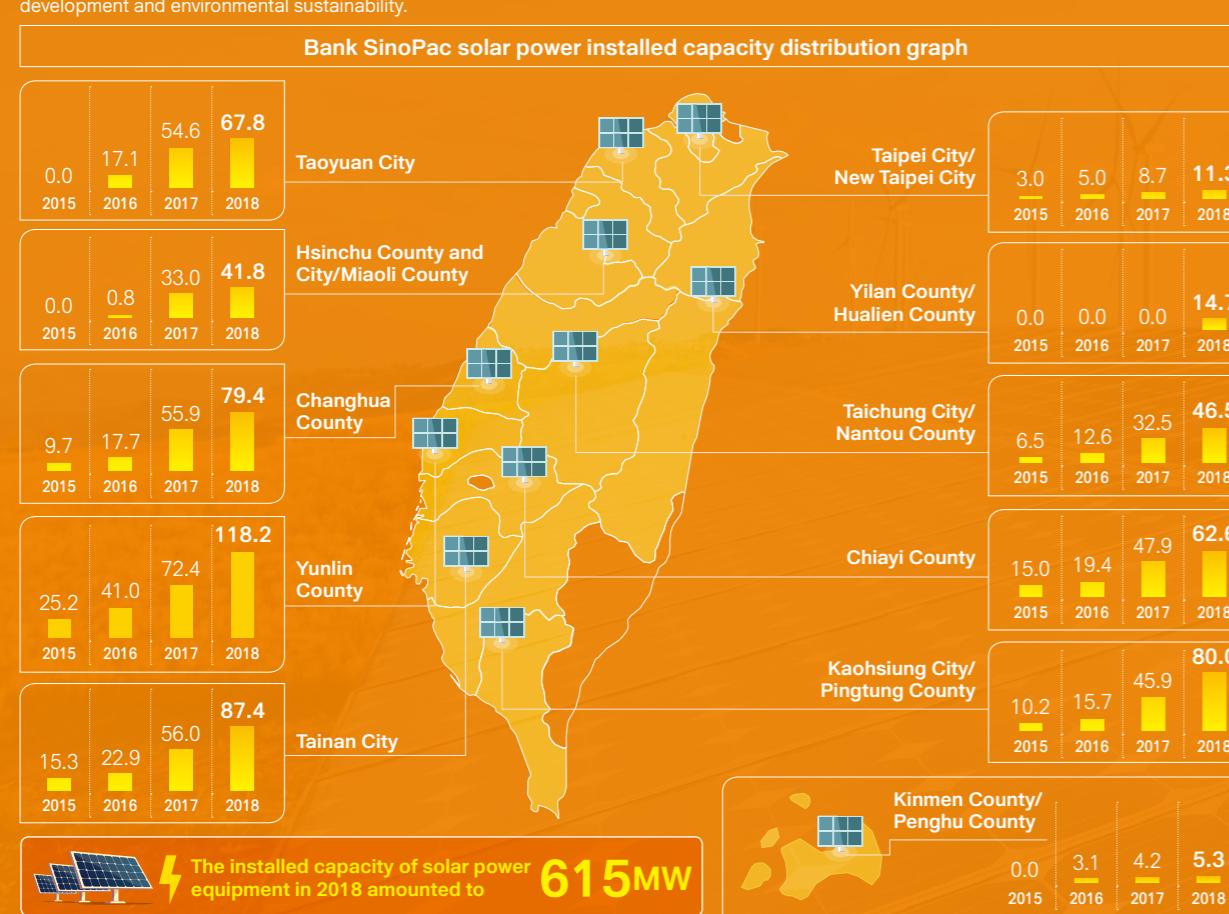
SinoPac Securities organized two ESG Forums focusing on the topics of responsible investment and climate change and invited renowned international ESG investment consultants and international asset management companies to share their practical experience.

### Green Bonds

SinoPac Holdings and its subsidiaries actively implemented green finance policy. In terms of green energy policies, SinoPac Holdings focused on developing green finance businesses following the government's policies and the 5+2 Industrial Transformation Plan to help green energy companies obtain medium- to long-term funding. In April 2017, Bank SinoPac became the first bank to issue green bonds, and issued the first green bonds in the following month with the proceeds to be applied to green and environmental protection, including renewable energy and energy storage technologies, pollution prevention, and resource recycling and reuse, etc. Issuing green bonds to attract external funding increases green capital and reduces the cost of funding. It also expands social engagement in supporting green industries and helps achieve the goal of coexisting with the environment and prospering with society.

### Green Investments

SinoPac Holdings also connects various subsidiary companies to exert its financial influence. It uses investments, underwriting, and various core financial services to promote the development of green industries. For instance, Bank SinoPac incorporated the ESG policies of corporate bond issuers into its bond investment evaluation; SinoPac Securities underwrote eco-friendly companies and helped them to apply for primary listing or primary OTC listing; SinoPac Venture Capital invested in green industry and so on. SinoPac Holdings aims to build a green finance ecosystem to provide comprehensive green finance services.



# 04

## SinoPac Talents

Material Topics	
Talent Development and Retention	Labor-Management Relations and Communications
Employee Compensation and Welfare	Diverse and Healthy Workplace



### iCAP Competency Certification

SinoPac securities became the first securities company to obtain iCAP competency certification



### Employee of the Year

Organized the first "Employee of the year" campaign to create a workplace with energy and positive thinking. Selected 17 SinoPac Holdings' employees who exhibit qualities for contributing to our core value of "Fulfillment a Beautiful Life through Finance".



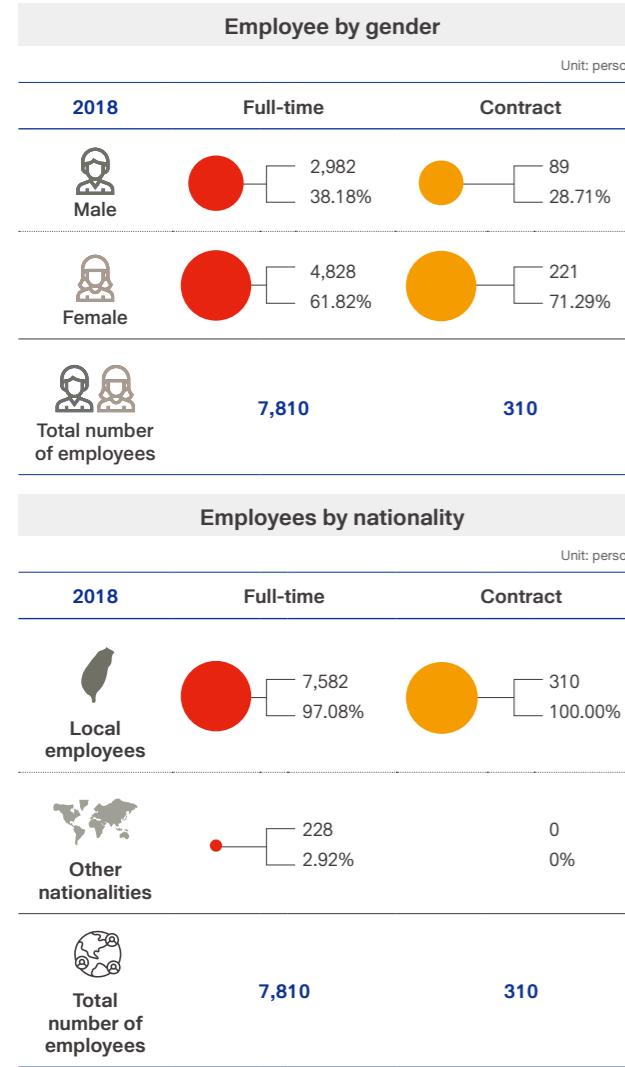
### Corporate University Training Program

Bank SinoPac started the corporate university training program in 2015 and has developed 27 learning modules. 2,500 front-line employees have their own learning blueprint.



## 4.1 Employee Structure

Talents are the most important assets of SinoPac Holdings. SinoPac Holdings has always insisted upon cultivating talents and creating a healthy and happy workplace as well as fostering cooperation in the management team. SinoPac Holdings' Sustainable Development Committee established the "Employee welfare" task force to regularly review human resource policies (performance evaluation, rewards, benefits, rotation, etc.) and plan reasonable work division of labor that meets the characteristics of individual roles. SinoPac Holdings optimizes such roles to meet trends in different generations and improved the transparency of the system; regularly reviews the internal and external fairness of compensation and reward systems to maintain competitiveness in terms of salaries on the market; organizes events to pay tribute to outstanding employees and recognizes every bit of employees' contribution to strengthen their connections with SinoPac Holdings; values employees with dedication and promotes a happy workplace; provides a variety of seminars and training programs to satisfy employees' needs for self-improvement and development; organizes regular ESG trainings to improve all employees' awareness and understanding of ESG topics. SinoPac Holdings also formulated human rights policies in 2018 to pay closer attention to human rights risks at the workplace, and plans to introduce due diligence investigations for human rights risks in the next 1-2 years.



SinoPac Holdings had a total of 7,810 employees in 2018. 97.08% were full-time domestic employees and 2.92% were foreign employees. 310 dispatched employees were provided with not only equal work environments in accordance with laws, but also opportunities for full-time jobs based on the needs of the business units. In terms of the employee structure, female accounted for a larger percentage of the workforce than male – 61.82% vs. 38.18%. Among them, female executives (assistant managers and above) account for 45.07% of the management. SinoPac Holdings gives priority to people with disabilities for recruitment and Bank SinoPac, SinoPac Securities, and SinoPac Call Center currently employ a total of 49 people with disabilities.



Employee by age					
2018	Unit: person				
	<30	30-50	>50	Total	
Holdings	Male	0	2	14	16
	Female	0	3	4	7
	Total	0	5	18	23
Bank	Male	235	1,337	439	2,011
	Female	534	2,399	256	3,189
	Total	769	3,736	695	5,200
Securities	Male	74	567	183	824
	Female	106	942	354	1,402
	Total	180	1,509	537	2,226
Leasing	Male	5	30	11	46
	Female	10	27	0	37
	Total	15	57	11	83
Securities Investment Trust	Male	1	34	12	47
	Female	0	67	4	71
	Total	1	101	16	118
Venture Capital	Male	0	1	2	3
	Female	0	6	0	6
	Total	0	7	2	9
Call Center	Male	7	28	0	35
	Female	24	90	2	116
	Total	31	118	2	151
<b>Total</b>					
<b>996</b>		<b>5,533</b>	<b>1,281</b>	<b>7,810</b>	

New recruits										
Full-time domestic employees					Full-time employees in overseas offices					
Number of employees	Number of new recruits	%	Number of turnover	%	Number of employees	Number of new recruits	%	Number of turnover	%	
2016	7,844	864	11.01%	928	11.83%	293	56	24.01%	72	24.57%
2017	7,555	592	7.84%	902	11.94%	281	61	21.71%	76	27.05%
2018	7,526	838	11.13%	897	11.92%	284	80	28.17%	75	26.41%

New recruits structural analysis										
Full-time domestic employees					Full-time employees in overseas offices					
Number of employees in service as of the end of 2018	7,526				284					
Percentage of new recruits in 2018	11.13%				28.17%					
Gender	Age	Managerial roles	Non-managerial roles	Total	Managerial roles	Non-managerial roles	Total	Managerial roles	Non-managerial roles	
Male	< 30	0	198	198	0	17	17	Female	Female	
	30-50	18	145	163	1	10	11			
	> 50	15	4	19	1	1	2			
	Total	33	347	380	2	28	30			
Female	< 30	0	226	226	0	21	21			
	30-50	14	208	222	1	28	29			
	> 50	4	6	10	0	0	0			
	Total	18	440	458	1	49	50			
<b>Total</b>					<b>51</b>	<b>787</b>	<b>838</b>	<b>3</b>	<b>77</b>	<b>80</b>

Managerial roles refer to deputy / assistant managers and above

New recruits by age and gender									
2018			Male			Female			
< 30			46.5%			53.5%			
30-50			40.9%			59.1%			
> 50			67.7%			32.3%			
<b>Total</b>			44.7%			55.3%			

Turnover by age and gender									
2018			Male			Female			
< 30			41.0%			59.0%			
30-50			40.0%			60.0%			
> 50			51.9%			48.1%			
<b>Total</b>			41.3%			58.7%			

## 4.2 Talent Development and Retention

### Employee category by job grade

2018	Male	Female
Total number of employees	2,982	4,828
Director and higher	81	25
%	76.4	23.6
Managers	126	53
%	70.4	29.6
Deputy/assistant managers	578	566
%	50.5	49.5
Staff	2,197	4,184
%	34.4	65.6

### Employees with physically disabilities

	2016	2017	2018
Number of employees with disabilities (persons)	54	61	49
Percentage of employees with disabilities (%)	0.66%	0.78%	0.63%

### Absentee rate

	2016	2017	2018
Number of days absent	14,442	16,419	16,179
Absenteeism rate	0.66%	0.78%	0.76%

Note: Absentee rate = injury and sick leave of all employees / (total work hours \* total number of employees)



### Training expenditure

	2017	2018
Education and training expenditures (NT\$)	NT\$29.01 million	NT\$47.27 million
Average education and training expenditures (person/NT\$)	NT\$3,702	NT\$6,053
Total training hours	328,472 hours	380,053 hours
Average training hours (person/hours)	41.92 hours	48.66 hours

### Training hours

Category	Senior executives (Associate Vice President and above)	Mid-level executives (Assistant Manager and above)	Unit: hour	
			Staff	Total
Number of employees	Male	81	704	2,197 2,982
	Female	25	619	4,184 4,828
Total training hours	Male	4,062	44,484	102,255 150,801
	Female	1,396	37,294	190,562 229,252
Training hours per person	Male	50.1	63.2	46.5 50.6
	Female	55.8	60.2	45.5 47.5

### 4.2.1 Skill Development

SinoPac Holdings' employee professional competence trainings include four major areas: the development of FinTech and digital talents, the systematic development of professional entry-level talents, the development of talents with professional financial competencies, and the development of management talents for mid to senior level executives. SinoPac Holdings adopted the Kirkpatrick Model as the tool for evaluating the effectiveness of the trainings. For management talents, SinoPac Holdings will continue to plan competency enhancement projects. SinoPac Holdings plans to include management competency evaluation into the 360° competency evaluation, creates profiles of SinoPac's management talents, establishes mission-based leadership training modules, and continuously implements the strategy of "competency-based talent inventory and training", which shall be internalized into a form of corporate culture and become the foundation for talent development and retention.



#### Fintech and Digital Transformation Training



#### Systematic Professional Development Training



#### Finance Professional Development Training



#### Comprehensive Investment Management Training

##### Digital Talent Development

- Digital Talent Development Program
- Digital seminars

##### Grassroots Talent Cultivation

- Industry-academia training program
- Internal audit, compliance, and risk management training programs
- Continued support of the Mentor Program

##### Professional Development Training

- SinoPac Securities was the first securities company to receive iCAP competency certification
- Talent cultivation focused on training effectiveness

##### Management Development Training

- Management Competency Development Plan
- EMBA+ and EMBA programs
- Elite Talent (MA/IMA) Reserve Training Program

### Fintech and Digital Transformation Training

#### ♦ Digital talent development program

SinoPac Holdings established the SinoPac Holdings class through industrial-academia cooperation with National Cheng Kung University based on the main theme of "artificial intelligence and machine deep learning". SinoPac Holdings focused on the integration of theory, operations, and actual machine operations to help attendees understand advanced technologies and development trends. Recipients included employees in business units such as information technology, digital finance, product design, etc. SinoPac Holdings organized 5 sessions in 2018 and 369 participants completed the training.



#### ♦ Digital seminars

SinoPac Holdings has been committed to the development of FinTech and digital finance for years. SinoPac Holdings continues to provide customers with convenient, secure, up-to-date, and innovative services. SinoPac Holdings actively invests in the digital transformation of internal personnel and organizes trainings for new knowledge and seminars. Through course design, SinoPac Holdings incorporates FinTech elements into regular courses to set the foundation of digital talents' intellectual capital. In 2018 SinoPac Holdings organized 8 sessions of digitalization seminars and 1,268 participants completed the training.

Seminar topic	Number of participants
AI (Appier) and IM(Line) Innovative Applications and New Trends in OOH	86
New Management mindsets under Innovative Technologies	336
From Big Data to Rich Data	59
Utilizing Machine Learning and Artificial Intelligence for Better Customer Decisions	50
Insights on User Experience - Redefining the User Experience in Finance	174
Understanding AI Development Trends	132
AI for the Digital Transformation in Financial Services	156
Transformation of Financial Technology and Commercial Banking	275
<b>Total number of participants</b>	<b>1,268</b>

## Systematic Professional Development Training

### ◆ Industry-academia training program

The subsidiary Bank SinoPac introduced the corporate university training program that integrates career paths of employees to construct a comprehensive training roadmap for all competencies. The training programs are exclusively designed based on business segments and roles. The contents include pre-job and on-the-job trainings and Bank SinoPac introduced internal and external certifications to enhance employees' professional competencies through comprehensive training certification mechanisms. Bank SinoPac constructed a "Program Module" in the training system that uses system development learning blueprints as talent management tools and provides important reference data for performance evaluation. Bank SinoPac built individual learning paths based on "Positions X Functions". Items include mandatory and optional courses, statutory internal and external courses, external licenses, and internal examinations. In 2018, Bank SinoPac added the program and blueprint and completed the process management tools to encourage autonomous learning to become a learning organization.

Bank SinoPac have established 27 sets of program modules for the "Professional Courses" since they were launched in 2015. All 2,500 front-line employees were provided with their own learning blueprints. Bank SinoPac organized more than 800 hours of classroom courses in 2018 for 4,000 participants. In 2018, 90% of employees engaging in the wealth management business has acquired the licenses as necessarily required by relevant laws and regulations. The completion and passage rate of employees in corporate banking business in courses and examinations was 79%. Bank SinoPac seeks to intensify autonomous learning in the organization and cultivate talents for the organization in order to establish important foundations for corporate sustainable development.



### ◆ Internal audit, compliance, and risk management training programs

SinoPac Holdings and Bank SinoPac continue to strengthen Internal Control and Legal Compliance mechanisms and have established the program modules and organized seminars and courses on business audits for units responsible for internal audit, legal compliance, anti-money laundering, risk management, and legal affairs in 2018. In addition, SinoPac Holdings and Bank SinoPac also enhanced the quality and quantity of anti-money laundering talents by encouraging and organizing special training courses. As of the end of 2018, 75 employees have obtained the "Certified Anti-Money Laundering Specialist (CAMS) Certification" and they help improve our anti-money laundering tasks.

### ◆ Continued support of the Mentor Program

SinoPac Securities has promoted the Mentor Program for many years and it now has more than 200 well-trained Mentors. Qualified Mentors provide instructions and assistance to help new recruits quickly understand the organization and businesses in a shorter period of time. They can also share and pass down their experience. SinoPac Securities established a Mentor management system for the heads of business units and the Human Resources Department to monitor the performance of each new recruit. With this system, the Company monitors the improvements in capabilities that new recruits need as the basis for future trainings provided by the Human Resources Department.

## Finance Professional Development Training

### ◆ SinoPac Securities was the first securities company to receive iCAP competency certification

To actively develop wealth management talents, SinoPac Securities recruited a group of people with no financial background in 2018 and provided them with comprehensive training programs for cross-Selling. The course design included five elements: financial regulations, work rules, financial information analysis and technical analysis, financial product knowledge, and development of business capabilities. The course included 28 classes totaling 72 hours. Attendees are required to pass three evaluations including paper-based tests, total review of skills, and project reports. SinoPac Securities allowed new employees to gradually improve their capabilities based on its development plans.

The Ministry of Labor has focused on the promotion of the two-in-one professional competency course certification and iCAP accreditation standards in recent years. It established an industrial talent professional competency baseline and certification for competency evaluation with rigorous evaluation mechanisms. SinoPac Securities applied for the accreditation of the "Financial Cross-Marketing Consultant New Recruit Training" course and organized five-stage training with analysis, design, development, implementation, and evaluation. After the review and approval, SinoPac Securities became the first securities firm to obtain iCAP competency certification.

### ◆ Talent cultivation focused on training effectiveness

To improve the effectiveness of training, SinoPac Securities began to focus more on the diversity and comprehensiveness of the training results and evaluation since 2018. Through the training design, SinoPac Securities allows employees to transfer and make use of the results of their studies to ensure that training courses can improve or elevate employees' professional skills and that the skills can satisfy organizational requirements for performance. For instance, the "Telephone Interview Skills" course organized in 2018 allowed employees to use the skills taught in the lectures to develop and maintain communication with inactive customers. Through the employees' action plans conducted after the courses, the units reviewed employees' business development skills based on the two indicators of inactive customer activation rate and account profit contribution. Based on the data and the comparison table of employees' performance before and after the course for inactive customers, the training has achieved the goals

of making inactive customers more active. The activeness of customers is also reflected in the improvement in business performance. The quality of training is more important than the quantity and it will be the goal for SinoPac Securities to accomplish in the future.

## Comprehensive Investment Management Training

To build a consensus in the management for the organization and improve the courses for professional competencies of the management, SinoPac Holdings provides mid-level to senior executives with leadership training for management talents in the Bank as well as various management competency training programs. SinoPac Holdings aims to have managers in the right places so as to lead the team and organization to advance together and create value.

### ◆ Management competency development plan

SinoPac Holdings has been comprehensively enhancing the development of management leadership since 2015. In 2017, SinoPac's six core management competencies were established to define competency indicators and management behaviors and to evaluate management, ensuring that every level of management has a clear understanding of the organization's requirements and their own positions. In 2018, the Management Competency Training Program was launched, providing comprehensive training to reserve managers, new managers and senior executives. Based on management levels and the six core competencies, management blueprint ladders were designed, and customized management competency courses were tailored to each level. This will strengthen management competencies at each level and allow managers to strive for the upper echelons of their careers. In addition, management suitability tests and management competency evaluations will be administered and, based on the results, the talent requirements for key positions will be gradually adjusted. The EMBA training series for reserve managers will also be employed to enhance the talent pool and cultivate the core management of the Company.

- 
- Through in-depth interview peers and feedback from subordinates, the management competency evaluation will be more complete and comprehensive, giving upper management more confidence when deciding whom to promote.
  - Using a variety of evaluation indicator, the qualifications required for each position can be identified and made into talent profiles. These can be then further analyzed to determine which employee are best suited to SinoPac's culture and to clearly define the qualities and characteristics of exceptional management.
  - Developed a task-based leadership training module that combines more flexible curriculum design, project-oriented cross-group collaboration, feedback from professionals and management, competency models, and project task indicators.
  - In the future, data will be combined and analyzed to ascertain whether the management trainees in each course have aligned to the organization's development and to assess the effectiveness of the task-based leadership training module.

## Future Plans to Strengthen Managerial Professional Development

### ◆ EMBA+ and EMBA program

In addition to strengthening the six core management competencies, SinoPac Holdings also focuses on communication and consensus among management. Therefore, a special EMBA-/EMBA course was created as a talent platform that combines learning, interactions, and observation. The classes are composed of management selected from SinoPac Holdings' various subsidiaries; the EMBA+ class is composed of senior executive vice presidents and executive vice presidents, while the EMBA class is composed primarily of senior vice presidents and vice presidents. Both tracks have small class sizes to enhance overall interaction and learning outcomes. The course design combines the Company's six core management competencies, and collaborates with well-known domestic management consulting firms and lecturers to offer systemic and relevant courses rich in content that inspire management to think innovatively, understand current trends, and further enhance leadership and management capabilities.

In addition to classroom courses, activities such as guided reading, speeches, laser paintball, golf lessons, the Leader Campus Innovation Institute, and hiking are arranged to increase the diversity of overall training content and to create a space for interaction to enhance the effectiveness of the program. At the same time, it is hoped that participants can strengthen their internal networks and enhance mutual interaction, trust, and understanding, thereby creating a strong foundation upon which to build their future careers.

### ◆ Elite talent(MA/IMA) reserve training program

SinoPac's Elite Reverse Training is based on the three main concepts, namely professional development, experiential learning, and comprehensive rotation training. Through a variety of intensive classes, activities and division rotation, Bank SinoPac's new elite talents progress rapidly and accumulate practical experience during the training period, toward the goal of cultivating dynamic new management professionals. The training program employs phased training, providing basic finance training, as well as training and internship experience across divisions; IMA has also added a training course abroad to ensure that development of professional ability has both depth and breadth. In addition, learning aids such as Coaches and Mentors have been introduced to strengthen interaction and communication and to accelerate learning and development.

## 4.2.2 Performance Review and Promotion Mechanisms

Each year, SinoPac Holdings conducts regular performance reviews based on Employee Assessment Criteria as well as workplace behavior evaluations so that employees can assess their learning and performance results and use them as the basis for future development. After the assessment process is established at the beginning each year, the direct supervisors/unit supervisors regularly reviews performance and corrects target, as well as conducting semi-annual and the year-end performance reviews. Full-time employees who have already passed the probationary employee evaluation prior to the performance review are required to participate in the review process. In 2018, the proportion of employees receiving regular performance reviews was 100%.

## 4.3 Employee Compensation and Welfare

On the annual year-end self-assessment performance reviews, employees outline their career development plans (cross-conglomerate, cross-company, or cross-business) and training courses that would be helpful to their career development. Then, during performance interview with management, career development plans are discussed and follow-up arrangements are made. Once the annual assessment of employees has been approved and finalized, direct supervisors will schedule two-way interviews to exchange opinions with employees. After the interview, employees comment on and sign their performance evaluation form, which are reviewed by the unit supervisors before being submitted to the human resources department to be added to employees' personal files.

### 4.2.3 Employee of the Year 2018

SinoPac Holdings organized the first "Employee of the Year" campaign in 2018 to build a positive workplace environment and to encourage proactive working attitude and appreciate continuous commitment through praising events. Through these efforts to promote role models, SinoPac Holdings aims to achieve the goal of encouraging learning and cultivate the positive atmosphere within the group.

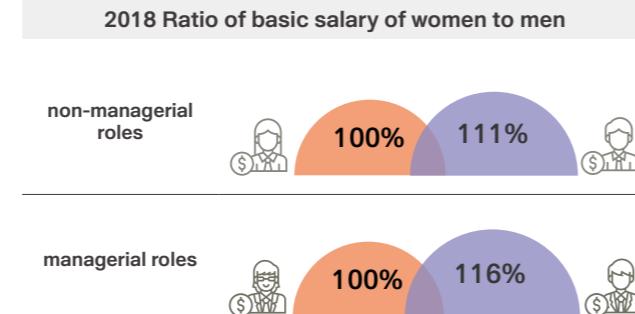
The principle of "starting from the bottom" is adopted for selecting candidates of the awards that include entry-level employees from all subsidiary companies of SinoPac Holdings. After the internal selection of various business units and subsidiary companies, the Selection Committee of SinoPac Holdings casts individual votes and reviews the degree association with the theme, contribution to SinoPac Holdings' image in the industry, and the level of attention paid to the referral activities. A total of 17 outstanding employees were selected as the "Employee of the Year 2018". Their family members and colleagues were invited to participate in the award ceremony and share the glory. Employees were encouraged to work hard while remaining true to their work ethics. A wall of photos of the 17 employees was set up in the award ceremony venue and the model employees were invited to the walk of fame.

Award ceremony for "Employee of the Year 2018"



#### 4.3.1 Compensation System

SinoPac Holdings was selected as one of constituent stocks of "Taiwan High Compensation 100 Index" in 2014 as one of the top 100 leading companies in terms of salaries. SinoPac Holdings shall uphold corporate social responsibilities and continue to provide comprehensive salary, remuneration, and incentives management policies. SinoPac does not discriminate on gender for determining salaries. The average salary ratio of women to men in non-managerial roles is 100:111 while the ratio is 100:116 in managerial roles (deputy/assistant managers or above). Among entry-level employees, the average salary ratio of women to men is 100:98. The starting salaries of entry-level employees are higher than the statutory minimum wage and the average salary is 131% of the statutory minimum wage. The salaries of non-full-time employees are determined based on the "Employee Recruitment Guidelines" and the hiring form of each non-full-time employee is reviewed by designated personnel. The implementation meets and exceeds regulatory requirements.



The related management guidelines for salaries are specified in the "Work Rules" and the "Employee Salary and Various Allowances Distribution Standards". SinoPac Holdings also establishes the Remuneration Committee to regularly review the remuneration management policies as the basis for implementation. In addition, to attract and retain talents and to support the high-performance culture of companies, SinoPac also actively participates in global salary surveys each year and includes the SinoPac Holdings' business performance, personal performance, and salary levels in external markets in salary adjustment plans to ensure market competitiveness of employees' salaries and form positive cycles for employees' incentives, increase in profitability, and profit sharing.

Item	Unit	2017	2018	Annual variation
Number of full-time non-managerial employees	Number of employee	6,607	6,490	-117
Total salary of full-time non-managerial employees	Thousands NTD	6,763,355	7,007,897	+244,542
Average salary of full-time non-managerial employees	Thousands NTD	1,024	1,080	+56

Source: Inspection form for information on salary of full-time non-supervisory employees (initially filed at 2019/4/30; the scope includes SinoPac Holdings, Bank SinoPac, and SinoPac Securities)



Parental leave

Item	Male	Female	Total
Number of employee eligible for parental leave in 2018 (A)	260	476	736
Number of applicants for parental leave in 2018 (B)	9	97	106
Application rate in 2018 (B/A)	3.46%	20.38%	14.40%
Number of employees to be reinstated in 2018 (C)	5	86	91
Number of employees reinstated in 2018 (D)	3	85	88
Reinstatement rate in 2018 (D/C)	60.00%	98.84%	96.70%
Number of employees reinstated in 2017 (E)	2	63	65
Number of employees reinstated in 2017 who have worked for more than one year (F)	2	49	51
2017 retention rate (F/E)	100.00%	77.78%	78.46%

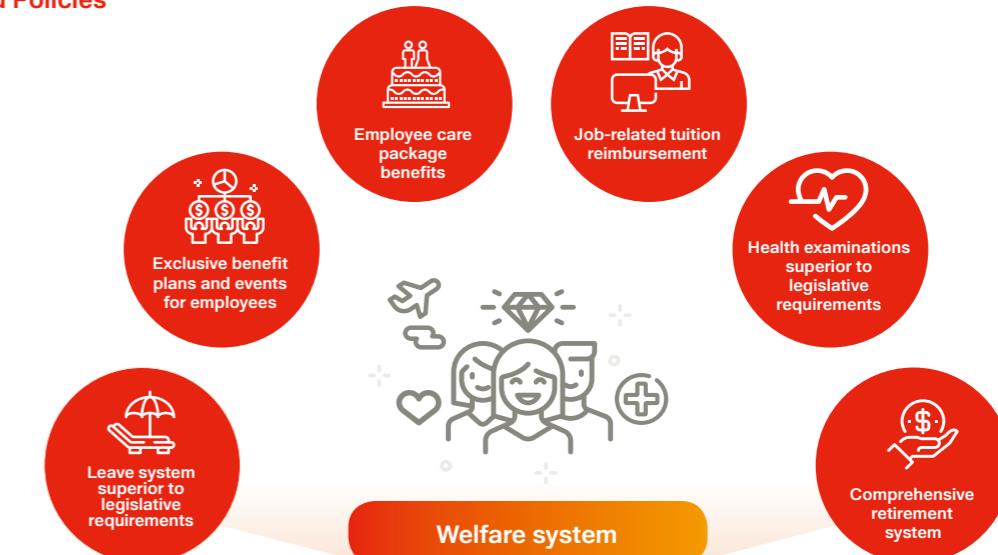
#### 4.3.2 Welfare System

SinoPac Holdings is committed to building a happy workplace and making employees happy at work. SinoPac Holdings also improves employees' benefits and prioritizes the care for employees' family and life in order to increase employee solidarity and retention rate. SinoPac Holdings firmly believes that "human capital" is the most critical asset in an organization. Only happy employees can bring to SinoPac Holdings' profitability and create values for the society.

##### Parental Leave and Daycare Policies of Employees' Children

SinoPac Holdings implements measures or policies to encourage employees to take care of their family life in addition to work. In addition to setting up breastfeeding rooms and creating a high-quality breastfeeding environment, SinoPac Holdings also signed contracts with multiple large-scale daycare institutions to provide discounts to let new parents be at ease. If employees apply for unpaid parental leave due to individual requirements, SinoPac Holdings shall also assist in organizing unpaid parental leave and reinstatement procedures so that employees can have the strongest support of SinoPac Holdings in the important phases of their lives.

##### SinoPac Holdings Welfare System and Policies





**Leave system superior to legislative requirements**

- Special annual leaves: SinoPac Holdings provides leave policies that are superior to the requirements in the Labor Standards Act and new employees enjoy proportional special leaves after reporting for duties. Bank SinoPac provides more special annual leaves as employees gain seniority and promotions (7 days more for employees ranked deputy managers and above) to let employees have more time for rest and attain work-life balance.
- Paid sick leaves: In addition to the half-pay sick leaves specified in the Labor Standards Act, SinoPac Holdings provides more than 5 days of paid sick leaves each year based on employees' seniority to let employees regain their strength in case of injury or illness.
- Cancer leaves and pregnancy leave: SinoPac Holdings provides employees with cancer leaves and pregnancy leave during which they may enjoy benefits provided by SinoPac Holdings during their recovery.



**Exclusive benefit plans and events for employees**

- Housing loans at below market rates: SinoPac Holdings provides employees with mortgage interest rate superior to market rates with the aim of reducing the burden of employees.
- Implement Employee Stock Ownership Trust: SinoPac Securities allows employees to invest, acquire, and manage shares of SinoPac Holdings to accumulate wealth and ensure the stability of members' future retirement and life after retirement.
- Annual party event: SinoPac Holdings organizes large-scale year-end parties each year and invite employees from all areas to participate in the event to build closer relations and consensus. SinoPac Holdings also arranges multiple performances to thank employees for their dedication throughout the year.
- Honors of SinoPac employees: SinoPac Holdings provides seniority recognition awards and custom gifts, and public recognition by senior management.
- Discounts preferred vendors: SinoPac Holdings regularly signs contracts for discounts with vendors based on employees' needs to help them save money.



**Employee care package benefits**

- SinoPac Holdings provides marital leave, maternity leave and benefits, funeral leave and allowance, cash gift for holidays (Chinese New Year, Dragon Boat Festival, and Mid-Autumn Festival), and cash gift for birthdays.
- Comprehensive group insurance for employees



**Job-related tuition reimbursement**

- To encourage employees to improve themselves, SinoPac Holdings established regulations for job-related trainings for employees to arrange related courses based on their preferences and provide them with reimbursement within a certain amount each year.



**Health examinations superior to legislative requirements**

- SinoPac Holdings provides employees with health examinations every two years superior to the requirements in the Occupational Safety and Health Act. SinoPac Holdings provides multiple key health examination items for employees to choose and help employees regularly assess their physical conditions for healthcare and disease prevention.
- SinoPac Holdings provides higher amounts of subsidies for health examinations and more health inspection items for employees aged 40 and above to meet their requirements.
- The availability of health examinations to colleagues is well publicized, with the average rate of check-ups reaching 80%.
- SinoPac Holdings also signs contracts with multiple reputable health examination institutions and provides employees' family members with discount prices for health examinations in order to protect the physical and mental health of employees' families.
- To take care of retired employees, SinoPac Holdings signs contracts with multiple reputable health examination institutions to provide them with discount prices for health examinations to take care of their physical health.



**Comprehensive retirement system**

- SinoPac Holdings establishes retirement plans in accordance with the Labor Standards Act, Labor Pension Act, and related regulations and appropriates pension funds to ensure the payment of employees' pension in accordance with regulations. Please refer to SinoPac Holdings' 2018 Annual Report for detailed statistics on the appropriations.

## 4.4 Labor-Management Relations and Communications

SinoPac Holdings established employee communication mechanisms and Bank SinoPac and SinoPac Securities signed collective bargaining agreements with unions to communicate and negotiate on labor-management issues. SinoPac Holdings regularly organizes "Organization Condition Surveys" and established the "Employee Service Specialist" and the "SinoPac Academy" website as well as employee grievance channels such as the sexual harassment prevention hotline and the performance evaluation dispute channel.

### 4.4.1 Labor-Management Communication Mechanisms

#### Collective bargaining agreements

To achieve smooth and effective communications between labor and management, employees of Bank SinoPac have established the Bank SinoPac Corporate Union in accordance with the Labor Union Act. Bank SinoPac and the union conduct communications and negotiations on labor-management issues on a regular or irregular basis. Labor and management representatives of Bank SinoPac negotiate in accordance with the Collective Agreement Act. They also sign collective bargaining agreements to protect their rights to work on August 16, 2011. Labor and management signed a new contract on November 10, 2014 to add provisions for assistance when employees are involved in litigation in the course of business activities. The two parties negotiated and renewed the agreement on April 24, 2018. On the other hand, SinoPac Securities was the first securities firm to establish a union.

#### Contents of SinoPac Holdings subsidiaries collective bargaining agreements and percentage of employees' participation in unions

Subsidiary	Contents of the Agreement	Percentage of employees in the union (Note)
Bank SinoPac	<ul style="list-style-type: none"> <li>Bank SinoPac agrees to provide the venue and the software and hardware necessary for the meetings of the union. The chairman of the union works in the union office all day and the directors and supervisors of the union may apply for official leave when they process official union affairs in accordance with laws and regulations. The union fee is deducted by Bank SinoPac on behalf of the union from employees' salaries each month.</li> <li>Bank SinoPac shall not adjust working conditions for workers who are not covered by the agreement of the Union without justifiable reasons.</li> </ul>	97%
SinoPac Securities	<ul style="list-style-type: none"> <li>The chairman, directors, and supervisors and members of the union may apply for official leave when they process official union affairs in accordance with laws and regulations. The union fee is deducted by SinoPac Securities on behalf of the union from employees' salaries each month.</li> <li>In the event of shut down, transfer of ownership, losses, reduced business, or where the employee is clearly unfit for his/her job, SinoPac Securities shall provide advance notice of at least 10-30 days based on their seniority in accordance with the "Labor Standards Act" before the labor contract can be terminated.</li> </ul>	85%

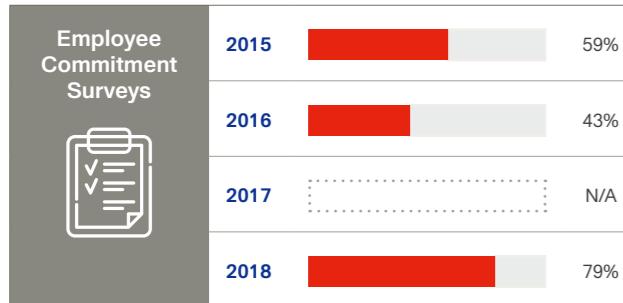
Note: This provision does not apply to employees in the probationary period and overseas employees

According to the "Labor Standards Act", "Work Rules" of SinoPac Holdings, and results of labor-management negotiations, if employees need to work overtime due to work requirements, the supervisors may, after obtaining the consent of the subordinates, allow employees to fill out "overtime work forms", sign them, and deliver them to employees to implement overtime work. Female employees may not work past 10 p.m. without the approval of the union. In addition, although corporate unions of subsidiaries agree that employees working hours may be extended on weekdays without the prior approval of the respective corporate union, employees' attendance on holidays shall require the approval of the respective corporate union. This measure is effected to protect the rights of employees. The communication and performance of the aforementioned system has been well implemented and there were no complaint cases in 2018. SinoPac Holdings shall continue to pay attention and protect the rights of employees. The subsidiaries were subject to 23 labor inspections in 2018. With the exception of two appeals, no penalties were imposed.

#### Regular Implementation of the "Organization Condition Surveys" and "Employee Commitment Surveys"

SinoPac Holdings aims to obtain employees' feedbacks on management policies of SinoPac Holdings and the atmosphere in the organization. SinoPac Holdings began implementing the "Employee Commitment Surveys" and "Organization Condition Surveys" since 2015 (the survey is conducted every other year). The scope of the surveys includes two sections. The first is the employees' satisfaction rate for management policies; the second consists of subjective feelings in the work place and observation of areas for improvements in various indicators as reference for future policy adjustments. SinoPac Holdings organized the "Employee Commitment Surveys" in 2018. The surveys were conducted online and SinoPac Holdings issued an external website link that allowed employees to answer the surveys anonymously to increase their sense of security and fairness.

The response rate increased from 53% in 2015 to 66% in 2018. It showed that more and more employees are willing to express their opinions to improve the organization. Overall, employees' satisfaction rate of the organization has gradually improved from 59% in 2015 to 79% in 2018. It demonstrated that SinoPac Holdings has gradually improved in various business expansion and institutional strategies.



## Notes:

- The targets of the employees commitment surveys consist of all employees of Bank SinoPac and its subsidiaries (including life insurance agency and property insurance agency) totaling approximately 5,200 people.
- No survey was conducted in 2017.

Establishment of the "Employee Service Specialist" and the "SinoPac Academy" Website

Communication channel	Content
Employee service specialists	SinoPac Holdings assigns employee service specialists to provide each employee with a dedicated communication window.
SinoPac Academy website	The website platform is provided as a bridge for employees to express their opinions and ideas for related responsible units to respond to employees and foster communication.
GoodIdea section	SinoPac Holdings encourages employees to provide opinions for improving procedures and systems and improve the operations of the organization.

#### 4.4.2 Employee Grievance Channel

Grievance channel	Measures	Number of complaints in 2018 and improvement measures
Sexual harassment prevention hotline	<ul style="list-style-type: none"> <li>SinoPac Holdings established internal regulations and procedures for processing complaints for workplace gender equality (sexual harassment prevention). In addition to announcements to employees, SinoPac Holdings also implements regular education and training.</li> </ul>	No complaints were registered in 2018
Performance evaluation dispute channel	<ul style="list-style-type: none"> <li>Employees that question the results of performance evaluations may apply for a review through the performance evaluation dispute channel.</li> <li>Bank SinoPac's human resources unit compiles reports for review and process for final approval of reviewing results.</li> </ul>	Bank SinoPac received 19 applications from employees who questioned the results of performance evaluations in 2018. After review and assessments, 7 applications were passed. We continued to encourage unit supervisors to communicate more with employees and conduct interviews to let employees understand where they may make improvements and reduce the gap in their views.

## 4.5 Diverse and Healthy Workplace

### 4.5.1 Diverse Employment Policy and Human Rights

SinoPac Holdings established the "Human Rights Policy" in 2018 to support the "United Nations Universal Declaration of Human Rights", "United Nations Guiding Principles on Business and Human Rights", "United Nations Global Compact", "International Labour Organization Convention", and other international human rights policies. SinoPac Holdings also abides by related labor regulations of SinoPac Holdings' base of operations. SinoPac Holdings respects human rights in the workplace and provides employees with a safe and healthy work environment. SinoPac Holdings also respects employees' freedom of association and pays close attention to the domestic and international development of human rights policies and changes in the business environment. SinoPac Holdings also implements reviews and improvements of the Policy on a rolling basis, and plans to introduce human rights management and human rights risk due diligence investigation mechanisms in the next 1-2 years to mitigate and remedy human rights risks.

SinoPac Holdings provides equal opportunities for employees' appointment, promotion, performance evaluation, assignments, training, career development, and remuneration, and does not discriminate based on gender, religion, or race. SinoPac Holdings treats all employees in a fair and just manner and strictly abides by related labor laws and regulations. SinoPac Holdings categorically prohibits all forms of workplace violence. In addition to posting related posters in office areas, SinoPac Holdings also provides education on "Workplace Violence Prevention Measures" for new employees in collective online training.

SinoPac Holdings gives priority to people with disabilities for recruitment. SinoPac Holdings currently employs a total of 49 staffs with disabilities. Bank SinoPac employs 29 individuals (including 5 individuals with severe physical disabilities); SinoPac Securities employs 17 individuals (including 3 individuals with severe physical disabilities); SinoPac Call Center employs 3 individuals with physical disabilities. Employees in the organization with physical disabilities serve as clerks, IT program design etc. In addition to meeting the legal requirements in terms of the number of employees hired, those with good performance have been promoted to management roles.

### 4.5.2 Workplace Safety and Health

SinoPac Holdings launches the following initiatives to promote a healthy and safety workplace:

- Occupational health and safety system**
  - Bank SinoPac established the occupational health and safety system and the Occupational Health and Safety Committee in accordance with the Occupational Safety and Health Act. The head of the General Affairs Department implements safety and health management on behalf of the employer. Managers on all levels command and supervise the implementation of respective personnel.
  - The Occupational Safety and Health Committee has a total of eight members, including representatives of departments related to occupational safety as well as three representatives of the union of Bank SinoPac to assist in the supervision and suggestions of related occupational health and safety issues.
- Work-life-balance and flexible working hours**
  - Bank SinoPac implements partial working hours and employees may adjust the number of working days per week or number of working hours per day based on family conditions to avoid taking leave without pay while taking care of both family and work.
  - A total of nine employees requested for partial working hours in 2018 to take care of both family and work.
- Employee ideas exchange platform**
  - Bank SinoPac established the "Colleagues Conversation" platform to provide information on all employee club activities and benefits as well as multiple interactive sections for employees to exchange ideas and interact with each other.
  - Bank SinoPac continues to collect creative proposals for a happy workplace from employees and implement all feasible proposals. The ideas were expanded from Bank SinoPac to SinoPac Holdings in 2018.
- Employee assistance program (EAP)**
  - SinoPac Securities implemented the employee assistance program (EAP) to help employees balance their physical and mental health. The program includes work, life, and health support. With the establishment of the service system, the Company integrated internal and external resources to help employees resolve issues and improve their work efficiency and productivity.
  - SinoPac Securities has signed EAP services with professional institutions for eight consecutive years to provide employees with professional channels for legal, health, medical, and wealth management consulting services. Each employee is eligible for five free consulting services each year. Experts help employees achieve superior control over their sentiments at work and better performance.
- Active care for employee health**
  - Bank SinoPac and SinoPac Securities appoint nurses to provide health service. They actively reach out to employees who suffer from cancer and material diseases and provide them with health education and assistance in prevention of other related diseases.
  - Bank SinoPac and SinoPac Securities regularly publish the latest health information in the colleagues conversation platform to provide them with related health knowledge and adopt preventative measures which are superior to treatment.
- Soothing oil massages**
  - SinoPac Securities arranges regular health examinations and appoints doctors to provide onsite services. It also works with professional institutions to provide soothing oil massages across Taiwan.
  - In addition to teaching employees about the use of essential oils, SinoPac Securities also uses the essential oils to let employees understand their physical and mental health. The aromatherapists' instructions also help employees learn how to relax, promote cell regeneration, and improve employees' capacity for taking care of themselves.
- High-quality healthy workplace environment**
  - The workplace of SinoPac Holdings and its subsidiaries meet regulatory requirements and they have passed inspections of competent authorities. SinoPac Holdings organizes routine fire safety escape drills, labor safety seminars, and establishes emergency response manuals and simulation drills from time to time to reduce the occurrence of occupational injuries.
  - To create a high-quality and comfortable office environment, SinoPac Holdings implements regular water quality inspections to provide employees with safe sources of water.
- Assistance for new parents**
  - SinoPac Holdings established breastfeeding rooms in accordance with the "Act of Gender Equality in Employment" to create a high-quality breastfeeding environment which provides female employees who had just given birth with the most comfortable and convenient environment for feeding and collecting breast milk and put employees' minds at ease.
  - SinoPac Holdings signed contracts with nine children's daycare institutions.

# 05

## SinoPac Community



### 20 Charity Events, Reached more than 4,000 People

Celebrated SinoPac Holdings' 70 anniversary with the "Heart-for-Taiwan" Round-the-Island Charity Project. 20 public charity festivals were held in 17 cities and counties in Taiwan. Over 600 SinoPac employees volunteered for the project as did more than 1,000 relatives and customers, all of which benefitted in excess of 4,000 people and cleaned up over 7 metric tons of debris at 5 major beaches in Taiwan.



### NT\$45.18 Million

Increased public welfare engagement in the past three years, including the contribution of NT\$45.18 million in charity contribution and 1,580 volunteer hours in 2018.



### Promoted Face Equality

Developed a long-term collaboration with the Sunshine Social Welfare Foundation and served as career mentors for victims of the Formosa Fun Coast dust explosion, and promoted face equality and supported social enterprises.



## 5.1 Social Involvement Policy

### 5.1.1 Social Involvement Policy and Goals

SinoPac Holdings places great emphasis on human values and continues to strengthen local care and community care. In 2018, SinoPac Holdings established the "Social Involvement" task force under the Sustainable Development Committee to facilitate social involvement projects and develop its social involvement programs to respond to the United Nations Sustainable Development Goals (SDGs) and strengthen the connection between social involvement activities and its core competencies in finance. In addition, SinoPac Holdings will develop social program accordingly in the next 2-3 years and implement the social impact evaluation tool, Social Return on Investment (SROI), to evaluate the impact of social projects. The SROI will be adopted as an evaluation mechanism in the long term in order to enhance the management of social welfare projects.

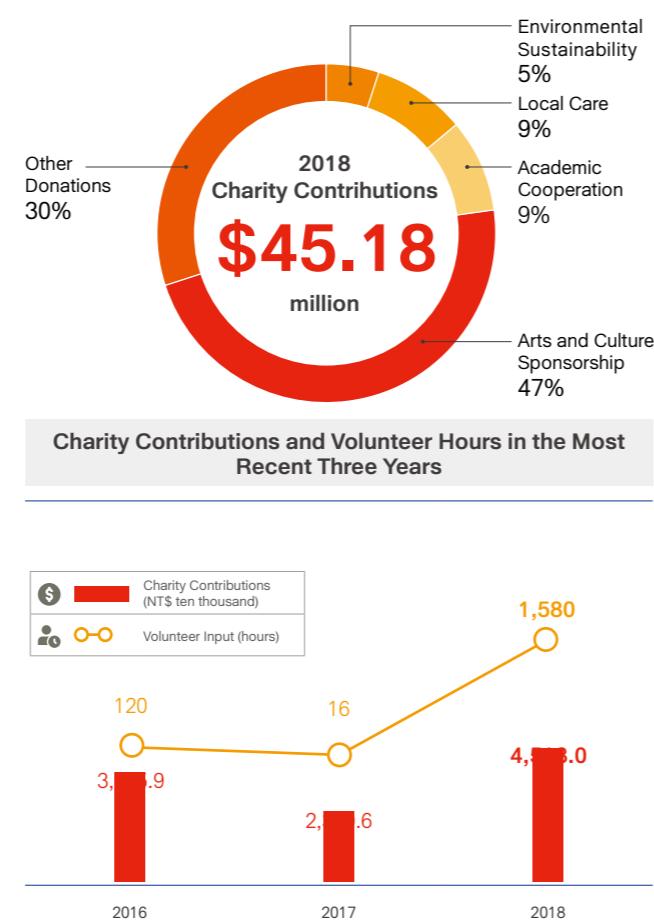
### 5.1.2 Annual Social Involvement Projects Overview

In 2018, SinoPac Holdings' charity events focused on four major aspects: environmental sustainability, local care, academic cooperation, and arts and culture sponsorship. Through various means, including title sponsorship, joint activities, corporate volunteer participation, and in-depth counseling, SinoPac gave back to Taiwan society. Charity contributions by SinoPac Holdings and its subsidiaries have increased annually over the past three years. In 2018, investment funds and volunteer hours increased significantly. In 2018, total charity expenditure reached NT\$45.18 million, accounting for 0.14% of total revenue, and employee volunteer hours totaled 1,580 hours.

#### 2018 Charity Contributions



Note: Mainly consisted of donations from Bank SinoPac and SinoPac Securities for the Hualien earthquake and sponsorship of the Taichung World Flora Exposition



Category	Funds (NT\$ ten thousand)	Volunteer hours
Environmental Sustainability	248	743
Local Care	397	837
Academic Cooperation	418	0
Arts and Culture Sponsorship	2,125	0
Others (Note)	1,330	0

Social Involvement Plan	2018 Projects	Groups Benefited from the Projects
Environmental Sustainability	<b>"Heart-for-Taiwan" Round-the-Island Charity Project - environmental sustainability series</b>	A total of eight Coastal clean-up and environmental education activities were held, and SinoPac Holdings' volunteers and their relatives benefited from the Coastal clean-up activities, and also benefited the environment.
Local Care	<b>"Heart-for-Taiwan" Round-the-Island Charity Project - local care series</b>	<b>Contributions to Communities</b> SinoPac Holdings organized educational storytelling activities for children and organized concerts for the elderly  <b>Dream Comes True Programs</b> SinoPac Holdings helped disadvantaged groups in remote areas make their dreams come true
Academic Cooperation	<b>Sunshine Social Welfare Foundation collaboration project</b>  <b>Rural Children Support Program (SinoPac Securities)</b>	<b>Contributions to Communities</b> SinoPac Holdings engaged customers from Smart Wholesale Market Transaction Facilitation Platform of Sanchong Agricultural Products Market and cared for disadvantaged elderly in customers' communities.  SinoPac Holdings organized educational storytelling activities for children and organized concerts for the elderly.
Arts and Culture Sponsorship	<b>"TFF-Bloomberg Best Fund Awards" charity program (SinoPac Securities Investment Trust)</b>  <b>Renmin University Forum - Cross-strait Financial Trends (Bank SinoPac)</b>  <b>2016-2018 Financial Service Industry Education Fund</b>	SinoPac Securities and Investment Trust contributed to social welfare activities by donating mobile medical care vehicles to rural areas and organizing one-day volunteer activities; donated NT\$200,000 for public welfare.  Bank SinoPac invited experts and scholars of Renmin University of China to Taiwan and organized two forums to discuss international finance trends. A total of 250 people participated in the events.  Bank SinoPac donated NT\$2.5 million to Taiwan Financial Services Roundtable to jointly establish the "2018 Financial Service Industry Education Foundation" to help disadvantaged students complete their studies.
Other Donations	<b>Simple Life Festival (Bank SinoPac)</b>  <b>Taipei Children's Arts Festival (Bank SinoPac)</b>  <b>2018 Legacy Taipei (Bank SinoPac)</b>  <b>Hualien Earthquake Relief (Bank SinoPac and SinoPac Securities)</b>  <b>Taichung World Flora Exposition (Bank SinoPac and SinoPac Securities)</b>	Bank SinoPac offered title sponsorship and jointly planned activities to support art and creative entrepreneurs. It provided various payment tools to help small and micro shops develop potential market opportunities. Approximately 60,000 people attended the two-day event. Bank SinoPac organized three experience areas onsite including the "Heart-for-Taiwan" Around-the-Island Q&A, green energy experience areas, etc. that integrated SinoPac's mobile solar-powered vans to let participants learn about the land and clean energy.  Bank SinoPac provided sponsorship and jointly organized activities. Four charities and VIP performances were organized to encourage children to learn about art, and 760 people attended the events.  Bank SinoPac sponsored the Legacy Performance Space for five consecutive years to provide musicians with a place to perform their works.  Bank SinoPac and SinoPac Securities donated a total of NT\$10 million.  Bank SinoPac and SinoPac Securities donated a total of NT\$2.8 million.

## 5.2 Arts, Culture, and Academic Cooperation

### 5.2.1 Academic Cooperation Projects

#### Academic Forums Open up a New Era for Cross-Strait Financial Development

Bank SinoPac has established a partnership with the International Monetary Research Institute (IMI) of Renmin University of China since 2015 and the two parties have organized multiple seminars and roundtable discussions to promote cross-strait financial cooperation. In 2018, Bank SinoPac invited IMI as well as experts and scholars from China, Hong Kong, and Taiwan. In the forum, topics focused on the opportunities and challenges of the internationalization of Renminbi and FinTech to the transformation of commercial banks, and the new era for cross-strait financial development through close exchanges and sharing of viewpoints. They discussed the policies of the People's Bank of China on interest and exchange rates, geopolitical strategies of the internationalization of the Renminbi and the Belt and Road initiative, internet finance, and inclusive finance. 250 participants gathered to exchange ideas in the forum, including the directors, senior executives, and executives of SinoPac Holdings and its subsidiaries and guests.

### 5.2.2 Arts and Culture Sponsorship Projects

#### Bank SinoPac has sponsored the Simple Life Festival for five consecutive years to demonstrate Bank SinoPac's diverse payment technologies and supports for art and culture.

Bank SinoPac has sponsored the "Simple Life Festival" for five consecutive years since 2014. The event focuses on youth culture and creative markets and has attracted 200,000 visitors since 2014. Entertainers, cultural icons, and experts were invited each year and they organized concerts and creative markets for participants to experience the value of "living a simple day each day as a authentic day". Bank SinoPac organized three experience areas at the Simple Life Festival including the "Heart-for-Taiwan" Round-the-Island Q&A, green energy experience areas, etc. that integrated Bank SinoPac's mobile solar-powered large vans to let participants learn about the land and clean energy.

Bank SinoPac integrated its core competencies and provided multiple payment tools to support the development of the cultural and creative industries. It introduced the universal EMV QR Code so that payments could be completed not only by traditional credit cards but also by QR code, making payment become more convenient and diverse. Bank SinoPac provided "demand-oriented, convenient, and secured" financial services to help small businesses develop potential business opportunities. In addition,



Bank SinoPac green energy experience areas at the Simple Life Festival

Bank SinoPac has received the "Top Solar System Award" from the Ministry of Economic Affairs for three consecutive years from 2016 to 2018. The award recognized Bank SinoPac's devotions and leading market positions in the solar power industry. To promote clean energy in the daily lives of customers and raise environmental awareness, Bank SinoPac introduced the first solar-powered charging equipment and personal transporter activities so that participants can experience completely different lifestyles.

#### Empowerment of Wealth Management and Art from a Young Age - 11th Year of Sponsorship for the Taipei Children's Arts Festival

Bank SinoPac not only provides people with the necessary financial services and wealth management plans but also seeks to realize its vision of "Fulfillment of a Beautiful Life Through Finance." Bank SinoPac has long cared for children's growth and education. The SinoPac mma children's account was launched to help parents invest in children's future. Also, Bank SinoPac collaborated with the foundation of Yuan T. Lee Science Education for All in promoting science education. Moreover, Bank SinoPac worked with "Taipei Children's Arts Festival" to jointly create happy and creative lives for parents and children and encourage kids with art education from a young age.

Bank SinoPac has sponsored the Department of Cultural Affairs of Taipei City Government and Taipei Performing Arts Center for the event of "Taipei Children's Arts Festival" since 2008, and till now in 2018, it's marked the 11th year of the Festival. Through those well-constructed cooperation plans, Bank SinoPac aims to bring children to a world of art with joy and imagination during summer vacation each year. Celebrating its 70th anniversary in 2018, Bank SinoPac organized four events with nearly 760 participants and organized a special charity session to invite children of the Eden Foundation to enjoy "Buchettino", a show whose 33 performances sold out in a record-breaking 39 minutes. The special session was organized to encourage all children experience the fun and excitement of performing art and enjoy the wonderful feeling of performances.

In addition to organizing a charity performance in the Guangfu Auditorium of Zhongshan Hall in 2018, Bank SinoPac also organized the "Large Van Mystery Adventure Go!" event in the outdoor square and invited charity groups as well as adults and children onsite to a series of fun environmental protection games. They learned about the importance of environmental protection to the earth and making Taiwan a prosperous society in terms of both the living environment and spiritual wealth. In the future, Bank SinoPac shall continue to let children view international performance shows and continue to cultivate Taiwanese performers to support local creative scripts and performances. Bank SinoPac seeks to let children in Taiwan experience more diverse art performances.



## 5.3 SinoPac Story: "Heart-for-Taiwan" Round-the-Island Charity Project

### Origins of the Project

SinoPac Holdings initiated the "Heart-for-Taiwan" Round-the-Island Charity Project in July 2018. From July to October, with joy and positive thinking, three charity vans representing happiness, caring and environmental protection toured 17 cities and counties in Taiwan for nearly three months. With focus on environmental sustainability and local care, 20 public charity festivals were held in order to give back to the communities.



### Environmental Sustainability

SinoPac Holdings invited Ms. I Lin, the founder of the Formosa County Beauty Association, to lead volunteers from SinoPac Holdings to clean up mountains and beaches to make the environment in Taiwan cleaner. On September 29, 2018, Stanley Chu, President and volunteer team leader of SinoPac Holdings, led volunteers from SinoPac Holdings and netizens in coastal cleanup activities at the Sunset Platform in Tainan to protect Taiwan's beautiful coastline. The 61 volunteers from SinoPac Holdings and hundreds of their family members and netizens rolled up their sleeves and picked up the trash one by one. Besides contributing their physical labor, volunteers learned from experts on how to reduce trash from the source to remove pollution from the oceans and the ecology, and restore its original state.



Employees of SinoPac Holdings and its subsidiaries formed a team of volunteers to clean up the beach at the Sunset Platform in Tainan

### Local Care

Local care activities include contributions to communities, dream come true programs, and customer care.





## Contributions to Communities

SinoPac Holdings has contributed to community activities for many years and has provided continuous sponsorship for the Taipei Children's Arts Festival for the past 11 years. On July 21, 2018, the charity vans were toured to Taipei Zhongshan Hall for a series of fun games for children of the Eden Social Welfare Foundation. The event was welcomed by the children and their parents. Parents said that children were entranced by the Buchettino storytelling event because the narrator was very experienced and the sound effects were astounding, while children learned about the importance of environmental protection through the Environmental Protection Hero game.



■ The Environmental Protection Hero activities cultivated children's awareness for environmental protection through a series of games and learning

On August 26, 2018, the charity vans were toured to Zhaonan Elementary School in Zhunan Township, Miaoli County to celebrate the "Grandparents' Day". SinoPac Holdings invited the famous singer Hsieh, Ming-Yu and the Puncar Band to perform "Your Concert" for grandparents to bring them back to the days of their youth. Volunteers of SinoPac Holdings also accompanied the elderly onsite and expressed their gratitude to the elderly who had devoted their youth to build a solid foundation for Taiwan's prosperity.



■ Vice President of Bank SinoPac, Tseng, Cheng-Min (pictured left), expressed his gratitude to the elderly attendees in "Your Concert".



■ The famous singer Hsieh, Ming-Yu sang in "Your Concert" to thank the elderly for their contributions to Taiwan's socioeconomic development.



## Dream Come True Programs

The charity vans were routed to charity groups and rural schools that have received long-term sponsorship from SinoPac Holdings with hopes to make their dreams come true. SinoPac Holdings' care for Shanmei Elementary School in Alishan Township, Chiayi County began in the aftermath of Typhoon Morakot disaster. Staffs of SinoPac Holdings and its subsidiaries formed a team of SinoPac volunteers after the typhoon to clear the campus that was ravaged by the mudslide and help children back to school smoothly. SinoPac Holdings learned about the wishes of schoolchildren at Shanmei Elementary School and established the "SinoPac Holdings Dream Come True Program" which not only rebuilt the library for Shanmei Elementary School, but also sponsored children's book and craftsmanship learning channels. On October 4, 2018, the charity vans were transformed into story vans and they were routed to Shanmei Elementary School to provide rural children with books that they have long waited for. Volunteers of SinoPac for the Typhoon Morakot disaster then returned to the campus for joyful activities with schoolchildren. They told the children stories and enjoyed the fun of reading together. The event left the most beautiful images for SinoPac Holdings' heartfelt support for the past nine years.



■ The charity vans delivered books to Shanmei Elementary School; volunteers' interactions with the children



## Customer Care

Bank SinoPac assisted the introduction of the Smart Wholesale Market Transaction Facilitation Platform for Sanchong Agricultural Products Market and brought convenience as well as safe and thoughtful financial services to underwriters that are busy in the early hours of the morning. The Platform also improved the operating efficiency of the agricultural wholesale market. On September 12, 2018, the charity vans were routed to Sanchong Agricultural Products Market for a thanksgiving breakfast event - "It's Great to Have You: Bank SinoPac Thanks You" and invited underwriters of the agricultural wholesale market to enjoy breakfast together. Bank SinoPac also participated in Sanchong agricultural wholesale market's Wednesday Cherish Fruits and Vegetables Donation event. The three charity vans transported full loads of fruits and vegetables to the Ren-Ai Senior Citizens' Home in Wanli District, New Taipei City to provide a feast for disadvantaged elderly people in the community for Mid-Autumn Festival.

■ The famous singer Hsieh, Ming-Yu sang in "Your Concert" to thank the elderly for their contributions to Taiwan's socioeconomic development.

## Givers Gain- Feedbacks from SinoPac Volunteers

The "Heart-for-Taiwan" Round-the-Island Charity Projects not only helped SinoPac Holdings contribute to the environment and communities, but also helped employees of SinoPac Holdings learn a lot.



### Lin, Hui-Na

Administration Division of Bank SinoPac

When SinoPac Holdings called for volunteers, it received encouragement and support from many of employees including Lin, Hui-Na (hereinafter referred to as Hui-Na) of the Administration Division of Bank SinoPac. Hui-Na is full of energy and has always been dedicated to public affairs. She likes the vitality injected into an organization by the "activities". In the three "Your Concert" events featuring Hsieh, Ming-Yu and charity events at Shanmei Elementary School, Hui-Na served as a volunteer and exerted her expertise to liven up the events and bring those who participating in the events a good time together. Hui-Na stated: "Volunteer activities bring positive energy and vitality to people."



■ Hui-Na (front) participated in the "Your Concert" event in Qieding District, Kaohsiung and did her best to liven up the events.



### Wu, Ming-Che

Integrated Marketing Department of Channel Business Division of SinoPac Securities

Wu, Ming-Che (hereinafter referred to as Ming-Che) often participates in volunteer activities during his free time. He also served as the host of charity bazaars. Ming-Che stated that volunteer activities of SinoPac Holdings and external volunteer activities are very different. Although the intentions are pretty much the same, charity activities organized by SinoPac Holdings are more "festive" because he knows the participants well. When speaking about Hsieh, Ming-Yu's "Your Concert" event in Tainan, Ming-Che was initially worried about getting the elderly from Qigu, Tainan, a rural region, to the concert. The event unexpectedly attracted many elderly and they cheered and sang along with Hsieh, Ming-Yu. Ming-Che expressed his heartfelt affirmation for SinoPac Holdings' contributions to local communities and he believes in the value of letting SinoPac Holdings' volunteers accompany the elderly who had paid contributed greatly for Taiwan's economy when they listen to their songs.



■ Ming-Che (far right) participated in the beach clearing activity at the Sunset Platform in Tainan



### Tsao, Ching-Tsung

Fixed Income Department of SinoPac Securities and Investment Trust

Tsao, Ching-Tsung (hereinafter referred to as Ching-Tsung) works at SinoPac Securities and Investment Trust. He had participated in multiple activities organized by SinoPac Securities and Investment Trust and provided care to rural children in Eastern Taiwan. He participated in the events in 2018 and headed into Hualien and Taitung along with the charity vans. Ching-Tsung stated: "I continue to participate in charity services of SinoPac Securities and Investment Trust and I know these children very well." He believes in the importance of "continuous" actions for caring for remote regions and praised how the charity vans bring joy to charity events. Ching-Tsung stated: "The resources invested by SinoPac Holdings have made the events more influential and I am very happy to see children benefit from such activities."



■ Ching-Tsung (front) has served as a volunteer of SinoPac Investment Trust for many years

## Outlook

The implantation of the "Heart-for-Taiwan" Round-the-Island Charity Projects had brought 20 public charity festivals being held, over 600 SinoPac employees and more than 1,000 relatives and customers volunteered for the project. The Project benefited more than 4,000 people and cleaned up more than 7 metric tons of debris at 5 major beaches in Taiwan. After the charity vans completed the tour around the island, the participating SinoPac volunteer team, family members, and customers continued to show interest in the event. The SinoPac volunteer team shall continue the charity events around the island in 2019 to fulfill corporate social responsibilities.

## 5.4 SinoPac Story: Keeping the Face to the Sunshine



### Origins of the Project

For SinoPac Holdings, social involvement means not only financial assistance but also constant care and long-term solutions. SinoPac Holdings has helped the victims of the dust explosion at the Formosa Fun Coast rehabilitate and return to work, and converted its core competencies into valuable resources to help the victims in hopes of maximizing its corporate social value.

### Help Physical and Mental Recovery of Victims

In June 2015, SinoPac Holdings' subsidiary, Bank SinoPac, donated NT\$10 million to New Taipei City's "Formosa Fun Coast Dust Explosion Support Project". Victims who or whose family members held mortgage or credit loans with Bank SinoPac were provided with a loan grace period of up to three years. To provide victims with a positive and good recovery environment, SinoPac Holdings donated NT\$120,000 to the Sunshine Social Welfare Foundation's "New Taipei Rehabilitation Center" for the purchase of household appliances such as rice cookers, washing machines, induction cookers, and hair dryers.

SinoPac Holdings understood the family members of the victims were worried about the future of their children, so after providing immediate disaster aids, it pledged to provide victims with stable job opportunities after their recovery under certain conditions.

### Help Victims Start Businesses and Expand Influence

SinoPac Holdings worked with the Sunshine Social Welfare Foundation ("Sunshine Foundation" hereafter) to launch the "Employment Support Program" for the victims of the dust explosion at the Formosa Fun Coast in January 2017. More than 50 victims out of those who have received assistance from the Sunshine Foundation participated in the program.

As many victims considered online business as their choice of career development, SinoPac Holdings launched the "Start-up Support Program". In April 2017, We organized seminars in Taipei and Taichung

and shared SinoPac Holdings' concepts for "Fun Cashier" services such as mobile payment and digital financing to help victims acquire the necessary knowledge for starting online businesses. We drew a total of 44 victims to attend the seminars.

### Provide a Financial Career Platform for Victims

To help victims of the dust explosion at the Formosa Fun Coast who intended to pursue a career in the financial industry, SinoPac Holdings organized the "Financial Industry Employment Support Program Seminar" in July 2017. A total of 8 victims took part in the events and learned from SinoPac Holdings' employees about the work contents of various positions and future career development in the financial industry. Several participants had expressed high levels of interest in joining SinoPac Holdings and we provided them with one-on-one assistance to pave the way for their returning to work. Two participants in the Program have joined SinoPac Holdings.

### From Formosa Fun Coast Victims to Face Equality

SinoPac Holdings hopes to extend the valuable experience in helping Formosa Fun Coast victims to more victims in need of resources. We therefore continued to work with the Sunshine Foundation to help people with facial scars and promote the concept of face equality to the general public.

In response to the ideals of face equality and help the general public understand and respect victims of severe burns and facial disfigurement, SinoPac Holdings sponsored the Sunshine Foundation in organizing the "2018 Face Equality Taipei Expressway Marathon" which attracted more than 8,000 participants. Many victims of burns suffered cramp in both legs and some lacked pores for sweating due to burned skin and were required to take showers at water stations to cool down in order to complete the race. Some facial disfigurement victims ran with their feeding tubes and completed the race by walking rapidly despite their exhaustion. We invited people to sign their support for face equality and obtained more than one thousand signatures. SinoPac Holdings will continue to support the Face Equality Taipei Expressway Marathon and promotion activities in 2019 to let more people support the concept of face equality.



### From Sunshine Foundation to Social Enterprises

SinoPac Holdings supports the "Idle Field Conversion Project" established by Sunshine Foundation to improve facial disfigurement issues and the "Sunvis Center" established to resolve the issue of the aging population.

The "Idle Field Conversion Project" aims to resolve the issue of oral cancer in Taiwan. As per the statistics reported by the Ministry of Health and Welfare, there are more than seven thousand patients in Taiwan suffering from oral cancer each year. Nearly three thousand people die of oral cancer each year and chewing betel nuts has always been the main cause of oral cancer. After providing services to more than six thousand families that suffered cancer due to betel nuts, the Sunshine Foundation began to promote the conversion of betel nut farms to camellia tree farms and actively lobbied farmers to cut down betel nut trees and plant camellia trees which provide both economic benefits and soil protection functions. The Foundation tried to reduce the area dedicated to planting betel nuts and the supply of betel nuts in order to reduce occurrences of oral cancer. Sunshine Foundation also purchases tea seed oil from farmers to guarantee their income. SinoPac Holdings supports Sunshine Foundation's ideals. In addition to encouraging employees to participate in the purchase of tea seed oil, we also invested corporate resources on purchasing tea seed oil as gifts in annual thanksgiving parties organized for corporate clients. In addition to purchases of tea seed oil to support the Idle Field Conversion Project, we also promote the ideals of Sunshine Foundation to more company owners through our network.

The "Sunvis Center" began as a solution for the dysfunctions brought forth by the aging population. We hope to let the elderly recover their life goals, vitality, and confidence. The Center provides professional rehabilitation and treatment teams to help the elderly in muscle training and provides rich catering and abundant tour activities for the elderly to maintain physical fitness and vitality and enrich their life in retirement. SinoPac Holdings supports the ideals for overturning aging and invited the "Sunvis Center" to organize three sessions of health seminars for employees and one session for customers. The topics included physical exercises within confined spaces and muscle training for the elderly. We hope to convey the idea of flipping aging to seniors at home and improve the health of family members.



■ Removed betel nut farms and planted camellia trees



■ Tea seed oil made from Taiwanese tea seeds which were planted and harvested with the assistance of Sunshine Foundation



■ By promoting the correct exercise concept to achieve the goal of overturning age and enhancing the quality of life.

# 06



## SinoPac Environment

Material Topics	
Energy and Resource Management	Supply Chain Management



### ISO 14064-1

Implemented ISO 14064-1 Greenhouse Gas standard and passed third-party verification.



### ISO 14001

Implemented ISO 14001 Environmental Management System and passed third-party verification.



### Supplier CSR Code of Conduct

Established the "Supplier CSR Code of Conduct" and 50.6% of the suppliers signed the Supplier CSR Letter of Undertaking.



58%

Implemented supplier sustainability risk management and conducted sustainability impact analysis on 224 suppliers with a coverage rate of 58%.



1,600 Participants

Organized 10 sessions of environmental education for 1,600 participants.



### Corporate Green Procurement Enterprise Award

Received the "2018 Corporate Green Procurement Enterprise Award" from Taipei City Government (Bank SinoPac).



## 6.1 Green Operations

### 6.1.1 Environmental Policy

The "Environmental Protection" task force under the "Sustainable Development Committee" of SinoPac Holdings oversees the implementation of related environmental sustainability policies and action plans of SinoPac Holdings and its subsidiaries. It is responsible for implementing related environment and energy management system, improving supplier management policies, establishing sustainable supply chain action plans, promoting environmental training, and improving employees' environmental awareness. The main achievements in 2018 included the formulation of the Environmental Policy and the Environmental Management System Objectives and Measures which are adopted for compliance of SinoPac Holdings and its subsidiaries. The main building of the headquarter also implemented the ISO 14001 Environmental Management System and ISO 14064-1 Greenhouse Gas standard for the first time and obtained third-party verification and validation. It also initiated a series of employee environmental education seminars and organized 10 training sessions for approximately 1,600 participants. The contents included international standards for climate change, international ESG development trends, environmental management, and greenhouse gas management. SinoPac Holdings fulfills its commitment to the environment from inside the company to contribute to a better life.



SinoPac Holdings 2018 Green Operations Targets and Results

2018 Targets	Action Plan	2018 Performance	Achievements	2019 Targets
<b>Sustainable Supply Chain Management</b> Reach 30% recovery rate of the critical supplier environmental management self-assessment questionnaires	Manage human rights and environmental risks in the supply chain	The recovery rate was 51.6% (Note 1)	Target achieved	<ul style="list-style-type: none"> <li>Expand the assessment categories of the questionnaire from environmental management to sustainability management. Implement the "Supplier CSR Self-Assessment Questionnaire", perform ESG due diligence on suppliers and organize the supplier conference in 2019.</li> </ul>
<b>Greenhouse Gas Inventory</b> Complete the ISO 14064-1 greenhouse gas inventory and obtain third-party verification as the basis for future reduction plans	Introduce a greenhouse gas management system for Zhonglun Building	Completed the ISO 14064-1 Greenhouse Gas Inventory for Zhonglun Building and passed third-party verification	Target achieved	<ul style="list-style-type: none"> <li>Expand the scope of inventory and verification. In addition to Zhonglun Building, add a building owned by Bank SinoPac (Chengzhong Building) and plan for the full introduction to seven buildings owned by SinoPac Holdings, Bank SinoPac, and SinoPac Securities before 2025 to increase the coverage rate to 40% (Note 2)</li> </ul>
<b>Water Resources Management</b> Restrict the increase in the average water consumption per person under 2% from the same period last year (second half of the year)	Install water-saving taps and reduce water pressure	The average water consumption per person was 13.8 tons which was a 4% reduction from the previous year.	Target achieved	<ul style="list-style-type: none"> <li>Continue to maintain the average water consumption per person</li> </ul>
<b>Energy Management</b> Reduce electricity consumption by 1% from the previous year	Establish an analysis system for compiling data on electricity consumption and air-conditioning facilities for each floor as the basis for the introduction of the energy management system	Initiated preparation operations for the introduction of the energy management system	Target achieved	<ul style="list-style-type: none"> <li>Establish an energy baseline and install electric meters to record electricity consumption on each floor to analyze improvements and achieve the goal of reducing electricity consumption by 1%.</li> <li>Reduce at least 5% of electricity consumption cumulatively in seven buildings owned by SinoPac Holdings, Bank SinoPac, and SinoPac Securities before 2025 from the baseline established in 2018</li> <li>Implement the ISO 50001 environmental management system for Zhonglun Building and increase the coverage rate to 16% (Note 3) before 2020 to include two buildings owned by SinoPac Holdings</li> </ul>

Note 1: Among the 155 major suppliers in 2017, 80 environmental management self-assessment questionnaires were recovered.

Note 2: The ISO 14064-1 Greenhouse Gas Inventory coverage rate is calculated as dividing the number of employees in the 7 buildings by the total number of employees. Flexible variations in the number of people in the buildings were retained for the estimation.

Note 3: The ISO 50001 Energy Management System coverage rate is calculated as dividing the number of employees in Zhonglun and Chengzhong Buildings by the total number of employees.

### 6.1.2 Energy and Resource Management

In response to climate change and sustainable development trends, SinoPac Holdings and its subsidiaries promoted energy saving and carbon emissions reduction measures, greenhouse gas inventory, resource recycling and reuse, and water conservation management in the office to reduce the impact of its operations on the environment.

#### Greenhouse Gas Management

SinoPac Holdings implemented greenhouse gas standard in 2018 to obtain information on total greenhouse gas emissions of SinoPac Holdings and its subsidiaries to facilitate effective management in the future and set carbon emission reduction targets. Scope 1 of greenhouse gas emissions in 2018 only included the gasoline and diesel emissions from official vehicles and it was calculated based on the number of liters in actual use recorded on the CPC Gas Card. Scope 2 was calculated based on the electricity fee used to deduce the electricity consumption and calculate carbon emissions. Greenhouse gas inventory was completed for SinoPac Holdings' Zhonglun Building and Bank SinoPac's Chengzhong Building in 2018. The greenhouse gas inventory used the GWP values from the Fourth Assessment Report of the IPCC published in 2007. The coverage rate was 16.2%. SinoPac Holdings will expand the scope of the inventory in the future and set 2018 as the baseline year for greenhouse gas management.

Unit: Metric tons CO<sub>2</sub>/year

Greenhouse Gas Emissions (Note 1)	2016	2017	2018
Scope 1	238.24	221.70	218.71
Scope 2	22,835.05	21,840.15	22,029.81
Scope 1 + Scope 2	23,073.29	22,061.85	22,248.52
Scope 1 + Scope 2 Emissions Intensity (tons CO <sub>2</sub> e/person)	2.90	2.65	2.85
Scope Description	Self-estimates of the data from SinoPac Holdings and six main subsidiaries (Note 2)	SinoPac Holdings' Zhonglun Building adopted ISO 14064 and the third-party verification concluded an inventory of emissions in Scope 1 + Scope 2 of 1,624.76. The other data are self-estimates (Note 3).	Third-party verification concluded an inventory of emissions in Scope 1 + Scope 2 of 2972.45 for SinoPac Holdings' Zhonglun Building and Bank SinoPac's building (Chengzhong Building). The other data are self-estimates (Note 4).

Note 1: SinoPac Holdings energy consumption consists mainly of electricity. Other energy consumption account for smaller portions and only the emissions from gasoline consumed by official vehicles are calculated were 0.530, 0.554, and 0.554 KgCO<sub>2</sub>e/kWh, respectively.

Note 2: To monitor overall carbon emissions trends of SinoPac Holdings, the gasoline and diesel consumption on the CPC Gas Cards and electric bills were used again in 2018 to estimate the Scope 1 and Scope 2 emissions statistics in 2016. The business locations of SinoPac Holdings and main subsidiaries (Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, SinoPac Venture Capital, and SinoPac Call Center) were included into the scope of calculation. The scope was expanded and therefore the statistics disclosed in the report this year differed from those disclosed in the previous year.

Note 3: To monitor overall carbon emissions trends of SinoPac Holdings, the gasoline and diesel consumption on the CPC Gas Cards and electric bills were used again in 2018 to estimate the Scope 1 and Scope 2 emissions statistics in 2017. The business locations of SinoPac Holdings and main subsidiaries (Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, SinoPac Venture Capital, and SinoPac Call Center) were included into the scope of calculation. The scope was expanded and SinoPac Holdings introduced ISO 14064 verification for carbon emissions data for the first time. Therefore, the statistics disclosed in the report this year differed from those disclosed in the previous year.

Note 4: To monitor overall carbon emissions trends of SinoPac Holdings, the gasoline and diesel consumption on the CPC Gas Cards and electric bills were used again in 2018 to estimate the Scope 1 and Scope 2 emissions statistics in 2018. The business locations of SinoPac Holdings and main subsidiaries (Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, SinoPac Venture Capital, and SinoPac Call Center) were included into the scope of calculation. The scope was expanded and SinoPac Holdings expanded ISO 14064 verification for carbon emissions data to include SinoPac Holdings' Zhonglun Building and a building owned by Bank SinoPac (Chengzhong Building).

ISO 14064 Implementation Scope	2016	2017	2018
Coverage Rate (Note 1)	0%	5.72%	16.2%
Coverage	None (only self-estimated inventory)	SinoPac Holdings Zhonglun Building	SinoPac Holdings' Zhonglun Building and Bank SinoPac's building (Chengzhong Building)

Note 1: The calculation of the coverage rate is based on the number of employees in the building where external inventory is adopted / number of employees in SinoPac Holdings

SinoPac Holdings commenced independent inventory of Scope 3 in 2018 and started by conducting an inventory of the carbon emissions from employees' business travel. The scope will be expanded in the future to include major sources of emissions from Scope 3. Based on the total mileage of business travel by all employees of SinoPac Holdings, the total mileage was 4,111,572 kilometer and total carbon emissions amounted to 4,100.58 tons in 2018. The scope included SinoPac Holdings and three main subsidiaries (Bank SinoPac, SinoPac Securities, and SinoPac Securities Investment Trust). The carbon emissions from plane travel was calculated based on the carbon emissions factor of the Environment Agency of the United Kingdom (URL: [https://www.epa.gov/sites/production/files/2015-12/documents/emission-factors\\_nov\\_2015.pdf](https://www.epa.gov/sites/production/files/2015-12/documents/emission-factors_nov_2015.pdf)).



## Energy Management

SinoPac Holdings copes with national energy policies and sets a goal for reducing annual electricity consumption by 1%. It also actively promotes energy conservation measures in offices. The energy consumption and carbon emissions have continued to rise in the past three years due to the increase in the number of employees and equipment in the buildings of SinoPac Holdings' headquarter and Bank SinoPac which caused increase in electricity consumption. SinoPac Holdings shall continue to develop energy conservation measures and the ISO 50001 Energy Management System is expected to be implemented in 2019 to actively manage energy efficiency.

Energy Consumption				
Item	Unit	2016	2017	2018
Gasoline and diesel of official vehicles	Liter	105,270	97,964	96,636
Electricity (Note 1)	Electricity consumption (thousand kWh)	43,085	39,423	39,765
Electricity consumption per capita	thousand kWh/person	5.42	4.96	5.09
Coverage	Self-estimates for SinoPac Holdings and tier 1 subsidiaries (Note 2)	SinoPac Holdings' Zhonglun Building adopted ISO 14064 and was verified by third-party (totaling 2,595 thousand kWh); the other data are self-estimates (Note 3).	Third-party verification concluded an inventory of emissions (totaling 4,985 thousand kWh) for SinoPac Holdings' Zhonglun Building and Bank SinoPac's building (Chengzhong Building); the other data are self-estimates.	

Note 1: The energy consumption is based on the payment amount on the electricity bills. The adopted unit price was NT\$3.69/kWh.

Note 2: To monitor overall power consumption trends of SinoPac Holdings, the electric bills were used again in 2018 to estimate energy consumption in 2016. The business locations of SinoPac Holdings and main subsidiaries (Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, SinoPac Venture Capital, and SinoPac Call Center) were included into the scope of calculation. The scope was expanded and therefore the statistics disclosed in the report this year differed from those disclosed in the previous year.

Note 3: To monitor overall power consumption trends of SinoPac Holdings, the electric bills were used again in 2018 to estimate energy consumption in 2017. The business locations of SinoPac Holdings and main subsidiaries (Bank SinoPac, SinoPac Securities, SinoPac Securities Investment Trust, SinoPac Leasing, SinoPac Venture Capital, and SinoPac Call Center) were included into the scope of calculation. The scope was expanded and SinoPac Holdings implemented ISO 14064 verification for carbon emissions data for the first time. Therefore, the statistics disclosed in the report this year differed from the statistics of CSR report in the previous year.

## Energy Conservation and Carbon Reduction Measures and Performance

Energy Conservation and Carbon Reduction Measures	Performance in 2018	
	Item	Scope (coverage)
Promotion of office environmental protection and energy conservation guidelines	<ul style="list-style-type: none"> <li>Continued to promote energy usage concepts, started from behavior and took every little step for energy conservation.</li> <li>Required employees to set themselves as examples and encouraged employees to apply for electronic statements.</li> <li>Encouraged employees to use the Paperless Meeting System for meetings to reduce the use of paper.</li> <li>Requested employees to wear short-sleeved clothes to improve the efficiency of air-conditioning.</li> <li>Added the "Environmental Protection and Energy Conservation Section" in the "SinoPac Cloud" of the internal website and used interactive discussions to share information.</li> </ul>	
Replacement of obsolete power-consuming equipment	<ul style="list-style-type: none"> <li>Optimized the machinery and equipment in all buildings and replaced lighting and air-conditioning equipment that consume higher amounts of electricity with the LED lighting equipment and UPS including the replacement of 5 old UPS systems with 3 high-performance UPS systems in Zhonglun Building as well as the replacement of 456 sets of lighting equipment with LED lamps in the Chengzhong Building. Based on the actual wattage saved multiplied by the number of hours of electricity consumption, 80 thousand and 19 thousand kWh of electricity could be saved each year, equivalent to a reduction of 54.85 tons of carbon emissions.</li> <li>Full replacement of bottled water with energy-saving electric-heating water dispensers at own buildings.</li> <li>Provided only partial elevator services during off-peak hours.</li> </ul>	

## Results of the Paperless Operation

Category	Strategy	Effectiveness
Inside the Company	Use Lync communication software and the Paperless Meeting System for meetings	<ul style="list-style-type: none"> <li>Reduced the use of paper for meetings.</li> <li>Reduced the commuting time for employees and increased work efficiency.</li> <li>Reduced carbon emissions.</li> <li>Approximately 3,841 meetings were convened with Lync in 2018 and approximately 61,336 participants connected via Lync.</li> </ul>
Products	Promote electronic and digital services	<ul style="list-style-type: none"> <li>Bank SinoPac, SinoPac Securities, SinoPac Call Center, and SinoPac Securities Investment Trust launched paperless services including the promotion of the e-statement service, the online application services for credit cards and personal loans, the reservation services that replace filling out forms over the counter and save customers' waiting time in branches and the online payment services that reduced mail deliveries and allowed customers to make payments at home. These altogether saved 95.22 million pieces of paper and reduced carbon emissions by approximately 685.59 tons of CO<sub>2</sub>e.</li> <li>Bank SinoPac promoted a total of 20,075,841 cases of electronic statements for credit cards, online credit card applications, online loan applications, online loan drawdowns, and digital platform services. Approximately 40.26 million pieces of paper were saved.</li> <li>SinoPac Securities launched paperless services such as e-statements, online account opening, and electronic trading and saved approximately 54.84 million pieces of paper.</li> <li>SinoPac Securities Investment Trust launched e-statements and the online trading platform and saved approximately 47,000 pieces of paper.</li> <li>SinoPac Call Center launched IVR services and saved approximately 70,000 pieces of paper.</li> </ul>
Operating Procedures	Effectively reduce paper usage and the cost of mailing or delivery of paper statements	<ul style="list-style-type: none"> <li>Integrated statements of multiple products for delivery.</li> <li>Gradually replaced service notifications with digital files in emails.</li> <li>Continued to promote various digital services: reduced the paper required for physical statements, mailed PDF files for foreign exchange receipts, reduced the use of paper, and implemented paperless account openings at the counter.</li> </ul>

## Waste Management

The waste produced by SinoPac Holdings and its subsidiaries consists mainly of paper and domestic waste. They are recycled by qualified contractors and complied with internal regulations. The waste paper is disposed in accordance with document/digital data destruction procedures and security and confidentiality principles are met to prevent leaks of customer information. As there were no actual mechanisms for weighing waste in the past, the actual weight of waste produced in the Jianbei Building of Bank SinoPac over one week was used to calculate the domestic waste produced by the building in 2018, totaling approximately 14.26 tons (based on 0.057 tons per day and 247 working days in 2018). In 2019, SinoPac Holdings shall adopt the actual weight for the total waste produced in buildings owned by SinoPac Holdings and its subsidiaries.

2018 Waste Treatment		
Item	Scope (coverage)	2018
Domestic Waste	Bank SinoPac's Jianbei Building	14.26 tons
Paper Waste	Bank SinoPac's Jianbei Building	3.63 tons

## Water Resources Management

The total water consumption of SinoPac Holdings and its six main subsidiaries has increased in the past two years. However, the adoption of water-saving taps and water pressure reduction have lowered water consumption per capita by 4% in SinoPac Holdings' Zhonglun Building. SinoPac Holdings will continue to implement related water conservation measures in 2019.

Water Consumption in the Most Recent Three Years (2016 to 2018)				
Item	Unit	2016	2017	2018
Water Consumption Volume	tonne	215,028	216,792	218,574
Water Consumption Intensity	tonne/person	27.03	27.25	27.99
Scope Description				Self-estimates of the data from SinoPac Holdings and six main subsidiaries

Note 1: The water consumption is based on the payment amount on the water bills. The adopted unit price was NT\$14.81/tonne.

Note 2: The baseline number of employees used for the calculation of water consumption intensity of 2016, 2017, and 2018 is 7,956, 7,955, and 7,810 respectively.

## 6.2 Sustainable Supply Chain Management

Among SinoPac Holdings' 387 suppliers, 108 were considered as key suppliers in which SinoPac Holdings' procurement exceeded NT\$2 million in 2018. They mainly include suppliers of construction services, computer information services, office supply, property management and security, printed materials, and advertisement and marketing.



### 6.2.1 Progress and Results of the Sustainable Supply Chain Management

SinoPac Holdings launched a sustainable supply chain management plan in 2018. Integrating its CSR standards, SinoPac Holdings developed a Supplier Corporate Social Responsibility Code of Conduct with four dimensions: labor rights, occupational safety and health, environmental protection, and business ethics. SinoPac Holdings and its subsidiaries urged their suppliers to fulfill their social responsibility by the same standards. In the first quarter of 2019, SinoPac Holdings conducted a sustainability risk assessment for 224 suppliers and the coverage rate was 58%. The suppliers accounted for 65.48% of total purchases in 2018. The supplier sustainability assessment will aid SinoPac Holdings in identifying, classifying, and managing major risks in the supply chain in the future. SinoPac Holdings is planning to conduct a due diligence investigation on its key suppliers in 2019, including site visits and information sharing meetings regarding ESG-related managing methods and findings. A supplier conference will be held at the end of 2019 to discuss its policies with suppliers and discuss sustainability knowledge as it relates to the global supply chain. At the conference, suppliers can share their practical experience and discuss possible collaborations.

### Suppliers' Sustainability Commitment

In 2016, SinoPac Holdings started signing Human Rights and Environmental Sustainability Letters with major suppliers. In 2018, to promote sustainability supply chains, the scope of the letter was expanded to include the four major aspects of the Supplier Corporate Social Responsibility Code of Conduct. All suppliers were request to sign the Supplier Corporate Social Responsibility Commitment, and commit to respecting labor human rights, prohibiting discrimination and child labor, and promoting safety and health. Also included are environmental protection, procurement of eco-friendly products, business ethics, and integrity management. The goals of the letter were to boost the economy, maintain a balance between society and environment, and pursue sustainability. Up to 50.6% of the suppliers signed the letter in 2018. SinoPac Holdings aims to increase the percentage to 60% by the end of 2019.

### Suppliers' Sustainability Assessment

SinoPac Holdings implements supervision on suppliers in accordance with the "Procurement Management Guidelines" and the "Supplier Corporate Social Responsibility Code of Conduct". It regularly assesses suppliers' financial status, professional construction quality or the production environment, specifications and quality of equipment, timeliness and quality of suppliers, and capacity for integrating upstream and downstream manufacturers each year. SinoPac Holdings also conducts onsite audits of suppliers from time to time and build lasting partnerships with suppliers that perform well; suppliers in violation of the Guidelines or the Code of Conduct may be disqualified as suppliers. The implementation of the sustainable supply chain management and suppliers' CSR self-assessments in 2018 were used to identify the sustainability risks of suppliers and SinoPac Holdings has conducted sustainability risk assessment for 224 suppliers. In 2019, SinoPac Holdings will continue to integrate sustainability due diligence investigations and use sustainability risk identification results to implement tiered management. SinoPac Holdings will communicate and assist suppliers with high sustainability risks and provide good suppliers with rewards. Training and onsite visits will be adopted to enhance the sustainable management capabilities of suppliers.

**SinoPac Holdings Supplier Corporate Social Responsibility Code of Conduct**  
SinoPac Holdings official website > CSR > CSR Achievement > Environmental Protection > SPH Supplier CSR Code of Conduct



### 6.2.2 Local and Green Procurement Policy and Quantitative Results

SinoPac Holdings and its subsidiaries have established management and control mechanisms for the purchase request, procurement, delivery control, and acceptance of the products provided from external suppliers to the applications and acceptance of internal applicant units in accordance with the internal "Procurement Management Guidelines". The requests are filed to the supervisors for approval in accordance with the hierarchical delegation of responsibilities.

In 2018, the total procurement amount of SinoPac Holdings and its subsidiaries amounted to NT\$1.863 billion, of which 97.7% or NT\$1.821 billion was local procurement, while green procurement accounted for 5.1%, or NT\$96 million. The main purchase included eco-friendly equipment, green building materials, and products with carbon footprint certifications. In 2018, Bank SinoPac was once again awarded "2018 Corporate Green Procurement Excellence Award" by the Taipei City Government Environmental Protection Bureau for purchasing eco-friendly products, and adopted FSC-certified paper for the 2018 SinoPac Holdings shareholders' meeting handbook and 2019 new year gifts (notebooks). SinoPac Holdings supported green procurement and products with environmental protection certification through real actions.

	2016	2017	2018
<b>Local Procurement Amount (NT\$)</b>	1,678,059,218	1,528,752,191	1,820,776,879
<b>Local Procurement Ratio (NT\$)</b>	78%	77.6%	97.7%
<b>Green Procurement Amount (NT\$)</b>	20,140,000	25,150,000	95,535,818
<b>Green Procurement Ratio (NT\$)</b>	0.93%	1.28%	5.1%

Note: The green procurement amount in 2016 and 2017 only included Bank SinoPac; the amount in 2018 included Bank SinoPac, SinoPac Securities, SinoPac Leasing, and SinoPac Venture Capital.

## APPENDIX

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## ASSURANCE STATEMENT

### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SINOPAC HOLDINGS CO., LTD.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2018

#### 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 2018 (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 2018 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 2018.

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) at a moderate level of scrutiny; and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

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 20121, ISO 50001, SA8000, RBA, 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 2018 verified is accurate, reliable and provides a fair and balanced representation of SinoPac sustainability activities in 01/01/2018 to 12/31/2018.

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 its commitment to stakeholder inclusivity and stakeholder engagement. Engagement efforts such as survey and communication to employees, customers, investors, governmental authorities, media, communities, and NGOs are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, SinoPac may consider directly engaging with its stakeholders to enhance stakeholders' participations in decisions that will improve sustainability performance.

##### Materiality

SinoPac has established effective processes for determining issues that are material to the business. Governance procedures were reviewed and facilitated to ensure issues that are material to stakeholders are continuously monitored 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 CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, SinoPac's CSR Report of 2018, is adequately in line with the GRI Standards in accordance with Core Option. The material topics 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 topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. SinoPac has determined ESG performance indicators that reflect legal requirements and social norms. For future reporting, it is recommended to have more descriptions of SinoPac's goals and targets of each material topic and how efforts were contributed to achieve stakeholders' expectations.

##### Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang  
Senior Director  
Taipei, Taiwan  
10 June, 2019  
[WWW.SGS.COM](http://WWW.SGS.COM)



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