

## 01

Corporate  
Governance

## Material Topics in this Chapter

201 Economic Performance

205 Anti-Corruption

## Why It's Material to Sinyi

We have consistently believed that if we can uphold our corporate social responsibility, then profits will follow naturally, and that economic performance will bring corresponding results. Therefore, no matter how the objective external environment changes, integrity, ethics, and the active implementation of corporate social responsibility will remain the company's core values. We put integrity management into action in all aspects of the company's operations and manage any risks of corruption or unethical behavior. The Board of Directors, selected at Sinyi Realty's shareholder meetings, is responsible for supervising the execution of the company's various operations to protect the long-term interests of shareholders and safeguard the interests of all stakeholders, including staff, customers, suppliers, the environment, and society.

## HIGHLIGHTS

## TOP 5%

Fourth TWSE Corporate  
Governance Evaluations  
Top 5% of listed companies

2018 World's  
Most Ethical  
Companies

Female Managers

## NO. 1

CommonWealth Maga-  
zine CW 2000 Compa-  
nies Survey  
First Place, Top 50 in  
Operating Performance

Transparency and  
Integrity Award

2017 Taiwan Corporate  
Sustainability Awards  
(TCSA)

## MANAGEMENT APPROACH 103-1 103-2 103-3 SDG8

### Core Targets and Vision

Sustainability Principle / Corporate Governance = What Should be Done

Trustfulness, righteousness, and ethicality are at the core of Sinyi Realty's operations. "Righteousness" is appropriateness of thought and action" and "integrity" is valuing one's commitments and keeping one's word." So "Sinyi" does mean "a man/woman does what to do and keep his/her word". As such, ethical behavior is deeply implanted in Sinyi's business philosophy and reinforces our development goals at every stage. Internally, this creates a focus on talent cultivation and development to foster an outstanding team. Externally, we will not only continue to build the influence of the Sinyi brand and pursue stable expansion of our overseas operations, but also strive to make use of new business models to address the challenges of rapidly developing online and digital technologies, further expanding the scope of the group's operations.

### Performance Highlights in 2017

#### Optimizing Corporate Governance Practices

##### Establishing a Nomination Committee

Honing our corporate governance team

##### Top 5% of Listed Companies

Received the best rating available in the Taiwan Stock Exchange's Corporate Governance Evaluation for the fourth consecutive year

#### Risk Management and Internal Controls

##### Honing Risk Management and Internal Controls in 2017

**92** items  
Risk Identification

**100%**  
Implementing management responses  
in accordance with risks identified

##### Information Security Performance in 2017

**0** Incidents  
of successful attempts to  
compromise our systems

**0.147%**  
critical host system failure rate

**0.010%**  
critical online system failure rate



### Corresponding to the Sustainable Development Goals (SDGs)

 In-depth reporting: page 24 SDGs

Sinyi supports the SDGs. These SDGs in particular are relevant to our work on Corporate Governance :



**SDG4**  
Quality Education



**SDG8**  
Decent Work and Economic Growth



**SDG13**  
Climate Action

# Optimizing Corporate Governance Practices

103-1

103-2

103-3

## Material Topics

201 Economic Performance

## Meaning to Sinyi

Regardless how the objective external environment may change, integrity, ethics, and the active implementation of corporate social responsibility have been and will always be core values of this company. We will work to deepen our corporate culture of integrity and ethics and embed it into the hearts and minds of every member of our staff. This has become the biggest driving force in our ongoing improvement. Throughout the years, we have insisted on doing what should be done, and as such, we engage in appropriate behaviors with all stakeholders, build reasonable relationships, and fulfill our commitments.

## Our Commitments

We adhere to a business philosophy of “good faith to the very end,” implementing integrity management in all aspects of our operations and constantly working to optimize corporate governance. In this way, we ensure that the long-term interests of our shareholders, staff, customers, and suppliers, along with the environment and society, are protected.

### 2017 Goals

## Top 5%

Listed Company Corporate Governance Evaluations Ranking

### Established a Subsidiary in Malaysia

Expanding International Presence

### Refined Board of Directors' Operations

### What We Achieved

## Top 5%

Target Achieved

Listed Company Corporate Governance Evaluations Ranking

### Establish a subsidiary in Malaysia Established service location in Kuala Lumpur

Target Achieved

### Establishing a Nomination Committee

Target Achieved

### How We're Doing It

#### Responsibility

Total Ethical Management Committee - Corporate Governance Group

#### Resources

2015: 14,759,609

2016: 14,805,745

2017: 14,923,859

Funds Invested in Corporate Governance

#### Grievance Mechanisms

Stakeholder Engagement section

#### Evaluation Mechanisms

Corporate Governance Evaluations

### Specific Actions

#### Sustainable Governance

Our long-term sustainable development direction is built around the mission laid out by chairman Chun-chi Chou at the company's founding. Every year, the chairman sets out an overall strategy based on sustainable management and adjusted to fit with the interests of a variety of stakeholders. Corporate Vision 2025: “Be the leading brand in the residential lifestyle industry.” Working with the chairman and the group's general manager, the Total Ethical Management Committee (TEM) has worked to transform this vision into three-year and annual plans, with short-term goals and direction set out. These are then reviewed regularly to see if goals have been achieved. The Total Ethical Management Committee, Sinyi Realty's highest unit for the handling of sustainability matters, is convened and chaired by the chairman of the Board of Directors, with the members drawn from senior management, including the general manager, the chiefs of staff, the VP of sales, and senior departmental managers. The committee meets once a month and whenever otherwise convened, discussing material issues. In 2017, the committee met a total of 27 times to coordinate the company's CSR and sustainable development direction and set relevant goals.

#### Refining the Board of Directors' Operations

Sinyi Realty has independent directors account for over half the Board, a level rarely seen in the industry. The members of the Board are professional and dedicated, and work with functional committees to help further develop the leadership and operations of the company.

1. Ahead of major Board motions, communications with the independent directors are arranged to ensure said directors understand sufficiently.
2. Each year, visits to major subsidiaries are arranged for independent directors in order to strengthen their understanding of the company's operations and collect their suggestions and recommendations.
3. Arrangements are made for independent directors to communicate with accountants and auditing units.

To improve the functionality of the Board of Directors and reinforce management mechanisms, on October 27, 2017, Sinyi Realty's Board approved the establishment of a Nomination Committee, setting out the “Nomination Committee Organization Rules.” The members of this committee include five directors nominated by the Board, and over half of the committee—a total of four people—are to be independent directors. The committee will meet at least once a year, with good managers paying attention to the faithful performance of relevant duties and submitting recommendations to the Board of Directors for discussion.

#### Protecting Shareholders' Interests and Increasing Transparency

Sinyi spares no effort in working to safeguard the interests of our shareholders and improving transparency. In addition to disclosing important business information via the Market Observation Post System, we also maintain Chinese- and English-language versions of an investor-focused section of our official website, where we provide timely and important business information. We hold high expectations for the company with regard to letting external shareholders know the latest company information as soon as possible. Through announcements of shareholder meetings and publication of meeting handbooks, we give shareholders early access to information on relevant issues. We also announce quarterly and annual financial reports early and issued in both Chinese and English as close to simultaneously as possible. In addition, important information is published in a bilingual Chinese and English format. We strive to improve transparency in all aspects of our operations, enabling shareholders prompt access to important information in order to protect their interests.

## 2017 Highlights

In 2017, the company's Board of Directors and functional committees were subject to performance evaluations by the consultancy services department of KPMG Certified Public Accountants, which were completed in January 2018 and the results reported to the Board. The evaluations were conducted through a combination of questionnaires, information analysis, and interviews. The performance of the Board was reviewed in terms of nine aspects, including effectiveness of Board structure, professional development, communication with stakeholders, and creation of corporate culture. The performances of the Audit Committee and the Remuneration Committee were looked at in terms of seven and six major aspects respectively.

### Nine Major Aspects of Board Performance Evaluation

#### Questionnaires

Filled out by all Board members, consisted of self-assessments of Board effectiveness and member effectiveness.

#### Information Analysis

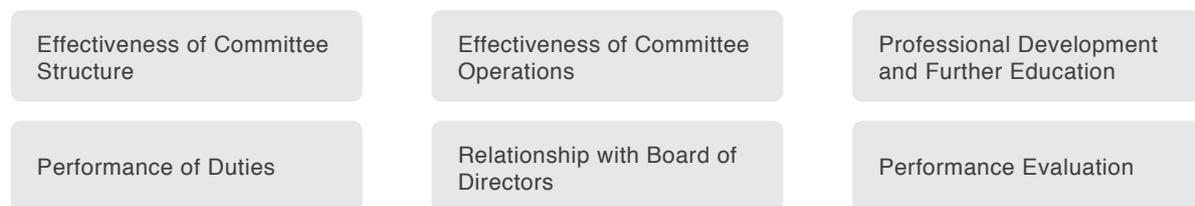
After collection of information provided by the company and public information collected by the assessment team, said information was reviewed and analyzed

#### Interviews

The assessment team conducted one-on-one interviews with directors by to further understand their views and suggestions regarding the Board and its members.



### Six Major Aspects of Remuneration Committee Performance Evaluation



### Seven Major Aspects of Audit Committee Performance Evaluation



## SINYI'S SUSTAINABILITY VISION AND CORE PHILOSOPHY

The company chairmanship is currently held by Mr. Chou Chun-chi. Each year, with an eye to sustainable management, the chairman sets out a grand strategy for the coordination of the various interests of our stakeholders, while the TEM is tasked with providing crucial guidance on the various particulars of sustainable management. [102-23](#) [102-32](#)

The long-term sustainable development direction of this company, as set down by chairman Chou at the company's founding, is not only to be communicated through the vision of the leadership, but also to grow and evolve with the times. Corporate [Vision 2025: "Be the leading brand in the residential lifestyle industry."](#) Working with the chairman and the group's general manager, the TEM Committee, drawn from senior management, has worked to transform this vision into three-year and annual plans, with short-term goals and direction set out. These are then reviewed regularly to see if goals have been achieved. This vision is as laid out in the graphic to the right. [102-26](#)

## CORE PHILOSOPHY Trustfulness, Righteousness, and Ethics

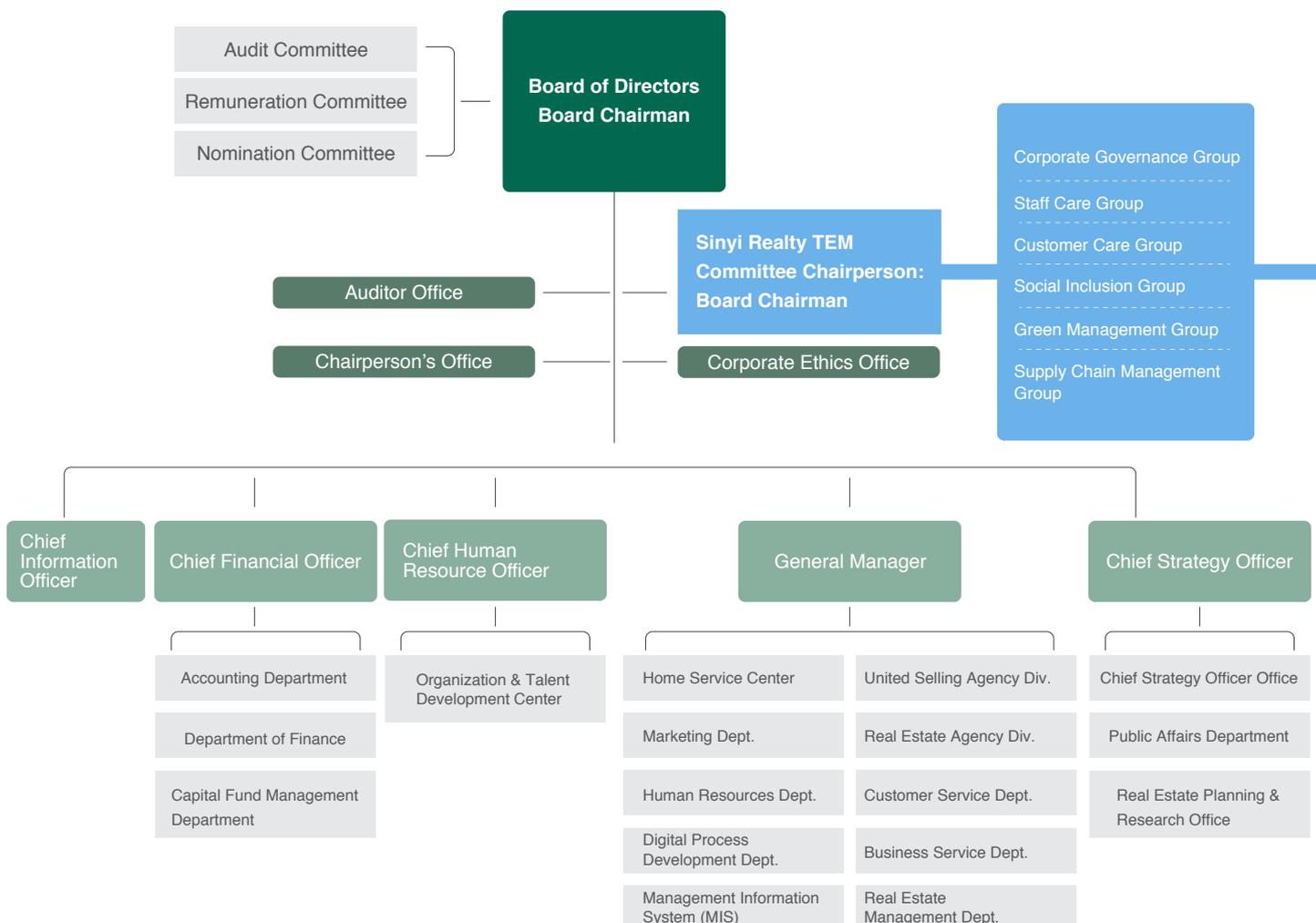
Company founder Chun-chi Chou has decided on three core values for the business, drawn from Confucian thought: trustfulness, righteousness, and ethics. "Righteousness(Yi)" is appropriateness of thought and action and "trustfulness (Sin)" is valuing one's commitments and keeping one's word, and as such, the foundation of Sinyi (the name drawn from the Chinese for the two concepts) is that of doing what should be done and keeping one's word. Ethics, meanwhile, is about acting in a way appropriate to the interests of each of our stakeholders, establishing good relations with them and realizing the concept of corporate social responsibility. Put simply, it is, again, doing what should be done and keeping our word to them. Ethical action is the only true way to both minimize expenses and increase efficiency and competitiveness.

## SUSTAINABLE GOVERNANCE STRUCTURE AND PROCEDURES [102-22](#)

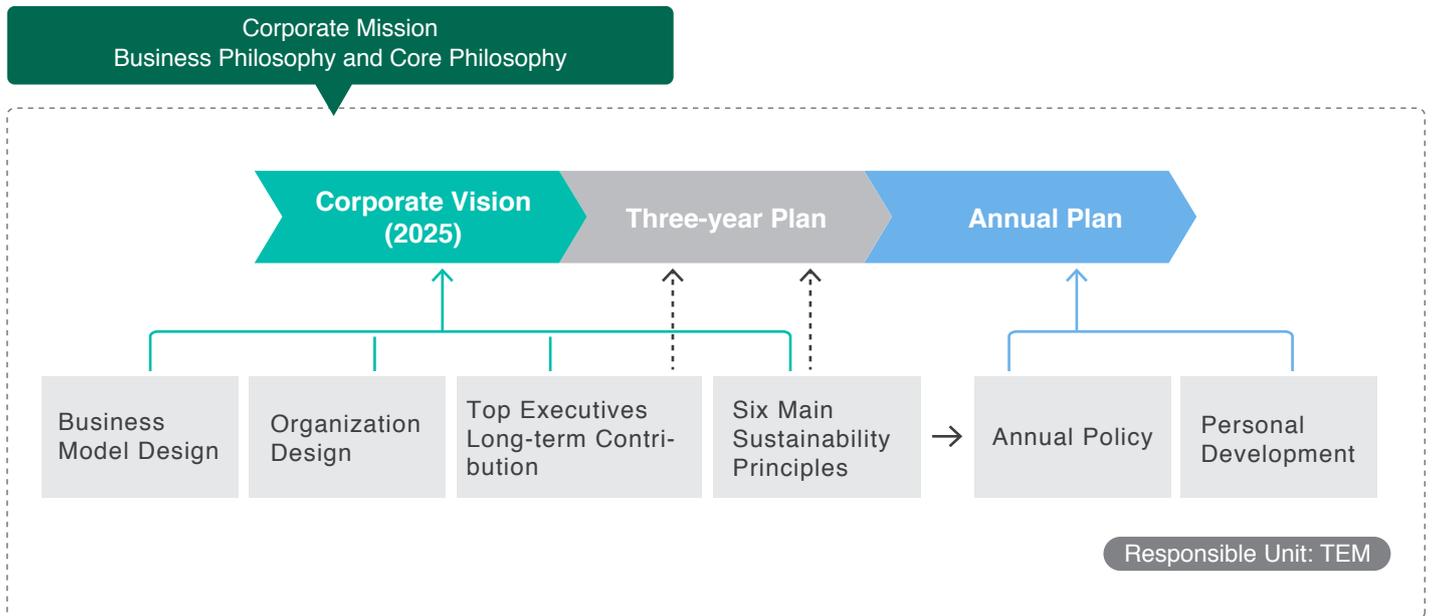
The company views our shareholders as our highest authority, with all business carried out under the management and supervision of the Board of Directors, itself under the leadership of the chairman. At present, the company has no CEO position, with general business planning and interdepartmental coordination undertaken by the general manager in line with market conditions and competition. The chairmanship and general manager position are not held by the same person in Sinyi, nor is the general manager a member of the Board.

## Sinyi Realty's Governance Structure [102-18](#)

v.12/31/2017



## SINYI'S SUSTAINABILITY VISION AND CORE PHILOSOPHY



For more information on Sinyi's Six Main Sustainability Principles, please refer to "From the Chairman" section.

### Total Ethical Management Committee (TEM): Promoting Sustainable Business and Issuing Reports

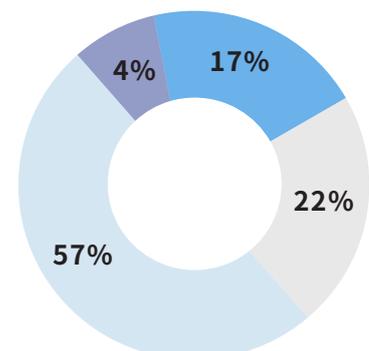
The Total Ethical Management Committee is convened and chaired by the chairman of the Board of Directors, with the members drawn from senior management, including the general manager, the chiefs of staff, the VP of sales, and senior departmental managers. **The committee meets once a month and whenever otherwise convened, discussing material issues. In 2017, the committee met a total of 27 times.** Its goal is primarily to coordinate and regularly review the company's CSR and sustainable development goals, performance, and progress, with different groups addressing different topics and holding their own meetings or projects. In addition, the committee leads in resolving issues of corporate ethics in departments, implementing any necessary transformations of procedures.

#### Function and Authority:

1. Coordinate company's CSR and sustainable development direction and set relevant goals
2. Report to the Board on Environmental, Social and Governance (ESG) performance and future strategic goals at the end of each month.
3. Responsible for collecting and collating stakeholder views and identifying/managing ESG impacts, risks, and opportunities.
4. Hold quarterly ESG performance and goal fulfillment reviews.
5. Compile CSR report and provide it to the Board for review and issuance.
6. Assist in dialogs with stakeholders
7. Core of group sustainable development

### Proportion of Time Spent on Discussion of Topics by TEM in 2017

- Customers
- Colleagues
- Governance
- Community, Environment and Supply Chain



## BOARD OF DIRECTORS 102-18

### Sustainability Assessment and Management 102-18 102-19 102-20 102-29

Through multiple regular and irregular meetings over the course of the year, the Board of Directors entrusts the chairman to distribute responsibility for economic, environmental, and social issues relating to corporate governance to relevant units. **The general manager is responsible for economic performance issues and the TEM for the promotion of ESG issues and supply chain management, with regular and irregular progress reports made to the Board and the chairman as the materiality of the issues requires.** Relevant decisions shall then be incorporated into the minutes of the meetings, with further follow-up to be reported to the Board at its next meeting.

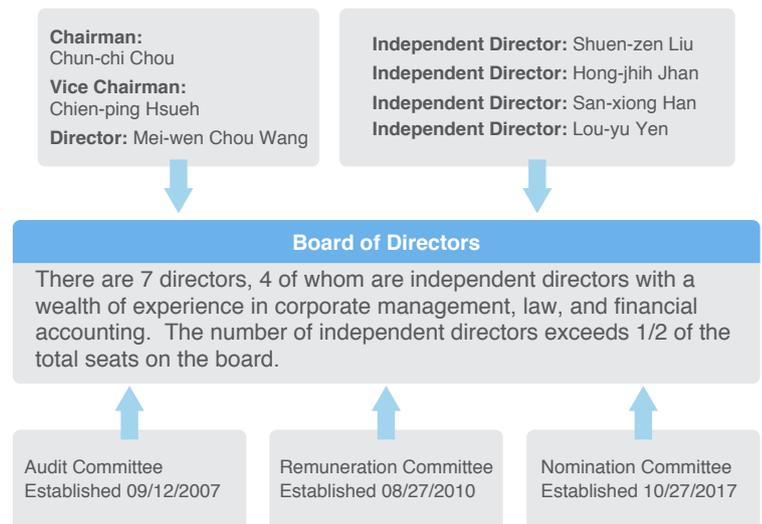
102-25 102-33 102-34 Sinyi Realty convenes meetings of the Board of Directors at least once every two months. In 2017, in order to review business performance and discuss important strategic issues, including economic, environmental, and social impacts, risks, and opportunities, the Board communicated 11 times. After meetings have decided the appropriate unit to be tasked with handling the issue at hand, a follow-up report on progress made is presented to the Board at the next meeting. The Secretarial Unit of the Board provides information and reports on motions to each member of the Board for review ahead of meetings to facilitate understanding of whether said motions touch on stakeholder interests and to remind those involved to recuse themselves where appropriate. **The Group's CSO reported to the Board on the company's CSR situation in December 2017, reporting on the implementation of the company's CSR with regard to all stakeholders in 2017 and putting forward a plan for 2018.**

 For more information on director recusals regarding motions, please refer to Sinyi Realty's 2017 Annual Report, p. 35 <http://img.sinyi.com.tw/u/file/2018/05/2566c8bf123f130a87b5eebb08d6a464.pdf>

## BOARD STRUCTURE AND MECHANISMS

On May 20, 2016, the company undertook an election all seven seats of the Board, three of which are ordinary directors and four of which are independent directors. In addition to the various directors having their own particular specialties, over half of the board being independent directors further ensures that proceedings are objective and independent. The 12th Board of Directors is composed as follows: Functional working committees including the Audit Committee and the Remuneration Committee take on decision-making responsibility for economic, environmental, and social impact issues. Major issues, prior to being reported to the Board, also undergo prior review and checking in order to further strengthen the quality of the decisions made by the Board.

 For more information and a list of the directors of the company's 12th Board, please refer to the Board of Directors page of Sinyi's Corporate Sustainability Website. <http://csr.sinyi.com.tw/en/governance/board-of-directors.php>



102-21 In addition, stakeholders may communicate through internal or external channels with the Board of Directors or responsible units as pertains to their considerations of economic, environmental, and social issues. To this end, we have drafted the Rules for Comments and Complaints to the Audit Committee by Stakeholders, with any issues reported to relevant units by stakeholders then followed up on and reported to the Board as appropriate to their materiality.

 For more information, please see the [Stakeholder Engagement](#) portion of the Material Issues Management section

## Director Training 102-27 SDG4

In order to boost directors' professional capabilities, the company organizes courses on economic, environmental, and social issues relevant to our operations. In addition, we have joined the Taiwan Corporate Governance Association's Association of Directors and Supervisors, using the TCGA's publications and courses to gather relevant knowledge. The company also regularly issues announcements to independent directors on revenues and other industry information, as well as occasional notices on economic, environmental, and social issues pertaining to the company in order to help ensure our independent directors are up-to-date. Additionally, self-evaluations of independent directors are gathered annually to reinforce the content of the company's reports. For the training of the company's directors, independent directors are asked first, in line with annual development, how we can work with them in line with the annual strategy to deploy platform development and strategy-related courses.

 For more information on directors' education and training, please refer to <http://csr.sinyi.com.tw/en/governance/board-of-directors.php>

## PERFORMANCE AND REMUNERATION

### Performance Evaluations of the Board of Directors and Functional Committees 102-28

Since 2012, Sinyi Realty has conducted annual performance evaluations of the Board of Directors. After fully evaluating the directors with a focus on aspects including Board and functional committee operations and culture, internal and external relationships, and their own self-evaluations, the Board Affairs Unit conducts a statistical analysis and reports back to the Board at a board meeting on their findings and areas for improvement. In 2015, the company set out the Guidelines for Board of Directors Performance Evaluations, not only setting out the requirement for self-evaluations to be conducted at least annually, but also for independent third-party performance evaluations of the Board to be undertaken at least once every three years. These guidelines have also been disclosed on the company's Investor Relations webpage.

 For more information, please refer to [http://www.sinyi.com.tw/info/i\\_1\\_2\\_directors\\_EN.php](http://www.sinyi.com.tw/info/i_1_2_directors_EN.php)

### Remuneration Mechanism for Board of Directors 102-35

Outside of the independent directors, of the members of the Board of Directors, with the exception of Chien-ping Hsueh who concurrently serves as a senior manager and as such receives a salary in such role (\*), no other directors receive remuneration from the company. With regard to the remuneration of independent directors, this is done in accordance with Article 16 of the company charter, which states that "the company's independent directors shall draw remuneration of a level standard for listed companies with regard to their level of participation and value of contribution to the company's operations; the value of such remuneration is to be authorized by the Board of Directors." As such, independent directors receive a set salary. Additionally, in accordance with Article 20 of the charter, director's salaries are variable, as not more than 1% of annual profits shall be set aside for their remuneration. Beyond the above, directors do not participate in other remuneration plans, nor do they have other retirement or benefits systems, severance pay, or recall mechanism. In 2017, our disclosure of individual remuneration of directors in our annual report exceeded legal requirements.

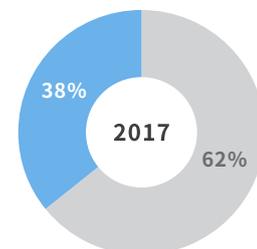
Note: Currently served as Chief Executive of Platform Business.

 For more information on directors' remuneration and a remuneration chart, please see the attached. [p.88-89](#)

### Compensation and Sustainability Performance Relationships 102-35

Senior management is divided into sales and support. In order to encourage senior management to pursue corporate performance goals and profit targets while also considering the company's long-term competitiveness and sustainable development, the Board of Directors and the Remuneration Committee passed the Guidelines for Remunerative Rewards for Senior Management. In addition to their **fixed salaries**, senior sales managers are also eligible for performance bonuses calculated based on performance indicators. **And to encourage them to work toward sustainable corporate development, not only are senior managers rewarded for their short-term performance, we also place an even greater emphasis on their long-term contribution of value through things such as cultivation of talent, improvement of service quality, refinement of procedures, and exercise of corporate social responsibility, receiving bonuses as laid out in the guidelines for their contributions.** For such bonuses to be approved, senior management must provide a "Long-term Value Contribution Plan" report to the Board of Directors, covering aims and accomplishments; interaction regarding this report will help the Board members get a deeper understanding of the operating strategy employed by the manager, their particular skill set, and the results of their implementations of strategies, facilitating effective feedback and accomplishing the goal of cultivating leaders.

#### Percentages of Salaries of Senior Management (Vice Presidents and Higher)



 : Fixed Salary (Monthly)

 : Variable Compensation  
(Incl. Long-term Contribution of Value Bonuses)

### Protecting Shareholders' Equity and Increasing Transparency

#### Focusing on Shareholder Equity

The primary principles of sound corporate governance mechanisms are the protection of shareholders' interests and the fair and equal treatment of all shareholders. Protecting the interests of our shareholders has always been one of the company's greatest concerns, and while the company's equity is relatively concentrated, in addition to maintaining close contact with major shareholders, we spare no effort in protecting the interests of shareholders as well. The rights that our shareholders enjoy include:

-  The right make proposals at and convene provisional shareholder meetings
-  The right to nominate directors and veto Board decisions
-  Rights of share disposition and application
-  The right to knowledge of the company's situation

#### Disclosure of Information Beyond Legal Requirements

**Quarterly Reports Completed within 30 days**  
( legal requirement 45 )

**Annual Reports Completed within 2 months**  
(legal requirement 3)

**Stockholder meetings held by end of May**  
(legal requirement end of June)

**Disclosure of directors' individual salaries**  
(legal requirement pay grade only)

 For more information on the 10 major shareholders, please see Sinyi Realty's 2017 annual report, p. 66 <http://img.sinyi.com.tw/u/file/2018/05/2566c8bf123f130a87b5eebb08d6a464.pdf>

## Risk Management and Internal Controls

103-1

103-2

103-3

201-2

### Material Topics

201 Economic Performance

205 Anti-corruption

### Meaning to Sinyi

Staff at all levels of the company play an important part in risk management. Every one of them may be faced with risks, and by strengthening communication with customers, suppliers, and other stakeholders, when such risks arise, we can put in place appropriate response actions. To this end, we provide stakeholders with a consultation mechanism, put in place processes for the management of risk, and work to minimize operating risk and protect Sinyi Realty's operational sustainability.

### Our Commitments

We are committed to ethics and integrity, and as such we work to maintain effective risk management mechanisms and risk information management systems. We are always improving these and creating a culture of optimal risk management to minimize the costs should risks occur and boost the overall value of Sinyi Realty's sustainable operations.

#### 2017 Goals

Implementation and Promotion of Sinyi Group Code of Conduct

Improving Customer Privacy Protection

Actively solving issues through complaints channels

#### Evaluation Results

# 100%

Target Achieved

Twice a year, we carry out communications training; 100% have signed on

# 8

Target Achieved

Complaints of infringement of customer privacy, all fully resolved

# 789

Target Achieved

789 complaints were sent through the complaints channel, all of which were fully resolved, with relevant policies adjusted in response to the issues.

#### How We're Doing It

##### Responsibility

Total Ethical Management Committee - Corporate Governance Group

##### Resources

2015: 14,759,609

2016: 14,805,745

2017: 14,923,859

Funds Invested in Corporate Governance

##### Grievance Mechanisms

Stakeholder Engagement section

##### Evaluation Mechanisms

Corporate Governance Evaluations

## 2018 WORLD'S MOST ETHICAL COMPANIES

First Taiwanese Company to be so Honored in 12 Years

2018 WORLD'S MOST ETHICAL COMPANIES<sup>TM</sup>  
WWW.ETHISPHERE.COM

#### Specific Actions

##### Ethics and Integrity 102-16 205-2

In order to put our ethical behavior and integrity management into action, and in line with the company's sustainable development goals, we have established the "Sinyi Realty Co., Ltd. Integrity Management Guidelines," "Code of Practice for Corporate Social Responsibility for Sinyi Realty Co., Ltd." and "Sinyi Group Code of Conduct," regularly promoting these among staff. To eliminate corruption, we have set out the "Guidelines for Reporting and Handling Illegal, Unethical, or Dishonest Behaviors" and provide both internal and external complaint channels, aiming to facilitate prompt response and solutions to anything brought up by stakeholders.

##### Refining Risk Control Operations 102-11 102-15 102-29 102-30 102-31

In 2017, with reference to opinions from external experts and taking into consideration internal implementation, the unit responsible for risk management will implement deeper risk management in a systematic manner and in coordination with annual planning operations. From identification of risks by the responsible unit to analysis of risk impacts and planning improved risk handling, this unit will continue to conduct reviews and refinements of the company's internal risk control processes.

##### Internal Controls and Auditing 205-1

To assist the Board and management in inspecting and reviewing failures in internal control mechanisms and evaluating their effectiveness and efficiency, and to provide timely recommendations for improvement, verification of internal control mechanisms must serve as a basis for the ongoing implementation of improvements and revisions to said mechanisms. Any irregularities or failures found in these mechanisms by the company will be listed as important elements for performance assessment under their respective departments.

## IMPLEMENTING INTERNAL CONTROL SYSTEMS 201-2

