

Corporate Governance Status and Deviations from the Corporate Governance Best-Practice Principles for Financial Holding Companies

Items of Evaluation	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	Summaries	
<p>1. Shareholding structure and shareholders' rights within the financial holding company</p> <p>(1) Has the financial holding company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?</p>	✓		<p>(1) The Company has an “Investor Relations Policy,” a “Shareholder Suggestion, Query, Dispute and Litigation Resolution Policy,” an Investor Relations Department and a Board Affairs Department available to handle shareholders' suggestions, queries and disputes.</p> <p>Shareholders' rights to attend, nominate, propose, vote and complain during shareholder meetings have been clearly outlined in the Company's “Rules Governing the Procedures for Shareholders Meetings,” “The Procedures for the Election of Directors,” “Director Candidate Nomination and Shareholder Motion Proposal Rules” and in relevant laws.</p>	No deviation was found
<p>(2) Is the financial holding company constantly informed of the identities of its major shareholders and the ultimate controller?</p>	✓		<p>(2) The Company makes monthly reports of shareholding by individual parties and aggregate related parties, and is therefore constantly informed of the identities of its major shareholders and the ultimate controller.</p>	No deviation was found
<p>(3) Has the financial holding company established and implemented risk management and firewalls on companies it is affiliated with?</p>	✓		<p>(3) The Company has a Risk Management Committee assembled directly under the Chairman to monitor execution of risk management policies by the Company and its subsidiaries. The Company has robust risk management policies and management guidelines in place, and has an independent risk management unit responsible for monitoring risks within the group. The Company has implemented “Fubon Financial Holdings and Subsidiaries Stakeholders Transaction Guidelines” and “Fubon Financial</p>	No deviation was found

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			<p>Holdings and Subsidiaries Stakeholders Transaction Policy” in accordance with Articles 44 and 45 of the Financial Holding Company Act to ensure consistent treatment of stakeholder transactions across the financial holding company and subsidiaries. Furthermore, the Company has also established “Fubon Holding and Subsidiaries Firewall Management Policy” that governs firewalls for various activities such as use of information, sharing of resource, business transactions, and use of capital.</p>	
<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) Apart from the Remuneration Committee and Audit Committee, has the financial holding company assembled other functional committees at its own discretion?</p>	✓		<p>(1) In addition to the “Audit Committee” and “Remuneration Committee,” the Company has also assembled a “Corporate Governance and Sustainability Committee” directly under the Board of Directors to support its management. Purposes of the “Corporate Governance and Sustainability Committee” are to: assist the Board of Directors in nominating, verifying and recruiting director candidates; make recommendations that enhance the board's functions and management; and enforce corporate social responsibility and sustainability actions in ways that enable the Board of Directors to fulfill its duties to the Company, the employees, the shareholders and stakeholders. An ESG Task Force was assembled under the “Corporate Governance and Sustainability Committee” to execute tasks relating to sustainable operations.</p> <p>The ESG Task Force is divided into 6 team of different</p>	No deviation was found

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(2) Does the financial holding company conduct regular assessments regarding the independence of its independent auditors?	✓		<p>specialization including corporate governance, employee care, responsible finance, customers engagement, social commitment, and environmental sustainability.</p> <p>(2) The Company has “Guideline on Performance Review, Appointment and Remuneration of Independent Auditors” in place that requires independent auditors to be appointed once a year. Auditors' performance and independence are reviewed annually by the Audit Committee and Board of Directors; findings of this review are taken as reference for subsequent appointment.</p> <p>Independence of the 2018 financial statement auditors was reviewed by the Audit Committee and the Board of Directors on 2018.03.15 and 2018.3.22, respectively, during which a copy of CPA's personal background (including details of previous and current clients) and a “Declaration of independence” (and compliance to Norm of Professional Ethics for Certified Public Accountants No. 10) were required to be submitted for assessment. Below are the independence criteria used during assessment:</p> <ol style="list-style-type: none"> 1. There exists no material financial interest between the auditors and the Company as to affect the auditors' independence. 2. Auditors have not, in the most recent 2 years, served as directors or supervisors of the Company, or any other position that may materially affect the audit service. 3. There is no circumstance that the Company would defend the auditors' opinions or positions in any way that would 	No deviation was found

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			<p>affect their independence.</p> <p>4. Auditors and their auditing teams have not provided the Company non-audit services that may affect their independence.</p> <p>5. There is no other circumstance as set out in the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China that may affect the auditors' independence.</p>	
<p>3. Where the financial holding company is a TWSE/TPEX listed company, has the company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc.)?</p>	✓		<p>(1) The Board Affairs Department is the internal department responsible for corporate governance affairs. On 2019.3.21, the board of directors appointed Senior Vice President Ruby Yen, the head of department, to serve as the Corporate Governance Officer and oversee corporate governance affairs.</p> <p>1. Scope of authority/responsibility: The Board Affairs Department is responsible for handling matters relating to board meetings and shareholders meetings according to laws, commercial registration, overseeing equity ownership of major shareholders and insiders, assisting directors with duty, education, service, compliance and other corporate governance-related matters.</p> <p>2. Highlight of duties performed during the year: See Section 3.4 - Corporate Governance of this annual report for details.</p> <p>3. Education: The Corporate Governance Officer undergoes training on</p>	No deviation was found

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	✓		<p>legal, financial and professional practices on an ongoing basis. In 2018, the Corporate Governance Officer participated in various courses including FSC's New Corporate Governance Roadmap - Corporate Governance Personnel and Directors' "Responsibilities" and "Authority," and Taiwan Corporate Governance Association's Audit Committee Practices. The Company also assigned the Corporate Governance Officer to participate in corporate governance-related courses organized by the College of Law, National Chengchi University.</p> <p>(2) Progress made by the specialized corporate governance unit in 2018 have been reported during the Corporate Governance and Sustainability Committee meeting dated 2019.01.23 and the board of directors' meeting dated 2019.01.24:</p> <p>(1) Any major announcements made by the Company were notified immediately to the directors, thereby ensuring that all board members were kept up to date on the Company's latest news.</p> <p>(2) Board members were notified regularly of the latest regulations concerning the Company's operations and corporate governance.</p> <p>(3) The division organized tuition courses for board members for a minimum of 6 hours, and surveyed the market for suitable "Director, Supervisor and Key Staff Liabilities Insurance." All findings were reported to the board of directors.</p>	No deviation was found

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	✓		<p>(4) The division organized unscheduled meetings to facilitate communications between CPAs, independent directors and Chief Auditor/Accountant for the purpose of enforcing the internal audit/control system. Meeting proceedings were recorded in the minutes and reported to the board of directors.</p> <p>(5) Board meeting agenda were prepared and notified to all directors at least 7 days before a meeting and attendees were given relevant materials during meetings. Reminders were sent in advance for motions that involved conflict of interest, and minutes were produced within 20 days after each board meeting.</p> <p>(6) For sound corporate governance, the division arranged regular performance evaluation for the board and individual directors according to the Company's "Performance Evaluation Policy for the Board of Directors and its Functional Committees," including evaluation by external parties at least once every three years.</p> <p>(7) The division registered shareholder meeting details in compliance with laws, and produced meeting advices, conference manuals and minutes, updated amendments to Articles of Incorporation, and registered newly elected directors in a timely manner.</p> <p>(3) As a gesture of commitment to the duties of a corporate citizen and towards sustainability, the Company assembled an ESG Task Force under the Corporate Governance and</p>	No deviation was found

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	✓		<p>have been disclosed to facilitate timely reply to stakeholders' demands and queries.</p> <p>(4) The Company's website also provides “Independent Directors' Mailbox” as an alternative means of communication for all stakeholders. This mailbox is managed personally by the Audit Committee convener.</p>	No deviation was found
	✓		<p>(5) The Company uses a broad range of communication channels to learn employees' opinions and convey the Company's business philosophy and focus. This communication system ensures an inclusive, open and friendly workplace. The Company provides dedicated hotline, fax line and dedicated mailbox internally and “grievance mailbox” externally to gather stakeholders' opinions. All internal and external complaints are handled by dedicated personnel in the utmost confidentiality. All grievance channels are functioning properly.</p> <p>The Company has been engaging employees in a group agreement to maintain harmony within the workplace, and for which it was commended by the Ministry of Labor. 2018 marked the expiry of the 3-year group agreement, and Taipei Fubon Bank, Fubon Securities and Fubon Futures have begun negotiation with the respective unions to discuss contents of the new agreement, and use them as means to enforce labor-management communication.</p> <p>The Company engages senior managers in direct interactions from time to time to discuss about the Company's current state, future prospects, and employees' expectations and</p>	No deviation was found

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	✓		<p>opinions toward the organization.</p> <p>We have also designed an HR+ APP for employees and included an “Opinion Box” feature that employees may use to reflect opinions. This Opinion Box helps the Company understand and address the needs of its employees.</p> <p>(6) The Company complies with laws and announces material information over the Market Observation Post System. The same information is disclosed simultaneously on the Company's website, thereby keeping shareholders informed. The website also contains full contact information of the Company's share administration agency, which stakeholders may use to establish communication.</p>	No deviation was found
	✓		<p>(7) The Company has provided customers with means to raise complaints. In the event of a major complaint, the Company will communicate and coordinate across subsidiaries to make sure that customers' interests are protected in a professional and efficient manner.</p>	No deviation was found
	✓		<p>(8) The Company has a “Procurement Section” on its portal to disclose information such as “The latest procurement announcements,” “Supplier Corporate Social Responsibility Code of Conduct (in Chinese and English)” “Supplier Penalty, Discipline and Suspension Rules,” and application forms and notes for new suppliers. Contact information of personnel responsible for tenders and supplier reviews has also been disclosed on the website to facilitate proper communication.</p>	No deviation was found

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<p>5. Information disclosure</p> <p>(1) Has the financial holding company established a website that discloses financial, business, and corporate governance-related information?</p>	✓		(1) The Company has a public portal (available in Chinese and English) dedicated to disclosing financial/business information and activities that are relevant to investors' interests. Audited (auditor-reviewed) financial statements of the Company and subsidiaries are disclosed here on a quarterly basis. In addition, the portal has a Corporate Governance section that discloses the Company's corporate governance information and policies.	No deviation was found
<p>(2) Has the financial holding company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?</p>	✓		(2) The Company has created an English version of its portal, and ensures the consistency of information presented in Chinese and English. Materials of investor conferences are kept in Chinese and English as well as audio records. They have been made available on the Company's website and on web pages specified by Taiwan Stock Exchange Corporation (TWSE). After each monthly earnings announcement, the Company summarizes key points and uploads them onto its website. Should any queries arise, the Company would address the public through its spokesperson.	No deviation was found
<p>6. Does the financial holding company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation</p>	✓		(1) Integrity conduct of employees “Integrity, Sincerity, Professionalism, and Innovation” are the Company's core values. To promote employees' integrity awareness, the Company organized an “Integrity Code of Conduct” training for all employees in 2018, and required employees to sign commitments to integrity conduct, which covers a broad number of topics including anti-bribery, avoidance of conflicting interest, confidentiality, preventing	No deviation was found

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of customer policy, insuring against liabilities of company directors and supervisors, and donation to political parties, stakeholders and charity organizations)?			<p>damage to stakeholders' interest, establishment of honest commercial relationship, and reporting of misconducts. Training for Integrity Code of Conduct will be organized regularly to promote employees' integrity awareness in the future.</p> <p>Employee rights and care</p> <p>The Company has implemented robust employee welfare and leave systems, shareholding trust, emergency and compassionate relief to support employees' rights, health and safety and to create a caring and friendly workplace. Other care packages have also been introduced to address employees' physical and mental health, including:</p> <ol style="list-style-type: none"> 1. The four safety programs - Feminine Health Protection, Ergonomic Hazard Prevention, Anti-workplace Violation, and Stress-related Disease Prevention for total protection of employees' rights and safety. 2. Childbirth, childcare and wedding support policies that are more favorable than what the laws require, including: flexible attendance, discount daycare solution, group insurance without limited number of dependents, extended unpaid parental leave, prenatal screening leave, tocolysis leave, nursery room and wedding subsidy. It is our goal to provide feasible support to the needs of employees' families. 3. Healthy diner that offers bright, comfortable dining environment and serves top-quality, tasty and trail-certified food. 	

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			<p>4. Health check, seminar and hiring of professional nurses: To help employees monitor health and prevent against disease, the Company offers complimentary “regular health check” benefits that are more favorable (in terms of frequency and scope) than what the laws require. These health checks are organized in collaboration with several reputable medical institutions, so that employees can be informed of their health conditions early and make improvements to minimize or avoid chances of disease. The Company has also negotiated with medical institutions to expand this service arrangement to cover employees' dependents and retired employees, and to accept Fubon's group health check package. The Company organizes annual employee health checkups and arranges medical service based on checkup results; the Company also organizes health seminars and invites experts from various fields to share new medical knowledge and offer consultation service. The Company hires full-time nurses as required by law and hires physicians to perform regular inspection of employees' health and address employees' basic medical requirements. Subsidiaries Taipei Fubon Bank and Fubon Life both obtained Healthy Workplace certifications issued by the Health Promotion Administration.</p> <p>5. Complimentary stress relief and counseling: The Company hires visually impaired persons to provide massage service at office locations that have more employees. This service</p>	

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			<p>is offered both as an employee benefit and a means to promote health and relieve stress. Meanwhile, the Company works with “Teacher Chang Foundation” and “Taiwan Institute of Psychotherapy” to provide employees with complimentary mental counseling at its own expense.</p> <p>6. Health promotion programs: In addition to the regular activities of various clubs, Fubon has also been hosting intra-group Sports Day, Family Day and basketball tournaments as a means to promote unity and good exercise habits among employees. The Company continues to set up “express recreation centers” at office locations that are more populated with employees, so that employees may have somewhere close to perform exercises during breaks or after work. The recreation center offers complimentary facilities such as table tennis, hoop games, treadmills, and indoor cycling machines. It has adequate space to house yoga, aerobics and fitness programs, giving employees the opportunity to relax and relieve work stress.</p>	
	✓		<p>(2) Investor relations To ensure consistency and accuracy in all messages conveyed to the public, the Company has implemented a set of “Institutional Investor Relations Policy” that outlines clear rules regarding information disclosure, external communication, and proceeding of investor/analyst conferences.</p>	No deviation was found
	✓		<p>(3) Stakeholders' rights The Company has established a “Stakeholders Engagement”</p>	No deviation was found

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	✓		<p>section on its website to disclose information and practices regarding stakeholders' concerned issues. Stakeholders may raise whatever queries they have at any time using the means provided in the Stakeholders Engagement section. Please refer to "Fubon Financial Holdings 2018 Corporate Social Responsibility Report" for detailed practices.</p> <p>(4) Director' education</p> <p>Each year, the Company provides tuition for directors and supervisors of the financial holding company and subsidiaries. The content of tuition varies depending on the Company's prevailing operational and business focus, and covers corporate governance-related topics including finance, risk management, business, and corporate social responsibilities. To provide directors and supervisors with better understanding of competitive trends and advantages in the financial industry, the Company invited Executive Vice President Thomas Wan and Vice President Hsiao-Hsuen Liu of Deloitte Taiwan to host a seminar on "AML and CTF by Directors and Senior Managers" on 2018.09.11, and Director/President Niven Huang of KPMG Sustainability Consulting Co., Ltd. to deliver "Responsible Investment Trends of the International Banking Industry - 2018" on 2018.11.27. The Company also shares information about courses or conferences on topics such as ESG issues, compliance, financial reporting, risk management etc. that were being held outside the organizations as a means to encourage continuing education among directors. See</p>	No deviation was found

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	✓		<p>“Directors' education 2018” of this annual report for more details.</p> <p>(5) Risk management policies and risk assessment standards The Company has a robust Risk Management Policy in place to manage credit risks, market risks, operational risks, and liquidity risks. This policy has been followed consistently throughout all subsidiaries. The Company has set limits for the various types of risks based on the economic, banking and market environment and its operational goals. Both qualitative and quantitative methods have been adopted to measure, monitor, report and manage risks.</p>	No deviation was found
	✓		<p>(6) Protection of personal information The Company has assembled a Personal Information Protection Supervision Committee that specializes in supervising personal information management, and implementing proper policies to support its purpose. The committee adopts a “Plan - Execute - Check - Act” approach to develop the Company's personal information protection system, and the process involves creating internal rules such as “Fubon Financial Holding Co., Ltd. Personal Information Management Policies” and “Fubon Financial Holding Co., Ltd. Guidelines on Maintaining Personal Information File Security and Handling Information When Customer Relationships No Longer Exist.” The Company devises personal information protection plans in the beginning of each year, and carries them out throughout the year according to schedule.</p>	No deviation was found

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	✓		(7) Customer policy The Company has implemented “Financial Consumer Protection Policy” to ensure the consistency of financial consumer protection practices adopted throughout subsidiaries. All subsidiaries are bound to comply with financial consumer protection requirements imposed by their respective authorities, accept these requirements as part of their internal control and audit system, and carry out financial consumer protection measures properly.	No deviation was found
	✓		(8) Purchase of Liability Insurance for Directors and Supervisors In order to complement the existing corporate governance system and effectively reduce the level of legal and financial risks that directors, supervisors and key staff present to the Company while performing their duties, the Company has made arrangements to acquire “Director, Supervisor and Key Staff Liabilities Insurance” coverage on a yearly basis for all directors, supervisors and key staff within the group.	No deviation was found
	✓		(9) Donation to political parties, stakeholders, and non-profit organizations 1. Giving back to the society has not only become a part of the Company's philosophy, but is deeply etched into the Company's corporate culture. For many years, the Company has dedicated itself to fulfilling its commitments to shareholders, employees, customers, the environment, and the society, and responding to issues that are of highest concern to stakeholders. The Company makes annual donations to Fubon Charitable Foundation, Fubon Cultural	No deviation was found

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			<p>& Educational Foundation, Fubon Art Foundation and Taipei Fubon Bank Charity Foundation, thereby giving them the funding they need to organize different types of charity activities. These 4 organizations provide the foundation of an all-round charity platform. In addition, the Company encourages its employee to care for the socially disadvantaged as well as education, arts and culture for the better of the society. Fubon has been utilizing its expertise to provide financial education for the public in line with international trends, while at the same time develop products and services to address climate and social changes. By sponsoring sports events, we hope to convey our “Positive Energy.”</p> <p>2. The Company extends its compassion to victims of major disasters around the world, and hopes to ease their suffering by making donations to rescue efforts. Fubon also organizes post-disaster assistance programs to suit victims' needs; In February 2018, an earthquake of 6.0 on the Richter scale occurred in Hualien, to which the Company donated a sum of NT\$12 million as disaster relief. In August 2018, parts of southern Taiwan were flooded following a series of heavy rain, causing severe damage to agriculture, fishery and animal husbandry industries as well as residential homes, and the Company donated NT\$30 million to help residents of southern Taiwan recover from the disaster. Apart from making donations, the life insurance and non-life insurance</p>	

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	✓		<p>subsidaries had also been responsive in helping victims when the disaster occurred, and actively contributed expertise to bring security to the society. Overall, the Company and the 4 subsidiaries donated a sum of NT\$305,635,111 in 2018. The Company and its four subsidiaries made no donation to political party. Please refer to the “Donations” chapter of this annual report for details.</p> <p>(10) Anti-money laundering and counter terrorism financing Fubon Financial Holdings has implemented “Anti-money Laundering and Counter Terrorism Financing Policy,” “AML and CTF Plan,” “AML/CTF Customer List and Negative Media Sharing Policy” and “Country/Region/Occupation/ Industry/Product/Service/Customer Risk Assessment Policy” for enhanced ML/TF risk management. By promoting ML/TF risk awareness on a policy level and assigning dedicated units to AML/CTF, the Company enhances risk management performance of its subsidiaries.</p> <p>The abovementioned policies require the Company and subsidiaries to adopt a risk-based approach (RBA) toward AML/CTF risk management, perform institutional risk assessment (IRA) on a yearly basis, set risk appetite/limit, supervise AML/CTF efforts of subsidiaries and 2nd-tier subsidiaries, and share AML/CTF information while adopt consistent practices with members of the group. Subsidiaries are also required to design and implement measures such as “ongoing customer identity review, customer/counterparty</p>	No deviation was found

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			name check, ongoing account/transaction monitoring, reporting, record-keeping and confidentiality, new product/service risk assessment, eligibility requirement for AML/CTF officers and personnel, and related training programs” for compliance with the authority's rules.	
<p>7. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not required if the company is not one of the evaluated subjects)</p> <p>Since Taiwan Stock Exchange Corporation first began its corporate governance evaluation 5 times, the Company has been ranked among the top 5% of TWSE-listed companies 4 times, and continues to be selected as a composition of “TWSE Corporate Governance 100 Index” for four consecutive years. The Company participates in the Corporate Governance Evaluation organized by TWSE, and addresses shareholders' interests by introducing an electronic voting system and by providing detailed information and descriptions about the agenda to be discussed in shareholder meeting manuals. Fubon was also the first among its peers to actively involve shareholders in corporate governance by voting shareholder meeting agendas on a case-by-case basis. Information is constantly updated and disclosed to stakeholders in annual reports, among other means like website and appropriate avenues. The Company has been preparing English version of its annual reports and providing more detailed explanations to R&D plans and expenses since 2015. In addition, the Company has taken active steps to participate in international certification systems for environmental and energy management and develop robust dividend policy. Supply chain sustainability management was first introduced into the organization in 2016, and a set of “Supplier Corporate Social Responsibilities Code of Conduct” was established to outline suppliers' commitments and responsibilities toward environmental sustainability, whereas supply partners were invited to sign “Commitment of Supplier's Conduct.” In 2018, the Company organized its first “Supplier CSR Conference,” during which it published the latest supplier sustainability evaluation results and commended top performers as a way to collaborate with suppliers toward sustainability from economic, social and environmental aspects. All above efforts were intended to refine the Company's corporate governance practices in line with the rest of the world.</p>				