

# **Fubon Financial Holding Co., Ltd. Procedures for Ethical Management and the Guideline for Conduct**

Adopted by the Board of Directors on January 19, 2017

## **Article 1 (The purpose and the scope of application)**

Fubon Financial Holding Co., Ltd. (the “Company”) engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, the Procedures for Ethical Management and the Guideline for Conduct ( the “Procedure”) is enacted pursuant to the provisions of the Company’s Ethical Corporate Management Best Practice Principles and the applicable laws and regulations of the jurisdictions where the Company, its business groups and organizations operate, with a view to providing all personnel of the Company with clear directions when performing their duties.

The Procedure also applies to subsidiaries of the Company, any incorporated foundation in which the Company’s direct or indirect accumulated endowment exceeds 50 percent of the total funds of such foundation, and any other institution or juristic person which is a group enterprise or an organization substantially controlled by the Company.

## **Article 2 (Applicable subject)**

For the purposes of the Procedure, the term “personnel of the Company” means any director, supervisor, manager, employee, mandatory of the Company or of its group enterprises and organizations, or any person having substantial control over such entities.

Personnel of the Company using a third party to offer, promise, request, or accept any improper benefit will be presumed to be conducting such act by him or herself.

## **Article 3 (Unethical conduct)**

For the purposes of the Procedure, the term “unethical conduct” means that personnel of the Company, in the course of performing their duties, directly or indirectly offer, promise, request, or accept improper benefits or commit a breach of ethics, an unlawful act, or a breach of fiduciary duty for purposes of acquiring or maintaining benefits.

The counterparties of the unethical conduct referred to in the preceding paragraph include public officials, political candidates, political parties or their staff, government-owned or private-owned enterprises or institutions and their directors, supervisors, managers, employees, persons having substantial control over which, or other interested parties.

## **Article 4 (Types of benefits)**

For the purposes of the Procedure, the term “benefits” means any money, gratuity, gift, commission, position, service, preferential treatment, kickback, facilitating payment,

entertainment, dining, or any other item of value in whatever form or name.

#### **Article 5 (Responsible unit)**

The Corporate Governance and Sustainability Committee subordinated to the board of directors shall supervise the execution result of ethical management, and the corporate governance team of the ESG Task Force thereunder shall be responsible for the execution of ethical management. The responsibilities include the following and a periodical report shall be submitted to the board of directors:

1. assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations;
2. enacting the Procedure to prevent unethical conduct;
3. setting up check-and-balance mechanisms for mutual supervision of the business activities which are at a higher risk of unethical conduct within the business scope;
4. promoting and coordinating ethics policy awareness and education training;
5. planning a whistle-blowing system and ensuring its operating effectiveness; and
6. assisting the board of directors and management officers in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, periodically accessing the compliance results of related business flow, and accordingly preparing reports.

#### **Article 6 (Prohibition on offering or accepting improper benefits)**

Except under one of the following circumstances, personnel of the Company directly or indirectly offering, accepting, promising, or requesting any benefits specified in Article 4 shall comply with the Ethical Corporate Management Best Practice Principles of the Company, the Procedure hereof, and complete relevant procedures so as to constitute an allowance for the personnel to do so:

1. the conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, communication and coordination;
2. the conduct is based on ordinary social courtesy, commercial purposes, or developing relationships, to attend or invite to attend social activities held by others;
3. for business purpose, the invitation to clients or be invited to attend specific commercial activities or factory visits which event has clearly specified the method of payment, the number of participants, class of accommodations, and the time period;
4. attendance at public folk festivals that are also open to the public;
5. rewards, emergency assistance, condolence payments, or honorariums from the supervisors; or
6. other conducts that are for purpose of social courtesy or other situations in accordance with the Company's regulations.

#### **Article 7 (Handling procedures for the acceptance of improper benefits)**

Except under any of the circumstances set forth in the preceding article, when personnel of the Company are directly or indirectly offered or promised any benefits specified in Article 4

by a third party, the following procedures shall be taken:

1. if the party providing or offering the benefits has no interest with such personnel in performing their duties, the personnel shall report to their immediate supervisors within three (3) days from the acceptance of such benefits, and notify the responsible unit of the Company if necessary.
2. if the party providing or offering the benefits has no interest with such personnel in performing their duties, the personnel shall return or refuse such benefits, and report to their immediate supervisors and notify the responsible unit of the Company; if such refusal is not executable, turn in the benefits to the responsible unit within three (3) days from the acceptance of such benefits.

“Has the interest with such personnel in performing their duties,” as referred to in the preceding paragraph, means any of the following circumstances:

1. having business interaction, or having a relationship of supervisory or subsidizing (or rewarding) expenses;
2. seeking, processing or had engaged in contractor relationship, sales, or other contractual relationship; or
3. other circumstances where the business decisions made by the Company, execution or non-execution by the Company, will result in beneficial or adverse impacts.

Based on the nature and value of the benefits under paragraph 1, the responsible unit of the Company shall make a proposal of return, a paid receipt, a contribution to the Company, donation to the charity or other appropriate advice, and report to the general manager and execute after the approval of general manager.

#### **Article 8 (Prohibition on facilitating payments and its handling procedures)**

The Company shall neither offer nor promise any facilitating payment.

If any personnel of the Company offers or promises a facilitating payment under threat or intimidation, they shall record the details and report to their immediate supervisors the facts and notify the responsible unit of the Company.

Upon receipt of the notice under the preceding paragraph, the responsible unit shall take immediate action and review relevant matters in order to minimize the risk of recurrence. If there are alleged illegality involved in such matter, the responsible unit shall immediately report to the judicial authority.

#### **Article 9 (Handling procedures for political contribution, charitable donation or sponsor)**

The Company shall offer political contribution, charitable donation or sponsor according to the “Donation Management Guidelines for Fubon Financial Holding Co. and Subsidiaries”.

#### **Article 10 (Avoidance of conflict of interest)**

When a director, manager of the Company or any other stakeholder present or attending a board of directors meeting, themselves or the juristic person they represents have an interest in the proposals for board discussion, such party shall state the important aspects of the interest at the meeting, and, where there is a likelihood that the interest of the Company would be prejudiced, such person shall not participate in the discussion or vote on that proposal, recuse himself or

herself from any discussion and voting, and not exercise voting rights as proxy on behalf of another director. The directors shall self-regulate and not support each other in an inappropriate manner.

If in the course of conducting company business, personnel of the Company find themselves or the juristic person they represent have a potential conflict of interest, or they or their spouse, parents, children, or an interested person thereof might have a likelihood to obtain improper benefits, such personnel shall report the relevant details to their immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use the resources of the Company for commercial activities irrelevant to the Company, nor may any personnel's job performance be affected by their involvement in such activities.

#### **Article 11 (Unit in charge of confidentiality regime and its responsibilities)**

The responsible unit of the Company shall be responsible for formulating and implementing procedures for managing and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, copyrights and other intellectual property and it shall conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of such procedures.

All personnel of the Company shall fully comply with the laws and regulations, the operation rules regarding intellectual property and shall not disclose to any other party any trade secrets, trademarks, patents, copyrights, and other intellectual property of the Company of which they have learned, or inquire about or collect any trade secrets, trademarks, patents, copyrights and other intellectual property of the Company irrelevant to their duties.

#### **Article 12 (Prohibitions on disclosure of confidential information)**

The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions and quotas, share or divide markets by allocating customers, suppliers, territories, or types of business.

#### **Article 13(Prohibitions on damaging the rights of stakeholders)**

The Company shall collect and understand the applicable laws and regulations, and international standards governing the products and services it provides, and it shall compile and publish all guidelines to cause personnel of the Company to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, provision, or sale.

The Company shall adopt and publish on its website a policy on the protection of the rights and interests of stakeholders to prevent such rights and interests from being directly or indirectly damaged by the products and services of the Company.

Where there are media reports or sufficient facts to determine that the Company's alleged products or services are likely to damage the rights or interests of stakeholders, the Company

shall immediately investigate the truthfulness of such reports or facts, and present a review and improvement plan.

The responsible unit of the Company shall report the event as in the preceding paragraph, the actions taken, subsequent reviews and improvement measures to the board of directors.

**Article 14 (Prohibitions on insider trading, and the agreements on confidentiality)**

All personnel of the Company shall comply with the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned, to engage in insider trading; such personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or other business cooperation plan shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any known business secret or other material information of the Company, and they may not use such information without prior consent of the Company.

**Article 15 (Announcement to outside parties of the ethical management policies)**

The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, or in other promotional materials, and shall make timely announcements of the policy in investors conferences or on other outside events in order to make its suppliers, customers, and other business-related institutions and person fully aware of its principles and rules with respect to ethical management.

**Article 16 (Ethical management evaluations prior to developing commercial relationships)**

Before developing a commercial relationship with another party, the Company shall evaluate the legality and the ethical management policies of the agents, suppliers, customers, or other counterparties in commercial dealings, and whether such parties have involved in unethical conducts, so as to ensure such parties' business management methods are fair, transparent, and would not request, offer, or take bribes.

When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures to review the following matters of the counterparties, in order to obtain comprehensive information of such parties' ethical management:

1. the enterprise's nationality, location of business operations, organizational structure, management policies, and location of payment.
2. whether the enterprise has adopted an ethical management policy, and the status of its implementation.
3. whether enterprise's business operations are located in a country with a high risk of corruption.
4. whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. the long-term business condition and degree of goodwill of the enterprise.

6. consultation with the enterprise's business partners about their opinions on the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

**Article 17 (Statement on ethical management policies to business counterparties)**

Personnel of the Company, when engaging in commercial activities, shall make a statement to the business counterparties about the Company's ethical management policies and related rules, and shall clearly refuse to directly or indirectly offer, promise, request, or accept any improper benefits in whatever form or entitlement.

**Article 18 (Avoidance of trading with unethical management counterparties)**

Personnel of the Company shall avoid conducting commercial transactions with agents, suppliers, customers, or other counterparties with commercial interactions that are involved in unethical conducts. When such counterparties are found to have engaged in unethical conducts, the personnel of the Company shall immediately cease dealing with such counterparties and blacklist them for any further business interaction in order to effectively implement the Company's ethical management policies.

**Article 19 (Incorporation of ethical management terms in contracts)**

Before entering into a contract with a counterparty, the Company shall gain a thorough knowledge of the other party's ethical management situation, and, ideally, incorporate clauses regarding compliance of the Company's ethical management policies and the following conditions into the contract:

1. where a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition on acceptance of commissions, kickbacks, or other improper benefits, such party shall immediately notify the other party of the violator's identity, the manner of offer, promise, request, or acceptance, the amount of money or other improper benefits. The party shall offer related evidence to the other party and fully cooperate with the investigation. If a party has damaged as a result from such violation, such party may claim its damages from the other party, and may deduct the full amount of the damages from the amount payable under the contract.
2. where a party is engaged in unethical conducts in its commercial activities, the other party may unconditionally terminate or rescind the contract at any time.
3. specify specific and reasonable payment terms, including the place and method of payment, and the related tax laws and regulations required complying.

**Article 20 (Handling unethical conducts of personnel of the company)**

The Company encourages insiders and outsiders to inform unethical or improper conducts, and will base on the seriousness of such conducts grant a reward. If an insider filed a false report or malicious allegation, he or she shall be subject to a disciplinary action, and be removed from office where the circumstances concerned are material.

The Company shall internally establish and publicly announce the mailboxes and hotlines of independent directors on its websites and Intranet for insiders and outsider to submit reports. The informant shall at least provide the following information:

1. Such informant's name and contact number, address, or e-mail address where the informant can be reached;
2. The reported party's name or other information sufficient to identify such party's identity and features; and
3. Concrete evidence for investigation.

The staff of the Company handling the whistle-blowing report shall represent in writing that they will keep the informant's identity and the contents of report confidential. The Company also undertakes to protect the informant from improper treatment due to their whistle-blowing report. The responsible unit of the Company shall take following procedures:

1. The report concerning ordinary employees shall be submitted to the head of the department; concerning a director or a senior executive officer shall be submitted to the independent directors.
2. The responsible unit of the Company and the head of the department or the person receiving the reports in the preceding subparagraph shall immediately investigate and verify the related facts and, where necessary, with the assistance of other related departments.
3. If the reported person is confirmed to have indeed violated the applicable laws and regulations or the Company's ethical management policy and regulations, the Company shall immediately require the reported person cease the related conducts and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation, its rights and interests.
4. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event a litigation relating to such report occurs before the retention period expires, the relevant information shall continue to be kept until the close of such litigation.
5. If the fact in the report is confirmed, the Company shall delegate relevant units to review the relevant internal control system and procedures, and to propose improvement measures to prevent recurrence.
6. The responsible unit of the Company shall submit the reports, handling situation and subsequent improvement measures to the board of directors.

#### **Article 21 (Handling unethical conducts of others towards the company)**

If any personnel of the Company finds out that another party has engaged in unethical conducts against the Company, and such unethical conduct involves illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify the government anti-corruption authority.

#### **Article 22 (Establishment of a system of rewards and penalties, complaints, and disciplinary measures)**

The responsible unit of the Company shall periodically hold internal education and convey the importance of ethics to the directors, employees, and mandatories.

The Company shall incorporate ethical management into the employee performance evaluations and the human resources policies, and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of the Company who seriously violates the ethical conduct, the Company shall discharge or dismiss the personnel from his or her position or terminate his or her employment in accordance with the related laws and regulations or the personnel policies and procedures of the Company.

The Company shall disclose on its internal website the name and title of the violator, the details of the violation, the handling status, and other information.

### **Article 23 (Effectiveness)**

After discussion by the Corporate Governance and Sustainability Committee, the Procedure shall be submitted to and approved by the board of directors then come into force. The Procedure shall also be submitted to the Audit Committee and proposed to be reported at the shareholders' meeting. Subsequent amendments to the Procedure shall be made in the same manner.