

Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance best practice principles?	V		The Company has followed the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance best practice principles at the Market Observation Post System website.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights				
(I) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? Are such matters handled according to the internal operating procedures?	V		(I) The Company has spokespeople and dedicated personnel to deal with issues, such as shareholder suggestions or disputes.	(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company maintain a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders?	V		(II) Major shareholders disclose their ownership and changes in pledge in accordance with regulations every month.	(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company establish and enforce risk control and firewall systems with its affiliates?	V		(III) The financial and business transactions between the Company and its affiliates are carried out in accordance with the relevant Act and regulations, the internal control system and the supervision of subsidiaries.	(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company establish internal rules to prohibit insiders from using information not disclosed to the market?	V		(IV) The Company has formulated the Operating Procedures for Handling Internal Material Information to prohibit insiders from using undisclosed information on the market to buy and sell securities.	(IV) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibility of the Board of Directors				
(I) Does the Board of Directors establish and implement the diversification policy and specific management goals?	V		(I) Enhanced diversity policy of directors and implementation of diversity : <ul style="list-style-type: none"> <li>• Professional knowledge and skills: Board members possess rich experience and expertise in fields such as finance, business management, law, information technology, and electronic technology. Among the current 9 directors (including 4 independent directors), 1 director currently serves as the CFO of Taiwan Cement Corporation; the ratio of directors with professional expertise in industrial finance/accounting reaches 11%.</li> <li>• Age distribution of directors: one aged 71~80, two aged 61~70, four aged 51~60, and two aged 41~50.</li> <li>• Gender diversity of directors: 1 female independent director was by-elected at the Jun. 12, 2024 regular shareholders' meeting. However, the representation of each gender on the company's board has not yet reached one-third of the board seats. The company aims to achieve at least 3 suitable female board members during the full board re-election at the 2026 Annual General Shareholders' Meeting.</li> </ul>	(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company set up other functional committees voluntarily in addition to the Remuneration Committee and the Audit Committee that have been established as required by the law?	V		(II) To strengthen the Board of Directors' functions and enhance management mechanisms, the Company established a "Nomination Committee" on June 26, 2023, composed of four independent directors nominated by the Board. The committee currently comprises 4 members. The Nomination Committee faithfully performs the following responsibilities and powers and submits its suggestions to the Board of Directors for discussion: 1. Establish standards for the diversified background and independence of directors and independent directors, such as expertise, skills, experience, and gender, and seek, review, and nominate candidates for directors and independent directors accordingly.	(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

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(III) Does the Company formulate the regulations and methods for the performance evaluation of the Board of Directors, conduct performance evaluations regularly every year, report the results of the performance evaluation to the Board of Directors, and take it as a reference for the remuneration, nomination and re-appointment of each director?	V		<p>2. Establish and develop the organizational structure of the Board of Directors and various committees, conduct performance evaluations of the Board of Directors and each director, and evaluate the independence of independent directors.</p> <p>3. Establish or examine directors' continuing education.</p> <p>4. Establish the Corporate Governance Best Practice Principles of the Company.</p> <p>(III)The Company has established Board Performance Evaluation Rules and shall conduct a performance evaluation of the Board of Directors and individual directors at least once a year.</p> <p>The Company reports to the Board of Directors on the evaluation criteria of the performance evaluation indicators and the evaluation results for review and improvement.</p> <p>The Company's internal Board of Directors performance evaluation for 2024 was conducted by the responsible unit using a questionnaire method and was completed on January 31, 2025. The performance evaluation results were reported to the Board of Directors for review and improvement on March 11, 2025, and the evaluation results are disclosed on the Company's website.</p> <p>The results of the 2024 Board of Directors performance evaluation are as follows:</p> <p>(1)The overall average score of the board performance self-evaluation is 97 points.</p> <p>(2) The overall average score of the performance self-evaluation of board members is 98 points.</p> <p>(3) The overall average self-assessment score for the Audit Committee was 98 points, the overall average self-assessment score for the Remuneration Committee was 98 points, and the overall average self-assessment score for the Nomination Committee was 98 points.</p> <p>(4) The performance evaluation of the Board of Directors in 2024 showed that the Company's Board of Directors was operating well as a whole, which will be adopted as a reference for the remuneration to individual directors, nomination and renewal of director candidates.</p> <p>(IV) List The Board of Directors of the Company regularly (at least once a year) evaluates the independence of the CPAs in accordance with Article 29 the Code of Corporate Governance Practices for Listed OTC Companies.</p>	(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.																
(IV) Does the Company evaluate the independence of CPAs on a regular basis?	V		<p>In addition to requesting CPAs to provide the "Statement of Auditing Standards" and the "Audit Quality Indicators (AQIs)", the Company evaluates the criteria and the 13 AQIs according to the table below.</p> <p>It is confirmed that the CPAs have no other financial interests or business relationships with the Company except for visa and financial tax fees. The family members of the CPAs do not violate the independence requirements. The professionalism of the CPAs and the firm is confirmed with reference to the AQIs and is comparable to that of their industry counterparts.</p> <p>The most recent annual evaluation results regarding the independence and suitability of the CPAs were discussed and approved by the Audit Committee on January 15, 2025, and subsequently approved by the Board of Directors via resolution on the same day.</p> <table border="1" data-bbox="817 1236 1780 1460"> <thead> <tr> <th></th> <th>Evaluation Item</th> <th>Evaluation Results</th> <th>Whether it conforms to independence</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Whether the appointed CPA has any direct or indirect material financial interests in the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2</td> <td>Whether the CPA has a close business relationship with the Company and a potential employment relationship.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3</td> <td>Whether the CPAs have acted as the Company's defender or represented the Company in conflict mediation with other third parties.</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>		Evaluation Item	Evaluation Results	Whether it conforms to independence	1	Whether the appointed CPA has any direct or indirect material financial interests in the Company.	No	Yes	2	Whether the CPA has a close business relationship with the Company and a potential employment relationship.	No	Yes	3	Whether the CPAs have acted as the Company's defender or represented the Company in conflict mediation with other third parties.	No	Yes	(IV) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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			4	Whether the appointed CPA, their spouse, or dependents have any financing or guarantee activities with the Company or the Company's directors or supervisors.	No	Yes		
			5	Whether the appointed CPA, their spouse, or dependents currently serve, or have served within the last two years, as a director, supervisor, or managerial officer of the Company, or in a position significantly influencing the audit engagement; or whether they will serve in the aforementioned positions during the future audit period.	No	Yes		
			6	Whether the appointed CPA, their spouse, or dependents have any kinship/family relationship with the Company's directors, supervisors, managerial officers, or personnel holding positions that significantly influence the audit engagement.	No	Yes		
			7	Whether the CPA has brokered stocks or other securities issued by the Company.	No	Yes		
			8	Whether the CPA has provided non-audit services to the Company that may directly affect the audit.	No	Yes		
			9	Whether the CPA is engaged in any other business that may result in a loss of independence.	No	Yes		
			10	Whether the CPA receives any commission related to the Company's business.	No	Yes		
			11	Whether the CPA accepts gifts or presents of significant value from the company and its directors, supervisors, and managers (value exceeds general social etiquette standards).	No	Yes		
			12	Whether the appointment of a CPA is inconsistent with the regulations of the competent authority on business matters regarding the rotation of accountants, handling accounting matters on behalf of others, or any other norms that may affect the independence of the CPA.	No	Yes		
			13	Whether the CPA has any inappropriate relationship with the company other than the above.	No	Yes		
			14	The appointed CPA should require their audit staff (or: assistants) to maintain integrity, objectivity, and independence.	No	Yes		
IV. Does the Company deploy an appropriate number of suitable corporate governance personnel and designate a corporate governance officer responsible for corporate governance-related matters (including but not limited to providing directors and supervisors information required to perform business, assisting directors and supervisors in complying with laws, handling matters related to meetings of the Board of Directors and shareholders' meetings on the basis of law, and preparing the minutes of the Board meetings and shareholders' meetings, etc.)?	V		<p>The Company has appointed a Corporate Governance Officer, with this role supported by [or associated with] the Finance Department. Mr. Lin, Yang-Hong (then President) was appointed Corporate Governance Officer by the Board of Directors on August 28, 2020. Following Mr. Lin, Yang-Hong's resignation on December 31, 2024, the new President, Mr. Lin, Kuan-Hong, assumed the role of Corporate Governance Officer effective January 1, 2025.</p> <p>The following matters are the joint responsibility of the corporate governance officer and the Finance Div.</p>				In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.	

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			<ul style="list-style-type: none"> <li>Handled matters related to meetings of the Board of Directors and shareholders' meetings on the basis of law.</li> <li>Conducted meetings of the Board of Directors and shareholders in accordance with the law.</li> <li>Assisted in the appointment and continuing education of directors and supervisors.</li> <li>Provided information necessary for directors and supervisors to carry out their business</li> <li>Assisted in the appointment and continuing education of directors and supervisors.</li> <li>Reported to the Board of Directors on whether the qualifications of the independent directors at the time of nomination, election, and during their term of office comply with the relevant laws and regulations.</li> <li>Handled matters related to the changes of directors.</li> <li>Other matters specified in the Articles of Incorporation or contracts.</li> </ul>	
V. Does the Company establish a means of communication with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and create a stakeholder section on the Company website to respond to stakeholders' questions about its corporate social responsibility?	V		<p>The Company values its stakeholders and respects their legitimate rights and interests. A special section for stakeholders has been set up on the Company's website, and relevant units have been set up to respond appropriately.</p> <p>The Company has set up "Investor" and "CSR" sections on the website to provide relevant information to stakeholders, and has set up a "Stakeholder Service Center" on the website, with dedicated personnel responsible for responding to relevant issues.</p> <p>The Company discloses the identities of stakeholders it has identified, their issues of concern, communication channels, and response methods on its website and in its ESG Sustainability Report. The status of communication with various stakeholders is reported to the Board of Directors at least annually; the most recent report to the Board was made on August 12, 2024.</p>	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VI. Does the Company entrust a professional stock transfer agent to manage shareholders' meetings and other relevant affairs?	V		The Company entrusts the Transfer Agency of CTBC Bank to manage relevant affairs of shareholders' meetings.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure	V		(I) The Company's website ( <a href="http://www.phihong.com.tw">http://www.phihong.com.tw</a> ) has disclosed information on its finances, business, and corporate governance.	(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company use other channels of information disclosure (e.g., maintaining an English website, designating persons to handling information collection and disclosure, appointing a spokesperson, and webcasting investor conferences)?	V		(II) The Company has set up an English website maintained by dedicated personnel, and the Company has also established a spokesperson system. Information about the shareholders' meeting and the investor conferences is updated immediately on the corporate website.	(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second and third quarters and the monthly operations before the prescribed period?	V		(III) The Company's annual and first, second, and third quarterly financial statements were announced by the deadline prescribed by law and were not published earlier than expected. The operating status of each month is also reported by the 10th of each month as required.	(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

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VIII. Does the Company have other important information that can facilitate the understanding of its operations of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relationships, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	V		<p>(I) For information on employee rights and interests, employee care, investor relations, supplier relationships, and stakeholder rights, please refer to the description of "Corporate Sustainability" on pages 56 to 68 of the annual report.</p> <p>(II) Continuing education of directors of the Company:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date</th> <th>Organizer</th> <th>Name of Class</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Director</td> <td rowspan="2">Wu, Chung-Shu</td> <td>Sep.04, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Financial Statement Fraud and Case Studies</td> <td>3</td> </tr> <tr> <td>Jul. 03, 2024</td> <td>Taiwan Stock Exchange Corporation</td> <td>2024 Cathay Sustainable Finance and Climate Change Summit Forum</td> <td>3</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Lin, Fei-Hong</td> <td>Sep 06, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Risk is Everywhere, How to Manage it Effectively?</td> <td>3</td> </tr> <tr> <td>Sep. 04, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Financial Statement Fraud and Case Studies</td> <td>3</td> </tr> <tr> <td rowspan="4">Corporate representative appointed as the Director</td> <td rowspan="4">Lin, Yang-Hong</td> <td>Oct. 24, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Trends and Risk Management in Digital Technology and Artificial Intelligence</td> <td>3</td> </tr> <tr> <td>Sep. 27, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>5G Key Technologies and Business Opportunities</td> <td>3</td> </tr> <tr> <td>Sep. 06, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Risk is Everywhere, How to Manage it Effectively?</td> <td>3</td> </tr> <tr> <td>Sep. 04, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Financial Statement Fraud and Case Studies</td> <td>3</td> </tr> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Lin, Chung-Min</td> <td>Sep. 06, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Risk is Everywhere, How to Manage it Effectively?</td> <td>3</td> </tr> <tr> <td>Sep. 06, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Financial Statement Fraud and Case Studies</td> <td>3</td> </tr> <tr> <td rowspan="3">Independent Director</td> <td rowspan="3">Hong, Yu-Yuan</td> <td>Oct. 24, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Trends and Risk Management in Digital Technology and Artificial Intelligence</td> <td>3</td> </tr> <tr> <td>Sep. 27, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>5G Key Technologies and Business Opportunities</td> <td>3</td> </tr> <tr> <td>Sep. 06, 2024</td> <td>Taiwan Corporate Governance Association</td> <td>Risk is Everywhere, How to Manage it Effectively?</td> <td>3</td> </tr> </tbody> </table>	Title	Name	Date	Organizer	Name of Class	Training Hours	Independent Director	Wu, Chung-Shu	Sep.04, 2024	Taiwan Corporate Governance Association	Corporate Financial Statement Fraud and Case Studies	3	Jul. 03, 2024	Taiwan Stock Exchange Corporation	2024 Cathay Sustainable Finance and Climate Change Summit Forum	3	Director	Lin, Fei-Hong	Sep 06, 2024	Taiwan Corporate Governance Association	Risk is Everywhere, How to Manage it Effectively?	3	Sep. 04, 2024	Taiwan Corporate Governance Association	Corporate Financial Statement Fraud and Case Studies	3	Corporate representative appointed as the Director	Lin, Yang-Hong	Oct. 24, 2024	Taiwan Corporate Governance Association	Trends and Risk Management in Digital Technology and Artificial Intelligence	3	Sep. 27, 2024	Taiwan Corporate Governance Association	5G Key Technologies and Business Opportunities	3	Sep. 06, 2024	Taiwan Corporate Governance Association	Risk is Everywhere, How to Manage it Effectively?	3	Sep. 04, 2024	Taiwan Corporate Governance Association	Corporate Financial Statement Fraud and Case Studies	3	Chairman	Lin, Chung-Min	Sep. 06, 2024	Taiwan Corporate Governance Association	Risk is Everywhere, How to Manage it Effectively?	3	Sep. 06, 2024	Taiwan Corporate Governance Association	Corporate Financial Statement Fraud and Case Studies	3	Independent Director	Hong, Yu-Yuan	Oct. 24, 2024	Taiwan Corporate Governance Association	Trends and Risk Management in Digital Technology and Artificial Intelligence	3	Sep. 27, 2024	Taiwan Corporate Governance Association	5G Key Technologies and Business Opportunities	3	Sep. 06, 2024	Taiwan Corporate Governance Association	Risk is Everywhere, How to Manage it Effectively?	3	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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			<p>(VI) Implementation of risk management policies and risk evaluation standards:</p> <p>(1) The Company has established internal controls in accordance with the law, and internal audits are conducted on a regular and irregular basis to check the implementation. The Company also took out relevant insurance to transfer the risks that may be faced by the development of the company to provide compensation for the company's financial losses in case of risks, eliminate the factors that may generate risks through systematic management mechanisms, vigilance and continuous monitoring, and effectively avoid and manage risks.</p> <p>(2) Disclosures made on the corporate website of the Company: Risk management handbook, scope of risk management, organizational structure, and the operating status in 2024.</p> <p>(3) The operating status for the risk management in 2023 was reported to the Board on August 11, 2023.</p> <p>(V) Implementation of customer policy: The Company upholds the belief that customers come first and implements it in accordance with the Consumer Protection Act, the Company's internal regulations, and other Act and regulations.</p> <p>(VI) Status of Directors' Liability Insurance Purchased by the Company in 2024:</p> <table border="1" data-bbox="824 724 1803 847"> <thead> <tr> <th>Insured Party</th> <th>Insurance Company</th> <th>Investment Amount</th> <th>Insurance Policy Period</th> </tr> </thead> <tbody> <tr> <td>Directors &amp; Managers</td> <td>Fubon Insurance Co., Ltd.</td> <td>USD10,000,000</td> <td>September 19, 2024-September 19, 2025</td> </tr> </tbody> </table>	Insured Party	Insurance Company	Investment Amount	Insurance Policy Period	Directors & Managers	Fubon Insurance Co., Ltd.	USD10,000,000	September 19, 2024-September 19, 2025	
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IX. Improvements made based on the result of the latest Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporation and priorities and measures for improvement.

In the 11th (2024) Corporate Governance Evaluation, the Company was ranked in the top 21%-35% segment. The explanation below addresses only the items requiring priority improvement:

The Risk Management Task Force needs to actively plan and promote the establishment of a functional committee under the Board of Directors (such as a Risk Management Committee ) to effectively supervise risk management. It should also establish risk management policies and procedures approved by the Board, disclose the risk management organizational structure, risk management procedures, and their operating status, and report to the Board of Directors at least once a year.