

The Risk Appetite Declaration for Money Laundering and Financing of Terrorism of E.SUN FHC¹

Approved in the 9th meeting of the 6th Term by the Board of Directors on 8th June, 2018
Amended in the 4th meeting of the 7th Term by the Board of Directors on 14th August, 2020
Amended in the 16th meeting of the 7th Term by the Board of Directors on 12th November, 2021

I. Purpose

E.SUN Financial Holding Company (E.SUN FHC) has always upheld integrity, professionalism, stability and positivity as the principles of business operation since it was first established. Financial order and stability rely largely on the enforcement of Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) efforts. E. SUN FHC has long devoted itself to the execution of AML and CFT, and by issuing a declaration of money laundering (ML) and financing of terrorism (FT) risk appetite, E. SUN FHC seeks to disclose the extent and types of ML/FT risks undertaken, as well as its broad framework and vision motivated by professionalism and integrity. This appetite framework takes E. SUN's FHC cross-border financial services along with many legal and supervisory rules of jurisdictions where the institution physically located into consideration. E. SUN FHC adopts the spirit that “no business activity shall take precedence over risk control” as the ultimate guiding principles for risk management.

II. Risk aspects

1. As E. SUN FHC expands businesses locally and extends it to overseas network, it becomes more exposed to risks concerning illegal activities, such as risk of ML, FT, sanction, financial crime, arms trafficking, and political corruption etc. E. SUN FHC pays constant attention to changes in the global environment and continues to refine existing risk management practices, and by enforcing proper due diligence process, E. SUN FHC ensures that it does not intentionally establish business or transaction relationship with customers involved in these types of activities.
2. E. SUN FHC understands and acknowledges the risk of financial institutions being exploited for financial crimes, ML, TF, avoidance of sanction, and means of criminal activity, and that customers may try to use products and services of E.SUN FHC for illegal purposes. For this reason, E. SUN FHC has dedicated staff that are responsible for planning and enforcing compliance with AML and CFT laws within

¹ “The Declaration is originally written in Chinese; this document is the translated version for reference purpose only. If there should be any discrepancy or contradiction in between, the Chinese version will be prior.

E. SUN FHC. By adopting three lines of defense system, the dedicated staff ensure that each member of E. SUN FHC are able to meet the requirements of different jurisdictions.

3. The E.SUN FHC establishes regular institutional money laundering and financing of terrorism risk assessment. Members of E.SUN FHC are required to conduct the ML/TF risk assessments across all locations, customer groups, products, services, and transaction and payment channels. Findings from these assessments would facilitate risk mitigation measures to be taken, and thereby ensuring that the residual risks are within E. SUN's FHC risk appetite.

III. ML/TF Risk Appetite of E. SUN FHC

1. E. SUN FHC does not tolerate any violation against AML/CFT laws and relevant regulations. Each business outlets of E.SUN FHC shall fully comply by laws, regulations and self-governing principles applicable to their respective jurisdiction for operation, thus, this level of compliance provides the foundation for E. SUN's FHC business operations. Members of E. SUN FHC would not establish business or transaction relationship with customers that are involved in illegal activities before they have developed proper control measures to regulate, detect and deter the illegal activities.

2. E. SUN FHC formulates a “ML/FT Country Risk List” taking information from at least the following government bodies and international organizations as factors of considerations:

- Financial Action Task Force (FATF)
- United Nations Security Council (UNSC)
- The U.S. Department of the Treasury Office of Foreign Assets Control (OFAC)

Every member of E. SUN FHC generally does not undertake transactions that involve extremely high risk countries or areas identified on the “ML/FT Country Risk List.”

3. E. SUN FHC formulates a "Group-Wide Sanction List" that sources names from at least the following government bodies and international organizations:

- Ministry of Justice AML/CFT List
- UNSC Sanction Consolidate List
- U.S. OFAC-SDN List

All members of E. SUN FHC are not allowed to establish transaction or business relationship if the customer, its counterparties, and other relevant parties involved in the transaction matches sanction lists issued by Ministry of Justice's AML/CFT List (Taiwan).

4. Members of E. SUN FHC conduct enhanced customer due diligence for customers that exhibit high ML/TF risk. The findings would enable members of E. SUN FHC to decide whether to establish business or transaction relationship with the high risk customer.
5. For industries or occupations with high risk of money laundering and financing of terrorism, such as engaging in cash intensive transactions, or companies or trusts that are easily used to hold personal assets, the members of E.SUN FHC have included these factors as inputs for customer risk assessment.
6. All new products, services and business activities must undergo ML/TF risk assessment before launching. This is to ensure that ML/TF risks of the new products, services or business activities can be properly controlled and kept within E. SUN FHC's risk tolerance.
7. Members of E.SUN FHC regularly conduct the institutional risk assessment regarding ML and FT to ensure that they have established mechanisms and developed appropriate mitigation measures with the overall ML and FT risk they are facing. After the assessment, each group member shall at minimum achieve "acceptable control"² in the overall level of control measures, and the tolerable residual risk level is "medium risk"³ level.

² There are five levels of the effectiveness of control measures (perfect control, satisfactory control, acceptable control, poorly control, and insufficiently control).

³ There are five categories of ML/TF residual risk (high, medium-high, medium, medium-low, and low).