


## **E.SUN Financial Holding Co., Ltd.**

### **Internal Control System Statement**

To: Financial Supervisory Commission

On the behalf of E.SUN Financial Holding Co., Ltd., we hereby declare that in the period from January 1, 2020 to December 31, 2020, the Company duly complied with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing an internal control system and implementing risk management processes. In the meantime, an impartial and independent unit was designated to conduct audits and report regularly to the Board of Directors and supervisors. Based on meticulous evaluation, the Company found that, except for the items enumerated in the attached table, the internal control and legal compliance systems of all units were effectively implemented during the year. This statement will be included as the primary content of the Company's annual report and any prospectuses, and made available to the public. Any information in this statement found to be falsified, concealed, or otherwise illegal shall be subject to the legal liabilities prescribed by Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

Declarant

Chairman:  (Signature/ Seal)

President:  (Signature/ Seal)

Chief Auditor:  (Signature/ Seal)

Chief Compliance Officer:  (Signature/ Seal)

Date: March 11, 2021

## E.SUN Financial Holding Co., Ltd. Internal Control System

### Items for Improvement of deficiencies Status

(As of December 31, 2020)

Item for Improvement	Improvement Measures	Target Date
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> An incident of abnormal payment deduction from the tax payment portal of the Ministry of Finance.	<ol style="list-style-type: none"> <li>1. Built the FISC simulator and execute automated tests.</li> <li>2. Established system monitoring and alarm mechanisms.</li> </ol>	Completed.
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> The core firewall traffic overload mainly affected the inter-bank remittance function of E.SUN e-Banking.	The replacement of network equipment was completed on May 31, 2020, and the processing procedure for abnormal NTD inter-bank remittance was completed on April 17, 2020.	Completed.
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> The improvement of internal regulations regarding keeping customers' deposit books and contracts/ documents.	Announcing the rule that aimed at informing employees of matters which should not be violated in daily business execution, regulations of keeping contracts/ documents of customers, and mechanisms of scheduled and unscheduled inspections.	Completed.
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> Strengthen review about expenses reimbursement.	Reminded relevant units to deal with expense matters following the announcements of expenses reimbursement and FAQ of Expenses Reimbursement Platform which were published by Accounting Division.	Completed
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> Misappropriation of client's fund by a former financial advisor.	<ol style="list-style-type: none"> <li>1. Improved the wealth management agreement, modification and transacting application (including insurance) with confirming mechanism.</li> <li>2. Improved mechanism of random inspection of financial advisors' office.</li> <li>3. Improved the delivery procedure of bank statements (investment and insurance).</li> <li>4. Improved transaction monitoring and account monitoring mechanism.</li> <li>5. Improved mechanism of rotation, annual leave and customer transfer of financial advisor.</li> </ol>	Completed.

Item for Improvement	Improvement Measures	Target Date
<p>Subsidiary  <u>E.SUN Commercial Bank, Ltd.</u>  The misappropriation of client's fund and abnormal financial dealings with customer by a former financial advisor.</p>	<ol style="list-style-type: none"> <li>1. The improvement measure of controlling mechanism for private financial dealings between financial advisors and customers.</li> <li>2. Reinforced internal management mechanism for financial advisors.</li> <li>3. Reaffirmed implementation for Customer identification.</li> <li>4. Improved the caring and KYC procedure of foreign currency remittance and intra-bank transfer.</li> <li>5. Set a mechanism of calling customer to verify foreign currency remittance transactions and intra-bank transfer transactions.</li> <li>6. Designated account procedure for internet banking foreign currency remittance and intra-bank transfer.</li> <li>7. Established monitoring measures for the setting process of the account designation.</li> </ol>	<p>The improvement measures 1 to 6 was completed while improvement measures 7 will be completed in the end of May 2020.</p>
<p>Subsidiary  <u>E.SUN Commercial Bank, Ltd.</u>  The Material Contingency that someone stealing money from customers' accounts of Personal Internet Banking had been reported on August 17, 2020.</p>	<ol style="list-style-type: none"> <li>1. Stop providing SMS OTP service as identity verification when customer applying for Personal Internet Banking.</li> <li>2. Using Voice OTP to enhance identity verification strength on applying for Personal Internet Banking.</li> </ol>	<p>Completed.</p>
<p>Subsidiary  <u>E.SUN Securities Co., Ltd.</u>  Regarding securities brokerage business, the company's staff used customer's accounts to place orders to buy and sell stocks and process fund flow transactions. For customers with total credit line which is equal or greater than NT\$10 million, the company didn't investigate and update credit information annually, and for the loan without restricted using purpose, the company didn't conduct credit evaluation every 6 months.</p>	<p>The company has already required the sales to comply with the regulation of "Personal conduct prohibited in business", and revised the relevant procedure and contract.</p>	<p>Completed.</p>

<b>Item for Improvement</b>	<b>Improvement Measures</b>	<b>Target Date</b>
Subsidiary <u>E.SUN Securities Co., Ltd.</u> Arbitration due to a business relationship is not reported within 5 business days from the date of knowledge or the occurrence of the fact.	The company has reviewed and revised related operation procedures to strengthen internal control measures. In the future, E.SUN Securities will obey the rules and regulations and strengthen internal legal education training.	Completed.