

## **Anti-Money Laundering and Countering Terrorism Financing Policy of E.SUN Financial Holding Company<sup>1</sup>**

Approved on the 8<sup>th</sup> meeting of the 6<sup>th</sup> Term by the Board of Directors on April 25, 2018

Amended on the 10<sup>th</sup> meeting of the 6<sup>th</sup> Term by the Board of Directors on August 10, 2018

Amended on the 17<sup>th</sup> meeting of the 6<sup>th</sup> Term by the Board of Directors on August 9, 2019

Amended on the 21<sup>th</sup> meeting of the 6<sup>th</sup> Term by the Board of Directors on April 24, 2020

Amended on the 15<sup>th</sup> meeting of the 7<sup>th</sup> Term by the Board of Directors on August 20, 2021

### **Chapter I General Principles**

#### **Article 1 Purpose and basis**

To strengthen the anti-money laundering (“AML”) and counter terrorism financing (“CFT”) mechanisms of E.SUN Financial Holding Company (hereinafter called “the Company”) and its subsidiaries, to establish the internal control and audit framework of AML and CFT, and to mitigate the risk of the Company, its subsidiaries and their employees, products or services being used by customers for money laundering and terrorist financing, to maintain the reputation of the Company and its subsidiaries, the “Anti-Money Laundering and Countering Terrorism Financing Policy of E.SUN Financial Holding” (hereinafter referred to as “the Policy”) has been formulated in accordance with the Implementation Rules of Internal Audit and Internal control System of Financial Holding Company and Banking Industries. The objective of the Policy is to establish consistent standards of internal control and code of conduct for the Company and its subsidiaries.

#### **Article 2 Applicability**

The Policy shall apply to the Company and “financial institutions” as defined in Article 5 of the Money Laundering Control Act of Taiwan which are affiliated to the Company (hereinafter referred to as “the subsidiaries”), including foreign subsidiaries or branches and their employees.

#### **Article 3 Principle of application of stricter standard**

To the extent that the laws and regulations of host countries or jurisdictions so permit, foreign branches and subsidiaries shall implement AML/CFT measures that are consistent with those adopted by the head office (or parent company). Where the minimum requirements of the host countries of the Company and foreign branches and subsidiaries are different, the foreign branches and subsidiaries shall choose to comply with the higher standards. However, in case there is any doubt regarding the determination of higher or lower standards, the determination made by the competent authority of the company, the Financial Supervisory Commission (FSC) of Taiwan shall prevail. If the foreign branches and subsidiaries is not allowed to implement the measures of head office (or parent company) due to conflicting with foreign regulatory requirements, the bank should apply appropriate additional measures to manage ML/TF risks. In addition, such measures shall be reported to the AML department or the AML Responsible Officer of the parent company and the parent company would file such gap to the competent authority of the company, the FSC of Taiwan.

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<sup>1</sup> “The Policy” 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 original Chinese version will be prior. (此英譯版本為參考，若與正式中文文件存有歧義，請以中文版為主)。

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### Article 4 Organization and responsibilities

- I. The Company shall deploy a sufficient number of individuals to the Risk Management Division to be responsible for AML/CFT work; such individuals shall be solely responsible for the management and implementation of the Group's AML/CFT work and shall be responsible for conducting the following:
  - (1) Formulation and implementation of group wide AML/CTF policies;
  - (2) Establishment and management of group wide AML/CTF risk appetite;
  - (3) Identification and assessment of group wide AML/CTF risk;
  - (4) Planning of Group-wide AML/CTF information sharing procedures and mechanisms;
  - (5) Assisting the subsidiaries in the development and implementation of AML/CTF program;
  - (6) Supervising the subsidiaries in implementation of AML/CTF program;
  - (7) Coordinating, managing and supporting the subsidiaries on AML/CTF related matters.
- II. The respective subsidiaries shall be staffed with an adequate number of AML/CFT personnel and resources appropriate to the size and risks of its business. The board of directors of the respective subsidiaries shall appoint a senior officer to act as the dedicated AML/CFT Responsible Officer and vest the person full authority in coordinating and supervising AML/CFT implementation and shall ensure that its AML/CFT personnel and the dedicated AML/CFT head does not have concurrent responsibilities that may have a conflict of interest with their AML/CFT responsibilities. Banking subsidiaries shall, set up an independent, dedicated AML/CFT compliance unit under the president or the legal compliance unit or risk management unit of the head office; such AML/CFT compliance unit shall not handle businesses other than AML/CFT.
- III. The respective subsidiaries shall supervise the implementation of AML/CFT operations of its foreign subsidiaries or branches and their employees, including the formulation of the policies complying with the regulations of the host country and the requirements of the local competent authority, and allocation of an adequate number of AML/CFT personnel vested with full authority in AML/ CFT coordination and supervision.

### Article 5 ML/TF risk appetite

The Company and the subsidiaries shall set their risk appetite for ML/TF, and establish specifically with respect to the degree and type of their willingness to bear money-laundering and sanction risk, corresponding structures for management purposes.

## **Chapter II Anti-Money Laundering and Combating Terrorism Financing Matters**

### Article 6 Customer's identity verification and due diligence measures

- I. The subsidiaries shall conduct the customer's identity verification and due diligence measures, including the ongoing review of customer's identity. The measures for verification of customer identity and ongoing review mechanism shall be conducted on a Risk-Based Approach (RBA).
- II. The subsidiaries shall review periodically the sufficiency of the information for identifying customers and beneficial owners based on their importance and risk level, and ensure that such information is updated. In particular, high-risk customers shall be reviewed at least once annually. For lower risk circumstances, simplified Customer Due Diligence (CDD) measures which shall be commensurate with the lower risk factors may be applied. The CDD measures shall be adopted are as follows:

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- (1) Identify the customer and verify that customer's identity using reliable, independent source documents, data or information. In addition, they shall retain copies of the customer's identity documents or record the relevant information thereon.
  - (2) Verify the identity of the beneficial owner of the customer and take reasonable measures to verify the identity of the beneficial owner, including using relevant data or information from a reliable source.
  - (3) Understand the purpose and nature of the business relationship, obtaining relevant information as appropriate.
  - (4) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.
- III. If a subsidiary forms a suspicion of money laundering or terrorist financing and reasonably believes that performing CDD procedure will tip off the customer, it is permitted not to pursue that procedure and file a Suspicious Transaction Report (STR) instead.
- IV. When verifying customer's identity, the respective subsidiaries shall determine whether a customer, the beneficial owners or senior management officers are individuals who are or were Politically Exposed Persons ("PEPs") entrusted by a foreign government, domestic government or an international organization, and establishing corresponding implementation procedures for PEPs, their family members and close associates in terms of scope, review and risk assessment.

### Article 7 Customer acceptance procedure and refusal to establish business relationship or transaction

- I. The subsidiaries shall formulate customer acceptance procedure in order to identify the type of customers with high ML/TF risks. They shall also refuse to establish business relationship or undertake transactions with the type of customers with excessive ML/TF risk.
- II. When verifying the customer's identity, insofar as the subject of establishment of business relationship is under sanction or a terrorist, or where there are irregularities such as unclear identity, or provision of false information or concealment of information, they shall refuse to establish such relationship or undertake transactions.

### Article 8 Country Risk Assessment and Measures

- I. The Company shall formulate a list of ML/TF risk ratings based on countries to specify countries or jurisdictions with extremely high and high ML/TF risks. Formulation of such list shall take the level of aggressiveness of the respective countries against money laundering and terrorism financing into consideration, including but not limited to those in the FSC of Taiwan has forwarded publication by international organizations on AML/CFT as countries or jurisdictions with serious deficiencies in their AML/CFT regimes, and other countries or jurisdictions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT.
- II. If any transaction involves countries or jurisdictions with extremely high ML/TF risk, e.g., the source of remittance or the beneficiary is located from such countries or jurisdictions, the respective subsidiaries are forbidden to undertake such transaction in principle.

### Article 9 Customer risk assessment

- I. The subsidiaries shall conduct verification, assessment and management of customers' ML/TF risk. The level of approval and respective procedures shall be determined in accordance with

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customers' risk ratings.

- II. Specific risk assessment factors shall at least include indicators such as jurisdiction, the customer and its product and service, transaction or payment channel risk.
- III. The subsidiaries and their employees shall not disclose to outside parties the information relating to their customers' risk rating. The above shall not apply if such disclosure is in cooperation with statutory AML/CFT matters.
- IV. The respective subsidiaries shall review the customers' ML/TF risk assessment approach and factors regularly.

### Article 10 Name screening procedure

- I. The subsidiaries shall establish policies and procedures for name screening, based on a risk-based approach, to detect, match and filter whether customers, or the senior management officers, beneficial owners or connected parties of the customers are sanctioned individuals, legal persons or organizations, or terrorists/terrorist groups identified or investigated by a foreign government or an international organization.
- II. The procedure for name screening on customers, counterparties and relevant parties of a transaction that established by the subsidiaries shall at least include matching and filtering logics, the operation procedure for name screening and the standard of review, and should be documented.
- III. The lists used for name screening shall be announced by the Company separately. The subsidiaries may add additional lists depends on local regulatory requirements and actual need.

### Article 11 Ongoing monitoring of accounts and transactions

- I. The respective subsidiaries shall establish policies and procedures for account and transaction monitoring based on RBA at least include complete ML/TF monitoring scenarios, parameters setting, threshold amounts, alerts and operation procedures of monitoring, the reviewing procedures for monitored cases and reporting standards, which shall be documented, and utilize information systems to assist in the detection of suspicious ML/TF transactions.
- II. The subsidiaries shall review their policies and procedures for account and transaction monitoring based on AML/CFT regulations, nature of customers, business scale and complexity, ML/TF trends and related information gathered from internal and external sources, and their internal risk assessment results, and update those policies and procedures periodically.

### Article 12 Correspondent banking business and other similar businesses

- I. The subsidiaries shall identify and verify the identity of the institutional client (respondent bank) of cross-border correspondent banking and other similar businesses, including understand its ownership, control structure and the substantive beneficiaries.
- II. The subsidiaries are prohibited from entering into or maintaining correspondent relationship with shell banks and shall be required to satisfy themselves that respondent financial institutions do not permit their accounts to be used by shell banks;

### Article 13 Filing currency transaction report (CTR)

The subsidiaries shall establish procedure for filing transaction report above certain amounts such as to enable them to file with Financial Intelligence Unit for transactions above designated amounts, and the scope and mode of such reports shall be pursuant to relevant regulations promulgated by

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competent authorities.

### Article 14 Filing suspicious ML/TF transaction report (STR)

The respective subsidiaries shall establish STR procedure. For transactions which are deemed suspicious they shall in addition to verifying the customer's identity and retain transaction record, file report with Financial Intelligence Unit regardless of the amount involved. In addition, the STR procedure shall be kept confidential in accordance with the regulation regardless of whether the suspicious transaction has been completed or not, and the amount thereof.

### Article 15 ML/TF risk assessment for new products, services or businesses

The subsidiaries shall establish ML/TF risk assessment procedure for new products, services or businesses. Prior to launching such new products, services or businesses, they shall conduct ML/TF risk assessment. They shall also establish corresponding risk management measures to reduce any risk identified.

### Article 16 Record keeping

- I. The Company and the respective subsidiaries shall establish procedure for retention of records or files (including without limitation files or information obtained from CDD, account-opening documents, relevant transaction records, transaction monitoring records and filing information) relating AML/CFT work process for future inspection and inquiry. Such records or files shall also serve as evidence in AML/CFT matters.
- II. The subsidiaries shall keep records on all business relations and transactions with its customers in hard copy or electronic form. The documents referred to in the preceding paragraph shall be retained for at least five years after the date of transactions, the business relationship is ended, or the date of occasional transactions.

### Article 17 Information Sharing

- I. The Company shall establish at Group level, information sharing procedure and mechanism for the purposes of AML/CFT, including the scope of information sharing and mode of utilization of such information for use by the subsidiaries insofar as it is within the scope of AML/CFT such as to enable them to conduct regular review of customer information, strengthened ongoing monitoring and adopt other necessary measures.
- II. The detailed regulation for the mechanism of information sharing described in the preceding paragraph is established by the Risk Management Division of the Company separately.

### Article 18 Employee's recruitment and training

- I. Appointment of dedicated AML/CFT Responsible Officer, responsible staff and AML/CFT supervisory officer of business units by the subsidiaries shall be in compliance with requirements of laws and regulations for qualifications. In addition the subsidiaries shall formulate relevant control mechanism for such appointments.

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- II. The Company and the respective subsidiaries shall, pursuant to requirements of laws and regulations and business needs, arrange training course relating to AML/CFT laws and regulations, and legal responsibilities for the employees. The unit holding such training, training contents and training hours shall be in compliance with statutory requirements.

### Article 19 Institutional ML/TF risk assessment

- I. The subsidiaries shall establish a mechanism of periodic institutional ML/TF risk assessment and generate a risk assessment report to enable senior management to timely and effectively understand their overall ML/TF risks, determine necessary mechanisms to be established, and develop appropriate mitigation measures.
- II. Specific risk categories of such ML/TF risk assessment work shall cover at least geographic areas, customers, products, services, transactions or payment channels, etc. The subsidiaries shall furthermore analyze each risk category to determine detailed risk factors.

### Article 20 Group wide AML/CFT plan and performance

- I. The respective subsidiaries shall formulate, based on the development of AML/CFT programs and the results obtained from analysis of risk assessment, annual ML/TF risk prevention plan.
- II. The Company shall formulate the group wide AML/CFT plan, which include the annual plans of the aforementioned subsidiaries, and report the effect of the aforesaid annual prevention plans to the board of directors at least once a year, for overseeing the respective units to prudently assess, review the implementation of internal control system for AML/CFT, and ensuring that the annual prevention plans devised by the respective subsidiaries can be effectively executed.

### Article 21 Implementation and statement of internal AML/CTF control system

The internal audit unit of the Company shall conduct auditing activity on the implementation of AML/CTF operations, to ensure that it is in conformance with the requirements of the policies and procedures.

### Article 22 Ultimate responsibility for internal control

- I. The board of directors of the Company bears the ultimate responsibility of ensuring the establishment and maintenance of appropriate and effective AML/CFT internal controls.
- II. The board of directors and senior management shall understand the Company's ML/TF risks and the operation of its AML/CFT program, and adopt measures to create a culture of AML/CFT compliance.

## **Chapter III Supplementary Provisions**

### Article 23 Rewards and evaluations

- I. The Company is responsible to conduct performance evaluation on the implementation of the Policy, relevant internal regulations, and other AML/CFT operations of the respective subsidiaries. A reward shall be given for any discovery or prevention of money laundering transactions or terrorism financing or prevention of damage to the reputation of the Company and the subsidiaries consequent upon the implementation of statutory or regulatory requirements. Failure to comply with the implementation of relevant regulations thereby causing damage to the reputation of the Company and subsidiaries shall also be penalized.
- II. With regard to matters pertaining to the aforesaid rewards and penalties, the subsidiaries shall incorporate them into corresponding regulations for rewards and penalties.

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### Article 24 Interpretation and application

- I. The Company delegates the authority for interpretation or final adjudication on doubts against the applicability or contents of the Policy to its Chief Risk Officer.

The subsidiaries shall, in addition to complying with the Policy by establishing relevant internal regulations, also comply with the Money Laundering Control Act and Counter-Terrorism Financing Act and other related laws, relevant rules or guidelines promulgated by the competent authorities, self-discipline rules or template guidelines announced by industry associations, such as to truly implement the requirements of AML/CFT regulations.

### Article 25 Review and assessment

The Policy shall be reviewed on a yearly basis so as to reflect applicable policies and legislation, international standards, and the latest system management technology and business developments to ensure its effectiveness against money laundering and terrorism financing.

### Article 26 Approval level:

The Policy shall become effective upon approval of the Board of Directors.