

E.SUN Financial Holding Company Risk Management Policy and Guiding Principles

Approved by the 10th Meeting of the 2th Board of Directors on July 26, 2006
Amended by the 6th Meeting of the 3th Board of Directors on February 27, 2009
Amended by the 16th Meeting of the 4th Board of Directors on March 22, 2013
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(If there is any discrepancy between Chinese version and English version of this articles, the Chinese version shall prevail.)

Chapter I Risk Management Objectives and Principles

- Article 1 The Company and its subsidiaries shall control the risks that may arise from various engaged businesses within an acceptable range in accordance with Risk Management Policy and Guiding Principles, and consider different risks that may affect the achievement of the Company's strategic objectives through a sound risk management framework. By integrating risk management into operational activities and regular management processes, the Company can achieve its strategic objectives, improve management efficiency, and provide reliable information and effective allocation resource goals. At the same time, the purpose of rationalizing risks and rewards shall be practiced while ensuring adequate capital.
- Article 2 To effectively identify, measure, monitor and control various risks, the Company and its subsidiaries shall establish relevant operating regulations according to the Risk Management Policy and Guiding Principles as the basis of risk management.

Chapter II Risk Governance and Culture

- Article 3 The Company and its subsidiaries shall establish a sound risk governance and management framework through the participation of the Board of Directors, functional committees and senior manager, linking risk management with the Company's strategies and goals, determining the Company's major risk projects, improving the completeness and forward-looking of risk identification results, and carrying out the corresponding risk control and response to ensure the company achieves its strategic goals.
- Article 4 The Company and its subsidiaries shall promote a risk management culture, and integrate risk management awareness into regular decision-making and operational activities, through clear risk management declarations and commitments from governance units and senior management, setting up and supporting risk management units, and providing risk management-related professional training for all employees. It is used to form a comprehensive enterprise risk management culture.

Chapter III Risk Management Organizational Frameworks and Responsibilities

Article 5 The organizational frameworks and responsibilities related to risk management of the Company are as follows:

I. Board of Directors

1. The Board of Directors is the ultimate governance unit in the Company's establishment of an effective risk management system, and is ultimately responsible for the Company's overall risk management.
2. The Board of Directors approves overall risk management policies, procedures and frameworks based on overall business strategies and the environment in order to ensure that the direction of the business strategy is consistent with the risk management policy.
3. Ensure the establishment of an appropriate risk management mechanism and risk management culture, supervise and ensure the effective operation of the overall risk management mechanism, and allocate and assign sufficient and appropriate resources to enable the effective operation of risk management.
4. The Board Risk Management Committee(hereinafter referred to as "Board RMC") is established, and its organizational regulations are formulated to review risk control reports, address issues related to risk management, and supervises the operation mechanisms of overall risk management.

II. Risk Management Division

Responsible for the promotion and implementation of risk management, the main responsibilities are as follows:

1. Formulate risk management policies, procedures and frameworks.
2. Formulate risk appetite (risk tolerance) and establish relevant measurement standards.
3. Analyze and identify the Company's risk sources and categories, and regularly review their applicability.
4. Regularly compile and submit reports on the implementation of the Company's risk management.
5. Assisting and supervising the implementation of risk management activities of each subsidiary.
6. Coordinating cross-subsidiary interaction and communication for risk management operations.
7. Execute risk management decisions.
8. Planning training related to risk management to enhance overall risk awareness and culture.
9. Integrate the risk information provided by the Company and its subsidiaries, regularly issue risk management related reports to Board RMC and the Board of Directors, and establish a dynamic management and reporting mechanism to

supervise the effective implementation of risk management.

III. Subsidiaries

1. Each subsidiary shall be responsible for risk identification, analysis, evaluation and response to the management business and related new products, services or new types of business, establish various risk management regulations and crisis management mechanisms, and implement and review them accordingly.
2. E 2. Each subsidiary risk management unit shall ensure that the risk management and related control procedures of its subsidiaries are effectively implemented. Risk management information shall be regularly reported to the Company's Risk Management Division.

IV. Auditing Division

The Auditing Division shall perform audits of risk management practices in the Company to ensure compliance with existing policies and control procedures.

- Article 6 The Company shall establish or assist its subsidiary to establish the following risk management regulations to evaluate risk management performance and continuously monitor risk management operations:
- I. The Company's risk management procedures.
 - II. Each subsidiary's risk management policies and procedures.
 - III. The risk management organization and control frameworks of the Company and its subsidiaries.
 - IV. Various risk limits and monitoring indicators.
 - V. Various risk assessment operating procedures and evaluation system.
 - VI. Supervision and reporting operating procedures.
 - VII. Review of the operating system for risk management procedures.
- Article 7 Risk Management Division shall assess and monitor the quality of overall risk management and submit a risk management report to the Board of Directors and Board RMC every quarter. For any major risk exposure identified that threatens financial or business soundness or legal compliance, appropriate response measures shall immediately be adopted and the Board of Directors shall be reported to.
- Article 8 When the Company or its subsidiaries develop new products, services, or plan new types of business, relevant risk management measures shall be included into the operating systems. The risk management department (or personnel) is also in charge of the execution and review of said company's risk management affairs.

Chapter IV Risk Management Procedures

Section 1 Capital Adequacy Maintenance

Article 9 The Company and its subsidiaries shall all maintain adequate capital commensurate with the various levels of risk they bear in compliance with capital adequacy regulations and corresponding regulations applicable to their respective business categories.

Section 2 Detection and Management of Various Risks

Article 10 The Company and its subsidiaries shall plan and establish operating procedures to allocate capital to risk assets in accordance with the various risk levels identified.

Article 11 The risk detection and management process of the Company and its subsidiaries shall cover all main risks. Other aspects that shall be taken into consideration include capital adequacy, asset quality, management capability, profitability, liquidity, source of profits, foreign exposures, investment portfolios, off-balance sheet items, and consumer disputes.

Article 12 The Company and its subsidiaries shall identify risks in accordance with the Company's strategic objectives and the risk management policies and procedures approved by the Board of Directors with regard to the short, medium and long-term goals and business management of their affiliated units. Risk identification shall adopt various feasible analysis tools and methods, based on past experience and information, and consider internal and external risk factors, the focus of stakeholders, etc., combined with strategic risks and business risks, to comprehensively identify the failure to achieve the Company's goals, cause potential risk events of loss or negative impact on the Company.

Article 13 The Company and its subsidiaries shall review their own size, industry, business characteristics, operational activities, and consider all aspects of corporate sustainability (including climate change) to conduct a comprehensive risk analysis, identify the Company's applicable risk sources and category, including all of the following types of risks under management, or a portion of the following types of risks after reporting to Board RMC and receiving approval from Board RMC.

- I. Credit risk
- II. Market risk
- III. Liquidity risk
- IV. Operational risk
- V. Legal risk
- VI. Money laundering and terrorism financing (ML/TF) risk
- VII. Information security risk
- VIII. Climate and Environmental Risks
- IX. Other risks: such as strategic risks, business risks, financial risks, legal compliance risks, reputation (integrity) risks, emerging risks (such as infectious disease-related risks), etc.

Article 14 Credit risk

The Company and its subsidiaries shall establish a system or method to manage credit risk arising from borrowers, counterparties, or asset

portfolios.

- I. An appropriate credit risk control environment shall be established, including the process of credit approval, the process of credit management, measurement and monitoring, and control of credit risk.
- II. Counterparty credit risks (including counterparties, borrowers, and debtors etc.), such as default risk and settlement risk, shall be placed under control.
- III. The credit rating of counterparties shall be established as well as control criteria for the exposure and risk concentration of products, industries, countries, or groups.

Article 15 Market risk

The Company and its subsidiaries shall establish risk assessment and control mechanisms for fluctuations of the on- and off-balance sheet items due to volatility in price, exchange rates, and interest rates. The above risk assessment and control mechanisms shall take into account the principles of security, liquidity, and profitability, and the actual operations of financial markets so as to establish control measures for market risk limit management, limit exceeds, and exception management, such as market risk limit control measures.

Article 16 Liquidity risk

- I. The Company and its subsidiaries shall evaluate main asset portfolios and the liquidity risks to which they are exposed, including funding policy, management of net working capital requirements, management of funding sources, and risk tolerance.
- II. Each subsidiary shall manage its liquidity risks according to its individual business properties and regulations stipulated by the competent authority.
- III. The Company and its subsidiaries shall establish emergency contingency plans for liquidity risk, including procedures and sources for obtaining funds.

Article 17 Operational risk

The Company and its subsidiaries shall establish control and audit procedures for the operating procedures, operation authorities, documents, and certificate custody of various businesses according to their respective business properties and scale to manage the risk of loss resulting from inadequate or failed internal process, people and systems or from external events, including legal risk, but excluding strategic and reputational risk.

Article 18 Legal Risk and Other Risks

The Company and its subsidiaries manage legal risk and other risks through mechanisms such as risk scenario stress testing, risk appetite, and capital adequacy assessments. These processes shall be reported to

Board RMC.

Article 19 Money laundering and terrorism financing (ML/TF) risk

The Company and its subsidiaries shall establish a management mechanism for countering ML/TF risks.

- I. Identify, assess and manage ML/TF risks.
- II. Manage and mitigate identified ML/TF risks, and enforce enhanced control measures for the higher risks.
- III. Supervise and ensure compliance with anti-money laundering and counter-terrorism financing regulations.

Article 20 Information security risk

The Company and its subsidiaries shall establish information security risk management mechanisms for its businesses or transaction information exchange and usage, so as to identify, assess, and control these risks, reduce the risks to acceptable levels, and ensure the continuity of business operations.

Article 21 Climate and environmental risk

The Company and its subsidiaries shall address potential risks and opportunities related to climate change and the environment. This includes developing mitigation and adaptation measures, establishing management indicators and targets, to enhance the Company's risk management capabilities in relation to climate and environmental risks.

Article 22 The Company and its subsidiaries shall establish consistent assessment methods for the quality and classification of assets, and appropriately setting aside the loss allowance or reserves.

Article 23 The Company shall establish information security defense mechanisms for the business operation, transactions, and information exchanges or other activities among its subsidiaries.

Chapter V Risk Reporting and Disclosure

Article 24 The risk management execution process and results of the Company and its subsidiary, including risk identification, risk analysis, risk assessment, and risk response in the risk management process, measures, relevant information sources and risk assessment results, etc., shall be recorded, reviewed and reported through appropriate mechanisms, and properly retained for future reference.

Article 25 Any activation or significant modifications related to methods, models, and assumptions in the risk management regulations and control procedures of the Company and its subsidiaries shall be documented and made available for review by the Risk Management

Division of FHC.

- Article 26 Upon the introduction of new products, services, or novel business activities by the Company and its subsidiaries, the risk control department shall engage in the audit process.
- Article 27 The Company and its subsidiaries shall establish risk control report and review procedures. These procedures shall encompass review mechanisms for reviewing reports on compliance with existing policies and procedures with a particularly emphasis on various exceptions of non-compliance.
- Article 28 The Company and its subsidiaries shall report the risk status and capital requirements of the company to its Board of Directors every quarter.
- Article 29 The audit departments of the Company and its subsidiaries shall review the procedures of risk management to ensure that the evaluation and control procedures for risk management are operating effectively.
- Article 30 The Company shall disclose the following risk management related information on the Company website or Market Observation Post System, provide reference for external stakeholders, and continuously update it. The specific items to be disclosed include:
- I. Risk management policies and procedures;
 - II. Risk governance and framework of management organization;
 - III. The operation and implementation of risk management (including the frequency and date of reporting to the Board of Directors and Board RMC).

Chapter VI Supplementary Provisions

- Article 31 The Risk Management Policy and Guiding Principles shall become effective upon approval by the Board of Directors.