Yuanta Financial Holding Company

Risk Management Policy

Approved by the Board of Directors on May 23, 2006 (13th meeting of the 2nd board)
Amendments approved on September 26, 2007 (5th meeting of the 4th board)
Amendments approved on April 21, 2009 (29th meeting of the 4th board)
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Amendments approved on November 20, 2020 (22nd meeting of the 8th board)
Amendments approved on December 28, 2022 (9th meeting of the 9th board)
Amendments approved on March 15, 2023 (12th meeting of the 9th board)

Chapter 1 (General Provisions)

Article 1 In order to establish the Company's risk management standards and ensure the integrity, effectiveness, and reasonableness of risk management, this Policy is specially formulated.

Chapter 2 (Risk Governance and Culture)

Article 2 The risk management policy is the highest guiding principle of the Company's risk management. Each type of risk management system shall be based on this Policy, the attributes of each type of risk, and its impact on the Company's operational stability and capital safety, and appropriate risk management systems shall be formulated respectively.

Article 3 The Company shall emphasize and support risk management, promote a top-down risk management culture, and implement risk management for the entire business.

Chapter 3 (Risk Management Organizational Structure and Responsibilities)

Article 4 The board of directors is the Company's highest risk management decision-making body and has the following key responsibilities:

1. Approval of risk management policies;
2. Approval of important risk management systems;
3. Approval of annual risk limits and monitoring indicator thresholds;
4. Supervising the implementation of the risk management systems.

Article 5 The risk management committee shall assist the board of directors in supervising the operation of risk management related mechanisms with the following key responsibilities:

1. Reviewing risk management policies and systems;
2. Reviewing annual risk limits and thresholds for monitoring indicators;
3. Reviewing the risk management performance report;
4. Supervising the management of the Company's existing or potential risks;
5. Assisting the board of directors in supervising the implementation of risk management decisions;
6. Other risk management matters designated by the board of directors or by this Committee as requiring to be handled or reported.

Article 6 The senior management level shall review the risks involved in the Company's various operating activities to ensure that the Company's risk management system is complete and effective in controlling the relevant risks.

Article 7 Each unit shall be responsible for identifying and managing the risks arising from the functions or business areas under its responsibility, designing and implementing effective internal control procedures for such risk characteristics, and fully covering the risk management functions of the relevant operational activities.

Article 8 Risk management units, law compliance units, and other risk management-related units shall establish a management mechanism for each major risk category, monitor the overall risk-bearing capacity, and the current status of risk exposure, and report on the implementation of monitoring.

Article 9 The internal audit unit shall check and evaluate whether the risk management and related internal control systems are operating effectively on a continuous basis in an independent and transcendent spirit, and provide timely suggestions for improvement.

Chapter 4 (Major Risk Types)

Article 10 The Company's risk management system shall cover the Company's major operational risks, including financial risks, operational risks, legal and compliance risks, and climate change risks.

Article 11 The main categories and content of financial risks are as follows:

1. Market risk refers to the risk of loss of valuation of the Company's positions due to changes in market price, volatility, or correlation. Market prices include indices, stock prices, interest rates, exchange

rates, commodities, or credit discounts, etc.

2. Credit risk refers to the risk of loss due to the following events:
   (1) The risk of loss arising from the failure to comply with the terms of debt settlement due to default, bankruptcy, or liquidation of the bond (bill) issuer, lender, counterparty, or custodian;
   (2) The risk of loss arising from the failure of the guarantor of the bond (bill) issuer, lender, or counterparty to fulfill his or her obligations under the guarantee in the event of default, bankruptcy, or liquidation of the guarantor of the issuer, lender, or counterparty
   (3) The risk of loss arising from the weakening of the credit strength of the financial product link, the downgrading of the credit rating, or the occurrence of a breach of contract in the financial product issuance contract.
3. Market liquidity risk refers to the risk of loss in the event of a sale of assets or liquidation of positions due to a persistent lack of market trading volume or a significant reduction in trading volume as a result of market disorder.
4. Funding liquidity risk refers to the risk that the financial structure becomes unbalanced due to improper fundraising planning or that the Company is unable to obtain sufficient funds through asset sales or external financing in a timely manner due to significant changes in the general economy or financial markets, and thus is unable to meet its obligations when due.
5. Gearing risk is the risk of adverse changes in the Company's overall profit or loss, net interest income, or net worth as a result of changes in interest rates or exchange rates due to differences in the currency of interest-bearing assets and interest-bearing liabilities, the method of interest accrual, or maturities.
6. Large exposures are the risk of a significant loss to the Company due to unanticipated changes in the specific risk factors on which the business is concentrated.
7. Insurance risk refers to the risk of loss due to unexpected changes when operating insurance business, after the insurance premiums have been received, in the transfer of risk from the insured and the payment of claims and related expenses.
8. Operational risk refers to the risk of direct or indirect losses caused by the impropriety or errors of internal operations, personnel, and

systems, or due to external events.

Article 12 The main categories and content of operational risks are as follows:

1. Information security risk refers to the degree to which the normal operation of business-related information systems is affected and jeopardized by the misuse, leakage, falsification, or destruction of information assets due to the risk of human error, intentional or natural disasters.
2. Human resources risk refers to the human rights issues of employees and the Company's human resources development and management, such as risks related to issues such as attracting, retaining, and developing talent.
3. Emerging risk refers to the risk that a new type of business or new type of risk which may adversely affect future business operations due to a failure to identify and evaluate risks.
4. Integrity management risk refers to the risk that a director, supervisor, manager, employee, or person with substantial control over the Company will directly or indirectly offer, promise, request, or receive any improper benefit or commit other unethical conduct such as breach of good faith, wrongfulness, or breach of fiduciary duty in the course of engaging in business conduct in order to obtain or maintain benefits.
5. Reputation risk refers to the risk of loss from business termination or disruption due to negative media or public comments.
6. Strategy risk refers to the risk arising from inappropriate strategies or changes in the business operating environment.

Article 13 The main categories and content of legal and compliance risks are as follows:

1. Legal compliance risk refers to the risk of possibly being penalized by the competent authorities, resulting in a significant financial or reputational loss, for failing to comply with relevant laws and regulations in the execution of each operation.
2. Legal risk refers to the risk of potential loss arising from the invalidity of the contract due to the lack of legal effect, ultra vires acts, omissions in terms, inadequate regulations, etc.
3. Money-laundering and terrorism-financing risks refer to the risks that a business will be abused for money laundering or terrorism financing related purposes.

Article 14 Climate change risk refers to the potential risks arising from climate change or the mitigation of climate change, including investment and financing climate change risk and own operational climate change risk:

1. Investment and financing climate change risk refers to the potential increase in the Company's exposure to the impact of climate change on issuers, counter-parties or financing customers with whom the Company or its subsidiaries have investment or financing dealings.
2. The risk of climate change in the Company's own operations refers to the potential increase in risk to the Company's own operations due to climate change in the process of the Company's or its subsidiaries' own infrastructure or low-carbon transformation.

Chapter 5 (Risk Management Procedures)

Article 15 The risk management procedures shall include risk identification, risk measurement, risk monitoring, and risk management reporting.

Article 16 Risk identification refers to the analytical process to identify the risk attributes and types of risks associated with each business.

Article 17 Risk measurement refers to making reasonable estimates of the risk characteristics that may generate potential losses or affect potential losses. For quantifiable risk characteristics, appropriate quantitative methods shall be adopted to measure the degree of risk. For risk characteristics that cannot be quantified, appropriate qualitative methods shall be adopted to express the degree of risk.

Article 18 Risk monitoring refers to the assessment of the actual degree of risk arising from each business based on the risk limits of that business to ensure that each risk is in accordance with the Company's authorization.

Article 19 Subsidiaries shall establish risk management systems in accordance with the Company's risk management policy that are consistent with their business portfolio, scale of operations, and capitalization, in order to effectively manage the various risks to which they are exposed.

Chapter 6 (Risk Reporting and Disclosure)

Article 20 Risk management reports refer to the reporting of risk management related information to the relevant supervisors. The level, content, and frequency of the risk report shall be adjusted according to the nature of the risk and its impact on the Company's business, profit and loss, and net worth.

Article 21 The Company shall disclose risk management information in accordance with the regulations of the competent authorities and International Financial Reporting Standards (IFRSs).

Chapter 7 (Supplementary Provisions)

Article 22 Matters not covered in this Policy shall be handled in accordance with relevant laws and regulations and the Company's relevant regulations.

Article 23 This Policy shall be implemented after it has been approved by the board of directors of the Company, and the same applies when it is amended.