

## Internal Control System

### General

#### Article 1: (Basis)

"Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" of the Financial Supervisory Commission of the Executive Yuan.

#### Article 2: (Purposes)

The basic purpose of the establishment of the system is to promote the sound management of our company. It is to be followed by the Board, management and all employees to ensure the achievement of the following targets through reasonable means:

- I. Effectiveness and efficiency in operations.
- II. Reliability, timeliness, transparency, and regulatory compliance of reporting.
- III. Compliance with related laws and regulations.

The goals for effectiveness and efficiency in operations specified in Subparagraph 1 of the preceding paragraph include goals for profitability, performance, and protection of asset safety.

The reporting referred to in Paragraph 1, Subparagraph 2 include the internal and external financial reporting and non-financial reporting of the Company and subsidiaries. The goals for external financial reporting include ensuring that all external financial statements are prepared in accordance with generally accepted accounting principles and that transactions have been adequately authorized.

#### Article 3: (Components)

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The system includes the following components:

- I. Control environment: The control environment refers to the basis for the internal control system designed and established by the Company and subsidiary companies. The control environment includes the integrity and ethics of the Company and subsidiaries, the responsibilities of the board of directors and the Audit Committee, organization structure, assignment of authority and responsibilities, human resource policies, performance evaluation, and reward and penalty measures. The board of directors and managerial officers shall establish an internal code of conduct that includes a code of conduct for directors and a code of conduct for employees.
  - II. Risk assessment: The requirement for risk assessment is to determine the targets and connect them to units of different levels in the Company and subsidiaries. The assessment must also account for the appropriateness of targets for the Company and subsidiaries. The management shall consider the impact of changes in the external environment and business model of the Company and subsidiaries and potential occurrences of fraud. The assessment results can help the Company and subsidiaries promptly establish, revise, and execute necessary control operations.
  - III. Control activities: Control activities refer to activities taken in accordance with appropriate policies and procedures in response to the results of risk assessments of the Company and subsidiaries to confine risks within the permissible scope. The execution of control operations shall include all levels of the Company and subsidiaries, all levels in business procedures, all technology environments, supervision and management of subsidiaries, and appropriate segregation of duties, and management and employees shall not be given conflicting responsibilities.
  - IV. Information and communication: Information and communication refer to the Company and subsidiaries' collection, production, and use of critical and quality information from internal and external sources for supporting the continuous operations internal controls and
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other components, and ensuring the effective communication of information between the insiders and outsiders of the Company and subsidiaries. The internal control system must be equipped with information necessary for planning, execution, and supervision. It must also provide individuals who need the information with mechanisms for accessing information when necessary and retain all financial, operation, and compliance information. An effective internal control system must include effective communication channels.

V. Supervising activities: Supervising activities refer to the continuous evaluation, individual evaluation, or both continuous and individual evaluations conducted by the Company or subsidiaries to ensure the existence and continuous operations of the internal control system. Continuous evaluation refers to routine evaluation in the process of operations in different levels; individual evaluation refers to an evaluation conducted by internal auditors, the Audit Committee, and other members of the board of directors. The deficiencies found in the internal control system must be reported to the appropriate management level, the board of directors, and the Audit Committee and improvements must be quickly made.

#### Article 3-1:

The code of conduct for directors in Paragraph 1, Subparagraph 1 of the preceding article shall include at least requirements for a director to, upon discovering a likelihood that the Company would suffer material injury, immediately notify the Audit Committee or an independent director member of the Audit Committee. The director then shall supervise the Company and the subsidiary company to report to the authorities concerned.

#### Article 4: (Scope of the System)

This system applies to all operating activities of this Company, and provides the adequate policy and operating processes as follows, which shall be reviewed and modified as necessary:

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- I. The organizational rules or management policies, including a clear organizational system, division of responsibilities, job descriptions, and a well-defined policy of authority and delegation.
  - II. Relevant business rules and management manuals, including:
    - (I) Investment guidelines.
    - (II) Subsidiaries management.
    - (III) Joint marketing management.
    - (IV) Confidentiality of client data.
    - (V) Regulations for transaction with stakeholders.
    - (VI) Shareholding management.
    - (VII) Management for preparation process of financial statements including management of applicable IFRSs, professional accounting determination processes, and the procedures of accounting policy and estimated changes.
    - (VIII) General affairs, information and personnel management.
    - (IX) Process management of outbound information disclosure.
    - (X) Financial verification reporting management.
    - (XI) Remuneration committee operating management.
    - (XII) Major contingency processing mechanisms.
    - (XIII) Compliance with related AML/CTF regulations as well as management systems including management mechanisms for identifying, measuring, and monitoring of ML/TF risks.
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(XIV) Other business regulations and operating procedures.

The internal control system of the Audit Committee established by the Company shall include the management of the discussions and operations of the Audit Committee.

The Company shall also establish a comprehensive AML/CFT plan for the Group that includes information sharing policies and procedures for the Group that meet local AML/CFT regulations of the foreign branches of subsidiaries.

The Company's internal control system shall include the control activities for various transaction cycles established in accordance with the nature of businesses in the preceding paragraph as well as control over the following operations:

- (I) Management of the use of authorized seals.
- (II) Management of the use of bills collected for use.
- (III) Budget management.
- (IV) Property management.
- (V) Management of endorsements and guarantees, liability commitments, or contingencies.
- (VI) Management of the authorization and agent system.
- (VII) Management of financial and non-financial information.
- (VIII) Management of the discussions and operations of the board of directors
- (IX) Management of measures for preventing insider trading.

#### Article 5: (Composition of the System)

The departments of the Company shall add, amend, and regularly review and revise the operational and management regulations in the

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preceding article in accordance with regulations, business items, and operating procedures. Where necessary, these procedures shall involve the regulatory compliance, internal audit, and risk management units.

The contents of the design of the system include:

- I. Establishment of operating procedures for various transaction cycles.
- II. Design of control points for various operating procedures.
- III. Design the forms for use:

The principles for the design of the system include:

- I. Design operating procedures based on the actual requirements for each business. Set certain key points in each process or cycle and review whether there are errors in the operation process and whether they meet regulations. Use specific data or text to express information and require signatures for accountability.
- II. Assign each business to different departments or roles based on the nature of the business instead of allowing an individual department or person to take over the entire process. For instance, accounting personnel may not serve concurrently as cashiers or operate businesses. This restriction ensures effective checks and balances.
- III. The system must be coordinated with the internal audit and operations for key points shall be provided in forms to facilitate audits, tracking, and evaluation.

#### Article 6: (Implementation of the System)

The system is implemented to be operating on an ongoing basis. The responsibility does not lie only with a specific unit or department or with the management, but with all employees for their continuing commitment and efforts.

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The related departments shall be authorized to revise the policies and operating procedures for all business activities of the Company in accordance with their duties. The policies and operating procedures shall be submitted for approval and implementation in accordance with the Company's tiered management table or related authorization requirements and sent to the Risk Management Division for inclusion in the "control operations and items" of the system. They shall be regularly reported to the Board of Directors each year for review. However, where the system is not promptly revised, the system shall still be processed in accordance with related laws and regulations.

All levels of the Company shall strictly abide by the control operations for the execution of various businesses and they shall conduct regular self-inspections and internal audits. If company policy, operating procedure, set targets or expected standards are found during routine operations to diverge from the truth, employees must immediately respond to the appropriate management level. They shall then take necessary corrective actions to ensure that the company's business management follows the planned path.

Where a company employee fails to process businesses in accordance with regulations of the system, he/she shall be punished in accordance with related regulations in Chapter 7 of the HR management rules.

#### Article 7: (Enactment and Amendment)

The system shall be submitted to the Audit Committee for approval and it must be reviewed and passed by the board of directors before implementation. Where a director expresses a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting and delivered along with the internal control system passed by the board of directors to the Audit Committee. The same applies for any amendments.

#### Article 7-1:

The board of directors of the Company must be aware of the operational risks faced by the company or business, supervise its operating

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results and bears the ultimate responsibility for ensuring the establishment and maintenance of appropriate and effective internal control system.

Article 8: (Date of First Enactment and Amendment)

The System was established on June 18, 2003.

The first amendment was made on July 22, 2004.

The second amendment was made on October 14, 2005.

The third amendment was made on August 24, 2006.

The fourth amendment was made on October 18, 2007.

The fifth amendment was made on June 19, 2008.

The sixth amendment was made on August 27, 2009.

The seventh amendment was made on August 26, 2010.

The eighth amendment was made on August 25, 2011.

The ninth amendment was made on April 26, 2012.

The tenth amendment was made on April 25, 2013.

The eleventh amendment was made on December 25, 2014.

The twelfth amendment was made on November 20, 2015.

The thirteenth amendment was made on October 31, 2016.

The fourteenth amendment was made on August 25, 2017.

The fifteenth amendment was made on December 21, 2017.

The sixteenth amendment was made on August 23, 2018.

The seventeenth amendment was made on November 22, 2018.

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The eighteenth amendment was made on August 22, 2019.

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