Risk Management Policy and Guidelines for FFHC and Subsidiaries

Chapter 1 General

Article 1 When FFHC and subsidiaries engage in business operations, they shall keep potential risks in such business activities within the agreed risk tolerance range and achieve a reasonable balance between risks and returns, provided that the Group's capital adequacy ratio requirements are met.

Article 2 To effectively identify, measure, monitor, and control risks, FFHC and subsidiaries shall establish risk management procedures in accordance with the regulations in the Risk Management Policy and Guidelines which shall serve as an important basis for risk management.

Chapter 2 Risk Management Organization

Article 3 The board of directors bears the ultimate responsibilities for the overall risk management of FFHC and subsidiaries. High-level managers and risk management units shall be responsible for the supervision implementation of risk management policies, systems, and procedures, and they shall be responsible for the main risks. They shall also report the implementation status in accordance with regulations.

Article 4 To facilitate the review, oversight, and coordination of the risk management practice, FFHC and its subsidiaries shall each create a Risk Management Committee to be responsible for devising the system, policies, and monitoring indicators of risk management. Where a subsidiary has not established a "Risk Management Committee" based on the Company's approval due to the simplicity of operations or smaller scale of assets, the risk management unit shall be responsible for the establishment and execution of risk management in accordance with related authorization procedures.

FFHC shall coordinate and supervise related risk management matters of all subsidiaries.

Chapter 3 Risk Management Guidance Principles

Section 1 Capital adequacy ratio evaluation

Article 5 FFHC and subsidiaries shall comply with related regulations for their respective business operations and capital adequacy ratio applicable in individual industries. They shall also establish adequate capital adequacy ratio evaluation procedures and capital structure management in accordance with the company's business strategy, business development, and risk tolerance.

Section 2 Main Risk Assessment

Article 6 The risk assessments of FFHC and subsidiaries shall meet related regulations for each industry and include main risks such as credit risks, market risks, interest rate risks, liquidity risks, insurance risks, operational risks (including legal risks), and emerging risks (e.g., information security risks and climate change risks). They shall also establish their main risk identification, measurement, supervision, and control and management procedures.

Article 7 FFHC shall establish a systematic method to evaluate the credit risks of the asset portfolio of the transaction counterparty (including the borrower and the creditor). The management mechanisms shall include:

I. Control procedures, authorization standards, control measures, credit management information, etc.

II. Control and management mechanisms for settlement risks or default risks of transactions.

III. Evaluate and establish methods for limiting and monitoring credit risk concentration of the transaction counterparty.

Article 8 To evaluate and manage the market risks derived from fluctuations in the price of financial products, exchange rate, and interest rate, the Company must establish a prudent risk control environment:

I. Establish investment decision-making procedures with prudent evaluations and set up management procedures for limits, stop limits, and exceptions based on the nature of transactions or the authorized positions established for different businesses. Gradually establish risk value limit management.

II. Regularly conduct market price reviews, sensitivity analyses and stress tests.

III. Use hedging strategies carefully and execute evaluations and management for the effectiveness of hedging.

Article 9 Liquidity risks include asset liquidity risks and financing liquidity risks. The management mechanisms shall include:

I. Manage liquidity risks in accordance with the characteristics of individual industries and regulations of the competent authority.

II. Evaluate and control methods including the liquidity ratio, position management, asset and liability gap management, and concentration management.

III. Establish emergency response measures for liquidity risks.

Article 10 Interest rate risks refer to risks derived from the income and expenditures caused by inconsistencies in the structures of the maturity of assets and liabilities as a result of market interest rate fluctuations. The management mechanisms refer to the maturity date gap model, average maturity gap model, or repricing gap model.

Article 11 Insurance risks shall include management mechanisms for product design and pricing risks, insurance underwriting risks, compensation claim risks, reinsurance risks, catastrophe risks, and preparatory fund risks.

Article 12 Operating procedures for various businesses must be established including operating instructions and authorization, storage of documents and certificates, anomaly monitoring and management by exception, and transaction and information security protection measures. They shall be implemented to control the safety and efficiency of business operations to prevent inappropriate business procedures, personnel, systems, or external incidents from causing operational risks (including legal risks).

Article 13 Emerging risks that may impact FFHC's future operations must be evaluated and related mitigation measures must also be studied. FFHC shall compile the results of identified risks and establish group-level emerging risk items and management mechanisms.

Section 3 Supervision, Reporting, and Internal Control

Article 14 Subsidiaries may assess the characteristics of their industries and business activities and adjust the necessary evaluation and management procedures.

The launch of new products and in introduction of processes and systems shall involve the participation of the risk management unit to adequately assess and devise operating procedures and risk management guidelines.

In the event of a material change in related methodologies and models of a subsidiary' risk management procedures, the Company must be notified to assign personnel to take part in the change. The change shall be approved in accordance with the subsidiary's risk management procedures and delivered to the Company's Risk Management Division for reference.

Article 15 FFHC and subsidiary companies shall evaluate and review the risk management implementation status and regularly report to the board of directors. The main contents of the report shall include the following items:

I. Implementation status of the risk management system and management procedures.

II. Evaluation of current main risks and trends and their impact on capital.

III. Strategies planned for responding to risk conditions and capital requirements.

IV. Capital adequacy ratio supervision and management.

Article 16 The audit units of the board of directors shall regularly review risk management procedures and internal controls to ensure the establishment of risk management mechanisms and the effective operations of the management procedures.

Chapter 4 Supplementary provisions

Article 17 The Risk Management Policy and Guidelines shall be reviewed based on the Group's overall business plan. The Policy and any amendment thereto shall become effective upon the resolution of the Board.

Article 18 The Risk Management Policy and Guidelines were established on August 13, 2003. The first amendment was made on December 27, 2007; The second amendment was made on August 26, 2010; The third amendment was made on February 21, 2020.