

## **Mega Financial Holding Company Ltd., Risk Management Assessment Methods for Subsidiaries**

Approved by the General Manager on

February 22, 2013

Amended for the first time on February 9, 2017

(Approved by the Chairman)

Amended for the second time on June 8, 2020

(Approved by the General Manager)

Amended for the fifth time on April 6, 2022

(Approved by the General Manager)

### **Article 1 Purpose**

These measures are formulated to effectively supervise the implementation of Group risk management policies by the subsidiaries so as to manage the operational risks of the Group.

### **Article 2 (Responsible Unit)**

The authority and responsibility unit of these measures is the Risk Control Department.

### **Article 3 (Assessment Object, Execution Unit and Period)**

The assessment objects of these measures are the subsidiaries of Mega Financial Holding Company Ltd. (hereinafter referred to as the company). The Risk Control Department of the company (hereinafter referred to as the Risk Control Department) shall carry out the assessment in December every year in accordance with Article 5 of these measures. The assessment period is from December 1 of the previous year to November 30 of the current year.

### **Article 4 (Assessment and Scoring)**

The basic score is 90. If the total score of a subsidiary exceeds 100, the highest score will be set as 100, and the scores of other subsidiaries will be adjusted in the same proportion.

### **Article 5 (Assessment Items and Criteria)**

I. Assessment items: The accuracy and timeliness of the information provided by subsidiaries.

Assessment criteria: (1) For those who fail to fill in the information within the required time limit, 1 point will be deducted each time, with a maximum of 3 points deducted. 1 point will

be added if there is no situation mentioned above.

- (2) If the information provided is incorrect and the same event has been asked to be corrected twice, 1 point will be deducted, and 1 point will be deducted for each subsequent correction.

II. Assessment items: Reporting of the risk events of subsidiaries to the company.

Assessment criteria: (1) If the competent authority or the Audit Office of the Board of Directors finds that there is a risk event that has not been reported in accordance with the regulations, including: In case of operation risk loss event, major contingency notification and major credit risk notification, 5 points will be deducted for each time.

- (2) If an operational risk loss event occurs and fails to be reported in accordance with the regulations even after notification, 1 point will be deducted each time, with a maximum of 5 points deducted.
- (3) If a major contingency fails to be reported within the prescribed time limit, 1 point will be deducted for each day exceeding the prescribed time limit, with a maximum of 5 points deducted.

III. Assessment items: Status of self-assessment of operational risk of subsidiaries.

Assessment criteria: (1) The self-assessment of operational risk is not truly conducted. Such as there is a major lack of audit or risk event in the current year, but the result of the self-assessment in the previous year was low-risk, or the self-assessment is not accurate, 1 point will be deducted each time, and 5 points can be deducted at most.

- (2) According to the results of self-evaluation, the specific improvement measures are proposed, and those who have taken them may be given additional points, up to 3 points.

IV. Assessment items: During the assessment period, the subsidiary shall send personnel to participate in the risk management and business-related training courses held internally and externally, and the relevant units shall issue certificates.

Assessment criteria: (1) 1 point will be added if the number of participants or total hours of relevant training courses is more than that

of last year.

- (2) Compare the risk control colleagues of each subsidiary who participate in risk management professional courses or hold internal risk management education and training. Those who have better participation and training may be given additional points, up to 3 points.

V. Assessment items: The subsidiary's cooperation with the company's policy implementation.

- (1) Participation in risk management projects or work plans promoted by the company.

Assessment criteria: Those who actively participate and make constructive suggestions may be given additional points, up to 3 points.

- (2) Implementation of the important objectives of the subsidiary's annual risk management.

Assessment criteria: For those who exceed the limit for four consecutive months and do not actively improve, appropriate points will be deducted, with a maximum of 5 points deducted.

- (3) Actively communicate and assist the company to understand the risk control situation of subsidiaries.

Assessment criteria: Those who have a high degree of cooperation, actively share various risk management information, and help understand various risk management situations may be given additional points, up to 3 points.

- (4) Actively and effectively implement the risk control system.

Assessment criteria: 1. If there is no operational risk event within one year, additional points may be given, with a maximum of 5 points.

2. If the quantitative or qualitative evidence approved by the Risk Control Department of the company shows a proactive actor, additional points may be considered, up to 5 points.

3. If no positive improvement is made after negligent prevention led to an operational risk event, subtracting points may be considered, up to 5 points.

- (5) Subsidiaries actively participate in and implement operations related to emerging risk management (including climate risks).

Evaluation standard: A maximum of 3 bonus points will be awarded for a high degree of cooperation, actively providing information and assisting the Company in promoting the plan.

VI. Assessment items: Other specific matters related to risk management. If

none of the items listed above apply, but the subsidiary has good performance in specific matters related to risk management or obvious defects that can be attributed, the score will be increased or deducted according to the situation, with a maximum of 3 points added or deducted for each item.

**Article 6 (Reporting Upward Process and Result Notice)**

In December of each year, the Risk Control Department of the company shall submit the assessment results in accordance with these measures to the Chairman for approval, and then send them to the management department to be included in the annual performance assessment calculation of each subsidiary, and send them to the Board of Directors.

**Article 7 (Decision Level)**

These Measures shall come into force after being approved by the General Manager, and the same shall apply when they are amended or abolished.