

Mega Financial Holding Company Ltd., Risk Management Policies and Guidelines

Formulated by the 3rd Risk Management Committee on
April 15, 2003

Amended by the 7th meeting of the 3rd Board of Directors on December 19, 2006

Amended by the 37th meeting of the 6th Board of Directors on December 26, 2017

Amended by the 13th meeting of the 7th Board of
Directors on June 25, 2019

Chapter I General Provisions

Article 1 In order to establish the risk management system of the company and its subsidiaries and ensure that all operational risks are controlled within the tolerable range, these Risk Management Policies and Guidelines (hereinafter referred to as the guidelines) are formulated.

Unless otherwise specified, the guidelines are applicable to the company and its subsidiaries.

Article 1-1 The authority and responsibility unit of these guidelines shall be the Risk Control Department of the company.

Article 2 These guidelines shall be followed by the Board of Directors, the management and all practitioners, so as to maintain the safety of the company's assets, ensure the quality of assets and finance, and comply with relevant laws and regulations.

Article 3 The Board of Directors is ultimately responsible for establishing the risk management system and ensuring its effective operation.

Article 4 Effective systems shall be established to identify, measure, monitor, report and respond to risks, including the establishment of **adaptive strategies**, control objectives, internal control systems and procedures, and clear responsibility attribution.

Article 5 The company shall establish an independent Risk Management Committee to supervise the effective implementation of the risk control and management system of the company and its subsidiaries. Its responsibilities and operation mode shall have clear norms.

Each subsidiary may set up a risk management unit, personnel or committee in accordance with its business nature and needs, and specify its responsibilities and mode of operation.

Article 6 Each subsidiary shall have an appropriate supervision system to ensure that its business activities are properly authorized, consider risks, and establish authorization control and access authority of information files. It is strictly

prohibited for a single employee to complete the whole transaction process.

Article 7 The overall risk management system shall be reviewed every year, risk management objectives shall be formulated and submitted to the Board of Directors for approval, and the implementation shall be regularly tracked.

Each subsidiary shall regularly prepare risk management statements or reports and submit them to the company for reference.

Article 8 The trading, investment and credit business of each subsidiary shall set stop loss points or various risk concentration limits according to the nature of business, and they shall be reviewed and revised regularly.

Article 9 The risk generating unit of each subsidiary's trading, investment and credit business shall ensure that all transactions have clear and auditable tracks, and ensure the integrity of records or relevant information.

Article 10 Each subsidiary shall gradually establish a risk adjusted performance management system by linking the risk and reward related data of each commodity and department with the annual performance appraisal of the department or contractor.

Article 11 In order to ensure the effectiveness of risk management, all employees shall immediately report to the appropriate level when they find the deliberately hidden deficiencies. If they find the major deficiencies that may cause serious damage to the company, they shall immediately report to the senior management or members of the Board of Directors, and take corrective measures quickly.

Article 12 It is necessary to establish major contingency operation norms, which shall at least include the definition of major contingency, notification system, notification unit, incident disposal method and follow-up tracking handling, etc., so as to be the basis for handling major contingency.

Chapter II Credit Risk Management

Article 13 A subsidiary undertaking credit business shall establish a consistent internal credit rating system.

Article 14 The subsidiary undertaking credit business shall strengthen the control of credit risk, such as the collection of collateral, guarantee, bilateral or multilateral mutual offset and early termination of the contract, the use of credit derivatives and other financial instruments to transfer credit risk, etc.

Article 15 A subsidiary undertaking credit business shall establish a link between credit rating **mechanism** and interest margin so as to maintain a reasonable relationship between credit risk and reward.

Article 16 A subsidiary undertaking credit business shall gradually establish a credit risk measurement system and database, classify and keep internal historical data

such as credit risk measurement, and re-examine whether the estimated value of relevant data of risk measurement conforms to the economic and market conditions at that time at least once a year.

Article 17 All subsidiaries shall consider the impact of the overall economic situation, customer characteristics and transaction characteristics on the credit risk measurement data, and adjust them appropriately to ensure that the relevant data can meet the actual situation. And regularly review and revise the industry and risk concentration limits of counterparties in light of changes in economic and financial situation and adjustment of business policies.

Chapter 3 Market Risk Management

Article 18 Each subsidiary shall make a “mark to market” evaluation on the positions held by each commodity and department, and report it to the Risk Control Department of the company regularly for reference.

Article 19 Each subsidiary shall gradually establish a risk measurement system and database for market trading positions, classify and store the internal historical data produced by the risk measurement model, evaluate the remuneration, value at risk and trading limit of each commodity and department, and regularly update and maintain them.

Article 20 The risk factors (interest rate, exchange rate, price change, etc.) contained in the market risk measurement system must be sufficient to measure all market risks of on balance sheet and off balance sheet trading positions.

Article 21 Each subsidiary shall regularly review and revise the trading risk limits in light of the changes in economic and financial situation and the adjustment of business policies, so as to ensure that the relevant risk measurement data and processes can comply with the established policies, internal controls and operating procedures.

Chapter 4 Liquidity Risk Management

Article 22 A consistent strategy shall be established to continuously monitor the net money needs of major currencies.

Article 23 The liquidity situation and the strategy of throwing and replenishing money under different scenarios shall be analyzed.

Article 24 The relationship with creditors shall be established and maintained, the dispersion of debts shall be maintained and the ability to sell assets shall be ensured.

Article 25 An appropriate information system to measure, monitor and report liquidity risk shall be established, and regularly report to the Risk Management Committee and the Board of Directors for approval.

Article 26 It is necessary to establish a money emergency plan, including the strategy of

handling the liquidity crisis and the procedures and methods of making up the cash flow gap.

Chapter 5 Operational Risk Management

Article 27 Each subsidiary shall monitor and reduce the operational risk in accordance with the relevant regulations of each industry and the business norms established by the internal control system.

Article 28 All subsidiaries shall regularly conduct operational risk self-assessment to identify and assess the degree of operational risk exposure, strengthen risk management awareness and reduce operational risk losses.

Article 29 Each subsidiary shall establish an operational risk loss database to classify and store the internal loss data by business type or business unit type and loss type.

Article 30 Each subsidiary shall analyze and review the relevant operational risk loss events as a reference for improving internal control procedures. The loss events before and after the improvement are compared and analyzed, and the records are kept.

Chapter 6 Law and Directive Compliance Risk Management

Article 31 It is necessary to establish a legal compliance system and appoint a legal compliance chief.

Article 32 Legal compliance plans shall be formulated in accordance with the provisions of the competent authorities of each industry, and the laws to be followed by each business shall be clearly stated and updated at any time.

Article 33 Business rules and business manuals shall be formulated to provide the basis for compliance by business departments.

Article 34 A channel for law and regulations consultation, coordination and communication shall be established.

Article 35 The publication and education of financial laws, regulations and ethics norms shall be strengthened.

Article 36 Compliance with the law shall be assessed on a regular basis.

Article 37 The company shall formulate the Group's overall plan to prevent money laundering and combat terrorism financing to facilitate compliance.

Chapter 7 Human Resource Management

Article 38 Practitioners who must have professional qualifications in accordance with various business laws and regulations must obtain them within the time limit. Each subsidiary shall also assign a special person to report to the company on a regular basis the changes in the qualification certificates or certification materials of practitioners.

Article 39 A computer file of human resources database shall be set up, which shall at

least include the name, age, name, category and validity period of the practitioners, and be updated at any time.

Article 40 The management and practitioners shall not breach the trust, transfer improper interests, conflict with customers or damage customers' rights and interests.

Article 41 Unless otherwise provided by law or the competent authority, the management and practitioners shall keep confidential their knowledge of the client's transaction information and other relevant information they gained due to their duties.

Chapter 8 Information Security Management

Article 42 With consideration to the nature, scale and complexity of our business, an information security related management system shall be established and strengthened, so as to prevent malicious intrusion, attack, theft, tampering and illegal access of various information by internal and external personnel.

Article 43 The latest information security trends and developments shall be paid attention to, and information security publicity or education and training shall be regularly carried out, so as to enhance the culture and awareness of information security management and prevent the occurrence of information security incidents.

Chapter 9 Other Emerging Risk Management

Article 44 Each subsidiary shall gradually integrate the relevant risks that climate change may bring to the company's business and finance into the existing risk management process according to its industry characteristics, and should continuously assess the possible negative impact of the above risks on the achievement of the company's overall objectives.

Article 45 Each subsidiary shall gradually develop a method to measure climate change risk, disclose relevant risks, and provide reference for operation and management decisions.

Chapter X Supplementary Provisions

Article 46 Each subsidiary shall consider its business characteristics and establish a risk management system in accordance with the spirit of these guidelines.

Article 47 The formulation and revision of each subsidiary's risk management policies and objectives shall be submitted to the Board of Directors for approval after being reviewed by the Risk Control Department of the company, and then submitted to the Risk Management Committee of the company for reference. The review and revision of the annual risk management objectives shall be completed before the end of February for

reference.

Other risk management norms, such as capital adequacy management, credit risk management, market risk management, operational risk management, interest rate risk management, liquidity risk management, business crisis response measures, asset appraisal loss preparation and asset resale, customer data handling, personal data risk management norms, and norms otherwise submitted by the company's Risk Control Department shall be approved by each subsidiary and reported to the company for future reference.

Article 48 These guidelines shall come into force after being approved by the Board of Directors, and the same shall apply when they are amended or abolished.