

## 2020 Operation of the Audit Committee

The audit committee convened 12 (A) meetings in the most recent year (2020), and the attendance of the independent directors is as follows:

Title	Name	Number of Actual Attendance (B)	Number of Attendance by Proxy	Actual Attendance Rate (%) [B/A](Note 3)	Remarks
Independent Director	Ming Ling Hsueh	12	0	100	
Independent Director	Yin Hua Yeh	12	0	100	
Independent Director	Kuang Si Shiu	12	0	100	
Independent Director	Hsing Yi Chow	12	0	100	

Other items which should be recorded:

1. In cases where the operation of the audit committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date of the board of directors, term, contents of motions, resolutions of the audit committee, and the Company's handling of the audit committee's opinions:

(1) Items listed in Article 14-5 of the Securities and Exchange Act (All proposals related to items listed in Article 14-5 of the Securities and Exchange Act shall be stated clearly.)

1. The 11th meeting of the 8th audit committee on January 21, 2020

Motion: Evaluation of the independence of the Company's certified public accountant (CPA) and the appointment and remuneration for 2020.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 12th meeting of the 8th board of directors on February 5, 2020.

2. The 13th meeting of the 8th audit committee on March 17, 2020

Motion: The Company's 2019 consolidated financial statements.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 14th meeting of the 8th term board of directors on March 23, 2020.

3. The 13th meeting of the 8th audit committee on March 17, 2020

Motion: The Company's issuing of new shares from converting earnings to increase capital in 2019.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 14th meeting of the 8th board of directors on March 23, 2020.

4. The 13th meeting of the 8th audit committee on March 17, 2020

Motion: To propose the Company's 2019 Statement on the Internal Control System.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 14th meeting of the 8th board of directors on March 23, 2020.

5. The 13th meeting of the 8th audit committee on March 17, 2020

Motion: For the budget of the construction of the head office building of Yuanta Bank, a subsidiary of the Company.

Audit committee's resolution: In accordance with Article 8 and Article 9 of the "Regulations Governing the Exercise of Powers by Audit Committee of Public Companies," at least one-half of the committee members shall agree to.

The motion could not be resolved because more than one-half of the committee members recused themselves. As a result, it was referred to the board of directors for resolution.

Company's handling of the audit committee's opinions: Except for the recusal of stakeholders, approved by the remaining directors of the board present at the 14th meeting of the 8th board of directors on March 23, 2020.

6. The 13th meeting of the 8th audit committee on March 17, 2020

Motion: For the changes of the Company's accounting supervisor and officer in charge of accounting transactions.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 14th meeting of the 8th board of directors on March 23, 2020.

7. The 16th meeting of the 8th audit committee on June 16, 2020

Motion: For the issuance of the Company's unsecured ordinary corporate bonds.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 17th meeting of the 8th board of directors on June 23, 2020.

8. The 16th meeting of the 8th audit committee on June 16, 2020

Motion: For the appointment for the managers of the Company.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 17th meeting of the 8th board of directors on June 23, 2020.

9. The 17th meeting of the 8th audit committee on July 21, 2020

Motion: For capital increase and issuing of new shares from converting the Company's 2019 earnings and setting the base date of stock dividend distribution and the base date for capital increase and issuing new shares.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 18th meeting of the 8th board of directors on July 29, 2020.

10. The 18th meeting of the 8th audit committee on August 18, 2020

Motion: The Company's consolidated financial statements for the second quarter of 2020.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 19th meeting of the 8th board of directors on August 21, 2020.

11. The 18th meeting of the 8th audit committee on August 18, 2020

Motion: Regarding the cash capital increase of 40 million shares for Yuanta Futures Co., Ltd. for 2020 with the tentative price per share of NTD 47 (price to be based on the final issuance price), the Company plans to subscribe to some shares of Yuanta Futures under the identity of specified shareholder with the Company's shareholding ratio to remain unchanged and total subscription to be no greater than NTD 1.487 billion.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 19th meeting of the 8th board of directors on August 21, 2020.

12. The 20th meeting of the 8th audit committee on October 20, 2020

Motion: The amendment of certain provisions of the Rules Governing the Scope of Powers for Independent Directors of Yuanta Financial Holding Co., Ltd.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 21st meeting of the 8th board of directors on October 28, 2020.

13. The 23rd meeting of the 8th board of directors on January 19, 2021

Motion: Evaluation of the independence of the Company's CPAs and the appointment and remuneration for 2021.

Audit committee's resolution: Approved by all the committee members present.

Company's handling of the audit committee's opinions: Approved by all the directors of the board present at the 24th meeting of the 8th board of directors on January 27, 2021.

(2) Apart from aforementioned, resolution(s) which were approved with the consent of two thirds of the board of directors but were not approved by the audit committee: None.

2. In cases where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the independent director's name, contents of motions, reason for recusing him/herself, and final voting status:

(1) The 13th meeting of the 8th audit committee on March 17, 2020

Motion: For the budget of the construction of the head office building of Yuanta Bank, a subsidiary of the Company.

Resolution: Except for Independent Director Ming Ling Hsueh, Independent Director Kuang Si Shiu and Independent Director Yin Hua Yeh were stakeholders. In accordance with Article 8 and Article 9 of the *Regulations Governing the Exercise of Powers by Audit Committee of Public Companies*, at least one-half of the committee members shall agree to.

The motion could not be resolved because more than one-half of the committee members recused themselves. As a result, it was referred to the board of directors for resolution.

3. Communication between independent directors and internal auditing heads as well as CPAs (e.g. the matters, methods, and results of communication regarding the Company's financial and business status, etc.):

(1) In order to enhance the efficiency and effectiveness of its operations and to strengthen the interaction with the internal audit unit and accounting unit, the audit committee has established the "Communication Procedures for Audit Committee and Internal Auditing Department" and the "Communication Procedures for Audit Committee and Certified Public Accountants" to supervise the audit unit in performing and fulfilling its functions. The communication process between the audit committee and the internal auditors and CPAs is carried out in accordance with the aforementioned procedures, and the communication is generally good. In addition, an overall performance evaluation of the internal auditors and CPAs is conducted at the end of each year, and the relevant evaluation results are submitted to the board of directors.

1. Communication between independent directors and CPAs:

(1) The audit committee of the Company is composed of all independent directors. In order to enhance the efficiency and effectiveness of the audit committee's operations and to strengthen the interaction with the CPAs, the audit committee has established the Communication Procedures for Audit Committee and Certified Public Accountants

to monitor the fair presentation of the Company's financial statements and the independence and performance of the CPAs.

- (2) The regular communication matters regulated by the Communication Procedures for Audit Committee and Certified Public Accountants is mainly during the CPAs' planning of the audit, during the audit, and before the completion of the audit report. The Company discloses the status of communication and implementation results on its website on a quarterly basis. In addition, if necessary, communication will be conducted from time to time to maintain good communication procedures between the CPAs and the audit committee.
- (3) In addition to the quarterly audited (reviewed) financial statements and profit and loss accounts, the following is an excerpt of important matters from the communication meetings between the audit committee and the CPAs for the year 2020:
  - A. Discussion of the impact of the new basis for setting aside legal reserve on the Yuanta Group.
  - B. Discussion of the Yuanta Group's goodwill impairment assessment and review process.

2. Communication between independent directors and internal auditing heads:

- (1) The Company has an internal auditing department under the board of directors, which is responsible for determining the organization, establishment, and responsibilities of internal audits, setting up a general audit system, consolidating audit operations, and reporting monthly to the audit committee and the board of directors on the operations of the Company and each subsidiary's audits.
- (2) The Company's internal auditing department will continue to follow up and review the inspection opinions or audit deficiencies listed by the financial inspection authority, internal audit unit and internal units, and the items listed in the Statement on the Internal Control System that should be improved until they are fully improved and reports to the audit committee every six months.
- (3) The Company's internal auditing department reports to the audit committee from time to time on the implementation of self-audits of the internal audit system and internal control system, and submits to the audit committee for consideration the annual audit plan, revisions to the main regulations of the internal auditing department ("Implementation Measures for Internal Audits" and "Assessment Points for Audit Operations of Subsidiaries"), and the Statement on the Internal Control System.
- (4) Each year, the audit committee holds a communication meeting with the internal auditors, in which the auditor-general reports on the current status of internal control of the Company and each subsidiary, and fully communicates with the members of the audit committee on issues of concern.
- (5) When the Company or a subsidiary notifies the Company of a material eventuality, the Company's internal auditing department notifies all directors simultaneously by e-mail or SMS, and then submits a report to the audit committee, so that the audit committee can grasp the information at the first instance.

- (2) The Company discloses the information about the status of communication between independent directors and internal auditing heads and CPAs in the "Audit Committee" in the section of "Corporate Social Responsibility" on the Company's website: <https://www.yuanta.com/EN/IR/Governance/Committees>.

4. Operation and functions of the audit committee:

- (1) The responsibility of the Company's audit committee is to "improve Yuanta FHC's internal mechanism and assist the board of directors in enhancing corporate governance performance." The committee is comprised of only independent directors, and the committee is the most important functional committee in the operation of the Company's board of directors. The audit committee establishes the Annual Plan for Events and Agenda based on the Company's mid-term and long-term development strategies each year, which is the core of the execution of annual strategic objectives by the Company's board of directors. The annual work focuses include review of the Company's annual business and strategic plans, corporate governance-related issues, various financial reports, internal audit affairs and risk management, et al. Based on the Annual Plan for Events and Agenda, the audit committee and the board of directors perform and review their effectiveness every year.
- (2) The main function of the audit committee is to supervise matters such as the fair presentation of the financial reports of the Company, the hiring (and dismissal), independence, and performance of CPAs, the effective implementation of the internal control system of the Company, the compliance with relevant laws and regulations by the Company, the management and control of the existing or potential risks of the Company, etc.
- (3) The powers of the audit committee include the following:
  1. The adoption of or amendments to the internal control system.
  2. Assessment of the effectiveness of the internal control system.
  3. The adoption of or amendments to the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
  4. Matters in which a director of the board is a stakeholder.
  5. Asset transactions or derivatives trading of a material nature.
  6. Loans of funds, endorsements, or provision of guarantees of a material nature.
  7. The offering, issuance, or private placement of equity-type securities.
  8. The hiring or dismissal of a CPA, or their compensation.
  9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial report signed or sealed by the chairperson, the managers, and the accounting supervisors and the second-quarter financial report, which is subject to an audit and certification by CPAs.

11. Other material matters as may be required by the Company or by the competent authority.

The audit committee meets regularly on a monthly basis, and within the scope of its powers, may request the managers of relevant departments, internal audit officers, CPAs, attorneys, or other personnel of the Company to attend the meeting as non-voting participants and provide pertinent and necessary information, provided that they shall leave the meeting when discussion or voting takes place.

- (4) The audit committee held a total of 12 meetings in the year 2020, and the matters that were considered and the annual work highlights are as follows:
1. The 2019 consolidated financial statements and Statement on the Internal Control System.
  2. The 2021 annual audit plan; the changes of the Company's accounting supervisor and officer in charge of accounting transactions; the evaluation of the independence of the Company's CPAs and the appointment and remuneration; the consolidated financial statements for the second quarter; the issuance of the unsecured ordinary corporate bonds; the issuing of new shares from converting earnings to increase capital in 2019; the Company preparing its own financial reports and evaluating and adjusting related internal control operations; and the capital increase and issuing of new shares from converting the Company's 2019 earnings and setting the base date of stock dividend distribution and the base date for capital increase and issuing new shares.
  3. The Company's participation in the subscription of subsidiary Yuanta Futures Co., Ltd's cash capital increase in 2019; the Company's acquisition of all remaining common shares of subsidiary Yuanta Securities Investment Trust Co., Ltd.; a total of NT\$100,002,000 donated by subsidiaries to social welfare groups; and the Company's subscription to some shares of Yuanta Futures Co., Ltd for the cash capital increase of 40 million shares for 2020 under the identity of specified shareholder with the Company's shareholding ratio to remain unchanged.
  4. Subsidiary Yuanta Bank's application for the transfer of capacity in the head office building and the deposit payment to the Taipei City Government; the budget of the construction of the head office building of subsidiary Yuanta Bank; subsidiary Yuanta Life's conversion of its self-use real estate Yijiang Building into investment real estate to improve the efficacy of capital investment and reduce costs; subsidiary Yuanta Bank's application for a capacity transfer incentive for the construction of its head office building in relation to the amount of the tolerance deposit approved by the Taipei City Government and the difference in the amount to be paid; and the report of subsidiary Yuanta Life that No. 77 and No. 79, Section 2, Nanjing East Road, Taipei City and the entire basement parking spaces were leased to stakeholders.
- (5) The information about the audit committee is disclosed in the "Committees/Audit Committee" in the section of "Corporate Governance" under "Investor Relations" on the Company's website: <https://www.yuanta.com/EN/IR/Governance/Committees>

Note 1: The Company's independent directors were elected on June 29, 2007, and the audit committee was set up on the same day.

Note 2: The Company's independent directors of the 8th board of directors were elected on June 14, 2019.

Note 3: (1) Where an independent director may be relieved from duties before the end of the fiscal year, the date of discharge shall be specified in the "Remark" section. Actual attendance rate (%) was calculated based on the number of audit committee meetings held during each independent director's term and the number of meetings actually attended by that independent director.

(2) Where a reelection may be held for filling the vacancies of independent directors before the end of the fiscal year, both the new and the discharged directors shall be listed, and they shall be specified in the "Remark" section if they are the former directors, newly-elected, or re-elected, and the date of the reelection shall also be specified. Actual attendance rate (%) was calculated on the basis of the number of audit committee meetings held during each independent director's term and the number of meetings actually attended by that independent director.