

**Yuanta Financial Holding Company**  
**Rules Governing Financial and Business Matters between the Company and Its Affiliated Enterprises**

*Approved by the Board of Directors on September 26, 2007 (5th meeting of the 4th board)*

*Amendments approved on May 27, 2014 (17th meeting of the 6th board)*

*Amendments approved on November 27, 2017 (21st meeting of the 7th board)*

*Amendments approved on August 21, 2020 (19th meeting of the 8th board)*

**Article 1** To ensure sound financial and business interactions between the Company and its affiliated enterprises and to prevent non arm's-length transactions and improper channeling of interests with respect to the business transactions, the acquisition and disposal of assets, and loans of funds between the Company and its affiliated enterprises, these Rules are adopted pursuant to Article 27 of the Yuanta Financial Holding Company Corporate Governance Guidelines.

**Article 2** Except as otherwise provided by laws and regulations, the Articles of Incorporation, or by the Measures for the Administration of Investment Business, Procedures for the Acquisition or Disposal of Assets, Transaction Rules between Yuanta Financial Holding Company and Stakeholders, General Authorization Measures for Yuanta Financial Holding Company's Transactions Other Than Credit Transactions with Stakeholders Specified in Article 45 of the *Financial Holding Company Act*, Investment Guidelines, and Equity Investment Measures of the Company, financial and business matters between the Company and any of its affiliated enterprises shall be handled in accordance with the provisions of these Rules.

**Article 3** The term "affiliated enterprise" as used herein means that an enterprise, in accordance with Article 4 of the *Financial Holding Company Act*, and Article 369-1, Article 369-3, Article 369-9, and Article 369-11 of the *Company Act*, is having a relationship scope with the Company defined as follows:

1. Subsidiary: including bank subsidiaries, securities subsidiaries, insurance subsidiaries, and other companies in which the Company has a controlling interest and in which the Company holds more than 50% of the total number of issued voting shares or capital contributions, or in which a majority of the directors of the board are directly or indirectly elected or appointed by the Company.
2. A relationship of control or subordination:
  - i. More than one-half of the shareholders or directors of the board of the Company and the other enterprise that execute business are the same people.
  - ii. More than one-half of the total number of issued voting shares or total capital contributions of the Company and the other enterprise are owned or

contributed by the same shareholders or contributors.

3. In calculating the amount of shares or capital contributions held by the Company in the other enterprise, it shall be taken into account together with the shares or capital contributions in the following subparagraphs:
  - i. The amount of shares or capital contributions held by the Company's subsidiaries in the other enterprise.
  - ii. The amount of shares or capital contributions held by a third party for the Company.
  - iii. The amount of shares or capital contributed by a third party to a company that is a subsidiary of the Company.

In determining whether a relationship of control or subordination under the preceding paragraphs exists, the substance of the relationship shall be considered in addition to the legal form.

#### **Article 4**

The Company shall establish an effective internal control system in regard to its own and its affiliated enterprises' overall operational activities, and shall continue to review the system in order to adapt to changes in the internal and external environment and ensure that the system's design and operation remain effective.

The Company shall ensure that any subsidiary develops an effective internal control system, taking into account the industry type of the subsidiary and the laws and regulations of the jurisdiction in which the subsidiary is located and the nature of its operations. For any affiliated enterprise that is not a public company, the Company shall still, in consideration of the degree of influence it has on the Company's business and finances, require that it develop effective systems for internal control and for managing financial, business, and accounting matters.

#### **Article 5**

In addition to implementing the adopted internal control system, the Company shall pay close attention to the following matters when exercising supervision over the operation and management of its affiliated enterprises:

1. The Company shall obtain an appropriate number of the seats of director of the board and supervisor in the affiliated enterprise in accordance with the percentage of the shares it holds.
2. A director of the board that the Company assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings, and in order to monitor its operation, shall carefully review its corporate objectives and strategy, financial position, business performance, cash flows, and important contracts, as reported by the various members of the affiliate enterprise's management. The director assigned to the affiliated enterprise shall ascertain the cause of any irregularity

found, compile a record, and report the matter to the chairperson or president of the Company.

3. A supervisor or independent director assigned to an affiliated enterprise by the Company shall supervise the affiliate's business operations, investigate its financial and business conditions, and review its books, records and audit reports, and may also request reports from the affiliate's board of directors or managerial officers. For any irregularity that may be found, the supervisor or independent director assigned to the affiliate shall ascertain the cause, compile a record, and report to the chairperson or president of the Company.
4. The Company shall assign competent personnel to assume important positions at its affiliated enterprise, such as president, financial officer, accounting officer, or internal audit officer, in order to assume the duties and responsibilities of management, decision-making, and supervision and evaluation.
5. The Company, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, shall instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control system self-inspection operations.
6. In addition to the audit plan and the significant deficiencies and improvements mentioned in the internal audit report of the subsidiaries that have set up internal audit unit, the internal audit unit of the Company must also carry out audits of the subsidiaries on a scheduled or unscheduled basis. After audit findings and recommendations have been presented, they shall instruct the audited subsidiaries to make any necessary corrections, and shall prepare follow-up reports on a regular basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
7. Subsidiaries of the Company shall regularly submit monthly financial statements for the preceding month, including balance sheets, income statements, statements of expenses, and other relevant statements. In the event of irregularities, analysis reports shall also be submitted to allow management and control by the Company. Other affiliated enterprises shall also regularly submit financial statements for the preceding quarter, including balance sheets and income statements, for analysis and review by the Company.

**Article 6** The number of positions that a managerial officer of the Company may concurrently hold in a reinvestment business and subsidiary company is limited to one, and a managerial officer shall not operate the same type of business as the Company, either on the officer's own behalf or with another party, unless the competition otherwise complies with the laws and regulations and is approved by the competent authority.

The division of powers and responsibilities between the Company and its affiliated

enterprises with respect to personnel management shall be clearly identified, and personnel transfers between the two shall be avoided. However, where personnel support or transfer is indeed necessary, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

**Article 7** The Company shall establish an effective system of communication with each affiliated enterprise with respect to financial and business matters, and to mitigate various risks, shall regularly conduct comprehensive risk assessments of their banks and principal clients. With respect to an affiliated enterprise with which it has financial and business interactions, the Company shall especially maintain close control over material financial and business items for the purpose of risk management.

**Article 8** (Delete)

**Article 9** Price terms and payment methods shall be expressly stipulated for any business interaction between the Company and any affiliated enterprise. The purpose, pricing, and terms of a transaction, and its formal and substantive nature and the related handling procedures, shall not differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable.

Transactions with affiliated enterprises for business purposes shall be conducted in accordance with the provisions of the *Financial Holding Company Act* for related party transactions, the Company's Procedures for the Acquisition or Disposal of Assets, and related letters and orders.

For professional or technical services provided between the Company and an affiliated enterprise, both parties shall enter into a contract stipulating the scope of the services, fees charged, time period, payment terms, and after-sales service. All contract terms and conditions shall comply with normal business practice.

By the end of each month, the accounting personnel of both the Company and its affiliated enterprises shall perform cross checks of the balances of accounts payable and receivable resulting from the transactions between each other for the preceding month. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

**Article 10** Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between the Company and an affiliated enterprise shall be conducted in accordance with relevant laws and regulations, the provisions of the *Financial Holding Company Act* regarding related party transactions, and the Company's Procedures for the Acquisition or Disposal of Assets.

**Article 11**

When the Company intends to conduct any acquisition or disposal of real property or its right-to-use assets from or to any of its affiliated enterprises, or to conduct an acquisition or disposal of assets other than real property or its right-to-use assets from or to any of its affiliated enterprises in which the transaction amount is 20 percent or more of the Company's paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, with the exception of the purchase or sale of government bonds, repo or reverse repo bond transactions, or subscription to or redemption of domestic money market funds, in accordance with the Company's Procedures for the Acquisition or Disposal of Assets and Schedule of Hierarchical Responsibilities, the following information shall be submitted to the audit committee for approval by more than half of all members and approved by the board of directors before the Company may enter into a contract for the transaction and pay the required monies; if there is no consent of more than one-half of all members of the audit committee, it may be agreed by more than two-thirds of all directors of the board, and the resolution of the audit committee shall be stated in the minutes of board meetings:

1. An appraisal issued by a professional appraiser as required by regulations, or an opinion of a certified public accountant (CPA).
2. The purpose, necessity, and projected benefits of the acquisition or disposal of real property.
3. The reason for choosing the affiliated enterprise as a trading counterparty.
4. Information relating to appraisal of the reasonableness of the predetermined transaction terms in accordance with Articles 16 and 17 of the Procedures for the Acquisition or Disposal of Assets of the Company when acquiring real property or its right-to-use assets from an affiliated enterprise.
5. The date and price at which the real property was originally acquired by the affiliated enterprise, the trading counterparty, and the trading counterparty's relationship with the Company and its affiliated enterprises.
6. Monthly cash flow forecasts for a full year commencing from the scheduled month of contract signing, and an evaluation of the necessity of the transaction and the reasonableness of the utilization of funding.
7. Any restrictions on the transaction and other important stipulations.

When the amount of the transaction of acquisition or disposal of real property, equipment or right-to-use assets under the preceding paragraph is 20 percent or more of the Company's paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, the Company shall obtain an appraisal report issued by a professional appraiser. If the discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount, the Company shall additionally request a CPA to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price, and it shall be approved by a majority

of the directors in attendance at a board of directors meeting attended by two-thirds or more of the directors.

In an acquisition of real property from an affiliated enterprise, if the actual transaction price is higher than the appraised transaction cost, and no objective evidence can be presented and no concrete opinion that the transaction is reasonable can be obtained from a professional appraiser and a CPA, the board of directors shall thoroughly review the transaction and determine whether it may prejudice the rights and interests of the Company and its shareholders, and when necessary, shall refuse to enter into the transaction. The audit committee shall also exercise its powers in respect of such a transaction, and when necessary shall notify the board of directors to stop the transaction.

When a transaction as described under the preceding paragraph has been approved by the audit committee and the board of directors, the Company shall set aside a special reserve against the difference between the transaction price and the appraised cost, and may not distribute the difference or use it for capital increase or for issuance of bonus shares. In addition, the Company shall report the handling of the above transaction to the shareholders meeting and shall disclose the details of the transaction in the annual report and any prospectus.

**Article 12** With respect to any financial or business interaction between the Company and any affiliated enterprise that requires a resolution of the board of directors, full consideration shall be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of board meetings.

When a director or an institutional investor he or she represents is a stakeholder with respect to a particular agenda item of the board meeting, which may be detrimental to the interests of the Company, that director shall enter into recusal, shall not participate in the discussion and vote on that item, and shall not exercise voting rights as proxy for another director. Directors shall maintain self-discipline among themselves and may not enter into relationships of inappropriate mutual support with other directors.

If a director's spouse, family members and relatives within the second degree of kinship, or a company with which the director has a controlling relationship is interested in the particular agenda item of the board meeting referred to in the preceding paragraph, the director shall be deemed to have an interest in such matter.

Upon discovering that, in the course of their duties, the board of directors or a director has committed a violation of laws or regulations, the Articles of Incorporation, or a shareholders meeting resolution, an independent director shall immediately notify the

board of directors or the individual director to cease the misconduct, and shall take appropriate measures to curb expansion of the misconduct. When necessary, an independent director shall also file a report with the relevant competent authority or agency.

**Article 13** The Company, in compliance with the requirements of laws and regulations regarding matters that must be publicly disclosed or filed and the deadlines for so doing, shall make timely arrangements for the provision by each subsidiary of required financial and business information, or to retain CPAs to audit or review the financial reports of each subsidiary.

The Company shall publicly disclose the consolidated balance sheets, consolidated statements of comprehensive income, and CPA secondary review reports covering affiliated enterprises by the deadlines for the filing of the annual financial reports under applicable laws and regulations. Information on any increase, decrease, or other change in affiliated enterprises shall be filed with the Taiwan Stock Exchange Corporation (TWSE) within two (2) days of the change.

Information on any material transaction between the Company and an affiliated enterprise shall be fully disclosed in the annual report, financial statements, the three reporting forms for affiliated enterprises, and prospectuses.

If an affiliated enterprise experiences financial difficulties, the Company shall obtain its financial statements and related materials in order to assess the resulting effect on the finances, business, or operations of the Company, and when necessary, appropriate conservatory measures shall be adopted to safeguard the Company's rights as a creditor. Under the above circumstances, in addition to specifying the resulting effect on the Company's financial position in its annual report and prospectus, the Company shall also make a timely announcement of material information on the Market Observation Post System (MOPS).

**Article 14** When the provisions of the *Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities* apply to an affiliated enterprise of the Company, the Company shall make a public disclosure and regulatory filing on its behalf.

**Article 15** These Rules, and any amendments hereto, shall be implemented after adoption by the board of directors.