

# Hotai Finance Corporation

## Risk management policy

2022.08.26

### Article 1 Purpose

The Risk Management Policy (hereinafter the Policy) is made for firm corporate governance and sound risk management mechanism.

### Article 2 Scope

The Company strives for a sound (fully functional) risk management system; therefore, the Policy applies to the risk management operation at all levels provided by the risk management scope.

### Article 3 Organization and Responsibility

For sound risk management mechanisms, the Risk Management Department is the unit in charge of the stipulation and implementation of the Policy and operation, the Risk Management Committee is the overseer, and the Board of Directors is the supreme management. The Risk Management Department is liable for integration and administration of assumed risks that occur strategically, operationally and financially and potentially affect business operation and profit, and proactively communicates with the stakeholders concerned in the risk event in order to mitigate the impacts on business operation if any risk event does occur. The organization and duties are as follows:

#### I. Board of Directors:

Reviews and approves the risk management policy and organization framework for effective operation of risk management mechanism.

#### II. Risk Management Committee:

1. Regularly review the Company's Risk Management Policy and submit proposals to the Board of Directors.
2. Review the "Asset Quality Management Report" and descriptions of the changes and abnormal conditions of key risk indicators for asset quality monitoring every six months.
3. Review the laws and regulations of the competent authority and the Board of Directors on various risk management related systems, requirements for risk management mechanisms, or other issues.
4. Other matters specified by the Board of Director via resolution to be processed by the Commission.

#### III. Risk Management Department

1. Organizes the overall risk management mechanism for the Company, drafts the associated policy and operation, builds the

monitoring system for qualitative and quantitative key risk indicators, and pay attention the development of domestic and foreign risk management mechanisms, so as to review and improve this Policy.

2. Coordinate and promote the risk control project across departments, to raise risk management transparency and to improve risk control means. In case of an emergency, respond swiftly, and restore system operation in the shortest time, so as to reduce any possible damage.
3. Analyze the risks and trends faced by the Company's outstanding asset quality every six months, set the limits of the monitoring interval according to the different standard deviations of the outstanding assets of each product. Submit the "Asset Quality Management Report" to the Risk Management Committee, and explain changes and abnormal conditions of various key risk indicators for asset quality monitoring and improvement measures.

#### IV. Respective specialized units

Respective specialized units shall identify transaction risks, adhere to the Policy and operation and report abnormal conditions and improve strategies to the Risk Management Department as necessary. Respective specialized units shall conduct risk management according to their duties, and pay attention to the development of domestic and foreign risk management operations to identify emerging risks.

#### Article 4 Managing Operation

Associated policies and internal control systems shall apply to risk management operation for the Company. Respective specialized units shall identify, measure, monitor and communicate risks depending on the business-associated risk nature and the extent of impacts and improve the countermeasures. General Manager is authorized to be liable for the Risk Management Operation that are announced and enforced via approval.

#### Article 5 Category

The category includes but is not limited to environmental risk, credit risk, market risk, compliance risk, anti-money laundering risk, operational risk, information security risk and other risks that lead to potential major loss for the Company.

#### Article 6 Risk Information Disclosure

In addition to associated information disclosed to the competent authority by law, it is recommended to disclose information on risk management on the annual report, the CSR report and the official homepage.

#### Article 7 Approval and Revision

The Policy is enforced as approved by the Board of Director and this shall apply to revision.