

Cathay Financial Holdings

Corporate Sustainability Principles

Amended on June 27, 2013

Amended on March 19, 2015

Responsible Department: Public Relations Department

Article 1 Formulation Purpose and Application Scope

The vision for "corporate sustainability" of the Company and its subsidiaries (hereinafter generally referred to as "Each Group Company") involves creating the competitiveness of Each Group Company in sustainability, reducing risks and influences in the environment, society, and corporate governance, and seizing corresponding opportunities for promoting the Triple Bottom Line framework involving financial, social, and environmental performance measures.

Corporate sustainability is one of the crucial goals of Each Group Company. The Company has referenced international regulations such as the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and UN Global Compact, as well as the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies. The Company has also incorporated international principles of responsible investment and credit authorization into the Cathay Financial Holdings Co., Ltd. - Corporate Sustainability Principles according to the business and overall business activities of Each Group Company.

Each Group Company shall continually focus on topics and trends relevant to corporate sustainability, as well as the development of domestic and international corporate sustainability systems and changes in corporate environment. Based on these, Each Group Company shall review and improve the Company's corporate sustainability systems to enhance the effectiveness of corporate sustainability practices.

Article 2 Principles of Corporate Sustainability Practices

Each Group Company shall undertake to adhere to the business value of integrity, accountability, and creativity, and to provide financial products and services in a speedy and conscientious way. Each Group Company shall adopt a positive and responsible attitude when interacting with its stakeholders, practice corporate sustainability according to the following principles, and establish reward and penalty assessments based on needs of the implementation of corporate sustainability:

1. Mitigate environmental, social, and corporate governance risks.
2. Seize environmental, social, and corporate governance opportunities.
3. Fully implement the corporate governance.
4. Develop a sustainable environment.
5. Increase social prosperity.
6. Strengthen the disclosure of information regarding the environment, society, and corporate governance.
7. Extend the influence of value chain.

Article 3 Stakeholder Engagement

Each Group Company shall implement the core value of accountability, protect the rights and interests of stakeholders (including but not limited to customers, shareholders, employees, suppliers, joint-venture suppliers, media and the competent authority, etc.), appropriately identify and communicate with stakeholders to understand their reasonable needs and expectations, and adequately adjust the internal mechanisms. Focusing on corporate sustainability-related topics, Each Group Company shall form strategic partnership with its stakeholders to facilitate the pursuit of sustainable business and profitability while incorporating environmental, social, and corporate governance factors and the association of core business activities into various business strategies and operational activities.

Article 4 Corporate Sustainability Committee

To perfect the centralized management of corporate sustainability, the Company shall establish a "Corporate Sustainability Committee" (hereinafter referred to as "the Committee") affiliated with the Board of Directors, propose the mission and vision of corporate sustainability, and formulate corporate sustainability-related systems or management guidelines. Matters related to the Committee shall be supervised a single independent director, and the committee members shall comprise high-level managers of Each Group Company who shall formulate corporate sustainability policies for Each Group Company and supervise the implementation of such policies in Each Group Company. The operating procedures and relevant responsible person shall be clearly defined. Special teams may be organized, where necessary. The Board of Directors shall review and approve the committee organizational rules before its implementation. The same procedures shall apply when making amendments.

The Public Relations Department of the Company shall act as the head secretariat office of the Committee, which shall be responsible for general affairs of the Committee and shall report crucial matters pertaining to the Committee to the Board of Directors on a six months basis. The Company director shall abide by the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and assist in and supervise the corporate sustainability practices of Each Group Company, ensure the implementation of corporate sustainability policies, and engage in the disclosure of information relating to corporate sustainability.

Article 5 Responsible Investment and Sustainable Development

The Company shall consider the maximum long-term benefits and pursue its own benefits and growth to mitigate the risks generated from the environment, society, and corporate governance and to support relevant industries in promoting social transformation.

Each Group Company formulate related policies for the development of corporate sustainability in accordance with its business attributes, financial sustainability principles such as the Principles for Responsible Investment, the Equator Principles, and the Principle for Sustainable Insurance, and relevant policies.

Article 6 Development of Sustainable Products and Services

To seize future business opportunities, Each Group Company shall assist the entire society in realizing sustainable governance, carbon reduction and environmental conservation, and social prosperity. Each subsidiary shall identify and help employees understand key topics, prevent various types of risks that may disrupt business operations and mitigate the effect of such risks on consumers and the society, develop relevant products and services, and promote and educate the concept of sustainable consumption across to consumers, to ultimately achieve multiple beneficial outcomes.

Article 7 Fair Competition and Combating Bribery

To ensure a sound development of corporate governance, the Company shall comply with the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, avoid participating in any unfair competition, fulfill tax obligations, establish suitable management systems and reporting mechanisms to combat bribery or corruption, and implement internal

procedures for administering donation to external parties.

Article 8 Green Business Activity Management

Each Group Company shall collect and assess the potential impact of the business activities have on the environment as well as the risks imposed on the business in light of environmental changes, adhere to environment-related laws and regulations, reference international standard regulations, strengthen environmental management system and preventive measures, strive toward the goals of environmental sustainability, formulate concrete plans or action plans, and periodically inspect the implementation and operation of such plans.

During the management and operation of its business, Each Group Company shall undertake various business activities such as procurement, operations, and services according to the following principles:

1. Properly utilizing various resources (energy and water) to improve business efficiency.
2. Maximizing the sustainable utilization of recycled resources, subject to that there is no violation against the relevant consumer information protection regulations.
3. Adopting products or services that exert minimal environmental impact, and assist in relevant technological developments.
4. Reducing the emission of pollutants and wastes, and ensuring proper treatment of wastes.

Article 9 Coping Strategies in Response to Climate Changes

Each Group Company shall closely monitor the influence of climate change on their business operations, establish various strategies for coping climate changes based on their respective operational status and subject to that such strategies would not affect the smooth operation of the equipment and the security control of the company. Each Group Company shall adequately adopt international and domestic universal standards or guidelines, conduct greenhouse gas inventory, disclose information on direct and indirect emission of greenhouse gases, and formulate carbon reduction strategies, to reduce the effect of company operations on the environment and mitigate the impact of climate changes on various company operations.

Article 10 Safe and Healthy Working Environment

Each Group Company should observe the relevant labor regulations to safeguard the lawful rights and interests of its employees. They should provide the employees with the information regarding the rights of workers under the labor laws of the country where the company operates, build up a safe and healthy working environment and conduct regular training on labor safety and health.

Article 11 Labor Rights

Each Group Company shall respect the internationally recognized conventions for basic labor rights, and comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and incorporate human rights topics into human resource policies, including the freedom of assembly and association, care for the less advantaged, restrictions on the employment of children labor, elimination of all forms of forced labor and elimination of employment discrimination, etc. Each Group Company shall not be involved in any activities which may harm the basic rights and interests of the workers. In addition, they shall confirm that there is not any inequality in the company's employment policy, including gender, race, socioeconomic status, age, marriage and family status, etc. Each Group Company shall ensure full equality and fairness in its employment conditions, compensations and welfares, training, assessments, and promotion opportunities. Furthermore, they shall provide effective, appropriate complaint-filing mechanism and avoid and respond to matters endangering the rights of employees.

Article 12 Career Development

Each Group Company shall create a good environment for employee development and establish effective training and development programs. They shall appropriately reflect the performance or outcomes of corporate businesses in employee compensation policies to recruit and retain human resources and encourage employees to plan organizational strategies that ensure the benefits of stakeholders.

Article 13 Employee Communication

Each Group Company shall build up regular communication channels with the employees so that they can access the information regarding the management and decision-making of the company and express their views. The purpose is to create a mutually beneficial relationship between the employer and the employees and a promising vision for the company. Each Group Company shall notify employees of critically influential changes in the business operations.

Article 14 Sustainability Training for Employees

Each Group Company shall engage their employees in environmental, social, and governance management. Where necessary, they shall establish designated units or personnel, strengthen corporate sustainability training for managements and employees to enhance their knowledge on the relationship between business operations and the environment, society, and governance. Each Group Company shall develop measurable goals according to the characteristics of the financial industry and regularly inspect the continuity and relevance of such goals.

Article 15 Marketing Ethics

Each Group Company shall hold a responsible attitude toward the financial products offered and respect the relevant marketing ethics. They shall ensure the transparency of the marketing ethics and safety of the products, establish, publicize and implement the policies on consumer rights and interests, and ensure the good quality of their financial products and services and that they can meet the reasonable expectation for security in accordance with the technology or professional standards at the present stage.

When engaged in product and service marketing and labeling, Each Group Company shall observe the regulations stipulated in the Consumer Protection Law, the Financial Consumer Protection Act and the Fair Trade Act, etc., as well as the relevant international standards. They shall not be engaged in any activities involving deceptive or misleading behaviors, frauds, or other behaviors which may cause the loss of trust from consumers or damage to consumer interest.

Article 16 Consumer Complaints

All subsidiaries of the Company shall, based on the requirements by law and by their supervisory authority, provide transparent channels and effective procedures to handle the consumer complaints against their products and services in a timely and unbiased manner. They shall follow the relevant regulations by demonstrating sincere respect to consumer privacy and endeavoring to protect the personal information obtained from the consumers.

Article 17 Vendors

When Each Group Company signs contract with their suppliers, the content of the contract shall include corporate sustainability policies with which both parties must comply. When the regulations stipulated in the contract are violated, Each Group Company may terminate or rescind the contract. In addition, they shall select

vendors holding similar corporate sustainability concepts as strategic partners and work together toward corporate sustainability.

Article 18 Community Involvement

Each Group Company shall evaluate and manage the impact of the company's business on the community. Adequate manpower should be allocated to elevate the community identity of the company.

In order to support community development, Each Group Company may be engaged in activities including commercial events, in-kind donation, corporate volunteer services, or other professional services. Each Group Company may also participate in citizen organizations for community development or education, or related activities sponsored by charity organizations or the local government agencies.

Article 19 Information Transparency and Disclosure of Sustainability Performance

In order to improve its information transparency, the Company shall observe the relevant regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies, announce non-financial performance information disclosure reports, and set up and disclose corporate sustainability-related information on the company website.

The information content may be disclosed by following internationally recognized criteria or guidelines. The disclosed content shall fulfill international recognized requirements for balance, comparability, accuracy, timeliness, clarity, and reliability, etc. In addition, third-party confirmation shall be obtained to ensure the reliability of the information. Where necessary, relevant information may be provided to international sustainability assessment agencies or ESG investors, thereby enhancing their evaluation on the Company's intangible assets.

Article 20 Formulation, amendment, and implementation

These principles shall be implemented after it has been approved by the Board of Directors. The same procedures shall apply for all future changes or amendments.