

# **Cathay Financial Holdings Investment and Lending Exclusion Policy**

Formulated on May 24, 2017

Amended on November 12, 2020

Amended on December 23, 2021

Amended on May 13, 2022

Department in charge: Corporate Sustainability Office

## **Article 1 (Purpose)**

Cathay FHC and its subsidiaries exercise the responsible investment and lending to achieve corporate sustainability and avoid operational risks caused by the investment or lending in controversial entities with high risk of environmental, social, or moral hazards. Cathay FHC hereby issues “Investment and Lending Exclusion Policy” (the “Policy”) to define the details.

## **Article 2 (Applicable Scope)**

The Policy is applicable to Cathay FHC and its subsidiaries, including Cathay Life, Cathay United Bank, Cathay Century Insurance, Cathay Securities and Cathay Securities Investment Trust (hereinafter: "Individual Companies").

Investments specified in the policy are made based on the principles of listed/OTC-traded stock investment and bond investment, and lending is based on the principle of corporate banking credit.

## **Article 3 (Management Team and Exclusion List)**

The Responsible Investment Team under the Corporate Sustainability Committee (the “Management Team”) shall review the Exclusion List of Investments and Lending (the Exclusion List) based on the Standards for Focus Areas as attached on an annual basis to screen the entities with high risk of environmental, social, or moral hazards. Every subsidiary company shall be notified of this list after it is approved by the President under the authorization of the Board of Directors.

Individual Companies shall exclude the entities from the investment and lending business in accordance with the Exclusion List, and may expand the list based on the nature of their own industries, business considerations, and customers' needs.

## **Article 4 (Management Principles)**

Individual Companies are not allowed to invest in or lend to the entities in the Exclusion List. For existing investments or loans, increasing the invested amount or credit limit of the loans is not recommended. Meanwhile, individual Companies shall decide whether engage with the entities, or sell out the shares or retrieve the loan based on each company’s management needs and decisions.

Individual Companies shall incorporate the entities in the Exclusion List into their own investment and lending process within 30 days from the approval date of the list. Individual Companies shall follow the rule unless the regulation or authority has other timeline requirement.

**Article 5 (High-risk Targets Not Listed on the Exclusion List)**

Individual Companies shall continuously monitor the entities with the risk of environmental, social, or moral hazards based on the nature of their industries. Individual Companies shall prudently evaluate the entities which are not in the Exclusion list but meet the Standards for Focus Areas of Investment and Lending Exclusion Policy when having investments or lending to such entities. Individual Companies shall actively perform their ownership role, including voting, engagements and active communications. Standards for Focus Areas of Investment and Lending Exclusion Policy attached to the policy shall be approved by the President under the authorization of the Board of Directors.

**Article 6 (Management of Individual Companies)**

Individual Companies may establish investment and lending exclusion guidelines or procedures to meet their individual needs.

**Article 7 (Formulation, amendment, repeal and enforcement)**

The formulation, amendment or repeal of the policy shall be approved by the Board of Directors.

The policy is effective on the date of enforcement. The amendment or repeal of the policy shall take effect on the date of amendment or repeal.

## **Standards for Focus Areas of Investment and Lending Exclusion Policy**

The Exclusion List specified in the Cathay Financial Holdings Investment and Lending Exclusion Policy shall refer to the following areas:

### **1. Controversial industries**

(1) **Weapons industry**, including industries that develop, manufacture, trade, or maintain Controversial weapons directly:

- ① Biological weapons (Biological and Toxic Weapons Convention, 1972)
- ② Chemical weapons (Chemical Weapons Convention (CVC), 1993)
- ③ Anti-personnel mines (Ottawa Treaty, 1997)
- ④ Cluster bombs (Convention on Cluster Munitions (CCM), 2008)
- ⑤ Munitions containing depleted uranium.
- ⑥ Nuclear weapons involving countries outside the scope of the Non-Proliferation Treaty (1968) and additional NATO criteria.

(2) **Pornography industry**, including adult night clubs that involve offenses against morality, public safety, business order, and child welfare.

### **2. Controversial countries**

Sovereign or government bonds issued by countries that systematically violate the human rights or having major disputes over human rights.

Such countries shall be identified based on the sanctions lists issued by the UN Security Council.

Sovereign or government bonds issued by countries that systematically violate the international consensus on human rights or are involved in major human rights disputes.

### **3. Controversial behaviors**

Entities have disputes over critical environmental, social, moral, or legal disputes.