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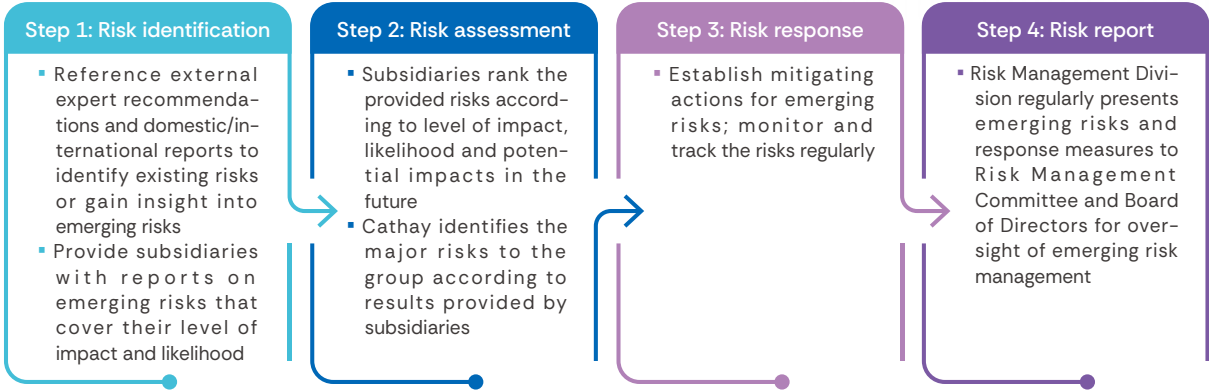
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6.2.3 Emerging Risks Management

Facing the increasingly complex global financial operating environment, as well as the increasing issues such as technological development and population aging with rising probability of occurrence. In response, Cathay FHC regularly identifies and assesses material risks confronting the company's future with the help of reports from authoritative organizations and benchmark companies, and then determine mitigating actions. The risk exposure and risk management system are then presented to the Risk Management Committee and the Board of Directors. We identified emerging risks include the Geopolitical risk and regional confrontation, Talent management and retention. Cathay FHC evaluates the potential impact the risks may pose on the company's operation and establishes the mitigating actions.

Risk Identification Process



Operational Impact from the Top Two Emerging Risk Categories and the Corresponding Mitigating Actions			
Risk/Description	Risk Category	Impact	Mitigating actions
<p>Geopolitical risk and regional confrontation:</p> <p>Economic risks arising from political changes in the countries or regions where the Group's investment assets are located, causing risks to the macro economy, financial markets, central bank policies, supply chains, and business operations.</p>	Geopolitics	<p>As Cathay Financial Holdings is the largest financial institution in Taiwan with the investment and financing exposures all over the world, if the international political and economic situations become unstable, the following potential impacts may be posed to the Company:</p> <ul style="list-style-type: none">▪ Short-term impacts:Intensifying geopolitics, such as U.S.-China relations, Israel-Gaza conflicts, the tensions in the Middle East, and the cross-strait relation, that affect the global economy, financial markets, and monetary policies of central banks. Economic growth declines leading to rising corporate credit risks affecting the Company's profitability.▪ Medium and long-term impacts:1. The rise of supply chain risk caused by political and economic risks may lead to shortage of key components, increase operating costs, reduce profits, and impact related business returns. If the geopolitics turmoil continues, the refinancing and solvency of the countries and related companies subject to economic and financial sanctions deteriorates, resulting in an increase in default risk and impact on the Company's profits.2. If the geopolitical risk rises in the Company's operation bases, it may cause international trade disruption, or damage the infrastructure such as transportation, electricity, and the internet. At the same time, the impact on market confidence will lead to a decline in financial asset prices and an increase in liquidity risk, which affecting the Company's operations.	<ul style="list-style-type: none">① Country Risk Management:1. The Company has established country risk management mechanism and review regularly sovereign risks, and closely monitor global political and economic risks, in order to diversify cross-border business and concentration risks.2. Participating in the geopolitical workshops and forums and enhance the Company capability to manage geopolitical complexities and risks.② Business Continuity Management:The Company has established the Business Continuity Management (BCM) framework and conducted Group-level war scenario tabletop exercises in order to strengthen business resilience.
<p>Talent management and retention:</p> <p>The high turnover rate of personnel results in a lack of professionalism, and the Company is faced with the development of the new economy, the demand for technologically innovative talents and advances in cultivating talents have an impact on the Company.</p>	Society	<p>Cathay Financial Group has more than 40,000 employees. Talent development and cultivation is critical for the Company's sustainability. If the relevant risk occurs, the potential impacts on the Group are as follows:</p> <ul style="list-style-type: none">▪ Short-term impacts:The high turnover rate of personnel results in a lack of professionalism, and the Company is faced with the development of the new economy, the demand for technologically innovative talents and advances in cultivating talents have an impact on the Company.▪ Medium and long-term impacts:Personnel skillsets and position mismatch: With technology evolution and fintech innovative transformation, talents' capabilities to manage technology and adapt to environment changes may affect business development and market competitiveness.	<ul style="list-style-type: none">③ Reshaping and upgrading employee skills:Implement the Group's Upskill & Reskill strategy and promote the 360-degree ability feedback system, therefore employees could understand their strengths and weaknesses, career development paths and abilities.④ Build Leadership Pipelines:Regularly hold talent development meetings and review talent salaries and welfare standards to maintain the talent attraction and retention.⑤ Develop diversity, equity, inclusion(DEI) workplace:Promote a DEI culture in the workplace and improve talent management.