

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

Issued on May 24, 2017

Department in charge: Public Relations Department

## **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, and Cathay Securities Investment Trust (hereinafter: "Individual Companies").

## **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.

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.

If individual Companies have invested or lent to the aforementioned entities, they shall not increase additional investment or lending. Meanwhile, individual Companies shall make professional judgement to decide whether engage with the entities, or sell out all the shares or retrieve the loan.

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

#### **Article 5 (High-risk entities not in 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 when having investments or lending to such entities. Individual Companies shall actively perform their ownership role, including voting, engagements and active communications.

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

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

#### **Article 7 (Establishment, Amendment, Rescission, and Effect)**

The establishment, amendment, or rescission of the Policy requires the approval of the President.

The Policy shall come into effect as of the date of their establishment. The same applies to any amendment or rescissions thereto.

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

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

### 1. **Controversial industries**

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

- ① Biochemical weapons (Biological and Toxic Weapons Convention, 1972).
- ② Chemical weapons (Chemical Weapons Convention (CWC), 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.

### 3. **Controversial behaviors**

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