

Cathay Financial Holdings — Explanations for Public Participation and Policy Influence

For the purpose of promoting a prosperous and thriving society, Cathay Financial Holdings endeavors to participate in public affairs through legitimate means and to ensure that donations made by the Company are accurately disclosed as per the regulations. Here are the Company's relevant policies and regulations.

- Cathay Financial Holdings Policy and Code of Operation Integrity Article 9 (Prohibition of Illegal Campaign Contributions)
Any direct or indirect contributions made by the Company and the Company's Directors, managers, employees, and entities substantively controlled by the Company to political parties, political organizations, or individuals shall comply with the Political Donations Act and the Company's internal operating procedures. Contributions shall not be used as a guise to reap commercial benefits or trade advantages.
- Cathay Financial Holdings Policy and Code of Operation Integrity Article 10 (Prohibition of Improper Charitable Donations or Sponsorships)
Any charitable donations or sponsorships made by the Company and the Company's Directors, managers, employees, and entities substantively controlled by the Company shall comply with the relevant laws and the relevant provisions provided by the internal operating procedures. They shall not be used as a disguise for bribes.

The full version of Cathay Financial Holdings Policy and Code of Operation Integrity can be downloaded from [here](#).

According to the Operating Guidelines for Donations by Cathay Financial Holdings and Its Subsidiaries, the Company and its subsidiaries shall publicly disclose donations made "to political parties, stakeholders, and charities" in a given year. These disclosures are to be made on the official websites of each company. Prior to making a donation, the following procedures must be adhered to:

1. Confirm the donee is a legally incorporated juristic person or organization.
2. Confirm the donation is in line with the relevant laws.
3. Assess whether the purpose of donation complies with the Company's reputation and business philosophy.

For details of donations made to political parties, stakeholders, and charities by the Company since 2012, please refer to: [Donation made to political parties, stakeholders, and charities by Cathay Financial Holdings \(Chinese version only\)](#)

Industry and Trade Associations

Following the rapid development of digital finance technologies, financial institutions are facing competition from the technology industry or e-commerce platforms, and must also respond to a plethora of emerging risks, such as population aging and climate change. Cathay FHC engages in the affairs of various guilds and associations primarily in hopes of building a consensus in the industry and contributing to industrial development.

Cathay is a member of trade and industry associations, such as the Life Insurance Association of the Republic of China, the Bankers Association of the Republic of China, and the Non-Life Insurance Association of the R.O.C. These memberships allow Cathay to work collaboratively with other companies to address public policy issues and provide opportunities to advocate for common business interests.

During 2015-2019, Cathay Financial Holdings and its subsidiaries did not make any monetary contributions to political campaigns, political organizations, lobbyists or lobbying organizations, and other tax-exempt groups for political purposes. We only made monetary contributions to trade associations and the total amount is shown in the table 1.

Table 1: Total contributions made during 2015-2019

Currency: TWD

	Currency	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total contributions and other spending	TWD- New Taiwan Dollar	15,374,819	15,488,977	18,005,117	18,421,249	17,565,332
Data Coverage (as % of denominator)	Percentage of: Revenues	100%	100%	100%	100%	100%

In 2019, the top 5 largest monetary contributions to trade associations (as membership fees) are shown in the table 2.

Table 2

Currency: TWD

Trade Associations	Total Amount paid
The Bankers Association of the Republic of China	4,521,335
Securities Investment Trust and Consulting Association of the R.O.C.	3,100,634
The Life Insurance Association of the Republic of China	1,524,000
The Non-Life Insurance Association of the Republic of China	1,317,600
Engineering Insurance Association	877,230

Cathay Financial Holdings and its subsidiaries actively engaged in trade associations to make contributions to the development of the industry and have significant impacts on our business and the interests of our stockholders. For example, After becoming the first EPFI in Taiwan, CUB announced its voluntary adoption of the United Nations Principles for Responsible Banking (PRB) in December 2018, and became the first PRB bank in Taiwan. CUB established a task force in early 2019 to inventory its core competencies and plan and gradually implement the six major PRB principles. Through the implementation of the aforementioned principles, the Bank will integrate its own business strategies with SDGs and the Paris Agreement. Furthermore, CUB recommended that while the Financial Supervisory Commission Banking Bureau and Bankers Association of the Republic of China jointly conduct research, the Banking Bureau should have the Bankers Association of the Republic of China draft the PRB for its members, and require members to create a corporate culture that includes CSR. Members must adjust their business strategy according to the PRB to align customers' needs with social goals, so as to fulfill their commitment to the PRB. Jeff Chang, Chairperson of Cathay SITE, is the current chairperson of the Securities Investment Trust & Consulting Association of the R.O.C. (SITCA), and is actively promoting collaboration between industry and government, as well as formulating policies to drive industrial development. In light of the increasingly severe gap in the income replacement ratio of citizens, the SITCA promoted the self-select pension scheme in Taiwan in 2018. At present, the mechanism is already implemented under the current labor pension system. However, laborers are responsible for the profit and losses in the self-select pension scheme, and no progress was made due to the lack of consensus. Hence, the SITCA, Taiwan Depository & Clearing Corporation (TDCC), and Securities and Futures Institute (SFI) jointly commissioned FundRich to implement the National Pension Self-Investment Experimental Program in 2019, encouraging citizens to preparing for retirement at a younger age through long-term investments.