


## 6.1 Corporate Governance

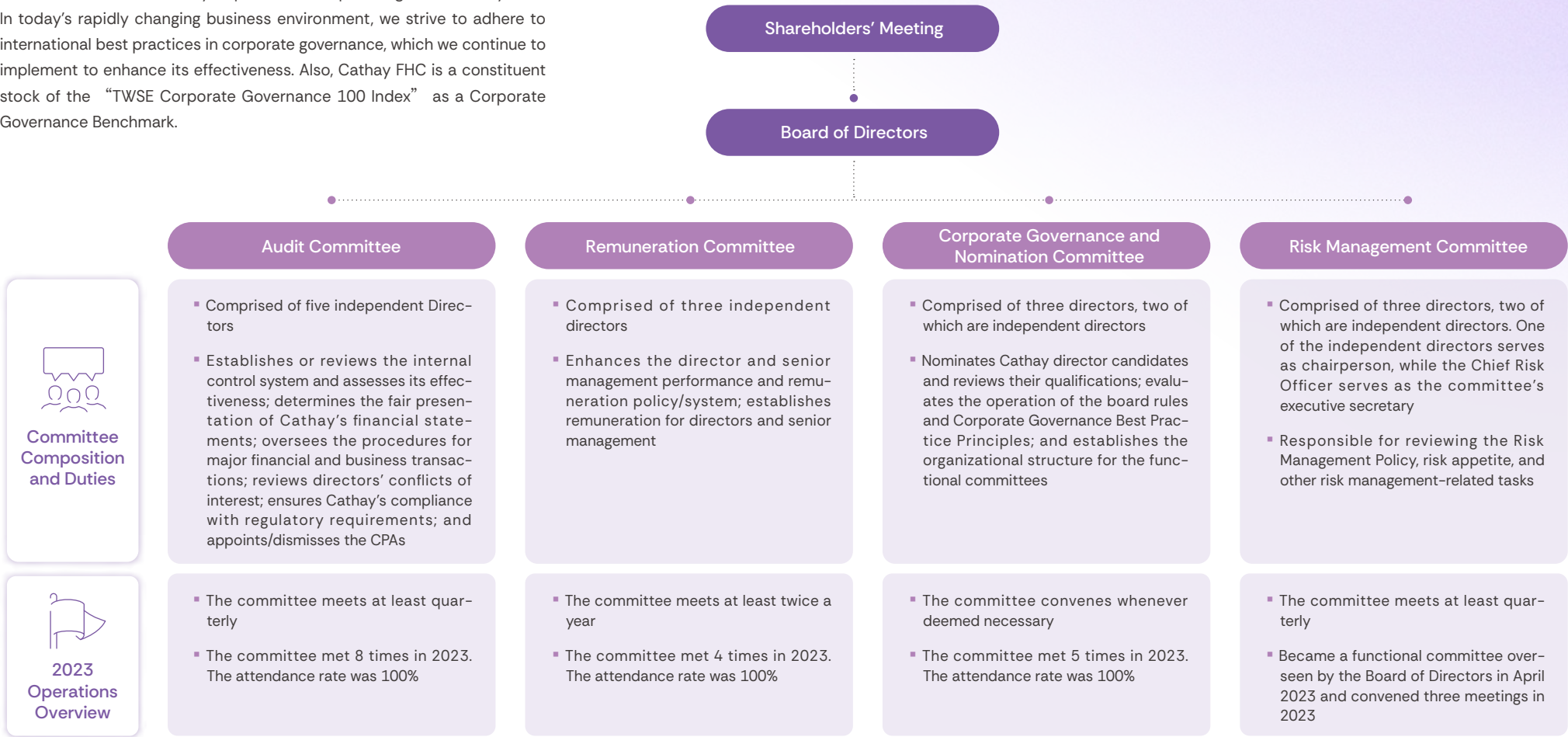
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	Governance	Strategy	Risk Management	Metrics & Targets
Corporate Governance				

Cathay FHC is committed to fostering a corporate culture of integrity and transparency. To this end, we work closely with external professional institutions to continuously improve our corporate governance system. In today’s rapidly changing business environment, we strive to adhere to international best practices in corporate governance, which we continue to implement to enhance its effectiveness. Also, Cathay FHC is a constituent stock of the “TWSE Corporate Governance 100 Index” as a Corporate Governance Benchmark.

### 6.1.1 Board of Directors – Structure and Operation

At Cathay FHC, the board of directors serves as the highest decision-making body, with the chairman acting as its head. The chairman’s role is to oversee the company’s overall management operation and does not hold any senior leadership management positions. In 2023, the board of directors held 8 meetings with a board attendance rate of 92%. On average, board members have served for 10 years (five independent directors serve an average of 4.9 years). At Cathay FHC, the board of directors has established four functional committees: the audit committee, remuneration committee, corporate governance and nomination committee, and risk management committee. These committees are responsible for reviewing important proposals. To effectively implement independent supervision and checks and balances, all proposals at Cathay FHC are reported and discussed by the board of directors. If there is a conflict of interest with the director or the institution he/she represents, the director shall recuse him/herself from the proposal discussion to maximize the benefit of all stakeholders.



## Board of Directors Recusals

At Cathay FHC, "Regulations on Board Meeting Procedures" clearly state that any conflicts of interest with a director or the institution he/she represents must be disclosed during board meetings. If deemed harmful to Cathay's interests, the director must rescue him/herself from the discussion and abstain from voting. Furthermore, the director is prohibited from conducting proxy voting on behalf of other directors. If a director's spouse, second-degree relative, or a company that maintains a managerial or direct reporting relationship with the director has a conflict of interest concerning the proposal before the board, the conflict of interest will also be deemed to exist for the director. Furthermore, Cathay follows the guidelines set out in the "Corporate Governance Best Practice Principles" and "Code of Conduct for Responsible Person Assuming Part-Time Roles" to manage part-time roles and jobs undertaken by directors. The guidelines stipulate that when Cathay directors assume part-time roles, they should ensure the effective performance of their duties for both full-time and part-time roles. There should be no conflict of interest or violation of the internal control and checks and balances mechanism of Cathay FHC, its investee companies and subsidiaries to ensure the rights and interests of our shareholders. For an overview of the implementation of proposal recusals due to conflict of interest, positions held on other boards of directors and their shareholdings, please refer to 2023 Cathay FHC Annual Report P. 12-14 & 46.

## 6.1.2 Board of Directors – Professionalism, Independence and Diversity

For the continuous improvement of corporate governance practices, Cathay FHC attaches great importance to the professionalism, independence and diversity of the board of directors. Cathay FHC has established the "Corporate Governance and Nomination Committee" to oversee the nomination of directors. This is conducted in accordance with regulations, taking into consideration the composition of the board and the qualifications of the candidates. In 2023, Cathay added a new seat to the Board of Directors and welcomed a new female director. The new director, Grace Chen, has a background in financial holdings, banking, and financial management. Cathay believes that Chen can strengthen diversity on the board. The Risk Management Committee was established under the board as well to strengthen the board's oversight function. Cathay also established sustainability training mechanisms for the board. For information on the implementation of Cathay FHC's Board Diversity Policy, please refer to 2023 Cathay FHC Annual Report P. 24-28.



Professionalism

Article 30 of Cathay FHC's "Corporate Governance Best Practice Principles" clearly sets out the requirements for board composition and qualifications of directors. Directors actively participate in continuing education courses on risk management, corporate governance, corporate sustainability, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), and information security. In 2023, the directors completed an average of 13.6 hours of continuing education.



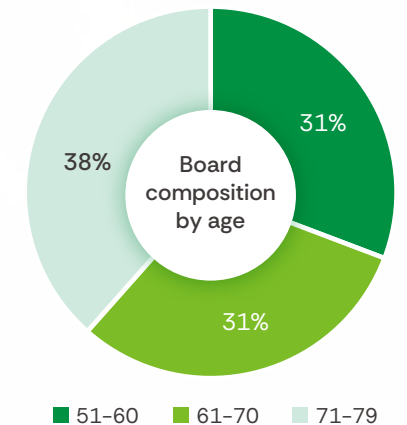
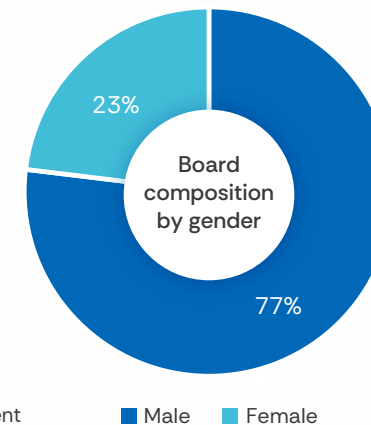
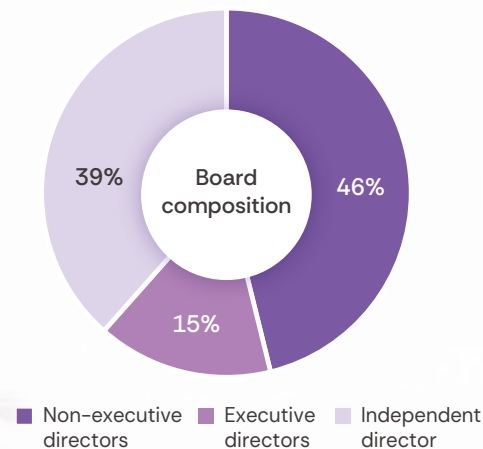
Independence

- Cathay FHC has established a "Code of Conduct for Independent Directors" that stipulates the following – "If an independent director has any objection or reservation, it should be recorded in the minutes of the board meeting." "Cathay FHC cannot hinder, refuse or prevent an independent director from performing his/her duties" and "In performing his/her duties, if an independent director deems it necessary, he/she may request the board to assign relevant personnel or directly engage experts to assist; Cathay FHC will be responsible for all costs incurred." The above measures are in place to ensure that independent directors perform their duties while effectively enhancing the board's operation and the company's business performance.
- At Cathay FHC, the board is comprised of 13 members, five of which are independent directors, which exceeds 1/3 of the total seats.



Diversity

The board of directors at Cathay FHC includes members from diverse backgrounds, spanning various industries and academic disciplines, each bringing a unique set of skills and expertise. In 2023, the board added another seat for a female independent director.



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Implementation of board diversity policy at Cathay Financial Holdings

Diversity Core Item	Basic composition							Industry experience							Professional knowledge / skills									
	Nationality / place of registration	Gender	Concurrent positions in our company (and Executive Director)	Age		Tenure of Independent Director			Financial Holding	Bank	Insurance	Securities	Asset Management	Digital Finance / Financial technology	Information / Technology / Others	GICS <sup>(Note 1)</sup> (GICS Level 1)	Commerce	Finance / Accounting	Legal	Financial	Mathematics / actuarial science	IT	Overseas markets / M&A	Risk management
				51 to 60	61 to 70	71 to 79	3 years and below	3 to 9 years																
Directors																								
Hong-Tu Tsai	R.O.C.	M			✓			✓		✓						Financials	✓		✓	✓			✓	
Cheng-Chiu Tsai	R.O.C.	M		✓				✓		✓						Financials	✓	✓		✓			✓	
Chi-Wei Joong	R.O.C.	M			✓			✓	✓		✓		✓			Financials	✓	✓		✓			✓	
Andrew Ming-Jian Kuo	R.O.C.	M			✓			✓	✓	✓	✓	✓			✓	Financials, Consumer Staples, Materials	✓	✓		✓			✓	
Tiao-Kuei Huang	R.O.C.	M			✓			✓		✓						Financials	✓			✓	✓		✓	✓
Ming-Ho Hsiung	R.O.C.	M			✓			✓		✓						Financials	✓	✓		✓	✓		✓	✓
Chang-Ken Lee	R.O.C.	M	✓		✓			✓	✓	✓	✓	✓				Financials	✓	✓		✓			✓	✓
Grace Chen	R.O.C.	F	✓	✓				✓	✓							Financials	✓	✓		✓				
Feng-Chiang Miao	R.O.C.	M			✓		✓ (Note 2)	✓	✓	✓	✓				✓	Financials, Materials, Information Technology, Consumer Staples	✓	✓		✓		✓	✓	



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				51 to 60	61 to 70	71 to 79	3 years and below	3 to 9 years																
Directors																								
Edward Yung-Do Way	R.O.C.	M		✓			✓ (Note 2)	✓	✓						✓	Financials, Materials, Consumer Staples, Information Technology	✓	✓		✓				
Li-Ling Wang	R.O.C.	F		✓			✓ (Note 2)	✓	✓	✓	✓	✓	✓			Financials	✓	✓		✓				✓
Tang- Chieh Wu	R.O.C.	M		✓			✓ (Note 2)	✓	✓	✓	✓	✓	✓			Financials	✓	✓		✓				✓
Pei-Pei Yu	R.O.C.	F		✓		✓			✓		✓	✓		✓		Financials, Information Technology, Consumer Staples	✓	✓		✓				✓

Note 1: Directors' industry experience

① Mr. Hong-Tu Tsai is the Chairman of Cathay Financial Holdings and has previously served as the Chairman of Cathay Life Insurance (all of which belong to the financial industry).

② Mr. Cheng-Chiu Tsai is a Director of Cathay Financial Holdings and concurrently the Chairman of Cathay Century Insurance (all of which belong to the financial industry).

③ Mr. Chi-Wei Joong is a director of Cathay Financial Holdings and Cathay United Bank, and has previously served as the President of Credit Card Center, China Merchants Bank, the Vice President of the Consumer Finance Division of CTBC, the Chief Financial Officer of Credit Card Center, Citibank (Taiwan), and the Chief Financial Officer of Credit Card Center, AIA (all of which belong to the financial industry).

④ Mr. Andrew Ming-Jian Kuo serves as Director of Cathay Financial Holdings and Chairman of Cathay United Bank. He has previously served as Independent Director of Cathay Financial Holdings / Cathay United Bank / Cathay Securities, President of JPMorgan Chase Bank for Taiwan and Hong Kong branches (all of the aforementioned companies belong to the financial industry); in addition, Mr. Kuo also serves as an Independent Director of Huali Industrial Group Company Limited. (engaged in product development, design, production and sales of sports shoes, belonging to the daily consumer goods industry), and was formerly a director of Longchen Paper & Packaging Co., Ltd. (paper business of the raw materials industry).

⑤ Mr. Tiao-Kuei Huang is a director of Cathay Financial Holdings and has previously served as the Chairman, Vice Chairman, and President of Cathay Life Insurance (all of which belong to the financial industry).

⑥ Mr. Ming-Ho Hsiung is a director of Cathay Financial Holdings and the Chairman of Cathay Life Insurance. He has previously served as the Vice Chairman, and President of Cathay Life Insurance (all of which belong to the financial industry).

⑦ Mr. Chang-Ken Lee is a Director and President of Cathay Financial Holdings and Director of Cathay Securities. He has previously served as the Director and President of Cathay United Bank, and Executive Vice President / Senior Vice President / Manager of Cathay Life Insurance (all of the above companies are in the financial industry).

⑧ Ms. Grace Chen is the Director and CFO / Senior Vice President of Cathay Financial Holdings, Director of Cathay United Bank and Cathay Venture. She has also previously served as Senior Executive Vice President and Executive Vice President of Cathay United Bank, and Chief Auditor of Cathay Bank (all of the above companies are in the financial industry).

⑨ Mr. Feng-Chiang Miao serves as the Independent Director of Cathay Financial Holdings and Cathay United Bank, and has previously served as Independent Director of Cathay Life Insurance and Cathay Century Insurance (all of which belong to the

financial industry). He is also the Chairman of UPC TECHNOLOGY CORPORATION (in the raw materials industry for production of chemicals), Director of Mitac Investment China Co., Ltd. (in the information technology industry), and Director of Lien Hwa Milling Corporation (a food manufacturer in the consumer goods industry).

⑩ Edward Yung-Do Way serves as Independent Director of Cathay Financial Holdings / Cathay United Bank / Cathay Securities (all of which belong to financial industry) / TAITA CHEMICAL COMPANY, LIMITED (in the raw materials industry for production of chemicals), and as Director of Vanguard International Semiconductor Corporation (the electronics/semiconductor industry which belongs to the information technology sector). He has previously served as an independent non-executive director of Da Chan Food (Asia) Limited (a food manufacturer belonging to the daily consumer goods industry).

⑪ Ms. Li-Ling Wang is an Independent Director of Cathay Financial Holdings and Cathay Life Insurance. She has previously served as the Chairperson / Deputy Chairperson of the Financial Supervisory Commission, Independent Director of China Life Insurance, and Director of First Life Insurance Co., Ltd. (all of which belong to the financial industry).

⑫ Mr. Tang-Chieh Wu is an Independent Director of Cathay Financial Holdings / Cathay United Bank / Cathay Life Insurance / Cathay Century Insurance and Secretary General of Taiwan Financial Services Roundtable (TFSR). He has previously served as the Chairman of Hua Nan Financial Holdings / Hua Nan Commercial Bank / Land Bank of Taiwan, the Executive Vice Chairman of Financial Supervision Commission / Director-General of Securities and Futures Bureau (the aforementioned companies and institutions all belong to the financial industry).

⑬ Ms. Pei-Pei Yu serves as the Independent Director of Cathay Financial Holdings / Cathay Life Insurance / Cathay Century Insurance (the aforementioned companies all belong to the financial industry) / Wistron Corporation (the information technology industry) and Chairman of VIGOR KOBO COMPANY LIMITED (food manufacturer of consumer staples business). He has previously served as Managing Director of Goldman Sachs Asia Investment Management (Hong Kong) Limited, President of Goldman Sachs (Asia). L.L.C., Taipei Branch, and Manager / Vice President of Goldman Sachs Asia Investment Management (Hong Kong) Limited, Assistant Vice President of UBS AG, Taipei Branch, Manager of CITIBANK TAIWAN LIMITED (all of the aforesaid companies are in the financial industry).

Note 2: As of December 31, 2023, Independent Director, Feng-Chiang Miao has served 7.5 years; Independent Director, Edward Yung-Do Way has served 6.5 years; the term of office of Independent Directors, Li-Ling Wang and Tang-Chieh Wu have served 4.5 years.

### 6.1.3 Board Performance Evaluation

Cathay FHC has established several guidelines and regulations to improve the effectiveness of its board of directors. These include the “Guidelines for Evaluation of Directors’ Performance” and “Guidelines for Directors’ Remuneration,” as well as the “Regulations Governing the Evaluation of the Board and Functional Committee’s Performance.” These guidelines incorporate indicators such as compliance, corporate governance, risk control, corporate sustainability and corporate social responsibility. At Cathay, we are committed to ensuring that the board and the functional committees fulfill their duties and responsibilities in governance, operations, and corporate sustainability. To these ends, we conduct an annual performance evaluation of the board and functional committees. Members of the board and the functional committees, along with the agenda working group, are evaluated for their performances based on established indicators. The agenda working group then organizes the evaluation results, which are filed into three categories – “exceeding expectations,” “meeting expectations,” and “room for improvement,” and presents them to the board of directors.

#### Aspects of Performance Evaluation

Board of Directors	<ul style="list-style-type: none"><li>Level of participation in the company’s operations</li><li>Strengthen the board’s ability to make effective decisions</li><li>Board of directors composition and structure</li><li>Election of directors and continuing education</li><li>Internal control</li></ul>
Functional Committees (including Audit Committee, Remuneration Committee, Corporate Governance and Nomination Com-mittee and Risk Management Committee)	<ul style="list-style-type: none"><li>Level of participation in the company’s operations</li><li>Level of understanding of the duties and responsibilities of the functional committees</li><li>Strengthen the functional committees’ ability to make effective decisions</li><li>Functional committees’ composition and members election</li><li>Internal control</li></ul>
Board Member	<ul style="list-style-type: none"><li>A clear understanding of the organization’s mission and goals</li><li>A clear understanding of the role and responsibilities of a director</li><li>Level of participation in the company’s operations</li><li>Internal management and communication</li><li>Director’s knowledge, expertise and continuing education</li><li>Oversight of the company’s financial operations status</li><li>Oversight of the company’s internal audit and control, risk management, and compliance functions</li><li>Company credit rating</li><li>Fulfill corporate sustainability</li></ul>

#### Results of Performance Evaluation



Internal Evaluation	External Evaluation
<ul style="list-style-type: none"><li>In 2023, the results of the internal performance evaluation of Cathay FHC’s board and functional committee showed that the performance “exceeded expectations.”</li><li>In 2023, the results of the performance evaluation of Cathay FHC’s directors indicated that all directors were “Qualified” .</li></ul>	<p>In 2019 and 2022, Cathay FHC engaged the Taiwan Institute of Ethical Business and Forensics to evaluate the performance of its board of directors for the years 2018 and 2021. Following the institute’s recommendations for improvement, Cathay implemented measures to enhance the performance of its board.</p>

Note: For detailed results of the board of directors and functional committee performance evaluations, please click on the [link](#).

### 6.1.4 Remuneration Structure for Directors and Senior Management

#### Remuneration for Directors

To improve corporate governance and enhance long-term operating performance, Cathay has established the “Guidelines for Directors’ Remuneration,” which sets out remuneration standards such as a director’s variable and fixed compensation, as well as cost of transportation. According to Cathay FHC guidelines, the directors receive variable compensation based on outlined standards. However, independent and external directors only receive fixed compensation without variable compensation. To improve operational risk management, Cathay FHC has established “Guidelines for Evaluation of Directors’ Performance,” which includes various indicators for evaluating the performance of the board of directors, such as their level of participation in the company’s operations, oversight of financial operations, internal audit and control, risk management, and compliance. Those who do not meet the annual evaluation standards will not receive any variable compensation as directors. The fixed compensation for directors is determined based on their level of participation in the company’s operations and contribution value and is benchmarked against industry peers. The remuneration committee and the board of directors approve the fixed compensation. In addition, to ensure fair and reasonable compensation for the directors, the remuneration committee and the board evaluate the feasibility of “Guidelines for Directors’ Remuneration” once every three years.

 Remuneration for Directors	<ul style="list-style-type: none"><li>Established based on the “Guidelines for Directors” Remuneration.” The remuneration committee takes into account the level of the director’s participation in the company’s operation and their contribution value, and benchmarks their remuneration against industry peers.</li><li>The fairness of the “Guidelines for Directors’ Remuneration” is evaluated once every three years, and is submitted to the remuneration committee and the board for approval.</li><li>In the director performance management development (PMD) process, directors are evaluated based on indicators such as internal audit and control, risk management, and compliance. Those who do not pass are ineligible to receive any variable compensation as directors.</li></ul>
 Remuneration for Senior Management	<ul style="list-style-type: none"><li>Remuneration is established based on the “Guidelines for Remuneration of Senior Management”, taking into consideration of roles and responsibilities, performance, and expertise, and is benchmarked against market value.</li><li>As an example, the variable compensation of the Cathay FHC President is tied to a range of important performance indicators. These include financial returns, relative financial metrics, operational indicators on strategic developments, corporate sustainability indicators, and internal control &amp; compliance metrics. There is a three-year spread-out period for long-term incentives instead of paid out in full in the year of earnings.</li><li>Cathay conducts an annual remuneration competitiveness analysis and evaluates each senior manager’s fixed compensation individually. Additionally, we review the “Guidelines for Remuneration of Senior Management” every three years and submit them to the remuneration committee and board for approval.</li></ul>