

# Cathay FHC's 2021 Human Rights Impact Management Report

June 2021

## 1. Human Rights Related Policies

Cathay has always attached importance to human rights, and complies with the principles set forth in the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, UN Global Compact, and International Labour Organization, to fulfill our corporate social responsibility and protect the basic human rights of all employees, customers, and stakeholders. We respect internationally recognized basic human rights policies, including freedom of association, care for underprivileged groups, prohibition of using child labor, elimination of all forms of human trafficking, forced labor, and elimination of discrimination in employment. We strictly abide by local labor regulations and established the Cathay Financial Holdings Human Rights Policy.

We ensure that the Cathay Financial Holdings Human Rights Policy is implemented within Cathay to protect human rights. Cathay treats all employees with dignity and respects all employees, contracted, and part time workers. We also established the Cathay FHC Sustainable Procurement Policy and Corporate Social Responsibility Code of Practice for Suppliers, and require suppliers to comply with the same standards. Human rights management policies are all disclosed on the official website of Cathay FHC to clearly communicate Cathay's emphasis and commitment to human rights management.

Policy and Declaration	Subjects	Policy Content
<b>Cathay FHC's Declaration of Sustainability Values</b>	Employees, Cathay FHC and its subsidiaries, suppliers, joint ventures, and other business partners	Cathay FHC (including Cathay FHC and its subsidiaries) uphold the core values of "Integrity, Accountability, and Innovation," and referenced international regulations such as the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and UN Global Compact, as well as the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies. We incorporated international principles of responsible investment and lending into related codes of conduct, human rights declaration, occupational safety and health and environment policies, and public welfare policy according to the Company's businesses and overall business activities. We summarized these policies into a "Value Declaration" that declares how Cathay will comply with professional ethics, lawfully and reasonably engage in business, and also dedicate efforts to lower environmental, social and governance risks. It is our goal to create benefits for the economy, society, and environment.
<b>Cathay FHC Human Rights Policy</b>	Employees, Cathay FHC and its subsidiaries,	Cathay FHC (including Cathay FHC and its subsidiaries) comply with the UN Universal Declaration of Human Rights, UN Guiding Principles on

	suppliers, joint ventures, and other business partners	Business and Human Rights, UN Global Compact, and International Labour Organization to fulfill our corporate social responsibility and protect the basic human rights of all employees, customers, and stakeholders. We describe our approach to the management of human rights in the Human Rights Policy.
<b>Cathay FHC Sustainable Procurement Policy</b>	Cathay FHC and its subsidiaries	Cathay FHC (including Cathay FHC and its subsidiaries) implemented sustainable procurement concepts of ISO 20400: Sustainable Procurement Guidance to jointly resolve social, economic, and environmental issues with suppliers, lower procurement risks, and create sustainable business opportunities. We require suppliers to take human rights management seriously, in order to achieve goals of supply chain sustainability management.
<b>Corporate Social Responsibility Code of Practice for Suppliers</b>	Suppliers	We expect all of our suppliers to fulfill their corporate social responsibility, and established the Corporate Social Responsibility Code of Practice for Suppliers, integrating ESG considerations to management potential supply chain risks. We have made a joint commitment with suppliers to abide by and attach importance to human rights issues, in order to implement our ESG value strategy.
<b>Cathay FHC Code of Ethical Conduct</b>	Employees, Cathay FHC and its subsidiaries	Cathay FHC (including Cathay FHC and its subsidiaries) strictly prohibits violations of human rights principles in the Code of Ethical Conduct, such as equal employment, prohibition of discrimination and harassment, and supporting the UN Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights, respecting internationally recognized basic human rights.
<b>Cathay FHC Corporate Sustainability Principles</b>	Cathay FHC and its directly and indirectly controlled subsidiaries	Cathay FHC (including Cathay FHC and its subsidiaries) attaches importance to ESG risks, value, and opportunities, and joins in the implementation of international principles, including human rights related international standards, based on the businesses and overall business activities of each company. We review and improve the corporate sustainability system established by each company on this basis to improve their corporate sustainability performance.
<b>Cathay FHC Responsible Investment and Lending Policy</b>	Cathay FHC and its subsidiaries	Cathay FHC (including Cathay FHC and its subsidiaries) increase the long-term value of investments/loans and lower related risks through important ESG information. We continue to monitor trends in responsible investment and lending, understand best practices, and review and improve the management system on this basis.

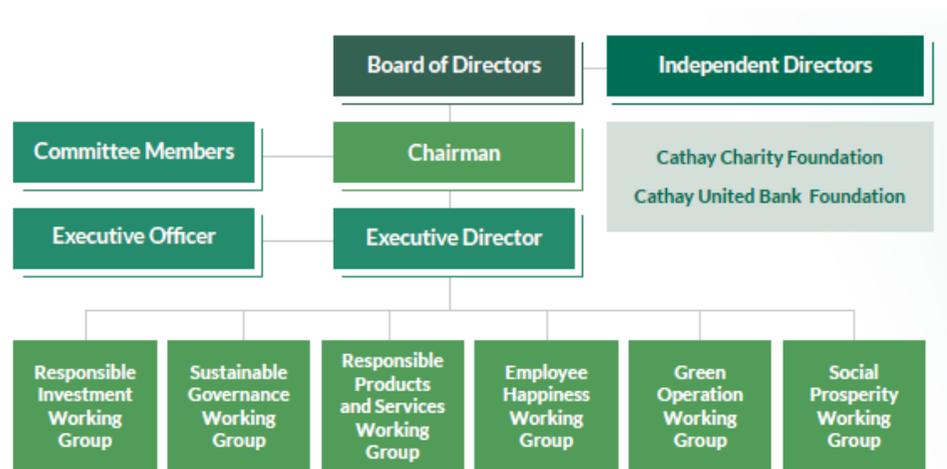
<b>Cathay FHC Engagement Policy</b>	Cathay FHC and its subsidiaries	Cathay Financial Holdings Co., Ltd. (including Cathay FHC and its subsidiaries) is supportive of sound corporate governance and values shareholders' rights and information transparency. Cathay FHC incorporates "Corporate Engagement and Shareholder Action" into the investment/lending process, providing the subject of engagement with insights about environmental, social and corporate governance to help the company make improvements, increase value or reduce the Company's risks. Cathay FHC fulfills the responsibilities of management after investing/lending and exerts its influence on responsible investment/lending.
<b>Cathay FHC's Privacy Policy</b>	Cathay FHC and its subsidiaries,	Cathay FHC (including Cathay FHC and its subsidiaries) strengthens personal data protection and management by collecting, processing, and using personal data, protecting the rights and privacy of customers, and lowering operational risks in accordance with the "Financial Holding Company Act", "Rules Concerning Cross-Selling by Financial Holding Company Subsidiaries", "Personal Data Protection Act", and other relevant regulations.

## 2. Reference Standards for Establishing Human Rights Related Policies

<ul style="list-style-type: none"> <li>● UN Universal Declaration of Human Rights</li> <li>● UN Guiding Principles on Business and Human Rights</li> <li>● International Labour Organization</li> <li>● OECD Guidelines for Multinational Enterprises</li> <li>● UN Global Compact</li> <li>● Principles for Sustainable Insurance (PSI)</li> <li>● Principles for Responsible Banking (PRB)</li> <li>● Principles for Responsible Investment (PRI)</li> </ul>	<ul style="list-style-type: none"> <li>● Equator Principles (EPs)</li> <li>● ISO 20400 Sustainable Procurement Guidelines</li> <li>● Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</li> <li>● FSC Corporate Governance 3.0 – Sustainable Development Blueprint</li> <li>● Labor Standards Act of Taiwan</li> <li>● Act of Gender Equality in Employment</li> <li>● Personal Data Protection Act</li> </ul>
--	--

## 3. Human Rights Management and Governance Framework

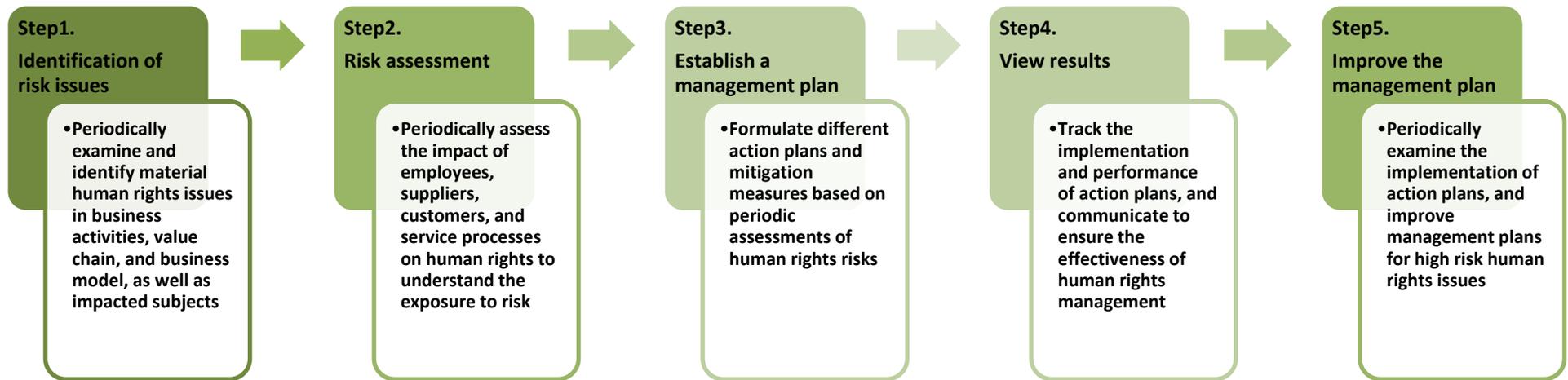
Cathay attaches importance to human rights issues and human rights management. Related issues involve a wide range of departments and units. Cathay FHC conducts due diligence and manages human rights risks of different subjects and human rights issues through six working groups under the Cathay CS Committee.



Employee	Employee Happiness Working Group Sustainable Governance Working Group
Suppliers	Green Operation Working Group
Investments and loans	Responsible Investment Working Group
Customer	Responsible Products and Services Working Group Social Prosperity Working Group
Joint ventures	Employee Happiness Working Group

#### 4. Due Diligence Procedures

Cathay established the "Cathay FHC Human Rights Policy" to protect the basic human rights of all employees, customers, and stakeholders, and also established a human rights risk investigation process to periodically evaluate the impact of persons of interest and improve management. We took into consideration international human rights frameworks, the company's development strategy, and external trends, and selected risk issues after inquiring the opinions of stakeholders, including Cathay FHC's CS Committee, employees, and external consultants. We then examined the risk rating of each issue and identified high risk groups for management.



## 5. Human Rights Risk/Impact Assessment Methods

- Cathay's Human Rights Risk/Impact Assessment Methods

Risk level	High risk severity	Medium risk severity	Low risk severity
High frequency	(3 , 3) High risk	(2 , 3) High risk	(1 , 3) Medium risk
Medium frequency	(3 , 2) High risk	(2 , 2) Medium risk	(1 , 2) Low risk
Low frequency	(3 , 1) Medium risk	(2 , 1) Low risk	(1 , 1) Low risk

(1) Risk severity: 3=High risk severity, 2=Medium risk severity, 1=Low risk severity]

(2) Frequency of occurrence: 3=High frequency, 2=Medium frequency, 1=Low frequency

(3) Risk level:

<b>High risk</b>	Human rights risks have a significant effect on stakeholders in the value chain
<b>Medium risk</b>	Operations and value chain infringe on the human rights of stakeholders and affect operations
<b>Low risk</b>	Potential or mild infringement on human rights by operations or value chain

## 6. Human Rights Risk/Impact Assessment Methods

Stakeholders	Risk issues	Subjects that may potentially be impacted	Risk assessment method and results	Source
<b>Employee</b>	Force labor, prolonged working hours	<ul style="list-style-type: none"> <li>● Own employees</li> <li>● Female</li> <li>● Indigenous people</li> <li>● Migrant workers</li> <li>● Employees with disabilities</li> <li>● Children (interns)</li> </ul>	<ul style="list-style-type: none"> <li>● Employees that worked &gt; 45 hours of overtime in a single month are determined to be high risk, and the result was 0.19% in 2021</li> </ul>	<ul style="list-style-type: none"> <li>● Work hours statistics</li> <li>● Occupational accident reporting</li> <li>● Employee mental health survey</li> <li>● Employee medical check-up results</li> <li>● Employee grievance channels</li> </ul>
	Occupational Safety and Health		<ul style="list-style-type: none"> <li>● Cathay FHC provides all employees with a free medical check-up once every three years, and analyzes employees' health risks based on results</li> </ul>	
	Diversity, inclusion, and equal opportunity (including discrimination, workplace violence, human trafficking, equal pay, child labor, freedom of association, and collective bargaining rights)		<ul style="list-style-type: none"> <li>● Discrimination, workplace violence: Employee complaints and opinions are tracked every year, and there were 3 discrimination and harassment (including sexual harassment and non-sexual harassment) cases in 2021</li> <li>● Maternal healthy and safety: Workplace Maternity Healthcare Protection Program</li> <li>● Child labor: Age on the resume or registration data is reviewed</li> <li>● Freedom of association: Protect the rights of all employees to participate in clubs and associations</li> <li>● Collective bargaining right: Cathay FHC engages in employee-employer communication in accordance with the Guidelines for Implementing Employee-Employer Communication. Both sides elect representatives to report on, fully discuss, and propose</li> </ul>	

			resolutions for major employee-employer issues, which are carried out accordingly. A total of 27 employee-employer meetings were held in 2021.	
<b>Customer</b>	Customer Rights		<ul style="list-style-type: none"> <li>● The complaint rate in 2021 was &lt;0.1‰</li> </ul>	<ul style="list-style-type: none"> <li>● Report regulatory changes</li> <li>● Implement personal data protection and management</li> <li>● Operational risk events</li> <li>● Review issues (originated from personal data authentication, financial examination, and internal/external audits)</li> <li>● Internal management mechanisms</li> <li>● External whistleblowing mailbox</li> </ul>
	Personal data protection	<ul style="list-style-type: none"> <li>● Consumer banking customers</li> </ul>	<ul style="list-style-type: none"> <li>● Track the number of fines for personal data infringement incidents each year, there was 1 case in 2021</li> </ul>	
<b>Investing and lending subjects</b>	Labor rights			<ul style="list-style-type: none"> <li>● Government fine records</li> <li>● ESG evaluation results of each institution</li> <li>● Issued the Company's Sustainability Report and Annual Report</li> <li>● News</li> </ul>
	Engagement with local communities	<ul style="list-style-type: none"> <li>● Corporate banking customers</li> </ul>	<ul style="list-style-type: none"> <li>● Calculated the ratio of high ESG risk corporate loans to all corporate loans, and the result was 0.32% in 2021</li> </ul>	
<b>Suppliers</b>	Occupational Safety and Health	Employees of suppliers	<ul style="list-style-type: none"> <li>● Questionnaire survey, news monitoring</li> </ul>	<ul style="list-style-type: none"> <li>● Self-evaluation questionnaire surveys</li> </ul>

	Personal data protection		<ul style="list-style-type: none"> <li>All suppliers signed Cathay's Declaration of Sustainability Values, and participated in supplier sustainability training (includes the commitment to human rights protection)</li> <li>Evaluate and provide training to suppliers for sustainability measures (including human rights issues) each year, 0 suppliers were disqualified in the 2021 evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Annual on-site review of suppliers</li> <li>Government fine records</li> </ul>
	Diversity, inclusion, and equal opportunity (including: No child labor, no discrimination, equal pay, no forced labor, and prohibition of human trafficking)			
<b>Joint ventures</b>	Diversity, inclusion, and equal opportunity (including: No child labor, no discrimination, equal pay, no forced labor, and prohibition of human trafficking)	Employees of joint ventures	<ul style="list-style-type: none"> <li>Questionnaire survey, news monitoring; the result was 0%</li> <li>All joint ventures signed Cathay's Declaration of Sustainability Values (contains the commitment to human rights protection), and implement human rights protection</li> </ul>	<ul style="list-style-type: none"> <li>Self-evaluation questionnaire surveys</li> <li>Government fine records</li> </ul>

## 7. Mitigation and Remedial Measures for Material Human Rights Issues

Stakeholders	Risk issues	Risk mitigation measures	Impact compensation measures	Implementation results of risk mitigation and impact compensation measures
<b>Employee</b>	Prolonged working hours	<ul style="list-style-type: none"> <li>Promote and implement daily/monthly overtime restrictions</li> <li>Establish a flexible work hours system</li> <li>Establish an employee work from home system</li> <li>Conduct mental health questionnaire surveys</li> </ul>	<ul style="list-style-type: none"> <li>Provide overtime pay or overtime leave as desired by employees</li> <li>Implement a management mechanism for employees with high risk of illness induced by abnormal workload</li> </ul>	<ul style="list-style-type: none"> <li>Employee mental health survey response rate reached 81.5% in 2021</li> <li>All employees signed a supplemental agreement to their labor contract allowing employees to work from home.</li> </ul>

				<ul style="list-style-type: none"> <li>● Provided a flexible work hours system to meet employees' needs</li> </ul>
	Occupational Safety and Health	<ul style="list-style-type: none"> <li>● Implement occupational safety and health education and training.</li> <li>● Free employee medical check-ups</li> <li>● Conduct skeletal muscle injury questionnaire surveys</li> <li>● Conduct workplace safety and health inspections</li> <li>● Set up first aid equipment (AED)</li> <li>● Organize health promotion activities</li> </ul>	<ul style="list-style-type: none"> <li>● Implement the occupational accident reporting and handling mechanism</li> <li>● Assist applications for group insurance and labor insurance</li> <li>● Provide professional consulting</li> </ul>	<ul style="list-style-type: none"> <li>● Results of the latest employee medical check-up results show that employees with low health risk increased 33% compared to the previous period, and employees with high health risk increased about 10% compared with the previous period</li> </ul>
	Diversity, inclusion, and equal opportunity	<ul style="list-style-type: none"> <li>● The Code of Conduct for Employee and Code of Ethics explicitly prohibits violations of human rights, such as discrimination and sexual harassment</li> <li>● Promote diversity and tolerance through e-newsletters and lectures</li> <li>● Install barrier-free facilities and provide assistive devices in office buildings</li> <li>● Implement the Southeast Asia Talent Cultivation Program</li> <li>● Set local employment goals for overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>● Establish reporting and compliant handling mechanisms</li> <li>● After review by the committee, employees found in violation are punished</li> <li>● Provide consultation and care to victims</li> </ul>	<ul style="list-style-type: none"> <li>● Coverage of education and training related to the Code of Conduct for Employee reached 100% and completion reached 100%</li> <li>● Cathay had a total of 279 employees who were indigenous peoples of Taiwan in 2021. Furthermore, Cathay has 450 employees with disabilities, accounting for 1.04% of all employees</li> <li>● Cathay employees come from a total of 16 countries</li> <li>● A total of 28 students participated in the 2nd Southeast Asian Talent</li> </ul>

				Development Project in 2021, and are expected to serve at overseas locations in Cambodia, Vietnam, and Laos in 2023.
<b>Customer</b>	Customer Rights	<ul style="list-style-type: none"> <li>● Establish a Service Quality Committee</li> <li>● Implement employee education and training</li> <li>● Embed the principle of treating customers fairly into our corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>● Establish diverse grievance channels</li> <li>● Establish a dedicated unit</li> <li>● Establish regulations and the highest principle of "actively handling issues and actively showing concern" that requires our staff to immediately contact customers and propose solutions.</li> </ul>	<ul style="list-style-type: none"> <li>● Cathay Life, Cathay United Bank, and Cathay Century ranked in the top 20% in the 2nd Financial Industry Treating Customers Fairly Evaluation, which is the best achievement in the evaluation</li> <li>● Cathay FHC's subsidiaries all completed the 3 hours of treating customers fairly training required by law</li> <li>● Cathay's customer complaint rate is the lowest in the industry</li> </ul>
	Personal data protection	<ul style="list-style-type: none"> <li>● Establish a Personal Information Management Committee</li> <li>● Establish a comprehensive personal information protection system</li> <li>● Obtain the BSI 10012:2017 Personal Information Management System certification</li> <li>● Implement personal information education and training</li> </ul>	<ul style="list-style-type: none"> <li>● Establish the "Emergency Response Procedure for Personal Information Infringement Events"</li> <li>● Establish a periodic drill mechanism for emergency response</li> </ul>	<ul style="list-style-type: none"> <li>● Cathay FHC and its subsidiaries all completed personal information training in 2018-2021</li> </ul>
<b>Investing and lending subjects</b>	Labor rights Engagement with local communities	<ul style="list-style-type: none"> <li>● Establish ESG Regulations for Corporate Loans, list high risk customers at not eligible for loans, and use</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to examine ESG records after approving general corporate loans, and</li> </ul>	<ul style="list-style-type: none"> <li>● The human rights risks of all corporate loans were assessed based on ESG</li> </ul>

		<p>the ESG checklist to evaluate the human rights risk of customers</p> <ul style="list-style-type: none"> <li>● Establish ESG risk guidelines for sensitive industries for salespeople to evaluate the human rights risks of borrowers</li> <li>● Comply with the EPs in pre-review and continue to monitor major cases after loan approval</li> </ul>	<p>require customers with a specific risk level to take improvement measures</p> <ul style="list-style-type: none"> <li>● Comply with the EPs in supervising engagement between the developer and related parties, and manage the developer's action plan progress after loan approval</li> </ul>	<ul style="list-style-type: none"> <li>● Post-loan management was carried out for all borrowers that met standards and reached a certain level of risk</li> <li>● All EPs loans are evaluated and managed according to the EPs</li> </ul>
<b>Suppliers</b>	Occupational Safety and Health	<ul style="list-style-type: none"> <li>● Establish the Cathay FHC Sustainable Procurement Policy and implement the ISO 20400 Sustainable Procurement Guidelines</li> <li>● Implement supplier sustainability self-assessment and management</li> <li>● Require suppliers to sign the Sustainability Value Declaration (contains the commitment to human rights protection)</li> <li>● Implement sustainability training for suppliers</li> <li>● Organize annual supplier conferences</li> </ul>	<ul style="list-style-type: none"> <li>● Require suppliers to comply with CSR and regulatory requirements in the procurement contract, and make suppliers liable for breach of contract</li> <li>● Periodically evaluate suppliers, violations will affect suppliers' score, and suppliers with low scores will be rejected. As of the end of 2021, Cathay FHC had a total of 2,841 suppliers, in which 665 did not sign the Cathay Financial Holdings Statement of Sustainability Values (including human rights commitment) according to Cathay FHC's Sustainable Procurement Policy and</li> </ul>	<ul style="list-style-type: none"> <li>● 100% of suppliers signed the Declaration of Sustainability Values</li> <li>● Sustainability Training for Suppliers</li> <li>● Completion rate reached 100%</li> </ul>
	Personal data protection			

			we terminated business relationships with the suppliers; we also terminated business relationships with 9 suppliers that did not pass review procedures	
<b>Joint ventures</b>	Diversity, inclusion, and equal opportunity	<ul style="list-style-type: none"> <li>Require suppliers to sign the Sustainability Value Declaration (including commitment to human rights protection), and conduct a questionnaire survey on its implementation</li> </ul>	<ul style="list-style-type: none"> <li>Require improvements based on questionnaire survey results</li> </ul>	<ul style="list-style-type: none"> <li>Issue Cathay Overseas Network to strengthen communication with JV</li> </ul>

## 8. Complaint Mechanisms and Reporting Channels

Cathay established clear whistleblowing and complaint channels to create a corporate culture of integrity and transparency and facilitate sound operations, in order to implement the Company's Code of Ethical Conduct and Ethical Corporate Management Best Practice Principles, and protect the lawful rights and interests of whistleblowers and related persons. Employees are the most important and highly valued asset of Cathay FHC, and it is for this reason we have dedicated our efforts to creating a safe, health, and friendly work environment that respects human rights and is free of discrimination and harassment. Cathay FHC believes that highly engaged employees are the foundation of a company's competitiveness, and it is the employer's responsibility to properly take care of employees. Hence, Cathay FHC provides salaries linked to market standards, as well as a complete system of benefits to care for all employees. We provide diverse learning and career development channels based on employees' abilities and expertise. Cathay employees can mail or e-mail their opinions to the Human Resources Department. We established an internal communication website for employees to login and express their opinions, so as to understand what employees truly need. We have established a variety of two-way communication channels to listen to employees' voices.

### ● Complaint/Whistleblowing Channels

Letters	Recipient: Compliance Dept. – Whistleblowing Cases Address of recipient: 18F, No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)
---------	--

E-mail	Cathay's whistleblowing mailbox: <a href="mailto:group@cathayholdings.com.tw">group@cathayholdings.com.tw</a>
Hotline	Whistleblowing hotline: 02-27005228 Customer service hotline: Cathay Life: 0800-036-599 Cathay United Bank: 0800-818-001 Cathay Century: 0800-036-599 press 2
Intranet	Employee opinion and complaints section

● **Complaint/Whistleblowing Handling Procedures**

