

Contents

Message from the Chairman

Cathay Sustainability Story

About Cathay FHC

Sustainability Awards & Recognition

01 Sustainability Strategies & Governance

02 Climate

03 Health

04 Empowerment

05 Sustainable Finance

06 Sustainable Governance

07 Appendix



6.3 Ethical Corporate Management

GRI : 2-23、2-24、2-27、2-28、416-2、418-1；SASB：FN-CB-510a.1、FN-CB-510a.2、FN-AC-510a.1、FN-AC-510a.2

6.3.1 Ethical Corporate Management

To reinforce a corporate culture of integrity, Cathay FHC has established the “Policy and Code of Operation Integrity”, the “Procedures and Guidelines of Integrity Management Operation”, and the Code of Conduct for Employee.” These policies require employees to comply with internal regulations, prohibit unethical behavior, and ensure participation in public affairs is conducted lawfully. Cathay has long been actively involved in various industry associations. Cathay FHC President Lee Chang-Keng currently serves as the Managing Director of the Bankers Association of the Republic of China and as a Director of the Bankers Association of Taipei, among other roles. Cathay Life President Shan-Chi Liu is the Managing Supervisor of the Life Insurance Association of the Republic of China. Cathay United Bank Chairman Andrew Ming-Jian Kuo serves as a Supervisor of the Bankers Association of the Republic of China. Through these roles, Cathay actively promotes collaboration between the industry and the government and contributes to the development of relevant policies. For details on Cathay FHC and its subsidiaries’ participation in industry associations, please refer [Table 33 in the Appendix](#).

Cathay FHC has adopted an ethical corporate management policy and has incorporated compliance actions into the Code of Conduct for Employee. Cathay adheres the following management mechanism to review the implementation status of ethical corporate governance:

Management Mechanism	Results	Management Mechanism	Results
Integrity Management Framework and Structure	<div><p>Related Policies</p></div> <ul style="list-style-type: none">• In accordance with the “Policy and Code of Operation Integrity”, Cathay has formulated concrete integrity practices and anti-corruption measures. These include operational procedures, conduct guidelines, and training, implemented through the “Procedures and Guidelines of Integrity Management Operation.”• Directors, managers, employees, and actual controllers of the company must not directly or indirectly offer, promise, request, or accept any improper benefits or engage in any unethical, illegal, or disloyal conduct during business activities to gain or maintain benefits.• Reported cases of unethical conduct are investigated thoroughly by the Audit Unit. Verified cases are handled in coordination with the Admin Department in accordance with company disciplinary rules.• Compliance with laws such as the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, and the Act on Recusal of Public Servants Due to Conflicts of Interest, as well as regulations for listed companies or other related regulations, is a fundamental prerequisite for implementing integrity practices.	Whistleblower Mechanism & Reporting Channels	<p>We have established clear reporting channels following our “Code of Conduct for Reporting Unethical or Dishonest Cases” and the group’s reporting mechanism. We have also established a response protocol to ensure that all reports are thoroughly investigated, and that the legal rights of whistleblowers and any other relevant personnel are protected throughout the process. We are committed to protecting the identity of whistleblowers and any other individuals involved in the investigation to prevent any potential retaliation or unfair treatment.</p> <p>Reporting Channels by Case Type:</p> <ol style="list-style-type: none">① Cases involving crimes, fraud, or illegal acts can be reported via mail, email, or phone. For details, please refer to the “Whistleblowing System – Channels and Methods” section on the Cathay FHC website.② For sexual harassment or other violations of gender equality principles, Cathay has set up a dedicated sexual harassment mailbox and the Sexual Harassment Grievance and Investigation Committee to investigate reported instances of sexual harassment.③ For other matters not listed above, employees may report to the HR department.
	<div><p>Responsible Unit</p></div> <p>The Sustainable Governance Task Force under Cathay’s ESG Strategy Committee promotes group-wide ethical corporate management, anti-corruption, anti-bribery, and compliance efforts. It reports its implementation status to the board of directors at least once a year. The board fulfills its fiduciary duty by overseeing the company’s efforts to prevent unethical conduct and ensure enforcement of the ethical corporate management policy. The Audit Unit includes compliance with integrity practices in its audit scope and regularly reports on remediation progress to the board.</p>		Linking Compliance /codes of conduct to Performance Review
		Disciplinary actions in case of breach	<p>Cathay FHC encourages both internal and external parties to report unethical or improper conduct. Reports and handling follow the “Procedure for Handling Cases of Reporting Unethical or Dishonest Conduct.” Verified violations are used as a basis for decisions on salary adjustments, promotions, or bonus distribution.</p>

Contents

Message from the Chairman

Cathay Sustainability Story

About Cathay FHC

Sustainability Awards &
Recognition

01 Sustainability Strategies &
Governance

02 Climate

03 Health

04 Empowerment

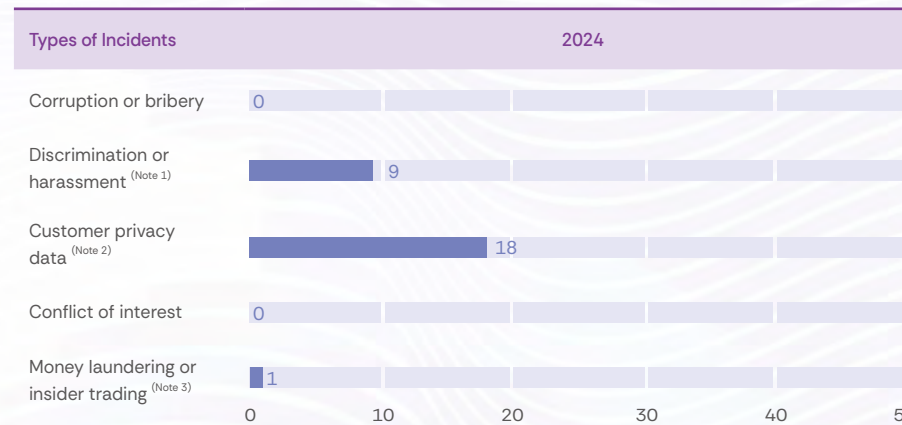
05 Sustainable Finance

06 Sustainable Governance

07 Appendix

Management Mechanism	Results
Conduct regular self-evaluations and review for unethical risk behavior	Conduct an annual ethical management risk assessment; items evaluated include offering or accepting improper benefits (offering/accepting bribes), illegal political contributions, unethical charitable contributions, violation of recusals, violation of stakeholder interests, violation of intellectual property rights and information confidentiality, etc. If the review identifies existing or potential unethical behavior, corrective and remedial action must be taken immediately. In 2024, the company conducted the risk assessment for unethical conduct for 2023 and reported the results to the board. The risk assessment for 2024 has been conducted in Q1 of 2025.
Training	Employee ethics and code of conduct training is a required annual course. The training lasts one hour. The training completion rate for 2024 was 100%.

Breaches of the Code of Conduct/ethics



Total number of cases in 2024: 28

Note 1: For details on the handling process and improvement measures for discrimination or harassment incidents, please refer to 4.1 Workplace Empowerment.

Note 2: For details on the handling process and improvement measures for customer privacy violations, please refer to 6.5 Service Quality & Customer Rights.

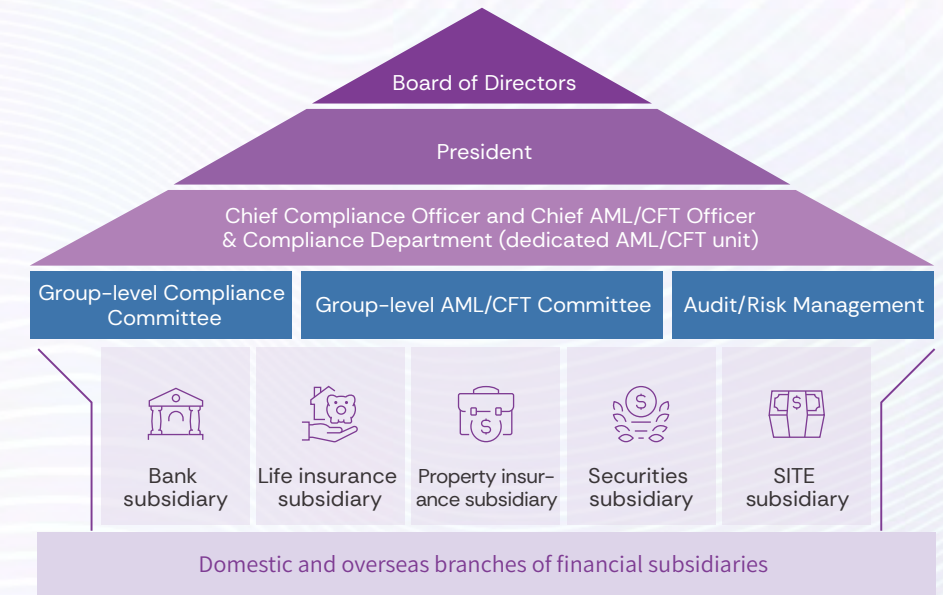
Note 3: In 2024, a fund manager at Cathay SITE, a subsidiary of Cathay FHC, was found to have used insider information obtained during the term of serving as a discretionary investment manager (resigned in November 2023) to buy and sell the same stock using another person's account, without reporting the transaction to the company as required. The Financial Supervisory Commission issued an official penalty pursuant to Chin-Kuan-Cheng-Tou-Fa-Tzu Circular No. 1120365880, dated April 18, 2024. In response, Cathay SITE has taken proactive steps to strengthen internal controls, implemented multiple improvement measures, enhanced personnel and process management, and reinforced compliance awareness.

Note 4: In 2024, Cathay FHC reported zero convictions of corruption or bribery. No penalties were imposed, and no fines were incurred.

6.3.2 Compliance

Strengthening Corporate Compliance Culture

At Cathay FHC, we prioritize compliance management and strive to deepen our compliance culture across the group. To achieve this, we monitor domestic and overseas financial regulatory changes and take appropriate measures to ensure that all of our businesses are fully compliant with regulatory requirements. Group compliance and AML/CFT are managed as a whole at the group level and implemented by level and region. The board of directors appoints the chief compliance officer / chief AML officer to manage the group's compliance matters; the CCO reported on compliance matters to the board of directors and the Audit Committee twice in 2024.



Contents

Message from the Chairman
Cathay Sustainability Story
About Cathay FHC
Sustainability Awards & Recognition
01 Sustainability Strategies & Governance
02 Climate
03 Health
04 Empowerment
05 Sustainable Finance
06 Sustainable Governance
07 Appendix

|| Systematic Management of Compliance Risks

At Cathay FHC, compliance is a key aspect of our internal control implementation, with risk management at the core. We adopt a dynamic management model and prioritize prevention over response to maintain a proactive approach to compliance. In addition to promoting compliance with international regulations, we supervise our key subsidiaries to implement compliance risk management measures. We also leverage a compliance digital management platform and new technologies to strengthen the Group’s internal control management.

Strategy	Execution
Group Compliance Management Mechanism and Effective Improvement	<ul style="list-style-type: none"> Cathay regularly conducts compliance performance reports, compliance self-evaluations and self-inspections, the results of which are included in the performance evaluation of senior management. We also convene a group compliance officer committee twice a year to strengthen the group’s internal control and inter-company communication. At Cathay, we have established a reporting and management channel for major external compliance events. The events include significant regulatory violations and risk warning indicators for potential compliance rating downgrade by the financial regulator. The reporting mechanism helps the board and senior management to gain timely insight into relevant risk warnings for evaluation and formulate response improvement measures for implementation. We have established the mechanisms for reviewing penalties imposed on our competitors and the group, and the review standards for compliance performance across the group and at the subsidiary level to ensure proper regulatory performance supervision. The major penalties imposed on subsidiaries and improvement measures in 2024 are as follows. For full details.
Group Mid-to Long-Term Compliance Focus	<ul style="list-style-type: none"> Oversee implementation of compliance risk management by subsidiaries based on the risk characteristics of the industry; actively promote the group’s compliance alignment with international standards, while keeping abreast of international regulatory trends to strengthen compliance management for the group’s overseas businesses. Support the group’s digital transformation by promoting regulatory compliance across digital scenarios and manage corresponding compliance strategies; Completed revisions to Cathay’s Regulations Management Guidelines and optimized internal control system; Continued to refine key risk management processes and launched a dedicated project to inventory critical regulations and further enhance internal control management.
Reporting System	<ul style="list-style-type: none"> We have established a group-wide whistleblowing program to strengthen our internal control. The reporting channels are published on our official website and provide details on the reporting method, requirements, channels, response measures, documentation, whistleblower protection, and enforcement actions. In 2024, the group received seven non-compliance complaints. Five cases involved domestic subsidiaries—one of which was substantiated. The respondent in that case was referred to HR for disciplinary action, and a formal response was provided to the whistleblower. The remaining four domestic cases were found to be unsubstantiated and have been closed. Two cases involved overseas branches, both of which were also found to be unsubstantiated and have been closed.

|| Major Penalties and Remediation Measures in 2024

Subsidiaries	CUB	Cathay SITE
Reason	<ul style="list-style-type: none"> CUB was fined NT\$8 million For the following: failure to implement a proper verification mechanism for magnetic stripe data reconstruction, inadequate controls over tax collection stamp chop handling and credit card payment procedures, and insufficient supervision of employee compliance with the code of conduct. 	<ul style="list-style-type: none"> Cathay SITE was fined NT\$1.2 million For the following: inadequate prevention of conflicts of interest, failure to assess investment credit risks, lack of comprehensive monitoring of exposure and losses, insufficient supporting documentation from offerees, ineffective oversight of discretionary account managers’ personal trading activities, and ineffective internal control design and implementation.
Remediation	Completed remediation measures include: reviewing teller workflows, enhancing audit procedures, increasing capital allocation for operational risks, adding self-inspection items, strengthening third-party collection controls, improving training and awareness programs, and revising internal operating procedures.	Completed remediation measures include: reviewing conflict-of-interest controls for senior research staff, adjusting investment system controls, strengthening system-based safeguards, revising subscription declarations and adding due diligence questionnaires, and enhancing internal management mechanisms and procedures.

Note: As of April 2025, one additional major penalty case remains under internal review and will be disclosed in full in Cathay FHC’s Sustainability Report 2025.

	2022	2023	2024
No. of Major Penalty ^(note)	2	1	2
Penalty Amount (NT\$)	14 million	12 million	9.2 million

Note: Major penalties refer to cases handled in compliance with Article 2 of FSC’s Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation.

|| Strengthening AML/CFT/PF System

AML/CFL are top priorities on an international level. We adopt a "risk-based" approach to establish a group-wide management mechanism for AML/CFL. We also have an information-sharing system in place with Cathay FHC's operations as its core. We aim to remain compliant with financial regulations while continuing to grow our business. To achieve this, we regularly update and refine our risk assessment methodologies, leveraging technology and data analytic tools to enhance the effectiveness of our AML/CFL management actions.

Contents

Message from the Chairman

Cathay Sustainability Story

About Cathay FHC

Sustainability Awards & Recognition

01 Sustainability Strategies & Governance

02 Climate

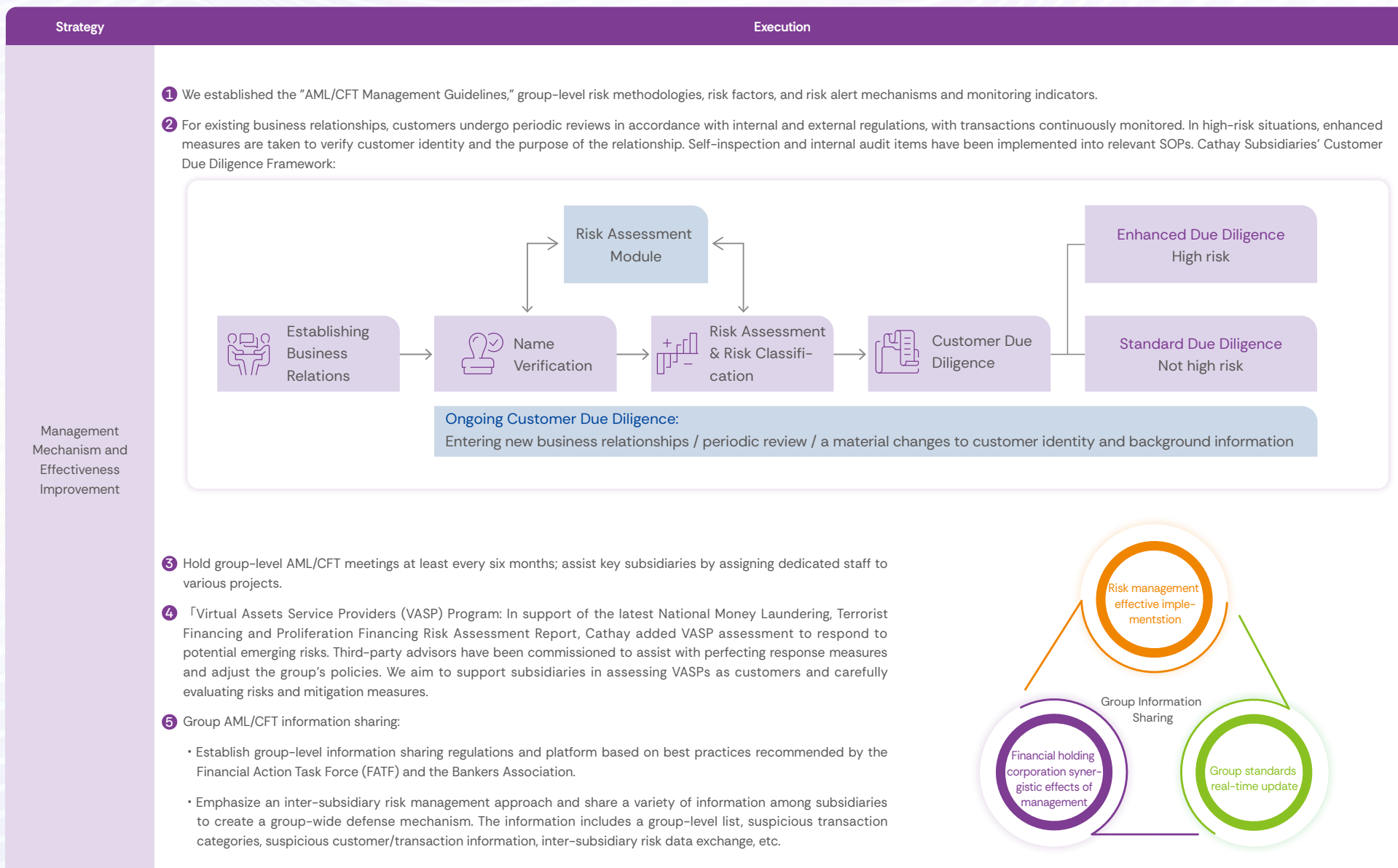
03 Health

04 Empowerment

05 Sustainable Finance

06 Sustainable Governance

07 Appendix



Contents

Message from the Chairman

Cathay Sustainability Story

About Cathay FHC

Sustainability Awards & Recognition

01 Sustainability Strategies & Governance

02 Climate

03 Health

04 Empowerment

05 Sustainable Finance

06 Sustainable Governance

07 Appendix

Strategy	Execution
Group Mid- to Long-Term Development Focus	<p>Cathay AML Joint Risk Defense project:</p> <p>① In recent years, the impact of digital technology and the emergence of mobile devices have transformed the roles, profiles, and behaviors of financial market participants. The convenience and diversity of financial services have also led to complexity in regulating financial services. Leveraging digital technology effectively against risks, optimizing oversight, and effectively managing resources are important aspects of the group's overall efforts in anti-money laundering and countering the financing of terrorism.</p> <p>② Recognizing the shift from traditional operations to digital and mobile-assisted processes during the group's digital transformation, Cathay initiated a cross-functional initiative in 2022 to enhance the ability of employees to swiftly analyze and understand customer risk. This effort integrates expertise across AML and CFT compliance, data analytics, algorithm modeling, risk forecasting, and visual experience design, and explores the establishment of a centralized AML/CFT Risk Coordination Center. Moving forward, the group will continuously refine data models in response to evolving regulatory landscapes and emerging technologies. By strengthening its integrated risk defense mechanisms, Cathay aims to enhance oversight, improve risk management, and maximize group-wide synergies.</p> <p>③ Over the past two years, Cathay has launched the Cathay AML Joint Risk Defense project under this framework, with specific subsidiaries having optimized and introduced data on suspicious transaction patterns into visual dashboards. With the project, Cathay also developed a group-wide AML/CFT business management platform that could be applied to Cathay FHC's KYC, customer affiliation networks, group-wide digital security, and cross-industry affiliation diagrams, aiming to strengthen the group's AML efforts.</p>

|| Promoting Diverse Compliance Training and Cultivating Technology Compliance/AML Talent

To promote compliance awareness among employees and cultivate technology compliance/AML talent, Cathay FHC offers a wide range of compliance/AML training in line with the latest technological developments. These programs cover topics such as regulatory compliance fundamentals, fraud prevention best practices, AML and financial crime case studies, AI and FinTech policies and industry trends, insurance fraud (including forensic technology and claims practices), and fair trade common practice. The company continues to advance its development of compliance and AML talent through project-based training that integrates digital technology with best practices, helping to build a strong pipeline of cross-disciplinary professionals in "Digital × Compliance/AML."

Cathay FHC compliance training hours in 2024		
General compliance courses 416 sessions (total 873,095.3 hours)	Compliance courses for new recruits 114 sessions (total 8,585.5 hours)	Group AML/CFT training courses 143 sessions (total 67,505.4 hours)
Group compliance sharing club courses 6 sessions (total 955.5 hours)	Senior executive compliance courses 67 sessions (total 912.3 hours)	Director (supervisor) compliance courses 117 sessions (total 521.6 hours)