

# **Cathay Financial Holdings Tax Governance Report 2023**

## **1. Tax Governance Policy**

Cathay FHC established its Tax Governance Policy with the Board of Directors as the highest level decision-maker for tax risk management mechanisms. The policy was established to strengthen its response to international trends in tax governance, to effectively control tax risks and implement corporate sustainability, to increase value for shareholders, and to fulfill its CSR. Our Accounting Department within the Finance Division is responsible for tax management and delivers reports to the Risk Management Division on a regular basis. The Risk Management Division is responsible for delivering reports to the Board of Directors on an annual basis to ensure effective operation of the tax management mechanism, and that tax governance is properly implemented.

The Company's tax governance is based on the principles of good faith and integrity, and the Tax Governance Policy and Code of Conduct are as follows:

### **I. Compliance:**

We are committed to comply with the spirit as well as the letter of the tax laws and regulations of each jurisdiction in which we operate, and we accurately calculate all tax charges and file tax returns prior to legal deadlines so as to fulfill our obligations to pay taxes.

### **II. Risk management:**

We established a sound tax risk management structure and organizational culture, and carefully evaluate tax risks and response measures with consideration to the optimization of our overall tax burden and the impact on our reputation, risk management, and sustainability values under globalized operations.

### **III. Economic substance:**

We do not use tax structures intended for tax avoidance, do not transfer value created to low tax jurisdictions, or use secrecy jurisdictions (known as tax havens) to avoid taxes. Related-party transactions shall comply with arm's length principles and we are committed to complying with the transfer pricing rules in each jurisdiction where we operate, so as to fulfill our tax obligations in the jurisdictions where value is created.

### **IV. Information transparency:**

Tax-relevant information will be disclosed publicly to stakeholders on a

regular basis to ensure transparency.

V. Integrity and communication:

We will foster a mutually trustworthy and honest relationship with tax authorities in each jurisdiction where we operate. Where possible, we will provide practical industry views and market insights to improve the tax environment and tax system.

VI. Talent Cultivation:

We shall ensure that our employees receive regular domestic and foreign training in order to enhance their competencies with regard to tax governance. We manage tax-related affairs based on principles of good faith and integrity and effectively manage tax risks in order to implement corporate sustainability, maintain shareholder equity, and fulfill our corporate social responsibility.

Any amendments or revocations to the Cathay FHC's tax governance policy require approval through a resolution by the Board of Directors, please click on the link below: [Cathay Financial Holdings Tax Governance Policy](#)

## 2. Cathay FHC's various economic entities, main operations, and locations

No.	Company	Main Operations	Location	Average Number of Employees
1	Cathay Financial Holdings Co., Ltd. (Cathay FHC)	Financial holdings company	Taiwan	45,203
2	Cathay Life Insurance Co., Ltd. (Cathay Life)	Life insurance	Taiwan	
3	Cathay United Bank (CUB)	Banking	Taiwan	
4	Cathay Century Insurance Co., Ltd. (Cathay Century)	Property insurance	Taiwan	
5	Cathay Securities Corporation (Cathay Securities)	Securities	Taiwan	
6	Cathay Venture Inc. (Cathay Venture)	Venture capital	Taiwan	
7	Cathay Securities Investment Trust Co., Ltd. (Cathay SITE)	Entrusted investments	Taiwan	
8	Cathay Securities Investment Consulting Co., Ltd. (Cathay SICE)	Securities investment consulting services	Taiwan	
9	Cathay Futures Co., Ltd. (Cathay Futures)	Futures services	Taiwan	
10	Cathay Private Equity Co., Ltd.	Private equity	Taiwan	
11	Cathay Industrial Research and Design Center Co., Ltd.	Real Estate Rental and Leasing	Taiwan	
12	Cathay Power Inc.	Energy technology services	Taiwan	
13	SUNRISE PV ONE CO., LTD.	Energy technology services	Taiwan	
14	Cathy Sunrise Two Co., Ltd.	Energy technology services	Taiwan	
15	Cathy Sunrise Electric Power Two Co., Ltd.	Energy technology services	Taiwan	
16	Bai Yang Energy Co., Ltd.	Energy technology services	Taiwan	
17	Hong Sheng New Technology Co., Ltd.	Energy technology services	Taiwan	
18	Shen Lyu Co., Ltd.	Energy technology services	Taiwan	
19	Nan Yang Power Co., Ltd.	Energy technology services	Taiwan	
20	Shu Guang Energy Co., Ltd.	Energy technology services	Taiwan	
21	Neo Cathay Power Corp.	Energy technology services	Taiwan	

No.	Company	Main Operations	Location	Average Number of Employees
22	Si Yi Co., Ltd.	Energy technology services	Taiwan	
23	Da Li Energy Co., Ltd.	Energy technology services	Taiwan	
24	Yong Han Co., Ltd.	Energy technology services	Taiwan	
25	CM Energy Co., Ltd.	Energy technology services	Taiwan	
26	Tian Ji Energy Co., Ltd.	Energy technology services	Taiwan	
27	Tian Ji Power Co., Ltd.	Energy technology services	Taiwan	
28	Hong Tai Energy Co., Ltd.	Energy technology services	Taiwan	
29	Hong Tai Power Co., Ltd.	Energy technology services	Taiwan	
30	Chen Fong Power Co., Ltd.	Energy technology services	Taiwan	
31	Cathay Wind Power Holdings CO., LTD.	Energy technology services	Taiwan	
32	Cathay Wind Power CO., LTD.	Energy technology services	Taiwan	
33	Cathay Lujiazui Life Insurance Company Limited (Cathay Lujiazui Life)	Life insurance	China	
34	Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	China	
35	Cathay United Bank (China) Ltd.	Banking	China	
36	Conning Asia Pacific Limited	Asset Management	Hong Kong	201
37	Cathay United Bank, Hong Kong Branch	Banking	Hong Kong	
38	Cathay Securities (Hong Kong) Ltd.	Securities services	Hong Kong	
39	Cathay Capital (Asia) Limited	Investment services	Hong Kong	
40	Cathay United Bank, Singapore Branch	Banking	Singapore	136
41	Global Evolution Fund Management Singapore Pte. Ltd.	Asset Management Services	Singapore	
42	Cathay United Bank (Cambodia) Corporation Limited (CUBC)	Banking	Cambodia	686
43	CUBC Investment Co., LTD.	Investment services		
44	Cathay United Bank, Labuan Branch	Banking	Malaysia	13
45	Cathay United Bank, Vientiane Branch	Banking	Laos	24

No.	Company	Main Operations	Location	Average Number of Employees
46	Cathay United Bank, Manila Branch	Banking	Philippines	30
47	Cathay United Bank, Yangon Branch	Banking	Myanmar	20
48	Conning Japan Limited	Asset Management Services	Japan	0
49	Indovina Bank Limited	Banking	Vietnam	6,544
50	Cathay United Bank, Ho Chi Minh Branch	Banking	Vietnam	
51	Cathay Insurance (Vietnam) Co., Ltd.	Property insurance services	Vietnam	
52	Cathay Life Insurance (Vietnam) Co., Ltd.	Life insurance	Vietnam	
53	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	UK Jersey	0
54	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	UK Jersey	
55	Cathay Walbrook Holding 1 Limited	Real estate investment and management	UK Jersey	
56	Cathay Walbrook Holding 2 Limited	Real estate investment and management	UK Jersey	
57	Conning Holdings Limited	Holdings company	UK	20
58	Conning Asset Management Ltd.	Asset Management Services	UK	
59	Conning (Germany) GmbH	Risk management and software	Germany	12
60	Global Evolution Holding ApS	Holdings company	Denmark	50
61	Global Evolution Financial ApS	Asset Management Services	Denmark	
62	Global Evolution Fondsmæglersekskab A/S	Asset Management Services	Denmark	
63	Global Evolution Manco S.A.	Asset Management Services	Luxembourg	8
64	Conning U.S. Holdings, Inc.	Holdings company	US	405
65	Conning Holdings Corp.	Holdings company	US	
66	Conning & Company	Holdings company	US	
67	Global Evolution USA, LLC	Asset Management Services	US	

No.	Company	Main Operations	Location	Average Number of Employees
68	Conning, Inc.	Asset Management Services	US	
69	Goodwin Capital Advisers, Inc.	Asset Management Services	US	
70	Octagon Credit Investors, LLC	Asset Management Services	US	
71	Conning Investment Products, Inc.	Securities services	US	
72	Pearlmark Real Estate, LLC	Real estate investment and management	US	
73	Pearlmark Real Estate Services, LLC	Real estate investment and management	US	
74	PREP Investment Advisers, LLC	Real estate investment and management	US	
75	PEP GPII, LLC	Real estate investment and management	US	
76	Octagon Credit Opportunities GP, LLC	Fund management services	US	
77	Octagon Funds GP LLC	Fund management services	US	
78	Octagon Funds GP II LLC	Fund management services	US	
79	Octagon Funds GP III LLC	Fund management services	US	
Total				

### 3. Implementation Progress of Tax Governance

#### (1) Cathay FHC Global Operations Overview and Tax Payment

Cathay FHC adheres to local tax regulations in its global business locations, accurately calculates taxes, and files tax returns within the statutory deadlines. In 2023, Cathay FHC achieved a revenue of NT\$304.2 billion, an operating income of NT\$58.5 billion and an income tax expense of NT\$7 billion. The company paid NT\$6.9 billion in corporate income taxes globally. As Taiwan is the primary operating area, 88% of the net income, 101% of the profit before income tax, and 88% of the income tax expense originated from Taiwan. The income tax paid in Taiwan accounted for 85%. Please refer to Table 1 for the amounts and percentages in each country.

**Table 1: Net Income, Profit before income tax, Income Tax Expense, and Proportion of Paid Corporate Income Taxes in Major Operating Areas.**

Unit: NT\$ billion, %

By country	2023							
	Revenue (Note 1)	%	Operating Income (Note 2)	%	Income Tax Expense	%	Income Tax Paid	%
<b>Taiwan</b>	266.15	87.5	58.90	100.7	6.12	88.1	5.84	84.8
<b>China</b>	23.38	7.7	0.24	0.4	(0.18)	(2.6)	0.07	1.0
<b>Vietnam</b>	7.76	2.5	2.68	4.6	0.43	6.2	0.38	5.5
<b>UK</b>	5.76	1.9	(2.72)	(4.6)	(1.60)	(23.0)	(1.61)	(23.4)
<b>Others</b>	1.12	0.4	(0.63)	(1.1)	2.19	31.5	2.21	32.1
<b>Total</b>	304.17	100.0	58.47	100.0	6.96	100.0	6.89	100.0

Note 1: "Revenues" were disclosed as "Profit from operations" in the financial statement due to Regulations Governing the Preparation of Financial Reports by Financial Holding Companies.

Note 2: "Operating income" were disclosed as "Profit before income tax from continuing operations" in the financial statement due to Regulations Governing the Preparation of Financial Reports by Financial Holding Companies.

## (2) Details of Cathay FHC's Effective Tax Rate and Income Tax Paid

**Table 2: Cathay FHC's Income Tax Expense and Income Tax Paid**

Unit: NT\$ billion

Item	2022	2023	Two-year average
Profit before income tax (A)	49.95	58.47	54.21
Income Tax Expense (B)	11.99	6.96	9.48
Income tax paid (C)	10.95	6.89	8.92

✧ Source: Cathay FHC's 2022 consolidated financial statement

**Table 3: Cathay FHC's book effective tax rate and cash effective tax rate**

Effective tax rate	2022	2023	Two-year average	Industry average
Book effective tax rate (D)=B/A	24.00%	11.90%	17.48%	14.97%
Cash Effective Tax Rate (E)=C/A	21.92%	11.78%	16.45%	13.41%

✧ Source: Cathay FHC's 2023 consolidated financial statement

- ✧ The two-year average calculation method for the "Book Effective Tax Rate (D)" is "the sum of income tax expenses for two years (B) / the sum of profit before income tax for two years (A)"; the two-year average calculation method for the "Cash Effective Tax Rate (E)" is "the sum of income tax paid for two years (C) / the sum of profit before income tax for two years (A)."
- ✧ Statutory tax exempt income includes: income from sales of domestic securities, dividend income due to tax integration, and offshore banking unit (OBU) income.
- ✧ The industry average is according to the Sustainability Assessment Companion issued by RobecoSAM, which is based on the average book effective tax rate and cash effective tax rate of the 24 industries in the Global Industry Classification Standard.

The reason our tax rate for 2023 is lower than the 24 GICS tax rate for the following reasons:

1. Single jurisdiction: the group's primary base of operations is in Taiwan (refer to Table 1), and 101% of the profit before income tax comes from Taiwan. In Taiwan, the corporate income tax is calculated based on either a 20% tax rate under the Income Tax Act or a 12% tax rate based on the Income Basic Tax Act.
2. The decrease in the effective tax rate for 2023 is primarily due to the



payment of the undistributed earnings tax for 2021 in 2022, which did not occur in 2023. Additionally, 95% of the pre-tax profit in 2023 consisted of statutorily tax-exempt income in Taiwan.