

# **Cathay Life Insurance Co., Ltd. Self-Regulatory Rules on Transactions Other than Granting of Loans with Observed Trading Counterparts**

Amended on March 6, 2025

Responsible Unit: Risk Management Department II

## **Purpose**

Article 1 In order to upgrade the compliance culture and corporate governance in Cathay Life Insurance Co., Ltd. (hereinafter referred to as the Company), enhance the trading decision making mechanism, and protect customers' and shareholders' interests and rights, the Self-Regulatory Rules are established in accordance with the Cathay Financial Holdings Co., Ltd. and its Subsidiaries Self-Regulatory Rules on Transactions with Observed Trading Counterparts, and Insurance related regulations.

## **Definitions of observed trading counterparts**

Article 2 The observed trading counterparts referred to herein (namely, the substantial stakeholders as below) are those other than Interested Parties or third parties having a relationship with Interested Parties, and stated as follows:

1. Major corporate shareholders of major shareholders or corporate directors of Cathay Financial Holdings.
2. Companies controlled by or subordinated to the major corporate shareholders of the preceding subparagraph.
3. The natural person who controls the major corporate shareholder in the subparagraph 1.
4. Major shareholders or corporate directors of Cathay Financial Holdings declare their objects with close economic substance or controlling power.
5. Companies or groups within LinYuan Group.
6. The relatives by marriage within 2nd degree of kinship of the chairman or president of Cathay Financial Holdings and its subsidiaries that have stated in writing that they agree to Cathay Financial Holdings and its subsidiaries to collect, process and utilize their personal information for the specific purposes contemplated herein shall be identified as the observed trading counterparts when engaging the transactions referred to in Article 3 herein,

unless they revoke or change their agreement.

7. Companies or groups, insofar as they are declared as the same persons or same related parties by shareholders of Cathay Financial Holdings.

The major shareholders referred to in subparagraph 1 of the preceding paragraph shall mean the shareholders holding 5% or more of the outstanding voting shares or capital stock therein pursuant to Article 4 of the Financial Holding Company Act. The corporate director includes a juristic person or its authorized representative elected as a director of Cathay Financial Holdings and its corporate shareholders therein pursuant to paragraph 1 and 2 of Article 27 of the Company Act. The major corporate shareholders of the major shareholders or corporate directors shall mean the shareholders who are juristic persons and within the top ten shareholdings.

The companies controlled by or subordinated to the major corporate shareholders referred to in subparagraph 2 of paragraph 1 shall be determined in accordance with the controlling and subordinate relation stipulated in the Affiliated Enterprises chapter of the Company Act.

The term “control” mentioned in subparagraph 3 of paragraph 1 refers to holding more than 50% of the outstanding voting shares or capital stock of another company, or directly or indirectly controlling over the management of the personnel, financial or business operation of another company.

When judging the objects with close economic substance or controlling power as mentioned in subparagraph 4 of paragraph 1, consideration should be given to the substantive connection, for example: companies that are individually or jointly controlled by the objects in subparagraph 1, 2 and 3, companies or natural persons that individually or jointly control the objects in subparagraph 1, 2 and 3, companies that are registered at the same address as the objects in subparagraph 1, 2 and 3, and have substantive connection in ownership or management, or other companies that have close economic substance or controlling power with major shareholders or corporate directors.

### **Definitions of transaction**

Article 3 The transactions other than granting of loan with the observed trading counterparts referred to herein shall mean one of the following:

1. Invest or subscribe for the securities issued by the observed trading counterparts as issuer;
2. Acquire the real property or assets from the observed trading counterpart;

3. Sell securities, real property or other assets to the observed trading counterparts;
4. Execute the agreement for payment or provision of labor services with the observed trading counterparts;
5. Acquire the real property, movable property or stock of the observed trading counterparts due to exercise of the right to mortgage or pledge;
6. Lease movable property or real property to or from the observed trading counterparts;
7. Agree on payment of trading margin, royalty or rental deposit to the observed trading counterparts;
8. The observed trading counterparts acting as the agents or brokers of the Company, or engaged in providing other services requiring commissions or service charges;
9. Purchase financial derivatives or structured products linked to a security issued by the observed trading counterparts from any persons other than the observed trading counterparts; and
10. Engaging in transactions with third parties having a relationship with the observed trading counterparts mentioned in the subparagraphs 3 and 4 of paragraph 1 of the preceding article, or engaging in transactions with third parties in which the observed trading counterparts are involved.

The securities mentioned in the subparagraphs 1 and 3 of paragraph 1 hereof exclude negotiable certificates of deposits issued by a bank, an insurance enterprise's investment in special projects as well as investment in public utilities and social welfare enterprises pursuant to Article 146-5 of the Insurance Act, and stocks issued by insurance-related businesses held by an insurance enterprise pursuant to Article 146-6 of the Insurance Act.

When the company purchases corporate bonds issued by an observed trading counterpart, such bonds must be guaranteed.

The term "third parties having a relationship" mentioned in subparagraph 10 of the paragraph 1 include the spouse and relatives by blood within second degree of kinship of the observed trading counterparts, enterprises in which any of those persons or his/her spouse acts as a director, supervisor or president (general manager), and the branch office of foreign companies in R.O.C in which any of those persons or his/her spouse acts as a manager whose duties are equivalent to the president (general manager). The scope of the aforesaid person includes the natural person only.

## Trading decision making

Article 4 When the Company enters the transactions other than granting of loans with the observed trading counterparts, the terms of transactions shall be no more favorable than those offered to the other same category counterparts, and the relevant resolution may be adopted only upon approval of at least three-quarters of the directors present at a Board meeting attended by at least two-thirds of all directors.

The attending directors shall recuse themselves from any motion for which they have a conflict of interest with the observed trading counterparts, and be prohibited from attending and exercising voting rights at the meeting on behalf of the other directors.

The following transactions are delegated to the management department pursuant to the Self-Regulatory Rules and respective level of authority, and the terms of transactions shall be no more favorable than those offered to the other same category counterparts,

1. The following transactions with stated, open market prices:
  - (1) Financial derivatives transactions (exclusive of structured notes).
  - (2) Remittance, foreign exchange, deposit and foreign currency transactions.
  - (3) Transactions of short-term notes or bills in primary and secondary markets, and transactions of government bonds, financial bonds and corporate bonds in the secondary market.
2. Transactions of New Taiwan Dollar (NTD) and foreign currency denominated corporate bonds and financial bonds not linked to equity where the bond issuer or the bond itself has a rating equivalent to twA or above from Taiwan Ratings, provided the total amount of subscription of such corporate bond or financial bond by a same person during the bond's underwriting period does not exceed NT\$10,000,000.
3. The following transactions or other transactions related to insurance:
  - (1) Transactions of insurance products whose premium rates have been reported to the competent authority for approval or on a use-and-file basis and prices or premium rates have been reported to the competent authority or industry association for approval, or on a file-and-use or

use-and-file basis, or other transactions with established, uniform fee standards.

- (2) Transactions involving reinsurance commissions, reinsurance premiums, other commissions or agency fees and relevant service costs.
4. A single transaction not exceeding NT\$5,000,000.
5. Acquisition and disposal of beneficial securities of collective trust fund or beneficiary certificates of securities investment trust fund or futures trust fund (including exchange-traded funds and exchange-traded futures trust funds, but excluding closed-end funds) or exchange traded notes issued by the observed trading counterparts, and the management department shall compile transaction records and profit/loss status for each transaction and report to the Board of Directors on a quarterly basis. If other regulations stipulate otherwise, such other regulations shall prevail.
6. Transaction of securitized financial asset products or securitized real estate products publicly placed or offered in accordance with the Financial Asset Securitization Act or Clauses of the Real Estate Securitization Act and traded in the secondary market (excluding the beneficial securities of real estate investment trust), and the management department shall compile transaction records and profit/loss status for each transaction and report to the Board of Directors on a quarterly basis (the preceding provision does not apply to beneficial securities and asset-backed securities with an issuance period of one year or less).
7. Transactions made in accordance with the Regulations Governing the Management of Collective Trust Funds or the Regulations Governing Management and Utilization of Collective Investment Trust Funds when the observed trading counterpart is a bank engaging concurrently in trust business; transactions made with fund assets in accordance with the Regulations Governing Securities Investment Trust Funds or the Regulations Governing Futures Trust Funds when the observed trading counterpart is a securities investment trust enterprise (SITE).
8. Transactions made through the OTC market in connection with the obligations of the observed trading counterpart to give quotes and offer to buy and sell emerging stocks when the observed trading counterpart is a recommending securities firm for emerging stocks.
9. Transactions relating to the handling of non-performing loans of the Company by an appointed impartial third party recognized by the

competent authority in accordance with the regulations governing the recognition of an impartial third party and its public auction procedure.

10. A public-interest disaster relief donation for a major natural disaster.
11. The following transactions related to the discretionary investment business:
  - (1) Transactions made in accordance with the Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises when the observed trading counterpart is a SITE, a securities investment consulting enterprise (SICE), or a company engaging concurrently in SITE or SICE. (Hereinafter referred to as the “Discretionary Investment Transactions”)
  - (2) Commissions and fees for the Discretionary Investment Transactions.

The term “single transaction” mentioned in subparagraph 4 of paragraph 3 shall be determined by the following standards:

1. If the contractual activity involves an outright transaction, it is determined by total contract value.
2. If the contract, regardless whether it is a fixed-term or indefinite-term contract, agrees on payment of commissions or expenses, it is determined by the agreed single payment of commission or expense effected during the term of contract (if the contract agrees on monthly payment, the entire monthly payment, whether it is paid in one lump sum or in installments, should be viewed as a single payment).
3. If it is a lease contract, it is determined by the total amount of annual rent or annual interest equivalent on the rental deposit.
4. If the transaction involves securities with equity characteristics or structured product, it is determined by the total amount of transaction for the day.
5. If it is a financial derivative transaction, it is determined by the total nominal amount of transaction for the day.

When reporting the transactions referred to in paragraph 1 to the Board of Directors for approval, the written explanation stating that the terms of transactions are no more favorable than those offered to other same category counterparts shall be attached thereto, and it is necessary to state in the motion that in order to strengthen the corporate governance, the transactions shall be subject to resolution by the Board of Directors pursuant to this Self-Regulatory

Rules.

Where the Company satisfies the following conditions when entering transactions with the observed trading counterpart, the management department may assess the reasonableness of the trading value independently free from submission of the evidence showing that terms of transactions are no more favorable than those offered to other same category counterparts on a case by case basis:

1. The single transaction as a small transaction valuing no more than NT\$10,000.
2. Transaction of public transportation fees (such as THSR), telecommunications and network fees, and utility fees that are fixed and non-negotiable.

### **Limit of transaction**

Article 5 When the Company engages in transactions other than granting of loan with the observed trading counterparts, the transactions shall be subject to the following limits:

1. The aggregate amount of transactions with a single observed trading counterpart shall not exceed 10% of the equity of the Company.
2. The aggregate amount of transactions with all observed trading counterparts shall not exceed 40% of the equity of of the Company.

Except as provided in paragraph 3, the following transactions need not be included in the aggregate amount of transactions mentioned in the preceding paragraph:

1. Transactions related to merger or dealing with a problem insurance enterprise approved by the competent authority
2. Transactions provided in the subparagraphs under paragraph 3 of Article 4 herein.
3. Other transactions approved by the competent authority according to law.

The transactions provided in the subparagraph 2 under preceding paragraph, if the Company acquires (through investment) or disposes the ETFs issued by the observed trading counterparts, the amount the ETFs that exceeds 10% of the beneficiary certificates shall be included in the transaction limits, except as the Company acquires or disposes the ETFs issued by the observed trading counterparts through the Discretionary Investment Transactions.

## **Control over transactions**

Article 6 When engaging in transactions other than granting of loan, the Company shall retrieve the observed trading counterparts' profiles precisely prior to the transactions. The trading unit's compliance officer should issue an opinion or check and sign in the legal compliance column to verify whether the trading counterparts are really observed trading counterparts. However, the trading unit may check and sign in the legal compliance column of the expense claim document by section compliance officer.

Where the trading counterparts are confirmed to be the observed trading counterparts, the Company shall strictly demand that the relevant departments/offices shall satisfy the following requirements:

1. The trading department shall submit the evidence showing that the terms of transactions are no more favorable than those offered to other same category counterparts and report the transactions pursuant to the relevant level of authority, provided that no such evidence is required if the circumstances referred to in paragraph 6 of Articles 4 herein are satisfied.
2. The trading department shall document the transactions one by one and retain the transaction details for audit by the various companies or competent authority.
3. Upon approval, the trading department shall enter the transaction record into the system for documentation.
4. Periodically review the transaction report.

## **Internal audit**

Article 7 The matters defined herein shall be identified as the important rules for internal control and compliance system of various departments. The relevant personnel in violation of them shall be disciplined in accordance with the related personnel regulations.

The Company's internal audit unit shall audit whether the internal regulations satisfy the procedures and related requirements. Meanwhile, during the course of a general audit, the Company shall conduct a random check to verify whether the transactions authorized generally satisfy the requirement that "terms of transactions no more favorable than those offered to the same category counterparts", and the validity of various transactions.



## **Other**

Article 8 The transactions carried out hereunder are excluded from the limit of transaction referred to in paragraph 1 of Article 5 of the Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties, and periodically exclude the stakeholders' information reported by the Company to the competent authority.

## **Adoption, amendment or abolishment**

Article 9 The Self-Regulatory Rules shall be enforced upon approval by the Company's Board of Directors. The same shall apply if the Self-Regulatory Rules are amended or abolished.

The Self-Regulatory Rules are Adopted on September 5, 2008, and amended on December 30, 2008, October 29, 2010, August 24, 2012, November 1, 2013, August 26, 2014, November 4, 2015, June 29, 2017, August 16, 2017, November 13, 2019, August 20, 2020, March 10, 2021, March 11, 2022, November 10, 2022, March 5, 2024, and March 6, 2025.