

The Implementation of Ethical Management

Scope of assessment		Implementation Status			The deviation and causes of Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
		Yes	No	Summary	
I.	Enactment of ethical management policy and program	Yes		(I)	No Difference.
(I)	Has the company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the Board of Directors and the senior management committed to fulfilling this commitment?			Cathay Financial Holdings has implemented “Ethical Behavior Guidelines” and a “Business Integrity Code of Conduct” to serve as standards for ethical behavior of employees of the financial group and strengthen core values. The Company also has an “Employee Code of Conduct” formulated by the Board of Directors to strengthen the code of conduct for insurance personnel. In addition, the Company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the integrity management policy and actively prevent unethical behavior, the Company formulated the “Procedures for Ethical Management and Guidelines for Conduct” in accordance with the “Cathay Financial Holdings Integrity Code of Conduct.”	
(II)	Has the company developed systematic practices for assessing integrity risks? Does the company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?			(II)	
				<ol style="list-style-type: none"> 1. The Company’s “Employee Code of Conduct” has clearly stipulated that the heads of all units shall periodically evaluate their subordinates and be aware of unethical behaviors of subordinates in daily operations management. 2. The Company established the “Business Integrity Procedures and Behavioral Guidelines” in order to implement the integrity management policy and actively prevent dishonest conducts. The standard preventive measures include: 	

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(III) Has the company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?			<p>(1) Prohibition against providing or accepting improper benefits.</p> <p>(2) Procedures for receiving regular social gifts and entertainment.</p> <p>(3) Procedures for handling political contributions.</p> <p>(4) Procedures for handling charitable donations or sponsorships.</p> <p>(5) Recusal.</p> <p>(6) Confidentiality and protection of intellectual properties.</p> <p>(7) Prohibition against unfair competition.</p> <p>(8) Prohibition against damage to an interested party.</p> <p>(9) Prohibition against insider trading and the confidentiality regime.</p> <p>(III) The Company not only formulated the “Business Integrity Procedures and Behavioral Guidelines,” but also stipulated various violations, disciplinary standards, opinions and appeal procedures in the “Employee Rewards and Punishments Policy,” with reviews and amendments for changes in relevant laws and regulations.</p>	
II. Implementation of ethical management (I) Has the Company assessed a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	Yes		(I) Chapter IV of the Company’s Procurement Management Policy covers review of supplier qualifications and relevant prohibitions, which includes provisions requiring review of supplier qualifications and credit investigation, and rejects transactions of suppliers that violate the	No Difference.

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(II) Does the company have a unit that enforces business integrity directly under the Board of Directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the Board of Directors on a regular basis (at least once a year)?			<p>integrity of transactions. The example of the contract covers provisions including sub-contract prohibitions, guarantee clauses, confidentiality obligations, rights and interests, personal protection, legal compliance, corporate social responsibility, and legal relations in order to have integrity restrictions on counterparties.</p> <p>(II) 1. The Company's "Business Integrity Procedures and Behavioral Guidelines" clearly stipulates that Cathay Life's Corporate Sustainability (CS) team shall be responsible for monitoring the implementation of business integrity, of which its subordinating "Sustainable Governance team" is responsible for enforcing business integrity related matters, while the human resources department is responsible for business integrity planning and implementation of related education and training.</p> <p>2. The Corporate Sustainability (CS) team is directly supervised by the president. It not only conducts quarterly meetings to review the implementation status and effectiveness of corporate sustainability, but also submits its working progress to the Board of Directors on a regular basis (twice every year). The progress report covers the CS promotion plan for the whole fiscal year (including goal setting) and the implementation status.</p>	

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(III) Has the Company defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?			<p>3. The Company conducts behavior observation on a regular basis (twice a year) on board members and all colleagues, and verifies whether business integrity is implemented via performance evaluation and review of ethical behavior, which covers money laundering, terrorism, and ethical conduct. The annual implementation results are then reported to the Board of Directors.</p> <p>(III) The Company has formulated the “Regulations Governing Transactions Other Than Loans between Cathay Life Insurance Co., Ltd. and Interested Parties,” as well as the “Regulations for Extending Loans by Cathay Life Insurance Co., Ltd. to Interested Parties and Potential Counterparties” to prevent conflicts of interest. In addition, the company has appropriate communication channels for insurers and employees, including the insurer complaints hotline, fax and e-mail, as well as the Chairman’s e-mail.</p>	
(IV) Has the company implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees’ compliance with various preventions against dishonest conduct?			<p>(IV) The Company has established an effective accounting system and internal control system. The audit unit conducts periodic audits, and an entrusted accountant was appointed to conduct audits for the internal control system to ensure continuous and effective implementation of the system. Relevant operations are handled in accordance with the “Business Integrity Procedures and Behavioral Guidelines.”</p>	

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(V)	Has the Company organized internal/external education training program for ethical management periodically?			(V) Arrange training for new employees, managers and colleagues. 1. New employees: Arrange a company introduction course on the first day to communicate corporate culture and core values (Integrity, Accountability and Creativity) 2. Managers: The manager meeting involves communications between managers on the company's business strategy and corporate vision. The President not only gives instructions, but also encourages managers to abide by the Business Integrity Code of Conduct in order to maximize enterprise value. 3. Colleagues: During the departmental meeting, the Company's four business concepts ("attach importance on business ethics and professional conscience" is one of them) and six work policies are advocated. In addition, the Company's education and training program incorporates the online courses on "Employees Code of Ethical Conduct," in order to remind colleagues to abide by the Business Integrity Code of Conduct during business promotions.	
III. (I)	Status of the Company's complaint system Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	Yes		(I) The Company has established a whistleblower system that has been approved by the board of directors, which provides multiple and convenient whistleblower channels to be disclosed on the Company's website, including	No Difference.

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(II) Has the company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?			<p>the complaints mailbox, whistleblowing hotlines, e-mail, and postal mail. The Company also designated a legal compliance unit with independent functions to accept and investigate the reported issues. In addition, the “Rewards and Punishments for Employees” has been established, which specify the principles, reporting procedures and types of rewards and punishment, as well as providing examples for corresponding behaviors. Except the rewards and punishments for audits of the auditing department which are transferred to the human resources department, the rewards and punishments of other units transfer to each personnel management unit after it is submitted to the top-level manager by the audit authorities or the employee’s direct manager. Employees verified to have violated the regulations may be appropriately punished based on relevant conditions in accordance with relevant laws and internal company regulations, or shall be delivered to the court and assume on his own the civil, criminal or legal liabilities.</p> <p>(II) The Company has established standard procedures for handling, filing and investigation of reported misconducts in the reporting system. If any major incident or violation is discovered after investigation, the Company will report to the competent authority, or file a notice or report to the procuratorate, and ensure confidentiality in related procedures.</p>	

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(III) Has the Company adopted any measures to prevent the complainants from being abused after filing complaints?			(III) In addition to confidentiality of the complainants' identity, the Company has also adopted measures to protect complainants, stipulating that it shall not dismiss, demote, reduce the wage of, or render other unfair treatment to a complainant after he/she files a complaint.	
IV. Enhancing Information Disclosure Has the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	Yes		The Company has disclosed its ethical management matters on the corporate website: https://www.cathaylife.com.tw/cathaylife/about/info/governance/governance-content	No Difference.
V. If the Company has established ethical management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: In order to establish the Company's corporate culture and sound development on business integrity, the parent company formulated the "Cathay Financial Holdings Integrity Code of Conduct" with reference to the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies" for Cathay Financial Holding Co., Ltd.' subsidiaries (including the Company) and other enterprises or juristic persons directly or indirectly controlled by the Company.				
VI. Other information material to the understanding of ethical management operation: (e.g. discussion of an amendment to the ethical management best practice principles defined by the Bank) The Company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the integrity management policy and actively prevent unethical behavior, the Company formulated the "Procedures for Ethical Management and Guidelines for Conduct" in accordance with the "Cathay Financial Holdings Integrity Code of Conduct," specifically regulating the matters that the employees shall be aware of when performing their duties.				