

## 5.6 Anti-Money Laundering and Combating the Financing of Terrorism

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### 5.6.1 Management Policy for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

In response to global trends in anti-money laundering (AML), combating the financing of terrorism (CFT), and countering proliferation financing (CPF), and in line with the Group's overseas expansion strategy, the Bank adopts a "risk-based approach" to continuously enhance its AML/CFT/CPF framework. Internal policies and regulations are updated promptly to comply with external regulatory changes, and correct concepts are disseminated with major current events as examples to strengthen the consensus and risk awareness of all staff regarding AML/CFT/CPF.

The Bank has established policies and regulations including the Cathay United Bank Anti-money Laundering and Counter Financing Terrorism Policy, Cathay United Bank Anti-Money Laundering and Counter-Terrorism Financing Guidelines, Cathay United Bank Rules Governing Customers' Money Laundering and Terrorist Financing Risk Assessment and Due Diligence, Cathay United Bank Management Rules Governing AML/CFT of the Overseas Entities, Rules Risk Assessment on Money Laundering and Financing Terrorism of Product and Service Offerings and Related Channels and Platforms, and Rules Governing Reporting on Cash Transactions, Suspicious Transactions and Designated Sanctioned Individuals or Entities. These regulations are reviewed regularly each year to ensure their appropriateness in light of domestic and international trends and changes in the financial market.

Taking into account recommendations from Financial Action Task Force (FATF) and best practices from banking associations, Cathay FHC establishes an information sharing mechanism with its subsidiaries while Cathay FHC being the core. This mechanism includes sharing group lists, types of suspicious transactions, information about suspicious customers/transactions, and risk data across subsidiaries to deploy a collective defense network against money laundering and financing of terrorism.

By identifying and assessing potential money laundering and terrorist financing risks, specific assessment items are formulated based on the identified risks to further control, mitigate, or prevent risks. The Bank has established an Anti-Money Laundering and Combating the Financing of Terrorism Committee, chaired by the CEO, with heads of various business units serving as committee members. Regular meetings are held to report and discuss issues related to AML/CFT. The committee reports on the Bank's AML/CFT efforts to the board of directors semi-annually. Additionally, we refer to external and internal information, including reports from FATF, foreign related reports, the National ML/TF/PF Risk Assessment Report (NRA) process conducted by the Anti-Money Laundering Office, Executive Yuan, and Sectoral Risk Assessment (SRA) conducted by the Financial Supervisory Commission. Regular institution-wide risk assessments are conducted and submitted to the Audit Committee for review and approval by the Board of Directors, with reports provided to regulatory authorities for reference.

#### AML/CFT Process Flow Chart

The Bank has established an internal audit mechanism for business units and subsidiaries/branches, focusing on risk-based internal audits. Internal audits are conducted regularly to examine the effectiveness of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) measures in the first line of defense (business units) and the second line of defense (compliance, risk management, and various business management units). This ensures the effectiveness of the procedures established in the first and second lines of defense against AML/CFT.

Regular cross-functional communication is facilitated among the three lines of defense through periodic meetings such as the Business Risk Control and Compliance Joint Committee (BRCC) and Internal Control Coordination Meetings. These meetings ensure the effective implementation of the AML/CFT framework.

Additionally, the Bank annually engages third-party organizations to conduct AML/CFT special audits.

### 5.6.2 Anti-Money Laundering and Counter the Financing of Terrorism Education

The Bank conducts diverse education programs to cultivate talent in technology compliance, anti-money laundering (AML), counter the financing of terrorism (CTF), and counter proliferation financing (CPF). These programs aim to instill a culture of compliance from within and address the specific needs of employees based on their roles. Educational materials are developed to address internal and external regulations, international trends, industry enforcement cases, and emerging threats in electronic commerce and financial technology. This ensures that employees understand their responsibilities and obligations in AML and CTF efforts and are equipped with the necessary expertise to fulfill their duties professionally.