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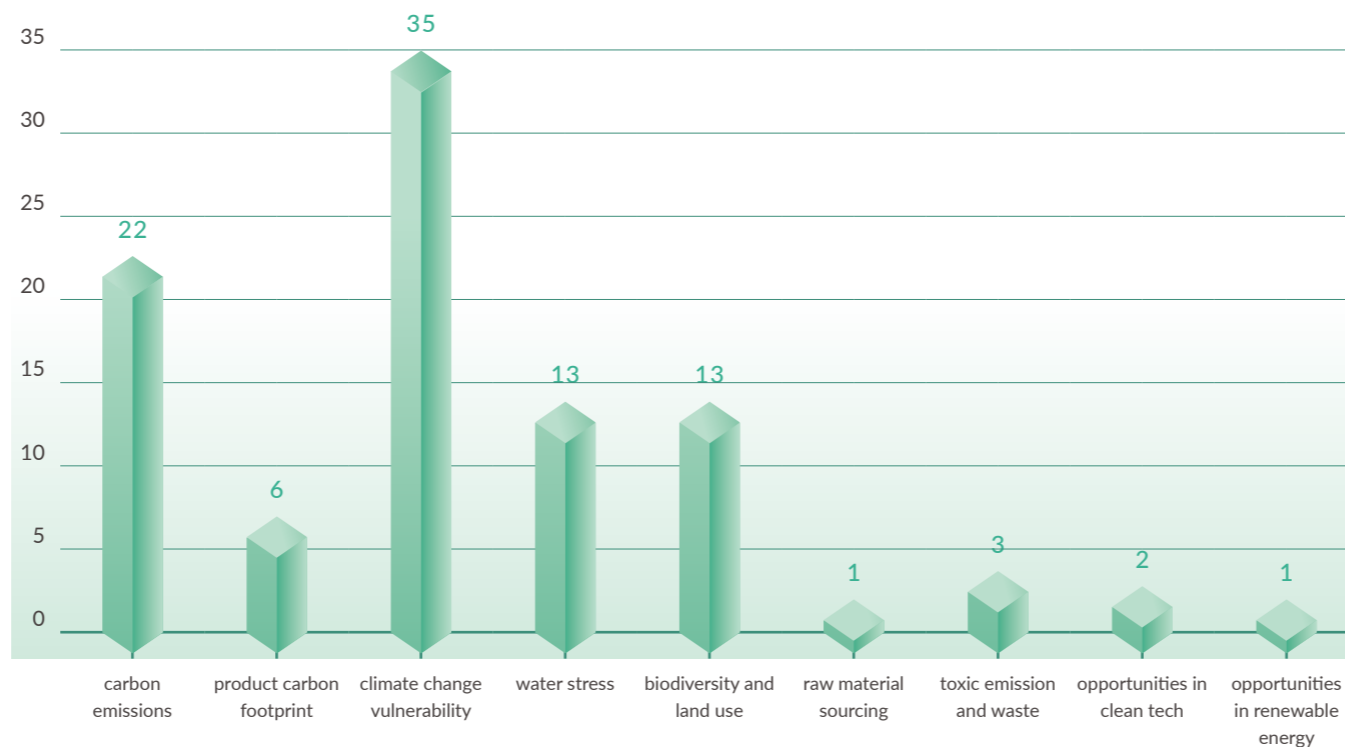
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Climate Engagement

Currently, net zero goals globally face many challenges, including insufficient renewable energies and breakthrough technologies, policy and regulatory soundness, or biodiversity crises. Cathay FHC expects to not only adjust investment portfolios to achieve climate goals but to further assist investees and borrowers transform their businesses. To such end, we have been continuously taking climate engagement actions, raising corporate awareness about the climate crisis to drive low-carbon transition. In 2022, Cathay FHC conducted 97 discussions with the companies on environmental issues. For comprehensive data on ESG engagements, please refer to [5.2 Responsible Investments](#) and [Table 7](#) in the Appendix.

• No. of Engagement on Environmental Issues

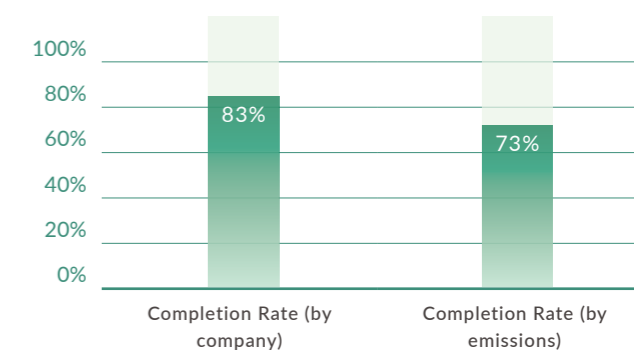


• Exercise Shareholder Voting Rights

As corporate investors, financial institutions are not only responsible for considering their own interests but must also fulfill their social responsibilities to help companies achieve global climate goals. By exercising voting rights, financial institutions can support environmental proposals conducive to reducing corporate carbon emissions, increasing corporate information disclosure, and reducing corporate climate risks to achieve global climate goals and increase the long-term values of companies and investment portfolios. In 2022, Cathay Life support 100% climate resolutions that contribute to the sustainable development of investees. For more information and related votes, please refer to [5 Sustainable Finance and Its Impact](#).

• Engagement via the "Coalition of Movers and Shakers on Sustainable Finance"

To support the Coalition of Movers and Shakers on Sustainable Finance launched by the Financial Supervisory Commission (FSC), Cathay FHC committed to, by 2025, engaging over 50% of its major investees and borrowers in Taiwan that are considered carbon-intensive companies and urging engagement candidates to set net zero emission goals before 2050. Companies that have fulfilled agreed goals should commit to establishing and achieving more ambitious goals and practices. In 2022, we engaged with 5 major investees and borrowers in Taiwan that are identified as major carbon-intensive companies establish 2050 net-zero target.



Item	No. of companies/percentage
Number of major investees and borrowers considered as carbon-intensive companies (A)	6
Number of companies engaged in 2022 (B)	5
Number of companies engaged in 2022 that have established 2050 net-zero target(C)	5
Percentage of companies engaged (B/A)	83%
Percentage of engaged companies that have established carbon reduction goals for 2050 (C/B)	100%

Note 1: The baseline for goals is the emissions from investees and borrowers at the end of 2021.

Note 2: Major investees and borrowers are considered carbon-intensive if they are among the top 60% in terms of financed emissions from domestic position. Cathay then selects and commits to engaging more than half (six companies) of companies in the top 60%.

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2022 Cathay Sustainable Finance and Climate Change Summit



Cathay FHC's Chief Investment Officer Sophia Cheng (middle) discussing with international partners at the "2022 World Biodiversity Summit."

• Cathay Sustainable Finance and Climate Change Summit Connects with COP27 and the World Climate Summit

The world has collectively turned its focus to climate issues. Embracing the value of “lead Taiwan into the world and bring the world to Taiwan,” Cathay FHC has held the Climate Change Summit for six consecutive years, inviting leaders and experts from the government, industries, and academia to share their insights on global climate change and net zero transformations with the companies. By exerting the finance industry's influence, we expect to lead the companies adopting aggressive action against climate change to ultimately create a "win-win-win" situation for financial institutions, industries, and society. In 2022, Cathay FHC hosted Cathay Sustainable Finance and Climate Change Summit, and was named a Strategic Partner of the World Climate Foundation and brought Taiwan to a COP side event, increasing the influence and globalization of forum activities.

Highlights of the 2022 Cathay Sustainable Finance and Climate Change Summit

★ In 2022, 2,459 people signed up to attend the Cathay Sustainable Finance and Climate Change Summit. Listed companies in attendance accounted for over 70% of Taiwan's total market capitalization, and over 46% of Taiwan's total carbon emissions

★ During the summit, Cathay FHC provided an exclusive livestream of the World Climate Summit (WCS), a side event of COP27 held in Egypt, where Cathay FHC Chairman Hong-Tu Tsai and President Chang-Ken Lee were invited to serve as keynote speaker and panelist, respectively.

★ Chief Investment Officer Sophia Cheng was the only speaker from Taiwan invited to the "2022 World Biodiversity Summit" (WBS) to share Cathay FHC's views on biodiversity and experiences of successfully promoting company engagement in Asia.

• Circular Economy Exploration Workshop

Pathways to net zero emissions include using renewable energies and increasing energy efficiency, but also reducing carbon emissions from the resource end, increasing resource efficiency, and decreasing the extraction and use of resources. Cathay FHC recognizes the importance of the circular economy in mitigating climate change and promoting education. In 2022, Cathay FHC organized the first Circular Economy Young Exploration Workshop with the Circular Taiwan Network (CTN). For more information, please refer to the section on [4.2 Social Empowerment](#).

In recent years, Cathay FHC has been witnessing increasing pressure from brand owners on Taiwan's textile businesses to reduce carbon emissions, as well as increasing pressure from rising raw material costs. As a driving force for net zero transformation, Cathay FHC organized the Circular Economy Exploration Workshop in 2022 in collaboration with CTN and the Taiwan Textile Research Institute (TTRI), interacting and discussing with 11 companies operating along the textile value chain; industrial research organizations such as the Industrial Technology Research Institute (ITRI), Footwear & Recreation Technology Research Institute (FRTRI), and TTRI; and CUB representing viewpoints from the finance industry to join the discussion on how to create a circular ecosystem.

■ Commitments to International Initiatives

As the first financial institution from Taiwan to engage in extensive discourse with companies on the topic of climate and one of the most active leading financial institutions from Asia, Cathay FHC has long committed to climate actions in Taiwan and abroad, hoping to assist and work with investee companies to mitigate the climate dilemma. In addition to participating in existing initiatives, Cathay FHC joined the Partnership for Carbon Accounting Financials (PCAF) in 2022 to encourage carbon accounting of financial assets from more financial institutions around the world and bolster infrastructure for carbon reduction from the finance industries. In addition, Cathay FHC strengthened commitments to biodiversity initiatives and activism.

• Continued support for international climate change initiatives/engagements

Cathay FHC has long supported international investor initiatives on climate change, urging investees and borrowers to better understand the severe impacts of climate risks and conduct low-carbon transitions by participating in initiatives and engagements and communicating with investee companies.

International Initiatives/ Engagements	Actions by Cathay FHC	Participation Status or Progress
Asia Investor Group on Climate Change (AIGCC)	<p>The AIGCC is an important climate action platform in Asia aiming to encourage investors' climate action and facilitate communications and collaborations between Asia and the world. Chief Investment Officer of Cathay FHC was invited to serve as chair and spearhead Cathay FHC's active participation in AIGCC affairs, providing viewpoints and insights for promoting AIGCC's affairs based on Cathay FHC's years of knowledge and experience in responsible investment. For example, providing feedback on publications and guidelines and proofreading Chinese versions.</p>	<ul style="list-style-type: none"> ● Cathay FHC joins several AIGCC working groups and help with promoting AIGCC affairs. ● In 2023, Cathay FHC participated the Forest and Land Use Working Group.
Asia Utilities Engagement Program (AUEP)	<p>An initiative launched by AIGCC, the AUEP has identified seven focus utility companies in Asia for engagement. The AUEP works with investors to encourage utility companies addressing climate risks/opportunities and adopting more aggressive actions such as coal phase-out and energy transition against climate issues. Cathay FHC joined the program in 2021.</p>	<p>The focus utility company that Cathay Life has been engaging with has committed to completely phasing out coal assets by 2040, and its carbon reduction target has been validated by SBTi.</p>
CDP Non-Disclosure Campaign (CDP NDC)	<p>Upon invitation from the CDP, Cathay FHC has been joining the CDP NDC since 2017 and became the only financial institute from Taiwan in the CDP NDC. Cathay FHC encourages investee companies respond to CDP surveys through one-on-one communication via letters and phone calls.</p>	<ul style="list-style-type: none"> ● In 2022, the engagement success rate reached new record highs: Of the 41 companies that Cathay FHC engaged, 25 companies responded to CDP questionnaires, which is a 61% engagement success rate and higher than the global average ● Since 2017, Cathay FHC has successfully engaged 60 companies and 57% of these companies improved their CDP scores in the following year, indicating that successful engagement can generate long-term positive impacts
CDP Science-Based Targets Campaign (CDP SBT Campaign)	<p>Since 2021, Cathay FHC has been working every year with CDP to urge the world's most influential companies to set carbon emission goals that align with the 1.5° C carbon emission target and achieve net zero emissions over the value chain by 2050. In 2022, the campaign drew 318 financial institutions with US\$37 trillion in assets overall and 45 multinationals with \$710 billion in combined purchasing power to engage with over 1,000 companies around the world. Scope 1 + Scope 2 emissions of the companies engaged reached 700 million metric tons, and the market cap exceeded US\$25 trillion.</p>	<p>As of April 2023, a total of 69 companies have committed to SBTs, and 20 companies' SBT target have been validated by SBTi.</p>

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International Initiatives/ Engagements	Actions by Cathay FHC	Participation Status or Progress
Ceres Valuing Water Finance Initiative (VWFI)	<p>Cathay FHC and Cathay Life joined Ceres “Valuing Water Finance Task Force” in 2020. Ceres worked with the Dutch government and international investors to publish “Corporate Expectations for Valuing Water” aiming to help companies improve water management. Cathay provided feedbacks on “Corporate Expectations for Valuing Water” and suggestions for Ceres Valuing Water Finance Initiative (VWFI) development. Ceres VWFI was established in 2022 to engage 72 companies with a high water footprint. The initiative's goal is to get these companies to recognize and evaluate water risks and take action in their own operations and across the global supply chain to protect water systems in our natural ecosystems. The initiative has 64 institutional investor signatories representing US\$9.8 trillion in assets under management.</p>	<p>Cathay collaborates with international investors by joining VWFI to urge the companies to take water action.</p>
Climate Action 100+ (CA100+)	<ul style="list-style-type: none"> ● Cathay FHC urges focus companies to take actions for improvements but also help them to address their challenges. We have been engaging with all three Taiwanese companies among the 166 focus companies under CA100+ initiatives. Cathay FHC conducted in-depth research into the three Taiwanese companies on their climate management and the best practices performed by their peers. Then, communicated directly with company executives about global trends and investor expectations such as companies should proactively integrate TCFD as their climate management framework. By communicating with companies, Cathay FHC was able to gain in-depth insight into the company's actual management and challenges the companies faced when improving climate management. ● In addition to company engagement, Cathay FHC also actively participates in CA100+ events and meetings, provides feedbacks on CA100+ reports and guidelines, and proofreads Chinese versions to help the Taiwanese focus companies easily understand the information and progress from CA100+. Chief Investment Officer of Cathay FHC, Sophia Cheng, has been invited as the member of CA100+ Asia Advisory Group since 2018. Cheng attends quarterly meetings to offer suggestions on strategies and plans for the initiative's campaigns. 	<ul style="list-style-type: none"> ● All three companies that Cathay FHC engaged with committed to net zero carbon emission or carbon neutrality goals and set short- and mid-term carbon reduction goals. One of these three companies have set validated SBT target. ● Companies engaged by Cathay FHC were recognized by international organizations: one of the companies was selected for the initiative's "Progress Update 2022" as a global case study and another one was selected for "Down to Earth: Climate governance case studies in Asia Pacific" published by Asian Corporate Governance Association (ACGA) and CLSA as a case study as well.

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Case Studies on Engagement — Climate Action 100+ (CA100+)

Case Studies on Engagement — Asia Utilities Engagement Program (AUPEP)

Formosa Petrochemical Corporation (FPCC) is one of the focus companies selected by CA100+ for engagement, and Cathay FHC started engaging the Formosa Plastics Group (FPG) and FPCC in 2018. To help the companies understand CA100+ and why investors are demanding companies reduce carbon emissions, Cathay FHC introduced the goals of CA100+, the importance of ESG issues, and global trends in responsible investments. Cathay FHC also compiled response strategies targeting climate change from several petrochemical companies across the world and invited experts and scholars to share on bioenergy technologies. The different approaches undertaken by Cathay FHC aimed to reduce the time it would cost FPG and FPCC to explore themselves and, thereby, facilitate the roll-out of carbon reduction programs.

Proactively engaging with FPCC, Cathay FHC designated a liaison to directly communicate and learn about FPCC's status via frequent phone calls or emails. In addition, Cathay FHC conducts several in-person or online engagement meetings every year, working with several international institutional investors to call on the companies to reduce carbon emissions in alignment with the Paris Agreement. Cathay FHC executives attach great importance to company engagement. To strengthen FPG and FPCC's climate governance system, Cathay FHC President Chang-Ken Lee paid several visits to many senior executives at FPG's main management department and FPCC's chairman and president with Cathay Life and Cathay SITE presidents and Cathay FHC Chief Investment Officer Sophia Cheng. Leaders from both sides engaged in discussions to explore viable solutions for carbon reduction.

Following FPG's announcement in October 2021 to commit to "achieving carbon neutrality by 2050," affiliated companies such as Formosa Plastics Corporation (FPC), Nan Ya Plastics Corporation (NPC), and Formosa Chemicals & Fibre Corporation (FCFC) have also committed to carbon neutrality by 2050. FPCC chairman even announced in the 2022 shareholders' meeting that the company will be striving towards carbon neutrality by 2050. Cathay FHC praises the carbon reduction ambitions of FPG and FPCC and hopes they can continue to take action to reduce carbon emissions.

Cathay FHC is happy to witness the first independently published TCFD Report in 2022 by FPCC under the leadership of FPG's main management department and FPCC's senior executives. The report disclosed short-, mid-, and long-term carbon reduction goals for 2025, 2030, and 2050, the related action plans, and GHG emissions pathways before 2030. In the case studies section (p.22) of the "Progress Update 2022" report published by CA100+, FPCC's commitment to carbon neutrality by 2050 and its first independently produced TCFD Report in 2022 was recognized by the initiative. Cathay FHC hopes that FPCC's enforcement of carbon reduction practices aligns with global expectations and will continue to engage in dialogue with FPCC in the hopes of witnessing its successful low-carbon transition.



Company C is a focus company selected by AUPEP and Cathay Life engages them as a supporting investor given geographical location and market familiarity, working with in global institutional investors.

During the engagement process, Company C was very responsive to low-carbon transition topics and interacted and communicated well with investors. Company C's carbon reduction pathway was SBT-approved by Science Based Targets initiative in September 2021. Company C later updated its climate vision and declared exact figures for carbon intensity goals by 2030, committing to pulling out from all coal-fired electricity generation assets by the end of 2040 (ten years earlier than the previous commitment) and replacing natural gases with hydrogen energy, a strategy that is expected to help Company C achieve net zero emissions by 2050.

Engagement in 2022 focused on Company C's decarbonization strategies and capex plans during the low-carbon transition. Considering that the low-carbon transition process may potentially have negative impacts on existing employees and society, Cathay Life suggested, as a supporting investor, for leading investors to discuss with Company C and ask Company C to focus on just transition when transitioning from coal-fired to the low-carbon economy. In subsequent engagement meetings, investors formally suggested Company C formulate just transition policies and Company C responded that they will disclose practices to ensure just transition in their 2023 sustainability report by referring to the WBCSD report.

We're happy to see Company C mention, in its sustainability report and TCFD report published in March 2023, that it will commit to adopting a structured and organized approach to ensure a just transition from electricity generation assets to zero-carbon energy sources. Company C also provided one of their coal-fired power plants in Australia as an example, mentioning that they have provided early announcements on the power plant's decommission schedule, organized retraining for employees, and established a partnership with a local offshore wind farm to transfer existing employees to the wind farm and create jobs for them. Company C hopes to maximize its impact and drive growth in the local economy. In addition, to mitigate the impacts of energy supply shortages from the coal-fired power plant's decommission on local areas, Company C has also laid out plans to provide renewable energy sources to ensure local energy supplies.

• Expand Domestic/International Biodiversity Initiatives and Actions

The 2022 United Nations Biodiversity Conference (COP15) amended and finalized the "Post-2020 Global Biodiversity Framework" in December 2022. Major targets and goals are to prevent the loss of biodiversity in 2030 and achieve coexistence with humans by 2050. Biodiversity is critically important to human societies and economies. Estimations from the "Taskforce on Nature-related Financial Disclosures" (TNFD) show that more than half of the world's economic production - with an economic value of US\$44 trillion - is moderately or highly dependent on services and functions provided by natural ecosystems. Lack of awareness surrounding the importance of biodiversity has seriously threatened biodiversity. Failure to take aggressive action may lead to resource shortages and reduced productivity for businesses and threaten global net zero emission goals for 2050.

Cathay FHC believes that maintaining the stability of ecosystems is critically important to reducing operational risks and that companies should value biodiversity and nature, explore innovative solutions balancing the economy, nature, and social value, and sustainably strengthen the company's long-term competitiveness. Financial institutions play a critical role in this area. As such, Cathay FHC actively supports biodiversity issues, joining "Taskforce on Nature-related Financial Disclosures" (TNFD), "The Partnership for Biodiversity Accounting Financials" (PBAF), "Taiwan Nature Positive Initiative" (TNPI), and the "Business for Nature" (BfN) coalition between 2022-2023.

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