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7.3 PRI / PRB / PSI Implementation Status

• Implementation status of the Principles of Responsible Investment (PRI)

Principle 1 : Incorporate ESG into investment decisions

- Established the Responsible Investment and Loan Policy and Investment and Lending Exclusion Policy for the Group.
- Established the ESG risk review process and Investment Management Principles for Sensitive Industries.
- Cathay Securities Investment Trust incorporated external ESG database into the investment decision assistance system.
- Regularly organized education and training events for the investments teams.
- Defined themed investing and strengthen investments in sustainable investment targets.
- Cathay Life implemented impact investing and followed up on the results.
- Monitor the carbon emissions of the investment portfolio and calculated climate risks for management.
- Cathay SITE launched ESG investment products such as the Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF and Cathay Sustainability Private Equity Fund.

Principle 2 : Incorporate ESG issues into all ownership policies and practices

- Established the Group's Engagement Policy and defined main engagement strategies.
- Cathay Life, Cathay SITE, Cathay Century, CUB and Cathay Securities have all signed the Taiwan Stewardship Principles for Institutional Investors and established voting policies. They disclose their votes each year.
- Interacted with investee companies through dialog, engagement, and exercise of voting rights to demonstrate the Company's due diligence management as an active owner.

Principle 3 : We will seek appropriate disclosure on ESG issues by the entities in which we invest.

- Participated in CDP Non-Disclosure Campaign (NDC) and encouraged investee companies to respond to CDP questionnaires and disclose their carbon emission data and climate change management measures.
- Participation in the CDP Science-Based Targets Campaign to encourage global large enterprises to committed the SBT targets to align with the Paris Agreement.
- Participated in Climate Action 100+ initiative and encouraged investee companies to strengthen climate risk disclosure and management.
- Participated in the Asian Utilities Engagement Program of the AIGCC, and engaged Asian utilities to implement carbon reduction mechanisms to achieve the net zero emissions scenario of the Paris Agreement.
- Held the Sustainable Finance and Climate Change Summit and encouraged companies to pay attention to ESG disclosure and management, and actively respond to climate change.
- Used the Cathay engagement strategies to identify companies of concern for engagement and encourage companies to improve ESG disclosure and strengthen climate change management.

Principle 4 : Promote acceptance and implementation of the principles within the investment industry

- Actively participated in external activities to share Cathay's responsible investment measures and encouraged competitors to implement responsible investment together.
- Actively shared responsible investment trends with the government and encouraged government agencies to learn about the importance of responsible investment and enhance its promotion.
- Requested outsourced service providers to comply with the Investment and Lending Exclusion Policy and implement ESG management; verify whether they have signed the PRI and local stewardship principles.
- Supported academic institutions in surveys on sustainable investment in Taiwan to understand the current state of sustainable investment in Taiwan and to encourage industries and the government to continue to promote sustainable investment.
- Cathay Securities provided ESG research reports for individual stocks to bridge the gap in ESG analysis in Taiwan and help investors implement responsible investment.

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Principle 5 : Establish cooperation mechanisms and strengthen effectiveness in implementing PRI principles

- Participated in Asia Investor Group on Climate Change (AIGCC) to increase international investors' awareness of risks and opportunities in climate change and low-carbon investments and cooperate to strengthen investor engagement.
- Participated in the Ceres Valuing Water Finance Task Force to work with international financial institutions for promoting global investor and corporate water management in response to global water challenges.
- Participated in Climate Action 100+ and CDP Non-Disclosure Campaign to work with international investors and improve engagement effectiveness.

Principle 6 : Publish reports on our activities and progress in the implementation of PRI

- Cathay FHC publishes the Corporate Sustainability Report every year to disclose the progress on responsible investment.
- Cathay FHC published the ESG Integrated Report.
- Cathay Life publishes a Responsible Investment and Stewardship Report every year.
- Cathay United Bank, Cathay Century, Cathay Securities, and Cathay SITE publish a Stewardship Report every year.

● Implementation status of the Principles for Responsible Banking (PRB)

Principle 1 : Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

- In terms of alignment, the identification and implementation of important SDGs and implementation plans are summarized below :

The Bank conducted assessments to evaluate the degrees of importance of products and services by identifying their impacts on social and personal aspects, with a focus on the core competencies and SDGs targets of the Bank. Furthermore, the Bank pays close attention to the Paris Agreement, supports the government's initiatives and oversight such as the "Green Finance Action Project" and "Guidance on Climate-related Financial Disclosures for Domestic Banking" by complying with the Equator Principles (EPs) and the Principles for Responsible Banking, so as to ensure its business strategy is consistent with the goal of sustainability. The Bank further takes the three main themes of sustainability—climate, health, and empowerment—into consideration and combines the themes with factors such as business features, asset portfolios and vision strategies to formulate action plans with material impact.

Principle 2 : Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

- In terms of impact and target-setting, we have implemented analysis and settings in two separate stages. They are summarized as follows :

I. Cathay United Bank provides a variety of products and services to satisfy the financial requirements of institutions as well as individuals. Additionally, the Bank also pays close attention to international trends and the green finance action project as well as the PRB guidelines of the government. Also, the Bank has identified 6 aspects from existing products and services that have major impacts on the SDGs and the Paris Agreement based on the core business of the Bank as well as the important international initiatives and agreements stated in Principle 1; the Bank has further classified these aspects as follows according to their influence on business and their impact:

① Positive impact

- ③ Renewable energy loans ④ Social enterprise loans ⑤ Micro loans
- ⑥ Promotion of products for seniors ⑦ FinTech

② Negative Impact

Loans for industries with high carbon emissions

II. The Bank identified two sectors with particularly significant impacts among the aforementioned six sectors and set targets based on PRB requirements. They are explained as follows:

① Renewable energy loans (positive impact)

- ③ Target-setting: Increase the "loan balance of renewable energy as a proportion of loan balance of electricity generation industries" to 85% by 2025.
- ④ Follow-up management: Regular follow-up each quarter.
- ⑤ Current progress: The proportion was 77.53% in December 2021 which was an increase of 1.45% from 77.53% in December 2020.

② Loans for industries with high carbon emissions (negative impact)

- ③ Target-setting: Suspension of new loans for coal-fired power generation projects. New lines of credit related to the coal business have been suspended since April 2021 (zero coal-fired power generation loans).
- ④ Follow-up management: Regular follow-up each quarter.
- ⑤ Cathay United Bank "suspended new loans for coal-fired power generation projects" starting from October 2019. The revolving line of credit for zero coal-fired power generation loans will be reset to zero at the end of 2022 and will not be renewed after the buffer period expires, and the mid to long-term quota will gradually expire and no new loans will be approved.