Cathay Financial Holdings and Subsidiaries' Management Guidelines for Coal and Unconventional Oil & Gas Industries

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Amended on August 1, 2025
Responsible Unit: Corporate Sustainability Office

Article 1 (Objective and Basis)

Considering the significant environmental impact and higher carbon emissions of coal and unconventional oil & gas industries compared to other sectors, Cathay Financial Holdings ("Cathay FHC") has committed to achieving net-zero emissions for financial assets by 2050. Therefore, these Management Guidelines are established based on the "Cathay Financial Holdings and Subsidiaries Responsible Investment and Lending Policy."

Article 2 (Scope of Application)

These Guidelines apply to Cathay FHC and the following subsidiaries, including Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), and Cathay Venture Inc. (Cathay Venture). (Collectively referred to as "subsidiaries")

The scope of business covered by these Guidelines include investment and lending. Investment covers active investment strategies, passive investment strategies, and third-party managed investments, with a primary focus on listed equities and corporate bonds. Lending primarily focuses on corporate loans. Each subsidiary may establish management mechanisms based on its own business considerations.

Article 3 (Definition of Actively Transitioning Companies)

A company must meet one of the following criteria to be considered as "actively transitioning":

1. The company or its parent company is a state-owned company with more than 50% government ownership, and the country has signed the Paris Agreement or established a 1.5˚C carbon reduction pathway aligned with the Paris Agreement.
2. The company or its parent company has set a Science Based Target (SBT) approved by the Science Based Target initiative (SBTi).
3. The company or its parent company has developed a transition plan aligned with the Paris Agreement goals or the nationally determined net-zero/carbon neutrality/climate neutrality targets, such as Nationally Determined Contributions (NDCs).

Article 4 (Monitoring and Management Principles for the Coal Industry)

The coal industry referred to in these Guidelines includes companies related to coal mining, coal infrastructure (i.e., coal rail freight and coal support services, etc.), and coal power.

Cathay FHC has established the following control principles for its subsidiaries' business involvement in the coal industry:

1. Coal Lending: achieve zero coal lending by the end of Q1 2027
2. Coal Investment:

1) Coal Mining
    A. Cease new investments in companies with revenues from coal mining greater than 20%
    B. Cease new investments in companies with coal mining expansion plans
    C. From 2030, cease new investments in companies in OECD countries revenues from coal mining greater than 5%; maintain a 20% threshold for non-OECD countries
    D. From 2040, cease new investments in companies with revenues from coal mining greater than 5%
    E. By 2040, phase out equity investments in companies with revenues from coal mining greater than 5%
2) Coal Infrastructure (including coal rail freight, coal support services, etc.)
    A. Cease new investments in companies with revenues from coal infrastructure greater than 20%
    B. Cease new investments in companies with coal infrastructure expansion plans
    C. From 2030, cease new investments in companies in OECD countries with revenues from coal infrastructure greater than 5%; maintain a 20% threshold for non-OECD countries
    D. From 2040, cease new investments in companies with revenues from coal infrastructure greater than 5%
    E. By 2040, phase out equity investments in companies with revenues from coal infrastructure greater than 5%
3) Coal Power
    A. Cease new investments in companies with revenues from coal power greater than 20%
    B. Cease new investments in companies with coal power expansion plans
    C. From 2030, cease new investments in companies in OECD countries with revenues from coal power greater than 5%; maintain a 20% threshold for non-OECD countries
    D. From 2040, cease new investments in companies with revenues from coal power greater than 5%
    E. By 2040, phase out equity investments in companies with revenues from coal power greater than 5%
4) With respect to preceding items 1, 2, and 3, the exclusions do not apply to coal-related companies that are deemed to be actively transitioning.

3. Engagement Actions:
    1) Subsidiaries shall regularly assess the significance of coal investments and lending positions and, as appropriate, engage with investees/borrowers to encourage them to set SBT or develop climate transition plans aligned with the Paris Agreement goals or nationally determined net-zero/carbon neutrality/climate neutrality targets, such as NDCs.
    2) Subsidiaries shall adhere to the following timelines and engagement requirements for coal-related companies:
        A. In OECD countries, engage with coal-related investees and borrowers with revenues from coal between 5% and 20%, encouraging them to pursue active transitions
        B. From 2030, in non-OECD countries, engage with coal-related investees and borrowers with revenues from coal between 5% and 20%, encouraging them to pursue active

transitions

3) Subsidiaries annually review engagement outcomes with coal-related companies. If there is no progress for three consecutive years, subsidiaries shall conduct an assessment of the engagement outcomes and consider escalating engagement measures according to the "Cathay Financial Holdings and Subsidiaries’ Engagement Guidelines."

Article 5 (Monitoring and Management Principles for Unconventional Oil & Gas Industries)

Unconventional oil & gas industries referred to in these Guidelines include companies related to tar sands, shale oil & gas, and Arctic oil & gas.

Cathay FHC has established the following control principles for its subsidiaries' business involvement in the unconventional oil & gas industries:

1. Tar Sands
   1) Cease new investments in companies with revenues from tar sands greater than 30%
   2) From 2030, cease new investments in companies in OECD countries with revenues from tar sands greater than 20%; maintain a 30% threshold for non-OECD countries
   3) By 2040, phase out equity investments in companies with revenues from tar sands greater than 10%
2. Shale Oil & Gas
   1) Cease new investments in companies with revenues from shale oil & gas greater than 30%
   2) From 2030, cease new investments in companies in OECD countries with revenues from shale oil & gas greater than 20%; maintain a 30% threshold for non-OECD countries
   3) By 2040, phase out equity investments in companies with revenues from shale oil & gas greater than 10%
3. Arctic Oil & Gas
   1) Cease new investments in companies with revenues from Arctic oil & gas greater than 30%
   2) From 2030, cease new investments in companies in OECD countries with revenues from Arctic oil & gas greater than 20%; maintain a 30% threshold for non-OECD countries
   3) By 2040, phase out equity investments in companies with revenues from Arctic oil & gas greater than 10%
4. With respect to preceding paragraphs 1, 2, and 3, the exclusions do not apply to unconventional oil & gas related companies that are deemed to be actively transitioning.

Article 6 (Disclosure)

Cathay FHC shall disclose the management measures for coal and unconventional oil & gas industries in the annual sustainability report.

Article 7 (Formulation, Amendment, Enforcement, and Repeal)

The formulation, amendment or repeal of these Guidelines shall be approved by the President.

These Guidelines are effective on the date of enforcement. The amendment or repeal of these Guidelines shall take effect on the date of amendment or repeal.