

5.1 Responsible Investment and Lending Framework

5.1.1 Team Management

■ Establish Responsible Investment and Lending Teams across Cathay and Its Subsidiaries

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Cathay FHC	The Responsible Investment Working Group is under Cathay FHC Corporate Sustainability Committee and is chaired by Chief Investment Officer of Cathay FHC. The Working Group comprises five senior executives in five major subsidiaries, who are in charge of investment and lending. The Investment Stewardship Team was formed in 2022 to oversee and coordinate responsible investment at Group level.	<ul style="list-style-type: none"> Promote and establish comprehensive responsible investment and lending management mechanism for subsidiaries Consolidate and fully disclose the subsidiaries' ESG information to meet stakeholder expectations
Cathay Life	It establishes Responsible Investment Working Group under Corporate Sustainability Team led by President. The Working Group is made up of 14 departments in the front, middle and back offices, with 45 members including four dedicated staff. In 2022, we established a dedicated planning unit for responsible investment coordination.	<ul style="list-style-type: none"> Set responsible investment goals and climate-related action plans Improve responsible investment approaches: conducting research on global sustainability trends, benchmarking against industry peers' responsible investment approaches as well as climate policies and systems Organize the annual stewardship activities
Cathay SITE	It establishes Responsible Investment Working Group under Corporate Sustainability Committee led by President. The Working Group consists of 12 members, including 4 dedicated staff. In 2022, Cathay SITE established the Sustainability Office as a dedicated unit to oversee responsible investment and corporate sustainability development.	<ul style="list-style-type: none"> Develop a clear execution plan for investment portfolio's ESG performance Leverage resources such as external research, rating analysis, and integration of international ESG rating database to enhance ESG analysis capabilities Assist various departments with ESG analysis of relevant positions
CUB	CUB has established Corporate Sustainability Working Group led by President as the core unit responsible for corporate sustainability development. The Sustainable Finance Section of the International Review Department is the administrative unit responsible for the lending ESG review process. It is also responsible for promoting sustainability-related initiatives.	<ul style="list-style-type: none"> Enhance the review process for lending practices and the Equator Principles (EPs) case review mechanism Review cases where Equator Principles (EPs) are applicable and provide recommendations and advice Promote access to ESG analysis tools or establish ESG management systems
Cathay Century	Cathay Century has established a CS Team, chaired by President, to which the Responsible Investment Working Group reports.	<ul style="list-style-type: none"> Organize ESG training and establish an ESG database Establish a comprehensive ESG investment review management mechanism Implement stewardship activities
Cathay Securities	Cathay Securities has established the Corporate Sustainability Committee, chaired by the president, to which the Responsible Investment Working Group and Sustainable Governance Task Force report.	<ul style="list-style-type: none"> Organize ESG training and establish an ESG database Establish a comprehensive ESG investment review management mechanism Implement stewardship activities Develop ESG investment research and equity selection services

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Strengthen ESG Knowledge

Implementing gradual integration of ESG approaches into our daily work routine. This involves adopting ESG analysis management tools, providing training on responsible investment and financing, and incorporating sustainable investment practices into our investment decision-making processes:

Establishment of ESG Data Platform

Acquired international ESG database and established an ESG data platform: Cathay SITE and Cathay Life optimized investment management tools to help the investment teams consider both the fundamentals and ESG performance of investee companies when making investment decisions. We believe that the availability of a comprehensive set of data enables our managers to make the most informed investment decisions.



Responsible Investment and Financing Capacity Building

- Diverse training courses help the investment and financing teams strengthen their ESG knowledge, for example:
 - Provide analysis and practicum courses on ESG rating methodology to help teams leverage ESG analysis tools and improve analysis quality.
 - Provide engagement-related training to strengthen the team's engagement awareness and approach.
 - Provide topic-specific training such as TCFD, ESG investment-related academic publications, sustainability bonds, etc. to strengthen the teams' expertise.
 - Responsible investment is integrated into new employee orientation to provide a solid foundation for new hires.
- Responsible Investment Newsletter: Cathay Life and Cathay SITE regularly publish newsletters to share the latest responsible investment initiatives from home and abroad, ESG regulatory trends, sector decarbonization trends, and ESG analysis by sector.
- In 2022, a total of 9,474 employees from Cathay Life, CUB, Cathay SITE, and Cathay Century participated in Cathay's courses as well as external conferences; the average training hours per participant was 0.5 hours.

5.1.2 Responsible Investment and Lending Workflow

Cathay FHC and its subsidiaries must adhere to the "Cathay Financial Holdings Responsible Investment and Lending Policy" when investing and lending. As a financial institution, Cathay has an obligation to its stakeholders to prudently manage ESG risks, seek long-term investment performance. Cathay aims to leverage financial influence promote continuous improvement in the ESG performance of investees and borrowers, contribute to global sustainable development goals, and foster a sustainable society and management.

Cathay Responsible Investment and Lending Process

