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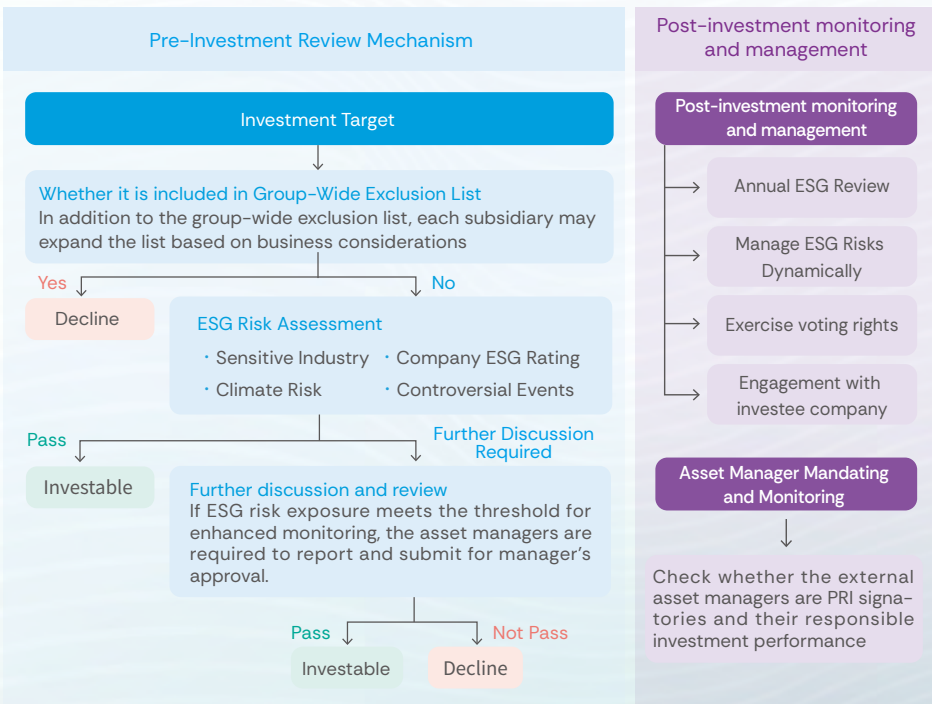
## 5.2 Responsible Investment/Lending

Cathay adheres to the UN Principles for Responsible Investment (PRI) and the Principles for Responsible Banking (PRB), and is a signatory to the Equator Principles (EPs). By establishing a comprehensive framework for responsible investment and lending, Cathay aims to generate stable and positive impacts on society. Please refer to [Cathay FHC website PRI/PRB/PSI Implementation Overview](#).

### 5.2.1 Responsible Investment and Lending Process

#### • Responsible Investment Process

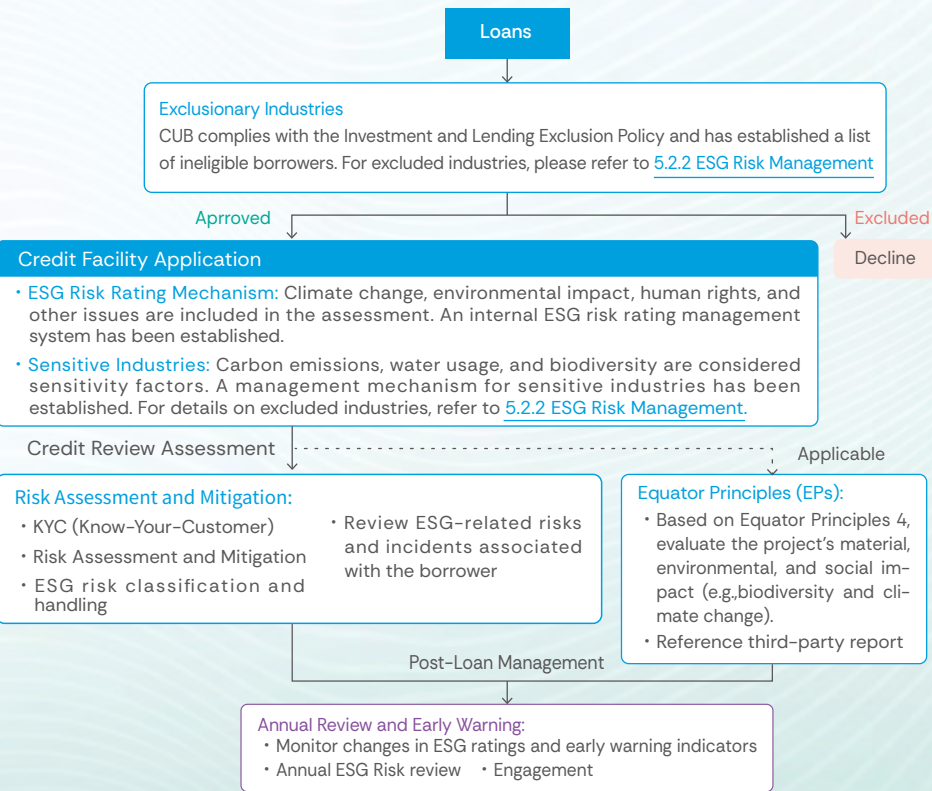
Cathay has established a comprehensive pre-investment review and post-investment monitoring mechanism that integrates ESG factors. Before investing, we assess whether the target is on the group's exclusion list – if it is, we do not proceed with the investment. If it is not excluded, an ESG risk review is conducted. If the target does not pass this review, further discussion and evaluation is required. After investment, Cathay regularly reviews the investment target's annual ESG performance and dynamically manages ESG risks. We also encourage continuous improvement in ESG performance through measures such as proxy voting and engagement with investee companies.



Note: Due to operational differences between subsidiaries, the responsible investment process flowchart is tailored to each subsidiary.

#### • Responsible Lending Process

CUB is committed to mitigating climate and ESG risks. The bank integrates responsible lending practices into its core business and actively supports the Paris Agreement. Climate risks are integrated into the lending process and aligned with the ESG management framework to strengthen risk management around responsible lending. This strengthens CUB's ability to respond to ESG and climate risks. In addition, CUB became the first bank in Taiwan to adopt the Equator Principles (EPs) in 2015, and in 2018, CUB was the first in Taiwan to announce the voluntary adoption of the UN Principles for Responsible Banking (PRB). In February 2021, CUB became the first bank in Taiwan to have its PRB implementation assured by an independent accounting firm. CUB continues to engage partners across its value chain to jointly promote sustainable environmental and social development.



Note: The flow chart is applicable to the responsible lending activities of CUB.

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Responsible Investment/Lending Approaches and Corresponding Asset Classes

Cathay FHC references the Global Sustainable Investment Alliance (GSIA)'s eight sustainable investment strategies, namely negative/exclusionary screening, positive/best-in-class screening, norms-based screening, ESG integration, sustainability-themed investing, impact/community investing, corporate engagement and shareholder action. These strategies are categorized in the asset mapping table under four main areas: pre-investment review mechanism, ESG management by external managers, post-investment monitoring and management, and creating sustainable value.

Asset Class		Listed Equities	Corporate Bonds	Government Bonds	Real Estate	Lending	Other	Corresponding Page No.
Responsible Investment and Lending Approaches								
Pre-investment review mechanism	Exclusion	●	●	●		●		P.129
	Sensitive industries	●	●			●		P.129,130
	ESG Integration and Risk Review	●	●	●		●		P.130-132
ESG Management by External Managers	Asset Manager Mandating and Monitoring						● (Mandated assets)	P.134
Post-Investment Monitoring and Management	Annual ESG Review	●	●	●		●		P.134
	Engagement	●				●		P.135-139
	Voting	●						P.139-143
Creating Sustainable Value	Sustainability Themed investing and lending	●	●	●	●	●		P.146
	Impact investing		●	●			● (Funds/Private Equity)	P.147,148

Responsible Investment and Lending Scope

Within Cathay's responsible investment and lending asset scope, only assets that cannot be subject to responsible investment or lending practices (e.g. cash) are excluded. In addition, Cathay applies different levels of management to different asset types, taking into account the characteristics of each asset class, using strategies such as exclusion, ESG integration, and sustainability-themed investment to ensure comprehensive oversight.

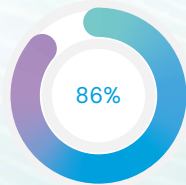
AUM \$10.3 trillion



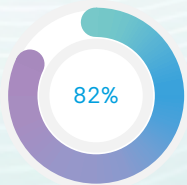
Corporate lending  
Under ESG management



Equity and bonds  
Screened by exclusion policy  
Subject to ESG integration mechanism



Funds & mandated assets<sup>Note</sup>  
Under ESG management



Real Estate  
Under ESG management

Note: In 2024, the proportion of ETF assets adopting full replication strategy increased. These are not subject to the exclusion policy or other ESG management mechanisms.



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## 5.2.2 ESG Risk Management

### || Group-Wide and Subsidiary-Specific Exclusion and Sensitive Industries List

Cathay FHC has established the “Cathay Financial Holdings and Its Subsidiaries Investment and Lending Exclusion Policy” to define exclusion criteria for investment and lending activities. Additionally, the “Cathay Financial Holdings Management Regulations for Industry Risks” further specify thresholds for sensitive industries. In addition, Cathay has implemented a coal divestment policy targeting sensitive sectors that have not demonstrated a proactive transition plan. This policy covers companies involved in “coal industry,” “coal railroad transportation,” “coal ancillary services,” and “coal-fired electricity generation.” Over time, Cathay is also progressively lowering revenue thresholds for coal-related businesses that are subject to a no-new-investment policy. In parallel, Cathay has established investment management guidelines for unconventional oil and gas, encompassing tar sands, and shale oil. For further details on divestment strategies, please refer to the [Climate chapter](#). In addition, subsidiaries are required to comply with the group’s exclusion lists and exposure limits for sensitive sectors. Furthermore, depending on their individual business operations, subsidiaries may expand their own exclusion lists or adopt enhanced due diligence measures for sensitive industries. The Group’s Investment and Lending Exclusion Policy is reviewed annually and adjusted based on the latest available information. In 2024, three companies were removed from the exclusion list after they were found to no longer be involved in controversial activities or weapons manufacturing, while three new companies involved in the production of controversial weapons were added. With respect to controversial countries, one country was added and another was removed from the exclusion list.

#### • Group-Wide and Subsidiary-Specific Exclusion and Sensitive Industries List

##### Group-Wide and Subsidiary-Specific Exclusion and Sensitive Industries List

Group Exclusion List for Investment and Lending	
Scope	Controversial weapons, adult entertainment, controversial activities, controversial countries
Applicable Subsidiaries	Cathay Life, CUB, Cathay Century, Cathay SITE, Cathay Securities, Cathay Venture



Group List of Sensitive Industries	
Scope	Mining, fossil fuel power generation and coal-related, oil and natural gas, agriculture/forestry/fishery and animal husbandry, construction materials (including cement), aviation, food and beverage manufacturing, chemical feedstock, fertilizers, nitrogen compounds, plastics/rubber, feedstock, and synthetic fiber manufacturing.
Applicable Subsidiaries	Cathay Life, CUB, Cathay Century, Cathay SITE <sup>Note 1</sup> , Cathay Securities, Cathay Venture

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## Subsidiary-Specific Expansion of Exclusion and Sensitive Industry Lists

Excluded Industries for Investment/Lending by Subsidiary	
Applicable Subsidiaries	Scope
Cathay Life Designated as part of the exclusion list <sup>Note 2</sup>	Gambling, coal-related industries (coal mining, Coal Freight, coal services, Coal Power), Oil & Gas, industrial gases, construction materials, aluminum, steel, airlines, unconventional oil and gas, Agriculture, Food, and Forest Products(Palm Oil/Timber/Beef/Soybean)
Cathay United Bank (CUB)	Human rights violations, mining, coal-fired/nuclear power generation, coal-related sectors (including coal trading, coal rail transport, and coal-derived products), upstream oil and gas extraction, tobacco industry, gambling and betting, tropical rainforest logging, gillnet production and gillnetting, weapons and ammunition.
Cathay Century	Tobacco production, pure gaming, nuclear proliferation, ammunition and land mine manufacturers, tropical rain forest logging.



Sensitive Industries by Subsidiary	
Applicable Subsidiaries	Scope
Cathay Life <sup>Note 3</sup> Designated as a part of the watchlist	Gambling industry, coal-related industries (coal-fired power generation, mining, transport, and services), oil and gas, industrial gases, construction materials, aluminum, steel, aviation, unconventional oil and gas, agricultural commodities (palm oil, timber, beef, soy)
Cathay United Bank (CUB)	leather, textile manufacturing, non-metallic mineral product manufacturing, electronics, electronic components, machinery manufacturing, utilities, transportation and warehousing, telecommunications
Cathay Securities <sup>Note 4</sup>	Controversial weapons, adult entertainment, controversial activities
Cathay SITE	Uses carbon intensity as a control metric to manage the carbon footprint of investment positions

Note 1: Applicable to proprietary funds managed by Cathay SITE

Note 2: No new investments

Note 3: Cathay Life categorizes sensitive industries based on the degree of negative impact that a company's environmental, social, and ethical risks may pose to society. These are classified into two groups: an exclusion list and a watch list.

Note 4: For industries listed on the watchlist under Cathay FHC's Investment and Lending Exclusion Policy, such as controversial weapons and adult entertainment, investment decisions must comply with the ESG and Climate Investment Risk Management Regulations.

## || Integration of ESG Factors into Risk Assessment

Cathay comprehensively integrates ESG factors into the investment decision-making process, categorizing ESG factors into ten themes and a total of 33 ESG Key Issues based on the three main ESG dimensions.

Environmental (E)	Social (S)	Governance (G)
Climate Change	Human capital	Corporate governance Corporate Behavior
Natural capital	Product Liability	
Pollution and waste	Stakeholder Opposition	
Environmental opportunities	Social opportunities	



10 themes encompassing 33 key issues



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## || Integration of ESG Factors and Risk Assessment Mechanism/Workflow

To reduce overall portfolio risk, Cathay subsidiaries integrate ESG factors into their investment and financing decision-making processes to identify relevant risks and opportunities, and regularly monitor the ESG performance of investee companies after investment.

Subsidiaries	Subsidiary-Specific Integration of ESG Factors and Risk Assessment Mechanism/Workflow	
Cathay Life	<p>ESG integration in investment decisions: Established “ESG Risk Review Procedures” and assesses the ESG performance of investee companies when investing in equities and bonds. Uses a “comply or explain” mechanism with internal reporting and discussion.</p> <ul style="list-style-type: none"> <li>• Exclusion of controversial investment targets</li> <li>• Careful evaluation of ESG performance of investment targets</li> </ul>	
Cathay SITE	<p>Establish an ESG database within the investment management system to help investment managers and researchers analyze and identify risks and opportunities and adjust investment strategy accordingly. Cathay SITE prohibits investments in companies involved in major controversies. Companies with relatively lower levels of controversy are placed on a high-priority watch list. Additionally, a dedicated ESG high-priority watchlist has been created for Cathay SITE. This list includes companies with low ESG ratings, companies involved in controversial incidents, companies with high carbon emissions, companies operating in coal-related industries, and companies with weak corporate governance. An ESG assessment report detailing the investment rationale and transition plans must be completed prior to investing in targets on this ESG high watchlist, and the investment must be approved following an internal review.</p>	
Cathay Securities	Pre-investment ESG Risk Assessment	<p>Cathay Securities conducts pre-investment ESG risk assessments in accordance with the group-wide “Investment and Lending Exclusion Policy” and its own “Responsible Investment and Engagement Policy Operating Procedures.” Investments in countries with significant controversy or in industries with high environmental, social, or ethical risks are placed on an exclusion list.</p> <p>An ESG assessment is required for expected long-term investments (held over one year) in industries on the Sensitive Industry List under Cathay Securities’ “Management Regulations for Industry Risks.” The target company must have at least one ESG score above a specified benchmark from either internal or external ratings, otherwise the investment position will be reduced, limited or prohibited. If it does not meet the benchmark, but the investment is still deemed necessary, an ESG and climate risk assessment report must be submitted explaining the rationale and mitigation actions.</p>
	Post-investment ESG Risk Management	<p>An ESG and climate risk assessment results must be submitted. For unsettled positions not meeting internal and external ESG rating thresholds, business units are required to review the climate exposure of these holdings semiannually. They must report exposure levels and describe any risk mitigation, control, or offsetting strategies in the following month. These reviews are approved by department heads and forwarded to the Risk Management Department, under the oversight of the Risk Management Committee.</p>
	ESG Rating Benchmark	<p>The ESG rating benchmark includes, but is not limited to, ratings or scores from institutions such as Bloomberg, S&amp;P, or the Science Based Targets initiative (SBTi), with data sourced from Bloomberg’s database. Due to differences in rating methodologies and target coverage, companies ranked above the 20th–25th percentile are used as the baseline.</p>

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Subsidiaries		Subsidiary-Specific Integration of ESG Factors and Risk Assessment Mechanism/Workflow
Cathay United Bank (CUB)	Investment Evaluation Principles	<p>Incorporates exclusion lists, ESG performance, climate risks, sustainable-themed investments, and sustainable economic activities into investment assessment</p> <ul style="list-style-type: none"><li>• Exclusion: defined as the exclusion of prohibited countries, industries, and companies.</li><li>• Conduct additional ESG risk assessment if ESG rating is poor <sup>Note 1</sup>.</li><li>• For targets in sensitive industries, due diligence includes reviewing climate risk and biodiversity factors, such as carbon disclosure, decarbonization strategies and targets, projected warming scenarios, water footprint, water management policies, and biodiversity policy, etc</li><li>• Identify sustainable investment themes and evaluate sustainable economic activities before investing.</li></ul>
	Ongoing Monitoring of ESG Performance	<p>Regular monitoring of investee company's ESG performance, climate risk, sensitive sector exposure, analysis of sustainable investment themes, and sustainable economic activities.</p>
Cathay Century	Pre-investment evaluation- Verifies whether target is on an exclusion list	<p>Check whether the target company is on the exclusion list and only invest after reviewing its ESG risk profile.</p> <ul style="list-style-type: none"><li>• Verify if it's listed on the group-wide exclusion list</li><li>• Verify if it's listed on Cathay Century's list of sensitive industries</li><li>• Exclude coal-related sectors (coal-fired power, coal mining, coal railway transportation, and coal ancillary services)</li><li>• Cathay Century ESG risk assessment form</li></ul>
	Post-Investment Monitoring	<p>Regularly monitor investee companies' MSCI ESG Ratings and associated controversies.</p>

Note 1: For corporate lending, ESG risk assessments are conducted using a tiered ESG risk classification system. Borrowers must submit an ESG risk management plan that includes information on carbon emissions, emission reduction targets and strategies, and water management policies, among other things. These measures help Cathay evaluate the effectiveness of risk mitigation efforts.

|| Investment and Financing Human Rights Risk Assessment

Cathay FHC refers to the "United Nations Global Compact", the "United Nations Guiding Principles on Business and Human Rights", and the International Labor Organization's (ILO) labor standards to assess whether its investees violate international human rights standards. In addition, Cathay assesses whether investees are involved in human rights-related controversies, including but not limited to human rights concerns, negative impacts on local communities, or labor-related issues, to determine the human rights risk of investment targets.

In 2024, 83% of Cathay's investment portfolio underwent human rights due diligence, with 0.2% of assessed investments identified as having human rights risks. For those cases, Cathay implemented mitigation measures per its risk identification protocol, including, but not limited to, engagement and the issuance of ESG risk assessment reports. As a result, 100% of investment positions identified as having human rights risks were covered by mitigation actions.

In terms of lending, CUB conducted in human rights due diligence for 90% of 2024 lending. Key risk factors reviewed included labor relations, occupational safety, forced or voluntary work suspension. Clients involved in relevant controversies were classified as human rights risk financing cases. In 2024, 2.9% of the total lending portfolio is considered to have human rights risks. For such cases, business units are required to complete an ESG and climate risk checklist outlining any ESG incidents and risk management plans, including risk mitigation measures and monitoring actions. As of 2024, 100% of these risk cases had mitigating actions in place.

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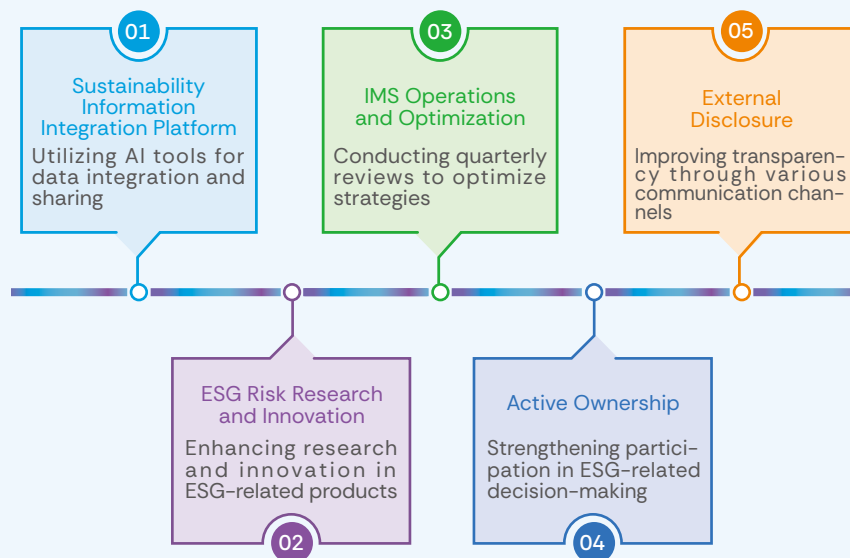
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## Column - Integrated ESG Platform

### Cathay SITE—SustainInfo Hub—SustainInfo Information Integration Platform

- **Integrated Access to Leading Domestic and Global Databases:**  
Includes data from MSCI ESG, Bloomberg, ISS, Global Coal Exit List (GCEL), CDP, Climate Action 100+, SBTi, CMoney, the Taiwan Sustainability Review, and various research reports. These resources enable the investment research team to easily access investment targets' sustainability performance and related analytical insights.
- **Diverse Functional Modules:**  
Features include company ESG overview, portfolio ESG overview, investment holdings analysis, risk alert signals, climate risk monitoring, biodiversity risk monitoring, SDG review tool, and carbon pricing risk scenario analysis.
- **Engagement Scoring Mechanism:**  
Please refer to [5.3.1 Engagement Focus and Process](#)

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### Cathay Life—Internal ESG Management System and Tool

- **Real-Time ESG Rating Monitoring:**  
Enables real-time tracking of ESG ratings for investment targets and incorporates the Climate Value at Risk (CVaR) metric to provide insights into climate risks.
- **Carbon Emissions Tracking:**  
Collects historical carbon emissions data from investee companies to assess progress toward net zero targets, RE100 renewable energy commitments, and SBTi goals.
- **Taiwan Carbon Fee Calculator:**  
Assists the investment team in comprehensively evaluating the impact of carbon fee costs as part of the investment decision-making process.

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## || ESG Annual Review Results


### • Investment ESG Review Results

In 2024, Cathay conducted a comprehensive review of all equity investments in listed companies, corporate bonds, financial bonds, and government bonds. A total of 1,027 cases were flagged for potential risks and brought forward for discussion. Among them, nine cases were confirmed to carry potential risks and consequently required elevated approval authority. Additionally, 546 cases were removed from the investment buy list based on a combined assessment of the fundamentals and ESG performance.

### • ESG Review of Corporate Lending

Item	2024 (Unit: Cases)
Rejected or Reviewed by the Credit Committee	1
Loan application rejected due to ESG events	0

### • Equator Principles (EPs) Cases

Category	Item	2024 (Unit: Cases)
 <div>EPs Case</div>	Cases that meet the disclosure standards set out in EPs (Financial Close – Loans can be issued)	3
	Category A projects	0
	Category B projects	3
	Category C projects	0

Note: Category A projects have potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented; Category B projects have potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and Category C projects have minimal or no adverse environmental and social risks and/or impacts.

## || ESG Management Mechanism for Other Asset Classes

### • Funds and ETFs

To ensure that Cathay Life’s invested funds and ETFs are all issued by counterparties or asset management firms that share the same values as Cathay’s responsible investment approaches, we have taken the following steps to gain insight into their ESG policies and actions:

- 1 Verify that the counterparty is a PRI signatory or a signatory to the home country’s stewardship code, or review the counterparty’s ESG implementation status every year.
- 2 Evaluate the fund and investment manager’s ESG performance every year.

### • Real Estate

Since 2016, Cathay Life has demonstrated its commitment to environmental stewardship by requiring all architects commissioned company-developed buildings to comply with green building standards. Starting in 2023, all new buildings granted construction permits have also obtained either the Green Building Label or U.S. LEED certification. Cathay remains dedicated to promoting sustainable urban development.

### • Externally Managed Assets

Cathay Life and Cathay Century have established “outsourced investment management measures” to ensure that the external manager(s) implement responsible investment during the mandate period. 100% positions of the mandated assets from Cathay Life and Cathay Century are fully entrusted to managers who are PRI signatories or signatories to the home country’s stewardship code.

Management Guidelines for Investment Managers	
Cathay Life	Cathay Century
<ul style="list-style-type: none"> <li>• Review whether the investment manager is a PRI signatory/ signatory to their home country’s stewardship code</li> <li>• The contract clearly outlines that ESG and climate factors should be integrated into the investment process</li> <li>• The investment manager must adhere to the exclusion list and sensitive industry guidelines</li> <li>• The investment manager must provide an annual report detailing ESG integration actions</li> <li>• Review the manager’s ESG implementation status</li> </ul>	<ul style="list-style-type: none"> <li>• When entering into investment mandates, consideration is given to whether the target entities comply with environmental protection, corporate integrity and social responsibility obligations and implement measures for anti-money laundering and countering the financing of terrorism</li> <li>• Verify that outsourced investment managers are signatories to stewardship code</li> <li>• Monitor outsourced investment managers to avoid investing in companies or industries on the exclusion lists or related to sensitive industries</li> <li>• Require outsourced investment managers to regularly disclose and provide an overview of their ESG-related actions in investment review reports</li> </ul>