1.3 Stakeholder Engagement and Materiality Analysis

GRI：2-12、2-16、2-29、3-1、3-2、3-3

1.3.1 Stakeholder Engagement

Cathay FHC follows the AA1000 Stakeholder Engagement Standard (AA1000 SES) and identifies nine major stakeholder groups based on five dimensions: Dependency, Responsibility, Tension, Influence, and Diverse Perspectives. These stakeholders are government, investors, employees, customers, suppliers, associations, media, communities, and youth. Through diverse channels and mechanisms, Cathay FHC listens to, understands, and responds to stakeholder voices and needs. Through continuous communication and engagement, the company ensures that stakeholder opinions are incorporated into its sustainability decisions to co-create benefits and trust.

For more information on Cathay FHC's communication channel, engagement frequency and feedback mechanisms, as well as the complete list of interactions in 2025 between Cathay FHC and its stakeholders, please see the official Cathay FHC website.

1.3.2 Materiality Analysis

Materiality Analysis of CS Issues and Formulation of Sustainable Strategies

Cathay FHC conducts and reviews sustainability materiality analysis each year. In accordance with the framework of the international GRI Universal Standards 2021, "GRI 3: Material Topics 2021," and referring to the European Sustainability Reporting Standards (ESRS) issued by the European Financial Reporting Advisory Group (EFRAG), Cathay FHC introduced the concept of Double Materiality. In addition, Cathay incorporates international impact assessment methodologies, including those developed by the Value Balancing Alliance (VBA) and Harvard Business School's Impact-Weighted Accounts initiative, to further refine its materiality assessments. By developing an impact-based materiality assessment approach—CS Issue Materiality Analysis—Cathay FHC evaluates its external impacts on the economy, environment, people, and human rights. This process is used to identify material topics for 2024, shape stakeholder engagement strategies, and inform the internal development of its sustainability strategy blueprint.

Cathay FHC takes a multi-layered approach to defining material issues, considering factors such as stakeholder concerns, operational impacts, and sustainability impacts—based on survey results. These are further aligned with long-term internal goals and senior executive compensation metrics. A total of 19 material issues were identified, confirmed by the ESG Strategy Committee, and subsequently reported to the Corporate Sustainability Committee and the Board of Directors. Besides setting long-term objectives, the process integrates enterprise risk management (ERM) to identify risk factors, severity, and probability of occurrence in order to systematically manage material risks. The results of the materiality analysis have been verified by an independent third party, BSI Taiwan.

Furthermore, Cathay FHC reviews its material issues annually. By collecting stakeholder communication topics and feedback, analyzing domestic and international sustainability trends, reviewing peer focus areas, and evaluating company operations and risk management directions, Cathay FHC comprehensively confirms the appropriateness and management priorities of material issues. The 2025 review results indicated that all material issues remain highly relevant to the company's operational development and stakeholder concerns. The related management approaches and disclosure content have also been continuously refined to align with external trends and internal management practices. The review results were reported to the Board of Directors and the Corporate Sustainability Committee as the foundation for subsequent promotion of sustainability strategies and information disclosure.

Message from the Chairman
1 Sustainability Strategies & Governance
1.1 Sustainable Governance and Management
1.2 Cathay's Sustainability Strategy Blueprint and Strategy Pillars
1.3 Stakeholder Engagement and Materiality Analysis
2 Climate
3 Health
4 Empowerment
5 Sustainable Finance
6 Sustainable Governance
7 Appendix

- CS Issues Materiality Analysis Process

Identification → Analyze and Assess the Significance of Impact → Confirm → Disclose and Report

Identification

Compile and Identify

Through interaction and communication with stakeholders during daily operations, and by comprehensively analyzing global sustainability disclosure standards, sustainability ratings, industry benchmark practices, international trend reports, and Cathay FHC's sustainability vision and organizational development goals, Cathay FHC establishes the foundation for issue identification and assessment.

Identify Potential Issues

Confirm 27 CS issues

governance	9
environment	6
society	12

Analyze and Assess the Significance of Impact

Level of Stakeholder Concern

Cathay FHC invited its nine major stakeholder groups to provide feedback on the level of their concern regarding 27 CS issues through a questionnaire. A total of 3,346 stakeholder responses were collected.

Operational Impacts

To identify the impact of ESG issues on our operations, a materiality assessment questionnaire was distributed to 21 senior executives. They were asked to assess the degree of impact of CS issues on the Company's operations or value.

Sustainable Development Impact

Cathay FHC referred to Harvard Business School's Impact-Weighted Accounts impact indicators and applied the Five Capitals methodology of Impact Measurement & Valuation (IMV), conducted every two years, to assess the significance of the impacts of sustainability topics.

Confirm

Define

Once impacts are identified and prioritized, they are incorporated into discussions regarding the sustainability strategy blueprint with senior managers and the sustainability team. Nineteen material CS issues are then finalized and reported to the ESG Strategy Committee, then submitted to the CSD Committee and the board of directors.

Disclose and Report

Disclose and Formulate Long-term Sustainability Goals

Disclose the contents of material issues that correspond to the GRI Standards; set corresponding short-, mid-, and long-term goals and disclose them in the Cathay FHC sustainability report. Please refer to the Cathay FHC official website for the company's 2025 target achievement status.

The Significance of CS Issue Impacts

Cathay FHC refers to recommendations from Harvard Business School's Impact-Weighted Accounts initiative and the Value Balancing Alliance (VBA), and has integrated its own sustainability context to develop 20 external impact metrics. Cathay FHC invited 21 executives and employees related to ESG topics to evaluate both positive and negative impacts in terms of scale, scope, irreparability, past occurrences (actual), and future probability (potential). This process helps identify the significant impacts caused or facilitated by the company and prioritize ESG issues based on their materiality. By establishing a significance threshold, Cathay FHC identified eight external sustainability impacts that are significantly related to Cathay FHC across the Economic, Environmental, and Social (Human Rights) aspects. These include five positive impacts and three negative impacts: "Economic / Positive: Product and service innovation contributes to the development of the financial industry"; "Economic / Positive: Tax payments and other fees paid to the government help support infrastructure and social welfare"; "Environmental / Positive: Supporting industries in sustainable or green transitions through investments, lending, and financial products and services"; "Environmental / Positive: Participating in domestic and international initiatives or organizations to promote sustainability awareness among industries and stakeholders"; "Social (Human Rights)/ Positive: Providing affordable products or services to underserved or disadvantaged groups (e.g., financial inclusion products and services)"; "Economic / Negative: Improper use of funds may impact financial markets"; "Environmental / Negative: Investments, credit, or financial products and services may contribute to climate or ecological impact by supporting carbon-intensive or highly polluting industries"; "Social (Human Rights)/ Negative: Misuse of data or privacy breaches may harm the rights of employees and customers." The analysis revealed that four topics—"Financial products with environmental / social benefits," "Responsible Investment and Financing," "Corporate Governance and Ethical Corporate Management," and "FinTech / Digital Transformation and Innovation"—have the greatest impact on driving the occurrence of the eight significant impacts. Please refer to the diagram right for the visualization of sustainability impact pathways.

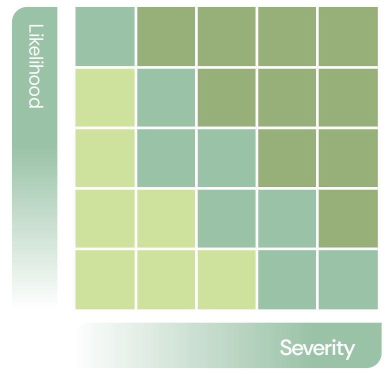
- Sustainability Impact Pathway

20 impacts

Impact	Positive	Negative
Economic	4	1
Environment	2	2
Social (Human Rights)	6	5

Impact Sources:
(1) Value Balancing Alliance (VBA)
(2) Harvard Business School Impact-Weighted Accounts
(3) London Benchmarking Group (LBG)
(4) Cathay FHC

Define Positive and Negative Impacts



Severity
= (1) + (2) + (3)
(1) Scale (2) Scope (3) Irremediability

Define Significance Threshold

- Sustainability Impact Pathway of Cathay's Impact Valuation

8 Significant Impacts		Corporate ESG Issues
+ Economic	Product and service innovation contributes to the development of the financial industry	E、J、K、N、W
+ Economic	Tax payments and other fees paid to the government help support infrastructure and social welfare	A、C、D、I、M、X、Z
- Economic	Improper use of funds may impact financial markets	A、B、C、F、J、K
+ Environment	Supporting industries in sustainable or green transitions through investments, lending, and financial products and services	B、E、J、K、L、M、P
+ Environment	Participating in domestic and international initiatives or organizations to promote sustainability awareness among industries and stakeholders	A、G、J、K、L
- Environment	Investments, credit, or financial products and services may contribute to climate or ecological impact by supporting carbon-intensive or high-pollution industries	J、K、L、M、O
+ Society	Providing affordable products or services to underserved or disadvantaged groups (e.g., financial inclusion products and services)	E、H、J、W、X、Z
- Society	Misuse of data or privacy breaches may harm the rights of employees and customers	A、B、D、E、F、I

Significant Impact

	Corporate ESG Issues	Frequency
A	Corporate Governance and Ethical Corporate Management	4
B	Risk and Crisis Management	3
C	Business Performance	2
D	Regulatory Compliance	2
E	FinTech/ Digital Transformation and Innovation	4
F	Privacy and Information Security	2
G	Sustainable Supply Chain Management	1
H	Safeguarding Human Rights	1
I	Financial Crimes and Anti-Fraud	2
J	Financial products with environmental/ social benefits	6
K	Responsible Investment and Financing	5
L	Decarbonization Strategy for Financial Assets	3
M	Environmental Impact of Operations	3
N	Green Leasing and Real Estate Management	1
O	Nature and Biodiversity	1
P	Health promotion and life security	1
Q	Talent and Skill Development	0
R	Employee health and well-being	0
S	Workplace Digital Transformation	0
T	Attracting and Retaining Talents	0
U	Inclusive Workplace	0
V	Customer Relationship Management	0
W	Financial Planning and Services	2
X	Financial Inclusion	2
Y	Youth Empowerment	0
Z	Helping the Underprivileged	2
a	Women Empowerment	0

Impact Level	Sustainability Issues
Primary Impact	• Financial products with environmental/social benefits • Responsible Investment and Financing • Corporate Governance and Ethical Corporate Management • FinTech/Digital Transformation and Innovation
Secondary Impact	• Risk and Crisis Management • Decarbonization Strategy for Financial Assets • Environmental Impact of Operations • Business Performance • Compliance • Privacy and Information Security • Financial Crimes and Anti-Fraud • Financial Planning and Services • Financial Inclusion • Helping the Underprivileged
Significant	• Sustainable Supply Chain Management • Safeguarding Human Rights • Green Leasing and Real Estate Management • Nature and Biodiversity • Health promotion and life security

Sustainability Issues Affecting Significant Impacts