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Case Study – Sustainability Capacity Building

Subsidiaries	Name	Overview	Achievements
Cathay Securities	Quarterly ESG Thematic Forum	In response to capital market trends, Cathay Securities hosts a quarterly thematic forum and invites asset management institutions to participate. The forums are held online and feature integrated research insights from the ESG team along with analysis of investment trends in various industries.	79 participants attended the four forums
Cathay United Bank (CUB)	2024 Sustainability Practice Seminar – CBAM and Carbon Credit	To enhance the ability of CUB's corporate banking team to navigate the challenges, competition, and opportunities of the sustainability era, and to stay ahead of net-zero transition trends across industries, a series of sustainability practice seminars was launched in 2024. External experts were invited to provide insights into the latest sustainability developments, as well as in-depth analysis and case studies on decarbonization technologies relevant to various sectors. Key topics included "Carbon Reduction Strategies for Taiwanese Corporations – Carbon Border Adjustment Mechanism (CBAM) and Anti-Greenwashing Regulations" and "The Development of Taiwan's Carbon Credit Trading Market and Emerging Business Opportunities for the Banking Sector". These seminars aimed to deepen the sustainability mindset and knowledge of front-line bank staff and senior officers, strengthen client engagement capabilities, and assist corporate clients in setting net-zero commitments and sustainability goals.	 A total of 197 participants attended the two sessions, held both online and in person.

Note: Please refer to the investment stewardship reports of the individual subsidiaries for more details on the cases of engagement.

5.3.3 Exercise voting rights

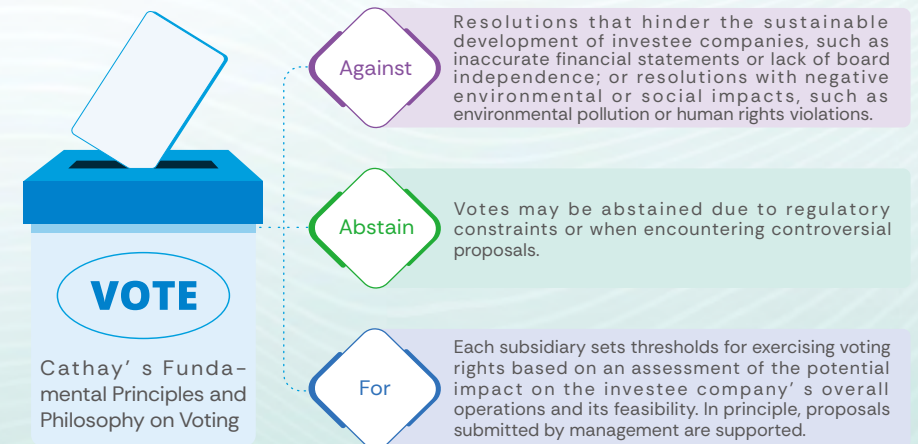
Cathay believes that the actions and decisions of an investee company not only affect investment returns, but also have social and environmental impacts. As responsible investors, financial institutions should assess the impact of a resolution and support companies that prioritize governance, social and environmental measures to implement fiduciary governance and protect the public interest.

Cathay FHC and its subsidiaries have established clear voting or proxy voting policies, which apply to their investments in listed companies. These policies apply to active investment and passive investment strategies. Cathay and its subsidiaries actively participate in voting on shareholder meeting resolutions and exercise their voting rights with prudence and responsibility. For detailed policy information and voting results over the years, please refer to the official websites of the subsidiaries: [Cathay Life](#), [CUB](#), [Cathay Century](#), [Cathay Securities](#) and [Cathay SITE](#).

Core Principles for Exercising Voting Rights Across the Group

• Guiding Principles and Philosophy

When exercising voting rights, each subsidiary takes a comprehensive approach by considering the potential impact of the investee company on overall operational performance and the appropriateness of each resolution. Reasonable voting standards are established and resolutions are thoroughly evaluated by internal teams. In principle, resolutions that align with the company's long-term value and sustainability objectives are supported. Conversely, resolutions associated with issues such as inaccurate financial reporting, lack of board independence, pollution, or human rights violations should be opposed or abstained from. In addition, to promote long-term value creation and positive environmental and social impact, subsidiaries are expected to actively engage with investee companies prior to voting, exercise shareholder responsibility and ensure that voting decisions reflect the principles of sustainable development.



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• Definition of ESG Resolutions



Environmental

Climate change, water, biodiversity, carbon emissions, waste management, toxic substances, deforestation, recycling and reuse, renewable energy, etc.



Social

Human rights, gender equality, racial equality, animal welfare, food safety, health, charitable donations, DEI (equal employment opportunity, anti-discrimination, workplace harassment, gender pay gap, etc.), EEO-1 report (Employer Information Report) , information security, and personal privacy.



Governance

Directors and supervisors, remuneration, capital-related matters, financial reporting, operational management, Reorganization and Mergers, and exercising right of disgorgement.

• Voting Guidelines for ESG Factors

Cathay Life carefully evaluates the resolutions of the investee companies when making voting decisions, aiming to guide the investee company in implementing corporate governance and taking more concrete environmental and social actions.

Environmental and Social Resolutions

Cathay Life assesses resolutions based on the following considerations:

- | | |
|---|---|
| 1 Enhance the company's ability to create long-term value | 4 Make a substantial contribution to addressing social inequalities |
| 2 Mitigate material environmental and social risks to the company | 5 Align with kunming-montreal global biodiversity framework |
| 3 Align with the carbon reduction goals of the Paris Agreement | 6 Align with SDG 6 Clean Water and Sanitation |

In general, Cathay Life supports

- 1 resolutions requiring companies to set targets that are consistent with the carbon reduction goals of the Paris Agreement.
- 2 resolutions to disclose the financial risks of climate change and how companies identify and manage such risks.
- 3 resolutions requesting companies to publish assessments of their operational impacts on biodiversity and natural resources.

In addition, where appropriate:

- 1 requiring companies to provide assessments of the impact of their operations on human rights.
- 2 publishing resolutions that promote DEI initiatives.
- 3 disclosure of political lobbying activities and expenditures, among other social resolutions.

Governance

Cathay Life considers the overall ESG performance of investee companies. For resolutions that are deemed to be inconsistent with corporate governance principles or detrimental to shareholders' interests, they will be voted against. Examples of major types of resolutions and considerations for dissent are as follows:

- 1 **Board Structure Integrity:** Corporate governance lies at the heart of ESG, with the board of directors serving as the highest governing body. We scrutinize board members' independence, tenure, and concurrent roles. Additionally, for companies inadequately addressing climate and environmental risks in their operations or value chain, we may abstain or oppose the election of incumbent directors or management resolutions to uphold climate accountability.
- 2 **Reasonable Compensation and Benefits:** Compensation and benefits play a critical role in attracting and retaining the talent necessary to drive sustainable shareholder value. We evaluate whether compensation plans are aligned with long-term sustainable value drivers and pre-defined performance standards. Remuneration resolutions that lack such alignment may receive a dissenting vote from Cathay.
- 3 **Fairness in Financial Reporting and Auditing:** The completeness and accuracy of financial statements depend on the independence and effectiveness of external auditors. We investigate instances where auditors lack independence or if non-audit fees account for an excessively high proportion of total audit fees, Cathay may oppose resolutions related to the appointment of auditors.
- 4 **Appropriate Earnings Distribution:** In general, Cathay supports the distribution of dividends from profits or from capital and statutory reserves in the form of cash or stock dividends. However, if the payout ratio is not in the best interests of shareholders (e.g., persistently low without adequate explanation) or is detrimental to the company's financial condition for sustainable operations (e.g., excessively high relative to the company's financial condition), we will vote against it.

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• Considerations for Voting on Shareholder Resolutions

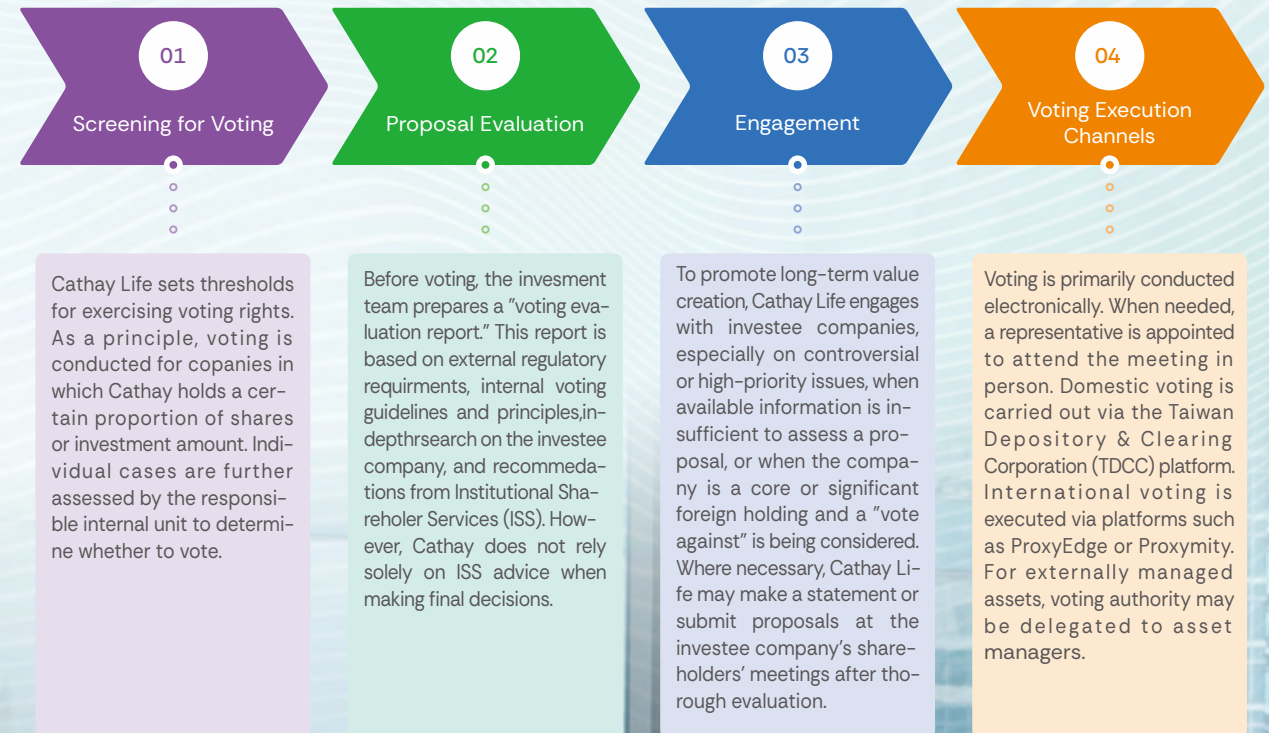
In general, shareholder resolutions are an effective way for shareholders to communicate their views to company management. Many shareholders bring such resolutions to shareholder meetings to encourage the company's progress on ESG issues. As a result, current sustainability-related resolutions are largely driven by shareholder initiatives. In addition, some companies seek shareholder feedback on their environmental, social actions or future plans through resolutions to obtain shareholder approval. Cathay Life carefully evaluates the rationale behind such resolutions before making voting decisions, with the aim of enhancing the long-term value of the investee company.

|| Exercise Voting Rights and Process

Cathay Life supports companies that are committed to sustainable development. Therefore, it attends shareholder meetings, exercises voting rights, and expresses opinions on resolutions presented at investee companies' shareholder meetings. For more information, please refer to [Cathay Life's 2024 Investment Stewardship Report](#).

• Managing Proxy Voting by Investment Advisers

- 1 If delegating voting rights to a proxy voting advisory institution, alignment with Cathay Life's voting principles will be required for their voting recommendations.
Cathay Life's Stewardship Principles stipulate that it may engage other professional service organizations to act as proxies. However, this is subject to agreements or supervision by Cathay Life to ensure that the delegated service organizations act in accordance with the company's requirements. Therefore, if it is necessary to delegate voting rights to a proxy advisory institution in the future, Cathay Life will carefully evaluate the depth and breadth of the institution's research on proxy resolutions, the suitability of its voting policies and select a proxy advisory institution that is consistent with Cathay Life's needs and voting philosophy. Cathay Life will also require that their voting recommendations be consistent with Cathay Life's proxy voting policies to ensure that the spirit of responsible corporate governance is upheld.
- 2 Currently, 100% of shareholder voting rights are exercised solely by Cathay's investment team during shareholders' meetings, and there is no delegation of voting rights to proxy voting advisory institutions.



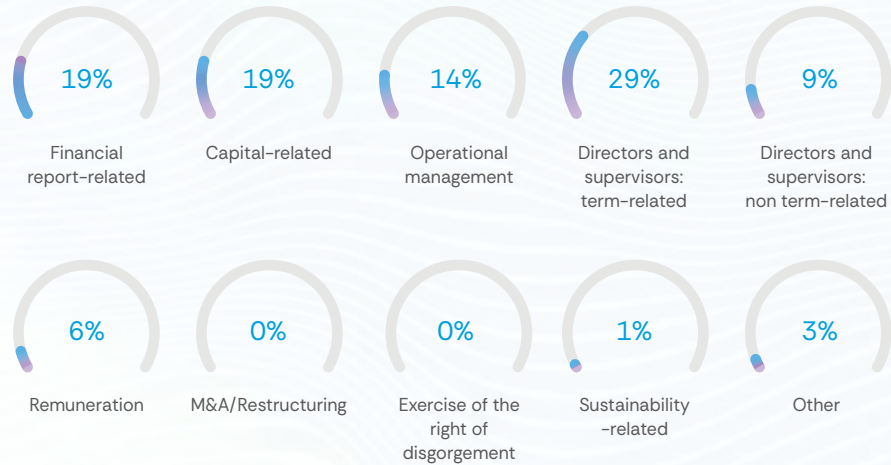
Note: For more information, please refer to the investment stewardship reports of the individual subsidiaries.

|| Voting Outcome

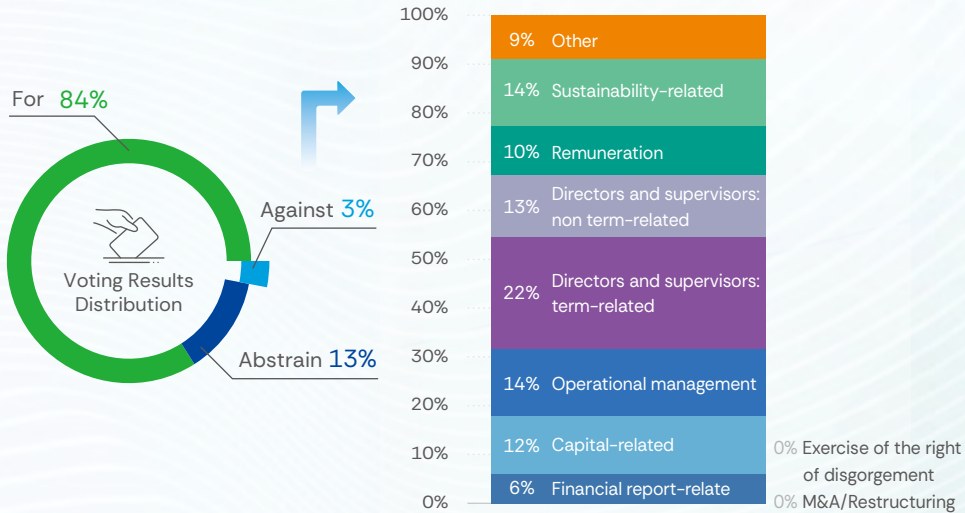
In 2024, Cathay Life, CUB, Cathay Century, Cathay Securities, and Cathay SITE participated in 818 shareholder meetings, voting on a total of 6,626 resolutions encompassing governance, environmental, and social matters. Of these, 84% were affirmative votes, 3% were negative votes, and 13% abstained.

Note: Under Article 146-1 of the Insurance Act, insurance companies are prohibited from voting in the election of directors or supervisors of domestic investee companies. Therefore, resolutions relating to the election of directors and supervisors will be dealt with by abstention.

Distribution of Resolutions



Distribution of negative votes



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Voting Case Studies

Subsidiaries	Resolution	Background	Voting
Cathay Life	Request for disclosure of Scope 3 GHG emissions	Company A is a global leader in e-commerce and retail. While it has disclosed its Scope 1 and Scope 2 greenhouse gas (GHG) emissions, it has yet to fully report its Scope 3 emissions. For retailers, Scope 3 emissions often account for the majority of their total emissions. As a result, shareholders have submitted a resolution urging Company A to improve transparency and provide more detailed disclosure of its Scope 3 emissions data.	<p>Cathay Life supports the shareholder resolution requesting Company A to disclose its Scope 3 GHG emissions for the following reasons:</p> <ul style="list-style-type: none">• The disclosure will help the company better respond to increasingly stringent global environmental regulations, such as the EU's Corporate Sustainability Reporting Directive (CSRD) and Canada's California Air Resources Board Mandatory Reporting Regulation (MRR).• Company A's current disclosure only covers certain Scope 3 emissions related to its platform, which fails to fully reflect the environmental impact of its operations.• Company A has not yet achieved Science-Based Targets initiative (SBTi) validation.• Competitors such as Company W have already disclosed more comprehensive Scope 3 emissions data, indicating industry expectation and prioritization for information transparency.
Cathay Life	Request for the company to seek third-party verification of artificial sweetener safety	Company P is a globally recognized food company. In 2023, the World Health Organization (WHO) issued guidelines warning of the potential carcinogenicity of certain non-sugar sweeteners (NSS), such as aspartame. In response, some shareholders request that the company conduct a more comprehensive safety assessment of the NSS used in its products.	<p>Cathay Life supports the shareholder resolution requesting Company P to seek third-party verification of the safety of artificial sweeteners for the following reasons:</p> <ul style="list-style-type: none">• To respond to public health concerns raised by WHO regarding the potential health risks of aspartame.• To fulfill shareholder responsibilities and strengthen risk management and transparency: As investors, we are concerned about how Company P manages potential health risks. Independent third-party verification would enhance transparency in the company's approach to health risk management and demonstrate greater accountability to shareholders.
Cathay Life	Advisory Vote on Executive Compensation	This proposal involved an advisory vote on executive compensation, allowing shareholders to express their support or opposition to the company's executive pay program as designed by the Compensation Committee. This includes remuneration, equity awards, and performance measurement standards for senior executives.	<p>Cathay Life voted against Company A's executive compensation proposal for the following reasons:</p> <ul style="list-style-type: none">• Misalignment between pay and performance: Company A has an incentive-based compensation plan that grants bonuses based on company performance; however, there is a significant disconnect between the compensation structure and actual performance outcomes. The proposal inadequately reflects the linkage between executive pay and long-term value creation.• Lack of rigor in incentive plan targets: Although the annual incentive plan is based on predefined financial targets, they lack sufficient challenge and rigor. This weakens the plan's effectiveness as a performance-driven incentive.

Note: For more information, please refer to the voting disclosure report of each subsidiary.



Column - Cathay Joins the Asian Corporate Governance Association (ACGA) in 2024

To enhance Cathay's engagement capabilities and better align with international standards in corporate governance and social responsibility, the company joined the Asian Corporate Governance Association (ACGA) in 2024. Founded in 1999, ACGA is an independent, non-profit organization dedicated to promoting effective corporate governance practices across Asia through collaboration with investors, businesses, and regulatory bodies. Its core work focuses on research, advocacy, and education. The association has 99 members across 18 markets, 64% of which are asset management firms, collectively managing over US\$40 trillion in AUM.