



國泰金控

Cathay Financial Holdings

Cathay Financial Holdings 2019 Responsible Investment/Lending Report

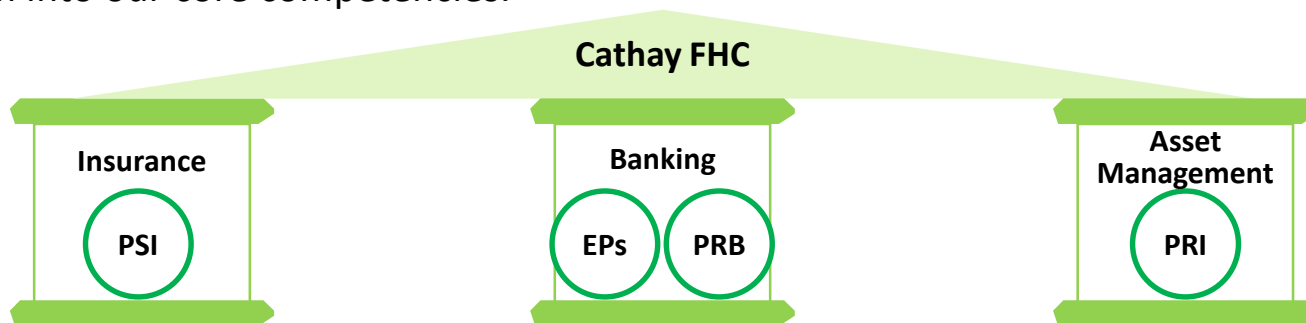
Our responsible investment strategy & achievement



Integrating Sustainability into Operation and Investment/Lending Processes

Integrating international sustainability frameworks into our core businesses

Cathay embeds sustainability into the company's three profitability growth engines on its way becoming one of Asia best financial institutions. We follow international sustainable frameworks and integrate them into our core competencies.



Key initiatives

- In 2016, Cathay Life was the first Taiwanese life insurer voluntarily complying with the PSI.
- Cathay Century P&C Insurance also followed PSI framework since 2017.

- In 2015, CUB was the first Taiwanese bank signing the Equator Principles (EPs).
- In 2018, CUB was the first Taiwanese bank committing to self-comply with Principle of Responsible Banking (PRB) to strengthen corporate sustainability

- Conning Inc., fully owned by Cathay FHC, is the PRI signatory.
- Octagon Credit Investors, LLC, a subsidiary of Conning, signed PRI in 2020.

Team in-charge

Corporate Sustainability (CS) Team in Cathay Life and Cathay Century

Sustainable Finance team in Cathay United Bank

Responsible Investments Working Group under Cathay FHC CS Committee

Related disclosures

- [Cathay Life Insurance Corporate Sustainability Report](#)
- [Cathay Century Insurance PSI Disclosure Reports](#)

- [CUB's Equator Principles website](#)

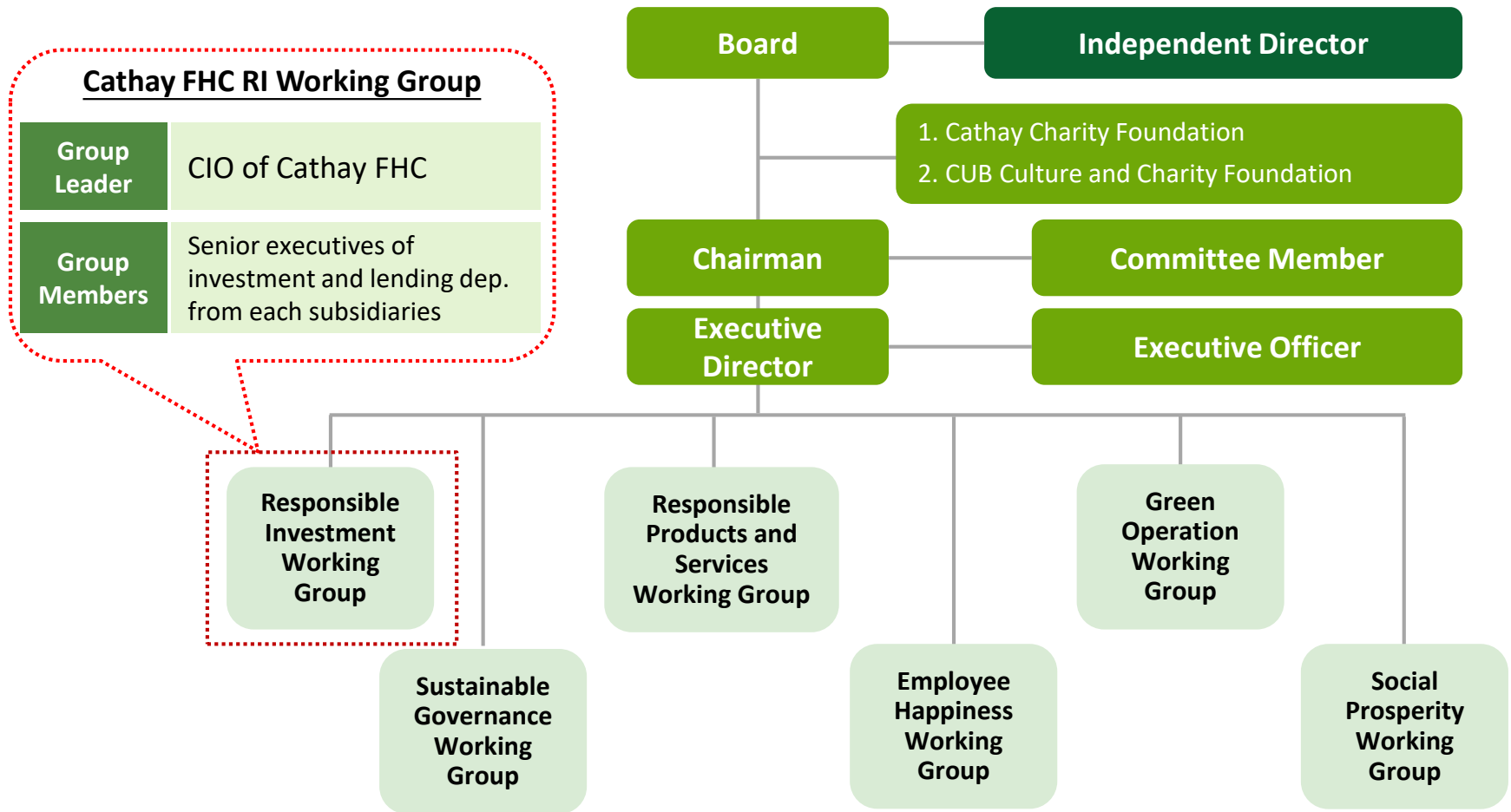
- [Conning Inc.'s PRI transparency report](#)
- [Cathay FHC PRI Progress Report](#)
- Cathay FHC ESG Integration Report

Integrating ESG issues into all business processes

Business Processes	Risk Management	Products & Services	Operation	After-Sales Management	Investment
Integrating ESG into Business Process	<ul style="list-style-type: none"> Consider ESG emerging risks Improve the management of climate risk and opportunity by following TCFD framework Set investment/lending limits and management procedures 	<ul style="list-style-type: none"> Fintech and one-stop service Strengthen the green finance and inclusive finance services Integrate ESG issues to the underwriting and lending processes 	<ul style="list-style-type: none"> Paperless operations and Fintech GHG inventory and carbon emission reduction Water and waste control 	<ul style="list-style-type: none"> Review the product details and offer flexibility to customers when significant ESG incidents occur Trigger critical disaster claims mechanism when significant ESG incidents occur Disclose EPs projects 	<ul style="list-style-type: none"> Exclusion policy ESG integration Sustainability themed investing Corporate engagement and shareholders' actions Asset Manager Mandating and Monitoring
ESG Issues Considered	<ul style="list-style-type: none"> Data Security, AML/CFT and etc. Climate Change Political Stability, Corruption, Government Efficiency and etc. 	<ul style="list-style-type: none"> Fintech Cathay FHC Four ESG focus areas Ethics, Customer Privacy, Equality, Environmental Protection, Human Rights and etc. 	<ul style="list-style-type: none"> Resource Consumption Carbon Emission Green Building 	<ul style="list-style-type: none"> Customer Protection Critical Disaster IFC performance Standards: labor, resource efficiency, community and etc. 	<ul style="list-style-type: none"> Controversial Weapons, Pornography Industry and etc. Controversial behaviors, Human Capital Development, Human Right, Board Composition and etc. Cathay FHC 4 major ESG themes Corporate Governance, Climate Change

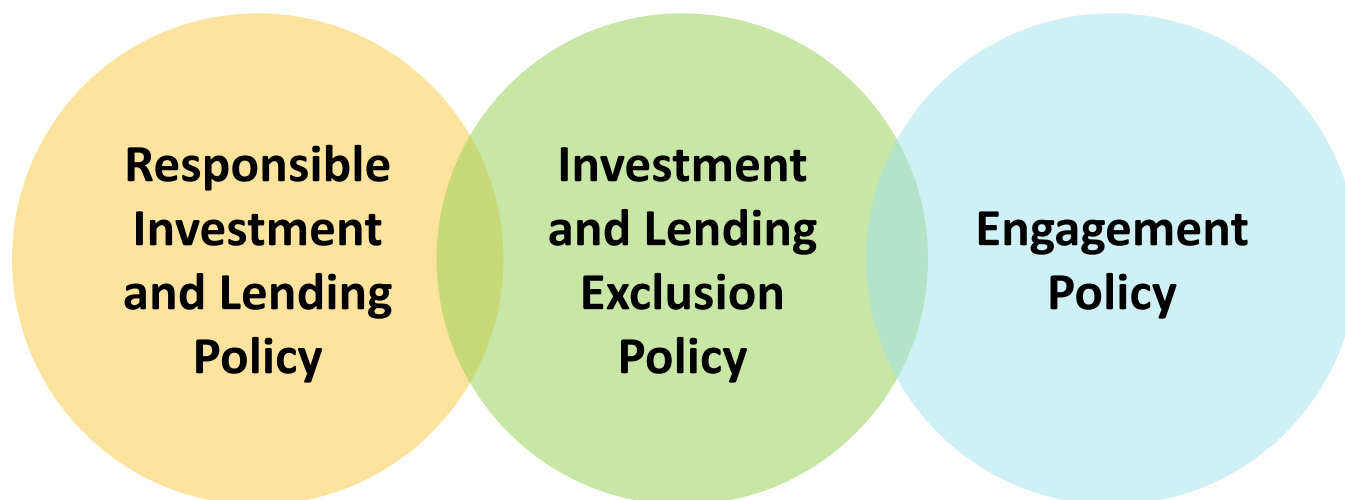
Responsible Investment Working Group reports to Board of Directors

- ❑ Cathay FHC was the first financial institution in Taiwan establishing the responsible investment (RI) working group.
- ❑ The CIO of Cathay FHC lead the RI working group, which consists of eight members from Cathay FHC and subsidiaries, to collaboratively shape Cathay's RI policies and strategy.



Establish Group-wide Responsible Investment and Lending related policies

- The Responsible Investment working group is responsible for supervising Cathay FHC's responsible investment strategies, setting up policies, and reviewing implementation performance. The responsible investment policies completed in the past few years are specified as follows.



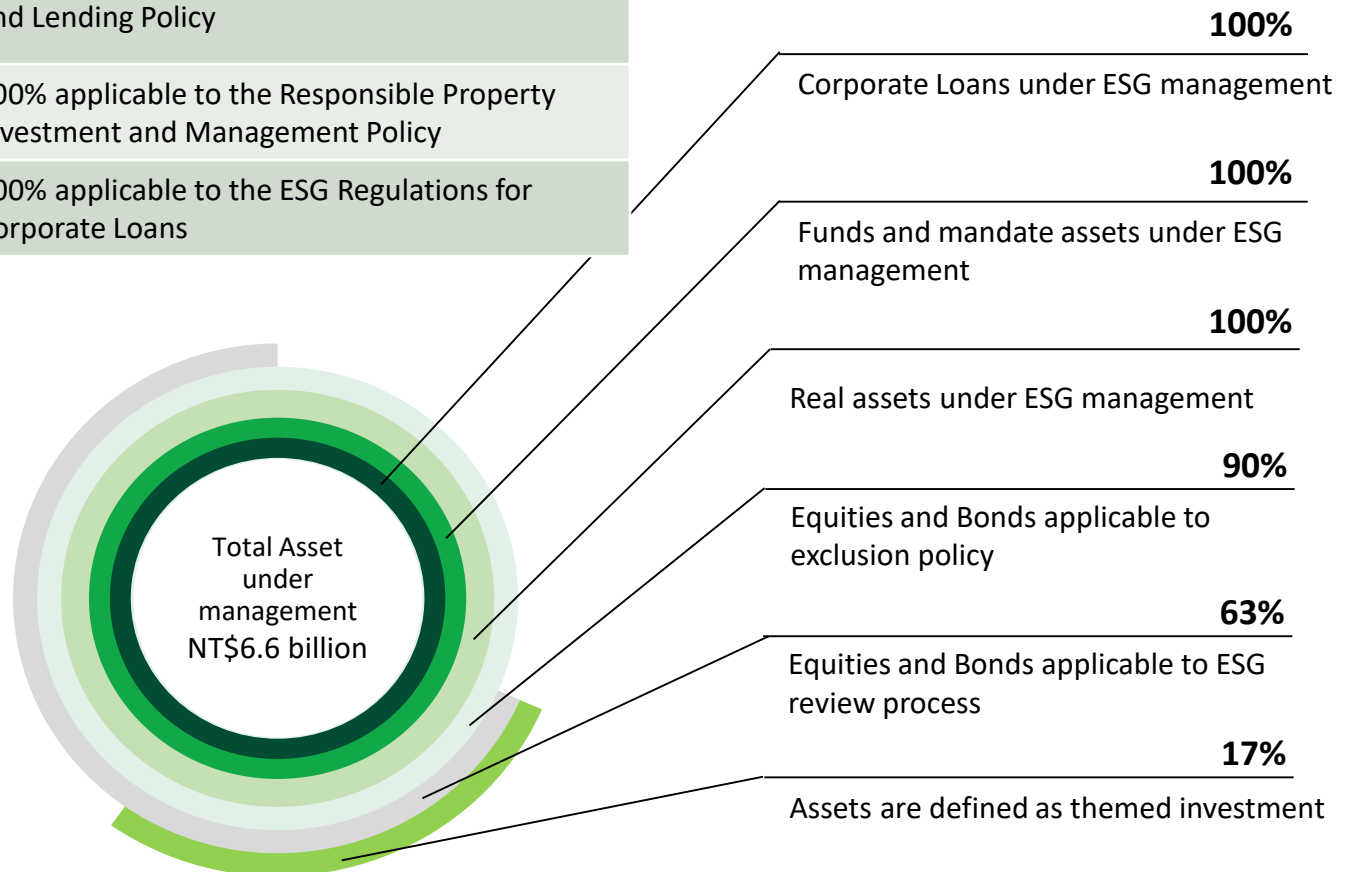
Disclosures : <https://www.cathayholdings.com/en/holdings/corp/intro/regulations/others>

- In addition, the subsidiaries have also established relevant policies and processes for detailed management. As of 2018 end, Cathay Life, CUB, Cathay Century, and Cathay SITE have established a total of 23 policies or regulations.

Responsible Investment and Lending Policies apply to more than 90% of AUM

- The scope of Cathay's responsible investment/lending merely excludes the assets (e.g., cash) which are not applicable for responsible investment approaches. Considering the characteristics of the assets, we apply different management policies such as exclusion, ESG integration, and themed investment for the different assets.

Asset Class	Applicable Management Policy
Securities (including proprietary and mandate)	100% applicable to the Responsible Investment and Lending Policy
Real estate	100% applicable to the Responsible Property Investment and Management Policy
Corporate loans	100% applicable to the ESG Regulations for Corporate Loans

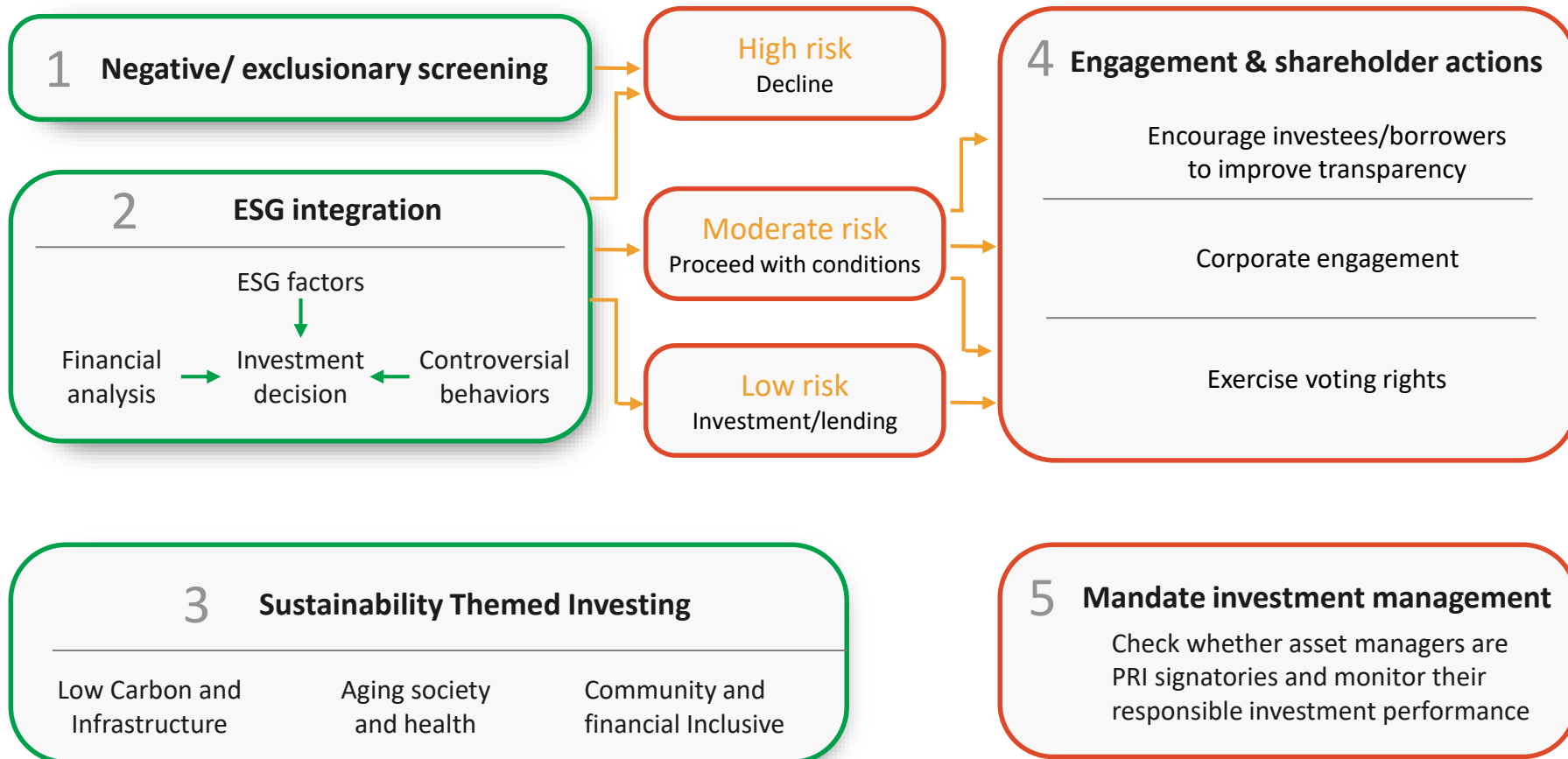


Responsible Investment/Lending Framework & Process

Comprehensive Investment and Lending ESG integration procedures

Investment/ Lending Process

Engagements after Investment/ Lending



Dedicated teams work on Responsible Investment Strategy

- Cathay Life and Cathay SITE (asset management) set up the Responsible Investment Task Force which consists of colleagues from various investment departments. The Task Force benchmarks against the global best practices to develop comprehensive responsible investment strategy and procedures.
- As the end of 2019, the Task Force under Cathay Life and Cathay SITE had 40 and 11 members respectively, in which 2 and 1 members are dedicated to responsible investment.

The roles of responsibilities of Responsible Investment Task Force

- Strengthen ESG integration by monitoring global ESG trends and feasible solutions
- Systematically analyze ESG-related issues with the internal and external researches and rating resources
- Monitor the investee companies' controversial issues
- Working on ESG research

Banking subsidiary has the dedicated team refining Responsible Lending Strategy

- ❑ CUB established the Sustainable Finance Loan Management Section, which is responsible for reviewing EPs-related cases, and renamed it as the Sustainable Finance Section in 2017.
- ❑ The Section is the dedicated team in charge of promoting corporate sustainability within the bank, as well as the implementation of the Equator Principles and ESG-related policies.

The roles of responsibilities of Sustainable Finance Section

- Set management guidelines regarding the policies and standard procedures related to the Equator Principles.
- Review the environmental and social impacts of EP-related projects and provide advice and consultation.
- Hold internal trainings, communications, process tracking, and information disclosure.
- On-going monitoring, post-loan management and information management and analysis.
- Monitoring Industry ESG risks and client behavior.

Continuously deepen knowledge on responsible investment/lending

- ❑ Cathay has actively learned international responsible investment practices from external industrial, governmental and academic institutions. We invited international experts to Taiwan for ESG analysis training since integrating the ESG databases and establishing the investment/lending task forces in 2018.
- ❑ A total of 656 employees from Cathay FHC, Cathay Life, CUB, Cathay SITE, and Cathay Century participated in the training courses as well as the external conferences; the average training hours per participant was 1.4 hour in 2019. Besides, training lessons and materials of EPs project financing regulations and ESG Regulations for Corporate Loans are also available and updated on an ad-hoc basis.



Robust risk management for investment & lending

- ❑ Cathay FHC's Risk Management Department sets **country risk limitations in investments and lending**.
 - For developed countries, the limitation is determined by government fiscal conditions;
 - For emerging markets, it is determined by factors including political stability, corruption, literacy rate and age distributions;
 - For strategic developing countries (mainly Southeast Asia), we also refer to the EIU's operational risks that covers factors such as social security, political stability, government effectiveness and the labor market.
- ❑ Cathay refers to the **Security Risk Index and Social Stability Index issued by BMI as the indicators for social stability and security**. Higher values implies improving stability and government effectiveness.
- ❑ CUB has defined the **country and industry concentration risk limits and real-time risk limits monitor mechanism** to regularly review the asset allocation and prevent significant risk exposure threat.

Exclude high risk and controversial industries and countries

- ❑ Cathay believes that ESG integration is the best way to provide greater value to investors and the investee companies, and which will drive these companies continuously improve themselves and strive for corporate sustainability. However, we would like to emphasize that Negative/Exclusionary Screening is not our major focus for responsible investment.
- ❑ Cathay FHC has defined **the negative/exclusionary screening policy, which stipulates “Focus Areas” and scrutinizes high risk industries (e.g., controversial weapons) and countries (e.g., countries that severely violate human rights or are sanctioned).**
- ❑ The Responsible Investment Working Group reviews and compiles the exclusion list regularly.

Provide Robust Tools to Support Responsible Investment Decision

□ Integrating ESG information into investment systems

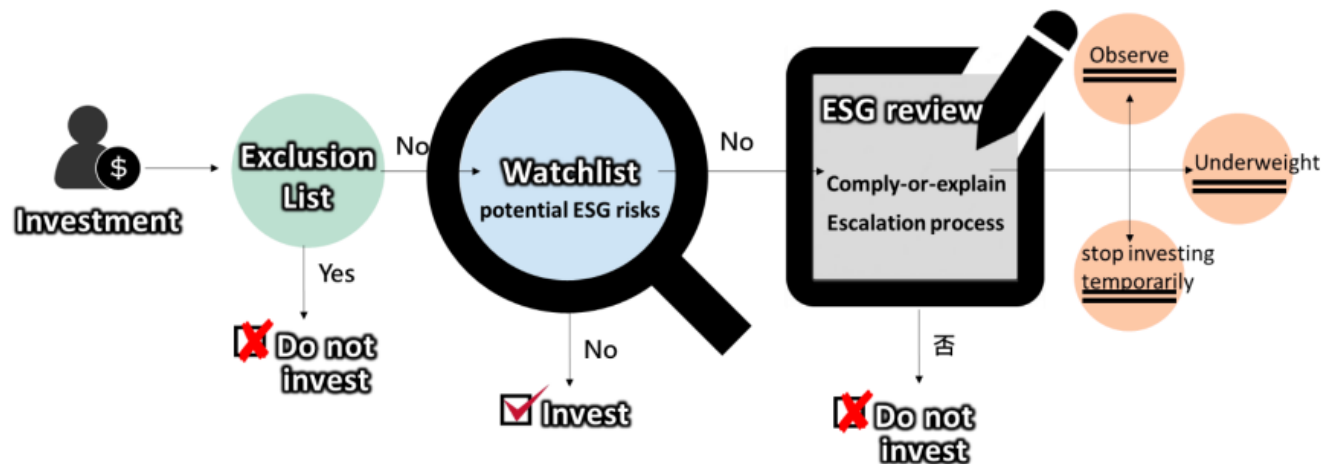
- Cathay SITE provided internal investment professionals with **concentrated ESG information section in investment decision-making support systems**.
- The system **incorporates multiple international ESG databases and Taiwan Corporate Governance Evaluation**. It also includes controversial equity list and risk indicators. Investment team can fully understand the fundamental and ESG risk information of companies.
- Cathay SITE leverages the ESG database to provide ESG analysis reports of mutual funds and mandate portfolios so that managers can easily understand the ESG rating structures.
- Cathay SITE also has the ESG investment team which consists of investment managers and analysts. The team utilizes ESG information and **carries out multiple positive/negative screenings to strengthen investment decision making**. The investment managers also proactively take ESG factors into consideration.



First ESG Risks Review Procedure in Taiwan Integrate ESG into Investment

□ The first insurance company establishes ESG risks review procedures in the investment process

- Cathay Life **excludes the high ESG-risks industries** which bring negative impact to society (e.g., controversial weapons) in order to reduce ESG risks in investment portfolios.
- Also **excludes the countries which systematically violate international human rights or are involved in major disputes**.
- ESG risks review procedures
 - ◆ Cathay Life established a watchlist of investment targets with potential **37 ESG key issues** through information from external ESG databases, and adopted the ESG risk review processes including “comply-or-explain” and “Escalation process”.
 - ◆ The investment teams assess ESG which leads to decisions of either “Observe,” “Stop investing temporarily,” or “Underweight.” **The approval procedures will be subject to the senior executives’ review** (Executive Vice President or Senior Executive Vice President) based on the risk level. The existing targets will be annually reviewed.



Assess 37 ESG Key Issues of investee companies

Categories	10 Themes	37 ESG Key Issues	
Environment	Climate Change	<ul style="list-style-type: none"> Carbon Emissions Product Carbon Footprint 	<ul style="list-style-type: none"> Financing Environmental Impact Climate Change Vulnerability
	Natural Resources	<ul style="list-style-type: none"> Water Stress Biodiversity & Land Use 	<ul style="list-style-type: none"> Raw Material Sourcing
	Pollution & Waste	<ul style="list-style-type: none"> Toxic Emissions & Waste Packaging Material & Waste 	<ul style="list-style-type: none"> Electronic Waste
	Environmental Opportunities	<ul style="list-style-type: none"> Opportunities in Clean Tech Opportunities in Green Building 	<ul style="list-style-type: none"> Opp's in Renewable Energy
Social	Human Capital	<ul style="list-style-type: none"> Labor Management Health & Safety 	<ul style="list-style-type: none"> Human Capital Development Supply Chain Labor Standards
	Product Liability	<ul style="list-style-type: none"> Product Safety & Quality Chemical Safety Financial Product Safety 	<ul style="list-style-type: none"> Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	<ul style="list-style-type: none"> Controversial Sourcing 	
	Social Opportunities	<ul style="list-style-type: none"> Access to Communications Access to Finance 	<ul style="list-style-type: none"> Access to Health Care Opp's in Nutrition & Health
Governance	Corporate Governance*	<ul style="list-style-type: none"> Board* Pay* 	<ul style="list-style-type: none"> Ownership* Accounting*
	Corporate Behavior	<ul style="list-style-type: none"> Business Ethics Anti-Competitive Practices Tax Transparency 	<ul style="list-style-type: none"> Corruption & Instability Financial System Instability

* Corporate Governance Theme carries weight in the ESG Rating model for all companies. In 2018, we introduce subscores for each of the four underlying issues: Board, Pay, Ownership, and Accounting.

Investment management for sensitive industries

Cathay Life

According to Cathay Life's Investment Management Principles for Sensitive Industries, **if the company is classified into sensitive industries and has a medium-high level of impact on the environment and society, it shall be included into the watchlist.**

Cathay Century P&C Insurance

Cathay Century P&C Insurance implemented a sensitive industry investment control mechanism prohibiting investments in relatively controversial industries, including

- 1) Tobacco industry
- 2) Gambling industry
- 3) Sex industry
- 4) Nuclear proliferation and biochemical weapon related industries
- 5) Tropical forest lumbering industry

Establish Sensitive Industry Investment Management

Cathay SITE

Cathay SITE implements exclusion screening for domestic equity funds and mandates. Cathay SITE follows group exclusion policy and **expands the exclusion list to the companies and countries with high ESG risks:**

International

- 1) Controversial Industries
- 2) Controversial Countries
- 3) Controversial Behaviors

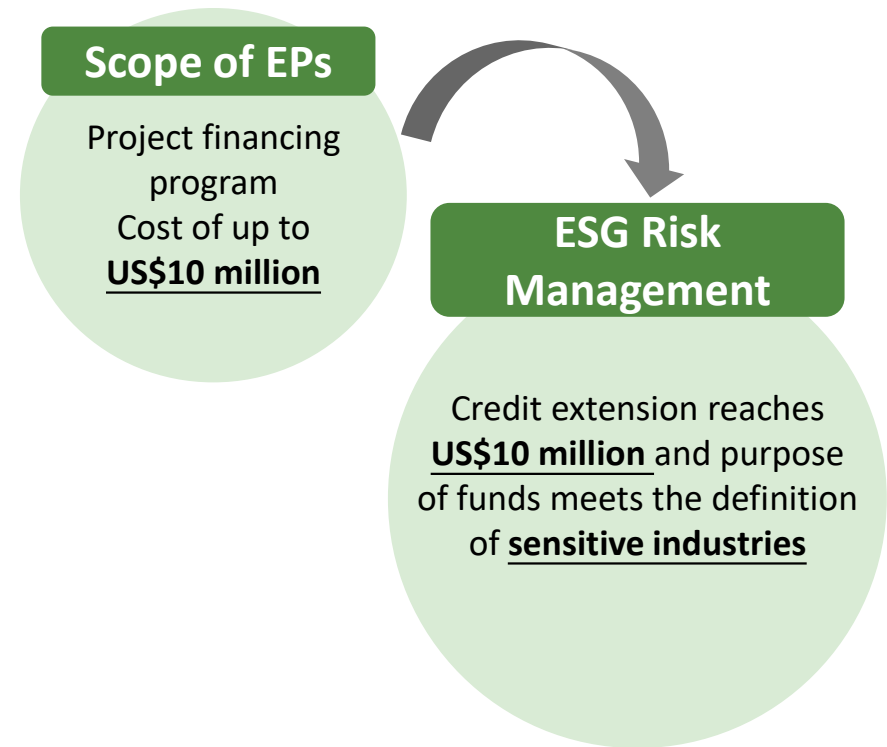
Domestic

- 1) Gambling
- 2) Weapons Trading
- 3) Tobacco, Alcohol and Drugs
- 4) Violation of Human Right
- 5) Violation of Labor Regulation
- 6) Hiring Child Labor
- 7) Pornography

Expand applicable scope of EPs to all credit applications

- ❑ In 2017, **CUB expanded the scope of EPs application and reviewed all credit applications received.**
- ❑ In 2018, CUB further established risk check points in the life cycles of sensitive industries, as well as guidelines for prevention/improvement measures, to assist with the process of KYC.
- ❑ **Expanding the spirit of EPs**

For clients whose credit facilities reach a significant level and where funding will be used in sensitive industries (such as mining/oil refining/metallurgy, hydro/oil-fired/coal-fired power generation, and forestry), the lending approval review process must incorporate the evaluation of environmental and social (E&S) impacts. After granting the credit facilities, CUB shall regularly perform reviews based on the initially proposed E&S management solutions.



All Loan is applicable for ESG Review and “No More Coal Power”

□ ESG Regulations for Corporate Loans and ineligible industries

- All CUB corporate lending cases comply with its ESG Principles. In doing so, CUB **incorporates ESG risk management in the credit reviews and post-loan management assessments of corporate loans**, and clearly defines the clients beneficial for sustainable development while identifying ineligible clients which do not meet sustainable development criteria.
- **CUB included coal-fired power plants to the ineligible list** since 2019.

Corporate loan application & review process

Check whether the borrower meets the industries defined by CUB ESG exclusion list



Fill out the ESG checklist according to the ESG Principles



Determine whether the project is an EPs project according to the EPs Rules



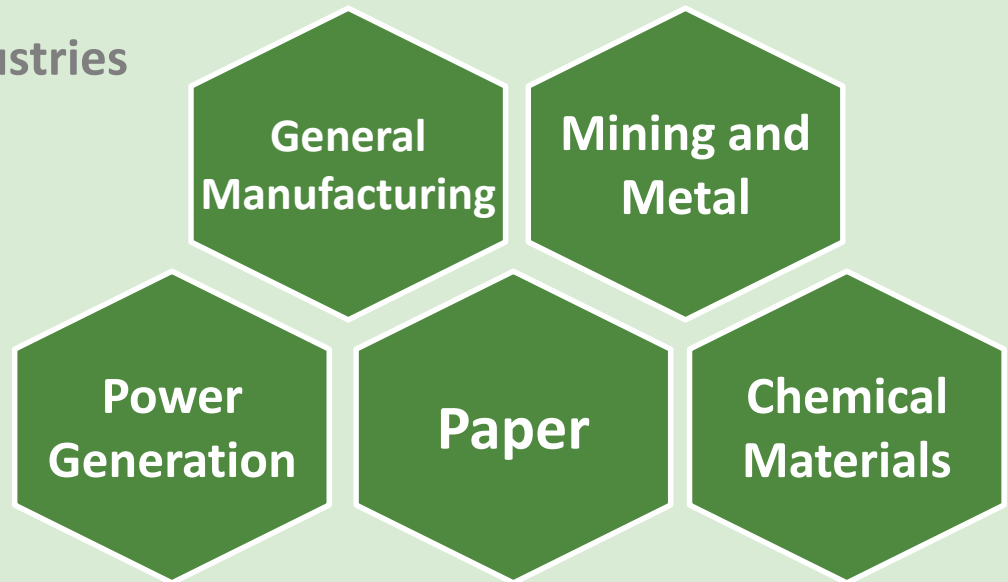
Loan application approval

Banking subsidiary also has ESG risk guidelines for sensitive industries

□ Establishing ESG risk guidelines for sensitive industries

- In April 2018, CUB established **ESG guidelines targeting the power generation, paper, chemical materials, general manufacturing, mining and metal industries** to further strengthen its ESG risk management mechanism.
- The guidelines incorporate the many ESG risks different industries confront in different life cycles, provide customers practical advice on risk mitigation, and assist our colleagues in recognizing ESG risks during KYC processes.

Guidelines for sensitive industries



All Real Estate Investment comply with Green Building Design Principles

- ❑ Cathay Life established its “**Responsible Property Investment and Management Policy**” in 2017, which incorporates concepts of PRI and PSI into real estate investments, specifying that elements such as green building standards and solar panel installation must be taken into consideration. Cathay has a total of 15 green buildings and continues to promote sustainable cities.
 - **For new buildings under construction**
 - ◆ Since 2016, architects commissioned by Cathay are required **to comply with green building design principles**
 - **Overseas real estate investments**
 - ◆ In the countries where green building regulations are more stringent (e.g. UK), Cathay Life gathers information such as building energy consumption when acquiring real estate properties, thereby **ensuring that the invested properties meet energy efficiency requirements**.
 - ◆ In 2019 Cathay Life began using the solar panels (183 kW) installed on the roof of its Education Building in Wuri, Taichung, the largest solar rooftop in the financial industry that generates electricity for self-use.

Invested real estate meet the green building design principles



Education Building in Wuri



Results of the ESG integrated review and control mechanism

□ ESG risk review for investee companies

- Cathay Life reviewed a total of 246 investment cases with potential risks, including listed equity and fixed income (non-corporate bonds and corporate bonds) in 2019.
- Three cases were held in current positions and one was underweighted.

□ EPs review and control for project financing

- During 2019, a total of two applications reached financial close (one project was classified as Category A and one projects as Category C), and were disclosed accordingly.

□ ESG review and control for corporate lending

- Among the total of 9,043 corporate loan applications reviewed and closed in 2019, 320 applications with ESG concerns (e.g., sensitive industry, pollution issues, and management integrity) were subject to approval with detailed reasons for granting or maintaining business relationships, and one were rejected because of Integrity issue of the owner.
- A total of 3,148 current credit reviews underwent ESG assessment, of which 88 cases with ESG-related concerns (such as pollution issues and management integrity) were documented with detailed reasons for maintaining business relationships and post-loan management.

Invest in low carbon industries and infrastructure to support transition

□ Low carbon Investing/Lending

- Cathay FHC is the **only Taiwan financial institution participates in the “Low-carbon Investment Registry”** initiated by GIC.
- To better calculating the amount of Low carbon Investing/Lending, **we define six low-carbon industries** in reference with the eight industries defined by “Low-carbon Investment Registry”.
- **Investment amount reached to US\$5.6billion** as of December 2019.

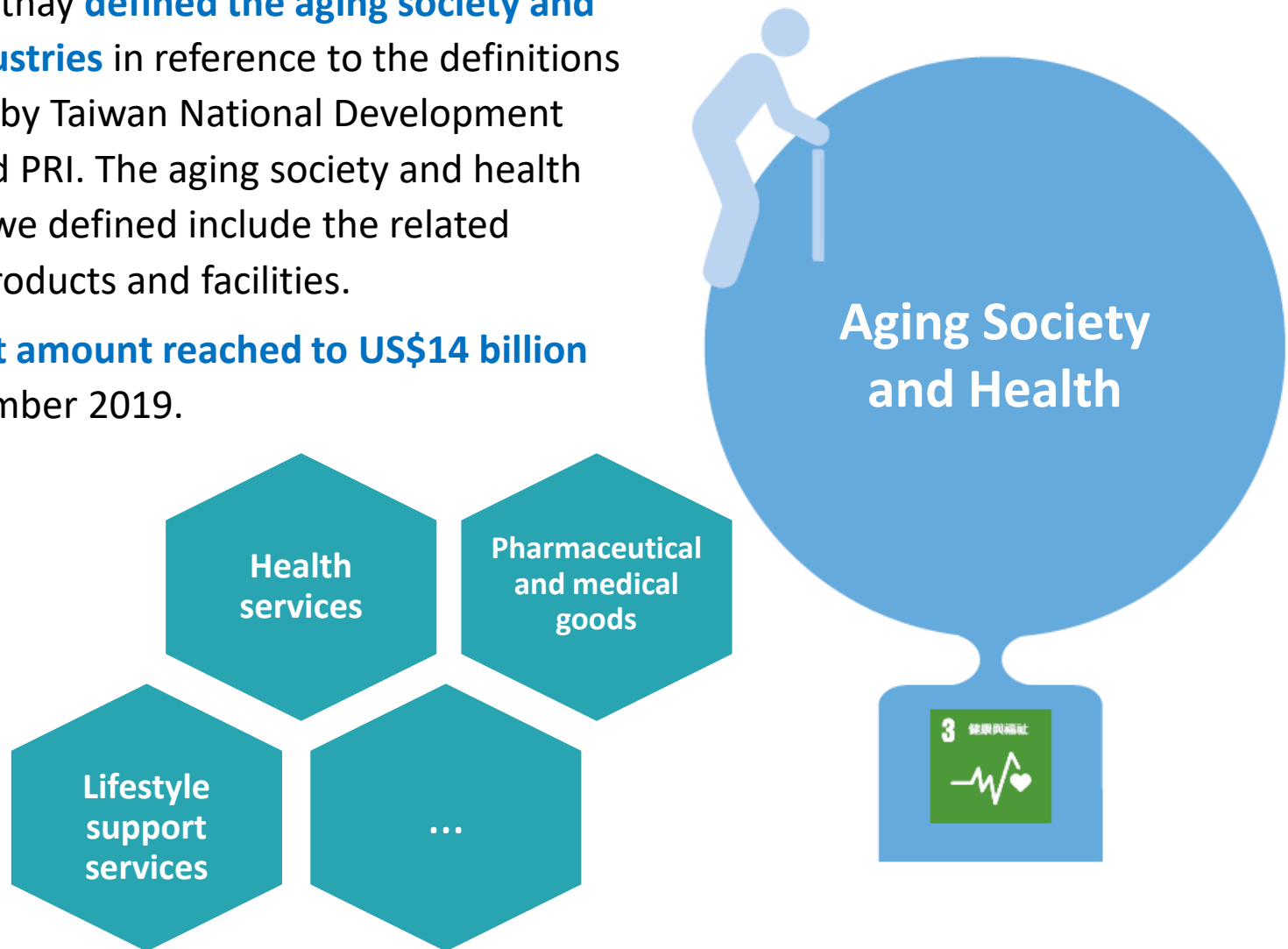
□ Infrastructure Investing/Lending

- Cathay refers to relevant government rules to define infrastructure related industries.
- **Investment amount reached to US\$22.3 billion** as of December 2019.



Invest in aging society & health industries helps building sustainable society

- In 2019, Cathay **defined the aging society and health industries** in reference to the definitions developed by Taiwan National Development Council and PRI. The aging society and health industries we defined include the related services, products and facilities.
- **Investment amount reached to US\$14 billion** as of December 2019.



Invest to Improve Education and Finance Inclusion

- ❑ Cathay **defined the scope of the Community and Financial Inclusion Industry** in reference with the definitions of related industries defined by PRI. The industries includes:
 - Education
 - Micro finance industries
- ❑ **Investment amount reached to US\$0.3 billion** as of December 2019.



Improving investee companies' ESG awareness

- Considering Taiwanese companies are unfamiliar with ESG issues, Cathay Life also took advantage of relevant activities or visited investee companies to demonstrate that institutional investors value the importance of ESG information in addition to the financial performance. Hopes the companies improve the transparency of their financial and non-financial (ESG) information and the quality of interaction between investors and international ESG grading institutions.
- For example, Cathay Life was invited as a guest speaker to the ESG Investment Forum co-organized by Taiwan Institute for Sustainable Energy and Aberdeen Standard Investment, in which we shared our responsible investment measures with directors and supervisors of other insurance companies and TWSE listed companies in 2019.



Participating in CDP Non-Disclosure Campaign(NDC)

- ❑ Cathay FHC was the first Taiwanese financial institution joining CDP since 2012 .
- ❑ Cathay FHC **participated in the “Non-Disclosure Campaign” initiated by CDP since 2017** encouraging Cathay’s investees/borrowers to disclose related information. Cathay is the only Taiwanese financial institution joining the NDC.
- ❑ Engagement achievements
 - Successfully engaged 16 Taiwanese companies since 2017.
 - The response rate of companies engaged by Cathay was 14.3% in 2019, which was much higher than the 6.9% response rate of the companies without investor engagement
 - Taiwan is ranked 9th globally in NDC success rate according to CDP Report.



Encouraging borrowers to improve project transparency

- ❑ The first financing case following the EPs in Taiwan
 - CUB served as the lead arranger and collateral management bank for the first syndicated loan for offshore wind power (Swancor) in Taiwan on May 10, 2016.
 - It was also **the first financing project to comply with the EPs in Taiwan.**
- ❑ In order to follow the EPs, **Swancor's website provides an introduction to the wind farm, construction planning, development progress, and environmental monitoring results.**



Offshore wind turbines construction project disclosure: <http://www.swancor.com/tw/project.php?act=placelist>

Joining AIGCC & Climate Action 100+ to raise climate awareness



- ❑ **Cathay FHC joined AIGCC in 2016** and participates in the monthly conference calls discussing the global trends of climate change.
- ❑ Sophia Cheng, CIO of Cathay FHC, was appointed as the chair of AIGCC in November 2018.



- ❑ Climate Action 100+ initiative has more than 450 signatories, who manage more than USD \$40 trillion in assets under management. **Cathay Life and Cathay SITE are only two signatories in Taiwan.**
- ❑ Cathay has been engaging with all the three Taiwanese target companies to urge them curb emissions, Improve governance and strengthen climate-related financial disclosures..

Urging corporates awareness on climate change since 2017

2017 Climate Change Roundtable

- Over 20 top managements from leading industries and institutions had interactive discussion with Mr. Al Gore.
- All delegates shared their opinions on climate change and their climate actions.



2018 Climate Change Forum

- Co-hosted the forum with CDP and PwC to educate our investee companies on CDP and TCFD details. A total of 86 individuals and 55 enterprises participated.



Broaden topics and audience in 2019 Climate Change Forum

- ❑ Cathay FHC hosted the 2019 Climate Change Forum in co-organized with TWSE and AIGCC, and we **broadened the target audience to all the listed companies** besides our investee companies.
- ❑ We invited **the Director of AIGCC to share the progress of TCFD implementation in Asian countries and other regions**. We also hosted two parallel panel discussions which invited **the leaders from the corporates, government and academia to share their observations on implementation of TCFD and carbon reduction**.
- ❑ Besides the insightful forum, we simultaneously organized the exhibition to showcase the feasible solutions on renewable energy and circular economy. The number of participants in 2019 jumped significantly with a total of 154 participants from 91 companies joined the event. More than half of the companies in the FTSE TWSE Taiwan 50 Index took part in the event.



Selected as the Best Practices of Stewardship in Taiwan

- ❑ Five subsidiaries (Cathay Life, Cathay Century, CUB, Cathay SITE and Cathay Securities) are signatories to the Taiwan Stewardship Principles for Institutional Investors.
- ❑ Cathay Life has published the first stewardship report among Taiwanese financial institutions.
- ❑ **Cathay Life, Cathay SITE and Cathay Century were selected as Signatories with Better Practices and Compliances in 2019**, which implies our stewardship practice is recognized by TWSE. **Three of five selected domestic institutional investors are Cathay's subsidiaries.**

The screenshot shows the Taiwan Stock Exchange Corporate Governance Center website. It features a navigation bar with links like 'About Us', 'Latest News', 'Stewardship Principles', 'Corporate Social Responsibility', 'Rules and FAQs', 'Evaluation System', 'Events and Publications', and 'Statistics'. The main content area highlights 'Consolidating corporate governance culture' and 'Creating an investment-friendly environment'. Below this, there are several key areas: 'Deepening Corporate Governance and CSR Culture', 'Augmenting regulatory enforcement', 'Improving international competitiveness', 'Enhancing Board Functions', 'Promoting shareholder activism', and 'Strengthening Information Transparency'. A sidebar on the left lists 'Stewardship Principles', 'Stewardship Principles Overview', 'List of Signatories', 'Other Countries Stewardship Codes', and 'Stewardship Report Examples'. The main section displays the 'List of Signatories' with a search bar and a table of signatories.

No.	Type	Signatories	Endorsement Date	Latest Updates*	Statements	Remarks
1	Investment Trust	CTBC Investments	2016-07-07	2020-01-02		
2	Investment Trust	SinoPac SITC	2016-07-12	2019-03-04		



Domestic Institutional Investors

[Bureau of Labor Funds](#)

[Cathay Century Insurance](#)

[Cathay Life Insurance](#)

[Cathay Securities Investment Trust](#)

[J.P. Morgan Asset Management \(Taiwan\) Limited](#)

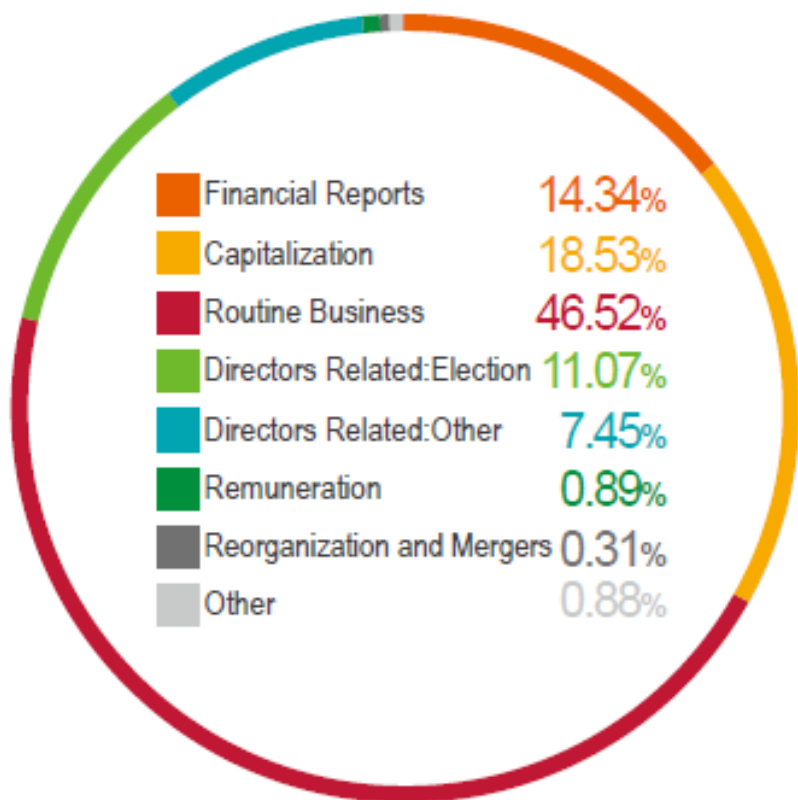
- List of signatories: <https://cgc.twse.com.tw/stewardshipList/listEn>
- Signatories with Better Practices and Compliances: <https://cgc.twse.com.tw/stewardshipInfo/listEn>

Voting and Supervising are our Duties

- In 2019, **Cathay attended a total of 1,437 shareholders meetings and voted on 9,997 proposals.**
- **Cathay voted in support for 9,495 proposals and against 51 proposals.** Cathay abstained from voting on 451 proposals due to the compliance with government regulations(Note). The voting status by proposal type is shown as below:

- Cathay also communicates with the top management of investee companies in the forms of telephone conferences, forums, investor meetings, or attending shareholders' meetings. In 2019, a total of 6,581 delegates from Cathay Life, Cathay Century and Cathay SITE visited 1,982 companies.

Note: According to Articles 146-2 and 146-5 of the Insurance Act, Insurance companies may not vote in director and supervisor elections of domestic companies and public utilities and social welfare enterprises they have invested in, hence the abstention votes for proposals related to the appointment of directors and supervisors.



Regularly review mandate managers' responsible investment performance

- ❑ Cathay Life and Cathay Century has outsourced 10~20% of its total assets as mandates to third-party managers.
- ❑ **Cathay Life reviews their mandate managers' ESG performances annually** to ensure them fulfill their duties as responsible asset managers.
- ❑ In 2019, **Cathay Life further requested asset managers to take climate change into consideration** and formulated in the mandate contract. Cathay Life will review their ESG performance annually.
- ❑ Cathay Century P&C Insurance has been actively requesting the mandate managers implementing control procedures on socially responsible investments (SRI). **The mandate manager are required to report its actual performance on a quarterly basis.**
- ❑ **99% of the asset management companies providing discretionary investment services to Cathay Life and Cathay Century are signatories to the PRI or local stewardship principles.** The weighting was 1% higher than the previous year.

ESG Products/Services and Promoting Responsible Investment/Lending

Provide ESG Investment Products and Services

- ❑ Cathay FHC is committed to developing comprehensive sustainable finance services, including renewable energy lending/insurance, electric vehicle and bicycle insurance, charitable trust, and long-term care insurance, etc. See our [CS report](#) for more details; here highlights the ESG investment products and services only.
 - **PE Fund for Sustainable Industries**
 - ◆ Cathay has signed limited partnership contracts for its PE funds, with promised investment totaling NT\$8.03 billion.
 - ◆ **The funds mainly invest in key sustainable industries in Taiwan, including circular economy** (e.g., sewage treatment and waste processing and reuse), **renewable energy** (e.g., solar energy, geothermal energy, hydropower, and energy storage), as well as the “5 + 2” innovative industries promoted by the government (e.g., Internet of Things, smart machinery, new agriculture, and long-term care).
 - **Labor Pension Fund ESG investment mandate**
 - ◆ **Cathay SITE received the Bureau of Labor Funds' investment mandate for the first ESG fund in Taiwan in March 2018.** The assets under management amount to NT\$6 billion.
 - ◆ The ESG mandate fund benchmarks investment performance against the FTSE4Good TIP Taiwan ESG Index which is the index combining environmental, social, and corporate governance (ESG) and financial indicators.

Provide ESG ETF and ESG Equity Research Reports

□ Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF

- The ETF fund track MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index. It **selects 30 stocks from the MSCI Taiwan Index which have high Dividend Yield, ESG Controversy Score greater than or equal to 3 and ESG Ratings equal to or better than 'BB'**. It provides investors a sustainable way to invest and stable profits.

□ ESG Equity Research Reports

Cathay Securities integrates ESG analysis into equity research reports to provide insights to investors from both fundamental and ESG aspects. By collaborating with National Taipei University, the ESG analysis has four advantages:

- 1) The analysis has stronger theoretical basis
- 2) Provide deeper analysis with local market experiences
- 3) Improve the coverage of ESG research on Taiwanese companies
- 4) The research is more reliable because of the independent third-party

Promoting Responsible Investment in Taiwan

- In 2019, Head of Discretionary Investment Division, Yung-Hui Chang was invited by MSCI to participate “How to create the value of ESG investing” forum to share Cathay SITE’s perspective on responsible investment.



- In 2019, Cathay Life was invited to Global Corporate Sustainability Forum as a panelist on “A Deep Dive into ESG Investing” in which we shared responsible investment measures.



Cultivating CSR young talents

Cathay FHC + National Taiwan University



Held speech contests titled "Generation Talks" in collaboration with NTU to address issues concerning the environment, gender equality, senior citizens, and the socially disadvantaged.

Cathay FHC + PwC : CSR Camp



Worked with PwC in organizing "CSR Camp" through which interested students were able to familiarize themselves with CSR issues at an early stage

Cathay FHC + National Tsing Hua University



Worked with Hou De Academy, National Tsing Hua University, in recruiting interns at the end of each year for joining in a six-month CS internship program.

Cathay FHC + Smart Aging Alliance



Partnered with the Smart Aging Alliance (comprising representatives from NTU, NTNU, TTU, TMU and TKU) by sharing our insight on "elder-friendly financial experience" during the course titled "Designing Products for the Benefit of Elders."

Cathay FHC's RI disclosures - Reports

❑ Cathay FHC CS Report

- Cathay FHC publishes its CS report annually. The report structure follows with the standard of GRI, the concept of integrated reporting and Task Force on Climate-related Financial Disclosures (TCFD) framework.
- The report also includes our progress of RI practice.
<https://www.cathayholdings.com/en/holdings/csr/intro/csr-report>

❑ Cathay Life Insurance CS Reports

<https://patron.cathaylife.com.tw/ODAB/en/ODAB8000>

❑ Cathay Century Insurance PSI Disclosure Reports

<https://www.cathay-ins.com.tw/cathayins/company/sustainable/statement/psi/>

❑ CUB's Equator Principles website

<https://www.cathaybk.com.tw/cathaybk/english/sub7.asp>

❑ Conning Inc.'s PRI transparency report

<https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/2127D614-1E2C-4CD8-BB23-8F811A42A6F2/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>

❑ Cathay FHC RI Progress Report

<https://www.cathayholdings.com/en/holdings/csr/intro/te/disclosure#first-tab-02>

Cathay FHC's RI disclosures - Policies

□ Cathay Financial Holdings Responsible Investment and Lending Policy

<https://www.cathayholdings.com/holdings/-/media/7a3376242aa8480694f878132ed3a597.pdf?la=en&hash=9A45F86E052B153960012FE993A5634CF81A6319>

□ Cathay Financial Holdings Investment and Lending Exclusion Policy

<https://www.cathayholdings.com/holdings/-/media/5b8c021f995c400288a07cba0ed881c7.pdf?la=en&hash=6C93A049EF9B7A303C0D687F17B70B9CF9AD9F22>

□ Cathay Financial Holdings Engagement Policy

<https://www.cathayholdings.com/holdings/-/media/c786699081444d179ce2921eb92ea029.pdf?la=en&hash=30DDECC6F5185561088B31FD27D7C0BE11529B19>

Cathay FHC's RI disclosures_ stewardship and voting results

☐ Responsible Investment and Stewardship Progress, please see:

- [2019 Cathay Life Insurance Responsible Investment Stewardship Report](#)
- [2019 Cathay SITE Stewardship Report](#)(Chinese only)

☐ Stewardship Compliance Statements, please see:

- [Cathay Life](#)
- [Cathay Century](#) (Chinese only)
- [Cathay SITE](#) (Chinese only)
- [Cathay Securities](#) (Chinese only)
- [Cathay United Bank](#) (Chinese only)

☐ Voting results, please see:

- [Cathay Life Insurance Proxy Voting Report](#) (voting records for 5 years)
- [Cathay Century's vote disclosure report](#)
- [Cathay SITE Voting Disclosure website](#) (voting records for 4 years)
- [Cathay Securities' Disclosure of Compliance with the Taiwan Stewardship Principles for Institutional Investors](#) (Chinese only)
- [CUB's Disclosure of Compliance with the Taiwan Stewardship Principles for Institutional Investors](#) (Chinese only)

The Slides mapping to Principles of Responsible Investment (PRI)

	Principles of Responsible Investment	Slides No.
PRINCIPLE 1	We will incorporate ESG issues into investment analysis and decision-making processes.	Slide 3~28, 41
PRINCIPLE 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	Slide 29~40
PRINCIPLE 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	Slide 30~33
PRINCIPLE 4	We will promote acceptance and implementation of the Principles within the investment industry.	Slide 31, 41, 44, 45
PRINCIPLE 5	We will work together to enhance our effectiveness in implementing the Principles.	
PRINCIPLE 6	We will each report on our activities and progress towards implementing the Principles.	Slide 47~49

~ Thank You ~

