

Cathay Financial Holdings and Subsidiaries'

Engagement Guidelines

Formulated on: May 13, 2021

Revised on: June 5, 2024

Responsible Unit: Corporate Sustainability Office

Article 1 (Purpose and Basis)

To integrate "Corporate Engagement and Shareholder Action" into the investment and lending process, Cathay Financial Holdings (hereinafter referred to as "CFH") has established these Engagement Guidelines (hereinafter referred to as "Guidelines") based on CFH and Subsidiaries' Engagement Policy. These Guidelines aim to enhance the research and analysis of entities involved in investment and lending (hereinafter referred to as "Entities"), promote their continuous improvement, demonstrate corporate sustainability and corporate governance value, fulfill CFH's post-investment and lending responsibilities, and exert positive influence.

Article 2 (Scope of Application)

These Guidelines apply to CFH and its subsidiaries, including: Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), and Cathay Venture Inc. (Cathay Venture). (Collectively referred to as "Subsidiaries")

Article 3 (Engagement Initiation Procedures)

Each subsidiary identifies ESG (Environmental, Social, and Governance) issues using publicly available information, ESG databases, or other research sources. They are encouraged to engage with the Entities on the following Guidelines:

1. Engagement Guidelines for environmental issues:
 - A. Climate Change: Influence the Entities take actions toward low-carbon transition and take concrete measures to address climate change.
 - B. Water Stress: Recommend that Entities set water reduction targets, incorporate water recycling practices, and improve wastewater treatment measures.
 - C. Biodiversity: Recommend that Entities evaluate their impact and dependency on nature and ecosystems.
2. Engagement Guidelines for social issues:
 - A. Labor Management: Recommend that Entities establish labor management policies for their workforce and suppliers.
 - B. Product Safety and Quality: Recommend that the Entities obtain third-party certifications for product safety and green products.
 - C. Chemical Safety: Recommend that Entities establish chemical management mechanisms and set timelines for phasing out hazardous chemicals.
3. Engagement Guidelines for governance issues:

- A. Board of Directors: Recommend that Entities enhance the independence and diversity of their board.
 - B. Sustainable Governance: Provide suggestions on the sustainable governance framework for Entities, such as recommending the establishment of a sustainability committee and elevating the level of ESG oversight.
4. Overall ESG consideration
- A. ESG Performance Ratings: Recommend that Entities review their ESG performance ratings and improve their ESG performance.
 - B. ESG Disclosure: Influence Entities to improve ESG disclosure.
 - C. ESG Controversies: Influence Entities to develop measures to address and mitigate ESG controversies.

Article 4 (Engagement Model)

Subsidiaries may directly or collaboratively engage with the directors or senior managers (e.g. President or CFO) or other representatives (e.g. the spokesperson or the sustainability team) of the Entities.

1. Direct Engagement: Subsidiaries may conduct discussions on ESG strategies, business operation, and other related issues with the Entities via direct communications (e.g., phone calls, letters, e-mails and in-person meetings). The feedback from the Entities may be incorporated into the subsidiaries' research, analysis, and management processes as a reference.
2. Collaborative Engagement
 - A. Subsidiaries may exert its influence on responsible investment by signing up for or voluntary adherence to relevant international ESG initiatives. International initiatives and international organizations include, but are not limited to, the Principles for Responsible Investment (PRI), the Equator Principles (EPs). Asia Investor Group on Climate Change (AIGCC), and Carbon Disclosure Project (CDP). Subsidiaries may collaborate with other financial institutions or international organizations to participate in or undertake meaningful and rational engagements.
 - B. The Responsible Investment Working Group of the Corporate Sustainability Committee (hereinafter referred to as the Responsible Investment Working Group) may conduct periodic reviews to select the Entities for engagement and exert its influence on responsible investment based on the management needs of the financing position.

Article 5 (Engagement Escalation Strategy)

The Responsible Investment Working Group shall annually review the Entities and engagement outcomes. If the desired outcomes of engagement have not been achieved, the escalation engagement strategy may be undertaken based on management needs. For example, increasing the frequency of communications, increasing the rank of the representatives of both parties, inviting the Entities' important stakeholders to join the engagement, making ESG statements at the Entities' shareholders meeting or financial results meetings, or filing proposals at the Entities' shareholders meeting. Subsidiaries may communicate with the Entities regarding relevant ESG proposals prior to their annual shareholders' meeting.

Article 6 (Termination of Engagement)

Engagement may be terminated if the desired outcome has been achieved.

If making further ESG improvements is difficult for the Entities, subsidiaries may evaluate and adjust their investment, lending, or business relationships and terminate the engagement.

Engagements may be terminated with approval from the Responsible Investment Working Group.

Article 7 (Disclosure)

CFH shall annually disclose the outcomes of Corporate Engagement and Shareholder Action in the Corporate Sustainability Report.

External regulations and the purpose of management shall be taken into consideration when subsidiaries disclose the information on engagements and voting of the shareholders' meetings.

Article 8 (Formulation, Revision, Enforcement, and Repeal)

Formulation, revision or repeal of the Guidelines shall be approved by the President.

The Guidelines are effective on the date of enforcement, The revision or repeal of the Guidelines shall take effect on the date of revision or repeal.