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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 engages with stakeholders in accordance with the four fundamental principles outlined in AA1000 Stakeholder Engagement Standard (AA1000 SES): Materiality, Inclusivity, Responsiveness, and Impact. In the meantime, we identified nine major stakeholder groups with our sustainability blueprint designed to hone in on our sustainability strategies. We engage with stakeholders through diverse channels and mechanisms to listen to, understand, and respond to their voices and needs. We aim to establish mutual benefit and trust through continued communication and engagement.

For more information on Cathay FHC's communication channel, engagement frequency and feedback mechanisms, as well as the complete list of interactions in 2024, please see [the Cathay FHC official website](#).



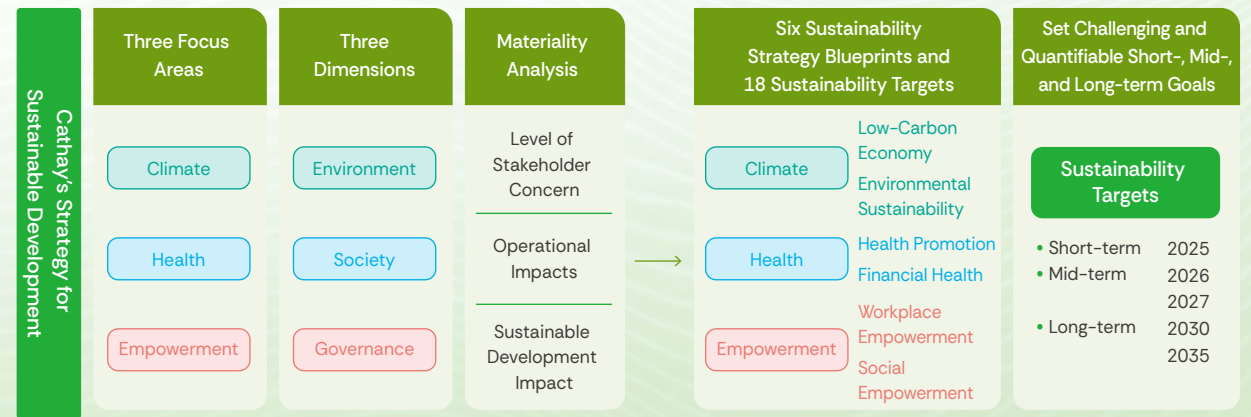
1.3.2 Materiality Analysis

|| Materiality Analysis of CS Issues and Formulation of Sustainable Strategies

Cathay FHC conducts annual materiality analyses in accordance with the "GRI Universal Standards 2021" and "GRI 3: Material Topics 2021." The analyses integrate the concept of double materiality as outlined by the European Financial Reporting Advisory Group (EFRAG) under the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). 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.

In its double materiality analysis, Cathay FHC integrates Financial Materiality by assessing the degree of operational impact within the company to prioritize sustainability issues based on their financial implications or impact on corporate value. This is further complemented by the methodology of Impact Materiality, which evaluates the significance of the company's sustainability issues on external stakeholders through both monetary and non-monetary assessments, allowing for effective prioritization. Guided by the value-driven principles of its three sustainability pillars—Climate, Health, and Empowerment—Cathay systematically advances corporate sustainability, striving to create shared social value for all stakeholders.

Cathay FHC takes a multi-layered approach to defining material topics, considering factors such as stakeholder concerns, operational impacts, and sustainability impact—based on survey results. These are further aligned with long-term internal goals and senior executive compensation. A total of 19 material topics 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.



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CS Issues Materiality Analysis Process

Identification

1 Compile and Identify

By analyzing global sustainability disclosure standards, sustainability ratings, industry benchmarks, international trend reports, and our sustainability vision and organizational development goals, Cathay FHC conducts daily operations and interacts with stakeholders to ensure ongoing communication and feedback.

2 Identify Potential Issues

Confirm 27 CS issues:

- Related to governance: 9
- Related to environment: 6
- Related to society: 12

Note: To more accurately reflect the meaning and scope of each topic-and to comprehensively represent Cathay's sustainability priorities and direction-several ESG topic names have been adjusted compared to the previous year. "Corporate Governance" has been renamed to "Corporate Governance and Ethical Corporate Management"; "Risk Management" has been revised to "Risk and Crisis Management"; "Sustainable Procurement and Supplier Management" has been changed to "Sustainable Supply Chain Management"; "Ethics and Compliance" has been updated to "Regulatory Compliance"; and "Human Rights" has been more precisely expressed as "Safeguarding Human Rights." "Digital Transformation and Innovation" was expanded to "FinTech / Digital Transformation and Innovation"; "Real Estate Management" was revised to "Green Leasing and Real Estate Management"; and "Carbon Emissions in Financial Assets" was renamed to "Decarbonization Strategy for Financial Assets." "Responsible Finance" and "Sustainable Financial Products" have been renamed to "Responsible Investment and Financing" and "Financial products with environmental/social benefits," respectively. The original "Healthy and Agile Workplace Environment" issue has been divided into two separate issues: "Workplace Digital Transformation" and "Employee Health and Well-being." Additionally, a new issue, "Financial Crimes and Anti-Fraud," has been introduced.

Analyze and Assess the Significance of Impact

3 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 stakeholders responded

- Including investors: 529
- Suppliers: 74
- Government organizations: 10
- Employees: 1,153
- Media: 38
- Communities: 21
- Customers: 1,379
- Public associations: 11
- Youth: 131

4 Operational Impacts

To identify the impact of ESG issues on our operations, a materiality assessment questionnaire was distributed to 21 senior executives, including the Cathay FHC Vice President, presidents and vice presidents of Cathay subsidiaries, senior executives, and ESG Strategy Committee members. They were asked to assess the degree of impact of CS issues on the company's operations or value (operations development, customer trust, corporate image, reputation as best employer, social prosperity).

According to the survey analysis results, the issues identified as having the greatest impact on operations are "Corporate Governance and Ethical Corporate Management," "Risk and Crisis Management," "Business Performance," "Financial Crimes and Anti-Fraud," "Financial products with environmental/social benefits," "Health Promotion and Life Security," and "Customer Relationship Management."

5 Sustainable Development Impact

Cathay FHC refers to the impact metrics suggested by Harvard Business School's Impact-Weighted Accounts, as well as the profits and losses of five major capitals (5C P&L) methodologies defined in the biannual Impact Measurement & Valuation (IMV), to assess the significance of the impact of sustainability issues.

Confirm

6 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

7 Disclose and Formulate Long-term Sustainability Goals

Disclose contents of material issues that correspond to the GRI Standard; set corresponding short-, mid-, and long-term goals and disclose them in the Cathay FHC sustainability report. For progress and achievements in 2024, please refer to the official Cathay FHC site.

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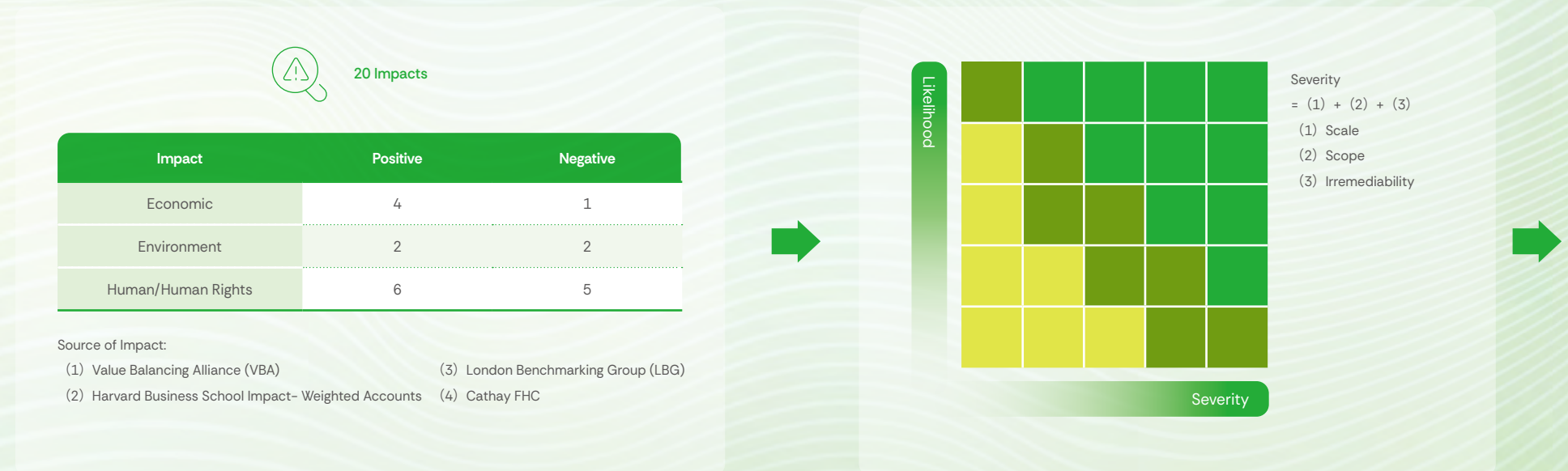
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|| The Significance of CS Issue Impacts

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. Cathay has established significance thresholds to identify eight external sustainability impacts that are highly relevant to the company, categorized under economic, environmental, and people (human rights) dimensions. 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"; "People (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, loans, or financial products and services may contribute to climate or ecological impact by supporting high-emission or highly polluting industries"; "People (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 of Cathay's Impact Valuation



Defining Positive and Negative Impacts

Determine materiality threshold

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• Sustainability Impact Pathway of Cathay's Impact Valuation

8 Significant Impacts		Relevant 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、Y、Z
- Economic	Improper use of funds may impact financial markets	A、B、C、F、J、K
+ Environmental	Supporting industries in sustainable or green transitions through investments, lending, and financial products and services	B、E、J、K、L、M、P
+ Environmental	Participating in domestic and international initiatives or organizations to promote sustainability awareness among industries and stakeholders	A、G、J、K、L
- Environmental	Investments, loans, or financial products and services may contribute to climate or ecological impact by supporting high-emission or high pollution industries	J、K、L、M、O
+ People / Human Rights	Providing affordable products or services to underserved or disadvantaged groups (e.g., financial inclusion products and services)	E、H、J、W、X、Z
- People / Human Rights	Misuse of data or privacy breaches may harm the rights of employees and customers	A、B、D、E、F、I

Company ESG Issues

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



Level of Impact	CS Issues
Primary Impacts	<ul style="list-style-type: none">Financial products with environmental/social benefitsResponsible Investment and FinancingCorporate Governance and Ethical Corporate ManagementFinTech / Digital Transformation and Innovation
Secondary impacts	<ul style="list-style-type: none">Risk and Crisis ManagementDecarbonization Strategy for Financial AssetsEnvironmental Impact of OperationsBusiness PerformanceRegulatory CompliancePrivacy and Information SecurityFinancial Crimes and Anti-FraudFinancial Planning and ServicesFinancial InclusionHelping the Underprivileged
Significant	<ul style="list-style-type: none">Sustainable Supply Chain ManagementSafeguarding Human RightsGreen Leasing and Real Estate ManagementNature & BiodiversityHealth promotion and life security

Significant Impact

CS Issues behind Significant Impacts