



國泰金控  
Cathay Financial Holdings

# Cathay Financial Holdings

ESG Integration Report

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# Executive Summary

With a vision to become the leading financial institution in the Asia-Pacific region, we have identified three engines of growth - "Insurance, Banking and Asset Management" - as our core strategy and aligned with international frameworks including Equator Principles (EPs), Principles for Sustainable Insurance (PSI), Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB). By integrating ESG (Environmental, Social, and Corporate Governance) into the business operation, we internalize sustainability to manage potential risks, improve operation efficiency and grasp market trends and opportunities to create value for clients and shareholders. By combining sustainability with core competency, Cathay could leverage our influence as the largest financial institution in Taiwan to bring virtuous cycle and collective good of Taiwan's society.

The ESG Integration Report aims to introduce how Cathay integrate ESG into business processes. Chapter 2 introduce Cathay's sustainability organization structure and sustainability training. The platform for departments across the group to communicate and collaborate, as well as trainings to internalize the spirit of sustainability are the foundations that we could integrate ESG deeply.

Chapter 3 provides an overview of the ESG integration of risk management. Society and economy are changing rapidly and financial environment is growing more complex. The risk management would be more robust and able to respond more diversified risks through ESG integration.

Chapter 4 explains the ESG integration of services and products. We create value for customers through financial products and services. We can better understand the demands of society and industries and properly control risks to create maximum value through ESG integration.

Chapter 5 introduces the ESG integration of after-sales management. Due to the characteristics of financial services, our contractual relationship with customers may last for several years or even decades. ESG integration helps us satisfy customers and properly manage the corresponding risks.

Chapter 6 provides an overview of the ESG integration of asset management. The financial institution is the guardian of public funds. ESG brings broader and more profound perspectives for asset management and effectively lower risks to obtain returns in the long-term.

Chapter 7 explains the ESG integration of operation management. Business operations rely on a variety of natural resources. Properly managing the relationship between operations and natural resources is an important issue for reducing operational risks and building a sustainable society.

Through integrating ESG into business operation, Cathay ensure its resilience and competitiveness in the rapidly changing environment.

Cathay hope to introduce the ESG integration of business to the stakeholder and take the responsibility of an industry leader to create positive influence, encouraging industries to implement corporate sustainability. This report provides details on our mechanism of ESG integration. The regular sustainable performance will be disclosed in Cathay FHC sustainability website and Sustainability Report, please see:<https://www.cathayholdings.com/holdings/csr>



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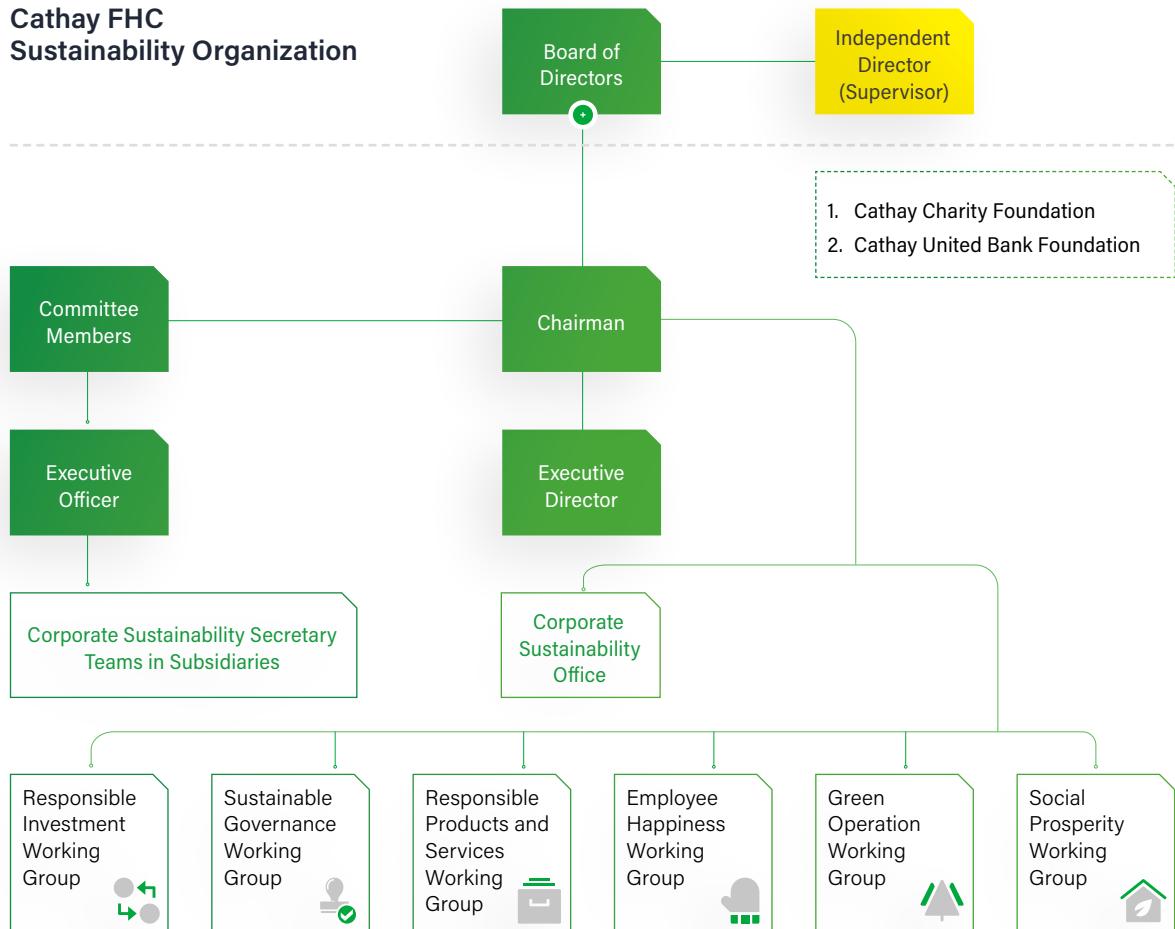
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## Sustainability Organization and Talent Development

Cathay FHC has established Corporate Sustainability Committee as the core unit for promoting corporate sustainability. The CS Committee is subordinate to the Board of Directors, supervised by independent directors, chaired by the President of Cathay FHC, and presidents of primary subsidiaries serve as committee members. The committee comprises 6 main working groups, each headed by a senior executive of a related department.

Cathay FHC has established Corporate Sustainability Office as the dedicated department to promote sustainability in Cathay. The CS Office is subordinate to the President of Cathay FHC. We also established secretary units in the subsidiaries for promoting sustainability to improve the coordination and communication across the group on sustainability issues.

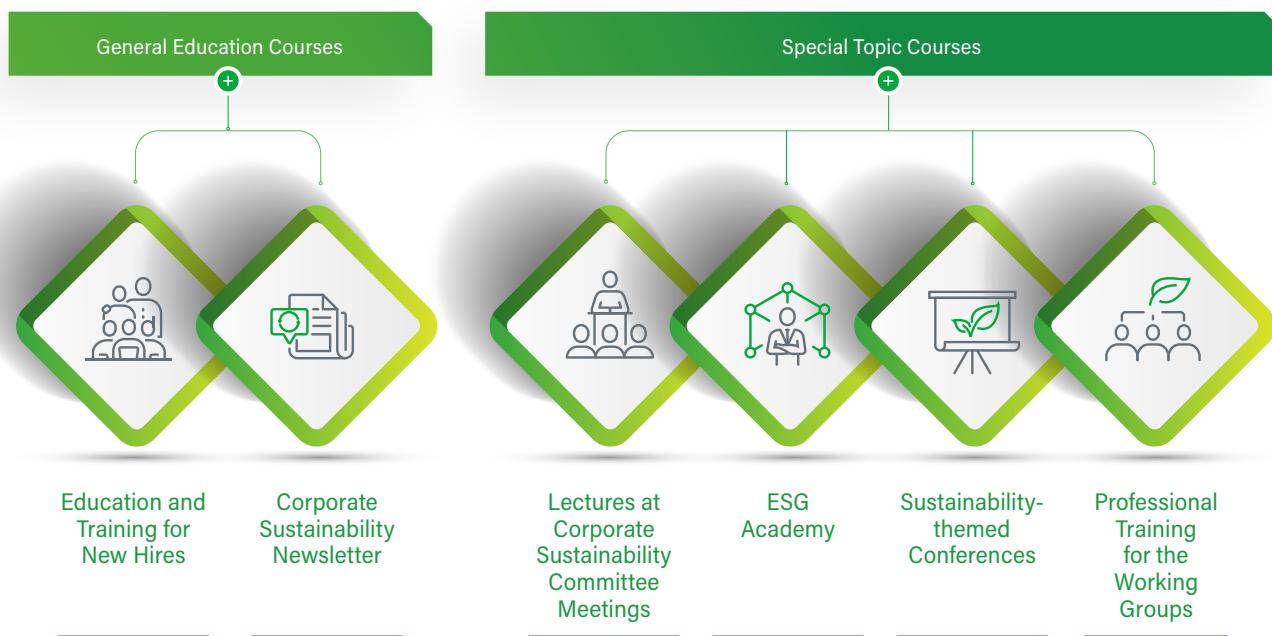
## Cathay FHC Sustainability Organization



## Corporate Sustainability Talent Development

Cathay provides sustainability related courses to meet different needs in hopes of improving employees' understanding of corporate sustainability and encouraging them to incorporate ESG issues into their work. Our goal is to make corporate sustainability a part of all employees' DNA.

### Cathay's Corporate Sustainability Talent Development Mechanisms



# Risk Management

03



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# Risk Management

The Cathay FHC Board of Directors is the highest decision-making authority among our risk management organizations, and is in charge of the supervision and approval of the risk management policies as well as other major risk management systems. Cathay FHC established Risk Management Committee as well as independent risk management units. We adopt three lines of defense to implement risk management and internal control.

Our Chief Risk Officer is the highest level supervisor of risk management units, convenes Risk Management Committee meetings on a monthly basis, and is responsible for the review, supervision, and coordination of various risk management operations. For the monitoring of risk management implementation, Cathay FHC and its major subsidiaries regularly submit reports on risk management implementation to our Risk Management Committee and Board of Directors, thereby fully disclosing the extent of Cathay's risks exposure and reviewing the compliance with risk management systems.

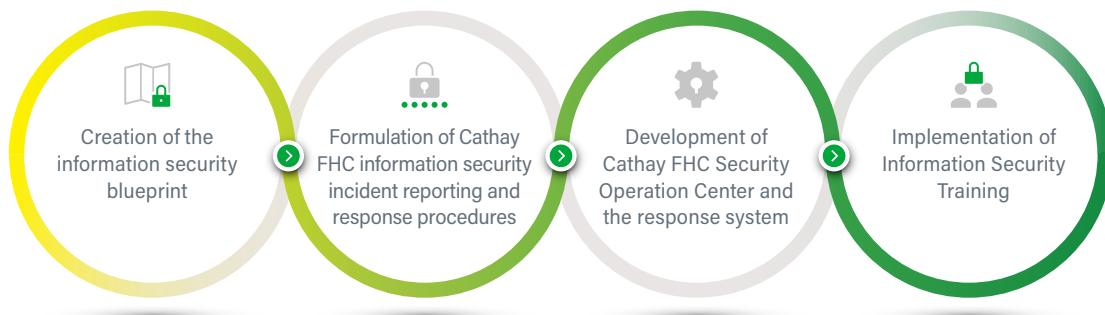
Cathay FHC's risk management is based on the Enterprise Risk Management (ERM) framework, under which we established our Risk Management Policy. It stipulates management guidelines in terms of market, credit, operational, liquidity risk, capital adequacy, emerging risks, and ESG risks (climate risk included), implementing risk management via relevant business related to investments and credit loans. Besides, we established risk assessment indicators for major risks. All of the indicators were reviewed and approved by the Board of Directors, and are periodically assessed and monitored to determine if the risk exceeds our risk appetite, so that further management measures can be implemented. This risk appetite is subjected to stress-testing to ensure that it remains appropriate given changes in the business environment.

We established *Regulations for Reporting Operational Risk Events*, *Regulations for Reporting Emergency Credit Risk Events*, and *Regulations Governing the Handling of Major Incidents* to improve our risk management performance, and established corresponding reporting systems. When a risk event occurs, units or subsidiaries shall immediately report it to the Risk Management Division. The units or subsidiaries shall inspect the progress of risk events and implementation of improvement plans each month.

Facing the growingly complex financial environment, and in light of the growing impact brought by technological developments, extreme weather, and aging population, we include emerging risks and ESG risks (climate risk included) into our risk management and submit reports on risk management implementation each year for review by the Risk Management Committee. The reports are submitted to the Board of Directors to explain our current risks and the risk management system.

## 3-1. Information Security Risk Management

Development of emerging technologies and FinTech are commonly associated with new security threats and risks. Cathay FHC has an Information Security Committee that formulates the group's information security policy, implements the management system, and continuously promotes the risk management planning and measures of information security:



1. Creation of the information security blueprint: The purpose of the blueprint is to ensure a consistent level of information security posture throughout Cathay Financial Group; Cathay FHC completed an information security blueprint in 2018 and laid out 8 security domains and over 80 information security control items, including information security policy, awareness training, monitoring, event log management, etc. The blueprint serves as guiding principles for the implementation of protection measures.
2. Formulation of Cathay FHC information security incident reporting and response procedures: The incident reporting and response procedures enable timely response and acknowledgement of information security incidents within the financial holding company and subsidiaries, and also allow resources to be integrated throughout Cathay FHC and its subsidiaries for the assembly of an emergency response team. When each group company discovers a cyber threat that will endanger information security, the information security incident response system is initiated. The President of Cathay FHC will act as the convener of FHC-level information security incident strategic meetings that are composed of the highest level supervisors of Cathay FHC's Information Security Department and Information Division, as well as the President of the subsidiary where the major information security incident occurs.
3. Development of Cathay FHC Security Operation Center and the response system: The creation of Security Operation Center is to enable centralized monitoring and early response to information security risk.
4. Implementation of Information Security Training: Cathay FHC takes information security and customer information protection as high priority, and has improved employees' understanding of information security by regularly organizing education and awareness training. These measures aim to raise our employees' awareness of information security, protect information assets from interference, damage, intrusion, or any unfavorable actions and intents, and properly implement information security and customer information management. Cathay FHC and its subsidiaries provide all employees with at least 3 hours of information security education and training each year.

## 3-2. Governance Process for Climate-Related Risks

Climate risk has been regarded as a highly urgent issue in the Global Risks Report published annually in the last five years by the World Economic Forum (WEF). As a leader of sustainable finance in Taiwan, Cathay FHC continues to deepen its engagement in TCFD recommendations. We not only incorporate climate risk into the existing risk management framework, but also refine scenario analysis to strengthen our climate risk resilience.

### Description of Climate-Related Risk Management

#### Risk identification



Cathay FHC integrates climate risk with the Enterprise Risk Management Framework (ERMF), refers to domestic and international climate change research reports and identifies climate-related risks in Cathay FHC and its subsidiaries. Climate change can aggravate traditional financial risks through the mediation of physical risks and transition risks. Cathay FHC evaluates the priority of each risk based on the assessments by its TCFD Task Force.

#### Risk assessment



The TCFD Task Force comprehensively reviews the asset and liability businesses with climate related issues, including real estate investment and mortgage, securities, corporate lending, and insurance products.

1. Real estate investment and mortgage: We worked together with an external institution and used its natural disaster risk model to evaluate the impact of typhoons and floods on real estate and mortgages. We also analyzed future scenarios based on the location of real estate and mortgages, building condition, and exposure amount.
2. Securities: Cathay FHC included ESG factors in the screening of eligible investees, and also used an ESG database and research information system to periodically provide analysis reports on ESG investment portfolios, and also conduct ESG risk reviews. We use databases for calculating investment portfolios carbon footprints consisting of equities and bonds, and periodically perform due diligence for the bonds of high risk industries.

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- 3. Corporate lending: All corporate loans provided by CUB comply with the ESG Regulations for Corporate Loans, and include ESG risks (including climate-related risks) in review and evaluation. Furthermore, for customers whose credit facility reaches a considerable scale and funds flow into sensitive industries such as mining/oil refining/metallurgy industries, hydro/oil-fired power generation industries, and forestry, the loan review process must include evaluation of the customer's environmental and social (E&S) risks.
  - 4. Insurance products: Cathay Century Insurance has an external institution assess its own risk and estimate potential losses from natural disasters, and completes an Own Risk Solvency Assessment (ORSA) report every year. Climate-related risks are included to determine if the coverage of reserves is sufficient.

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#### Risk response



Cathay FHC and subsidiaries formulates management policies for corresponding business processes. Methods to respond the risk of identified and evaluated assets are as follows:

- 1. Real estate and mortgage: We purchase insurance for key real estate, which are determined based on calculation results, in order to reduce the financial impact brought by typhoon and flood. We also implement enhanced typhoon prevention measures, and periodically monitor natural disaster warning information through the dashboard. We also established a Responsible Property Investment and Management Policy, and seize low carbon development opportunities through evaluating renewable energy installation for every new building.
- 2. Securities: We conduct due diligence and issue risk warnings based on ESG evaluation and classification results, which serve as the basis for the front office to make investment decisions. Furthermore, we identified high risk investment targets by calculating the carbon footprint of securities. Cathay Life Insurance also established low carbon themed investments. Finally, Cathay FHC established an Engagement Policy to engage enterprises on ESG issues including climate change. We require investees to disclose information and manage climate-related risks, and thereby manage the climate-related risks of our investment positions.
- 3. Corporate lending: We assessed the ESG risks through the responsible lending process and automated ESG risk assessment mechanism. We categorized customers based on assessment results for differentiated management, communication, and engagement with lending customers.
- 4. Insurance products: For property insurance policies, we continue to study the risks brought by climate change, including the damages caused by typhoon and flood to assets which result in a higher claims rate. We then determine the adequacy of insurance premiums based on assessment results, and then disperse risks through reinsurance.

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#### Risk reporting



Cathay FHC established the ESG Risk Management Guidelines and included climate-related risks in its existing risk management processes in order to strengthen the management of climate-related risks. The Chief Risk Officer of Cathay FHC leads the cross-company TCFD task force, which manages the climate-related risks of the main assets and liabilities and periodically reports to the Risk Management Committee, Audit Committee and Board of Directors.

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### 3-3. Human Rights Risk Investigation and Management

Cathay established *Cathay Financial Holdings — Human Rights Policy* to protect the human rights of employees, clients and stakeholders. We established a human rights risk investigation process to periodically evaluate the impact of persons of interest and improve management. We took into consideration international human rights frameworks, the company's development strategy, and external trends, and selected risk issues after inquiring the opinions of stakeholders, including Cathay FHC's CS Committee, employees, and external consultants. We then examined the risk rating of each issue and identified high risk groups for management.



## Measures to manage the human rights risks for different stakeholders:

Risk issues

Risk mitigation measures

Impact compensation measures



### Employees

<b>Prolonged working hours</b>	<ul style="list-style-type: none"> <li>Implement daily/monthly overtime restrictions</li> <li>Establish a flexible work hours system.</li> <li>Establish work from home mechanism.</li> <li>Conduct mental health questionnaire surveys</li> </ul>	<ul style="list-style-type: none"> <li>Provide overtime pay or overtime leave as desired by employees.</li> <li>Implement a management mechanism for employees with high risk of illness induced by abnormal workload.</li> </ul>
<b>Occupational safety and health</b>	<ul style="list-style-type: none"> <li>Implement occupational safety and health education and training.</li> <li>Free employee medical check-ups</li> <li>Conduct skeletal muscle injury questionnaire surveys.</li> <li>Conduct workplace safety and health inspections.</li> <li>Set up first aid equipment (AED).</li> <li>Hold health promotion activities.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the occupational accident reporting and handling mechanism.</li> <li>Assist applications for group insurance and labor insurance.</li> <li>Cathay FHC, Cathay Life and Cathay United Bank provide Employee Assistance Programs (EAP).</li> </ul>
<b>Diversity, inclusion and equal opportunity</b>	<ul style="list-style-type: none"> <li>The Code of Conduct for Employee and Code of Ethics explicitly prohibits violations of human rights, such as discrimination and sexual harassment.</li> <li>Promote diversity and inclusion through e-newsletters and lectures.</li> <li>Install barrier-free facilities and provide assistive devices in office buildings.</li> <li>Cathay Life and Cathay United Bank implement the Southeast Asia Talent Cultivation Program.</li> </ul>	<ul style="list-style-type: none"> <li>Establish reporting and compliant handling mechanisms</li> <li>After review by the committee, employees found in violation are punished.</li> <li>Provide consultation and care to victims.</li> </ul>



### Customers

<b>Customer Rights</b>	<ul style="list-style-type: none"> <li>Establish a Service Quality Committee.</li> <li>Implement employee education and training.</li> </ul>	<ul style="list-style-type: none"> <li>Establish diverse grievance channels.</li> <li>Establish a dedicated unit.</li> <li>Establish regulations and require our staff to actively contact customers and propose solutions.</li> </ul>
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Risk issues	Risk mitigation measures	Impact compensation measures
<b>Personal information protection</b>	<ul style="list-style-type: none"> <li>Establish a Personal Information Management Committee.</li> <li>Establish a comprehensive personal information protection system.</li> <li>Cathay Life, Cathay United Bank and Cathay Century obtained the BSI 10012:2017 Personal Information Management System certification.</li> <li>Implement personal information education and training.</li> </ul>	<ul style="list-style-type: none"> <li>Establish the "Emergency Response Procedure for Personal Information Infringement Events."</li> <li>Establish a periodic drill mechanism for emergency response.</li> </ul>
 <b>Investing and lending subjects</b>		
<b>Labor rights</b>	<ul style="list-style-type: none"> <li>Cathay United Bank establishes ESG Regulations for Corporate Loans, list high risk customers at not eligible for loans, and use the ESG checklist to evaluate the human rights risk of customers.</li> </ul>	<ul style="list-style-type: none"> <li>Cathay United Bank continues to examine ESG records after approving general corporate loans, and require customers with a specific risk level to take improvement measures.</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>Cathay United Bank establishes ESG risk guidelines for sensitive industries for salespeople to evaluate the human rights risks of borrowers.</li> <li>Cathay United Bank complies with the EPs in pre-review and continue to monitor major cases after loan approval.</li> </ul>	<ul style="list-style-type: none"> <li>Cathay United Bank comply with the EPs in supervising engagement between the developer and related parties, and manage the developer's action plan progress after loan approval.</li> </ul>
 <b>Suppliers</b>		
<b>Occupational Safety and Health</b>	<ul style="list-style-type: none"> <li>Establish the Cathay FHC Sustainable Procurement Policy and implement the ISO 20400 Sustainable Procurement Guidelines.</li> <li>Implement supplier sustainability self-assessment and management.</li> </ul>	<ul style="list-style-type: none"> <li>Require suppliers to comply with CSR and regulatory requirements in the procurement contract, and make suppliers liable for breach of contract.</li> </ul>
<b>Personal information protection</b>	<ul style="list-style-type: none"> <li>Require suppliers to sign the Sustainability Value Declaration (contains the commitment to human rights protection).</li> <li>Implement sustainability training for suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Periodically evaluate suppliers, violations will affect suppliers' score, and suppliers with low scores will be rejected.</li> </ul>
 <b>Joint ventures</b>		
<b>Diversity, inclusion, and equal opportunity</b>	<ul style="list-style-type: none"> <li>Cathay FHC established <i>Declaration of Sustainability Values</i> (Human Right Policy is included).</li> <li>Conduct a questionnaire survey on joint ventures' implementation.</li> </ul>	<ul style="list-style-type: none"> <li>Require improvements based on questionnaire survey results.</li> </ul>



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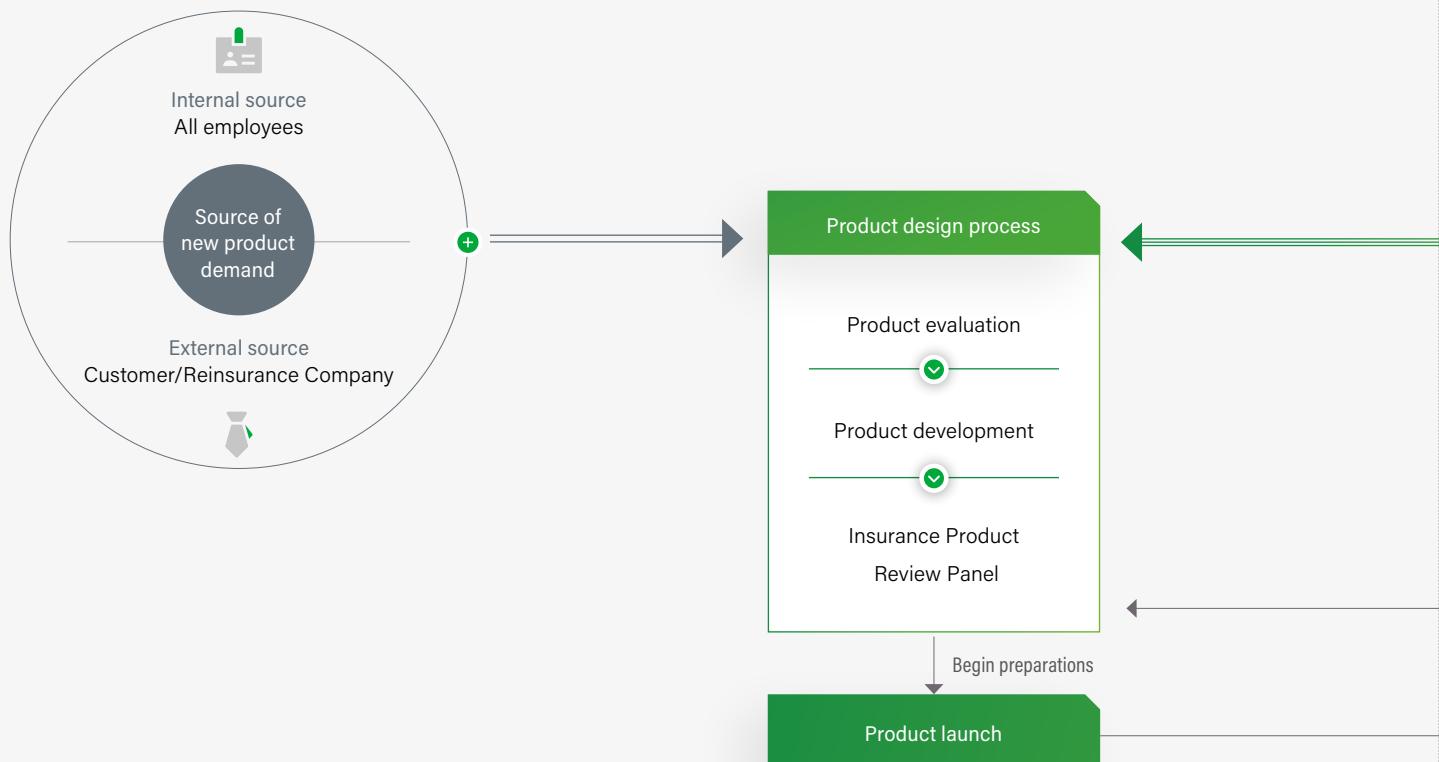
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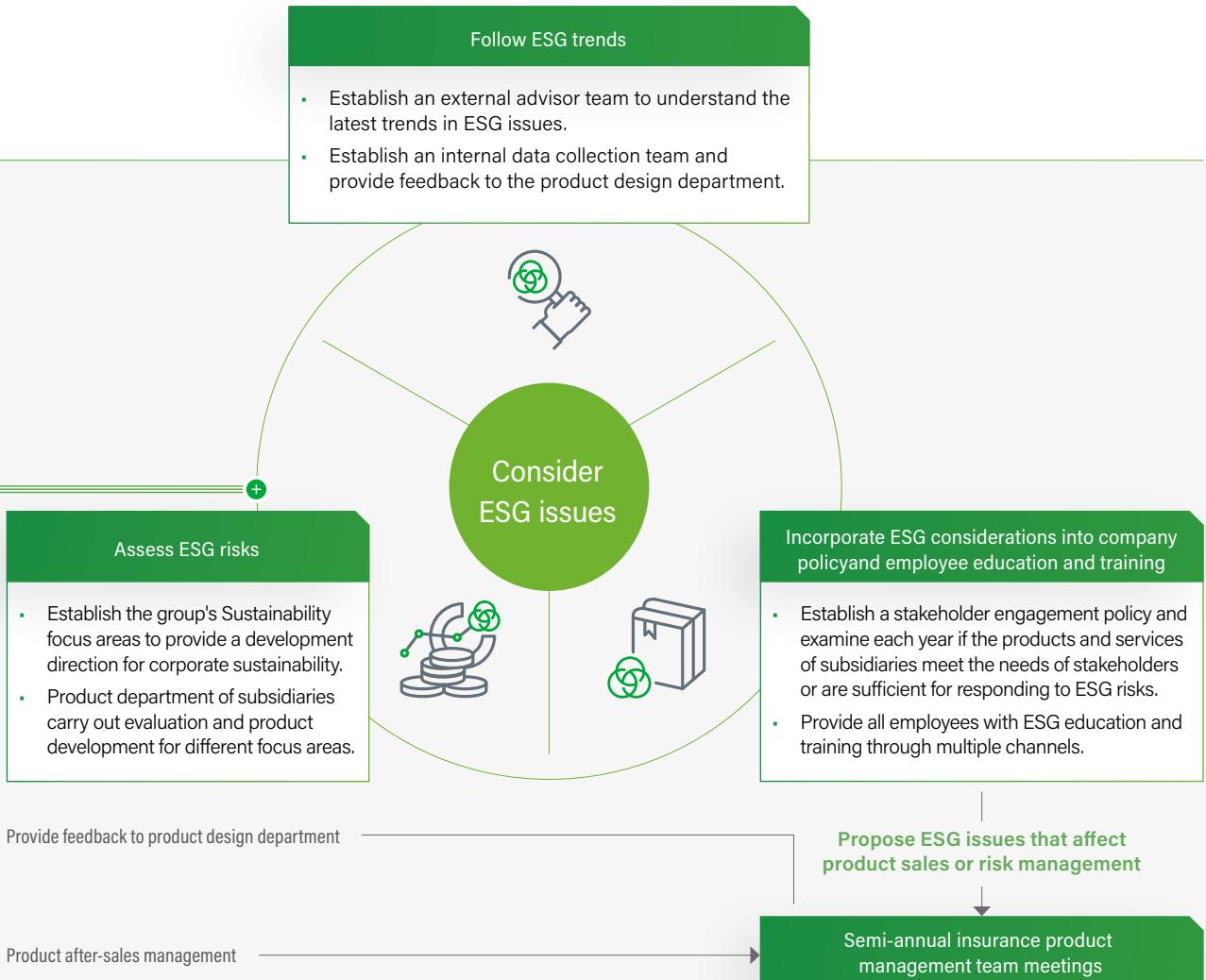
## Products and Services

## 4-1. Insurance Product Development and After-Sales Management Process

Cathay Life and Cathay Century take ESG risks into consideration during the product development process, and the product design must follow ESG principles to respond to the demands from ESG issues. Cathay continues to study ESG trends, to assess ESG risks, and to incorporate ESG issues into company policies and employee education and training. Insurance Product Management Team meetings are convened every six months to examine the relative risks after product launched. Hence, products and services will meet the needs of stakeholders and ESG risks are fully controlled.

### Cathay's Insurance Product Development and After-Sale Management Process





## 4-2. Insurance Product Underwriting Process

Cathay Life proactively integrated ESG issues. Regarding insurance underwriting and the claims process, Cathay Life reviews different ESG issues. The key points are the insurance application process, electronic documentation, and the underwriting process:

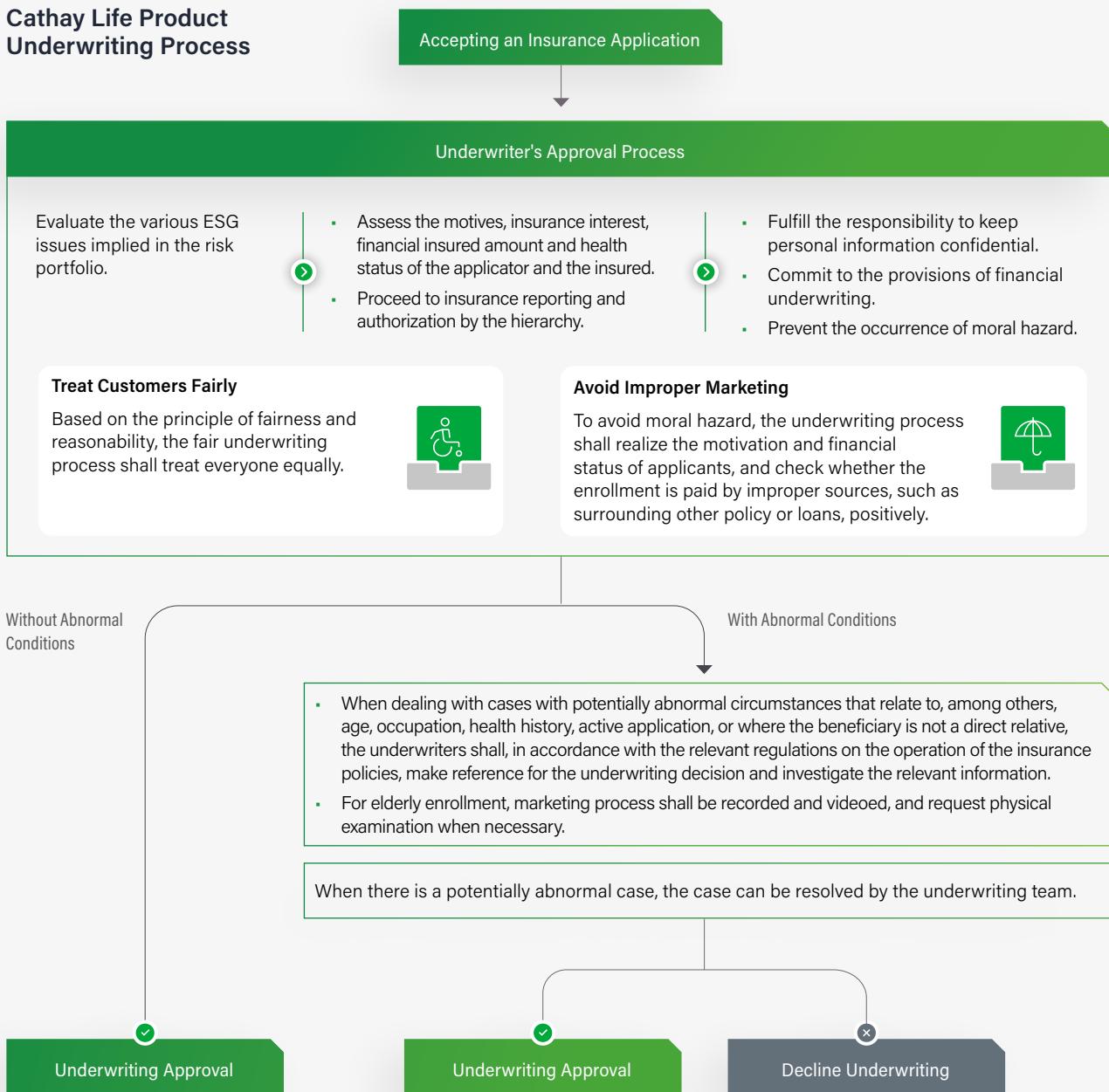
1. Insurance application process: This entails promoting a paperless office and boosting application efficiency. Cathay Life introduced Mobile Application services to improve application efficiency and save employees' time and the paperless process reduces resources consumption.
2. Electronic documentation: Cathay Life has advocated environmental issues to our stakeholders. We promote electronic insurance policies and electronic documentation and encourage our policyholders to be environmentally friendly.
3. Insurance underwriting process: In order to ensure that ESG issues are reviewed during the underwriting process, Cathay Life not only requires underwriting personnel to fulfill their duty of keeping personal information confidential but also incorporate the following ESG-related considerations into the review process in underwriting:
  - (1) Ethics: Underwriters shall assess if the application involves any moral hazard or improper tax evasion issues.
  - (2) Treat Customers Fairly: Based on the principle of fairness and reasonability, the fair underwriting process shall treat everyone equally.
  - (3) Avoid Improper Marketing: To avoid moral hazard, the underwriting process shall realize the motivation and financial status of applicants, and check whether the enrollment is paid by improper sources, such as surrounding other policy or loans, positively.
  - (4) Protecting Clients: For insurance policies fulfilling the criteria of high-amount insurance as specified in the Cathay Life Insurance Regulations for Underwriting Insurance Contracts of High Insured Amount, we implement health check-ups, financial underwriting and survival surveys in accordance with these regulations. For an insurance policy fulfilling the criteria of insurance for the elderly as specified in the Regulations Governing the Underwriting of Insurance Contracts for the Elderly, an audio or video recording of its sales process must be retained, and health check-ups shall be implemented in accordance with these regulations, so as to ensure the adherence to insurance purposes and evaluate the financial and health conditions.

During the underwriting, Cathay Life determines high-risk applications in accordance with the following procedure:

The risk level of an application undergoing underwriting is mainly determined using the "risk model rating system" and "abnormal cases check." The "risk model rating system" uses risk indicators to calculate the risks in new contracts for life insurance and health insurance and distinguish between low, medium, medium-high, and high risks. "Abnormal cases check" refers to the process in which the system issues an alert to the underwriting personnel if anomalous patterns are found in application cases, which allows them to implement enhanced review of cases with higher risks.

In addition, when handling cases that involve the applicant's physical conditions or raise other concerns, underwriting personnel shall decide, based on their practice experience, whether they will underwrite an insurance application or not after collecting relevant information via supplementation of information, investigations, or health check-ups.

## Cathay Life Product Underwriting Process



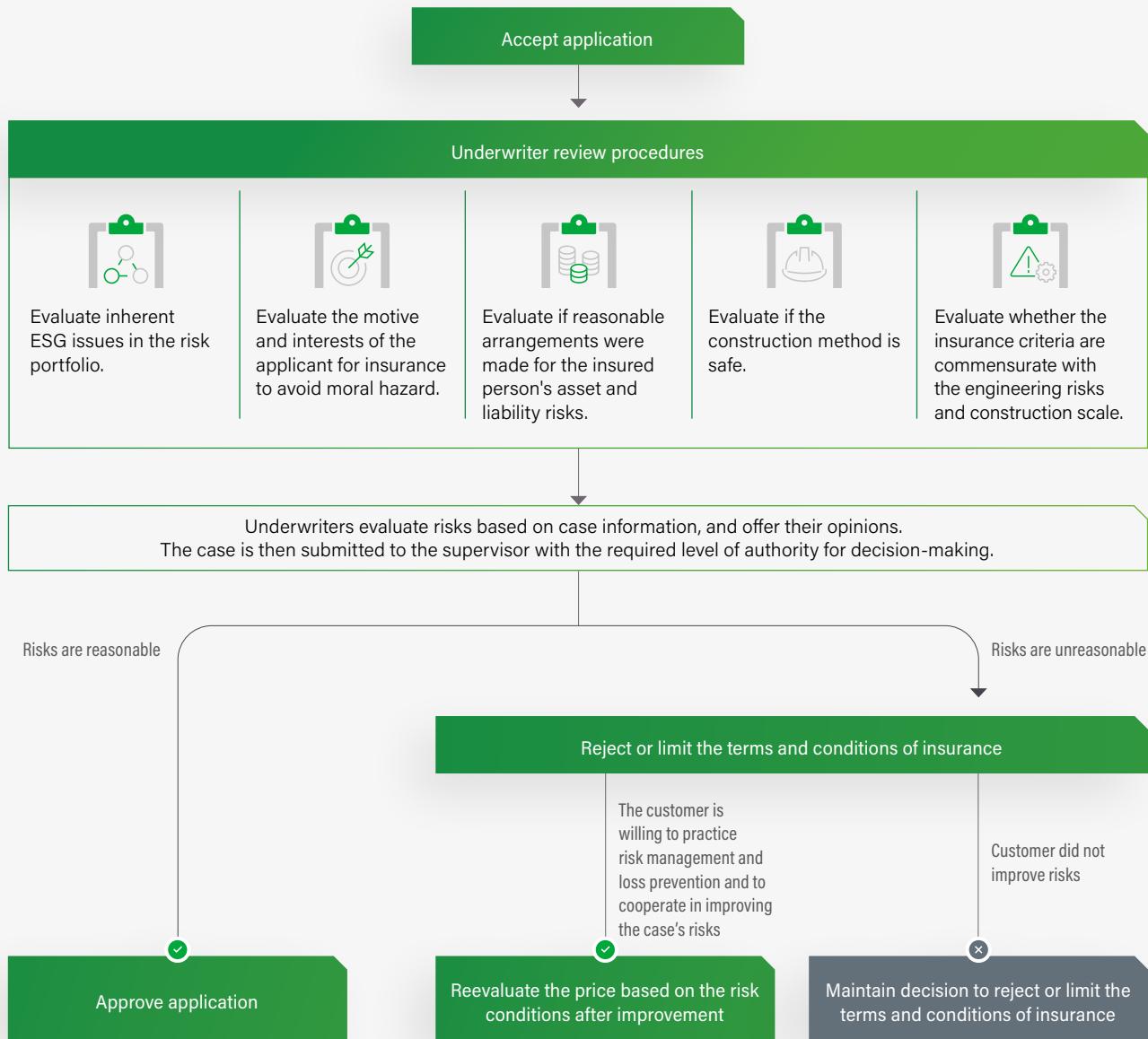
Cathay Century also integrated ESG issues into its underwriting procedures. For example, when underwriters handle insurance applications for rooftop solar power panels, they should incorporate the following ESG considerations in the underwriting review process:

1. Ethic: Underwriters shall assess if the application involves any moral hazard or improper competition behavior.
2. Environmental: We support the government's policy to promote the green energy industry by underwriting risk on renewable energy business.
3. Construction method: We offer opinions based on our loss prevention and underwriting experience to help construction companies determine if a construction method is suitable, if the construction environment is safe, and also assess the risks associated with construction facilities, target objects, or related personnel in the construction process, lowering overall cost of social security.
4. Risk planning: Emphasis is placed on whether or not the insured's assets and liabilities are given reasonable consideration and guarantee.
5. Protecting Clients: Underwriter must look into the policyholder's insurance requirements and fit based on the following principles when taking a case.
  - (1) Determine if the applicant has insurable interests in the subject matter insured.
  - (2) Determine if the construction contract has insurance-related provisions to understand insurance requirements.
  - (3) Evaluate if the application conditions (or insurance terms of the construction contract) match the construction risk and scale.

The solar photovoltaic (PV) industry is an emerging industry in Taiwan, with its outdoor facilities subject to higher natural disaster risks. The industry suffered huge economic losses during the onslaught of Typhoon Soudelor in 2015. Due to this reason, after studying and analyzing the losses, Cathay Century requires underwriters to assess the risk level of insurance cases during the underwriting process by reviewing several factors, including the types of mounting systems for solar PV modules, mounting structure materials, methods for fixing and securing the modules and mounting racks, methods for securing mounting structures to the building surface, building structure, and types of use. After the risk assessment, underwriters will determine the terms and conditions of insurance based on risk conditions.

Moreover, for customers who have an awareness of risk management and loss control and are willing to conduct specific measures to reduce risks involving in the case, Cathay Century will reevaluate the price of an individual insurance case based on the risk conditions after the improvements are made.

## Cathay Century Product Underwriting Process

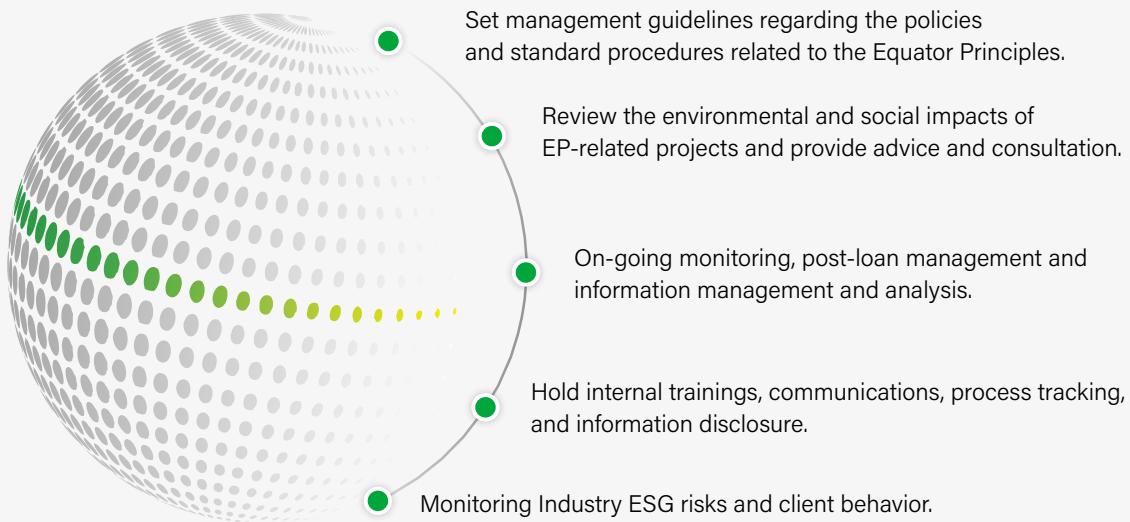


## 4-3. Lending Process

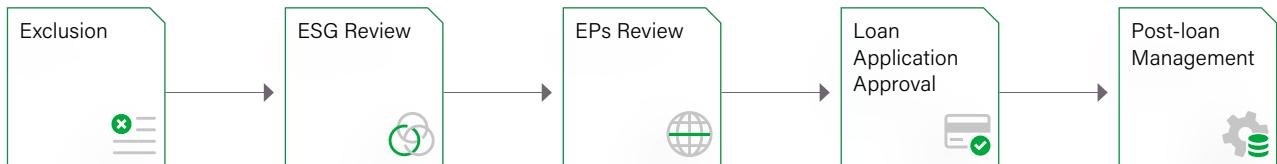
With a vision to become a leading green finance brand, CUB believe guiding clients to lower environmental and social impact through financing negotiation is effective way for banks to promote sustainability development. This drives us to sign Equator Principles (EPs) and self-comply Principles for Responsible Banking (PRB) and integrate ESG into lending processes to assess ESG risks prudentially.

### Organizations

To implement the Equator Principles and ESG review of lending, CUB has established the Sustainable Finance Section under the International Credit Risk Management Department (the dedicated unit), responsible for EPs, ESG review and corporate sustainability management. Its responsibility includes:



## Corporate loan application & review process



1. Exclusion: Check whether the borrower belongs to the industries defined by CUB ESG exclusion policy.
2. ESG Review: Conduct ESG review according to the "Principles Governing Sustainable Environmental, Social, and Governance(ESG) for Corporate Loans"
3. EPs Review: Determine whether the project is an EPs project according to the "Rules Governing Project Finance under Equator Principles"
4. Loan Application Approval
5. Post-loan Management: Conduct post-loan management according the conditions of lending cases.

### Exclusion



CUB follow Group Investment and Lending Exclusion Policy to exclude companies and countries with high ESG risk.

CUB established Principles Governing Sustainable Environmental, Social, and Governance (ESG) for Corporate Loans and listed exclusion industries with high ESG risks. (e.g. Coal power, tobacco and pornography.)

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## ESG Review



To manage and monitor ESG risks from corporate loan, CUB incorporate ESG risk management in its risk management framework and sets it as the basis for credit reviews. CUB ask all the borrowers to fill out the ESG Checklist and set ESG risk assessment criteria to rate the ESG risks of loan application. The assessment factors include but not limited to:

- Violate related laws of environmental, integrity, labor, human rights
- Corporate ESG management mechanisms
- ESG controversy

In accordance with the spirit of the EPs, CUB conducts post-loan management 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
- forestry
- and other sensitive industries

CUB lending approval review process must include evaluation of the E&S impact of credit application cases, proposals of post-loan management solutions, and examination and management of follow-up E&S performance through regular E&S reviews.

CUB established ESG Risks Guidelines targeting the power generation, paper, chemical materials, general manufacturing, mining and metal industries to further strengthen its ESG risk management mechanism. The Guidelines consider many ESG risks that industries faced in the different operation cycles such as the risks involving water resources, dust, and noise posed by the paper industry in the materials production period, production and processing period, and sales period. The Guidelines provide customers with practical advice on mitigation, and help employees recognize ESG risks in KYC procedures.



**Scope:**

CUB establish Rules Governing Project Finance under Equator Principles in accordance with Equator Principles and apply for case with conditions:

1. Project Finance Advisory Services where total Project capital costs are US\$10 million or more.
2. Project Finance with total Project capital costs of US\$10 million or more.
3. Project-Related Corporate Loans which meet specific conditions.
4. Bridge Loans which meet specific conditions.
5. Project-Related Refinance and Project-Related Acquisition Finance which meet specific conditions.

**Approach:**

To implement environmental and social risk assessment strategy from the Equator Principles, CUB has established comprehensive structure and procedures for project finance in accordance with the Equator Principles. The structure includes: "The EP implementation policy", management guidelines, standard loan approval and review procedure, risk assessment IT system and so on. The standard procedures regarding environmental and social risk evaluation and categorization, review, covenants, and post-loan management have been systemized in order to further monitor the environmental and social risks of the EP projects.

Once clients apply for project finance, the dedicated unit will determine if it's applicable to Equator Principles. If applicable, the business unit will ask clients for environmental and social risks assessment documents provided by independent third-party institutions. The dedicated unit will analyze the environmental and social risks and categorize the application through EPs risk evaluation system. Then it will provide environmental and social risks assessment reports to lending approval review unit for lending decision.

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## Post-loan Management



CUB keep monitoring the ESG risks level changes of loans and assess previously approved ESG covenants and compliance regularly. For clients whose credit facilities reach a significant level and where funding will be used in sensitive industries, CUB shall regularly perform reviews based on the initial E&S management solutions proposed in the lending approval review process.

After lending approval review unit approving EPs loans, the dedicated unit will provide EPs conditions of the contract to business units. The business units will ask clients to sign the contract. The business and the dedicated units should monitor to make sure clients follow the conditions to lower the impact of projects on environment and society.

The dedicated unit is also responsible for reviewing and analyzing the ESG risks of clients to manage ESG risks of CUB.

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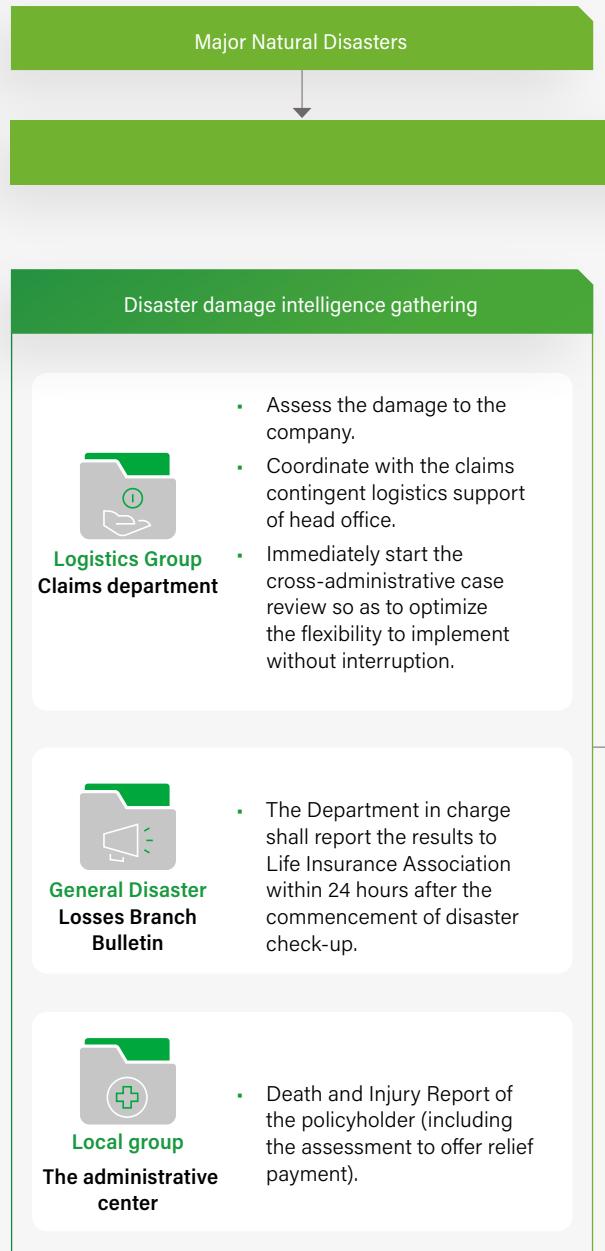
## After-sales Services

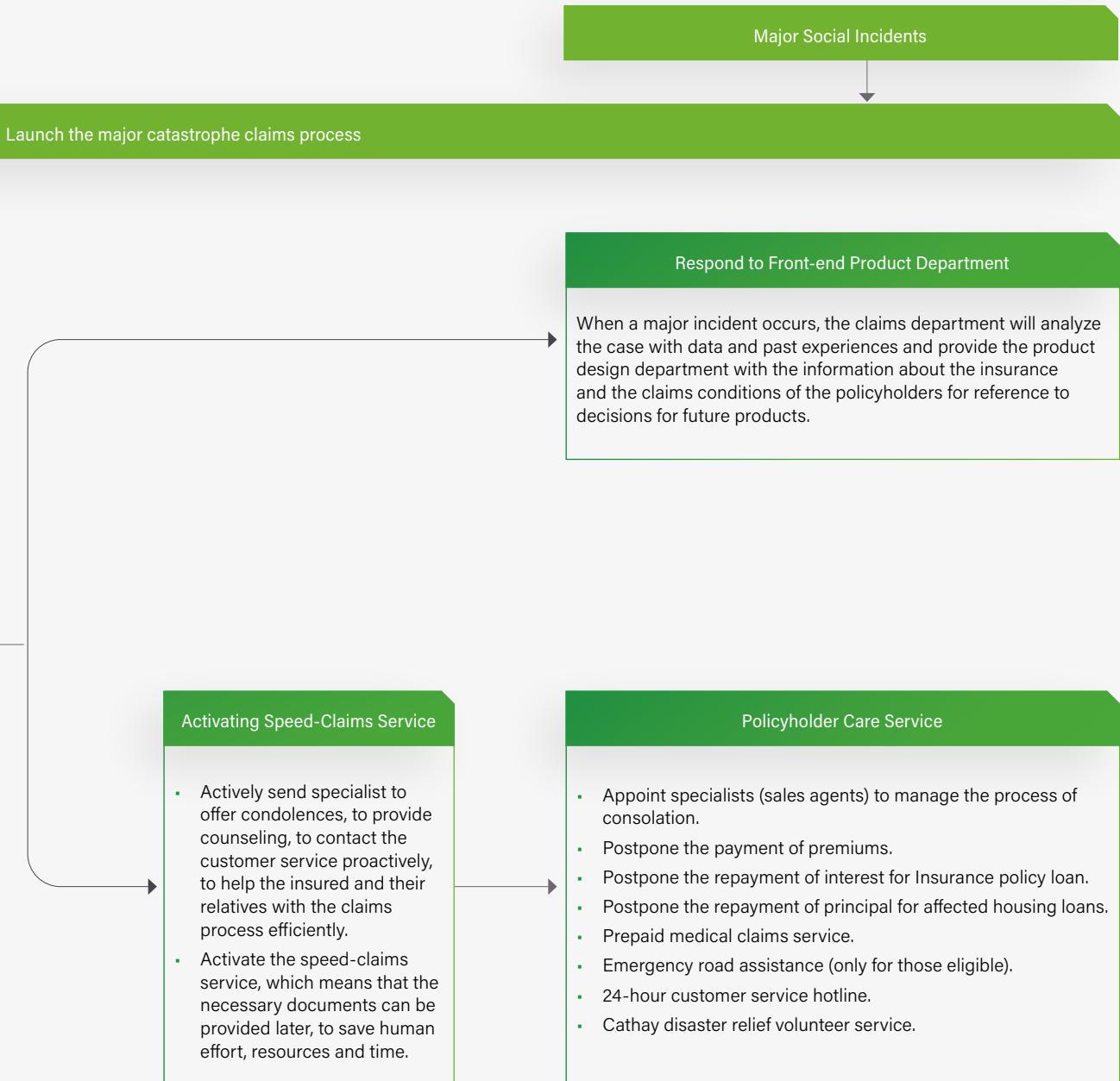
## 5-1. After-sales Services and Claims

Claims service require promptness and quality of communication in processing cases. Cathay Life actively promotes its online claim services. The "Claims Area" on the official website provides diversified services, such as claims trial calculation and application. Customers can also use "Mobile Claims" for instant application and track the case progress at any time.

Cathay Life incorporated considerations of ESG issues into the claims process. During such process, any policy that appears to be a case of fraud will be presented for discussion at the monthly crime prevention meeting. A resolution will be made whether or not it should be submitted to the IAFI (Insurance Anti-fraud Institute) for review or reported to the police. The top authority for high-risk claims policies is Cathay FHC's Risk Management Committee.

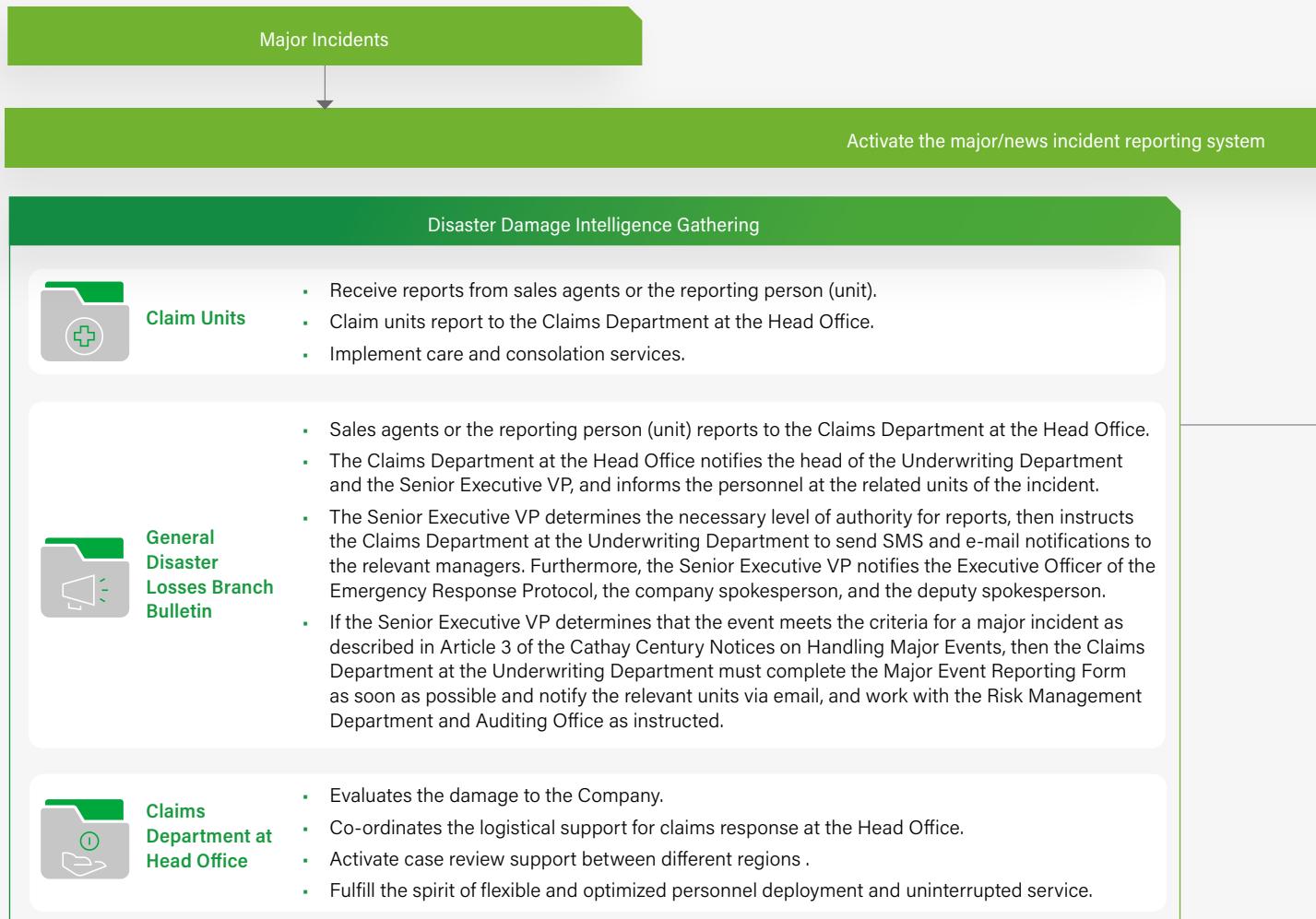
Besides, Cathay Life offers disaster reliefs based on the company's "Policyholder Disaster Relief Service Guidelines", which provides policyholders with consultation, discounts and many other benefits at the first instance when a major disaster occurs. Moreover, Cathay Life amended its "Major Disaster Claims and Response Policy" to include remedy payments so that Customer Care is fully implemented and customer's interests are fully safeguarded.



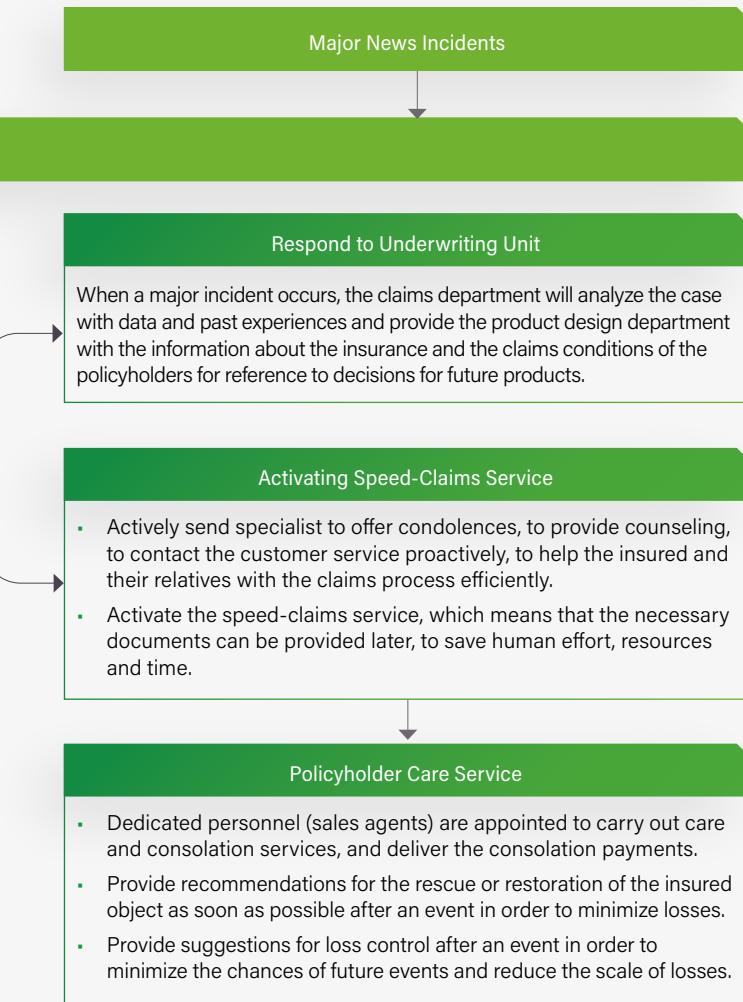


Cathay Century also incorporated the following considerations of ESG issues into the claims process.

1. Ethic: When claims personnel of Cathay Century are handling claims cases, they will report any moral hazard or suspected fraud to their supervisors.
2. Major environmental and social incidents: Cathay Century established a major/news incident reporting system for major environmental and social incidents. After the claims department is notified of an incident, it will carry out underwriting and collect information. The major incident reporting platform is used for supervisors at each level to gain information of the incident as soon as appropriate, so that they can immediately adopt response measures.



## 5-2. Post-loan Management



Cathay United Bank integrate ESG into lending process to manage ESG risks and further influence clients to improve their ESG risk management. CUB has established post-loan management mechanisms according the categories of loans. CUB keep monitoring and managing ESG risks of loans in accordance with these mechanisms to lower the negative impact on environment and society. Please see section 4-3 Lending Process.

# Investment Management

06

Cathay  
Financial  
Holdings



Cathay promise clients we will protect them for tens of years. We have to make sure we can keep the promise and bring clients and shareholders long-term value. We believe responsible investment is a stabilizing force with positive impact on society, and it is also one of the core competencies to increase long-term value for the assets. Cathay has established responsible investment policies and management procedures and actively developed its capacity for ESG analysis to assist investment decisions. Cathay aims to use ESG to provide broader and more profound perspectives for decision-making. The corporate engagement and shareholder action are also essential. By doing so, we could learn more about investees' ESG risks and influence them to improve ESG performance. Therefore, we could reduce long-term risks and promote sustainable development of the society.

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## 6-1. Organization

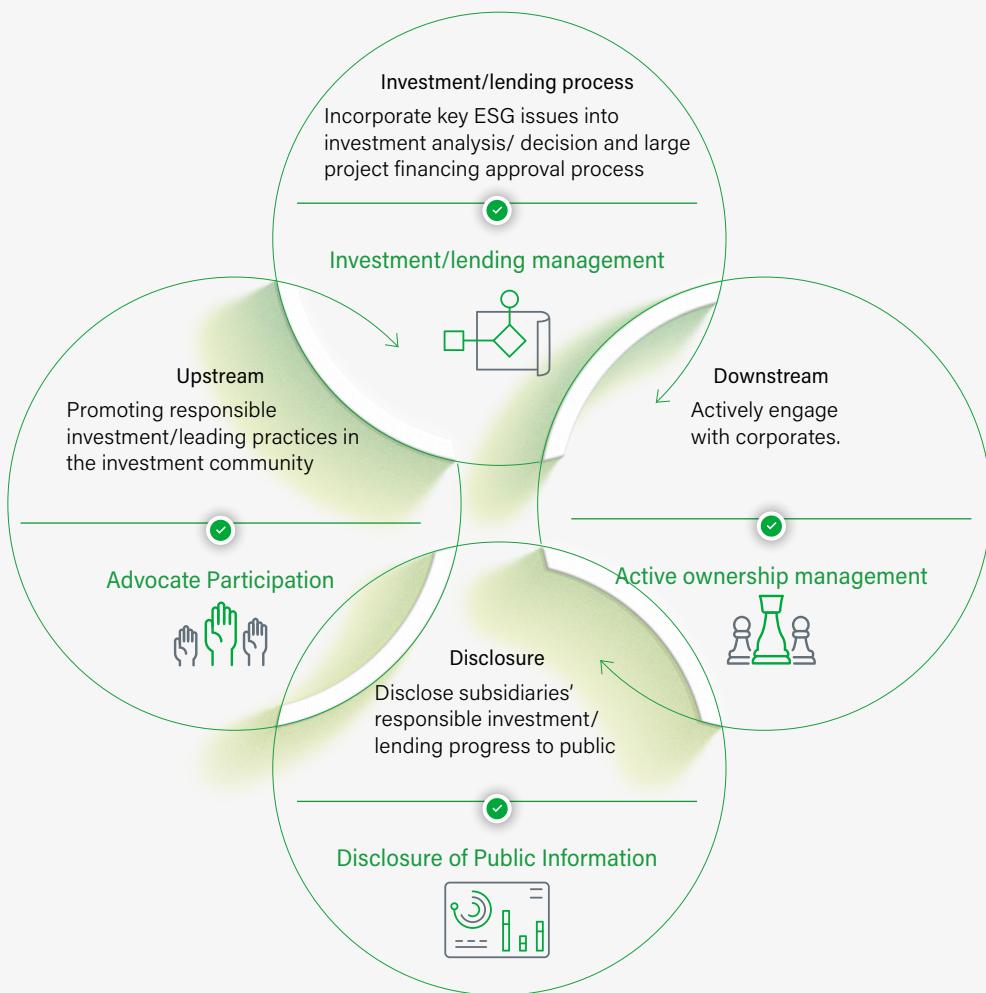
Cathay FHC established the Responsible Investment Working Group in 2014. The Working Group is led by the Chief Investment Officer of the Cathay FHC and comprises 7 members of senior executives from the investment teams of Cathay's subsidiaries. The working group is responsible for supervising Cathay FHC's responsible investment strategies, setting up policies, and reviewing implementation performance. Cathay Life and Cathay SITE have also respectively established their Responsible Investment Task Force led by senior executives of investment teams with dedicated members. The Working Group is subordinate to Board of Directors which is supervised by independent directors and reports at least every year.

The Working Group's responsibilities include:

1. Research on international trends and methodologies
2. Research on ESG issues
3. Exchanges experience with global peers on related issues
4. Refine and improve the ESG integration process
5. Establish specific implementation plans
6. Plan for training programs
7. Actively engage investees

## 6-2. Responsible Investment and Lending Policy

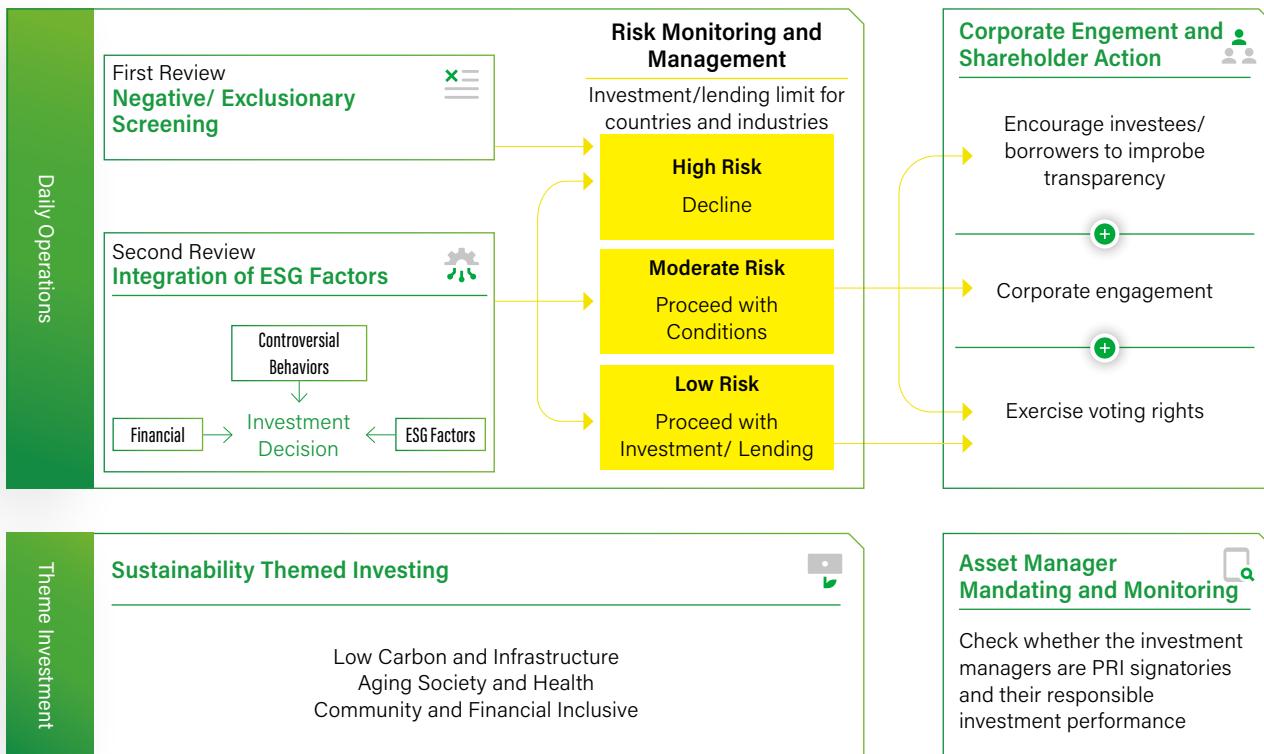
Cathay FHC defined the Responsible Investment and Lending Policy to be the top guidance by following the Principles for Responsible Investment (PRI), Equator Principles (EPs), and Taiwan Stewardship Principles for Institutional Investors. It describes Cathay's philosophy that we integrate ESG into upstream, process and downstream of investment/lending value chain to achieve the goal to pursue long-term value through ESG. It also prescribes that we should disclose progress to stakeholders.



## 6-3. Responsible Investment Process

Cathay formalized the following investment and lending process by integrating the seven approaches of responsible investment defined by GSIA report, PRI framework and EPs:

### Cathay FHC investment and lending ESG integration procedures



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First Review:  
Group Exclusion  
List



Screens high-risk industries/countries to define the exclusion list of the group. Please see [6-4 Group Exclusion Policy](#) for more information.

---

Second Review:  
ESG Integration



Define investment with different ESG risk levels by ESG risk review and take corresponding actions to integrate ESG deeply into investment process and make proper investment decisions. Please see [6-5 ESG Integration](#) for more information.

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Sustainability  
Themed  
Investing



Define "Low Carbon", "Infrastructure", "Aging Society and Health" and "Community and Inclusive Finance" sustainability themes to strengthen investments on sustainable targets and the future. Please see [6-6 Sustainability Themed Investing](#) for more information.

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Corporate  
Engagement and  
Shareholder Action



Engage investees which has considerable ESG risks to learn more about their ESG risks and encourage them to improve ESG performance to reduce portfolio's long-term risks. Actively use shareholder's rights to protect the long-term value of our investment. Please see [6-7 Corporate Engagement and Shareholder Action](#) for more information.

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Asset Manager  
Mandating and  
Monitoring



Take responsible investment into consideration when signing contracts with external managers and ensure they will fulfill their duties as asset managers. Please see [6-8 Asset Manager Mandating and Monitoring](#) for more information.

## 6-4. Group Exclusion Policy

Cathay establish *Investment and Lending Exclusion Policy* in 2016. We use the international ESG database to screen high-risk industries and countries to define of the Exclusion List, which include:

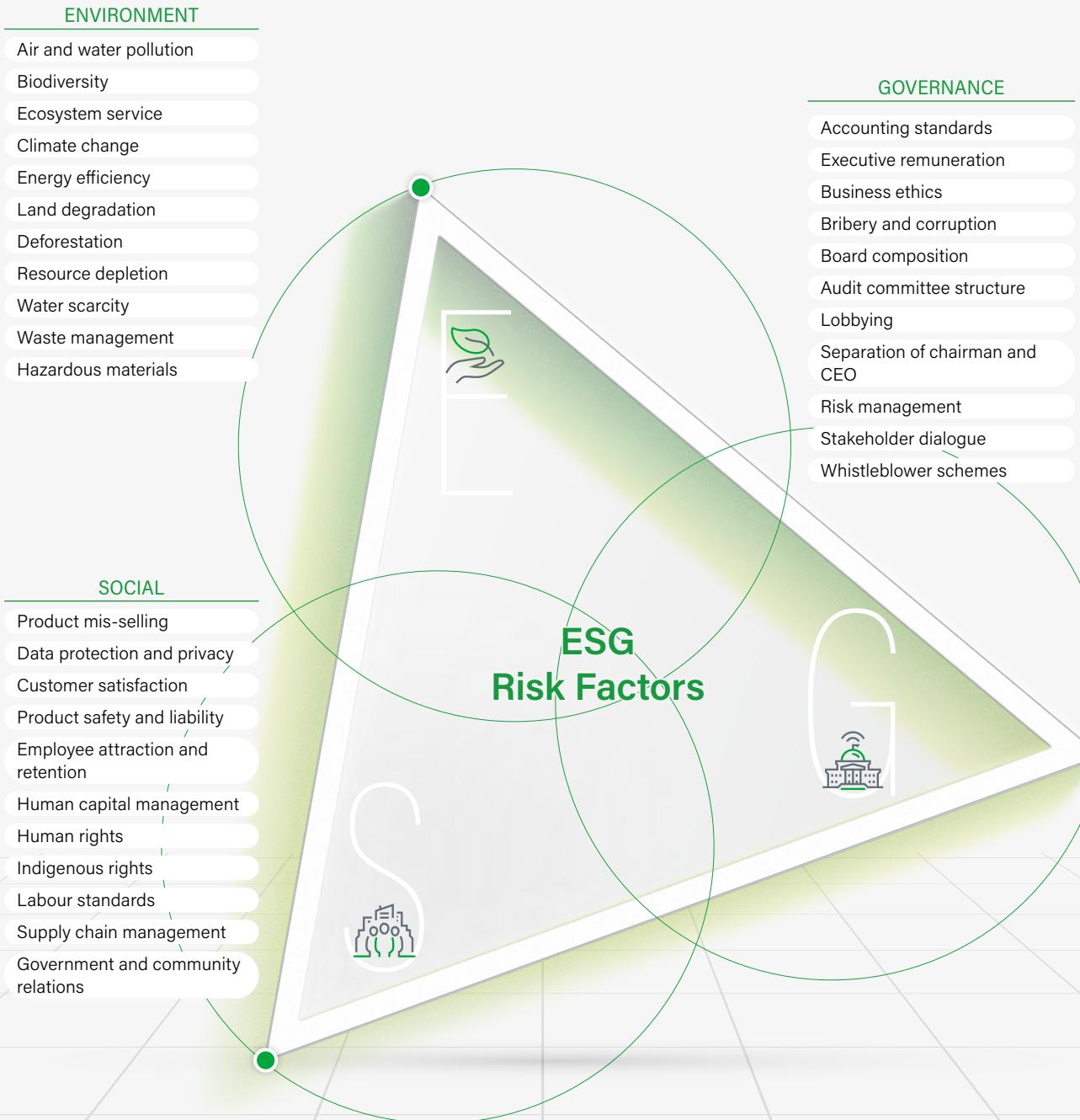
- Controversial Weapons
- Pornography
- Controversial Behavior
- Countries that severely violate human rights or are sanctioned

The Exclusion List is applicable to all assets. The Responsible Investment Working Group reviews the Exclusion List every year. Individual companies shall incorporate the entities in the Exclusion List into their own investment and lending process within a certain period while receiving the Exclusion List.

Subsidiaries would expand the Exclusion List to build their own exclusion lists based on their research. For example, Cathay Life's exclusive list has included the coal-fired power plants which don't actively transit to renewable energy.

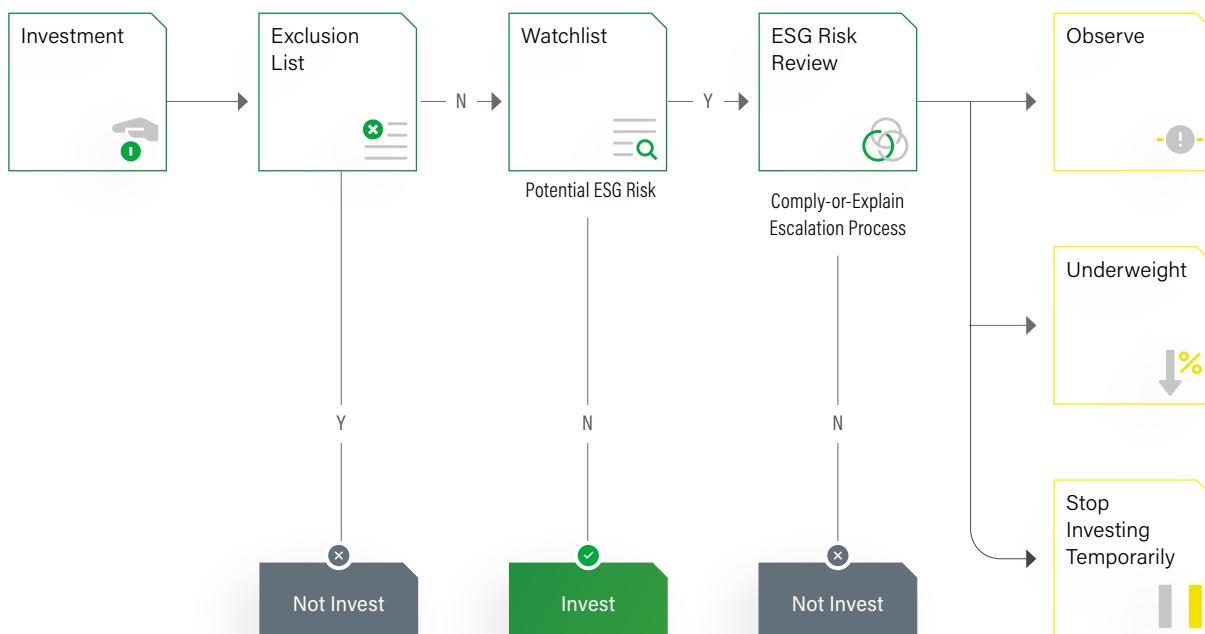
## 6-5. ESG Integration

Cathay believes ESG are important factors to corporate long-term value. Through integrating ESG into investment processes, we are able to have broader and more profound perspectives and evaluate corporates more properly. It helps Cathay pursue long-term and stable return and make investees improve themselves. It's the best way to provide greater value to both investors and the investee companies. Therefore, Cathay integrate ESG into investment process closely by ESG analysis, ESG risk reviews, sensitive industries management, ESG controversy monitoring and ESG information system integration to combine financial analysis and ESG analysis to make more profound investment decisions.



## ESG Risk Review Procedures

Leveraging responsible investment research and international ESG databases, when Cathay Life investing in equity and fixed income, investment team must consider the financial and non-financial performances of the investee companies, and adopt ESG integrated mechanisms including comply-or-explain and escalation process.



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## Exclusion List



Except for complying with Cathay FHC Exclusion List. Cathay Life also follow their Investment Management Principles for Sensitive Industries to place some controversial and high ESG risks targets on the exclusion list. For example, power generation company whose main source of revenue is coal-fired power generation and have not actively transferred to renewable energy is excluded. Cathay Life regularly adjust and review the exclusion list according to international sustainability trends and risks every year.

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## Watchlist



Cathay assess ESG performance and risks of investees with reference to data from international ESG research institution and internal ESG research. Those with potential ESG risks will be placed on the watchlist to be further evaluated and managed. The risk factors include:

**1. Considerable risks from material ESG factors**

Governance is the core of ESG and the foundation for evaluating the ESG performance. The environmental and social factors, on the other hand, are associated with the core competencies of operation and we focus on material issues related to corporate operation and financial performance (e.g., water resource management for the semiconductor manufacturing industry). Those with poor ESG performance will be placed on the watchlist.

**2. Controversial incidents**

Cathay Life evaluates investees' compliance with the UN Global Compact and monitors their ESG incidents in real time. If an investee is involved in a severe ESG controversy with a large impact scale, it will be placed on the watchlist.

**3. Classifying Targets from Sensitive Industry**

According to Cathay Life's Investment Management Principles for Sensitive Industries, if a company belongs to a sensitive industry and has a medium-high level of impact on the environment and society, it shall be placed on the watchlist.

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## ESG Review



Investment team must check if the targets is included in the exclusion or watchlist when adding a new investment target in the buylist. Targets on the exclusion list shall not be accepted in the investment buylist. If a target belongs to the watchlist, investment team shall provide further report that evaluate its capabilities of ESG risks management and the internal escalation process shall be conducted before adding the target in the buylist. Further the new investee company shall be continuously observed and followed up on its ESG performance in order to avoid ESG risks.

Cathay Life conduct a comprehensive ESG review of existing investment targets every year. We also monitor the changes in the ESG performance of our existing investment targets at any time. When an investment target declines in ESG performance and is placed on the watchlist, investment team must immediately provide an evaluation report and take appropriate risk management measures (e.g., continuing to observe and follow up on development, reducing position size, or holding current position).

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## Real Estate Investment

Cathay Life established Responsible Property Investment and Management Policy. All newly acquired buildings will be designed based on green building standards, so that energy use, greening, and waste all reach a certain standard.



國泰投信

Cathay Securities Investment Trust

## Integration of ESG and investment process

Cathay SITE utilizes international ESG database to integrate ESG into investment analysis, decision, execution and review. It includes investment buylist and exclusion list establishment and portfolio ESG analysis. We also build ESG information platform based on existing information systems to help investment team to make decision with support of sufficient information.

### Establishment of Buylist



Companies which publish CSR Reports and meet specific criteria are free from the restriction of market value to have the priority to be evaluated by investment teams to list on the domestic stock buylist. Cathay SITE evaluate financial and non-financial metrics in Risks Evaluation Meeting(REM) every season. It includes:

1. Integrity issues of major shareholders
2. Insufficient stock holdings of board members and supervisors
3. Personnel changes of major management team and financial officers
4. The pledge percentage of major shareholders' shares.
5. Changes of accountants
6. Severe violation of laws related labor rights, environmental protection and workplace ethics.

If the targets with potential risks are placed on the exclusion list, the investment system will restrict managers to invest and inform them to sell the holdings in a specific period.

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## Exclusion List



Cathay SITE implemented exclusion screening for domestic equity funds and mandates. Cathay SITE follow group exclusion policy and expand exclusion list to include 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

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## Portfolio ESG analysis



Cathay SITE established and integrated ESG database that can be used to produce analysis reports on the current ESG status of mutual funds and mandate investment portfolios managed by Cathay SITE. With the update of the database, managers can monitor the current ESG status of the investment portfolios at any time, including the ESG ratings of individual stocks, changes in ratings, any serious controversy related to shareholding. Through these analysis reports, managers can stay up-to-date on the current ESG status in addition to fundamental information.

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## ESG Information Platform



Cathay SITE integrate multiple international ESG data resources and Taiwan Corporate Governance Evaluation System into existing information system to build the ESG information platform. Every investment analyst could search the ESG information of companies which includes:

1. ESG analysis
2. ESG performance of specific issues
3. Controversies
4. Corporate Governance Evaluation

It also shows information like controversial industry list and stock risk indicators. With the system, investment team could reach comprehensive ESG information and make investment decision with sufficient support.



## Integration of ESG and investment process

Cathay Century stipulated in the "Investment Management Procedure" and "Investment Policy" that the Principles for Responsible Investment (PRI) must be taken into consideration when investing.

Cathay Century monitors the industry trends and evaluates quantitative financial indicators, and we also leverage international ESG database to evaluate non-financial indicators in order to integrate ESG into investment decision.

### Exclusion List



Cathay Century implemented a sensitive industry investment control mechanism in addition to group exclusion list, 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

## 6-6. Sustainability Themed Investing

Cathay defined four types of themed investing to strengthen sustainable investments. Because we believe sustainability are important issues to industry development and human development. Through sustainability themed investing, Cathay could track industry trends to pursue long-term return and promote sustainable development of society with our core competencies.

Climate change is a collective challenge to all over the world. The capital market plays an important role to accelerate the low carbon technology development and industry transition; therefore we would achieve the goal of Paris Agreement that limit the temperature increasing well below 2 °C. Infrastructure is one of key issues. The improvement of planning, building and using of the infrastructure will impact sustainability development and low carbon transition greatly. Therefore, Cathay defined low carbon and infrastructure investment to bring a win-win situation to the business and society.



### Low Carbon Industries

Cathay utilized its experience from participating in the Global Investor Coalition on Climate Change (GIC) Low Carbon Investment Registry (LCI Registry) and established the Group's definition of the low carbon industry, including: energy (excluding nuclear power and fossil fuel), architecture, waste recycling, transportation, Energy Saving Industry, and finance (e.g. green bonds).



### Infrastructure Industries

Cathay established the scope of infrastructure after referencing government regulations, including: Transportation Facilities, Facilities of Public Utilities, Social Housing and Elderly Residence Projects, and Environmental Remediation Facilities.

The rapidly changing demographic structure will have a significant impact on the social welfare, retirement, and medical systems. In particular, issues in preventive health care and nursing and caring for the elderly cannot be avoided. An inclusive financial system and high quality education are also the foundation of robust and sustainable development of the society. Therefore, Cathay defined Aging Society and Health Industries and Community and Inclusive Finance Industries.



#### Aging Society and Health Industries

Cathay referenced the definitions of related industries made by the National Development Council and PRI, and included aging society and health service, product, and facility supply industries into the scope of the aging society and health industry.



#### Community and Inclusive Finance Industries

Cathay established the scope of the Community and Financial Inclusion Industry, which includes education and micro finance industries, referencing PRI definitions of related industries.

## 6-7. Corporate Engagement and Shareholder Action

One of the key spirits of responsible investment is to accompany the investee companies toward sustainable growth and bring win-win situation to Cathay, investees and the society. Cathay therefore actively takes investor engagement actions. We established Engagement Policy and define engagement strategy to systematically engage our investees to learn more about their ESG risks and encourage them to reduce risks. We also signed Taiwan Stewardship Principles for Institutional Investors and fulfill our responsibility on stewardship including assess resolutions prudentially.

### Stewardship



Cathay's main subsidiaries (Cathay Life, Cathay Century, CUB, Cathay SITE and Cathay Securities) have been signatories to the Taiwan Stewardship Principles for Institutional Investors. We have established and disclosed the stewardship policies to fulfill the stewardship responsibilities and improve value of Cathay's clients, beneficiaries and shareholders. We disclose voting results every year.

#### Stewardship Principles

- Principle 1 Establish and disclose stewardship policies
- Principle 2 Establish and disclose policies on managing conflicts of interest
- Principle 3 Regularly monitor investee companies
- Principle 4 Maintain an appropriate dialogue and interaction with investee companies
- Principle 5 Establish and disclose clear voting policies and disclose voting results
- Principle 6 Periodically disclose the status of fulfilment of stewardship responsibilities

#### Compliance Statement-Stewardship Principles for Institutional Investors

Subsidiaries have disclosed compliance statement for Stewardship Principles, stewardship policies, policies on managing conflicts of interest and voting policies.

- Compliance Statements of subsidiaries



Cathay  
Life



Cathay  
SITE



Cathay  
Century



Cathay  
United



Cathay  
Securities

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## Engagement Policy



Corporate engagement and shareholder action enables Cathay to have in-depth assessment on investees/ borrowers' management, strategy, operation & corporate governance. It also strengthens our internal research and analysis to be one of the references when making voting decisions and considering the continuance of business partnership. We could also share our ESG opinions to investees/borrowers to enhance their business value or lower our investment/lending risks.

The policy is a guidance for Cathay's corporate engagement and shareholder action includes engagement mechanisms and methods. The policy is applicable to all domestic subsidiaries. Cathay will disclose progress every year to stakeholders.

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## Engagement Strategy



We define two main strategies to deepen the engagement with investees.

1. Climate Change
2. ESG

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## Engagement Mechanisms



We define the methods and depth of the engagements according to ESG risks of the targets and our investment positions. The engagement types include:

1. Direct Engagement
2. Collaborative Engagement

The methods include but not limited to:

1. Research on target's ESG performance and provide them Cathay's analysis to encourage them to improve
2. Research on best practices of target's industry and encourage them to improve
3. Share Cathay's research results and international trends to targets
4. Meet with top management of the targets to learn about their strategy and encourage them to improve ESG management
5. Meet with the working level of the targets to learn about their ESG risk management practices

Participating  
Responsible  
Investment  
Organizations and  
Initiatives



### 1. The Asia Investor Group on Climate Change (AIGCC)

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. It's also a platform to provide capacity for investors to share best practice or trends and to collaborate engagement. Cathay is a founding member of AIGCC.



### 2. CDP

CDP is a non-profit organization and research institution focusing on environment issues (e.g., climate change, deforestation and water security). CDP invites corporates and governments to disclose environment information and related management and encourages them to improve. The CDP disclosure system and methodology are well recognized for the high quality. Cathay is CDP signatories and has participated in CDP Non-Disclosure Campaign for years.



#### Non-Disclosure Campaign

CDP invites investors to engage investees annually, encouraging them to improve transparency and management on environmental issues.

### 3. Climate Action 100+

Climate Action 100+ is a five-year initiative launched by international investor initiatives like AIGCC. Global investors collaborate to ensure 167 corporates including the world's 100 largest greenhouse gas emitters take necessary action on climate change. The companies account for at least two-thirds of annual global industrial emissions.



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## Shareholder Actions



In order to achieve maximum benefits for clients/beneficiaries/shareholders, Cathay's subsidiaries establish voting policies and be a proactive voter at shareholders' meeting. We don't necessarily support proposals made by management team.

For example, Cathay Life and Cathay Century has established voting policies include:

The Company respects the professional know-how of investee companies and, in the interest of effective growth, supports all proposals in general. In principle, however, the Company does not support proposals with contents that violate the corporate governance of investee companies (e.g., false financial statements and improper compensation for directors and supervisors), or those having a negative influence on the environment or society at large (e.g., pollution, violation of human rights, and deprivation of labor rights). Due to legal restrictions, the Company shall abstain from proposals involving the election of directors and supervisors of stock market-listed companies.

The subsidiaries disclose voting results annually.

Note: According to Article 146-1 of the Insurance Act, insurance companies may not vote in director and supervisor elections of domestic companies they have invested in, hence the abstention votes for proposals related to the appointment of directors and supervisors.

## 6-8. Asset Managers Mandating and Monitoring

Cathay values the responsible investment management of mandate assets as well as proprietary assets.

To make sure the mandate assets are well managed, Cathay Life take measures to make sure the asset managers or funds elected are in line with Cathay Life's investment philosophy:

	Mandate Asset Manager	ETF or Fund
<b>Check whether the counterparties have signed the PRI and local stewardship principles</b>	✓	✓
<b>Check whether the counterparties implemented ESG</b>	✓	✓
<b>Review the ESG performances of funds or institutions for fund management utilizing data from external professional ESG assessment institutions</b>		✓
<b>Included the responsibility in the contract that asset managers should conduct responsible investment and take climate factor into consideration when investing.</b>	✓	
<b>Ask the asset manager to follow Cathay's exclusion policy</b>	✓	
<b>Ask the asset manager to report the ESG management every year</b>	✓	

Cathay Century ask mandated institutions to implement responsible investment and follow our exclusion list. The institutions should report its actual approach and procedures on a quarterly basis to ensure the implementation.

# Operation Management

07

Cathay  
Financial  
Holdings



Cathay FHC established the Environment and Energy Management Committee and the "Cathay Financial Holdings—Environmental and Energy Policy" in 2017 to manage natural capital and implement greenhouse gas inventories, water resources management, energy management, and waste management. The President manages and periodically convenes meetings of the Environment and Energy Management Committee to supervise policy implementation. Furthermore, Cathay and all of its subsidiaries have introduced both the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. The management procedures are as follows:

1. Analysis of internal and external stakeholders: A full understanding of the Cathay FHC's operational environment is established by analyzing the needs and expectations of the organization and stakeholders as well as identifying risks and opportunities. Furthermore, the effective operation of Cathay's energy management system is ensured by following the Environmental and Energy Policy. Internal and external issues include, but are not limited to, products and services, organizational structure and leadership, as well as the establishment of regulations and activities related to the environment and suppliers.
2. Governance system: The highest-level manager of the environmental and energy management system is the Chairman of the CS Committee (the President of Cathay Financial Holdings), who appoints the head of the Green Operation Working Group, who in turn organizes and plans the joint implementation of relevant units. This includes the Secretary, management representatives from subsidiaries, and the environmental/energy management teams from subsidiaries. Together they establish and continuously execute environmental policies, including the following matters:
  - (1) Report the performance of the environment/energy management system to the highest-level manager as the basis for reviews and improvements.
  - (2) Ensure that all requirements of the environmental/energy management system are formulated, implemented, and maintained in accordance with the ISO 14001 and ISO 50001 standards.
  - (3) Promote Cathay's internal environmental/energy policies and goals.
  - (4) Evaluate deficiencies in the implementation of environmental and energy measures, and propose corrections.
  - (5) Review the internal audit plans and results of the environment and energy management systems.
  - (6) Communicate with stakeholders on topics such as use of the environment and energy, the environmental and energy management system, and competent authorities.
3. Performance evaluation: To effectively implement and evaluate these measures, performance evaluations shall be carried out in accordance with the following procedures:
  - (1) Internal audit: Cathay will conduct internal audits on a regular basis to ensure the environment and energy management system is in compliance with the environmental and energy management plans.
  - (2) Management reviews of the environmental and energy management system: The Secretary shall conduct reviews of the environmental and energy management system in the CS Committee's Green Operation Working Group meetings, thereby ensuring that the environmental and energy management system continues to be applicable, appropriate, and effective. Furthermore, the Secretary shall follow up on the decisions made in the meetings and the status of their implementation, and submit follow up reports in subsequent meetings.
4. Improvements to the environment and energy management system: Cathay will identify opportunities for improvement and implement all necessary measures based on the supervision, measurement, analysis, evaluation, compliance reviews, internal audits, and management reviews, thereby achieving the expected results of the environmental and energy management system.

# Independent Limited Assurance Report



## Independent Limited Assurance Report

PWCM21000088

To Cathay Financial Holding Co. Ltd

We have been engaged by Cathay Financial Holding Co. Ltd (the "Company") to perform assurance procedures on the description of policies and procedures for the period ended December 31, 2020 (the "Selected Statement") reported in the ESG Integration Report (2021 edition) (the "ESG Report"), and have issued a limited assurance report based on the result of our work performed.

### Selected Statement and Applicable Criteria

The 2020 Selected Statement identified by the Company and the respective applicable criteria have been disclosed in ESG Report.

### Management's Responsibilities

The Management of the Company is responsible for the Selected Statement disclosed in the ESG Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the Selected Statement that is free from material misstatement, whether due to fraud or error.

### Our Responsibilities

We conducted our assurance work on the Selected Statement disclosed in the ESG Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China, to identify whether any amendment is required of the Selected Statement to be stated, in all material respects, in accordance with the respective applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Selected Statement, and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

- Made inquiries of the persons responsible for the Selected Statement to understand the processes, and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and
- Based on the above understanding and the areas identified, performed selective testing including inquiry, observation, and inspection to obtain evidence for limited assurance.

資訊聯合會計師事務所 PricewaterhouseCoopers, Taiwan  
11012 臺北市信義區基隆路一段 333 號 27 樓  
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan  
T: +886 (2) 2729 6666, F: +886 (2) 2729 6686, www.pwc.tw



We do not provide any assurance on the ESG Report as a whole or on the design or operating effectiveness of the relevant internal controls. Our assurance does not extend to information in respect of periods earlier or later than 2020.

### Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Inherent Limitations

Certain Selected Statement involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment that is required of the Selected Statement to be stated, in all material respects, in accordance with the respective applicable criteria.

### Other Matter

The Management of the Company is responsible for maintaining the Company's website. If the Selected Statement or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers, Taiwan

Li, Yi-Huah  
Partner  
June 30, 2021



## **Cathay Financial Holding Co., Ltd.**

<b>Date of Incorporation</b>	December 31, 2001
<b>Brand Spirit</b>	Rediscovering Happiness
<b>Core Values</b>	Integrity, Accountability, Innovation
<b>Headquarters Address</b>	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)
<b>Contact Department</b>	Corporate Sustainability Office, Cathay FHC
<b>Mail</b>	cscathay@cathayholdings.com.tw
<b>Tel</b>	+886-2-27087698
<b>Corporate Sustainability Website</b>	<a href="https://www.cathayholdings.com/en/holdings/csr">https://www.cathayholdings.com/en/holdings/csr</a>
<b>Publication</b>	June, 2021