

Cathay Financial Holdings and Subsidiaries'

Management Guidelines for Coal and Unconventional Oil & Natural Gas Industries

Formulated on June 5, 2024
Responsible Unit: Corporate Sustainability Office

Article 1 (Objective and Basis)

Considering the significant environmental impact and higher carbon emissions of coal enterprises and unconventional oil & gas industries compared to other sectors, Cathay Financial Holdings (hereinafter referred to as "CFH") has committed to achieving net-zero emissions for financial assets by 2050. Therefore, these Management Guidelines (hereinafter referred to as "Guidelines") are established based on the "Cathay Financial Holdings and Subsidiaries' Responsible Investment and Lending Policy".

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")

The scope of business covered by these Guidelines include investment and lending. Investment covers active investment strategies, passive investment strategies, and externally managed assets, with a primary focus on listed equities and corporate bonds. Lending primarily focuses on corporate loans. Each subsidiary may establish management mechanisms based on its own business considerations.\

Article 3 (Definition of Actively Transitioning Enterprises)

"Actively Transitioning Enterprises" as referred to in these Guidelines must meet at least one of the following criteria:

1. The enterprise or its parent group is a state-owned entity with more than 50% government ownership, and the country has either signed the Paris Agreement or established a 1.5°C carbon reduction pathway aligned with the Paris Agreement.
2. The enterprise or its parent group has set a Science Based Target (SBT) approved by the Science Based Target initiative (SBTi).
3. The enterprise or its parent group has developed a transition plan aligned with the Paris Agreement goals or the nationally determined net-zero or carbon/climate neutrality targets, such as Nationally Determined Contributions (NDCs).

Article 4 (Monitoring and Management Principles for the Coal Industry)

The coal industry referred to in these Guidelines includes enterprises involved in coal mining, coal rail freight, coal support services, and coal-fired power companies.

CFH has established the following control principles for its subsidiaries' business involvement in the coal industry:

1. Lending Business: achieve zero coal lending by the end of Q1 2027

2. Investment Business's Phased Commitments:
 - A. No new investments to enterprises with more than 30% revenue from coal industry and without active transition plan.
 - B. From 2025: No new investments to enterprises with more than 20% revenue from coal industry and without active transition plan.
 - C. From 2030: No new investments to enterprises in OECD countries with more than 5% revenue from coal industry and without active transition plan; maintain a 20% threshold for non-OECD countries.
 - D. From 2040: No new investments to enterprises with more than 5% revenue from coal industry and without active transition plan.
3. Engagement Actions:
 - A. Subsidiaries shall regularly assess the significance of their investment and lending positions in the coal industry. Where appropriate, they should engage with selected entities to encourage them to set Science Based Targets (SBT) or develop climate transition plans aligned with the Paris Agreement goals or nationally determined net-zero or carbon/climate neutrality targets, such as NDCs.
 - B. Subsidiaries annually review the engagement outcomes with the coal industry. If there is no progress for three consecutive years, conduct an assessment of the engagement outcomes and consider escalating engagement measures according to the "Cathay Financial Holdings and Subsidiaries' Engagement Guidelines."

Article 5 (Monitoring and Management Principles for Unconventional Oil & Gas Industries)

Unconventional oil and gas industries referred to in these Guidelines include enterprises involved in tar sands, shale oil, extra heavy oil, and liquefied natural gas (LNG) refined from these unconventional fossil fuels.

CFH has established the following control principles for its subsidiaries' business involvement in the unconventional oil and gas industries:

1. No new investments to enterprises with more than 50% revenue from unconventional oil and gas industries and without active transition plan.
2. From 2025: No new investments to enterprises with more than 30% revenue from unconventional oil and gas industries and without active transition plan.
3. From 2030: No new investments to enterprises with more than 20% revenue from unconventional oil and gas industries and without active transition plan; maintain a 30% threshold for non-OECD countries.

Article 6 (Disclosure)

CFH shall disclose the management measures for coal and unconventional oil & gas industries in its annual sustainability report.

Article 7 (Formulation, Revision, Enforcement, and Repeal)

The formulation, revision or repeal of these Guidelines shall be approved by the President.

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