

Cathay Financial Holdings Responsible Investment and Lending Policy

Formulated on 2015.12.14

Amended on 2022.05.13

Accountable Unit: Corporate Sustainability Office

Article 1 (Purpose and Basis)

Cathay Financial Holdings (hereinafter referred to as Cathay) believes that consideration of Environmental, Social and Governance issues can increase the long-term value of the investment/lending of our businesses, reduce the associated risks and ultimately increase shareholder value. The Policy was formulated by referencing international financial sustainability principles including the Principles for Responsible Investment (PRI) and the Equator Principles (EPs).

Article 2 (Principles and Statement of Purpose)

Cathay and every subsidiary company shall continuously monitor the trends of responsible investment/lending issues and study the best practices, so as to improve the established management systems, reduce relevant risks, and promote the long-term value of Cathay's investment/lending. Cathay will consider material ESG issues for making investment/lending decisions, therefore increase shareholder value and achieve sustainable development.

Article 3 (Applicable Scope)

The applicable scope of this policy includes Cathay and its subsidiaries: Cathay Life, Cathay United Bank, Cathay Century, Cathay Securities, and Cathay SITE (hereinafter referred to as every subsidiary company).

For assets specified in this policy, investments are made based on the principles of listed/OTC-traded stock investment and bond investment, and lending is based on the principle of corporate loan.

Article 4 (Method of Implementation)

Every subsidiary company could gradually incorporate major ESG issues into its investment/lending value chain. These include, but are not limited to, the following methods:

- I. Consider participating in relevant initiatives launched by companies or diverse stakeholders to study the best practices of responsible investment/lending and solve relevant problems.
- II. Conduct relevant research with non-profit organizations and the academic sector based on management needs.
- III. Participate in the development of relevant laws or policies and promote the development of domestic and foreign responsible investment/lending with practical experiences.
- IV. Include material ESG issues in investment analysis, decision making, and the review process of

corporate loan to effectively improve long-term value and manage risks. The practical methods include but not limited to:

- (I) Identify material ESG factors that affect investment/lending and include those factors in the management process of the company.
- (II) Utilize ESG-related management tools, assessment indicators, and analysis methodologies to evaluate and incorporate ESG issues into the management process.
- (III) Conduct training on ESG issues for the investment/lending staff to ensure comprehensive internal capabilities are built.
- (IV) Encourage investment service providers, external investment managers, and investigators who perform due diligence of corporate loan to develop their skills for ESG integration.
- (V) For investment/lending value chains, it is recommended to promote active ownership and integrate ESG issues into practices of ownership of Cathay and every subsidiary company. The practical methods include but are not limited to:
 - 1. Improve performance of the investee or borrower companies through utilizing the power of shareholders/creditors such as engagement, voting and field audit.
 - 2. Encourage major investee or borrower companies to improve ESG disclosure.

Article 5 (Disclosure)

Cathay shall disclose relevant actions and progress in the Corporate Sustainability Report, Shareholder Annual Report, and website to ensure key stakeholders are informed of the information.

Article 6 (Formulation, Revision, Enforcement, and Repeal)

The formulation, revision or repeal of the policy shall be approved by the Board of Directors.

The policy is effective on the date of enforcement. The revision or repeal of the policy shall take effect on the date of revision or repeal.