

Cathay Financial Holdings and Subsidiaries'

Responsible Investment and Lending Policy

Formulated on December 14, 2015

Revised on May 13, 2022

Revised on May 15, 2024

Responsible Unit: Corporate Sustainability Office

Article 1 (Purpose and Basis)

Cathay Financial Holdings (hereinafter referred to as CFH) believes that integrating material environmental, social, and governance (ESG) information into its investment and lending activities enhances the long-term value and mitigate associated risks, ultimately benefiting its shareholders. This Policy has been formulated with reference to international financial sustainability principles including the Principles for Responsible Investment (PRI) and the Equator Principles (EPs).

Article 2 (Basic Principles and Claims)

CFH and its subsidiaries should continuously monitor the trends in sustainable finance, responsible investment, and lending best practices, so as to refine the established management systems, reduce relevant risks, and enhance the long-term value of their investment/lending. In addition, CFH will improve the interests of CFH's shareholders and realize corporate sustainability by using material ESG issues as references for making investment/lending decisions.

Article 3 (Scope of Application)

This Policy applies to Cathay FHC 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 this Policy includes investment and lending. Investment cover 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 4 (Methods of Implementation)

Each subsidiary should implement responsible investment and lending practices by referring to the following methods:

1. Investment and Lending Exclusion Policy: CFH Investment and Lending Exclusion Policy designates controversial industries, countries, and behaviors as areas of concern. The Responsible Investment Working Group of CFH Corporate Sustainability Committee annually screens the areas of concern to prepare the "Investment and Lending Exclusion List", which is approved by the President under authorization by the Board of Directors. The list is then communicated to each subsidiary and used to exclude certain targets from investment and lending activities.

2. Specific Guidelines for Sensitive and Specific Industries: CFH and its subsidiaries should establish management mechanisms for industries with high ESG-related risks that are not included in the "Investment and Lending Exclusion List." Consideration should be given to the following industries:
 - A. Coal-related industries
 - B. Unconventional oil & gas-related industries
 - C. Industries impacting biodiversity
3. Incorporation of Material ESG Issues: To effectively promote long-term value and manage risks, material ESG issues should be integrated into investment analysis and corporate finance credit review processes. This can be achieved by:
 - A. Utilizing ESG management tools, indicators, and analysis methodologies to identify material ESG issues of investee companies and lending customers. CFH and its subsidiaries should consider the following factors and integrate them into the company's management processes:
 - a. Environmental (E): Carbon emissions, climate change vulnerability, water stress, biodiversity, and land use.
 - b. Social (S): Labor management, health and safety, chemical safety, and corporate inclusivity.
 - c. Governance (G): Board of Directors structure and operation, compensation, and corporate ethics.
 - d. Overall ESG: investee companies and lending customers' ESG ratings and ESG information disclosure and their involvement in ESG controversies.
 - B. Train internal personnel on ESG issues to ensure adequate internal capacity building.
 - C. Ensure external ESG information service providers have relevant knowledge and capabilities; encourage external investment managers and corporate banking due diligence personnel to continually enhance their ESG knowledge and skills.
 - D. For investment/lending value chain, enhance active ownership practices and integrate ESG issues into each subsidiary's stewardship principles and practices. Specific methods may include:
 - a. Managing assets and corporate finance credit cases by leveraging shareholder/creditor power through engagement, voting rights, and on-site audits to urge investee companies or lending customers to improve ESG performance.
 - b. Encouraging significant investee companies or lending customers to disclose their ESG performance.
4. Promotion of Sustainable Thematic Investment and Lending: Define the concepts of sustainable thematic investment and lending to address specific ESG issues and support social and environmental sustainability. Regularly track and quantify the outcomes of these investment and loans.
5. Requirements for External Managed Assets: External investment managers must adhere to the responsible investment policies of each subsidiary, and subsidiaries should regularly review the compliance of external investment managers' investment processes.

Article 5 (Outcome Identification and Measurement)

CFH has established key performance indicators (KPIs) such as the scale of sustainable thematic financing (including low-carbon infrastructure, aging society and health, community and financial inclusion, and water resources), pathways for the decarbonization of financial assets, participation in ESG

organizations and initiatives, and ESG engagements. These KPIs are used to measure the implementation of Article 4 of this Policy.

Article 6 (Disclosure)

CFH 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 7 (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.