



國泰人壽  
Cathay Life Insurance

2023

# Responsible Investment and Stewardship Report

2023. 01. 01–2023. 12. 31



# ABOUT CATHAY LIFE INSURANCE



**Founded in  
1962**



**30 thousand  
Employees**



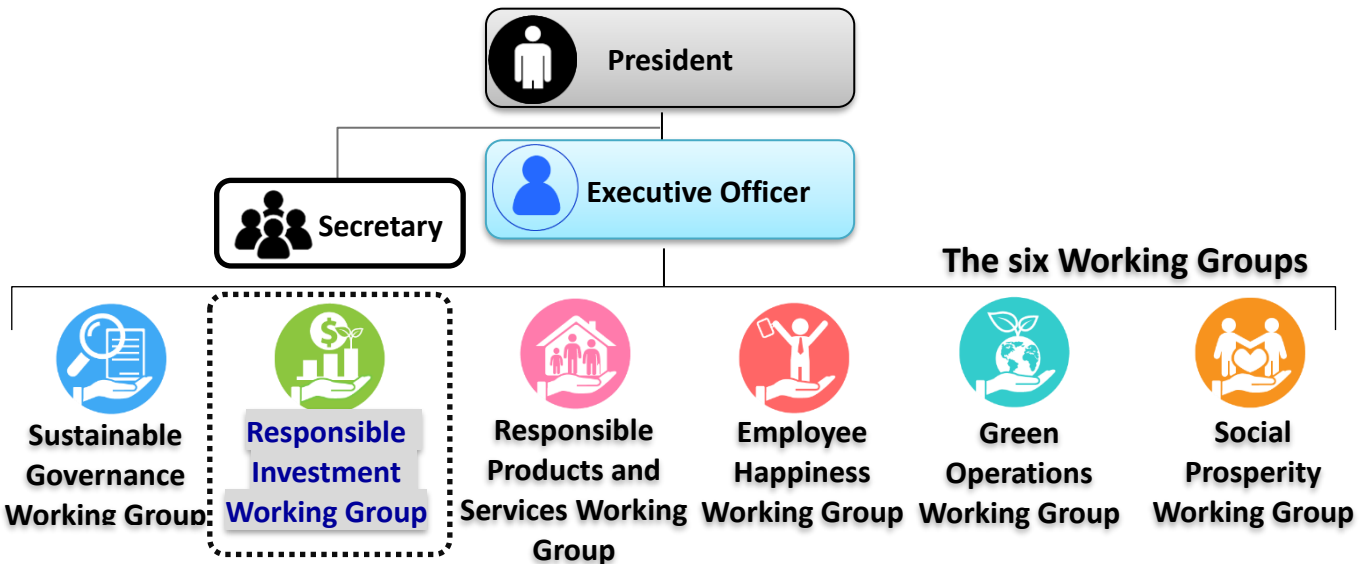
**8.04 million  
policy holders**




**Total assets  
Over NT\$ 8.5 trillion**

Founded in 1962, Cathay Life Insurance has 30 thousand employees, 8.04 million policy holders, and total assets of over NT\$8.5 trillion , and is the leader of Taiwan’s insurance industry. “Lead the way in sustainable insurance and ensure the happiness of society” is Cathay Life's vision of sustainability, which consists of three strategic directions: Climate, Health, Empowerment.

## ■ Cathay Life Corporate Sustainability Team



## ■ Focus Areas & Blueprint of Sustainable Development

- 

**CS Vision**  
*Lead the way in sustainable insurance and ensure the happiness of society*

- Three Focus Areas**
- The Six Dimensions**
- Goals for Sustainability**




## **STATEMENT**

Since 2015, Cathay Life has been self-complied with the Principles for Responsible Investment (PRI) on its own initiative. On July 25, 2016, Cathay Life signed the Taiwan Stewardship Principles for Institutional Investors issued by TWSE Corporate Governance Center, and became the first insurance company in Taiwan to become a signatory.

Taiwan Stewardship Principles  
for Institutional Investors



Signatory

 Cathay Life Insurance  
2016.07.25

When Cathay Life use the core investment capabilities to pursue growth, we will always commit to integrate environmental, social and governance (ESG) factors into investment decision-making and ownership practice, through the system establishments and process adjustments in order to fully exercise its expertise and influence as an institutional investor and fulfill the duties of an asset owner, thereby increasing the long-term values of its customers and shareholders and realizing responsible investment.



[Cathay Life  
Compliance Statement-  
Stewardship Principles for  
Institutional Investors](#)

This report is not only we demonstrate our efforts in responsible investment and stewardship but also claim to abide by six principles of PRI and Taiwan Stewardship Principles for Institutional Investors. After being countersigned by the legal affairs office and corporate governance manager, it is submitted to the general manager for approval and then proactively disclosed.

As of December 31, 2023, Cathay Life has complied with the Principles for Responsible Investment (PRI) and the six principles of the (Taiwan) Stewardship Principles for Institutional Investors without fail.

## **ABOUT**

The contents in this report is released after reviewed by the legal affairs office, chief corporate governance officer, and approved by the general manager. The information disclosure period of this report is from January 1, 2023 to December 31, 2023. The report discloses information on Cathay Life Insurance, and the scope is limited to Taiwan.

## **CONTACT INFORMATION**

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## Responsible Investment Organization and Mechanism

Cathay Life Insurance’s total assets exceed NT\$8.5 trillion (NT\$7.6 trillion of which are investment assets), accounting for about 1/4 of Taiwan’s overall life insurance industry. As one of the largest institutional investors in Taiwan, Cathay Life has long been focusing on appropriately using the funds of policy holders and shareholders to make its capital usage more meaningful. With the growing awareness worldwide on corporate sustainability and ESG issues, responsible investment has become a mainstream value. In response, Cathay Life also considers the integration ESG issues into our investment decision making process. We not only pay attention to the operational prospect of our investees, but also hope to set a model for our investees that focuses on sustainable development. From encouraging our investees’ development towards becoming a good company and demonstrating good behavior to changing other companies, we can make our environment more sustainable, retain long-term viability of our operations, mitigate the impact of ESG risks, and generate positive economic benefits, all in order to establish a model for corporate accountability and create a sustainable future.

### (I) Working Group and Inputs

Cathay Life is the first insurance company in Taiwan to establish a responsible investment working group. The Responsible Investment Working Group consists the front, middle and back offices involved in investment, and is headed by the executive managers of equity investment departments. In January 2022, we established a dedicated unit to take charge of overseeing and planning responsible investment matters. Our team continues to expand research resources to strengthen the Company’s responsible investment capacity and improve our sustainability performance, with the hope to become a leader in responsible investment in Taiwan.

**First**  
Dedicated  
Unit


**3**  
Dedicated

**Progress**

- First insurance company in Taiwan to establish a RI working group in 2016
- Established a dedicated unit for RI matters in 2022
- 100% responsible investment personnel hold the CFA Certificate in ESG Investing
- ESG database and analysis tools linked to the investment information platform
- Plan annual stewardship activities, including engagements and exercising of shareholder voting rights.
- Participate in international initiatives and activities, connecting with international investors to exert collective influence.

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**Awards**



**Selected**  
TWSE

List of Companies with Better Institutional Investor Stewardship Disclosure

**Taiwan Sustainable Investment Award**  
2023 Taiwan SIA

- ✓ Influential Institution Award
- ✓ Corporate Engagement Award - Gold

**Investor Climate Action Plan**  
2023 ICAPs

Won the best practice examples in the latest standards for “Investment” and “Investor Disclosure”

## Organize training courses periodically:

### Investment manager (including junior and mid-to-senior level executives)

Periodically share the latest ESG trends and potential investment opportunities at work meetings and investment weekly sessions.



### Responsible investment education and training

- ✓ Annually organize two physical responsible investment education training courses and arrange workshops for "Being an ESG specialist times!!" discussion.
- ✓ Annually organize online ESG training for all investment teams.
- ✓ Themes: ESG trends, climate change, and nature and biodiversity.



### New employee orientation

- ✓ New employee orientation of the investment team incorporating responsible investment contents.
- ✓ Themes: Introduction to basic ESG concepts and internal responsible investment mechanisms.



## (II) Our Missions

1. Set short-, medium- and long-term goals and responsible investment and climate related plans each year.
2. Research benchmark peers' policies and mechanisms of responsible investment, sustainability trends, and international framework.
3. To progressively internalize ESG concepts into investment teams, thereby making sustainable investment an integral part of everyday investment:
  - (1) To organize training courses to improve investment teams' understanding of responsible investment and develop talent in ESG investment;
  - (2) Regularly issue CLIMATE PLUS, a monthly e-newsletter on responsible investment, to share the latest domestic and international responsible investment initiatives, actions, and the industry's carbon reduction trends.
4. The external professional ESG database and tools are integrated with the internal investment management system, in order to help the investment team to timely monitor the ESG rating and Climate VaR of investee companies. In addition, the Company has developed internal management tools, including the commitment to net zero/ RE 100/ SBTi, and historical carbon emissions data. The information is shown graphically to provide front-end investment offices an avenue to keep track of carbon emissions and climate commitments of investee companies.
5. Plan annual stewardship activities, including setting engagement strategies to communicate with investee companies, planning exercising voting rights, analyzing shareholder voting rights, and other relevant procedures.

# CLIMATE PLUS NEWSLETTER

- ✓ International Climate Initiatives
- ✓ ESG policies and regulations
- ✓ Industry's carbon reduction trends
- ✓ Responsible Investment News



**303 people**  
senior executives and investment teams

**360 hr/ppl/yr**  
Learning time

**NT\$ 60 thousand**  
investment amount

# ESG Analysis Tool

Update ESG Tools regularly

keep track of carbon emission information of investee companies

keep track of carbon emission trends of investee companies



search for current ESG ratings

search for climate risk value **CVaR**

upload ESG assessment reports

Investment amount : **NT\$ 91 million**

Subscriptions of Third-Party databases **MSCI** **ISS** **Bloomberg** **BloombergNEF** **CDP**

### (III) ESG policies and mechanism

#### 1. Perfecting ESG management policies

In order to make our responsible investment comprehensively cover various types of assets (e.g., equity, bonds, funds, and real estate), we not only comply with the Responsible Investment and Lending Policy established by Cathay FHC, but also establish relevant ESG directions and policies tailored to individual investments in assets of different natures (please see the figure below and details as [annexed table](#)). In addition, we report the implementation results of responsible investment to the Board of Directors every year.

#### 2. Fully implementing responsible investment

We exclude assets that fall outside the scope of responsible investment operations (e.g., cash, foreign exchange hedging, and separate account). The total responsible investment assets amount to NT\$6.7 trillion.

#### Securities Investment

- We stipulate “Investment Management Procedures” and “Investment Policy” to follow the PRI by refining the investment procedures, utilizing its investment information systems, and referring to the external research resources.
- We also established “Stewardship Principles,” which incorporates ESG factors into various stewardship activities.

#### Equity and Fixed Income

- ESG Risk Review Procedure ([P.10](#))
- Interacting with investee companies ([P.23](#))

#### Fund and Mandate

Asset Manager Mandating and Monitoring ([P.20](#))

#### Corporate Lending

We stipulate “Responsible Lending Policy” and “Notice for Review of Loans to Corporations” and design an ESG checklist to verify lending customers’ achievements of ESG matters. ([P.19](#))

#### Real Estate Investment

We establish its “Responsible Property Investment and Management Policy”, which states that real estate investments must improve the performance of its real estate holdings so as to engage in the proper utilization of Earth’s resources and the proper management of investment and operating risks. ([P.19](#))



### 3. Managing conflicts of interest

Cathay Life is consistently committed to steady, pragmatic operations based on the principle of business integrity. In order to ensure that our use of funds is in line with the policyholders' expectations and shareholders' rights and interests, we established a management system for specific conflicts of interest. The system properly manages and implements internal control of conflicts of interest in the patterns that are likely to occur, so as to avoid various conflicts of interest between Cathay, its employees and policyholders, or shareholders and other stakeholders.

#### (1) Implementing the promotion of education

In order to enable employees in our investment teams to better understand the spirit of avoiding conflicts of interests, and adhere to high ethical standards and comply with relevant internal and external laws and regulations when implementing investment businesses, Cathay Life has prepared documents for communication on conflicts of interest for employees to refer to at any time, convened meetings among relevant departments from time to time to discuss relevant matters, and included courses on conflicts of interest as compulsory courses for new investment-related employees. In the meantime, we have organized educational trainings for all employees every year. In 2023, a total of 1,980 Cathay employees participated in internal training courses and discussion meetings on conflicts of interest, amounting to average training hours of 21 minutes per person.

#### (2) Stipulating directions and regulations

Cathay Life Insurance has established the "Guidelines for the Prevention and Management of Conflicts of Interest in Investment" to set a mechanism for preventing conflicts of interest in investment transactions, and regulate investment and trading personnel and those who are aware of the content of investment transactions prior to the transactions, to adhere to high-ethical standards and perform investment businesses with diligence and professionalism to avoid conflicts of interest. Furthermore, we manage such affairs through regulations on matters, such as restriction on trading venues and equipment,

retention of transaction records, transaction authorization control, pre-transaction prohibition, post-transaction reporting/audit, and prohibition of improper benefit acceptance, among others.

Investment team shall follow the aforementioned mechanism to implement daily management and annual self-check. In addition, the auditing unit shall implement audits on “reports, transactions, and conflicts of interest” to ensure the effectiveness of the control system. In 2023, no incidents involving conflicts of interest occurred in Cathay Life Insurance, which demonstrated the effectiveness of our preventive mechanism for conflicts of interest.

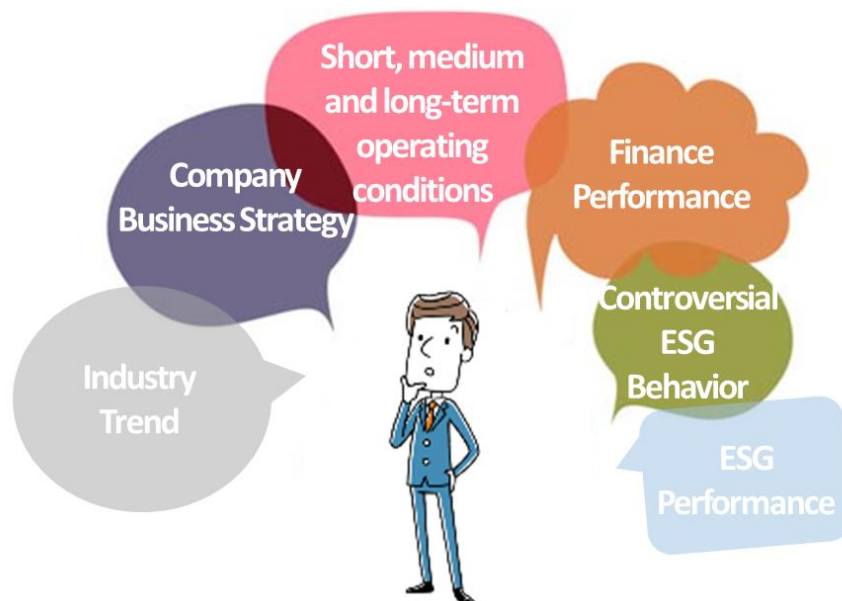
## Responsible Investment Measures

### (I) Implementing integration of ESG factors

#### 1. Incorporating ESG issues into the investment decision-making process

In order to lower the overall risks of investment portfolios and refine the sustainability project of responsible investment, Cathay Life is the first insurance company in Taiwan to establish ESG Risk Review Procedures. When investing in equity and fixed income, we must consider the financial and non-financial performances of the investee companies, and adopt ESG integrated management mechanisms such as comply-or-explain and escalation process.

In order to lower the overall risks of investment portfolios, our investment teams not only conduct the traditional fundamental analysis in individual stock study reports but also include ESG evaluation to more comprehensively evaluate the investment value of the investment targets. There were a total of 1,248 reports in 2023.



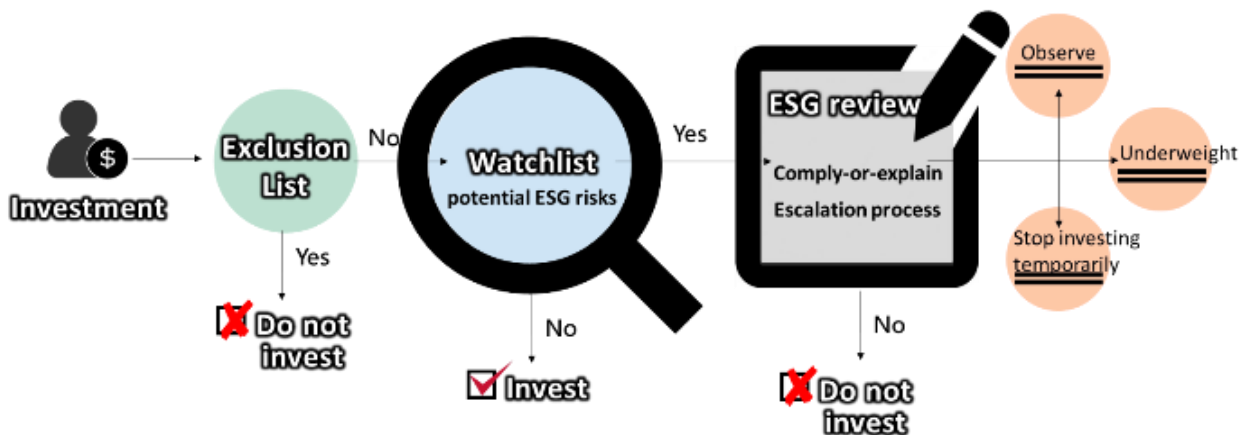
#### (1) Carefully considering the ESG performance of investment buylist

When adding a new investment target in our buylist, investment teams must check if the target is included in the exclusion list or watchlist. Targets on the exclusion list shall not be accepted in our investment buylist. If a target belongs to the watchlist, further reports that evaluate its capabilities of ESG risk management shall be provided and the internal escalation process shall be conducted before

adding the target as a new investee. Furthermore, the new investee company shall be continuously observed and followed up on its ESG performance in order to avoid ESG risks.

(2) Reviewing the ESG performances of investment positions on a periodic or ad hoc basis

Our investment team mainly utilizes MSCI ESG research data to monitor changes in the ESG performance of existing investment targets (including listed equities, corporate bonds, financial bonds and government bonds), with supplemental data from National Taipei University’s Taiwan Sustainability Value Index and TWSE’s Corporate Governance Evaluation System. When an investment target declines in ESG performance and is placed on the watchlist, our investment teams must immediately provide an evaluation report to understand the target’s decline in ESG ratings, reasons for its negative incidents, and the response measures it has taken, and then take appropriate risk management measures (e.g., continuing to observe and follow up on developments, reducing position size, or holding current position). Furthermore, we conduct a comprehensive ESG review of existing investment targets every September.



In 2023, all listed equities, corporate bonds, financial bonds and government bonds investment targets with potential ESG risks have been reviewed, and a total of 317 cases have been reviewed through the ESG review procedure. Besides, investment team removed 4 investmentlist targets from the buylist after considering basic aspects and ESG performance.

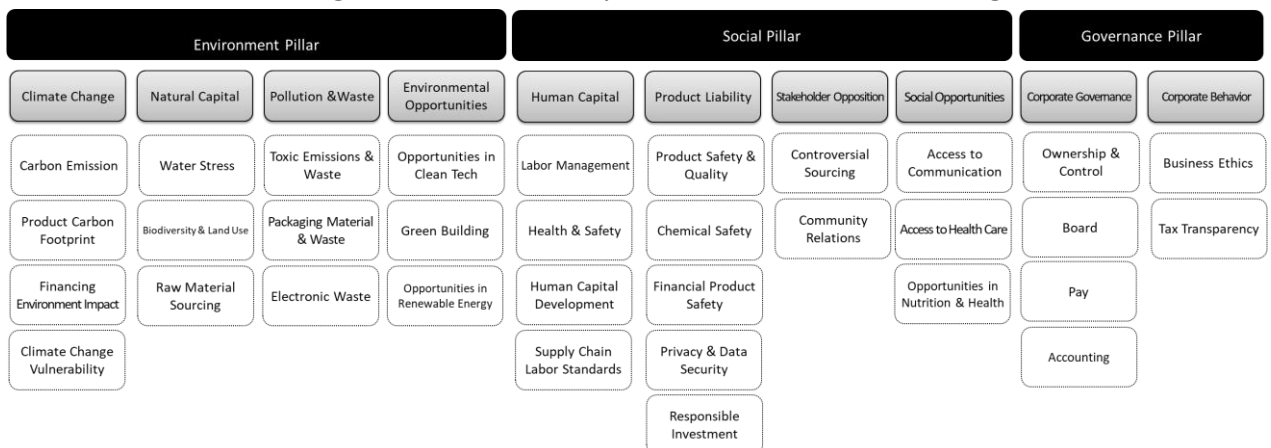
- Exclusion list

We comply with Cathay FHC and Subsidiaries Investment and Lending Exclusion Policy and our own Investment Management Principles for Sensitive Industries and place government bonds issued by countries that systematically violate human rights or exhibit major disputes over human rights and controversial industries that involve high environmental, social and moral risks that lead to negative social impacts, on the “exclusion list.” Each year, we regularly adjust and review the exclusion list according to factors including international sustainability trends and ESG risks.

- Watchlist

(1) Considering risks from material ESG factors

The Governance pillar is the core of ESG and the foundation for evaluating the ESG performance of each company. The environmental and social pillars, on the other hand, are associated with the core competencies of operation and emphasize material issues related to corporate operation or finance performance (e.g., water resource management for the semiconductor manufacturing industry). Cathay Life evaluates the ESG performance of investee companies with reference to data from MSCI international ESG research institutions and uses consistent standards regardless of industry. We evaluate companies according to their exposure to ESG risks and how they manage those risks compare to peers. The MSCI ESG ratings range from the leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC). Company rated on the ‘B, CCC’ scale will be put on the watchlist and must undergo ‘ESG risk review procedures’ before investing.



**【MSCI ESG Key Issues】**

Cathay life adopted the MSCI ESG rating methodology, using the indicators listed in the graph above. Take one of the indicators, 'carbon emission', as an example. It will be considered in the investment decision-making process, be used as a reference basis while negotiating with the investee companies, and be used when calculating the investment portfolio's carbon footprint.

Focus of Assessment	The assessment is based on each company’s quality of carbon management and its efforts to manage climate-related risks and opportunities
Risks and Opportunities	<ul style="list-style-type: none"> <li>• Costs associated with carbon pricing or carbon taxes increase</li> <li>• Regulatory caps lead to facility refurbishment or operational disruption</li> </ul>
Evaluation Index	Direct GHG emissions (scope1), indirect GHG emissions (scope2), carbon intensity (tons CO2e/USD million sales), emission reduction target setting and achievement status, use of cleaner sources of energy, efforts to reduce carbon emissions

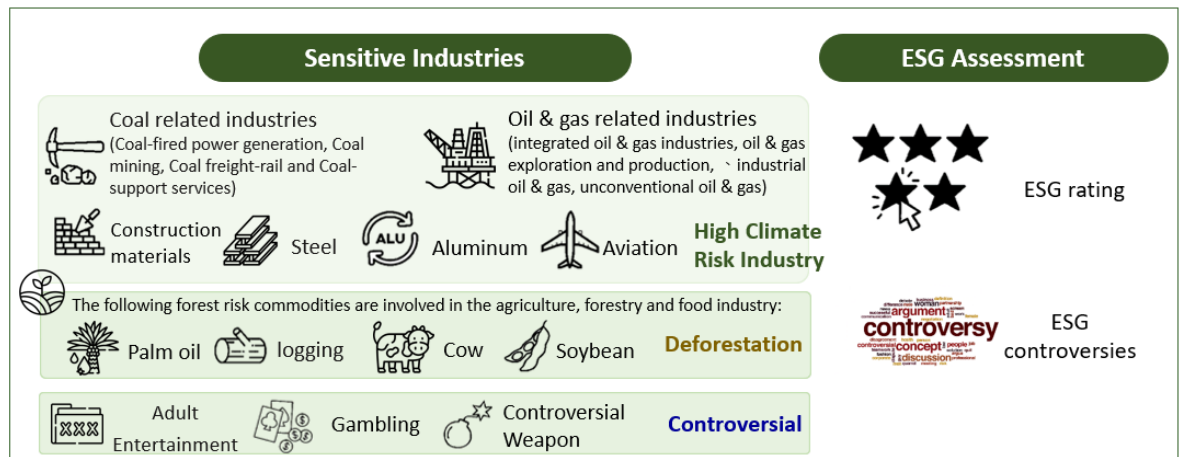
**(2) Evaluating controversial incidents**

We evaluate investee companies’ compliance with the UN Global Contract and monitors their ESG incidents in real-time. If an investee company is involved in a severe ESG controversy of a significant impact scale and receives an orange or red flag under the MSCI ESG controversies scoring, it will be placed on the watchlist and must undergo ‘ESG risk review procedures’ before investing.

Environment	Social			Governance
	Customers	Labor Rights & Supply Chain	Human Rights & Community	
<ul style="list-style-type: none"> <li>• Biodiversity &amp; Land Use</li> <li>• Toxic Emissions &amp; Waste</li> <li>• Energy &amp; Climate Change</li> <li>• Water Stress</li> <li>• Operational Waste (Non-Hazardous)</li> <li>• Supply Chain Management</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Anticompetitive Practices</li> <li>• Customer Relations</li> <li>• Privacy &amp; Data Security</li> <li>• Marketing &amp; Advertising</li> <li>• Product Safety &amp; Quality</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on Local Communities</li> <li>• Human Rights Concerns</li> <li>• Civil Liberties</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Management Relations</li> <li>• Health &amp; Safety</li> <li>• Collective Bargaining &amp; Union</li> <li>• Discrimination &amp; Workforce Diversity</li> <li>• Child Labor</li> <li>• Supply Chain Labor Standards</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Bribery &amp; Fraud</li> <li>• Governance Structures</li> <li>• Controversial Investments</li> <li>• Other</li> </ul>

### (3) Classifying targets from sensitive industries

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.



ICON Source from: Palm Oil, cow, porn industry, Oil Rig icon made by [Freepik](#), Steel icon made by [Uniconlabs](#), Agriculture icon made by [cahiwak](#) from [www.flaticon.com](#).

Cathay Life Insurance evaluates industry-specific ESG risks every year and adjusts sensitive industries in a timely manner. Companies are assessed for the degree of their operational involvement in sensitive industries, the percentage of revenue earned from businesses in sensitive industries, Climate Value-at-risk(C VaR), etc. so as to determine the investment and lending exclusion list, and the watchlist of investment targets. The industry watchlist is described as follows:

#### i. Coal related Industries

In 2021, the UN COP26 reached the Glasgow Climate Pact, the first climate agreement that specifies a plan to reduce the use of coal. We realized that phasing out coal has become a consensus for the global combat with climate change. Coal-related industries (e.g., Coal-based power generation producers, coal mining, coal freight - rail and coal support services) will face considerably increased risks of asset impairment in the future. Therefore, we include the coal-related industry in the list of sensitive industries.

#### ii. Unconventional Oil and Gas Industry

The scope of unconventional oil and gas covers extra heavy crude oil (such as

oil sand), shale oil, liquefied natural gas (LNG) extracted from unconventional fossil fuels, etc. Considering that mining unconventional oil and gas produces more GHG emissions than conventional oil and gas, and uses much energy and water consumption, exacerbating climate change impacts, we include the unconventional oil and gas industry in the list of sensitive industries.

iii. Deforestation-related activities

Cathay Life included logging and palm oil in the list of sensitive industries in 2020, so as to mitigate the risk of land degradation by reducing deforestation. In the past two years, Cathay Life has continued to explore issues regarding nature and comprehend the impact of biodiversity changes and biodiversity loss, which may result in a potential crisis on the economy and sustainable life cycle. In view of this, the management scope expanded into the agriculture, forestry and food industries in 2023, while management actions shall comprise land-use change, supervising companies that produce and use commodities causing deforestation, including beef, soy, palm oil, and timber products, in order to prevent and reverse land degradation and prevent biodiversity loss.

iv. Controversial weapon industries

Since biological weapons (1972 Biological and Toxic Weapons Convention), chemical weapons (1993 Chemical Weapons Convention), anti-personnel landmines (1997 Ottawa Treaty), cluster bombs (2008 Convention on Cluster Munitions), depleted uranium ammunition, and nuclear weapons (1968 Treaty on the Non-Proliferation of Nuclear Weapons) cause indiscriminate attacks and mass destructions, with serious violation of humanitarianism, with the support of corresponding international conventions, the above-mentioned controversial weapons industry is incorporated in the list of sensitive industries.

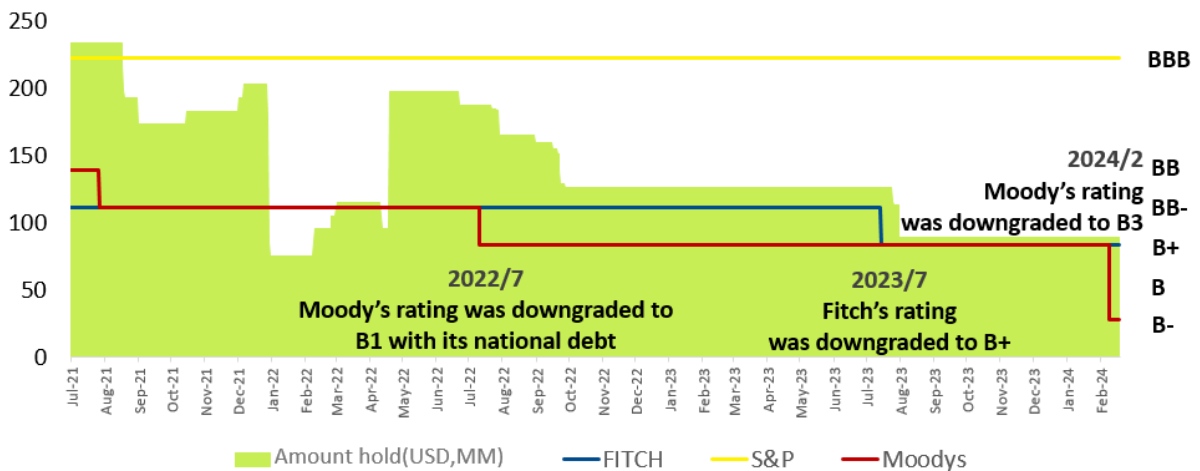
**Case study: Integrating ESG factors into investment decisions : Company P**

- Company P is a private oil company in South America. In the past, it paid more



taxes to the government, however, high debt pressure led to insufficient capital expenditure and use of old factory equipment, causing relatively higher percentage of workplace injuries in the past few years. In 2022-2023, oil refinery and offshore oil rig explosions and oil leaks occurred. As the investment team suspected that there would be a higher downgrade risk, it began to reduce investment positions since June 2022.

- In July 2023, Company P’s Fitch credit rating was downgraded from BB- to B, indicating high debt pressure and poor ESG management, which led to difficulties in the access to financing sources in the market. In February 2024, Moody’s ratings were downgraded from B1 to B3 for similar reasons as Fitch, and that the market consensus expected Mexico’s fiscal situation to worsen in 2024, which may affect support from the government in the future.
- In our view, as the company will face liquidity problems in the long run, and it requires government funding to support its debt repayment upon maturity. Concerns persist regarding deficiencies in ESG management, which are expected to hinder future external financing. Therefore, we continue to reduce our investment positions.



### Case study: Integrating ESG factors into investment decisions : Company A

- Aluminum production is an energy-intensive industry, subjecting to higher regulatory restrictions which may result in decrease in asset value of related companies, and higher climate change risk exposure, indirectly affecting the climate resilience of Cathay Life’s investment portfolio. Company A’s climate value-

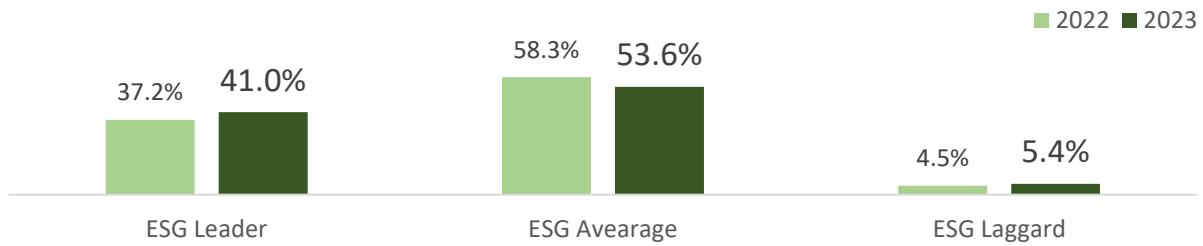
at-risk (CVAR) in the aluminum industry reached the threshold requiring high level of concern, and was placed on the Company's watch list.

- Company A's businesses focus on electrolytic aluminum (around 30% of the production costs come from power generation), while 80% of its carbon emissions come from power generation and 20% come from the smelting reaction process. Since Company A already formulated plans related to carbon emission issues, its carbon emissions are far below industry average.
- Based on our analysis, Company A has set a goal of achieving net-zero carbon emissions by 2050. With 2015 as its base period, its carbon dioxide equivalent was reduced by 25% in 2022. Meanwhile, Company A formulated clear carbon emission reduction strategy, and is committed to investing in the R&D of carbon reduction technologies and increasing the percentage of renewable energy power generation (up from 80% to 85%), working towards the carbon reduction goal.
- Although Company A is in a high-climate risk industry, the investment team will continue to observe and follow up on Company A as it has already set specific carbon reduction goals and formulated clear carbon reduction strategies.

### Changes in investment decisions

- Through ESG risk review procedures, biannual regular training, and onboarding training for new employees, we gradually guide the investment team to attach importance to responsible investment and ESG issues.
- After reviewing the ESG distribution status of self-owned positions including listed equities, corporate bonds, financial bonds and government bonds in 2023, Cathay Life actively engages with investee companies to keep track of their ESG progress, and select investment targets with better ESG performance for asset allocation. Therefore, we see rising percentage of Cathay Life's investment positions ranked as ESG leaders. In addition, the ESG rating agencies expanded the scope of targets in 2023. Since 50% of the companies initially rated was ranked ESG laggards, many of the investee companies lagged behind as they were rated for the first year. As such, the proportion of the Company's positions ranked as ESG laggard increased slightly. In the future, we will

continue to engage with companies ranked as ESG laggards and help them improve their ESG ratings.



Note:

1. MSCI ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).



2. Since the ESG risk review is only applicable to the Company’s own investment positions, the above statistics only cover the Company’s own investments with MSCI ESG ratings.

## 2. Incorporating ESG factors into corporate lending decision-making process

When implementing know your customer (KYC) guidelines, Cathay Life designs an ESG checklist, which assesses corporate lending customers’ environmental, social and corporate governance performance in order to ensure their ESG implementation. These customers are further divided into those “Excluded loan customer,” those “Requiring closer watch loan Customer,” and those “General loan Customer.” In 2023, there were a total of 17 audit cases, only two of which were related to customers that required greater attention (environmental protection incidents). The remaining cases did not involve ESG incidents and were considered as audits on “general customers.”

## 3. Real estate investment

As a demonstration of our commitment to ecology and environmental protection, for 2016 onwards, architects commissioned by Cathay are required to design buildings invested and developed by Cathay based on green building standards, so that all real estates can reach certain standards of energy and resource use, greening, and waste. All new buildings with obtained building permits have obtained the green building or LEED certification since 2023.

## (II) Asset manager mandating and monitoring

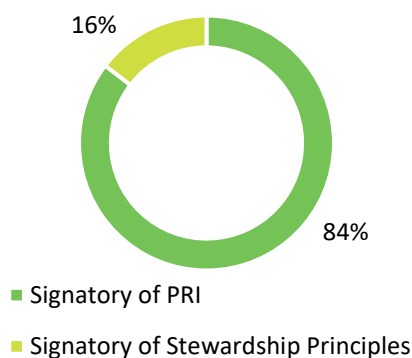
In order to ensure that its mandated asset management is subject to responsible investment management, Cathay Life takes various measures on assets under management by mandataries to ensure that its mandate institutions or the ETFs and Fund it invests in are in line with Cathay's principles:

### 1. Mandate institutions

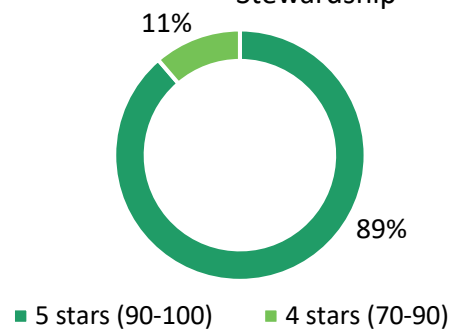
We take signing the Principles for Responsible Investment (PRI) into consideration for mandate partner evaluation to ensure that Cathay life's mandate partners fulfill their duties as asset managers. We also stipulate when signing agreements that PRI must be included in decision-making considerations, and that the investment targets' fulfillment of obligations in accordance with relevant ESG regulations be assessed. We will also ask our mandate partners to comply with Cathay FHC and Subsidiaries Investment and Lending Exclusion Policy and our own Investment Management Principles for Sensitive Industries and present review reports detailing their ESG measures on an annual basis.

Of the mandated assets of discretionary investments to Cathay Life in 2023, 100% of them were signatories to the PRI or local stewardship principles. In addition, about 95% of the asset management companies outsourced institutes that accepted the PRI annual assessment (Note 2) had received four stars (4/5) for Policy Governance and Strategy (PG&S), and 5% of the outsourced units received five stars. The full score for this item was 100 points, and Cathay Life Insurance's outsourced units received an average score of 86 points, as opposed to the median score of all signatories to the PRI for this item of approximately 60 points (three stars).

Mandate institutes signing the PRI or the country's local stewardship principles



Mandate institutes that accepted the PRI annual assessment have scored points in Investment & Stewardship



Note:

1. The outsourced units in the article refers to outsourcing institutions that conduct actual transactions for Cathay Life’s entrusted positions in 2023.
2. PG&S: Policy Governance and Strategy mainly assess the signatory’s overall achievements to responsible investment (including responsible investment policies, reporting and disclosure, voting & engagement, climate change and sustainable actions, etc.)
3. The statistics on the right are applicable to outsourced institutions that accepted the PRI annual assessment (carving up 84% of outsourced assets). Institutions that did not include institutions that have signed the Stewardship Principles.

2. ETF and Funds

The following methods are adopted to understand the ESG policies and measures of counterparties or funds that are selected by Cathay Life-invested ETFs or funds and that are in line with Cathay Life’s investment philosophy:

- (1) Checking whether counterparties have signed the PRI or governmental stewardship principles;
- (2) Utilizing data from external professional ESG assessment institutions to review the ESG performance of ETFs and funds as well as ETF and fund managers or issuers.

**【 Summary of Cathay's active management on Mandate, ETFs and Fund 】**

	Mandate institutions	ETFs and funds
Checks whether they have signed the PRI or governmental Stewardship Principles	★	★
Requires them to observe investment exclusion lists and regulations on sensitive industries	★	
Utilizes data from international ESG rating institutions to review ESG performance	★	★
Stipulates in mandate agreements that any investment must consider ESG and climate factors	★	
Review ESG implementation results and their ESG measures annually	★	

### 3. Third-party service providers monitoring

To ensure the quality of data and the independence of service providers, in addition to reviewing data methodologies and assessing their limitations, we also hold meetings with providers when we have concerns regarding the data or think there is a potential conflict of interest.

#### (1) Meeting with MSCI when concerns arise:

We will regularly review the MSCI rating methodology, such as ESG rating, ESG controversies and Climate VaR, and ensure the data quality and accuracy of data coverage continue to meet the needs of the business. We hold meetings with MSCI to discuss the ESG materiality we care about and any shortcomings around data or research output when concerns arise to solve problems from our investment team and drive continuous quality improvements.

#### (2) Issuer companies' AGM/EGM voting proposals with ISS:

Our team is in ongoing contact with ISS whenever questions arise with regard to a specific piece of research and the application of our voting policy. Additionally, to broaden our internal research views, we discuss global trends in ESG with ISS and review their proxy voting guidelines for each market annually.

### (III) Interacting with investee companies

Owing to the tremendous impact of corporate sustainability development on business operations, which in turn affects the rights of institutional investors, Cathay Life believes that continual communication with investee enterprises to attach importance to ESG risks and opportunities together is the best way to add value to all parties involved. Therefore, we interact with investee companies through dialogue, engagement and proxy voting, thus demonstrating the stewardship measurement of active ownership.

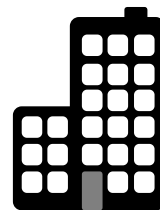


#### 1. Dialogue

Cathay Life communicates with the top management, investor relations (IR) departments, or CSR team of investee companies in the forms of telephone conferences, forums, investor seminars, or attending shareholders' meetings. Among the dialogue methods with investee company we adopt, we deem company visits the most straight-forward and efficient. Through face-to-face dialogue, we are able to improve our understanding of information on investee companies, discern the gap between disclosed information and actualities, keep track of key risks and opportunities, and perfect the soundness of our investment analysis. The outcome of 2023 company visits is as follows:



A total of **4,350**  
employees participated





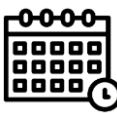


Visited a total of **675** companies;  
total no. of visits reached **2,254**  
Averaged **3.3** visits per company visited

## 2. Engagement

The Engagement Policy, jointly established by Cathay Life, Cathay FHC, and various Cathay subsidiaries, publicizes Cathay's sustainable spirit and corporate governance values to exert our influence as a sustainable investor. We uphold the importance of engagement and adopt a progressive approach to communicating ESG-related concepts with companies, so that they become aware of the impact of ESG on themselves and recognize the importance of ESG issues, and then take a further step to participate in and implement ESG. In addition, we also participate in various relevant activities to share our responsible investment measures with other insurance companies to urge the investment business industry to realize responsible investment, so that a genuine positive cycle of the industry can be created.

### (1) Setting up engagement process

i. Make sure the engagement complies with our stewardship policy through five - stage engagement process :

 Main engagement themes	 Engagement targets selection	 Engagement period	 Engagement results evaluation	 Post-engagement investment actions
<ul style="list-style-type: none"> <li>▪ Climate change</li> <li>▪ ESG rating</li> <li>▪ ESG information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Enterprises with high carbon emissions</li> <li>▪ Those in need of improvement of ESG rating or ESG information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>▪ 5 years</li> <li>▪ Adjust according to situation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Case closed successfully</li> <li>▪ Positive progress</li> <li>▪ No clear progress</li> <li>▪ Case closed Unsuccessfully</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continuous observation and tracking</li> <li>▪ Adjust investment limit</li> <li>▪ Stop investing temporarily</li> <li>▪ Put it in the exclusion list</li> </ul>

#### STEP 1: Main engagement themes

Recognizing the impact of extreme weather and climates brought by climate change on companies, as well as the importance of ESG issues, we choose “climate change” and “enterprise ESG rating/information disclosure” to be our main engagement themes.



## STEP 2: Engagement targets selection

To objectively estimate the investee companies' ESG performance of and verify the key ESG issues of engagement, after deciding on engagement themes, the following methods are used to select the subjects of engagement and related issues that require engagement:

<u>Main engagement themes</u>	<u>Description</u>
<b>Climate Change</b>	<ul style="list-style-type: none"> <li>■ Since greenhouse gas emissions are the main cause of climate change, we directly use carbon emissions from corporations as the main screening criteria;</li> <li>■ By participating in international initiatives, subjects of engagement are selected based on standards of international organizations.</li> </ul>
<b>ESG Rating</b>	<ul style="list-style-type: none"> <li>■ Cathay Life Insurance believes that if companies place emphasis on major ESG issues related to their business operations or finances when implementing ESG management, they will not only maximize the effectiveness and efficiency of social resources, but also promote a virtuous cycle of social “sustainability” and “win-win situation.”</li> <li>■ To ensure neutrality of corporate ESG assessments, we select companies whose ESG ratings are falling behind as subjects of engagement based on MSCI ESG research data, with material ESG issues adopted in-depth engagement. The themes discussed include but are not limited to the following topics:               <ol style="list-style-type: none"> <li>1. Environment: Water Stres, Biodiversity, Land Use... ;</li> <li>2. Social : Human Capital, Labor Management, Chemical Safety... ;</li> <li>3. Governance : Board Structure, AGM proposals... ;</li> </ol> </li> </ul>
<b>ESG Information Disclosure</b>	<ul style="list-style-type: none"> <li>■ Participate in international initiatives to encourage and promote corporate ESG information disclosure.</li> <li>■ Case-by-case assessment: Immediately engage and communicate with companies when insufficient information disclosure is found during internal assessments (such as ESG assessment or voting assessment).</li> </ul>

### STEP 3: Engagement Period

When engaging with an investee company, an enterprise must first recognize the importance of the ESG theme or climate change issue in terms of its impact on the enterprise's operations, and then adjust procedures or even restructure its organization in response to the issues it confronts. This process is very demanding for an enterprise and requires time to make adjustments. Therefore, an engagement with enterprises rarely achieves significant effects in its first year; a successful engagement takes three to five years at least. For this reason, we refer to international standard and set our engagement period is five years.

### STEP 4: Engagement Results Evaluation

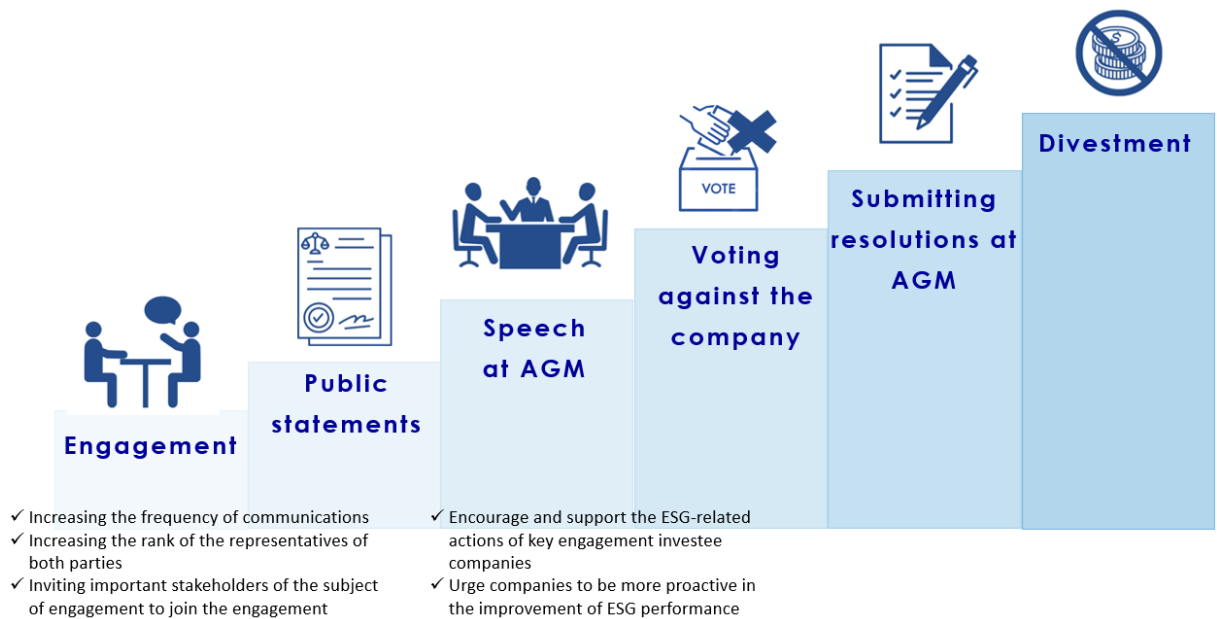
We engage with investee companies based on their key ESG issues. We record the results of our communications from time to time, and evaluate the effect of engagement on various ESG issues every year.

### STEP 5: Post-engagement investment actions

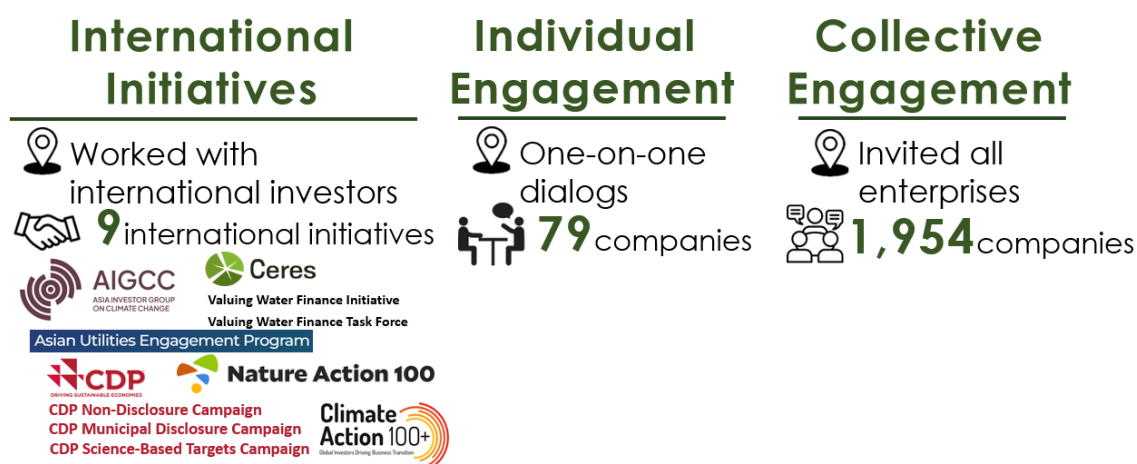
Discuss based on the investee company's response and improvement status as a basis for subsequent investment adjustments, such as continuous observation and tracking, adjusting investment limit, stopping investing temporarily or putting it in the exclusion list.

## ii. Adoption of Engagement Escalation Strategy

Given accelerated integration of ESG and the capital market, customers hope to jointly implement sustainability in the supply chain. Meanwhile, the competent authority has become more clear about ESG disclosure requirements. In addition to evaluating corporate ESG performance during investments, Cathay Life also actively encourages shareholders to take actions, and has set up a dedicated team for one-to-one communication with investees. As an active and responsible professional institutional investor, we also timely evaluate and adopt engagement upgrade strategies to encourage investee companies implementing ESG practices, and more actively improve their ESG performance. We believe these upgrade strategies can effectively achieve our final engagement targets, and create long-term value for both parties.



## (2) Implementing Engagement Measures



- i. Participating in international organizations that promote social initiatives to keep track of international trends ahead of time

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

Cathay FHC is a founding member of AIGCC and the earliest member from Taiwan. Cathay Life Insurance and Cathay FHC also joined five working groups under AIGCC, including Paris-aligned Investment, Engagement and Policy, Physical Risks and Resilience, Energy Transition, and Forest and Land Use, where they work with international investors to study risks and opportunities related to climate and nature, and construct Asian investment frameworks based on climate change.

### ② Ceres Valuing Water Finance Task Force

In recent years, climate change has indirectly changed the water cycle and precipitation. In addition, the World Economic Forum's Global Risks Report has listed water crisis as one of the top risks in terms of global impact. In recent years, climate change has indirectly changed the water cycle and precipitation patterns. From increasingly frequent floods, unpredictable heavy rainfall and droughts, we can see and feel that the impact of climate change on water is accelerating. These impacts pose a threat to sustainable development, biodiversity, and access to water and sanitation. The World Economic Forum's Global Risks Report 2024 says water supply crises are included in natural resource crises as the fourth largest risk that the world will face in the next decade. For these reasons, Cathay Life Insurance and Cathay

FHC took timely actions by joining the Ceres Valuing Water Finance Task Force since September 2020, and cooperate with the international investment institutions to formulate action plans for water resource management companies. In mid-2022, we completed the preliminary research tasks, which will serve as the basis for subsequent engagement between institutional investors and enterprises.

Cathay FHC and Cathay Life Insurance are the only two financial institutions in Asia and Taiwan that have joined this organization. In addition to providing water resources ideas as professional institutional investors, Cathay Life Insurance has also kept track of forward-looking trends of global water resources and monitored risks and opportunities of water resources in various industries. By doing so, Cathay Life Insurance can prevent relevant risks and improve investment resilience when facing water resource challenges.

#### ii. Actively Engaging with Enterprises to Exert Influence in Sustainable Finance

Since 2017, Cathay Life Insurance has participated in multiple international initiatives, including CDP 「 Non-Disclosure Campaign 」 , CDP 「 Science-Based Targets campaign 」, CDP 「 Municipal Disclosure Campaign 」, Climate Action 100+, AIGCC Asian Utilities Engagement Program, etc. We have also performed one-on-one engagement with our investee companies, and organizing forums to engage in collective discussions with businesses.

In 2023, we conducted collective or individual engagement with a total of 465 domestic companies, accounting for 82% of the listed equities in Taiwan:

## ① Participating in international initiatives



### CDP Non-Disclosure Campaign

#### 1. Non-Disclosure Campaign

- Cathay Life Insurance has participated in the campaign since 2017 and takes it upon itself to act as a leader in engagement. Through one-on-one communications, we have encouraged companies which have yet to respond CDP questionnaires, urging enterprises to disclose climate change measures and carbon emission data, understand the shortage of water resources, and consider the issue of sustainable forests, in order to formulate relevant response strategies and management approaches.
- Key performance:
  - ✓ Success rate of engagement: Engaged a total of 29 companies with a success rate of 21% (6 companies), which is well above the global average.
  - ✓ Progress rate: Cathay Life has successfully engaged 66 companies since 2017, of which 53% of the companies improved their CDP scores in the following year, demonstrating a long-term positive impact of successful engagement.

#### 2. Science-Based Targets Campaign

- Cathay Financial Holdings is represented as a participant and will jointly call with CDP every year starting from 2021, hoping that the global most influential companies will set a 1.5°C emission reduction target and achieve net-zero emissions along its value chain by 2050.
- Key performance: In 2022-2023, a total of 98 companies were prompted to commit to SBT targets, 26 of which have passed the SBTi compliance validation.

#### 3. Municipal Disclosure Campaign

- Cathay Financial Holdings is represented as a participant, and starting from 2023, has annually collaborated with CDP to urge local governments and public sector institutions to disclose environmental data and climate information through CDP. This initiative aims to enable institutional investors to more accurately assess the risks and opportunities of climate change when investing in local government bonds.
- Key performance: 204 North American local governments have disclosed their environmental data to CDP.



- Climate action 100+ was launched in 2017, and is the world’s largest investor climate initiative ever. It urges companies to take carbon reduction actions pursuant to the Paris Agreement. Of the 170 companies around the world on the watchlist, Cathay Life is actively engaging with all three Taiwanese enterprises on this list, in the hope that they will reduce carbon emissions in response to the Paris Agreement to achieve the goals and promises of transformation into a low-carbon energy and net-zero emissions.
- Key performance:
  - ✓ All three Taiwanese companies have expressed their commitment to net-zero emissions or carbon neutrality by 2050, and set short-term and mid-term carbon reduction targets. Furthermore, one of three companies have approved by the Science Based Targets initiative (SBTi).
  - ✓ Invited to participate in the roundtable of investors and steel sector convened by AIGCC, and discussed the challenges and opportunities of net zero transformation in the steel and iron industry with the three major Asia steel companies of the CA 100+ and foreign institutional investors, in order to ensure orderly industrial transformation of the steel industry in Asia in conjunction with the expedited global transformation trend.

## Asian Utilities Engagement Program

- As the world seeks to achieve emission reduction targets and tackle climate change by “phasing out of coal,” Cathay Life has adopted a more positive attitude by leveraging the power of dialog to influence enterprises’ measures related to “phasing out of coal.” In cooperation with global institutional investors, Cathay Life has "engaged" with 18 large coal-fired power generation plants, in order to promote their low-carbon transitions and comply with the net-zero emissions scenario set out in the Paris Agreement.
- Key performance:
  - ✓ Company C, which Cathay Life Insurance jointly participated in the negotiation, passed the SBTi well-below 2°C target. It is committed to phasing out coal-fired power generations assets by the end of 2040, and replacing natural gas with hydrogen in power plants to help achieve net-zero emissions by 2050. It is also committed to just transition during the course of transitioning from coal to low-carbon energy, and mitigating the impact on employees and society.

- ✓ To achieve the goal of net-zero emissions, the company also initiated the SBTi net zero evaluation methodology in 2023, as reference for review and updates on Climate Vision 2050.

 **Ceres** Ceres Valuing Water Finance Initiative

- The greenhouse effect and extreme climate conditions caused by carbon emissions have led to instability of water supply. In view of this, Ceres Valuing Water Finance Task Force completed a preliminary research in mid-2022, and established six major water resources management framework for companies with high water footprints. In the same year, it also launched the [Valuing Water Finance Initiative](#) for engaging with enterprises.
- To contribute to sustainability, Cathay Life has become the only corporate participant in this initiative from Taiwan since 2022. It will officially initiate dialogues with companies in 2023, with the hope to promote their business operations and manage water footprint risks in the supply chain. The water risk will be assessed and mitigated as a financial risk, and actions will be taken to protect water resources.



## Participation of International Initiatives and Individual Engagement Case 1

### ■ **Background:**

The greenhouse effect and extreme climate conditions caused by carbon emissions have led to instability of water supply. In view of this, Company L is a European manufacturer related to the textile, clothing and luxury goods industries, and has become one of the engagement targets listed by the Ceres Valuing Water Finance Initiative, as its water consumption is extremely high, from raw material manufacturing to various stages of the product life cycle. Considering that the scarcity of water resources poses risks to the operation of Company L and thus affects the profits of investors, it is included in engagement with Cathay Life. In addition, due to its geographic and market familiarity, Cathay Life played the role of supporting investors, and engaged with Company L along with other foreign institutional investors. The first engagement was initiated in 2023.

### ■ **Engagement contents:**

1. Expressing expectations for the Ceres Valuing Water Finance Initiative  
At the initial engagement meeting, we advocated to Company L the purpose of the Ceres Valuing Water Finance Initiative Company, with the hope that Company L would complete seven major goals, including water quantity, water quality, ecosystem protection, access to water and sanitation, supervision by the board and management, and public policy participation by 2030. This, in turn, ensures proper water consumption risk governance for the company operations and its value chain, as well as protecting water resources around the world.
2. Description of key points in the initial engagement with investors
  - (1) The settings on time schedule, science-based quantified targets to improve water availability in water scarce areas in the value chain, and solve the impact of point source and non-point source pollution on water quality, with disclosure on the solutions.
  - (2) The board of directors and senior-management incorporated water risks and opportunities into the company's strategies, risks and decision-making related to corporate revenue.

### ■ **Engagement progress and results**

Company L provides diversified products, each product line is related to water consumption, while the company currently adopted a set of environmental initiatives, with planning on the Group's three-year, six-year and ten-year roadmaps related to environmental performance. In addition, Company L established four main pillars, including innovative cycle, biodiversity, traceability and transparency, and climate, which serve as management blueprint to be submitted to the board of directors. Although water resources have not been independently set as one of the main pillars, each of the four main pillars will cover water resource issues in the assessment. It is scheduled that by mid-2023, water resources will be added as one of the main pillars, or further water resource goals will be promoted. In addition, Company L will participate in the SBTn Water Target pilot program, assisting the formulation of global water control strategies in the future, in order to meet stakeholders' expectations.

### ■ **Follow-up action and plans:**

After review, Company L's environmental performance roadmap was presented to the public at late 2023, and the achievements related to water resources include: 1. Launched an innovative plan for the supplier ecosystem, which help reduce carbon footprint and its impact related to water and biodiversity. 2. Expand water conservation plan for the company's total water consumption to reduce by 30% by 2030. Although Company L has not set water resources as one of the pillars, it has launched new targets and plans for the use of water resources in company operations and its supply chain. Therefore, we will continue to communicate with Company L, so as to understand the results of participating in the SBTn Water Target pilot program

### ■ **Action after engagement:**

Company L has implemented concrete water resource management measures. Therefore, we will continue to place it on the buylist.

## Participation of International Initiatives and Individual Engagement Case 2

### ■ **Background :**

Company C belongs to the steel industry, and is one of the list of focus companies in Climate Action 100+, and our major engagement target. Cathay Life has started negotiations with Company C since 2019. At the initial stage, it joined hands with international institutional investors to develop towards the goal of Climate Action 100+ (hereinafter referred to as CA 100+), in the hope that they will enhance disclosure of financial information related to climate change in accordance with the framework of Task Force on Climate-related Financial Disclosures (TCFD) and reduce carbon emissions in response to the Paris Agreement to achieve the goals and promises of transformation into a low-carbon economy and net-zero emissions. Cathay Life passed the Science Based Targets initiative (SBTi) in September 2022, and has set a carbon reduction pathway by use of the temperature-programmed techniques for science-based quantified carbon reduction method. Company C's ambitions for carbon reduction pathways and the resulting temperature conditions are discussed, with engagements initiated through phone calls, emails, and face-to-face or online meetings every year.

### ■ **Engagement contents:**

Since Company C had already agreed with the importance of ESG and carbon reduction before the engagement, the engagement with Company C focused more on the implementation of low-carbon transformation strategy based on the foundation of the company. The mutual exchanges and discussions adhere to the completeness and accuracy of the international framework, while Cathay Life may also share information about the latest international trends and international benchmark companies as reference for Company C. The main engagements and exchanges are as follows:

1. Set Paris-aligned decarbonization pathways or science-based Targets.
2. Since carbon emissions in the steel and iron industry mainly come from the manufacturing process, carbon reduction shall be implemented, and an ambitious carbon reduction pathway shall be set to ensure that the company's temperature can comply with the Paris Agreement. Apart from enhancing energy efficiency, and most of it depends on technological breakthroughs and commercialization. Therefore, Company C's tracking and investment in low-carbon transformation technology shall be the key for the engagement with Cathay.
3. The discussions and improvements on net-zero benchmark indicators are conducted based on Climate Action 100+, which covers capital allocation for low-carbon transformation, and climate policy engagements, climate governance, and just transition.
4. Cathay Life introduced the development of EU Taxonomy, SFDR and IFRS sustainability framework, and discussed its impact with Company C.

### ■ **Engagement progress and results:**

Cathay Life is delighted that Company C has established an Energy Saving, Carbon Reduction and Carbon Neutrality Team, which was led by the chairman. After announcing the goal of carbon neutrality by 2050, it has collected the experience of more than 20 factories in the industry, combined it with major international steel companies, and invested in research together with academic research institutions. It further established a diversified low-carbon transition strategy of "carbon reduction in the short term; and low carbon to zero carbon in the medium and long term," gradually implementing the action plan.

However, given features of the industry, Company C currently has no clear low-carbon steelmaking technology, and does not have a precise implementation plan for the carbon reduction pathway in the long term. In view of this, Cathay Life continued to support Company C on international corporate climate actions in 2023. In addition to improving its score on the Climate Action 100+ Net Zero Company Benchmark, Company C is also encouraged to participate in the AIGCC's investor roundtable meeting with international investors and the Asian steel manufacturers, with the hope to take the first step in cross-market and cross-sector collaboration through discussions at the meeting, and thereby accelerating low-carbon transformation in the Asian steel industry.

- **Follow-up action and plans:**

- In 2024, continue to monitor Company C's actions in response to climate change.

- **Action after engagement:**

- Considering that Company C has established specific carbon reduction strategies and continues to implement carbon reduction measures, with decreases observed in unit energy consumption/greenhouse gas emissions intensity compared to the previous year, we will continue to include the company in our buy list.

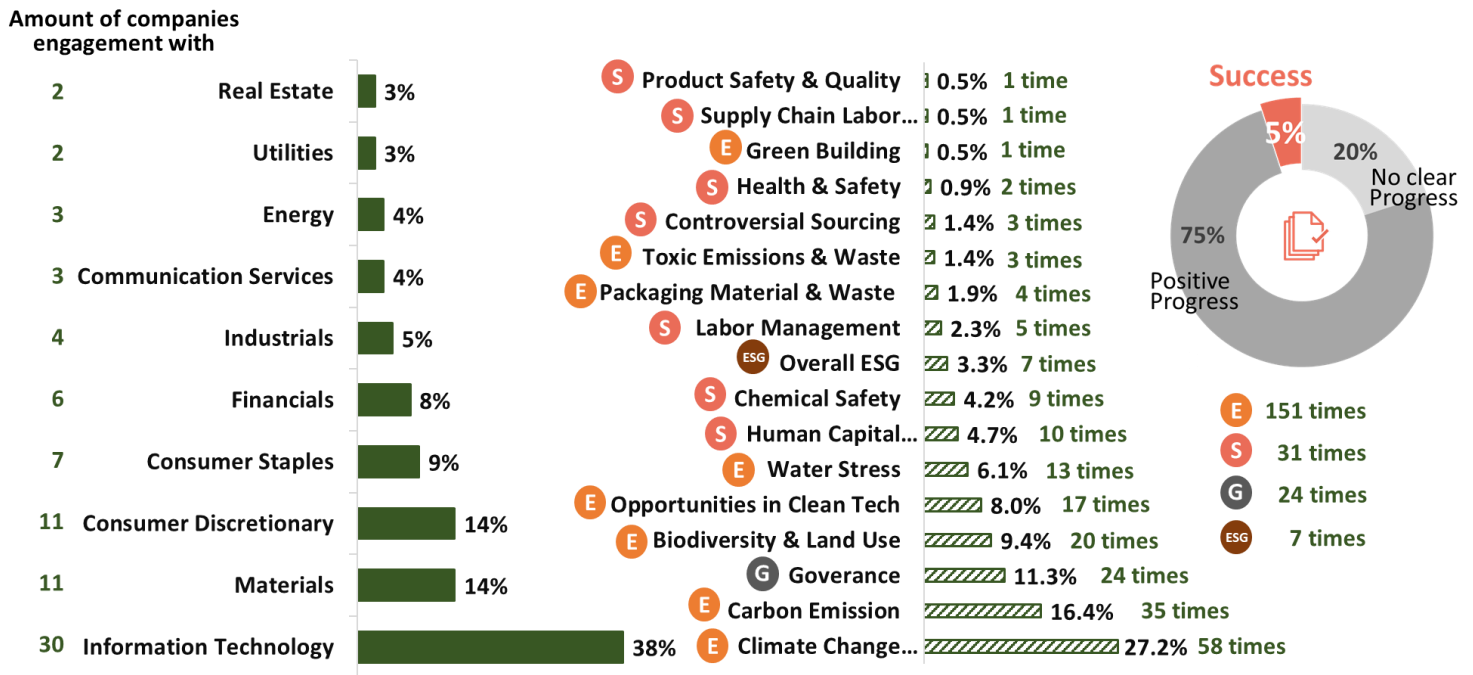
## ② Individual Engagement

Learning from our experience participating in international initiatives, Cathay Life Insurance also started to engage with investee companies in Taiwan alone, choosing “climate change” and “enterprise ESG rating/information disclosure” as the main topics. The contents include enhancing climate change-related disclosure and management in accordance with the TCFD framework, keeping track of enterprise carbon emissions, understanding enterprise carbon reduction and transition planning to low carbon, setting SBT target, and other climate change-related issues, so as to solve material ESG issues. In addition, this allows us to learn about the limitations and difficulties in companies' adaption to climate change or during the carbon reduction process, and provide suggestions. Meanwhile, companies are encouraged to conduct inventory and disclosure with reference to the Guidelines for Determination of Sustainable Economic Activities.

In addition, Cathay Life analyzes the sustainability progress of enterprises based on the main engagement aspects, classifying investee companies into four levels of sustainability readiness (ESG Awareness, ESG response, ESG improvement, and ESG enhancement). The engagement contents are customized, while the Company joins hands with enterprises for mutual growth, with the hope to become mutually trusting partners and ESG partners, consulting and discussing with investee companies.

In 2023, through one-on-one engagements, Cathay Life Insurance communicated with 79 enterprises on 17 material ESG issues for a total of 213 times. The main engagement targets were enterprises from industries of “information technologies” and “raw materials”; the main issues for

communications were “climate change adaptation,” “carbon emissions,” “corporate governance,” and “biodiversity and land use.”



Note:

1. The above statistics did not include participation in investor conferences or AGM where ESG contents were not mentioned.
2. Due to rounding, the industry distribution does not sum to 100%

## Case 1 – Company V (Engagement Topics: Environment-Water resources)

### ● Background

Due to precipitation features and geographical constraints in Taiwan, water resources are relatively scarce, which bring about challenges in water resources management. Since Company V is in the semiconductor industry, large water consumption is required during the semiconductor manufacturing process. As such, the water resources utilization efficiency is a major ESG issue related to core competitiveness. Therefore, after internal assessment, Company V was selected as a Cathay Life's engagement target as it has not yet responded to the CDP water security questionnaire, and its ESG rating of water resources issues needs to be improved.

### ● Main engagement Goal

1. Respond to the CDP water security questionnaire
2. Improve water resource management and increase MSCI water stress score

### ● Engagement contents and progress:

1. Water resource information disclosure

Since Company V's "market value and production have greater impact on the environment," it was selected by Cathay Life in 2021 as an engagement target of CDP Non-Disclosure Campaign related to water issues, and the importance of CDP water questionnaire would be explained to Company V. As Company V had yet to respond to the CDP water security questionnaire, its internal team needed time for research and preparation. Meanwhile, Company V's shareholders expressed to the senior top management that they attached great importance to this issue. In 2022, Company V promised to respond the CDP water security questionnaire by 2023 for better information disclosure on water resources management.

2. Water Resource Management

Since Company V has promised to respond to the CDP water security questionnaire in 2023, Cathay Life's engagement in 2023 focused on issues such as higher water density compared with industry peers and the use of alternative water sources. Cathay Life also provided information of international benchmark companies as reference for Company V. Company V has also promised to continue to improve water resource management.

### ● Follow-up action and plans

In 2024, Cathay Life will arrange an engagement meeting to continue tracking the progress of company V's water resource management.

### ● Action after engagement

Company V has responded to the CDP questionnaire in 2023, achieving some of the goals we set. Additionally, company V has shown positive development, therefore, we will continue to place it on the buylist.



## Case 2 – Company H (Engagement Topics: Society - Chemical Safety and Labor Management)

### ● Background

Company H plays a crucial role in the global supply chain and low-carbon transformation. It was listed by Climate Action 100+ as an engagement target. As the overall ESG evaluation still had room for improvement, it was listed in Cathaylife's engagement list. Since 2019, Cathay Life has performed in-depth engagement with Company H, and developed deep trust based on dialogue. In addition to understanding the company's climate change adaptation and improvement practices to tackle material ESG issues, we also discussed the company's carbon reduction plan, and provided recommendations on how to handle the challenges it faced during the transition to low carbon, and how to strengthen labor management and chemical safety. After gaining an in-depth understanding of the importance of ESG and climate change, Company H continued to improve its internal ESG governance and systems, and provided more transparency in terms of ESG disclosure, and multiple stakeholder communication channels. In 2022, Company H formulated six specific ESG strategies, and set up long-term goals: eight for environmental issues (E), ten for social issues (S), and 14 for corporate governance (G). Considering that Company H made specific goals and achievements on climate issues, Cathay Life continued to follow up on Company H's progress on climate change issues in 2023, pertaining to engagements in mid-2022 on social aspects including chemical safety and labor management.

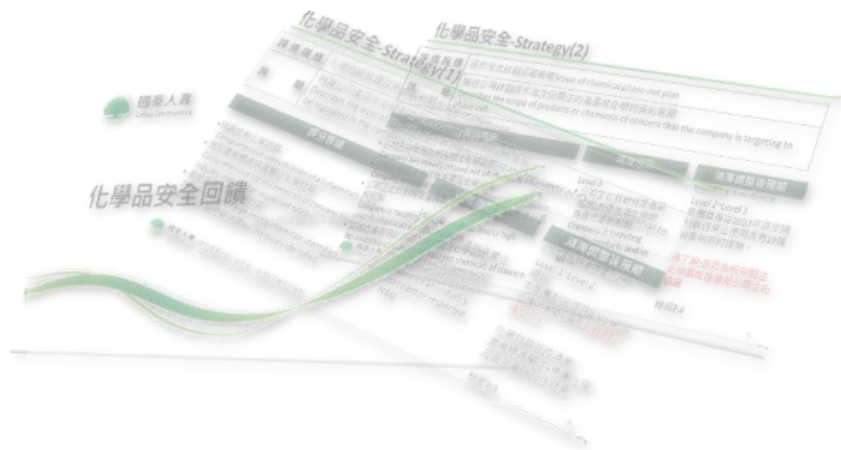
### ● Main engagement Goal

1. Improve CA 100+ Net Zero Benchmark rating.
2. Improve MSCI ESG Rating.

### ● Engagement contents and progress:

1. In-depth discussions on chemical safety issues

After Cathay Life's discussion of chemical safety issues with Company H in mid-2022, it immediately initiated internal discussions for relevant planning. Cathay Life also held multiple meetings to discuss on its chemical safety plan in 2023. During the meeting, in addition to analyzing the content and main assessment in each sub-project of the material issues, Cathay Life also provided information of international benchmark companies for each sub-project as reference for Company H. After multiple rounds of communication and discussion between the two parties, Company H was encouraged to propose a more concrete chemical safety system in Q3 of 2023.



2. On-site visit to learn about the labor management system

Company H has approximately 173 factories in 24 locations around the world, with a large number of employees scattered in different countries and regions. Considering that how to achieve effective employee management has become the investors' major concern, Cathay Life started to discuss labor management issues with Company H in early 2022, so as to understand the company's management system and related challenges. Furthermore, an on-site visit to Company H's Chengdu plant in 2023 enabled Cathay Life to directly observe the working environment of Company H's workers, as well as Company



● **Follow-up action and plans**

In 2024, Cathay Life will arrange an engagement meeting to continue tracking Company H's progress in climate action and to improve the progress of CA 100+ Net Zero Benchmark rating.

● **Action after engagement**

Company H improved its chemical safety rating at the end of 2023, further enhancing its overall MSCI ESG Rating. This achievement meets some of the goals we set, and as company H has also shown positive development, we will continue to place it on the buylist.

**Other engagement cases:**

**Company G's limitations and difficulties in carbon reduction**

1. Challenges in source reduction.
2. Difficulties in reducing carbon emissions during the manufacturing process.
3. Difficulties in the procurement of renewable energy in Taiwan.
4. Challenges facing suppliers in carbon reduction.

**Current carbon reduction plans:**

1. Use science-based considerations to set various carbon reduction strategies.
2. Set up electricity meters for monitoring, and establish the carbon management and energy management platform.
3. Communicate with suppliers to implement carbon reduction in stages.

**Company A's carbon reduction limitations:**

Though developing CCUS costs high, Company A would still jointly developed CCUS technology together with industry peers.

**Current carbon reduction plans:**

1. Adopting a circular economy approach.
2. Upgrading waste heat power generation systems.
3. Installing solar power generation systems.

**Company A's sustainable economic activity planning and disclosure:**

1. Investment plans have been made for forward-looking economic activities. (Relevant to circular economy)
2. Relevant disclosures will be made in this year's report, while decisions will be made based on the percentage of economic activity of OO.


### ③ Group Engagement

In addition to individual company engagement, Cathay Life has also engaged with companies collectively by organizing forums voluntarily, working together with all enterprises in Taiwan to strive for sustainability and climate change mitigation.

## Sustainable Finance and Climate Change Summit

As sustainability pioneer, Cathay Life Insurance has cooperated with Cathay Financial Holdings to organize the Climate Change Forum since 2017, becoming the first institution investor that held group engagements. In 2023, upholding the concept of “Bringing Taiwan to the World and the World to Taiwan,” and acting as a pioneer in climate finance, the Group invited domestic and foreign leaders from industry, government and academia to share global frontline trends, as well as discussing on corporate sustainability strategies in response to climate change. We encouraged cross-disciplinary dialogue and mutual collaboration, so as to mitigate the effect of environmental changes and make adjustments, and jointly build a sustainable society.



 **4,161 people**

Listed companies joined accounted for:

- more than 75% of Taiwan market capitalization
- 50% of Taiwan's total carbon emissions

### ➡ Keys to Mastering Corporate Sustainability and Insights Into the Global ESG Rating Conference

With the development of sustainability issues, environment, society and corporate governance have become major principles for company operations. As a leader in sustainable finance, Cathay Life not only pays attention to the business prospects of investment targets, but also attach great importance to the ESG performance of investee companies. Meanwhile, we hope to support companies that focus on sustainable development through our own investment, encouraging investee companies to gradually improve their ESG performance, so as to jointly achieve sustainability and create a positive economy in the future. Since 2023, the MSCI has been extending Taiwan's ESG Rating to small and medium-sized companies that are of MSCI Taiwan IMI index constituent stocks.



Since the companies included in the credit ratings list for the first time generally do not know that they are included, do not understand MSCI methodology, or do not know how to improve their ESG rating, Cathay Life specially organized the “Keys to Mastering Corporate Sustainability and Insights Into the Global ESG Ranking Exchange Seminar,” given its leading position in Taiwan’s engagement activities. In addition to inviting MSCI experts to share assessment methodologies for ESG ratings and controversial events, and communicate with the MSCI on ESG rating, inviting role models to share their practical experiences to improve ESG ratings, and leading participants to gain insights into the MSCI ESG Methodology can gradually improve the companies’ MSCI ESG rating. Meanwhile, Cathay Life also gathers capacities from industries in Taiwan so that companies can effectively respond to environmental and policy risks in the future. Furthermore, this will also allow the world and international institutional investors see Taiwan’s efforts in aligning with the call for sustainability.

Please refer to [Activity Website](#) for details.



### 3. Proxy Voting

In pursuit of the greatest benefits for customers and shareholders, Cathay Life supports companies that attach importance to sustainable development. Attendance of shareholders' meetings, exercise of voting rights and offering of opinions on proposals in the shareholders' meetings of investee companies are some of the ways in which we perform stewardship.

Currently, we exercise voting rights 100% on our own. The Company has not entrusted a third-party consulting institution as a proxy to exercise voting rights on its behalf. Furthermore, Cathay Life may entrust part of its stewardship activities to other professional agencies to vote on behalf of the Company. However, this shall be based on agreements with such agencies or conducted under Cathay Life's supervision, so as to ensure that the entrusted agency performs at the request of the company. Cathay Life has not entrusted a third-party consulting institution as proxy to exercise voting rights on its behalf. However, if such need arises in the future, we will prudently assess both the depth and breadth of the proxy related to voting proposals and appropriateness of voting policies, so as to select a consulting institution that meet Cathay Life's needs and voting philosophy. In addition, we also request on exercising voting rights in accordance with Cathay Life's principles and due diligence for internal voting.

#### (1) Setting up Proxy voting process



### STEP 1: Selection on companies

The Company established the threshold for exercising voting rights based on its influence on the overall operations of investee companies through conducting a feasibility analysis. In principle, voting rights will only be exercised if the shareholding reaches a certain percentage or amount. However, voting rights can still only be exercised after an assessment performed by relevant units.

### STEP 2: Assessment on proposals

Cathay Life exercises its voting rights for proposals in shareholders' meetings in accordance with external laws and regulations and its own internal voting policies. Before exercising these rights, our investment teams carefully evaluate each proposal based on Cathay's voting guidelines and research of investee companies, along with the ISS voting recommendations, and then present a report on "evaluation and analysis of proxy voting," which therefore will not be solely relying on ISS voting recommendations.

### STEP 3: Communication procedures

Compared to conveying concerns for investee companies by directly speaking up or voting in shareholders' meetings, we believe that working to reach consensuses with investee companies in terms of long-term value creation may bring more positive impacts on investee companies and exert our influence as an institutional investor, thereby simultaneously benefiting Cathay Life, investee companies, and the society at large. Therefore, in the following situations, the Company's responsible units of investment and the Responsible Investment Working Group will cooperate to directly communicate with investee companies. If necessary, the company will make a speech or propose an agenda at the shareholders' meeting of the invested company after careful assessment.

- ✓ When there are controversial and high-profile issues
- ✓ When information needed to conduct voting analysis is insufficient
- ✓ When the core shareholder companies of domestic listed stocks

- recommend to 'against' in their preliminary voting recommendations
- ✓ When overseas-listed stocks holding 1.5 percent or more of investee companies' outstanding shares at the end of the previous year recommend to "against" in their preliminary voting recommendations

#### STEP 4: Way of Proxy Voting

To fully express an opinion on each proposal at the meeting and reduce the time and space restrictions of voting, the Company will mainly exercise voting rights in electronic form, and a representative may be assigned to exercise voting rights at a shareholders' meeting of an investee company if necessary.

While voting for the domestic listed or OTC companies' AGM proposals, we generally use the Taiwan Depository & Clearing Corporation Stockvote Platform as the competent authority encourages investors to exercise voting rights online. As for the foreign in-house investment, we would vote through the Proxy Edge voting platform, and for the foreign companies under the mandate portfolio, we authorize managers of mandate institutions to attend shareholders' meetings and exercise voting rights.

## A case of pre-voting communication

At the 2022 shareholder meeting, the proposal of “cash capital increase by way of private placement of common shares or private placement of domestic/overseas convertible bonds” has been discussed, as the company planned to choose between cash capital increase by way of private placement of common shares, which would not exceed 50 million shares (accounting for 20% of outstanding shares) or private placement of domestic/overseas convertible bonds, which would not exceed NT\$3 billion or US\$100 million. This may provide too much discretion for the board of directors, and cause equity dilution of existing shareholders. After internal analysis, this proposal was not supported at first, yet considering Cathay Life's influence on the case, the communication procedures include holding a meeting with the case in 2022

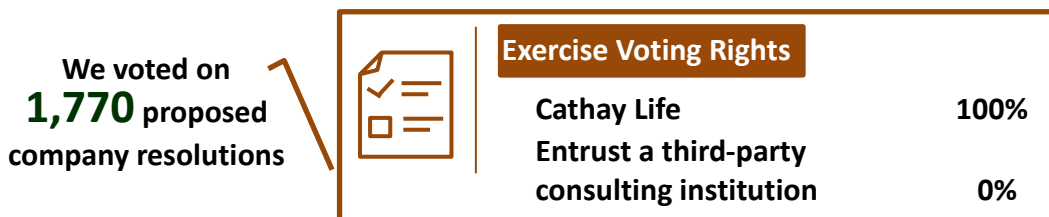
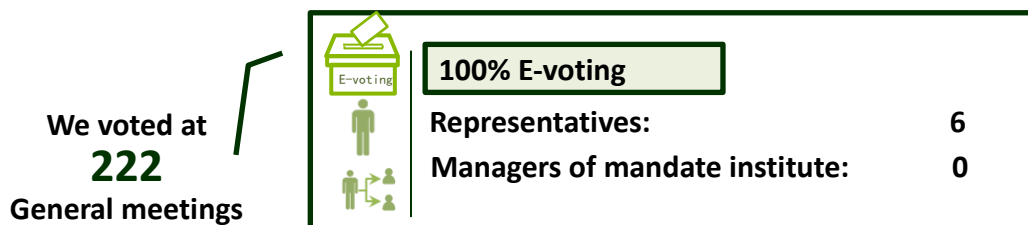
After evaluation, the following reasons were considered and resolved:

- This is the first time the company understood institutional investors' view on the proposal on capital increase.
- To improve the flexibility of operations, the proposal will be submitted to the shareholders' meeting every year for the authorization of the board of directors, but capital increase may not be implemented.
- The company clearly stated that it would make suggestions to their management, and make improvements in presenting the proposals next year.

In 2023, the company actively contacted Cathay Life and stated that the 2023 proposal of “private placement of common shares or private placement of domestic/overseas convertible bonds,” the number of shares will not exceed 20 million common shares (accounting for less than 10% of outstanding shares). For private placement of common shares or private placement of domestic/overseas convertible bonds, the adjustment of quota shares for private placement was made based on the reminder and recommendation from Cathay Life Insurance in the previous year , and Cathay Life also expressed affirmation to the company.

## (2) The Exercise of Voting Rights

As of the end of 2023 Cathay Life Insurance had attended 222 shareholder meetings at home and abroad and voted 1,770 resolutions. In addition to 100% exercising voting rights electronically, representatives and managers of outsourced units were appointed to attend in person the shareholders' meetings of six companies. Of which, speeches were made in the shareholders' meetings of two companies to encourage and support the investee companies' improvement in ESG performance. Cathay Life Insurance will look forward to these companies' continuous undertakings in ESG.



### Cases of Speech at investee Annual General Meeting

#### ✓ Company G :

Company G has been voluntarily publishing sustainability reports since 2017; its corporate governance evaluation scored 5% in 2018; and joined RE100 in 2022, with the commitment that all of its subsidiaries' will completely use renewable energy by 2050, indicating that the company is gradually implementing ESG. Overall, Company G's ESG performance and global net-zero transformation actions were highly regarded by Cathay Life.

However, to encourage Company G in improving its ESG rating, we discussed ESG issues with Company G, including corporate governance, water stress, opportunities in clean technology, human capital management and others from 2022 to early 2023. In addition, we provided the content, main assessments, and

international benchmark companies of each sub-project during the meeting as reference for Company G. Furthermore, to encourage Company G in cooperating with ESG rating agencies and improving its ESG performance, Cathay Life attended Company G's 2023 shareholders meeting to make a speech, hoping to encourage Company G in working towards higher ESG scores, and thereby bring about positive influence and long-term benefits to both parties.

We are delighted to see Company G's progress and efforts on the material issues including better clean technology plans and disclosure of more concrete corporate governance mechanisms, human capital management, etc., which thereby improved Company G's ESG rating by one notch at late 2023.

"Summary of Cathay Life's speech in the minutes of Company G's shareholders meeting"

### 三、報告事項

#### 第一案

案由：111 年度營業報告，敬請 公鑑。

說明：本公司 111 年度營業報告書，請參閱附件一。

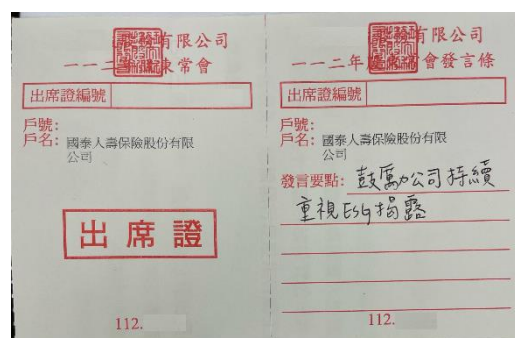
議事經過：

股東戶號 0000838 發言：國泰人壽於 2014 年即成立責任投資小組，積極行使股東行動主義，國泰人壽肯定公司於 ESG 表現及支持全球淨零轉型的實際行動，並建議公司可積極與 ESG 評等機構交流，了解可精進之處，進而提升 ESG 評比績效。

主席回覆：感謝國泰人壽對公司的支持與指導，公司會特別注意並加強與 ESG 評等機構之溝通，經營團隊會在 ESG 各方面做更多的努力。

#### ✓ Company Z :

Company Z has been operating steadily since it was listed on the OTC market in 2019, with excellent performance in corporate governance. It was ranked 21%-35% among the OTC companies in the first year of evaluation, and ranked 6%-20% in the past two years. This indicates that company Z has set up a solid foundation for ESG. Cathay Life also encouraged company Z to focus on material ESG issues linked with core competencies, and continue to increase ESG information disclosure. These measures will enable company Z to get more recognition investors for their future efforts in the sustainability.



### (3) Proxy Voting Results

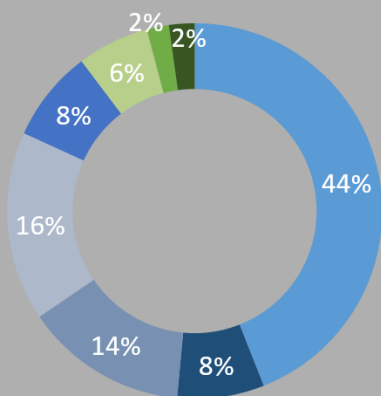
In 2023, shareholders' meetings held in Taiwan accounted for the highest percentage of all the meetings we attended at 64%, followed by those in other countries within the Asia Pacific region (24%). The proposals for voting were mainly for the election of directors and supervisors (44%), followed by operations (8%) and capitalization (16%).

Cathay Life Insurance respects the professional know-how of investee companies and, in the interest of sustainable growth and low-carbon transitions, supports all proposals from the managers of investee companies in general. However, only ESG proposals that obstruct the sustainable development of investee companies will not in principle win our support. Therefore, we voted for 69%, against 9%, and abstained from 21% of the proposals we voted on this year.

Note: Due to rounding, the region percentage does not sum to 100%.

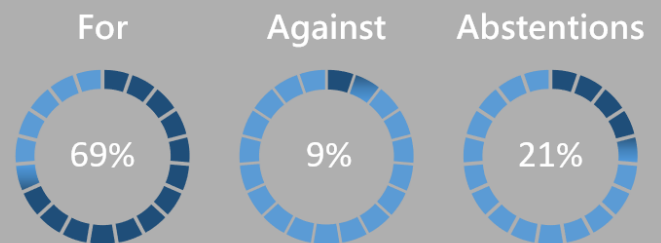


#### Category of Proposals



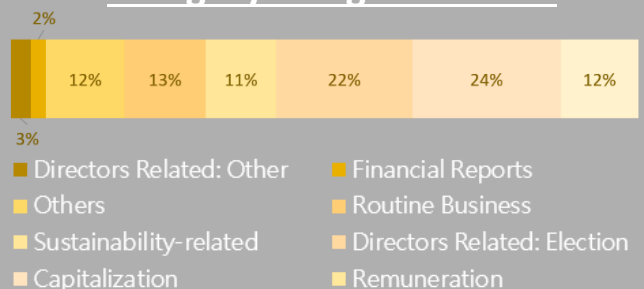
- Directors Related: Election
- Financial Reports
- Directors Related: Other
- Reorganization and Mergers
- Others
- Routine Business
- Capitalization
- Remuneration
- Sustainability-related

#### Voting Results



Note: The voting results doesn't sum up to 100% as some voting options for certain proposals are categorized as "Annual" or "One-Year" and cannot be classified.

#### Category of Against votes



Note: Due to rounding, the category of against votes does not sum to 100%.



## i. Reason of Against

Cathay Life believes that shareholders have the right to review material issues one by one rather than be forced to vote on multiple proposals collectively as a bundle. If a motion classifies into multiple types of proposals of the same category, and the contents of these proposals may clash with or obstruct shareholders' rights or economic interests, Cathay Life may directly oppose the whole proposal bundle in the motion.

In addition, we pay attention to the overall ESG performance of investee companies. We will cast opposition votes against proposals deemed inconsistent with the spirit of corporate governance, detrimental to shareholders' rights and interests, or having negative impacts on the environment or society. We also consider factors such as proposals' impact on the company's sustainable operation and the shareholders' rights to screen out the categories of major proposals the company is mainly concerned about. Below are the proposal categories of our main concerns and the considerations for our opposition:



### **Election of Directors**

- ✓ We pay attention to whether directors are independent, serve for too long or have too many concurrent positions in other companies.
- ✓ The Company will proactively communicate with companies whose business operations or value chains (1) generate a large amount of greenhouse gas emissions; and (2) may cause biodiversity risks, but have not taken appropriate actions to reduce climate risks. In addition, it may also abstain from voting or oppose the election of directors (such as chairmen, CEOs and relevant committee members of companies) or climate-related proposals of senior executives based on the spirit of environment accountability.
- ✓ Example: Elect directors of companies on the Climate Action 100+ focus group list or poor ratings on Forest.



### **Remuneration and benefits**

- ✓ Compensation and benefits are mainly about attracting, retaining and rewarding people who are critical to the long-term sustainable growth of companies, so if the compensation plan is not linked to the company's long-term sustainable value or has no relationship with performance goals, we may oppose the company's salary-related proposals.
- ✓ Examples: Approve employee share purchase plan, Advisory vote to ratify named executive officers' compensation



### **Financial statement and audit**

- ✓ Whether the capital structure affects shareholders' investment values and their priority to receive benefits over other debtors in the company. For this reason, if the company's auditors are not independent or the proportion of non-audit fees to the total audit fees is too high, we may oppose the relevant proposals for the appointment of auditors.
- ✓ Example: Approve appointment of financial auditor



### **Profit Distribution**

- ✓ Cathay Life is normally in favor of distributing cash or stock dividends generated by income or derived from capital and statutory reserves, only unless the dividend rate is not in the best interests of shareholders (such as being continuously too low without adequate explanation) or is unfavorable to the company's sustainable financial condition (such as being too high for the company's financial condition).
- ✓ Example: Approve Profit Distribution Plan

## ii. Reason of Abstentions

Subject to Article 146-1 of Insurance Act in Taiwan, insurance companies cannot cast a vote in the election of directors or supervisors at the public company, those in Taiwan being invested, hence the abstention votes for proposals related to the appointment of directors and supervisors.

If the preliminary voting recommendations is "against", investee company is willing to improve after we communicate and engage with the investee company.

iii. Reason of voting for : Absent the above concerns, we will vote in favor.

### Case of proposal opposition: Company A Senior management remuneration

#### ■ Key points of say on pay analysis:

The main purpose of remuneration is to attract, retain, and reward directors, senior management personnel or key employees who play critical roles in ensuring long-term sustainable business growth of the company. For this reason, remuneration indicators of the bonus system shall be challenging and stringent, and provide appropriate incentives, while performance evaluation indicators and actual performance shall also be fully disclosed to provide investors with sufficient information for evaluation.

#### ■ Background:

Since 2017, company A has held an annual advisory vote on executive compensation which provides shareholders the opportunity to approve or disapprove the executive compensation program structured by the Leadership Development and Remuneration Committee of the company. Since the remuneration proposal of company A received low support in the previous year, the remuneration committee communicated with shareholders and revealed more details on the remuneration plan and long-term strategies. However, the company did not make significant improvements on the remuneration plan to alleviate shareholder concerns.

#### ■ Factors against company A advisory proposal on Senior Executive Compensation:

- ✓ Long Term Incentives (LTI) was awarded to the Name Executive Officer (NEO) without setting performance targets.
- ✓ Without an annual incentive plan or additional performance conditions that must be achieved for equity grants, NEO's compensation is not directly linked to performance standards and achievements.
- ✓ The company's recently awarded US\$41 million to a NEO, which cause concerns as the NEO has just received a sign-on bonus of US\$81 million within a year.

■ **Follow-up action if we are not satisfied with the result of the motion:**

Since no improvements on the remuneration plan have been made in response to major objections of shareholders, Cathay Life has opposed the remuneration for Company A's senior management in the previous year, and voted against the election of three directors as remuneration committee members this year. If Company A still do not take positive actions to resolve shareholder concerns in the following year, Cathay Life may continue to vote against the senior management remuneration proposal in the next year, with opposition towards directors who serve in the remuneration committee or other directors responsible for related affairs.

**Case of Climate Accountability: Company C board of directors election proposal**

■ **Key points of analysis on climate accountability:**

Check if companies from high-emission industries and the focus companies on the CA100+ list have committed to a net-zero emission target, set scope 1, 2, and 3 emission reduction targets, implemented climate-related financial disclosures, or have specific carbon reduction strategies.

■ **Background of the proposal:**

Currently, Company C is committed to reduce Scope 1 and Scope 2 GHG emission intensity in 2025 and 2030, respectively, and has set up a low-carbon technology department, and formulated a plan to cease routine burning by 2025. However, compared with other oil and gas companies, which continue to promote more aggressive emissions reduction goals and commit to net zero emissions in the entire value chain by 2050, or formulate Scope 3 emissions reduction plans by reducing investments in oil and gas developments, along with commitment to cooperating with customers to reduce their demand for oil and gas, Company C's goals do not appear to be ambitious, nor are they in line with the net-zero scenario.

If the global market takes more aggressive actions of limiting the temperature rise to 2°C in the future, Cathay Life Insurance expects that Company C may face greater regulatory, competition, legal and financial risks.

■ **Factors opposed to Company C's election of director responsible for relevant matters (election related to the public policy, sustainable development committee chairperson, company chairman and current CEO) in the current year:**

- ✓ The company's commitment to achieving net zero emissions by 2050 does not include Scope 3 emissions.
- ✓ Capital allocation and investment plans are inconsistent with the 1.5°C national pathways. For example, large investments in new projects do not comply with the IEA's net-zero scenario.
- ✓ The policy influencing activities failed to align with the Paris Agreement, and was directly involved in the lobbying of fossil fuel expansion.

■ **Follow-up action if we are not satisfied with the result of the proposal:**

Cathay Life communicated with company C in the previous year and abstained from voting on the director election proposal concerning the Chairman of the Public Policy and Sustainability Committee, the Chief Director, and the Chairman of the Board concurrently serving as the current CEO. Given company C's ongoing lack of response to shareholder climate demands and its failure to take more active climate actions, Cathay Life opposed the election proposal for the directors responsible for related affairs at company C's 2023 annual shareholder meeting. Furthermore, Cathay Life convey its idea to company C again, stating that if company C fails to take more active actions in the following year, Cathay Life will continue to vote against the election proposal for the directors responsible for related affairs.

(4) Environmental and Social related Proposals:

i. Definition

Cathay Life takes into account the environmental and social-related proposals in exercising voting rights, and conducts case-by-case inspections depending on individual companies' status and proposals, while voting decisions are made based on internal evaluation.

① Environment-related factors:

Include climate change, water resources, biodiversity, nature, carbon emissions, waste treatment and renewable energy, etc.

② Society-related factors

Include human rights, labor management, human capital, gender, race, animal welfare, charitable donations, workplace diversity, equality and inclusion, information security and personal privacy, etc.

ii. Guideline for exercising voting rights

Cathay Life Insurance supports E&S proposals related to strengthening investee companies' capability to develop long-term sustainable value, in order to inspire companies to adopt more specific environmental and social response actions. We hope to motivate more specific climate response and nature conservation actions among enterprises. Meanwhile, we also pay attention to proposals involving labor disputes, diversity and equality, and human rights, which may have significant impact on society. We encourage companies to give respect to different genders and ethnic groups, meet international human rights standards,

and make substantial contributions in combating social inequality. However, unreasonable sustainability-related proposals that obstruct sustainable development of investee companies will not win our support in principle.

Thus, in principle, we support:

- ① climate-related proposals in line with carbon reduction goals of the Paris Agreement
- ② society-related proposals that comply with the United Nations Guiding Principles (UNGPs) on Business and Human Rights
- ③ performance disclosure proposals that should raise a company's awareness and sense of responsibility toward environmental or social performance ;
- ④ proposals that can reduce a company's major environmental and social risks and increase or protect shareholder value

In general, shareholder proposals enable shareholders to effectively express their opinions to the senior management of companies. Many shareholders will submit proposals on promotion of ESG in companies at the shareholders' meetings. Currently, the sustainability-related proposals are mainly shareholder proposals, and the Company will prudently assess the reasonableness of such proposals before making voting decisions. On the other hand, some companies would also submit proposals on environmental and social (E&S) actions or future plans, hoping to seek shareholders' consent. In principle, Cathay Life Insurance supports management or shareholder proposals.

### iii. Proxy voting result of E&S sustainability-related proposals

#### ① Environmental-related proposals:

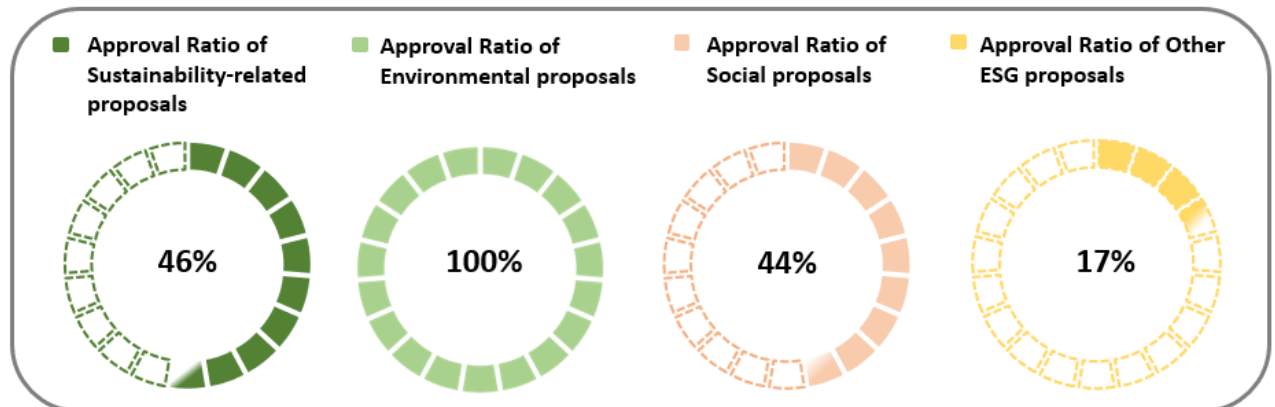
To avoid more serious impact from climate action failure, in 2023, we fully supported environment-related proposals to help mitigate companies' climate risks, which cover GHG emission reduction target reports, climate risk management, and disclosure of the transition to a low-carbon economy.

#### ② Society-related proposals:

Under reasonable circumstances, we support assessment reports on the impact of company operations on human rights, announcements and proposals on

diversity and inclusion, and disclosure of political and lobbying activities and expenses, so as to promote attention on human rights and diversity. However, only shareholder proposals with inadequate reasonableness will not win our support. Thus, the approval ratio of social proposals is only 44% in 2023.

③ Overall, the approval ratio of E&S proposals is 46%.



## Environmental-related Proposal Case

### Environmental factors: Climate change

**Proposal: Requesting companies to disclose the framework used to assess climate-related lobbying consistency with climate goals.**

**Background:** Although Company M made a strong climate commitment, it was also one of the group members that impeded climate policies, and had not strategically exerted its influence in promoting climate policies for corporate transition.

- Based on the following reasons, Cathay Life supported a shareholder proposal of Company M in “requiring the firm to disclose the framework to assess whether relevant lobbying is consistent with climate-related goals.”
  - The company did not disclose whether it assessed the consistency of its climate goals and policy influencing activities of the organizations in which it participated.
  - Although the board stated that the company did not always agree with the positions of the industry or associations it participated, the company had not yet described the strategies when misalignments occurred between its direct and indirect lobbying activities, and its climate commitments.
  - The disclosure of lobbying activities lags behind that of its industry peers, and did not include the total amount spent on lobbying or membership fees.
  - This shareholder proposal was supported given that it was not considered to be overly burdensome or prescriptive, and shareholders would benefit from better transparency in the direct and indirect climate lobbying and plans to reduce the impact of any risks that may be identified.

## Environmental-related Proposal Case

### Environmental factors considered: Nature and biodiversity

**Appeal: Require the company to disclose the use of packaging materials and reduction of plastic waste**

**Background:** As plastic pollution becomes more severe, various countries are imposing taxes on plastic packaging that contains little recyclable materials, and adopting policies to reduce the percentage of plastics in disposable products in stages, so as to enhance plastics recyclability and reduce the use of plastics. As the public is concerned about the rise in plastic pollution, the increased use of plastic packaging may bring about financial, operational and reputational risks to the company.

Based on the above and following reasons, we agreed with Company A’s shareholder proposal to “disclose the use of packaging materials and reduction measures of plastic waste.”

- Unlike leading industry peers which have set plastic waste reduction goals and committed to promoting recyclable, reusable or compostable plastic packaging, Company A had not set the goal to reduce overall plastic packaging.
- Although Company A recently disclosed the use of single-use plastics in the global operations networks, it did not include plastics used by third-party merchants, which may account for 60% of Company A's sales.
- Considering rising global concerns about the impact of plastic pollution, and certain jurisdictions may implement regulations which limit single-use plastic packaging, this proposal would help shareholders in assessing whether the company had conducted the appropriate risk management related to the use of plastics.

Although this proposal was not passed in 2023, it received 32.3% support. In response to advocacy groups and investors, the company stated in the sustainability report released in July 2023 that the total amount of single-use plastics used in its delivery centers for packaging orders declined by 11.6% compared with 2021. It also stated that it was replacing plastic padded plastic shipping bags with recyclable alternatives.

## Society-Related Proposals - Case Study

### Environmental factors considered: Diversity, equity and inclusion in the workplace

#### Appeal: Require the company to disclose gender/racial pay gaps

**Background:** The U.S. Department of Labor and the OECD both pointed out that for effective measurement of income inequality, companies are required to disclose the median of unadjusted pay gap (to assess equality of high-paying career opportunities), and the adjusted pay gap (to assess whether equal pay for equal work is achieved). Company A only disclosed the data of unadjusted pay gap, but did not disclose the median of unadjusted pay gap. Meanwhile, 44 leading companies are already committed to provide relevant information.

Based on the above and the following reasons, Cathay Life supported the shareholder proposal of Company A to “require the company to disclose the gender/racial pay gaps.”

- Recently, Company A faced lawsuits and fines for labor law violations, including wage theft, violation of equal pay for equal work, and discrimination against black and female employees during recruitment.
- Better disclosure of equal pay would enable shareholders to understand the progress of company diversity and inclusion initiatives, providing shareholders with information on how the management effectively assesses and mitigates risks that may arise from unfair treatment.

Company A's shareholders proposed to disclose race and gender median pay gap for the third consecutive year. The proposal received shareholder support of 25.8% in 2021, and 28.8% in



2022. In 2023, although the proposal was not passed, it received support of 29.2%, which was the highest over the past three years. This indicated that shareholders were more aware of these proposals. The support for such proposal also sent a strong signal to Company A, demonstrating the importance of substantive actions on these issues.





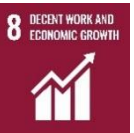







#### (IV) Sustainable Investment

In addition to constructing a comprehensive system and procedures for responsible investment, Cathay Life also takes proactive actions when making investments. In 2023, the sustainable investment amount was approximately NT\$1.3 trillion (note), reflecting a growth of about 1.1% from 2022. Moreover, the low-carbon investment projects include government initiatives to achieve net zero carbon emissions through the "12 Key Strategies." The investment projects include solar photovoltaics (1. Wind power/ Photovoltaics), power grid equipment (4. Power Systems and Energy Storage), energy saving technology development (5. Energy Saving), waste recycling (8. Resource Circulation and Zero Waste), public transportation (10. Green Lifestyle), green bonds (11. Green Finance) to response to the government's strategies to achieve net-zero transition by 2050.

Note: Due to the overlapping of some sustainable investment contents, the total amount of sustainable investment is not a combination of each theme investment.

## 1. Theme Investing

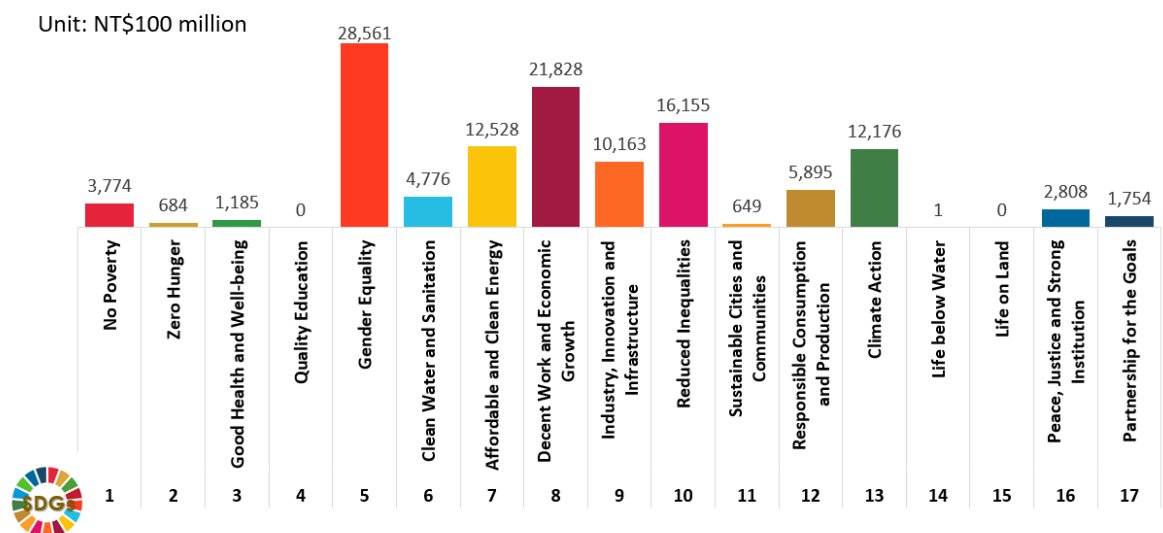
### (1) Investment in accordance with Cathay FHC's 5 sustainable themes

Investment themes	Alignment to SDGs	2023 investment amount	Description
 <p><b>low-carbon and green energy industries</b></p>	 	NT\$ 241.3 bn	In response to the global trend of transformation into a low-carbon economy and the Taiwanese government's 2050 net zero emission target. Cathay Life Insurance actively invest in low-carbon green energy industries and contribute to the creation of a happy planet.
 <p><b>Infrastructure</b></p>	 	NT\$ 765.5 bn	In order to maintain economic and social growth, eradicate poverty, and adapt to the impacts of climate change, infrastructure improvements will be crucial for continued sustainability. Cathay Life has invested in infrastructure-related industries to fund sustainable urban development and change people's lifestyle.
 <p><b>Water resources</b></p>		NT\$ 6.7 bn	With the scarcity of water resources, the rapid increase of the urban population, and the violent climate change, the issue of effectively using water resources is also one of the most important issues. We hope that areas can have better public water supply by investing in public sewage treatment and water resources development.
 <p><b>Health industries</b></p>		NT\$ 422.6 bn	With the rapid demographic changes, tremendous impact and demand will be placed on the medical system. In order to promote human health and well-being, we actively invest in health-related industries such as drug development and biotechnology.
 <p><b>Financial inclusion</b></p>	 	NT\$ 2.3 bn	Upholding our core philosophy of being "people-oriented," which is incorporated into our core competencies of investment, Cathay Life invests in industries related to education and microfinance, hoping in doing so to contribute to the realization of inclusive finance.

## (2) Investment linking to 17 Sustainable Development Goals (SDGs)

The United Nations adopted the 2030 Agenda for Sustainable Development in 2015, proposing 17 world SDGs for moving towards sustainable development. It provides guidance on the decision-making, investments and actions for central governments, local governments, enterprises, citizen groups and others in the next 15 years, so that “every country achieves sustained, inclusive and sustainable economic growth, and decent work for all,” jointly creating a world involving sustainable production, consumption and use of natural resources including air, land, rivers, lakes, groundwater and ocean.

Cathay Life has financial assets all over the world. As a citizen of earth, we deeply realize the importance of the 17 Sustainable Development Goals (SDGs) on “economic growth,” “social progress” and “environmental protection.” Before making an investment, we would carefully evaluate whether the investee company can solve specific social or environmental issues and adhere to the 17 SDGs. By use of the MSCI SDG Alignment Tool, we would review whether the operations or products of domestic and foreign listed stocks and corporate bond underlying assets (excluding sustainability-related bonds) are aligned with the SDGs. As of the end of 2023, domestic and foreign listed equities and corporate bonds investment portfolios were most connected to SDG 5: Gender Equality, SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, SDG 7: Affordable and Clean Energy, and SDG 13: Climate Action.



Note: The same investment target may correspond to more than one SDG.

## 2. Impact investing

To strengthen the positive impact on society or the environment, Cathay Life incorporates the four core aspects for considerations in investment decision-making. With reference to impact investment defined as “intentional, measurable, cross-asset and financially rewarding” by the Global Impact Investing Network (GIIN), we select investment targets that can directly solve specific social or environmental issues for investment. In addition, for specific measurement of contributions of investee companies, Cathay Life refers to the international framework in evaluating investee companies’ substantial and positive influences on the environment and society, followed by performing inventory on the performance of impact investment.

### (1) Defining asset scope:

Considering that impact investment has features that are of cross-asset, and measurability, asset types such as sustainability-related bonds, private equity investments, and impact funds are used as basis for the calculation of impact investment assessment scope and performance.

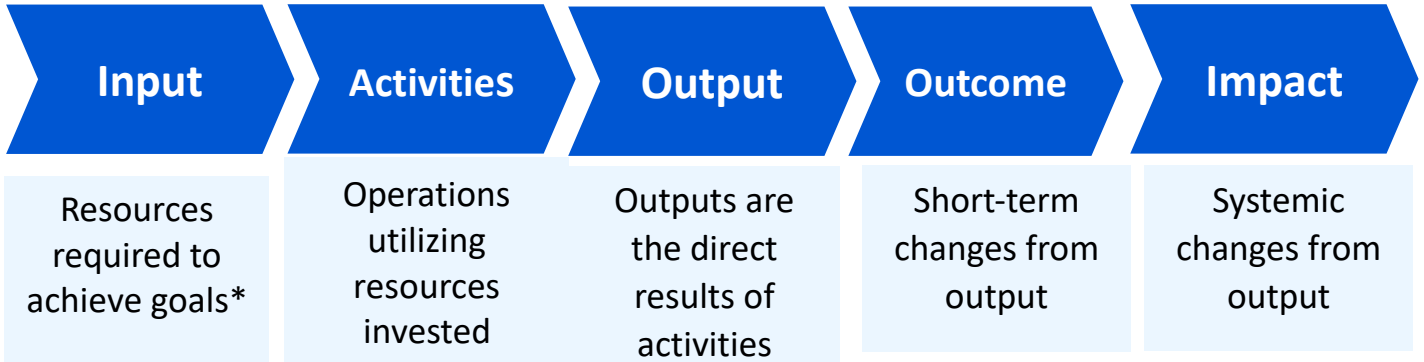
### (2) Evaluation method:

To effectively explain the impact goals and intention of contributing to positive and eventual social and environmental solutions, Cathay Life refers to the “impact investment” jointly defined by CFA Institute, GSIA and PRI in 2023, and measures the social and/or environmental impacts by use of the Theory of Change and the “IRIS+ Thematic Taxonomy” framework published by GIIN. Meanwhile, we also use the 17 SDGs to match with impact projects of the Theory of Change:

- Impact investment involves the Theory of Change, which requires credible explanation on investor contribution or catalytic role.
- Impact investment shall be measured based on the impact measurement and management indicators that have been publicly recognized, such as IRIS+ launched by GIIN, or other environmental and social impact indicators such as the Global Reporting Initiative (GRI) or Future-Fit Business Benchmark.

- Selection of Evaluation Methods  
 “Theory of Change” + “IRIS+ Thematic Taxonomy” + the UN 17 Sustainable Development Goals

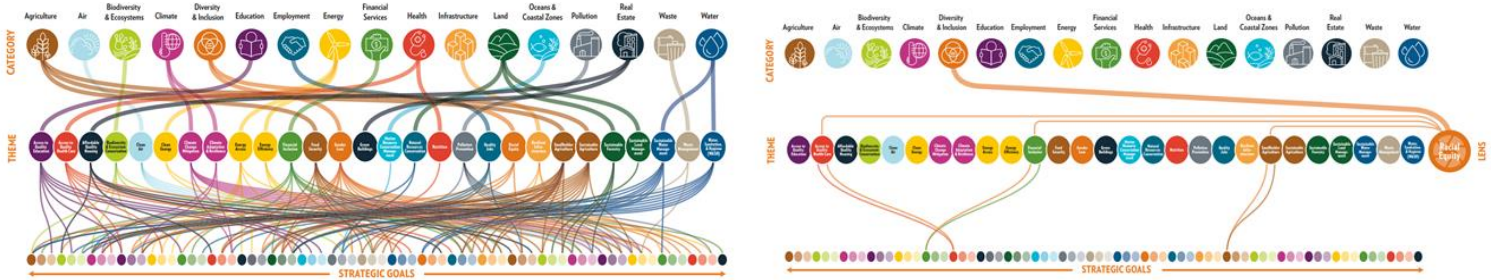
# THEORY OF CHANGE



\* including human resources, R&D expenditure, funding, etc.



IRIS+ differentiates **17** impact categories, **28** themes and over **50** detailed evaluation indicators in impact investment. Corresponding to specific categories and themes based on the connotation of impact investment, the investment performances are based on the recommended detailed evaluation indicators.



Source: [IRIS+ Thematic Taxonomy](#)



(3) Impact investing results:

- As of the end of 2023: Amount of impact investing reaching NT\$ **80.7** billion



The main green bond development projects covers investments in renewable energy, energy efficiency, clean transportation, green buildings, and wastewater management, etc.



By investing in social bonds for basic services, Cathay Life Insurance improves the lives of disadvantaged groups, provides affordable housing, improves residential housing problems, and develops basic services, helping the country or companies to exert a positive influence on society.



In addition to direct investment of green bonds and social bonds, Cathay Life Insurance also invests in sustainability bonds related to green investment and social impact investment plans, and encourages substantial investments in the country or on social and environmental improvement issues.

















Cathay Life Insurance seeks to exert a positive influence by investing in funds or private equity of companies with products or plans that have a positive impact on society and the environment.

■ Sustainability bonds recognized by the TPEX

(4) The influence on the environment or society


Cathay Life calculates the environmental and social contributions of investments based on the impact reports issued by investee companies, or data directly provided by investee companies. In the future, we will continue to assess the feasibility of expanding measurable impact investment results. Meanwhile, the environmental or social indicators will be adjusted depending on the current situation.

IRIS + Categories	IRIS + Themes	Corresponding SDGs	Environmental or social indicators - contributions from the Company's investments (Cumulative amount in 2022-2023)	
			Indicator	Value
 Energy	Energy Access		CO <sub>2</sub> equivalent avoided	<b>46,339</b> Mt CO <sub>2</sub> e
			Number of households benefiting from renewable energy	<b>235,807</b> Households
 Pollution	Pollution Prevention		Annual volume of wastewater treated	<b>10,525,772</b> Cubic meters (tons)
 Water	Sustainable Water Management		Annual water conservation	<b>6,215,359</b> Cubic meters (tons)
 Education	Access to Quality Education		Students benefiting from lunch subsidies	<b>49,682</b> Head count
 Real Estate	Affordable Quality Housing		Number of beneficiaries of affordable housing	<b>819</b> Head count /households
 Financial Services	Financial Inclusion		Number of beneficiaries from improving the lives of disadvantaged groups	<b>20,908</b> Head count
 Health	Access to Quality Health Care		Number of beneficiaries from improving health insurance	<b>11,556</b> Head count

Note: Taking into account data availability, the impact calculated in the table below cannot cover all impact investment positions.

(5) Case Study on Cathay Life Insurance Investment

i. TaiYang Solar Power

Theory of Change Framework	Description
Input	<p>In response to the government’s green energy policy, TaiYang Solar Power’s photovoltaic business specializes in fishery and electricity symbiosis, with investment of approximately NT\$495 million for 45% shareholding since 2020.</p>
Activities	<p>Apart from the rooftops of some enterprises, TaiYang Solar Power mainly focuses on fishery and electricity symbiosis on the rooftops of indoor breeding ponds. It has also set up fishery and electricity symbiosis sites for operations at the coastal areas of Chiayi, and leased out indoor fish ponds to local farmers, so as to achieve win-win accommodating both clean energy and the livelihoods of farmers.</p> <p>Despite high construction cost, indoor breeding ponds are less affected by the external environment, and thus the catch per unit of effort (CPUE) is relatively stable.</p>
Outputs (Cathay Life)	<p>IRIS+ Theme: Energy(Clean Energy, Energy Access)            IRIS+ PI2764: Avoided Emission (CO2e): 18,831 t-CO2e/year            IRIS+ PI8053: Number of Household and Business Connections: 9,352 household/year</p>
Impact	<p>As of the end of 2023, TaiYang Solar Power had already established 25 power generation sites, with power generation capacity of about 85 million kWh, which is equivalent to a reduction of 42,000 tons of carbon emissions. According to company guidance, the survival rate of shrimp eggs of 10%-20% in outdoor breeding ponds, was increased to 30% in indoor breeding ponds.</p>
Impact	



ii. Hanwha Life Insurance

Theory of Change Framework	Description
Input	Issued sustainability bonds of approximately US\$300 million, of which 38.4% was invested in housing subsidies.
Activities	Among them, the social planning department planned to provide affordable housing, including helping people to obtain basic services, affordable and high-quality infrastructure, as well as focusing on the support of Seoul City 2030 Youth Housing Project and Jeju Island Social Housing Project.
Outputs (Cathay Life)	IRIS+ Theme: Real Estate (Affordable Quality Housing) IRIS+ PI2640: Individuals Housed: 29
Impact	<p>To provide affordable housing for specific target groups to promote socio-economic development and empowerment, two plans were proposed as follows:</p> <ol style="list-style-type: none"> <li>1. Seoul City 2030 Youth Housing Project aims to develop high density housing near subway, in order to provide public rental housing for youth at 60-80% of the average rental price in the surrounding area, while the annual rent increase is no more than 5% per year.</li> <li>2. The purpose of Jeju Island Social Housing Project is to increase housing supply and ensure stability in accommodation. 20% of the social housing must be provided for youth, newlyweds and the elderly.</li> </ol>
Impact	

### 3. Sustainability-Linked Bond (SLB)

In addition to impact investing, Cathay Life Insurance also invests in sustainable-linked bonds (SLBs) that have been developing rapidly in the past two years. The SLBs are designed to link bond interest and principal payment terms to the issuer's sustainable development performance, so as to ensure that the issuer will integrate sustainable development into their operational decisions and business models. The SLBs invested by Cathay Life Insurance come with a sustainable development target of achieving 100% greenhouse gas reduction. They support companies in implementing carbon reduction in business operations. As of 2023, the investment amount totaled NT\$ 7.5 billion.

#### (V) TCFD

Confronted by the increasingly severe impact of climate change, Cathay Life has taken the initiative in promoting the framework of the Task Force on Climate-related Financial Disclosures (TCFD) issued by Financial Stability Board (FSB). In 2022, Cathay Life and its parent company Cathay FHC science-based targets (SBT) were approved by the Science Based Targets initiative (SBTi) and moving towards the goal of Net Zero Emissions by 2050.

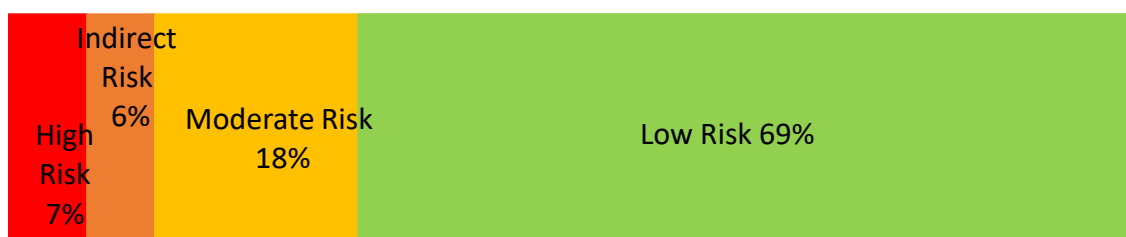
#### 1. The impact of quantified climate change on investment portfolios

Physical risks caused by extreme weather may damage investee companies and even impact their production capacities, thus increasing the probability of companies' defaults or decreases in their market values. To control global warming, governments around the world are intensifying their supervision of carbon emissions by implementing carbon pricing or carbon emissions trading mechanisms; but such measures have created a transition risk that has led to an increase in the costs of investee companies and affected their profits and values, thus reducing Cathay's income and values of assets we are investing in. Therefore, we use Backward looking quantitative methods and Forward looking scenario simulation methods to manage the risks and get opportunities of climate change in investment portfolios in advance.

(1) Backward looking quantification: Carbon footprint of investment and financing Portfolios

i. Assess the exposure to the climate risk

Based on the methodology of the MSCI ESG Industry Risk Intensity, Cathay Life identified the exposure of equity and corporate bonds to different level climate risks. Our inventories show that 7% of our positions are involved in high climate-related risks; therefore, our climate-related risks are controllable.



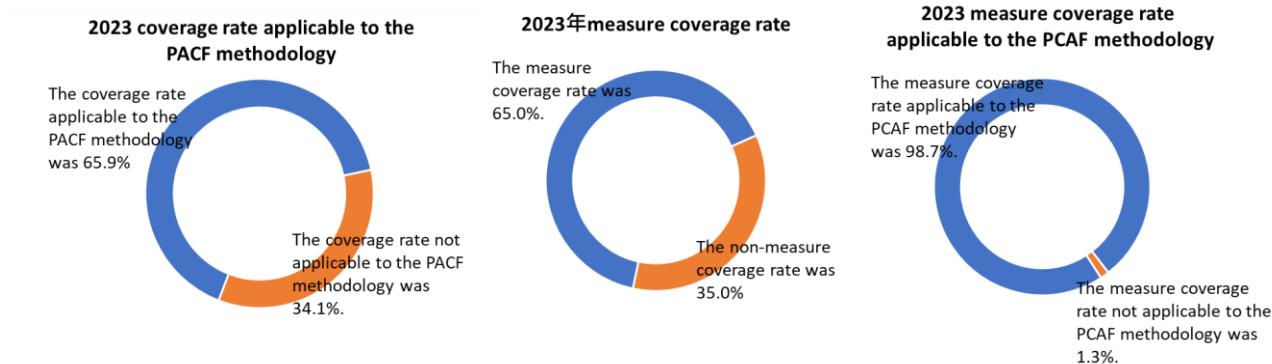
Note:

High Risk	Based on the nature of their business activities, companies in that industry face a high level of risk exposure to the Direct climate change Issue.
Indirect Risk	Based on the nature of their business activities, companies in that industry face a high level of risk exposure to the Indirect climate change issues.
Moderate Risk	Based on the nature of their business activities, companies in that industry face a medium level of risk exposure to the Direct climate change Issue.
Low Risk	Based on the nature of their business activities, companies in that industry face a low level of risk exposure to climate change Issue.

ii. Financed emissions of investment and financing portfolio

① Coverage

Since 2020, Cathay Life has adhered to the guidelines of the Partnership for Carbon Accounting Financials (PCAF), and based on the methodology of the guidelines, we have calculated the financed emissions of investment portfolios (Scope 1 and Scope 2). In 2023, we measured financed emissions of the financing portfolio. With continuous accumulation of experience and the inclusion of the financing portfolio in our scope, the coverage ratio of the overall investment and financing portfolio applicable to the PCAF methodology reached 98.7%.

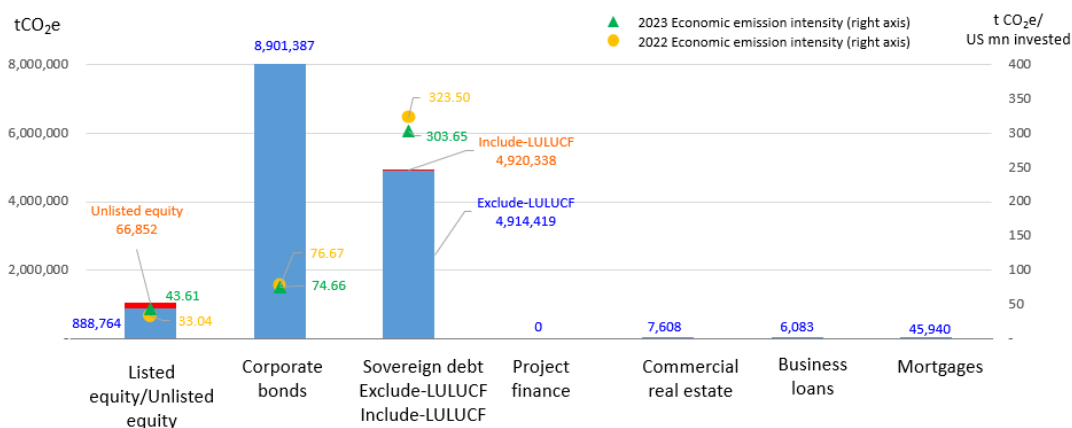


**Note:**

1. Coverage rate applicable to PACAF methodology: The proportion of investment and financing assets that applicable to the PACAF methodology to the total investment and financing portfolio positions.
2. Measure coverage rate: The investment and financing positions that already measure financed emissions pursuant to the PACAF methodology as a percentage of the total investment and financing portfolio positions.
3. Measure coverage rate applicable to the PACAF methodology: The investment and financing positions that already measure financed emissions pursuant to the PACAF methodology as a percentage of the total investment and financing asset classes covered by PACAF methodology.
4. As we cannot obtain the underlying assets of mutual funds and mutual funds cannot be classified pursuant to the PACAF methodology, they are recognized as excluded assets, and shall not be included in the calculation of PACAF assets.

**② Portfolio financed emissions overview**

Cathay Life measures financed emissions for investment portfolio every year, and this year is the first time we disclosed the financed emissions for financing portfolio. In the future, we will regularly review the financed emissions of investment and financing portfolio, to understand the changes in financed emissions of investment and financing portfolio. The financed emissions in 2023 are 14,831,053 tCO<sub>2</sub>e Note, and financed emissions of each asset classes are as follows:



**Note:**

1. Note: Including financed emissions of listed/unlisted equity, corporate bonds, sovereign bonds (excluding LULUCF), project investment and financing, commercial real estate investment and financing, business loans,

- Mortgages (housing loans).
2. Project financing for renewable energy avoided 43,249 tons of carbon emissions.
  3. Only Scope 1 is included in the calculation of sovereign debt financed emission.
  4. Land use, land-use change and forestry (LULUCF): Human activities cause changes in carbon cycle between the terrestrial biosphere through land use, land-use change and forestry, leading to the alteration of carbon dioxide in the atmosphere.

### **③ Financed emissions of investment portfolio – direct emissions from operations and energy consumption (Scopes 1 and 2)**

To fulfill the commitment of the Paris Agreement and meet stringent global carbon emission regulations with preparation in advance, Cathay Life adhered to the guidelines of the Partnership for Carbon Accounting Financials (PCAF) since 2020. Based on the methodology of the guidelines, the total financed emissions of investment portfolios (Scope 1 and Scope 2) and in turn, the economic emission intensity is calculated to measure carbon footprint of investment portfolios, all of which will serve as indicators for monitoring the performance of carbon reduction targets from different perspectives

According to the results of the 2023 financed emissions, the financed emissions of listed equities and corporate bonds in 2023 were 9,790,151 tons, an increase of 2.4% compared with 2022. This was mainly due to the increase in investment positions, which increased the financed emissions of the investment portfolio. However, due to the increase in financed emissions is smaller than the increase in investment positions, which reduces the economic emission intensity to 70.13 t CO<sub>2</sub>e / US mn invested, a decrease of 1.7% compared with 2022. We will continue to monitor changes in these indicators and engage with high carbon emission industries through the strategy of low-carbon investment allocation to get a handle on the change of financed emissions.

## Carbon Footprints of Various Asset Classes in 2022-2023

	Unit	2023	Annual change	2022
<b>Listed equity</b>				
Financed emissions	tCO <sub>2</sub> e	888,764	64.6%	540,112
Economic emission intensity	tCO <sub>2</sub> e/US mn invested	43.61	32.0%	33.04
Financed emissions coverage rate	%	100%	0.0%	100%
Data quality score		2.23	-	2.47
<b>Corporate bond</b>				
Financed emissions	tCO <sub>2</sub> e	8,901,387	-1.4%	9,024,050
Economic emission intensity	tCO <sub>2</sub> e/US mn invested	74.66	-2.6%	76.67
Financed emissions coverage rate	%	100%	0.0%	100%
Data quality score		2.45	-1.5%	2.49
<b>Total</b>				
Financed emissions	tCO <sub>2</sub> e	9,790,151	2.4%	9,564,162
Economic emission intensity	tCO <sub>2</sub> e/US mn invested	70.13	-1.7%	71.35
Financed emissions coverage rate	%	100%	0.0%	100%
Data quality score		2.42	-	2.49

Note: Since 2018, the Company calculated the carbon footprints of investment portfolios, and conducted carbon inventory on investment positions (FVTPL, FVOCI and AC) of listed Equity and corporate bonds

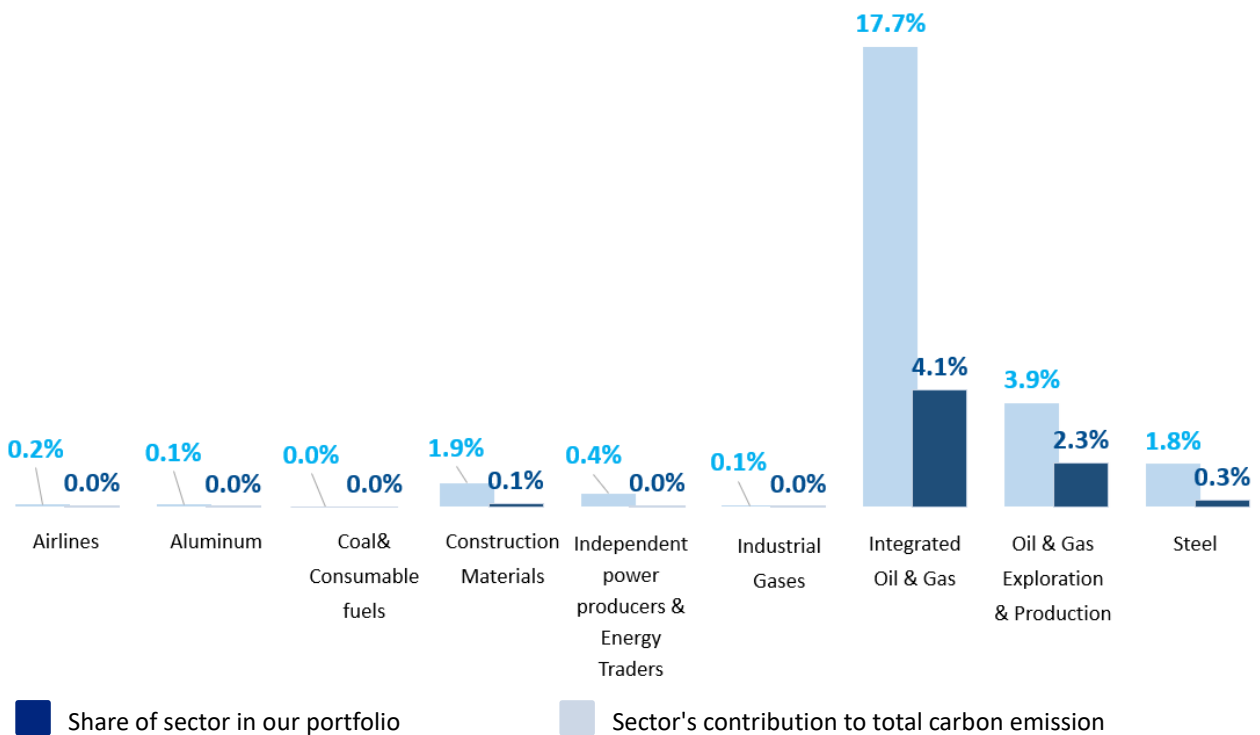
## Analysis of the Total Carbon Emission Concentrations in 2023

The top 50 companies in total financed emissions of listed equity accounted for 84.7% of the emissions, and the top 100 companies in the financed emissions of corporate bonds accounted for 89.1% of the emissions.

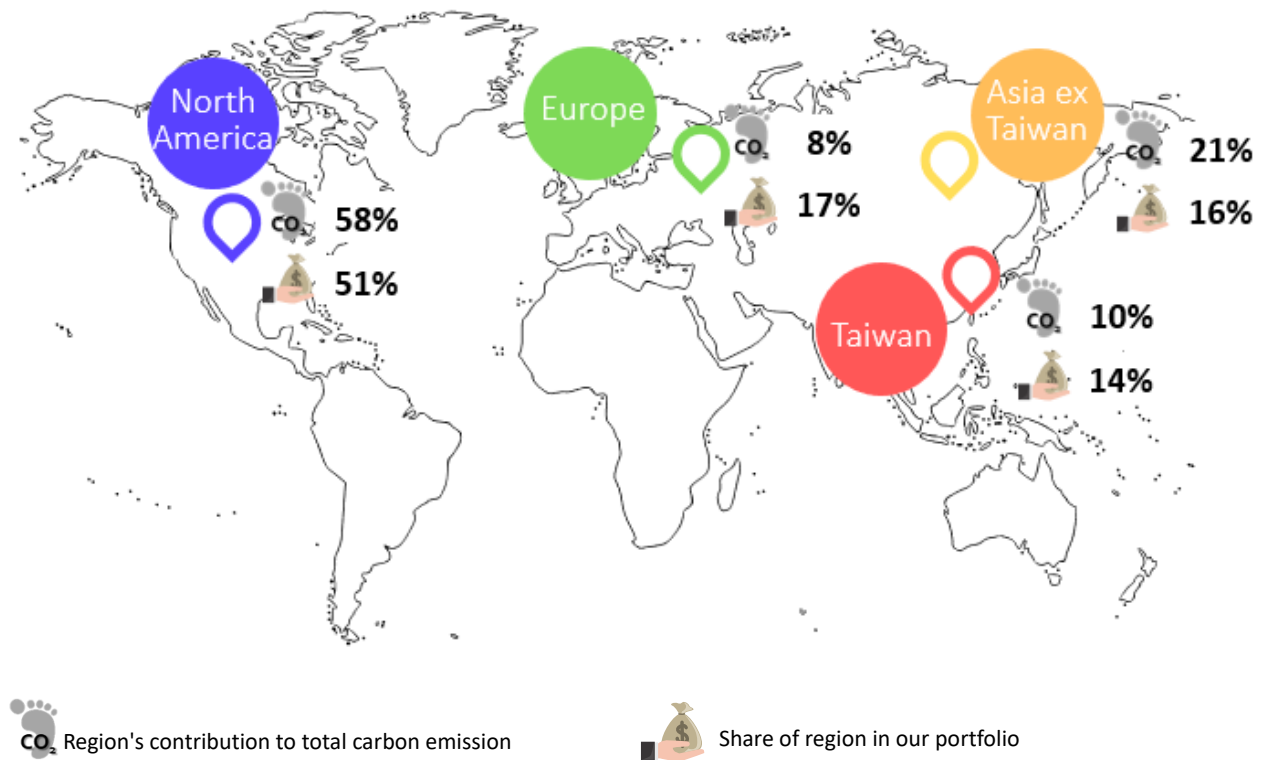


## Analysis of high climate-related risk industries in 2023

Among the total emissions of industries with high climate change risks, the percentage of asset position of the integrated oil and gas industry accounted for only 4.1%, but its carbon emissions accounted for 17.7%. In addition, the overall asset position and financed emissions of industries with high climate-related risks declined by 0.3% and 1.2% respectively compared with the previous year.



## Distribution of Carbon Emissions by Region in 2023



### ④ Financed emissions of investment portfolio - Company Operations and the Value Chain (Scopes 1, 2, and 3)

To have a more comprehensive understanding of the investment portfolio financed emissions, Cathay Life has expanded the scope of its investment portfolio since 2022. In addition to the investee companies' scope 1 and 2 emissions inventory, we also conducted investee companies' scope 3 emissions inventory to obtain a more comprehensive inventory scope. Considering poor disclosure quality and low completeness of the carbon information of companies in scope 3, Cathay Life adheres to the PCAF guidelines, and incorporated the industries in Scope 3 for calculating the total financed emissions of "oil and gas industry, metal and mining industry, transportation industry, and construction materials industry" investment portfolio company operations (scope 1 and scope 2) and the value chain (scope 3), and continue to observe data changes. In the future, we will gradually conduct carbon emissions inventory of all industries in scope 3 depending on the coverage and carbon information disclosure quality.



	Financed emissions (tCO <sub>2</sub> e)	Financed emissions coverage rate	Data quality score
<b>Oil &amp; Gas</b>			
Scope 1&2	3,213,857	100%	3.24
Scoep 3	25,273,170	100%	3.68
<b>Mining</b>			
Scope 1&2	509,884	100%	2.49
Scoep 3	2,360,445	100%	3.00
<b>Transportation</b>			
Scope 1&2	39,168	100%	2.29
Scoep 3	567,609	100%	2.39
<b>Construction Materials</b>			
Scope 1&2	189,103	100%	2.14
Scoep 3	39,119	100%	2.72

⑤ Sovereign debt financed emissions

Since the PCAF guidelines added the calculation of sovereign debt financed emissions in 2022, we conducted Scope 1 financed emissions and disclosed the sovereign debt financed emissions based on the PCAF guidelines. In the past two years, financed emissions and Economic emission intensity of sovereign debt have both declined.

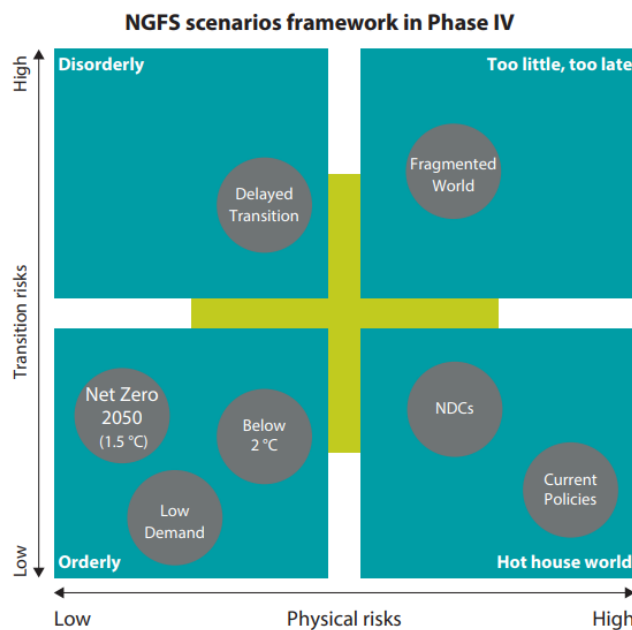
	Unit	2023	Annual change	2022
<b>Sovereign debt (Scope1, LULUCF not included)</b>				
Financed emissions	tCO <sub>2</sub> e	4,914,419	-5.59%	5,205,315
Economic emission intensity	tCO <sub>2</sub> e/US mn invested	303.65	-6.14%	323.5
Financed emissions coverage rate	%	96%		100%
Data quality score		3.38		2
<b>Sovereign debt (Scope1, LULUCF included)</b>				
Financed emissions	tCO <sub>2</sub> e	4,920,338	-2.83%	5,063,457
Economic emission intensity	tCO <sub>2</sub> e/US mn invested	334.32	-5.15%	352.5
Financed emissions coverage rate	%	87%		89%
Data quality score		3.32		1.84

Note: Land use, land-use change and forestry (LULUCF): Human activities affect the carbon cycle between the terrestrial biosphere and the atmosphere through land use, land-use change and forestry, resulting in the increase of carbon dioxide Change.

(2) Forward looking scenario analysis : Assess the C VaR of portfolio

i. NGFS scenarios description

Cathay Life has chosen Net Zero 2050 scenario, aligning with both the global net-zero consensus and its own carbon reduction goals. Additionally, drawing from the spirit of stress testing conducted by central banks in the UK and France, scenarios are designed to include “Orderly transition”, “Disorderly transition”, and “Hot House World”. Among these, the "Delayed Transition" scenario of disorderly transition and the "Nationally Determined Contributions" scenario of NDCs are selected to explore the financial impacts on the company under three different transition and temperature scenarios in the future.



Source : NGFS Climate Scenarios for central banks and supervisors, [November 2023](#)

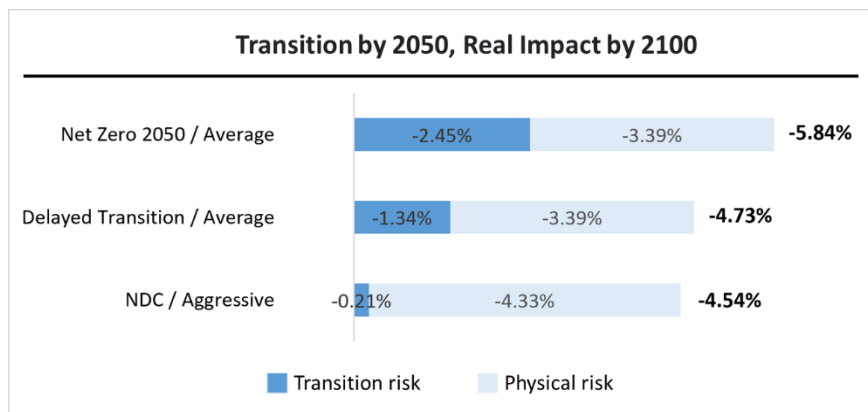
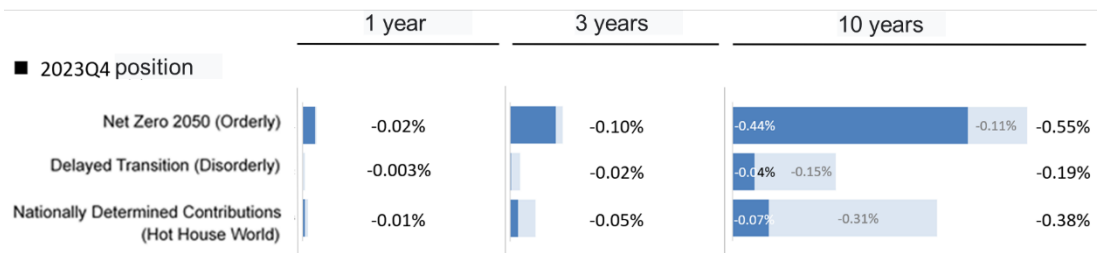
**NGFS Scenario and MSCI CVaR Scenario Analysis Results**

NGFS Scenarios	Net Zero 2050 (Orderly)	Delayed Transition (Disorderly)	Nationally Determined Contributions (Hot House World)
Degrees of warming by the end of century	1.5°C	2°C	3°C
Scenarios and assumption	Formulate climate policies in advance and implement them gradually. We expect to achieve net zero emissions and answer to calls for limiting	Assuming that the scenarios will remain the same before 2030, there may be high transition risks as transition costs may surge by the sudden	Transition risks may be the lowest, but the physical risks may be the highest if the scenario only covers existing national policies, without new actions on

	temperature increase to 1.5°C by 2050. Physical and transition risks are deemed medium risks.	promotion of strong emission reduction policies after 2030.	carbon reduction.
Description of transition risks	[Medium Risk] Timely and orderly implementation of climate policies	[High Risk] Delayed and abrupt implementation of climate policies	[Low Risk] Implement the existing commitment to the nationally determined contributions, without new actions on carbon reduction
Description of physical risks <sup>Note 2</sup>	[Medium Risk] Average climate change scenario	[Medium Risk] Average climate change scenario	[High Risk] Extreme climate change scenario

ii. Analysis Results of MSCI CVaR Scenario for Listed Equities and Corporate Bonds

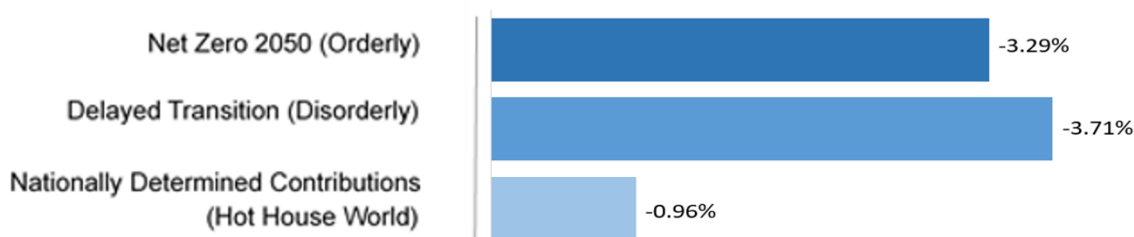
Using the MSCI model database and adopting NGFS scenarios, the CVaR results for specific periods in 2023 (1 year, 3 years, 10 years, and up to 2050) <sup>Note 3</sup> can assess the downward risk impact of climate change on corporate equity and bond values. According to the scenario analysis results, under the "Transition by 2050, Real Impact by 2100" scenario, the loss magnitude across scenarios accounts for 4% to 6% of the investment portfolio. Due to the relatively shorter durations of 1 year, 3 years, and 10 years, the losses are more marginal, hence overall risk losses are manageable.



### iii. Sovereign Bond

As MSCI added a new method to measure the CVaR of sovereign bonds in 2022, Cathay Life has expanded the scope of assessment of securities investment by sovereign bond. Using the MSCI CVaR methodology for sovereign bonds, we measured the magnitude of losses caused by rising bond yields on the overall sovereign bond investment portfolio in different NGFS transition scenarios.

The losses in the Delayed Transition scenario are relatively pronounced, mainly due to the higher allocation of long-term US government bonds in the our investment portfolios. In the disorderly transition scenario, the interest rates at the right end of the US government bond yield curve (20Y and 25Y) are the highest among the three scenarios. However, looking at the three scenarios in 2023, the losses from sovereign bonds represent 3% to 4% of the investment portfolio, indicating that overall transition risk losses are manageable.



#### Note:

1. Climate Value-at-Risk (CVaR) refers to the discounted cost of climate risk accumulatively borne by investment portfolios, transition risks are up to the year 2050; physical risks are up to year 2100. Please refer to the [MSCI website](#) for details.
2. In terms of the trade-offs between the impact of transition and physical risks, given that MSCI takes into account the effect of other emission scenarios in reducing physical climate risks in the short term, there is no significant difference between the Business-as-Usual and RCP 8.5 scenarios. Therefore, the emission scenario RCP 8.5 was adopted to analyze physical risks, with only two climate scenarios: average climate and extreme climate(95th percentile)
3. To proactively align with the requirements of International Financial Reporting Standards S2 "Climate-related Disclosures," we calculate the expected financial impacts of climate-related risks on individual entities in the short-term, medium-term, and long-term using underlying data from MSCI.
4. The MSCI Sovereign CVaR methodology computed the discounted profit/loss all the way to 2050 to be borne by the sovereign bond portfolio due to changes in the yield rates of government bonds

of various countries. See the [MSCI website](#) for details.

5. Description of MSCI Sovereign Climate VaR Data Source: (1) The latest data is dated December 29, 2023 (2) MSCI data covers 55% of the total sovereign bond investment portfolio.

## 2. Climate change response strategies and relevant actions for investment portfolios

### (1) Response strategies

#### i 、 Green Capital Allocation - Focus on Climate Resilience in Overall Investment Portfolios

##### ① Expand the support for green finance(Green Finance)

▣ In 2021, Cathay Life have achieved the low-carbon green energy investment goal of “20% growth by 2025, 40% growth by 2030 with 2018 as the baseline year,” which was set in 2019, ahead of schedule. In accordance with the progress towards achieving the low-carbon investment goals, we re-examined and expanded the settings of low-carbon green energy investment goals.

▣ 2023 goals: Using 2020 as the baseline year, the growth target for 2023, 2025 and 2030 is set at 20%, 35% and 50% respectively

##### ② Allocation to enterprises undergoing low-carbon transformation enterprise(Transition Finance) (P.15):

▣ Expand divestment commitments of coal and unconventional oil and gas, and provide financial support for coal enterprises that have actively committed to low-carbon transformation plans, so as to avoid the risk of holding controversial assets or stranded assets

#### Coal and unconventional oil and gas industry divestment commitment

No new investment for the company which revenue	2022	2025	2030	2040
Coal related industries	>30%	>20%	>5% (OECD Countries)	>5%
Unconventional oil and gas	>50%	>30%	>20% (OECD Countries)	>5%

Note 1: Coal-related industries refer to industries such as Coal-based power generation producers who have not actively transformed to renewable energy, coal mining, coal freight - rail and coal support services.

Note 2: The scope of unconventional oil and gas covers extra heavy crude oil (such as oil sands), shale oil, and liquefied natural gas (LNG) extracted from unconventional fossil fuels.

#### ii 、 Green Engagement - Focusing on Sustainability and Leveraging the Power of Dialog

##### ① Participating in international organizations that promote social

initiatives to keep track of international trends ahead of time(p.28-35)

- ❑ Asia Investor Group on Climate Change (AIGCC)

- ❑ Ceres Valuing Water Finance Task Force

- ❑ Climate Action 100+

② One-to-One Individual Engagement, join hands with enterprises for mutual growth(p.35-39)

- ❑ In 2023, through one-on-one engagements, Cathay Life Insurance communicated with 79 enterprises on 17 material ESG issues for a total of 213 times.

③ Group Engagement through forums, work jointly with companies to strive for sustainability and climate change. (p.40-41)

- ❑ Cathay Sustainable Finance and Climate Change Summit: the group invited domestic and foreign leaders from industry, government and academia to share global frontline trends, as well as discussing on corporate sustainability strategies in response to climate change for 7 consecutive years. In 2023, over 1873 companies participated. The listed companies which participated in the forum accounted for 75% of Taiwan market capitalization, while carbon emissions of the listed companies accounted for more than 50% of Taiwan's total carbon emissions.

- ❑ Organized the "Keys to Mastering Corporate Sustainability and Insights Into the Global ESG Ranking Exchange Seminar."

iii 、 Green Business - Focusing on wind power/solar photovoltaic deployment opportunities in Taiwan

- ❑ In 2022, Cathay Life consolidated our solar power plant investments and established Cathay Power to undertake such investments. We became the first life insurance company to establish a solar power subsidiary.

- ❑ Cathay Life integrated internal and external resources to establish an offshore wind farm evaluation team and participated in the divestment of a 50% stake in Ørsted Greater Changhua - Northwest Offshore Wind Farm Project, and selected as a priority negotiation contract party in 2023. We hope to play a key role in narrowing the gap between renewable energy supply and demand, while answering the call of the government's energy transformation policy,



and supporting more Taiwanese companies in obtaining green electricity.

(2) Stewardship measures

Through ESG risk review procedures to mitigate investment risks.

i 、 Integrate climate change risk factors into the investment process.(P.11-P.16)

▣ Sensitive industries are strictly regulated, while general industries pay close attention to environmental issues.

ii 、 Continuously pay attention to sensitive industries

▣ In 2023, "Agriculture, Forestry, and Food Industries" were added, expanding the deforestation issue to include changes in land use.

▣ In the future, sensitivity industry categories will be adjusted timely in accordance with international trends.

## **Evaluation of the effectiveness of responsible investment**

**Insurance is a “people-oriented” industry, and responsible investment is the mission Cathay Life takes upon itself as the leader of the industry.**

As insurance is a “people-oriented” industry, every time we sale a life insurance policy , it represents Cathay Life's promise to protect policyholders their entire life. On the basis of such promise, we not only pursue targets of stable and long-term income in terms of our use of capital, but also seek solid and sustainable organizational operations.

Having operated for 60 years, Cathay Life has assets worth over NT\$ 8.5 trillion, which account for one quarter of the total capital of Taiwan’s insurance industry. As the leader of the industry and one of the largest institutional investors in Taiwan, we not only fulfill our promises to policyholders and expectations from shareholders, but are also fully committed to making a more meaningful use of our capital. Therefore, despite the risky investment environment in the past few years, characterized by low interest rates for a long time, high volatility in the international market, and losses from differences of interest rates, we constantly give our best to fulfill the obligations as an asset owner and implement responsible investment. The evaluation of implementation effectiveness is summarized as follows:

### **(I) 100% responsible investment amounting to NT\$ 6.7 trillion**

We began participating in the Group's Responsible Investment Working Group in 2014 and adopting the Principles for Responsible Investment (PRI) in 2015. Since then, we have set relevant expectations and goals for ourselves every year. We also have dedicated responsible investment personnel to refine and implement our responsible investment policies, covering various types of assets (equities, bonds, funds, real estate, etc.) in order to become the leader of responsible investment in the Asia-Pacific region. To enhance the investment team’s understanding of responsible investment, the responsible investment course is listed as a compulsory course for newcomer training in the investment system (including basic introduction to responsible investment, interpretation of ESG rating reports, explanation of internal responsible investment mechanisms, etc.), and held regularly every year 2 sessions of responsible investment

training course(including international trends, climate change, case studies, etc.), and grouped workshops to allow investment team colleagues to discuss and share. Besides, in order to enable the investment team to learn more, we also encouraged investment team to participate in responsible investment seminars or education training organized by external international benchmark companies and sustainable organizations. The Group periodically organizes training courses, participates in external conferences, and publishes CLIMATE PLUS, a monthly e-newsletter on responsible investment, so as to improve our understanding of responsible investment, climate change, and international trends. Therefore, in 2023, a total of 331 Cathay employees participated in our training courses and external conferences; the average training hours stood at 177 minutes per person.

**(II) We have worked with various stakeholders to exert our influence in sustainability.**

During our investment decision-making process, we consider the ESG measures of potential investee companies to select companies with a prospect of sustainable development to invest in. By doing so, we can avoid the impact of ESG risks on Cathay's income from investments and ensure the rights and interests of our policyholders and shareholders. However, this approach is unable to make companies with poor ESG performance improve their performance. For this reason, Cathay Life adopted a more active approach to exert its influence on sustainability, hoping that by doing so we can become a stable force for society and bring a positive impact to the world.

**1. We required mandate institutions to implement responsible investment, thereby ensuring the security of the capital of our policyholders and shareholders:**

100% of our mandate assets were managed by asset management companies that are either PRI signatories or who have follow the governmental stewardship code in place. Of the asset management companies providing discretionary investment services to Cathay life, about 95% of Cathay's mandate institutes that accepted the PRI annual assessment had received five stars (4/5) for Policy Governance and Strategy(PG&S) section. The full score for this item was 100 points, and Cathay life's mandate institutions received an average score of 86 points, as opposed to the

median score of all signatories to the PRI for this item of 60 points(3 stars), which shows that all the mandate assets of Cathay Life managed by the institutions that pays attention to the risks and opportunities of ESG and sustainability.

**2. We proactively cooperated with international investors to exert a bigger influence:**

We have participated in 9 international initiatives, thereby continuing to promote the global sustainable development with international organizations.

**3. We engaged with investee companies to improve sustainable actions, thus creating a positive cycle**

In 2023, through one-on-one engagements, Cathay Life communicated with 79 enterprises on 17 material ESG issues for a total of 213 times. The main engagement targets were enterprises from industries of “information technologies” and “raw materials”; The main issues for communications were “climate change adaptation” and “carbon emissions, “corporate governance,” and “biodiversity and land use.” The exercise could help us understand the company’s actions in adapting to climate change, as well as discussing the company’s carbon reduction plan, and response measures for low-carbon transition. This allows us to learn about the limitations and difficulties in the company’s adaption to climate change or during the carbon reduction process, and provide suggestions.

**(III) We directly invested in sustainable categories to support corporate sustainable transformation.**

Cathay Life has set concrete low-carbon investment targets, and proactively invest in the low-carbon green energy related projects, including the industries related to the government’s “12 Key Strategies.” The investment projects include solar photovoltaics, green buildings (1. Wind power/ Photovoltaics), power grid equipment (4. Power Systems and Energy Storage), energy saving technology development (5. Energy Saving), waste recycling (8. Resource Circulation and Zero Waste), public transportation (10. Green Lifestyle), green bonds (11. Green Finance) to response to the government’s strategies to achieve net-zero transition by 2050. In addition, we also investd in other sustainable themes, including infrastructure, water resources, aging society and health,

and community and inclusive finance. As of 2023, our total investment reached NT\$1.3trillion, up 1.1% compared to 2022.

Cathay Life would carefully evaluate whether the investee company can solve specific social or environmental issues and adhere to the 17 SDGs. As of the end of 2023, domestic and foreign listed equities and corporate bonds investment portfolios were most connected to SDG 5: Gender Equality, SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, SDG 7: Affordable and Clean Energy, and SDG 13: Climate Action.

**(IV) Align with international impact investing assessment frameworks to quantify the positive impact and benefits of sustainable investments.**

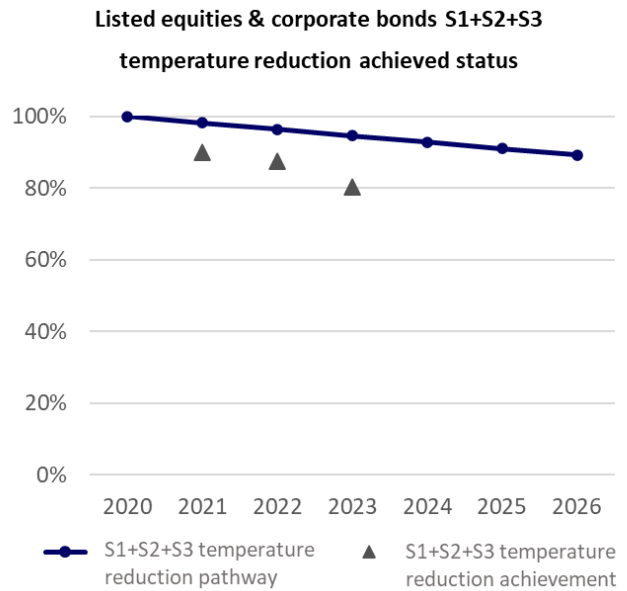
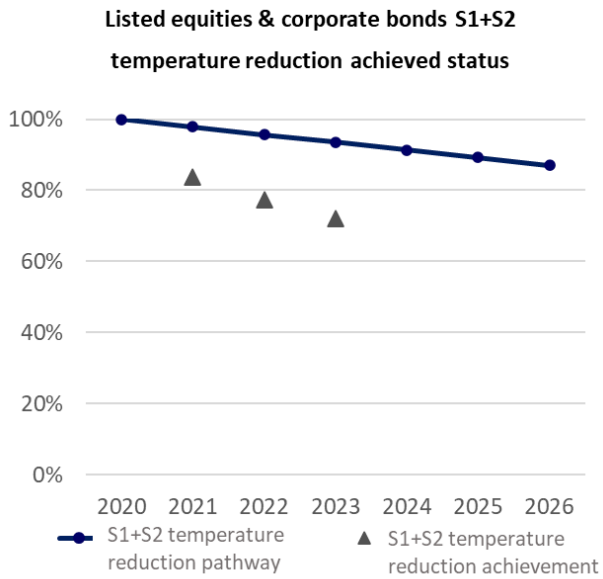
Cathay Life aims to address social inclusion, education, environmental resource needs, healthcare, and quality of life issues more effectively. Therefore, we has invested in companies or targets that can positively solve specific social or environmental issues and can specifically measure their contributions or impacts.

To specifically quantify the positive impact of sustainable investments, Cathay Life uses the “Theory of Change” and the I “IRIS+ Thematic Taxonomy” framework published by GIIN. Meanwhile, we also use the 17 SDGs to match with impact projects of the Theory of Change. Over the past two years, the approaches have achieved annual carbon absorption of approximately 240 Da’an Forest Parks in the past two years, and a total of 80,000 people benefited from enhanced social welfare.

**(V) We implement climate management for investment portfolio to embark on net zero for our financial assets.**

We are the first company in the financial industry to adopt a backward-looking quantitative method for the carbon footprint of investment portfolio, and a forward-looking scenario analysis to stay ahead of climate-related risks and opportunities in investment portfolios. In addition, to demonstrate our determination in carbon reduction for investment portfolio, we adopted the Science Based Targets for setting our carbon reduction path of investment portfolio, which was approved by the SBTi in 2022. Through “low-carbon investment allocation” strategy and the three major action plans including green capital, green engagement and green business, gradually

achieving the target of SBT temperature reduction pathway, and the results over the past three years have exceeded the targets set for each year.



## Communication channels of stakeholders and other information

(I) If you need further information regarding the company's responsible investment and stewardship:

**1. If you are a policyholder/general public, please contact:**

Corporate Planning Department

Email : [CS@cathylife.com.tw](mailto:CS@cathylife.com.tw)

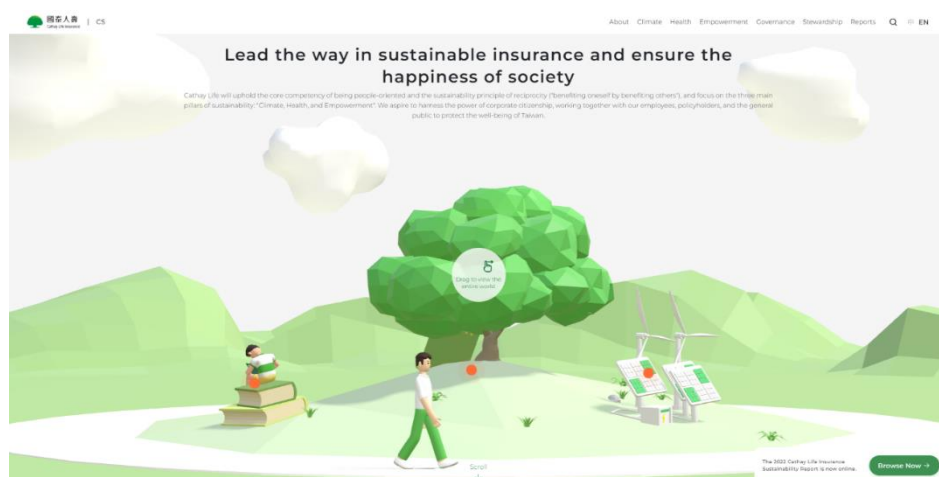
**2. If you are from investee companies/media/government agencies, please contact:**

Responsible Investment Working Group, Cathay Life insurance

Email: [stewardship@cathylife.com.tw](mailto:stewardship@cathylife.com.tw)

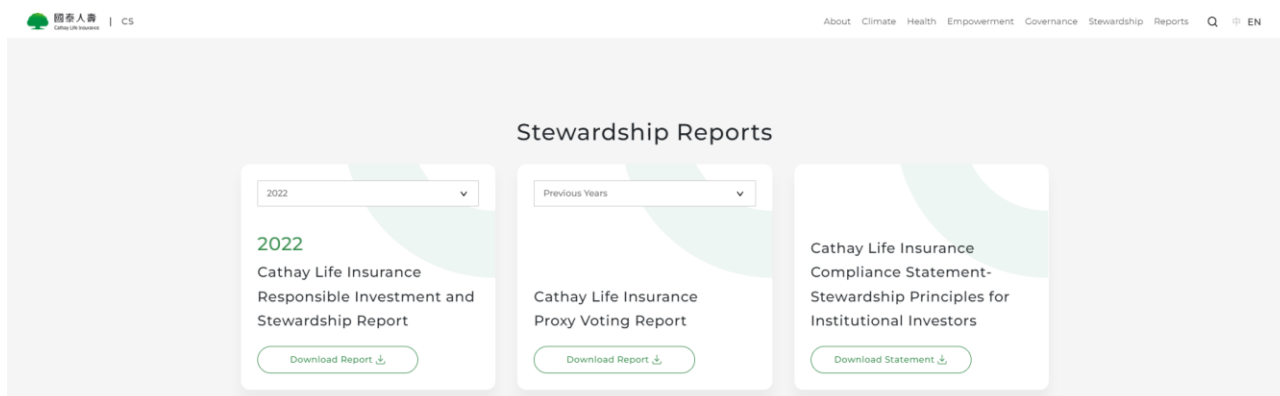
**3. Visit our CS website**

<https://patron.cathaylife.com.tw/ODAB/en/index>



**CS website-Stewardship**

<https://patron.cathaylife.com.tw/ODAB/en/stewardship>



**(II) If you need further information regarding the company's sustainable-related actions:**

**1. If you would like to know the details of our sustainability actions, please contact:**

Corporate Planning Department

Email : [CS@cathylife.com.tw](mailto:CS@cathylife.com.tw)

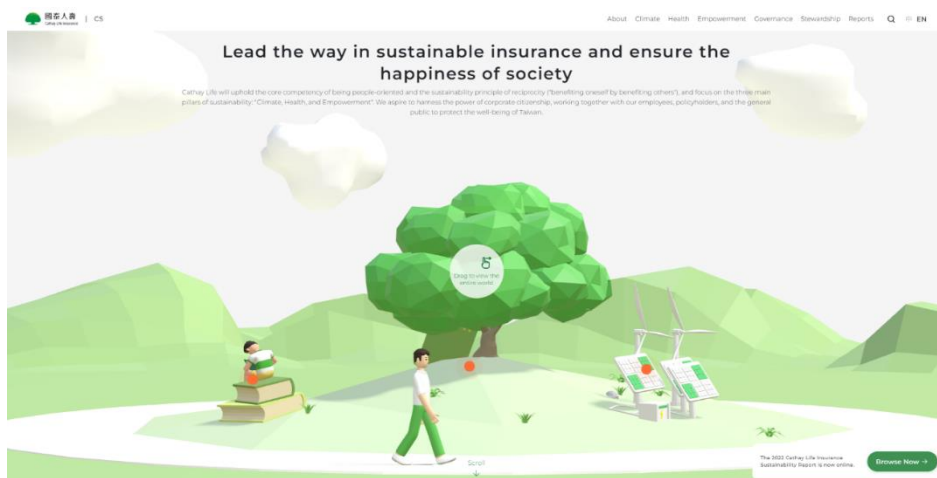
**2. If you would like to know more about the information of social care, please contact:**

Cathay Charity Foundation

Email : [7900000@cathylife.com.tw](mailto:7900000@cathylife.com.tw)

**3. Visit our CS website**

<https://patron.cathaylife.com.tw/ODAB/en/index>





## Annexed Table : RI policy on different asset classes

Asset class	Own assets managed internally or by third-parties	RI Policy	Note
Listed equity	managed internally	Yes	<ol style="list-style-type: none"> <li>1. <u>Apply Investment and Lending Exclusion Policy.</u></li> <li>2. <u>Apply Investment Management Principles for Sensitive Industries.</u></li> <li>3. By leveraging the ESG database, Cathay life insurance established <u>ESG risk review procedures</u> and followed the ESG integration management mechanism with a comply-or-explain and escalation process.</li> <li>4. In accordance with Cathay FHC <u>engagement policy</u>, “climate change” and “corporate ESG ratings/information disclosure” are the main focus of engagement, to improve investee’s ESG information disclosure.</li> </ol>
	managed by third-parties	Yes	<ol style="list-style-type: none"> <li>1. Mandate assets               <ol style="list-style-type: none"> <li>(1) <u>Apply Investment and Lending Exclusion Policy.</u></li> <li>(2) <u>Apply Investment Management Principles for Sensitive Industries.</u></li> <li>(3) The contract has explicitly included that Cathay Life Insurance have taken PRI into decision-making consideration.</li> <li>(4) Checking whether mandate partners have signed the PRI or governmental stewardship principles.</li> </ol> </li> <li>2. Equity Fund &amp; Equity ETF:               <p>Checking whether mandate partners have signed the PRI or governmental stewardship principles or review the ESG performances of funds or fund management institutions.</p> </li> </ol>
Fixed income	managed internally	Yes	<ol style="list-style-type: none"> <li>1. <u>Apply Investment and Lending Exclusion Policy.</u></li> <li>2. <u>Apply Investment Management Principles for Sensitive Industries.</u></li> <li>3. By leveraging the ESG database, Cathay life insurance established <u>ESG risk review procedures</u> and followed the ESG integration management mechanism with a comply-or-explain and escalation process.</li> </ol>
	managed by third-parties	Yes	<ol style="list-style-type: none"> <li>1. Mandate assets               <ol style="list-style-type: none"> <li>(1) <u>Apply Investment and Lending Exclusion Policy.</u></li> <li>(2) <u>Apply Investment Management Principles for Sensitive Industries.</u></li> <li>(3) The contract has explicitly included that Cathay Life Insurance have taken PRI into decision-making consideration.</li> <li>(4) Checking whether mandate partners have signed the PRI or governmental stewardship principles.</li> </ol> </li> <li>2. Bond Fund&amp; Bond ETF:               <p>Checking whether transaction counterparties have signed the PRI or governmental stewardship principles or review the ESG performances of funds or fund management institutions.</p> </li> </ol>
Private equity	managed internally	Yes	<u>Apply Investment and Lending Exclusion Policy.</u>
	managed by third-parties	Due Diligence	<ol style="list-style-type: none"> <li>1. Mandate assets               <ol style="list-style-type: none"> <li>(1) The contract has explicitly included that Cathay Life Insurance have taken PRI into decision-making consideration.</li> <li>(2) Checking whether transaction counterparties have signed the PRI.</li> </ol> </li> <li>2. Private Equity fund               <p>Cathay Life has <u>taken ESG into considerations of new transaction counterparties</u> in our PE fund investment selection process.</p> </li> </ol>

Asset class	Own assets managed internally or by third-parties	RI Policy	Note
Infrastructure	managed internally	Yes	Cathay mainly adopt the <u>sustainability themed investing</u> approach in this asset class.
	managed by third-parties	Yes	
Property	managed internally	Yes	<ol style="list-style-type: none"> <li>Property is <u>covered by Responsible Property Investment and Management Policy</u></li> <li>As a demonstration of our commitment to ecology and environmental protection, for 2016 onwards, architects commissioned by Cathay are required to design buildings invested and developed by Cathay based on green building standards, so that all real estates can reach certain standards of energy use, greening, and waste. All new buildings have obtained the green building or LEED certification since 2023.</li> </ol>
	managed by third-parties	Due Diligence	<ol style="list-style-type: none"> <li>Mandate assets <ol style="list-style-type: none"> <li>The contract has explicitly included that Cathay Life Insurance have taken PRI into decision-making consideration.</li> <li>Checking whether transaction counterparties have signed the PRI.</li> </ol> </li> <li>REITs Checking whether the fund management institutions that are either <u>PRI signatories</u> or <u>who have follow the governmental stewardship code</u> in place.</li> </ol>
Derivatives & Alternatives, specify Hedge fund	managed internally	Not applicable	
	managed by third-parties	Due Diligence	<ol style="list-style-type: none"> <li>Mandate assets We ask our hedge fund asset managers to take ESG factors into consideration in their regular investment process, review their ESG performances annually, and have formulated clearly ESG-related terms when signing contracts with them since 2017.</li> <li>Hedge fund From 2017 onwards, Cathay Life has <u>taken ESG into considerations of new transaction counterparties</u> in our HF fund investment selection process.</li> </ol>

## Appendix I: Principles for Responsible Investment Content Index

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### Incorporate ESG issues into investment analysis and decision-making processes



#### PRINCIPLE 1 INCORPORATE

- Complies with Cathay FHC's Responsible Investment Policy and Investment and Lending Exclusion Policy
- Established the ESG risk review process;
- Stipulated Investment Management Principles for Sensitive Industries.
- Invested in sustainable investment targets
- Reported the implementation results of responsible investment to the Board of Directors every year

P.8  
P.11-16  
P.57-58

### Be active owners and incorporate ESG issues into our ownership policies and practices



#### PRINCIPLE 2 BE ACTIVE

- On July 25, 2016, Cathay Life signed the Taiwan Stewardship Principles for Institutional Investors issued by TWSE Corporate Governance Center, and became the first insurance company in Taiwan to become a signatory.
- Interacts with investee companies through dialog, engagement, and exercise of voting rights to demonstrate the Company's due diligence management as an active owner.

P.20  
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### Seek appropriate disclosure on ESG issues by the entities in which we invest



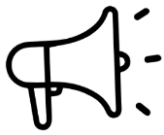
#### PRINCIPLE 3 SEEK DISCLOSURE

- Participated in international initiatives(CDP NDC and Climate Action 100+) and encouraged investee companies to respond to CDP questionnaires and disclose their carbon emission data and climate change measures.
- One-on-one engagements with companies to encourage the investee company to improve ESG and increase carbon governance, carbon targets, and carbon disclosure

P.28  
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**Promote acceptance and implementation of the Principles within the investment industry**



**PRINCIPLE 4  
PROMOTE**

- Took signing the Principles for Responsible Investment (PRI) into consideration for mandate partner evaluation, and required mandate partners to comply with Cathay Life’s exclusion policy and implement ESG management.
- Participated in various activities, and hope that the peers can jointly implement responsible investment, such as participating the Valuing Water Finance Task Force.

P.20-22  
P.28

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**Work together to enhance our effectiveness in implementing the Principles**



**PRINCIPLE 5  
COLLABORATE**

- Participate in AIGCC, Ceres Valuing Water Finance Task Force, improve the learning and understanding of climate change and water resources, and strengthen the effectiveness of investor negotiation.
- Continuously hold the Sustainable Finance and Climate Change Summit in 2023, the “Keys to Mastering Corporate Sustainability and Insights Into the Global ESG Rating Conference” in 2023, to promote the importance of ESG and climate change.

P.28  
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**Each report on our activities and progress towards implementing the Principles**



**PRINCIPLE 6  
REPORT**

- Published CS related reports on our activities and progress in the implementation of PRI and published a Stewardship Report on a yearly basis.

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## Appendix II: Taiwan Stewardship Principles for Institutional Investors Content Index



### PRINCIPLE 1 STEWARDSHIP

#### Establish and disclose stewardship policies

- Complies with Taiwan Stewardship Principles for Institutional Investors and publish our compliance statement. P.3
- Stipulate Stewardship Policy since 2017.



### PRINCIPLE 2 MANAGEMENT

#### Establish and disclose policies on managing conflicts of interest

- Ensures that we execute its businesses in the interest of its clients and shareholders, we have established Guidelines for Investment Conflict Prevention and Management. P.9-10
- No investment-related conflict of interest incidents in 2023.



### PRINCIPLE 3 OBSERVATION

#### On-going observation of investee companies

- Observes financial and ESG performance of investee companies through ESG data from the MSCI ESG database, their website, conference calls, face-to-face meetings, participation in institutional investors' roadshows or attendance at shareholders' meetings or significant extraordinary general meetings P.11-12 & P.27



### PRINCIPLE 4 INTERACTION

#### Maintain an appropriate dialogue and interaction with investee

- Interacts with investee companies through various activities such as being a guest speaker or panelist on seminar or participating international initiatives, and holding climate change forums. P.28 | 41



### PRINCIPLE 5 PROXY VOTING

#### Establish clear voting policies and disclose voting results

- Stipulates Proxy Voting Policy to establish our threshold for exercising voting rights, exercising manners and publish the voting result annually based. P.42 - 57



### PRINCIPLE 6 REPORT

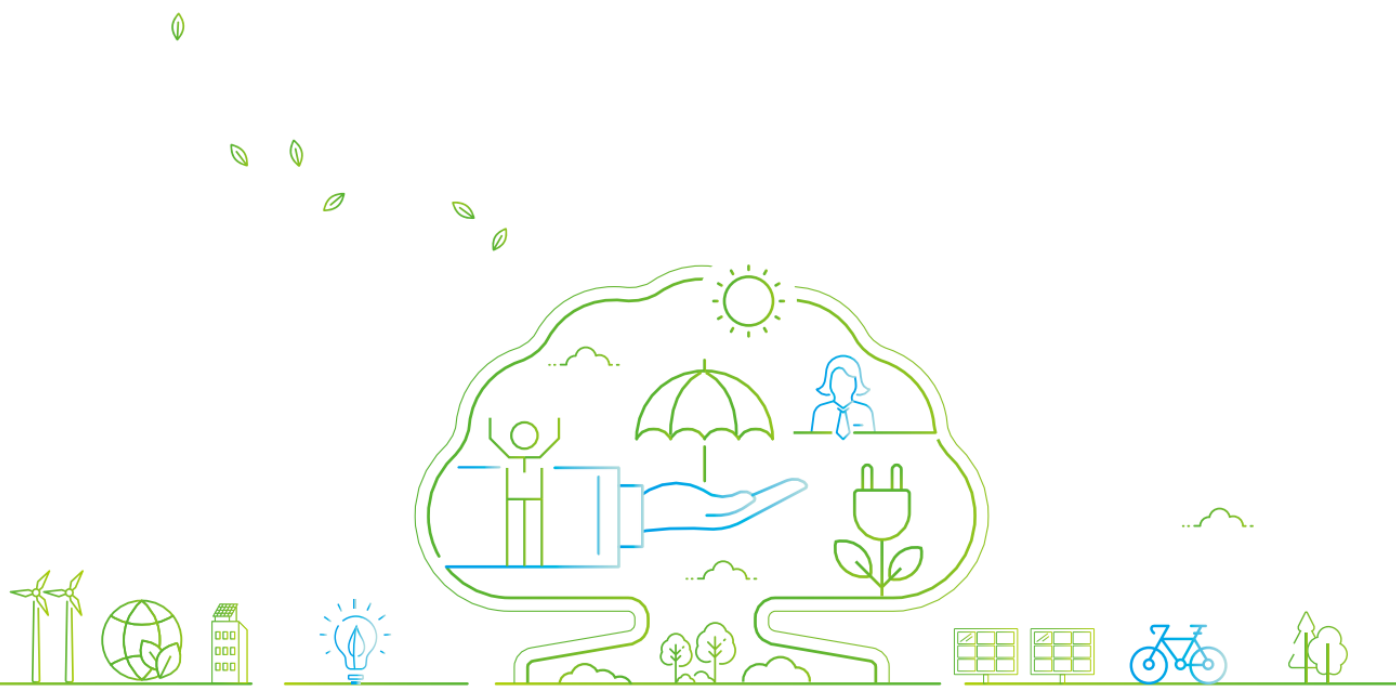
#### Periodically Disclose Fulfillment Status of Stewardship Responsibilities

- Publishes a Stewardship Report every year and Cathay Life was once again selected into the Taiwan Stock Exchange's 2022 [List of Companies Most Compliant with the Taiwan Stewardship Principles for Institutional Investors](#). --

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- The only insurance company in Taiwan's insurance industry that was consistently selected into the Taiwan Stock Exchange's List of Companies Most Compliant with the Taiwan Stewardship Principles.

Note: List of Companies Most Compliant with the Taiwan Stewardship Principles for Institutional Investors only evaluated in 2019, 2021, 2022, 2023.

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國泰人壽  
Cathay Life Insurance