



國泰投信

Cathay Securities Investment Trust

# 2022 Stewardship Report



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## About this Report

The Responsible Investment Working Group of Cathay Securities Investment Trust Co. Ltd. (referred to as “Cathay SITE” or “the Company”) and other groups under the Sustainability Committee jointly promote the concept of sustainability. They also work closely with the Responsible Investment Working Group of Cathay Financial Holding Co. Ltd. (referred to as “Cathay FHC”) to expand their influence and achieve synergy. In July 2016, Cathay SITE became a signatory of the Stewardship Principles for Institutional Investors in Taiwan. Since then, the company has followed the principles' spirit, implemented them in the investment process, and invested in human and research resources to improve Cathay SITE's stewardship practice. The Stewardship of Institutional Investors section on our official website announces and publicizes our compliance statements, ESG Investment and Risk Management Policy Overview, Corporate Sustainability Codes, and Proxy Voting Guidelines. It also provides annual updates on our Stewardship Reports, Shareholders' Meeting Voting Records, and Corporate Engagement Records.

- The previous issue of this report was dated June 2022.
- The current issue of this report is dated June 2023.



The Company's disclosure of the compliance statement of the Stewardship Principles for Institutional Investors could be found here:

As at end of December 2022, Cathay SITE has complied with the statement in the Stewardship Principles for Institutional Investors and there is no incident of non-compliance.





## Quality Management of the Report

In June every year, Cathay SITE discloses the performance of stewardship conduct in the previous year on the Company's website. The report is reviewed by various Investment Research Departments and the Compliance Department, and is subsequently approved by the CEO. Parts of the content in the report are the result of the joint efforts of subsidiaries within Cathay Group; therefore, it will also be consolidated into the Group's Sustainability Report, to which the CPA firm will provide assurance (such as the amount of investment in sustainable industries as shown on p17). The Company will continue to improve its Responsible Investment practice and enhance the transparency of our disclosure of information in order to enhance the credibility of the contents of this report.

## Principles of Report Composition

The Company adheres to the following guidelines and the Group's core values of "Integrity, Responsibility, and Innovation" to respond to all issues of concern from the stakeholders:

 Issued Organization	 Principles We Follow
United Nations Principles for Responsible Investment (UNPRI)	Self-compliance with the UNPRI <u>(Follow the corresponding table as shown in Appendix Six.)</u>
Taiwan Stock Exchange	Stewardship Principles for Institutional Investors – Six Principles of Stewardship

## Contact Details for this Report

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Services for Other Institutional Investors and Investee Companies	Email: <a href="mailto:stewardship@cathaysite.com.tw">stewardship@cathaysite.com.tw</a>
Sustainable and Responsible Investment Webpage	<a href="#"><u>Official Site</u></a>

# I. About Cathay SITE

## 1. Fundamental Information

Cathay SITE, a 100% subsidiary of Cathay FHC, was incorporated in February 2000. The total asset under management (AuM) currently stands at TWD 1.1935trio as of end-December 2022 according to Taiwan's Securities Investment Trust & Consulting Association (SITCA), making Cathay SITE the largest asset management company in Taiwan. With its rigorous professionalism and long-term investment philosophy, Cathay SITE has demonstrated outstanding investment performance and excellent customer service. Our Investment Research teams work closely with the investment teams of various subsidiaries of Cathay FHC to share our specialized, abundant, and real-time research resources. In terms of Responsible Investment, Cathay SITE takes pride in its self-adherence to the United Nations Principles of Responsible Investment (UNPRI) ([kindly refer to Section VI. Appendices: Corresponding Table of the UNPRI for further details](#)). We also adopt the Responsible Investment and Lending Policy and Investment and Lending Exclusion Policy etc. formulated by the Group. Cathay SITE, as a professional asset manager, abides by the principle of Responsible Investment, and continues to contribute to the solutions of long-term social issues. We exercise our fiduciary responsibilities of safeguarding all assets from our investors. In the process of creating value-added through investment, we pay close attention to the shared-prosperity to our environment and society and carefully inspect and screen every investment target from the perspective of Responsible Investment. We promise that while the Company is pursuing its economic goals of business interests and growth, it is committed to the three aspects of environment, society and governance (ESG principles), and to the minimization of negative impacts as well as the maximization of positive impacts from creating a positive cycle.



### Cathay Securities Investment Trust





- AuM ranked No. 1 in 11 consecutive year First SITE to reach TWD 1trio AuM
- The only one with market share>20%



## 2. Products and Services

Cathay SITE is committed to developing diversified and innovative products across asset classes and geographic regions, with various currency denomination and different income types. We can also provide diversified investment solutions, utilizing vehicles such as mutual funds and discretionary investment management service.

 <b>Mutual Funds</b>				 <b>Discretionary Mandates</b>
<b>Bond ETF</b> Plain vanilla / Leveraged / Inverse (14 funds)	<b>Equity ETF</b> Plain vanilla / Leveraged / Inverse (23 funds)	<b>Equity Fund</b> (14 funds)	<b>Bond Fund</b> (6 funds)	<b>Government Fund Mandates</b>
	<b>Money Market Fund</b> (2 funds)	<b>F of F</b> (5 funds)	<b>Balanced Fund</b> (3 funds)	<b>Discretionary Investment-Oriented Policy</b>
				<b>Discretionary Investment Management for Institutional Investors</b>

Notes: (1) A single fund has share classes such as dividend distribution, no dividend distribution, and multiple currencies denomination. All of which are accounted as one fund. Bond and equity ETFs include plain vanilla, leveraged, and inverse types;  
 (2) Discretionary investment management is not completely risk-free. The performance of the Company's discretionary investment management accounts in the past does not guarantee the minimum return of the mandated investment assets. The Company is not responsible for the profit and loss of the mandated investment assets in addition to the duty of care of a good manager, nor does it guarantee the minimum return. Potential clients should carefully read and understand the Discretionary Investment Management Prospectus before signing the Discretionary Investment Management Agreement. Source: SITCA and Cathay SITE; 2022/12.

### 3. Awards and Accolades

Cathay SITE is well-/widely-recognized in ESG investment aspects. The acknowledgement which we received in recent years is as follows:



#### Team Awards

- **2023 BENCHMARK Magazine**
  - | Impact Investing Award: Best in Class
  - | ETF Stewardship Award: Best in Class
  - | Stewardship Award: Outstanding Performance
  - | ESG Integration Award: Best in Class
- **2023 Asia Asset Management** | Taiwan Best Application of ESG
- **2022 The Asset Magazine** | ESG Asset Manager of the Year
- **2022 Asia Asset Management** | Taiwan Best Application of ESG
- **2022 BENCHMARK Magazine**
  - | Stewardship Award: Best in Class
  - | ESG Integration Award: Outstanding Achiever
  - | Sustainable Investing ETF - Best-In-Class



#### Fund Awards

- **2022 BENCHMARK Magazine**
  - | Best Performance ETF Award: Outstanding Performance
- **2021 Smart Magazine** | Taiwan Fund Award
- **2021 BENCHMARK Magazine** | Best ESG Performance Award: Best in Class

## II. Responsible Investment

### 1. Responsible Investment Progress

Cathay SITE's Responsible Investment journey began in 2016 when we started to take into account Responsible Investment factors in our investment process. In addition to formulating a negative exclusion list, we also added ESG-related positive screening criteria so that Taiwan exchange-/OTC-listed companies which issued corporate social responsibility (CSR) annual reports have a higher chance of entering the pool of investable targets. In 2016, Cathay SITE became the signatory of Taiwan Stewardship Principles for Institutional Investors issued by Taiwan Stock Exchange, and then incorporated the MSCI ESG database, which contains the ESG evaluation data of tens of thousands of companies around the world, into our systems, and comprehensively strengthened the ESG conduct of Cathay SITE. In the same year, Cathay SITE launched a screening mechanism for overseas non-investable target list and established an ESG-integrated investment process.

Cathay SITE joined Climate Action 100+ initiative in 2017. Many international institutional investors have become partners in our Responsible Investment journey. We have had fruitful exchanges of views with climate change investors group, and have been working towards reducing carbon-emission from the highest carbon-emitting companies in Asia. Having recognized that climate change is an issue that the global community needs to face and tackle together, starting from 2017, we have jointly exerted influence with the subsidiaries of Cathay FHC and hosted climate change forum every year, inviting investee companies as participants to learn about international ESG practices, carbon reduction strategies, climate change and other industry trends as well as the corresponding actions which can be adopted, so as to urge the investee companies and the attending companies to move forward together on this ESG journey.



2016

- First group of Asset Management company to sign Taiwan Stewardship Principles for Institutional Investors
- Hosting Responsible Investment Education and Training sessions in house
- Disclosure of proxy voting results on the website



2017

- Introducing ESG Score to our overseas equities' stock selection process
- Joining Climate Action 100+, playing a leading role in the corporate engagement with petrochemical conglomerates
- Hosting Cathay Cathay Sustainable Finance and Climate Change Summit



2018

- Introducing internationally-acclaimed ESG databases
- Awarded BLF's first ESG mandate of TWD 6bio



2019

- Introducing ESG integrated investment process
- Issuing the first ever Stewardship Report
- Among the TWSE list of Exemplary Practice of Stewardship Principles Adherence



2020

- Issuing Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF (some funds may operate income equalization arrangements)
- Kicking off Low-Carbon Transition Investment Plan (CARE)



2021

- Cathay FHC's initiative of RE100, committing to entirely using renewable energy by 2030
- Establishing new fund's carbon emission inspection
- Issuing Stewardship Report in English

2022



- Launching Cathay US ESG Fund
- Establishing Sustainability Office
- Obtaining SBTi verification
- Latest ESG investment and risk management system went live
- Among the 2022 TWSE list of Exemplary Institutional Investor Stewardship Disclosure

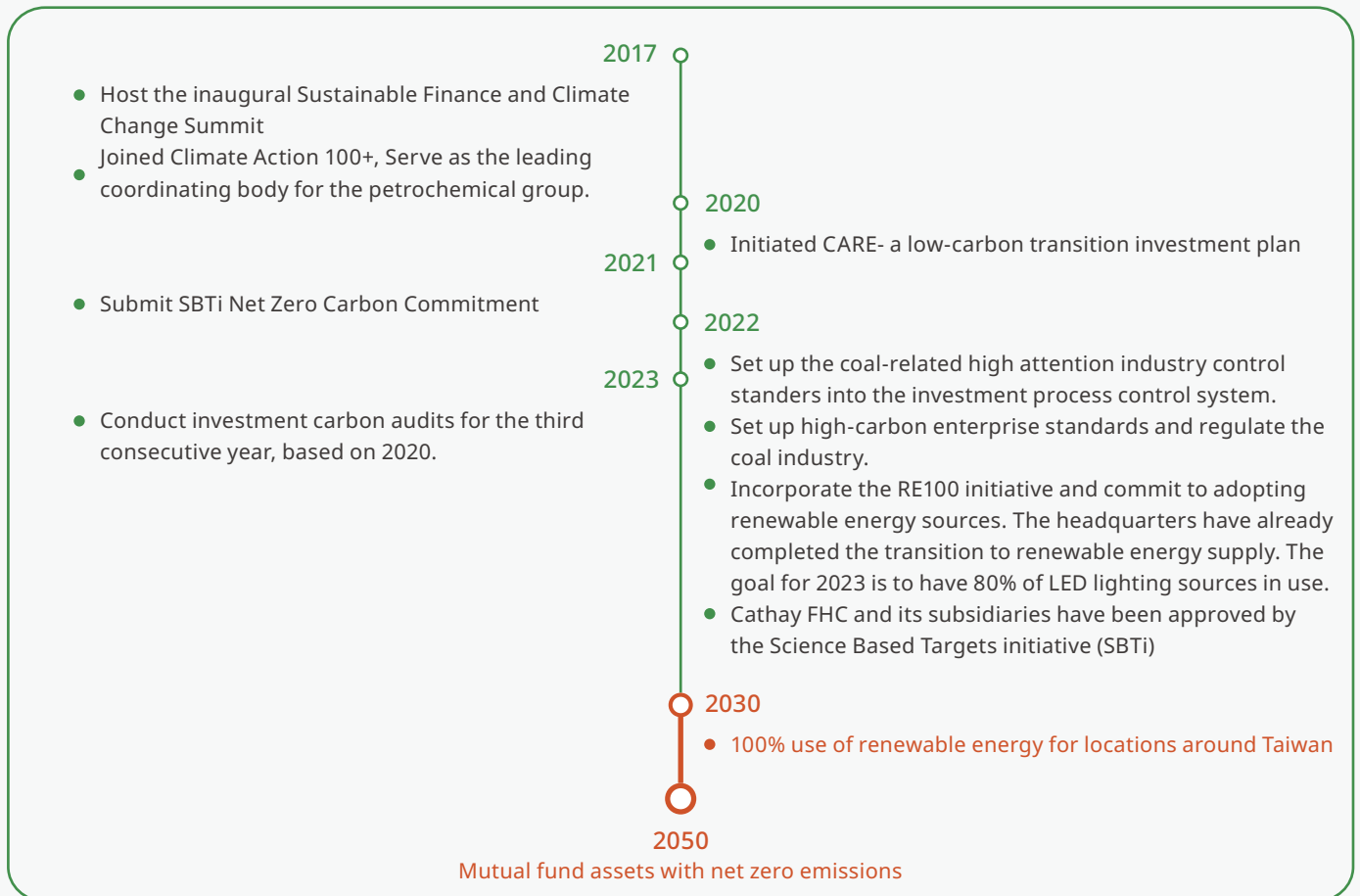


Since the EU launched the Green New Deal in 2020, low-carbon transition has quickly become the main axis of climate legislation in every country. Cathay SITE initiated the low-carbon transition investment plan (named Carbon, Aware, Response, Engage, or CARE) in the same year, which is aimed to understand investment risks, pursue long-term performance, and focus on climate change, in order to implement through the overall investment positions to achieve a long-term investment strategy of low-carbon transition from the three aspects of Aware (awareness, acknowledgement), Response (response, action), Engage (initiative, promotion). During this period, we launched Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF and Cathay US ESG Fund, so that retail investors can participate in Responsible Investment and play a part in promoting the low-carbon transition of society today.

### Low-Carbon Transition Investment Plan



### Cathay SITE's Net Zero Carbon Milestone



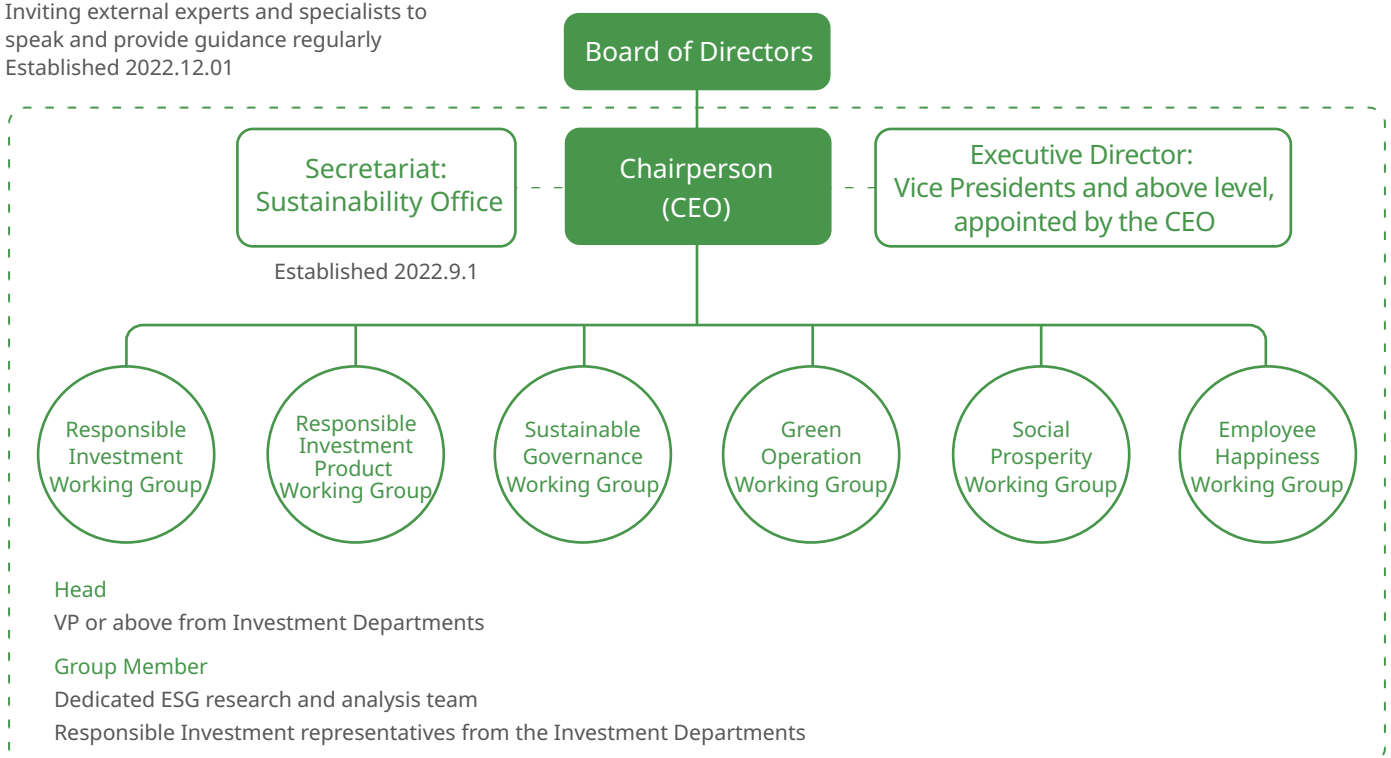


## 2. Responsible Investment Working Group

Cathay FHC was the first financial company in Taiwan to set up a Responsible Investment Working Group in 2014. The Group is subordinate to the Corporate Sustainability (CS) Committee of Cathay FHC, led by the Chief Investment Officer (CIO) of Cathay FHC. Cathay SITE also established a Sustainability Committee with six groups under its management, including Responsible Investment Working Group, Sustainable Governance Working Group, Responsible Product Working Group, Employee Happiness Working Group, Green Operation Working Group, Social Prosperity Working Group etc. In September 2022, a Sustainability Office was set up within Cathay SITE with 4 full-time staff. The CS committee holds quarterly meetings and invites external sustainability experts to provide guidance on strengthening sustainable development, ESG risk analysis and assessment, information disclosure and responsive measures. The Responsible Investment Working Group is headed by the Senior Vice President of the Investment Department, with full-time dedicated ESG research analysts and Responsible Investment representatives from various investment teams. As at end of 2022, there are 17 members who jointly utilize internal and external research resources, focus on global ESG research development trends and consolidate the results of Responsible Investment report which will be submitted to the Board of Directors every season, giving full play to the stewardship governance role of institutional investors.

### Corporate Sustainability Committee Organizational Structure and Task Force

Quarterly meetings.  
Inviting external experts and specialists to speak and provide guidance regularly  
Established 2022.12.01



## Responsibilities of Responsible Investment Working Group

1

Continue to monitor the development of global ESG trends, and propose specific implementation plans for the ESG aspects in our investment portfolios.

2

Strengthen ESG analytical capabilities, extensively use external research and rating analysis resources, and integrate international ESG rating databases, in order to more systematically track and analyze ESG-related investment themes.



3

Establish Responsible Investment culture, from the aspects of education and training, ESG-integrated investment process, research sharing, etc., so that our colleagues understand the importance of ESG, and hence encourage recognition.

4

Assist in providing ESG status analysis of relevant investment positions for various departments.

### 3. Devoted Resources and The Set-up of ESG Integration

#### (1) Devoted Resources

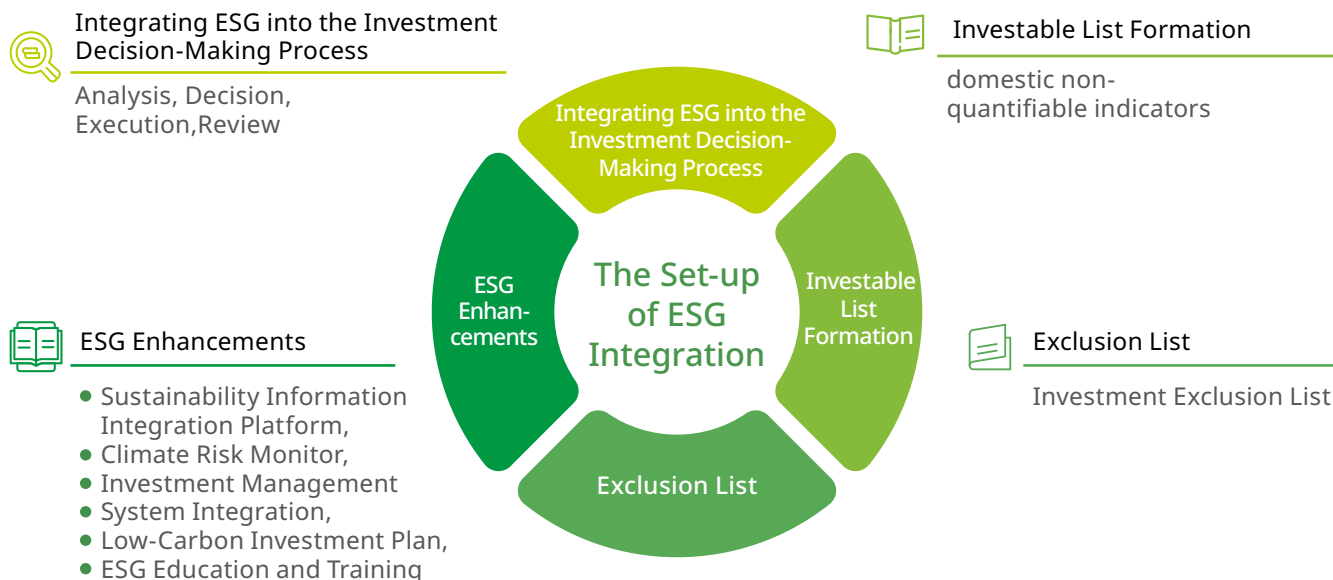
In accordance with the spirit of the Stewardship Principles for Institutional Investors, we continue to invest resources in order to strengthen Cathay SITE's Responsible Investment capacity. The investment includes purchasing ESG databases, proxy voting research services, hosting climate change forums, and maintenance of the ESG integrated investment systems as well as promoting ESG investing among stakeholders. In 2022, except for the relevant labor, database, and shareholders' meeting voting research information procurement costs, and the annual related expenditure was approximately TWD 2million\*.

Resources Input	Explanation	Manpower and Cost Estimation
Corporate Sustainability Committee	1.Promotion of various sustainability projects 2.Progress report on a quarterly basis	The number of members is 12, and the annual manpower requirement is about 48 days
Responsible Investment Working Group	Responsible Investment matters	Full-time manpower 4 persons
Establishment and Maintenance of ESG Databases	1.Database procurement 2.Database maintenance and integration into the investment system	Annual manpower requirement is about 30 days*
ESG Education and Training	1.Hold ESG education and training sessions for Investment Research teams from time to time 2.Hold online ESG education and training sessions for general members of staff	Annual manpower requirement is about 20 days per year
Publication of Stewardship Report	Mandarin to English translation	The annual cost is about TWD 100,000
Corporate Engagement	1.Joint corporate engagement with Cathay FHC subsidiaries 2.Participation in joint corporate engagement with international investor group AIGCC 3.Individual corporate engagement conducted by Cathay SITE	Annual manpower requirement is about 30 days
Proxy Voting at Shareholders' Meetings	1.Subscription of the ISS shareholders' meeting voting research reports 2.Reference to the ISS voting research reports and the Company's voting policy, and reaching voting decisions after internal discussions. 3.Voting execution, motion analysis and compilation, voting motion process documentation and management.	Annual manpower requirement is about 30 days *
External promotion of ESG	Cathay FHC Climate Change Forum, ESG-related lectures, etc.	The annual cost is about TWD 1.85 million and the annual manpower requirement is about 35 days

\*Due to the confidentiality clause stipulated in contracts, we are not able to disclose the contracted amount of the databases and the shareholders' meeting voting research reports; as a result, the information is not included in the annual relevant expenditure amount.

## (2) The Set-up of ESG Integration

In 2016, Cathay SITE became the signatory of Taiwan Stewardship Principles for Institutional Investors. In accordance with the spirit of the Principles, in order to strengthen the Responsible Investment capability of Cathay SITE, we continued to invest resources in this aspect, including the establishment of full-time, dedicated research and analysis manpower, the procurement of research resources, and the establishment of an integrated ESG system, hosting forums, interacting with investee companies, etc. Our Responsible Investment practice includes the following:



### Exclusion List

Since 2013, we have implemented the exclusion list for domestic investments. A negative listing mechanism (prohibited investment list) for Taiwan equity funds and the discretionary investment management accounts was introduced. For example, stocks related to gambling and food safety issues, etc., are listed as prohibited stocks upon the team’s conclusion. Cathay FHC Responsible Investment Working Group established the Investment and Lending Exclusion Policy in 2017 for Cathay FHC and its subsidiaries. Every year, the Group selects and issues Investment and Lending Exclusions list which contains companies of high environmental, social, and corporate governance risks according to its Criteria of Concerned Areas. The scope of the list includes the definition of controversial industries, controversial countries and controversial behaviors, and the companies which conduct specific businesses are determined by the exclusion list. Based on this list generated from the Cathay FHC Responsible Investment Working Group, Cathay SITE formulates a more comprehensive exclusion list based on the aforementioned domestic equity exclusion list.

Overseas	Domestic
Controversial Industries Controversial Countries Controversial Behaviors	Gambling, Gaming, Arms Dealing, Drugs, Human Rights Violation, Breach of Labor Laws, Child Employment, Sex Industry,

Cathay SITE also incorporates the Socially Responsible Investment (SRI) concepts into stock selection considerations. At each Quarterly Risk Assessment Meeting, in addition to quantitative financial indicators, domestic non-quantifiable indicators, such as whether major shareholders have integrity issues, insufficient shares held by directors and supervisors, major changes in management team and financial personnel, pledge ratio of major shareholders, and changes in CPA firms and other corporate governance-related information, are analyzed and discussed to determine whether there is any abnormal situation. Should there be any doubt, the companies of concern will not be included in the list of investable targets and existing holding positions must be disposed of within a specific time frame. Furthermore, in the meetings, whether any exchange-/OTC-listed companies are involved in serious violations of labor rights, environmental protection, workplace ethics and other relevant laws and regulations will be discussed. Any company involved will not be included in the list of investable targets. As to our positive screening criterion, any company which prepared CSR reports and conformed to various indicators will not be subject to the market capitalization restriction of being among the top 500. The Investment Departments will give priorities to issuing a risk assessment report for these Taiwan stocks so that such companies can then be included in the list of investable targets. We also include the TWSE's corporate governance evaluation to further enhance the screening threshold of the investable list.

### Investable List Screening – Non-Quantifiable Indicators for Domestic Stocks



### Integrating ESG into the Investment Decision-Making Process

Cathay SITE is committed to embracing its corporate social responsibility; hence, ESG-related positive screening commenced within Cathay SITE in 2014. Taiwan exchange-/OTC-listed companies which issue annual CSR reports have a higher chance of entering the pool of investable targets. In 2017, ESG Score system was introduced into our global stock screening process; and in 2018, the international ESG database was utilized to strengthen various ESG investment process and measures. We cooperate with the ESG-related initiatives promoted by the Cathay Group and continue to improve our business and investment conducts. In 2019, we implemented the ESG-integrated investment process.

We firmly believe that through the formulation of ESG policies and rigorous bottom-up research methods of individual stock selection, we can more comprehensively evaluate the intrinsic investment value and risks of companies and thus can explore opportunities from within them, compared to using traditional fundamental information alone. To this end, we integrated and analyzed multiple world-renowned databases, including MSCI ESG, Bloomberg, ISS, CDP, corporate governance evaluation, etc., to evaluate each ESG indicator and its impact and risk on the climate. This also enhances internal sustainability information integration platform and climate risk monitor, which are further integrated into the investment management system.

## Integrating Cathay SITE' s Four Major Processes of Investment into the ESG Process



### ESG Enhancements

Since 2018, we incorporated the MSCI ESG database, which contains the ESG evaluation data of tens of thousands of companies around the world, into our systems. In order to fully utilize this database, we have taken the following steps in stages to continuously enhance our ESG research analysis framework and build on Cathay SITE' s ESG research capabilities.



- Company ESG Overview
- Portfolio ESG Overview
- Investment Position Analysis
- ESG score up/downgrade and red flag notification of controversies
- Sustainable Investment

## Sustainability Information Integration Platform

Cathay SITE' s ESG Information Platform provides proprietary internal ESG analysis tools to assist investment managers and researchers to effectively and timely query ESG performance in the investment portfolios, including but not limited to an investee company' s ESG overview tools, portfolio ESG overview tools, and investment position analysis tools, ESG score up/downgrade, red flag notifications of controversies, voting and corporate engagement list tools, and sustainable investment tools, etc. The platform includes the following features:

Tools	Description
Company ESG Overview	Provide the most comprehensive quantitative and qualitative ESG information at the company level, including ratings, rating details, controversial events, climate-related factors, as well as the company's ESG transformation plan and disclosure, and ESG comments to help investment managers better understand rationale behind the rating.
Portfolio ESG Overview	This tool highlights the ESG performance and climate risk of each company in the portfolio, including the company's overall ESG rating, controversial events, carbon intensity, corporate governance assessment, carbon emissions, temperature alignment and more. Additionally, the tool allows investment managers and researchers to better understand the ESG profile of their portfolios through aggregated tables and graphs.
Investment Position Analysis	This tool allows management to track the ESG performance of the entire company's holdings, including ratings, controversial events, carbon emissions intensity, and corporate governance evaluations.
ESG score up/downgrade and red flag notification of controversies	The investment team is regularly notified of the ESG performance and controversy status information of the equity and bond positions held in the portfolios on a monthly basis, enabling them to better grasp the company's ESG dynamics in real time.

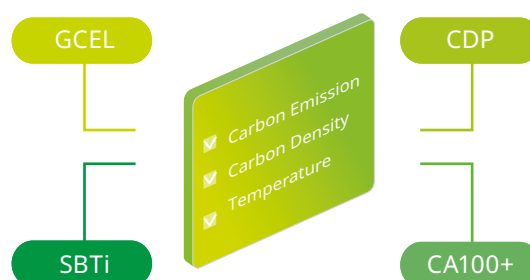
Tools	Description
Sustainable Investment	The sustainable investment tool quantifies our positive contribution to society by considering the sustainable impacts of the company, and represents these contributions using financial costs or benefits terms. This tool also provides investment managers and researchers with the ability to effectively measure and manage environmental, social and governance risks and opportunities.

## Climate Risk Monitor

As the largest asset management company in Taiwan, Cathay SITE is well aware of the imperative role it plays in issues of climate change and sustainable development. We are committed to leading the low-carbon transition through investment activities and business practices to ensure that we can play an active and important role in achieving net-zero carbon emissions and sustainable development.

To achieve this goal, we make full use of several world-renowned databases, such as CDP, Global Coal Exit List (GCEL), SBTi and Climate Action 100+, etc., to identify and quantify the performance of the carbon transition process made by companies with higher climate change risks. To this end, we have actively developed and implemented the Climate Risk Monitor, an innovative tool that helps us more effectively identify and monitor climate-related risks and opportunities in our portfolios. This tool utilizes expansively climate-related data to assess the potential impacts of climate change on investee companies, such as carbon emissions, carbon intensity and temperature, and provides strong support for us to formulate responsive strategies to mitigate these risks and capture investment opportunities.

On this basis, we not only pay attention to the low-carbon transition results of companies, but also emphasize that companies we look to invest in should actively integrate climate factors into their own business strategic planning. We encourage companies to set clear net-zero carbon emissions goals and maintain close communication with them to ensure that their efforts to address climate change challenges can be sustained and substantial results can be achieved.



## Investment Management System Integration

Cathay SITE actively integrates ESG data and analysis into our existing investment management system to ensure that investment decisions fully take into account environmental, social and governance factors. This move allows investment managers and researchers to obtain ESG data and analysis in a timely manner, identify ESG-related risks and opportunities, and flexibly adjust investment strategies. Since 2018, the ESG database has been incorporated into the existing investment decision-making system, and information such as whether the company has prepared a CSR report and its MSCI ESG Rating has since been included in the investment buy and sale report.

To further enhance ESG investment standards, Cathay Securities Investment Trust prohibits investment in companies with serious controversy issues in the negative screening process, while companies with moderate controversy issues must pass the ESG control process before investment. In 2022, the high attention list will be officially



incorporated into the investment process control system. The high attention list contains companies with lower ESG ratings, controversial events, high carbon emissions, coal-related industries, and weak corporate governance. For companies on the high attention list, an ESG assessment report must be written before investment, which should describe in detail the investment reasons for companies with low ESG ratings or involved in controversial events, as well as the feasibility of transformation plans. The investment report must be reviewed internally before investment can be executed.

After investment, it is necessary to continuously monitor, analyze, and evaluate the ESG-related information of the investment targets. Regular quarterly investment reviews should be conducted and quarterly portfolio ESG inspection reports should be written to explain the response status of each portfolio to the ESG control conditions and track and manage the investment positions.

## Low-Carbon Investment Plan

Extreme weather events are 'the new norm'. In order to reduce the colossal potential investment risks caused by global warming, climate change and new environmental protection regulations, Cathay SITE initiated a low-carbon transition investment plan in 2020, hoping to achieve low-carbon transition in our investment positions overall from the three aspects of Aware (awareness, acknowledgement), Response (response, action), Engage (initiative, promotion). Low-carbon transition cannot be achieved overnight — our low-carbon transition is a long-term goal which starts with the carbon inventory of the investment positions, enhancing the investment teams' understanding of the portfolios' high carbon emitting holdings, as well as the overall carbon emission of the portfolios. As a result, the teams can rethink the investment strategies by either adjusting the investment positions in high carbon emission companies, or taking further actions through corporate engagement so as to gradually reduce the carbon emission of the investment portfolios, and finally achieve the long-term goal of low-carbon transition.



## ESG Education and Training

In order to accelerate the cultivation of a corporate culture that attaches importance to ESG, Cathay SITE actively communicates and interacts with other parties through industry-academia-government collaboration and continues to hold ESG education and training sessions. In 2022, Cathay SITE has a total of 383 persons participating in relevant courses, conferences and external seminars, with an average training time of 2.0 hours per person. Responsible Investment Working Group produces ESG Highlights e-newsletter, regularly updates key information such as ESG trends, ESG policy development, company ESG conducts, and ESG investment research and analysis. With the establishment of the Responsible Investment Working Group, the introduction of ESG databases, ESG integrated investment processes, and a number of ESG enhancements activities, etc., it is evident that Cathay SITE makes multi-faceted and continuous efforts to promote the integration of ESG considerations into the investment teams' scope of work.





## 4. Responsible Investment Achievements

Cathay SITE upholds the mission of sustainable development, firmly pursues the belief of Responsible Investment, and regards environment, social and governance as the three core pillars of development. From the professional investment perspective, we not only pay attention to the economic performance of companies, but also focus on environmental protection, social responsibility and sound governance of companies. We actively support companies with good environmental, social and governance performance, and encourage them to continuously optimize their sustainable development strategies to create more green value.

In addition, Cathay SITE is well aware of investors' expectations and demands for sustainable investment, so it actively develops green financial products as well as invests resources in green industries and sustainable development projects in order to meet investors' demands and contribute to environmental protection and social welfare, fulfilling our crucial role as a responsible corporate citizen.



Sustainable Industry and Corporate Governance Evaluation to Determine Excellent Company



Carbon Inventory of Investment Positions



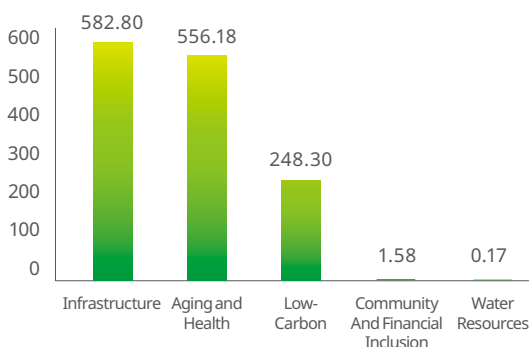
Sustainability-Themed Investment Products

### (1) Sustainable Industry and Corporate Governance Evaluation to Determine Excellent Company

Sustainability-related industries included here are composed of five categories: low-carbon, infrastructure, aging and health, community and financial inclusion, and water resources management. As of the end of 2022, the related investment amount totaled TWD 138.9bn, a 54% increase from last year's TWD 89.99bn, demonstrating our emphasis on and investment in sustainable development. Among them, the investment in infrastructure and aging and health industries is the most considerable, highlighting our support for these key industries. Through such an investment portfolio, we not only promote economic development, but also bring dual benefits of welfare and environmental protection to the society, representing Cathay SITE's role as a leader in sustainable development. In the future, we will continue to work towards the goal of sustainable development and create more shared value for investors, society and the environment.

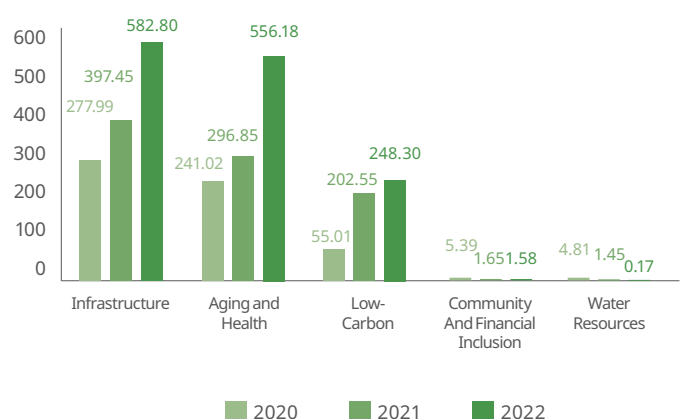
Investment Amount of Various Sustainable Industries in 2022

(TWD 100mn)



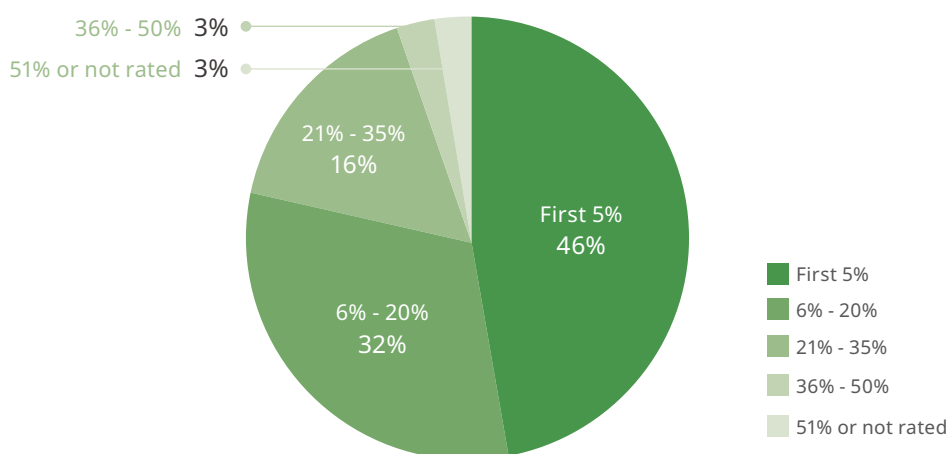
3-Year Comparison of Investment Amount of Various Sustainable Industries

(TWD 100mn)

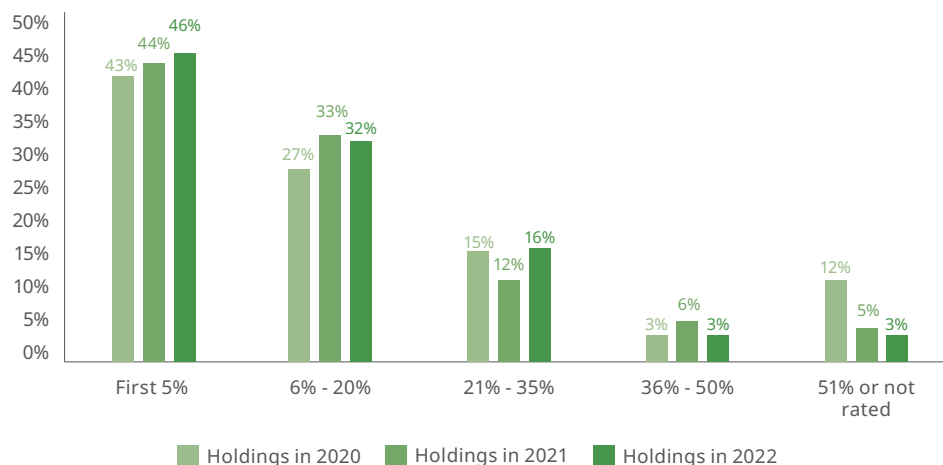


In addition to actively investing in sustainable industries, Cathay SITE also maintains a consistent focus on the current status of corporate governance of investee companies. As of December 2022, 78% of the Cathay SITE's domestic fund portfolios amount invests in companies whose corporate governance scores ranked top 20%, and only 3% invests in companies whose corporate governance scores ranked below 51% or were not available. From the investment amount comparison of the past three years, it is clear that Cathay SITE has also gradually adjusted its investment strategy. In 2020, as high as 12% of our investment was made in companies whose corporate governance score ranked below 51% or were not available. That percentage had dropped to 3% in 2022. In the same year, the amount invested in the top 5 % companies based on their corporate governance score increased to 46%.

### Cathay SITE's Fund Investment Breakdown According to Corporate Governance Scores in 2022



### 3-Year Comparison of Cathay SITE's Fund Investment Breakdown According to Corporate Governance Scores

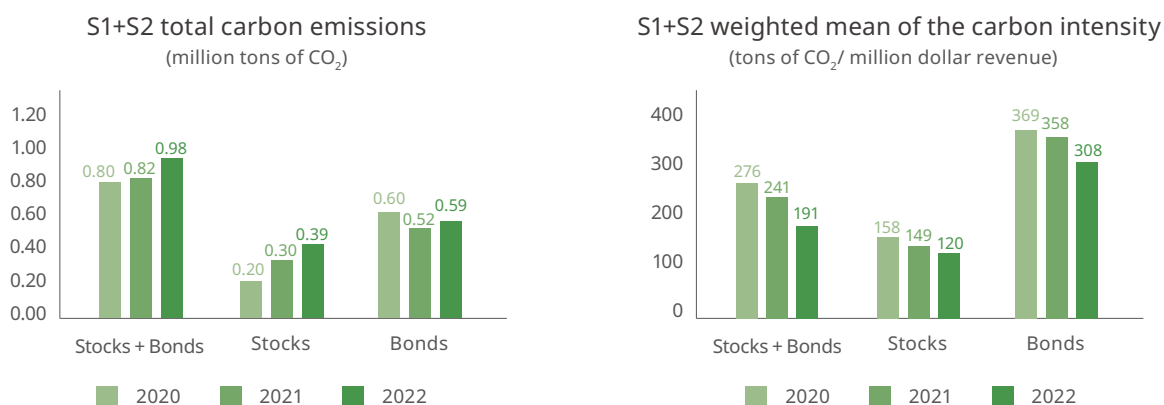


	First 5%	6% - 20%	21% - 35%	36% - 50%	51% or not rated
Holdings in 2020	43%	27%	15%	3%	12%
Holdings in 2021	44%	33%	12%	6%	5%
Holdings in 2022	46%	32%	16%	3%	3%

## (2) Carbon Inventory of Investment Positions

Since 2020, Cathay Securities Investment Trust has adopted the methodology provided by Partnership for Carbon Accounting Financials (PCAF) to calculate and track the carbon emissions of its investment portfolio, manage high-carbon emitting companies, and propose improvement plans to achieve low-carbon transformation and climate risk management goals. As of December 2022, the total carbon emissions of Cathay Securities Investment Trust's mutual funds were 980,000 tons of CO<sub>2</sub>, which grew by 19% compared to the previous year's 820,000 tons. The carbon intensity in 2022 was 191 (tCO<sub>2</sub>/mn Rev), a decrease of approximately 20.8% from the previous year's 241. This review covers 93% of assets, including listed equities, bonds, ETFs, and portfolio funds. The data quality score is 1.45. The results of the 2022 investment portfolio inventory exercise could be interpreted as follows:

### 3-Year Comparison of Inventory Exercise of Investment Portfolios' Carbon Footprint



\* During this carbon inventory, the estimated carbon emissions for 2021 have been revised from 1.27 million tons to 0.82 million tons. The main reason is that Chromium Green Group Financial Co., Ltd. and KCA DEUTAG UK FINANCE PL estimated their carbon emissions based on industry averages last year, with a difference between the estimated and actual numbers being too large. Therefore, this year, data sources with higher quality, such as Bloomberg and MSCI, have been used, and the carbon emissions data from last year have been revised to 8,407 and 255,972 tons of carbon dioxide, respectively.

\* Cash and other bond categories have no statistically significant carbon emissions and are therefore excluded.

\* According to the PCAF methodology, data quality is indicated by scores ranging from 1 to 5, with 1 representing high quality and 5 representing low quality.

## Carbon Intensity Reduction

In 2022, both the equity and debt parts saw a decrease in carbon intensity, which can be interpreted as the overall investment portfolio moving from high carbon intensity industries to low density ones. Carbon intensity is defined as the amount of CO<sub>2</sub> emitted per million dollars of revenue for the invested target, representing the emission characteristics of the holding company. This year, Cathay Securities Investment Trust reduced the investment proportion of high-density industry bonds, with the investment proportion of debt positions with carbon intensity greater than 1000 dropping from 7.3% in 2021 to 5.1% in 2022, a decrease of 30.1%, and is committed to seeking low-carbon targets to achieve the goal of a gradual reduction in the carbon intensity of the investment portfolio each year.

## Rising Carbon Emissions

Carbon emissions will rise with the increase in investment amount. According to statistics, the total investment amount in stocks and bonds will increase by 27% in 2022, with the Cathay Sustainable High Dividend ETF experiencing the largest growth in scale. In addition, this year's portfolio fund carbon emissions investigation has increased the overall data coverage compared to 2021, replacing the estimated values previously used under the PCAF standard for the previous year and resulting in an overall increase in carbon emissions.

Notes: The main source of error in this year's inventory is data missing. Many listed companies did not disclose their carbon emissions, which required estimation based on the PCAF framework. The discrepancy between the estimated and actual values will affect the quality of the inventory. In addition, Cathay Securities Investment Trust has introduced a new multi-variable analysis method this year to examine the major factors that contribute to carbon emissions and carbon intensity by location, in order to make better adjustments and strategies towards sustainable low-carbon goals.

### (3) Sustainability-Themed Investment Products

#### Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF

ESG factors form part of the metrics when measuring the quality of a company's long-term business operations. The 2020 Covid-19 pandemic crisis has highlighted the importance of companies' taking care of employees' welfare and supply chain management. Cathay SITE partnered with MSCI to provide investors the opportunity to participate in sustainable investments with internationally-acclaimed ESG services. Dividend yields of stocks are weighted and ranked to aid our stock selection, which helps investors receive steady income and meets investors' demands. Since the IPO of this fund, a number of records in Taiwan stock markets have been smashed. By the end of 2022, the AuM of the fund reached TWD 137.6billion.

#### Cathay US ESG Fund

As mentioned before, ESG is an indicator of the quality of long-term business operations of companies. Internationally, more and more attention is paid to companies' positive actions related to ESG aspects. Cathay SITE takes sustainable investment as core foundation and introduced a fund that emphasizes on US companies which hold concepts such as environmental protection, social responsibility and corporate governance in high regard. The fund seeks to benefit from the companies' stable development and sustainable operation, and, at the same time, to create a socially responsible investment portfolio to help investors receive steady income. By the end of 2022, the AuM of the fund reached TWD 4.15 billion.

#### Sustainable Industry Private Equity Funds

Cathay SITE is the first securities investment trust company in Taiwan to have obtained the regulator's permission to establish a subsidiary to launch private equity funds. Cathay Sustainable Private Equity Fund invests 100% in key industries for sustainable development in Taiwan, including renewable energy (such as solar energy, wind power, geothermal, hydropower, and energy storage), circular economy (such as sewage treatment, waste treatment and reuse), etc., as well as the Five Plus Two Industry Innovation Plan backed by the Taiwanese government (such as the Internet of Things, smart machinery, long-term care, and new agriculture) and other highlighted industries exhibiting great potential.

The fund's total committed investment has reached TWD 8bio, and the cumulative capital injection of the fund in 2022 was about TWD 4.6 billion. At present, its well-diversified portfolio has invested in 2 solar energy projects, 1 wind power project, 2 circular economy industries, and 1 Internet of Things industry. Through the investment management of Cathay Sustainable Private Equity Fund, we continue to deepen our efforts of sustainable investment and strengthen the importance of sustainable development in investment strategies. This well-founded belief is also reflected in our investment in various industries with sustainable development potential. We hope to strike a good balance between economic benefits and environmental protection, and create shared value for investors, society and the environment.

Notes: Cathay Private Equity Limited Partnership is a 100% owned subsidiary of Cathay SITE.



Cathay Sustainable Private Equity Fund  
Limited Partnership (December 2022)

Paid-in capital: TWD 5,606,778,200

unit: TWD

Green Energy Technology	2,965,999,920
Silicon Valley of Asia	618,080,000
Circular Economy	1,026,500,000
The total amount of investment domestically	4,610,579,920

## ESG Government Fund Mandate

In March 2018, Cathay SITE was awarded the first domestic ESG discretionary mandate by the Bureau of Labor Funds (BLF). The mandate size was TWD 6 billion, and the Taiwan Sustainability Index, which combines ESG and financial indicators, was used as the performance benchmark. In addition, according to BLF's mandate requirements, Cathay SITE and other asset management companies which won the mandates were to include sustainability indicators in the screening criteria for investment targets from 2020, and must only invest in companies which produce CSRs.

# III. Stewardship Policy and Management of Conflicts of Interest

## 1. Stewardship Policy

The ultimate business goal of Cathay SITE is to seek the best and maximum interests for our customers/beneficiaries/shareholders through the conduct of securities investment trust business and discretionary investment management business. To achieve this, the company has formulated a stewardship policy, which includes: our responsibilities to customers/beneficiaries/shareholders and fulfillment and disclosure of stewardship actions, etc., and is summarized below:



Stewardship Code for Institutional Investors

Object	Implementation Principles
The Company	<ul style="list-style-type: none"> <li>● Securities firms we transacted with shall be evaluated at least quarterly to form the basis for placing future orders.</li> <li>● It is prohibited to hype up a stock jointly with affiliated companies.</li> <li>● In-depth research and analysis shall be carried out for the investment targets of the funds or discretionary investment management accounts, and written research reports shall be prepared for future reference.</li> <li>● The Company's financial, business and other important information shall be disclosed on a regular basis or on an ad-hoc basis in accordance with relevant laws and regulations.</li> <li>● For the funds under management, the net asset values of the funds shall be announced daily, the shareholding ratio of sectors shall be announced weekly, and the details of fund holdings shall be announced monthly, in accordance with relevant laws and regulations.</li> </ul>
The Responsible Person and employees of the Company	<p><b>Business Conduct Requirements:</b></p> <ul style="list-style-type: none"> <li>● In the handling of securities investment trust business and discretionary investment management business, the principles of fiduciary, integrity, diligence, prudence in management and professionalism shall be adhered to.</li> <li>● Business conduct shall conform to the principle of good faith, in addition to the compliance with relevant laws and regulations. Internal personnel management guidelines shall be implemented.</li> <li>● Written agreement with all securities firms we transacted with shall be signed, and no brokerage fees rebate or other benefits from securities firms shall be accepted.</li> <li>● Proxy statement to attend shareholders' meetings shall not be transferred. It is prohibited to accept money or other benefits by exercising the voting rights from the holdings of the funds.</li> </ul> <p><b>The following behaviors are prohibited:</b></p> <ul style="list-style-type: none"> <li>● Funds or discretionary investment managers are prohibited to disseminate or reveal investment information, deliberately and proactively promote touted stocks to affect market stability, or to seek ill-gotten gains.</li> <li>● When launching and raising securities investment trust funds, proposing to exchange-/OTC-listed companies to subscribe to the fund in exchange of investing a certain proportion of the fund into the stocks of such listed company is prohibited.</li> </ul>

Object	Implementation Principles
<p>The Responsible Person and employees of the Company</p>	<p><b>The following behaviors are prohibited:</b></p> <ul style="list-style-type: none"> <li>● It is prohibited that fund or discretionary investment managers agree with one another with the intention of raising or lowering the price of certain securities.</li> <li>● It is prohibited that, without valid rationale, the securities investment trust funds or discretionary investment management accounts engage in unnecessary and unreasonable transactions so that the securities firms gain income from brokerage fees at the expense of the fund beneficiaries or clients.</li> <li>● It is prohibited to use funds or discretionary investment management accounts to invest while seeking cash rebates, compensation in kind or other forms from securities firms at the expense of fund beneficiaries or clients.</li> <li>● It is prohibited to use the opportunity of holding a large number of stocks as leverage to ask Listed / OTC companies to subscribe to newly launched funds.</li> <li>● It is prohibited to use inappropriate means to obtain the proxy statement for the meeting of fund beneficiaries and influence the convening or resolution of the meeting.</li> </ul>



The Company's corporate governance regime shall not only list the protection shareholders' rights and interests as the utmost goal, but also treat all customers/beneficiaries fairly in accordance with relevant laws and regulations. We strive to maximize interests for the Company's shareholders and customers/beneficiaries.

## 2. Management of Conflicts of Interest

In order to ensure that Cathay SITE conducts its business based on the interests of its clients or beneficiaries, it has formulated a Management of Conflicts of Interest Policy, including the types of identified conflict of interest and its management methods, business segregation mechanism, Responsible Persons' and employees' stock trading management procedures, concurrent posts held by personnel and prevention of conflict of interest, management of conflicts of interest with stakeholders (such as the establishment of firewalls and confidentiality regulations), etc. Please refer to the following link for relevant specifications of Cathay SITE' s policies:



Stewardship Code for Institutional Investors

There are different approaches to manage conflicts of interest, including the implementation of educational advocacy, information control, firewall design, delegation and accountability, the detection, supervision and control mechanism, reasonable remuneration scheme and remedial measures, etc. Below lists the management of the six categories of potential conflicts of interest and examples:

Object	Potential Conflicts of Interest	Management Approach
<p>Company vs Customers</p>	<p>Collecting manager fees, subscription fees, etc.</p>	<p>The Company has a firewall policy which prohibits accepting improper commissions, remuneration or other benefits from customers.</p>

Object	Potential Conflicts of Interest	Management Approach
Employees vs Customers	Handling of complaints or reports by customers against employees of the Company	We have formulated our customer complaint procedure guidelines, with customer complaint handling form. Consumers' rights and interests are protected in accordance with the Taiwan's Financial Consumer Protection Act.
Company vs Employees	Labor Relations	The Company has established work rules which have obtained approval from the Ministry of Labor.
Companies vs Affiliates	Transactions between the Company and interested parties	We have established firewall policies, management policies for transactions outside of credit granted to stakeholders, and internal operating procedures.
Company vs Investee Companies	Insiders of securities investment trust enterprises (including employees, spouses, minor children, and those whose names are used to conduct transactions) engage in stock and equity derivative transactions	The Company has established its code of conduct for managers, setting restrictions and controls on the personal transactions of the aforementioned employees, and conducts regular inspections and reviews.
Information Control	In order to strengthen the management of Internet operations, ensure the security of data transmission and system communication in transaction processing and daily operations	The Company introduced international standard for information security-ISO27001, and formulated information security management system documents.



**Disclosure of Significant Conflicts of Interest Incident: There will be no major conflicts of interest in 2022. This demonstrates that the Company's conflict of interest management mechanism is effectively**



## IV. Corporate Engagement

Interaction with investee companies is an important part of Responsible Investment. In addition to arranging visits with investee companies from time to time, Cathay SITE also cooperates with Cathay FHC and its subsidiaries, forming a united force when joining International Investor Alliance to conduct corporate engagement activities. Furthermore, we hold large-scale forums to increase opportunities to interact with exchange-/OTC-listed companies, and use the power of institutional investors' active ownership to encourage the investee companies to focus on ESG matters and strengthen their social capital.

### Interact with Investee Company



Corporate  
Engagement Visits



Participation in Domestic  
and International  
Initiatives



Cathay Sustainable  
Finance and Climate  
Change Summit

### 1. Corporate Engagement Visits

Cathay SITE conducts frequent communication with the managerial levels of the investee companies through tele-conferences, symposiums, participation in Investors Conference or Annual General Meetings (AGMs). In 2022, 93 of our colleagues recorded 4,287 attendances to meetings associated with 1,070 companies.

Cathay SITE and various subsidiaries of Cathay FHC jointly formulated a group-level Corporate Engagement Policy to express the corporate sustainability beliefs and the value of corporate governance upheld by Cathay Group, and to fulfill its post-investment responsibilities so as to exert a positive influence. Continuous improvement of investee companies, we believe, is the best way to enhance each other's value. By in-depth evaluation of the management, strategy, operation and corporate governance of the investee companies, and strengthening internal research and analysis to enrich the available information for investment decision-making, institutional investors are able to provide ESG insights to investee companies to increase their value or reduce risks related to investment positions.

#### (1) Corporate Engagement Principal Axes

Our main corporate engagement axes include "climate change" and "ESG rating and information disclosure" — climate change is the main cause of extreme weather events in recent years, which in turn creates physical risks or potential policy risks for corporate operations. At the same time, by increasing companies' attention to ESG factors, it can also improve investment value and reduce risks from these companies.

#### (2) Corporate Engagement Candidates

The companies of concerns are the result of a screening exercise from Cathay SITE's investable target list. We take stock of the carbon emission status of the investee companies in our portfolios every year, and focus on selected high carbon emission companies as our key corporate engagement candidates. We hope that, through our corporate engagement activities and frequent communication, we can urge investee companies to carry out low-carbon transition and reduce their climate-related risks. Taking Cathay Sustainable High Dividend ETF portfolio (identification code 00878) as an example, as of May 2023, the number of companies we currently conduct corporate engagement activities with has increased to 3, namely Taiwan Cement, Nanya, and Sinosteel (the group corporate engagement is ongoing), and their total carbon emissions account for more than 70% of the investment holdings of the fund.

### (3) Corporate Engagement Process and Results

During corporate engagement process, we not only provide assistance to the companies we engage with, but also take the initiative to act as a bridge between the companies engaged and other international institutional investors, so that they can quickly understand the international ESG trends and the themes that international institutional investors most concern about. Cathay SITE believes that as long as the senior management of the company engaged is on board with the value of corporate engagement, and after understanding international initiatives and climate change issues, they are more likely to make changes to the challenges their companies face. The transition management made by the companies in response to climate change will give rise to opportunities of reducing the risk of climate change faced by the investee companies, and even opportunities of future industrial transition and upgrading. Therefore, Cathay SITE takes the initiative to engage with companies which are the most important holdings in our portfolios by way of attending shareholder meetings, online meetings, and face-to-face visits and advises on their sustainability development challenges and issues so as to leverage the positive influence of Cathay SITE's Responsible Investment. The image below shows our attendance at the shareholders' meeting of Sensortek Technology Corporation in June 2022, where we spoke about our expectation, as an institutional investor, that the company improve the disclosure of sustainable information so that the true and more comprehensive picture of the company's ESG endeavor could be seen and understood.



Cathay SITE Attending the Shareholders' Meeting of Sensortek Technology Corporation in June 2022

#### Cases of Corporate Engagement in 2022

##### Vanguard International Semiconductor Corporation (VIS)

In 2022, the senior vice president of the Investment Department of Cathay SITE led the members of our sustainable team and colleagues from Cathay Securities to participate in the corporate engagement activities with senior executives of VIS. We were the first institutional investor to hold sustainability-themed dialogues with VIS and expected ourselves to, through the process of corporate engagement, present effective sustainable proposals which, if implemented, shall significantly improve for the company sustainability outcome.

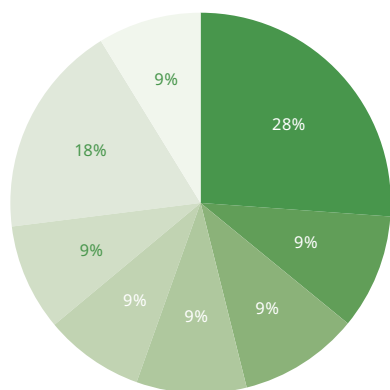
Cathay SITE pays particular attention to and urged VIS to work towards net-zero carbon reduction. VIS's response was that different generation of manufacturing processes in the semiconductor industry would result in different level of carbon emissions. Nonetheless, VIS is committed to continue to research and evaluate various initiatives and expresses its intention and goal to move towards net-zero. VIS's efforts in carbon reduction are not limited to the carbon emission reduction of the company's own operations; it is also more focused on producing energy-saving and carbon-reducing products. VIS expects to manufacture products that are more energy-efficient than its competitors in order to achieve sustainable goals.

Based on the VIS's outstanding achievements in the field of sustainability, the company was selected for the first time as the DJSI Emerging Market Index constituents in 2022.

- **Follow-up: Continuously monitoring the development of the topics discussed in our corporate engagement activities and feeding back to the Investment Research teams for reference in their investment decision-making process.**

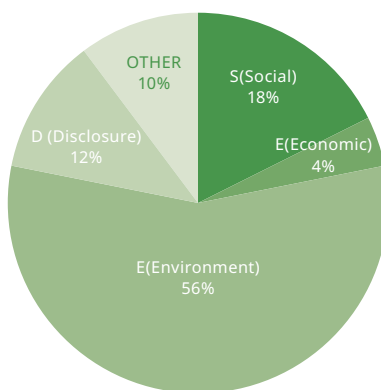


Engagement: Industries



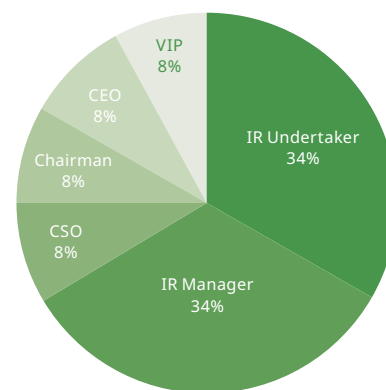
- Automobile Manufacturers
- Construction Materials
- Electronic Components
- Industrial Gases
- Oil & Gas Refining & Marketing
- Semiconductor Equipment
- Semiconductors
- Technology Hard ware, Storage & Peripherals

Engagement: issues



- S(Social)
- E(Economic)
- E(Environment)
- D (Disclosure)
- OTHER

Engagement: Level of Attendants



- IR Undertaker
- IR Manager
- CSO
- Chairman
- CEO
- VIP

## 2. Participation in Domestic and International Initiatives

### (1) Initiatives by International Organizations

In December 2017, Cathay SITE joined Climate Action 100+ (CA 100+) and is the first local SITE in Taiwan with presence in such an organization. CA100+ urges 166 companies that account for more than 80% of global carbon emissions to pay attention to the impact of climate change risks on business operations, and to follow the recommendation of Task Force on Climate-Related Financial Disclosures (TCFD) framework to improve the management of climate change risks, reduce greenhouse gas emissions, and strengthen climate change-related information disclosure. Institutional investors participating in the initiative are all hoping to expand their influence through the collaborative active ownership.




### (2) Initiatives by Domestic Forums

In addition to cautiously examining and screening each investment target from the perspective of Responsible Investment, we act as an active shareholder to promote sustainable commitments and changes in investee companies, and actively participate in forums while pursuing the economic goals of profit and growth by way of delivering speeches, utilizing various opportunities for media exposure to promote ESG concepts to the investors, financial industry peers, and the general public.

In 2022, Cathay SITES hosted/co-hosted or served as panelists in the following ESG-related activities:

Forums	Activities
	<ul style="list-style-type: none"> <li>● 2022/03 2022 ESG Sustainable Finance and Responsible Investment Forum</li> <li>● 2022/06 Business Today (a weekly magazine) Taiwan Future International Summit - New Trend of Low-Carbon Transition Investment</li> </ul>

<p>Cooperation with competent authorities</p>	<ul style="list-style-type: none"> <li>● 2022/02 ESG education and training for the Securities Intermediaries and Bills Finance Companies Division of the Financial Examination Bureau: Sustainable Finance and Responsible Investment</li> <li>● 2022/06 Securities and Futures Institute (SFI) Asset Management Outlook Series Forum – Focus on the Sustainable Development of Enterprises and Enhance Market Investment Value</li> <li>● 2022/09 SFI 2022 Bachelor's Credit Class in Asset Management: "ESG and Investment Analysis" — ESG Investment and Current Market Overview (Why, How, &amp; Future Development)</li> <li>● 2022/11 SFI: Constructing Sustainable Finance to Promote Net-Zero Transition Workshop— Sustainable Finance Promotes Net-Zero Transition— Stewardship and Corporate Engagement</li> <li>● 2022/12 Taiwan Academy of Banking and Finance: The 1st Professional Course on Sustainable Finance Capability Certification Program—Investment Business: Responsible Investment and The Set-up of ESG Integration Process (Why, How, &amp; Future Development)</li> </ul>
<p>Campus Lectures</p>	<ul style="list-style-type: none"> <li>● Micro Lecture on Financial Literacy in High Schools – Responsible Investment 2022/4 Taipei Municipal Song Shan Senior High School 2022/10 Taipei Municipal Song Shan Senior High School 2022/11 Taipei Municipal Jingmei Girls High School</li> <li>● General Studies – Life and Finance: ESG &amp; Investments 2022/11 Tamkang University</li> </ul>
<p>Publication</p>	<ul style="list-style-type: none"> <li>● 2022/7 "Post Covid-19, ESG Investment Will Flip our Future"</li> </ul> 

### 3. Cathay Sustainable Finance and Climate Change Summit

To encourage investee companies to take action on climate change issues, Cathay SITES has held climate change forums for SIX consecutive years. In 2017, it invited former US Vice President Al Gore to discuss climate change issues with Taiwanese business leaders. In 2018, it invited international organization CDP and accounting firm PricewaterhouseCoopers (PwC) to provide companies with a deeper understanding of the industry practices in the form of workshops. In 2019, we cooperated with the TWSE and Asia Investor Group on Climate Change (AIGCC) to bring the experience of international trends and industry benchmarks to Taiwanese companies. In 2021, due to the Covid-19 global pandemic, this forum was held via online live streaming for the first time. We had 1,556 attendants registered, which is four times as many as that in 2020, and the highest number of viewers at any given time was 1,158. The forum invited 6 heavyweight speakers from the international sustainability field, bringing the latest international trends to the forum participants.

In 2022, Cathay SITES adhered to the philosophy of "Leading Taiwan into the World and Bringing the World into Taiwan" and became the first strategic partner of the World Climate Foundation (WCF) in Taiwan. During the period of Cathay Sustainable Finance and Climate Change Summit, we live broadcast one of the COP27 peripheral meetings – the World Climate Summit (WCS) from Egypt, providing an opportunity for Taiwanese business leaders to integrate with the latest international ESG trends. The total number of participants in this forum exceeded 2,300, and more than 80% of them were first-time attendants, hailing from more than 1,300 companies or organizations. Among them, listed companies which sent representatives to the forum accounted for more than 70% of the market capitalization of Taiwan's stock market. The carbon emissions from these exchange-/OTC-listed companies accounted for 46% of Taiwan's carbon emissions.

# V. Proxy Voting

## 1. Proxy Voting Policy

In terms of Proxy Voting Policy, we have been disclosing our proxy voting results on the website every year since 2015. Cathay SITE actively participates in shareholder meetings and votes on proposals in order to pursue the maximum benefit for its clients, beneficiaries, and shareholders. We will hold internal meetings before voting to discuss the shareholder or company proposals. If the proposal may affect corporate governance, we do not always support the proposal put forward by the management. We evaluate every proposal of shareholders' meetings, and if necessary, conduct meetings or corporate engagement with the management prior to the shareholders' meeting to obtain better understanding. The standard for significant resolutions at a shareholders' meeting is based on the provisions of Article 172 of the Company Law. These resolutions must be explicitly stated in the meeting notice and cannot be proposed as ad-hoc motions. They include the appointment or removal of directors and supervisors, amending the articles of incorporation, capital reduction, application to cease public issuance, director's competitive business permits, converting retained earnings to capital increase, converting surplus reserves to capital increase, company dissolution, mergers, splits, or matters specified in Article 185, Paragraph 1. Cathay SITE retained the ISS (Institutional Shareholder Services) voting research service in 2020. We consider the ISS voting recommendations, and discuss among our Research Teams to decide the optimal choice for our clients.

### Cathay SITE Proxy Voting Process



In order to fulfill its stewardship responsibilities and implement shareholder activism, Cathay SITE, in principle, exercises voting rights by electronic voting, or physically attending shareholders' meetings. However, due to limited resources, the voting rights may not be exercised in the following situations:

Situations	Exercise of Voting Rights
Any fund holds less than 300,000 shares of publicly issued companies, and all funds in aggregation hold less than 1 million shares in total.	X
The shares held by any fund in a publicly issued company which adopts the electronic voting system are less than one ten-thousandth of the company's total issued shares, and the total number of shares held by all funds in aggregation is less than three ten thousandths.	X
Any fund holds less than 1,000 shares of publicly issued companies.	X

### Proxy Voting Guidelines and Scenarios

Proxy Voting Guidelines	Scenarios
1 Whether there are any doubts about the credibility of the company's report content and reporting procedures, or whether the CPA gave non-qualified opinion.	A Chinese listed company wanted to amend its corporate system. Cathay SITE objected the proposal as the company did not specify the details and regulations covered by the proposed amendment.

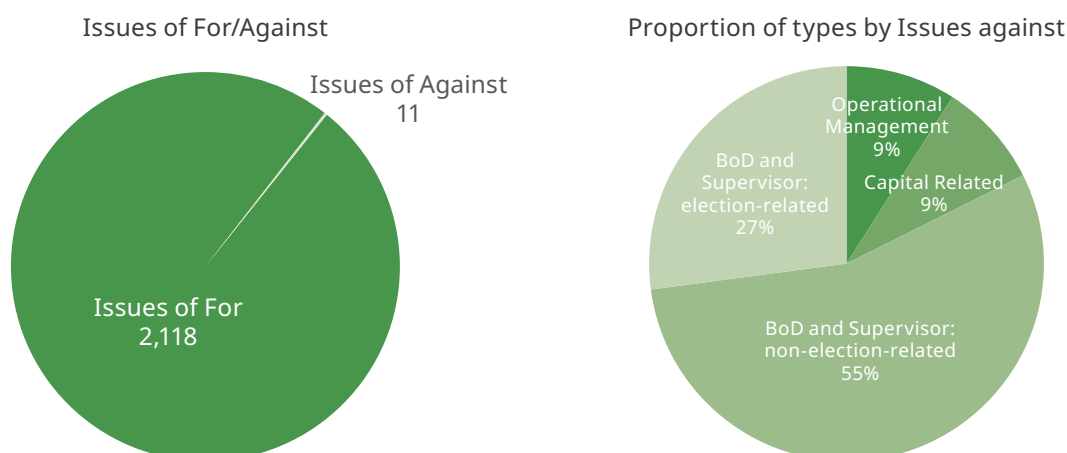
	Proxy Voting Guidelines	Scenarios
2	<p>Whether the reason for replacing the CPA firm is insufficient or the change is too hastily done, or whether the CPA firm's tenure, fees, and independence are not in line with the best practice in the market.</p>	<p>A Hong Kong-listed company re-appointed the same CPA firm as the external auditor for the next year. However, the annual non-audit fee exceeded the total annual audit fee, and the company did not provide sufficient explanations. Excessive fees generated from non-audit services may create potential conflict of interest for auditing firms and impair their independent judgment; as a result, such proposal was rejected by Cathay SITE.</p>
3	<p>For the proposal on the election of directors, whether the director's past qualifications and experiences are unfavorable to the board of directors, or whether the proportion of the director's board meeting attendance is too low (less than 85%); for the proposal on the election and appointment of independent directors, if the number of companies a specific independent director provides services to is large (4), whether he/she can spend enough time and effort on each company; whether the independent director's term of office is too long (more than 9 years) and whether he/she can maintain his/her independence; if the statutory director is a representative of a Juristic Person, whether the detailed information on the actual person in charge is provided so as to evaluate the candidate's suitability.</p>	<p>If the statutory director nominated by the company only indicates the representative of a Juristic Person without providing the list and qualification details of the natural persons attending in the board meetings, the shareholders will not be able to confirm whether the representative of the Juristic Person who will attend in the board meetings in the future has the professional ability to supervise the company, and whether he/she has the ability to establish sustainability operational strategy; therefore, the proposal is unfavorable to the shareholders, so we will oppose such proposals.</p>
4	<p>Whether the dividend rate is unfavorable to the company's sustainable financial situation, or whether the dividend rate is not in the best interests of shareholders, or whether the proportion of capital increase exceeds a reasonable range, or whether the reduction of capital is not in the best interests of shareholders.</p>	<p>A company wished to increase authorized common shares and was seeking shareholder approval to amend the company's certificate of incorporation to increase the authorized share capital number of common shares from 2 billion to 4 billion, an increase of 100%. The number of authorized preferred shares remained unchanged at 2 million shares. We did not vote to approve this motion as the proposed increase in the number of authorized shares was too great.</p>
5	<p>For the proposal on the issuance of preferred shares, whether the relevant interests of the preferred shares are superior to the interests of ordinary shareholders.</p>	<p>A company wished to issue A-shares and H-shares or equity-linked securities without pre-emption rights, but the common stock issuance limit was greater than 10% of the relevant share class. At the same time, the company did not specify a discount limit. On the one hand, shareholders should have preferential rights to issue large numbers of shares or have the opportunity to review and vote on such issuances; but on the other hand, companies should also have the flexibility to conduct ordinary business without undue burden or costs. Therefore, the need for flexibility must be balanced against the reasonable protection of shareholders' interests, and the motion was opposed by us in light of the foregoing.</p>

Proxy Voting Guidelines		Scenarios
6	For the CEO remuneration plan, whether the CEO's compensation and equity incentives are superior to the industry standard, and whether the board of directors sets performance measurement standards for the incentive plan.	A Chinese listed company approved its performance-linked equity incentive plan, and directors involved in the management of the plan were eligible to receive performance shares. It was not clear whether there might be problems with the fairness of the plan, and the revised equity incentive plan was to be implemented in the second half of 2021 fiscal year. The measurement of performance, however, would have already started from the beginning of the 2020 fiscal year. The company only provided incentives for subsequent periods, which might be too aggressive or too insufficient. Because of the questionable fairness of this program, Cathay SITE voted against the proposal.
7	For the case of relaxing the non-competition restriction on directors, whether it has explained in detail the particulars of the director's concurrent appointments, whether the concurrent appointment is within the company's business scope, and the importance of the concurrent appointment to the company.	Candidate directors for some proposals hold multiple positions concurrently, or even serve as CEOs of other companies. If explanations are not given to state the importance of the concurrent positions to the company, and if the company's agreement will jeopardize shareholders' rights and interests, we will thus oppose such proposals.
8	For companies included in the list of potential disputes over management rights, Cathay SITE pays particular attention to the proposals of the re-election of directors at the shareholders' meetings, and will prioritize the maximization of shareholders' interests.	For companies included in the list of potential disputes over management rights, Cathay SITE pays particular attention to the proposals of the re-election of directors at the shareholders' meetings, and will prioritize the maximization of shareholders' interests.  ● Note: this section was not included in the voting policy until this year; therefore, there has not been a case under this scenario.
9	For shareholder proposals, whether the proposal is conducive to improving corporate governance, social, environment and other issues; whether the proposal is conducive to enhancing long-term shareholder value.	-

## 2. Voting Statistics

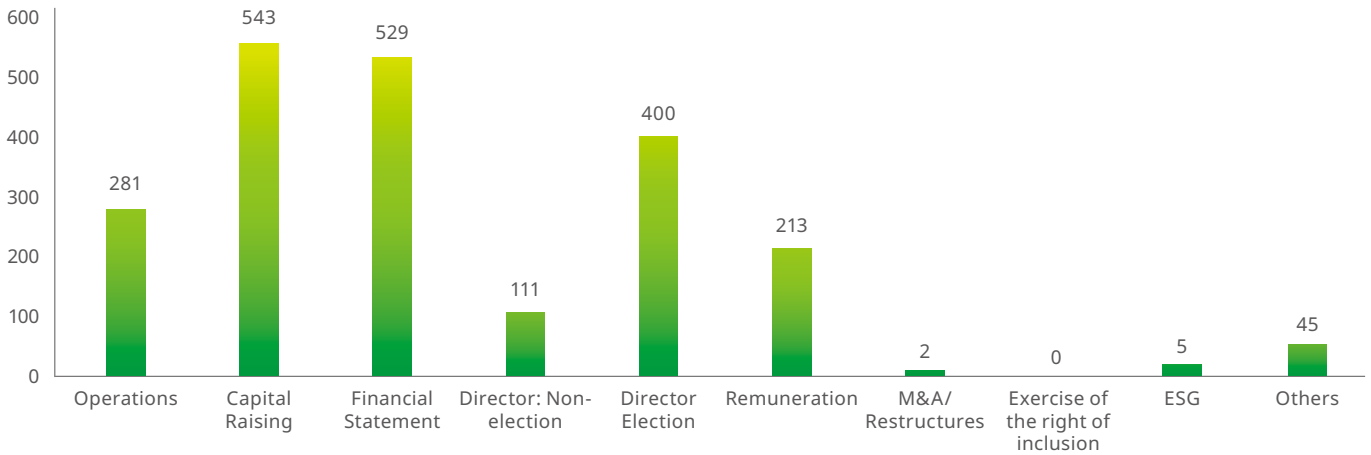
### 【 2023H1 Votes 】

#### Proportion of Votes Against or in Favor of the Proposal





**【 2023H1 Votes】**  
Types of Proposals We Cast Votes for



Notes: (1) The reporting period of the above analytics is from 2023/01/01 to 2023/06/30, and the voting analytics cover positions from mutual funds. Attendance in person: 100%; attendance by proxy: 0%.

(2) Total attendance for 2023H1: A total of 2,129 proposals were voted on in 334 shareholder meetings attended, of which 11 were voted against.

## Epilogue

As the largest SITE in Taiwan in terms of AuM, Cathay SITE focuses on its core business of asset management and adheres to Responsible Investment as the primary category of the company's CSR. Cathay SITE is committed to, in addition to the pursuit of economic goals of business interests and growth, reducing possible impacts and generating positive cycle impacts on the environment, society, governance aspects while carrying out related investment product design, including mutual funds, government discretionary mandate management, private equity funds, etc. and business expansion with a forward-looking vision of sustainable development. Cathay SITE shall continue to participate in international initiatives, hold forums, and interact with investee companies so that its clients can also contribute to a sustainable society when investing in Cathay SITE products.

## VI. Appendices

### 1.The corresponding table of the United Nations Principles for Responsible Investment (UNPRI)

<b>Principle One</b>	We will incorporate ESG issues into investment analysis and decision-making processes.	
	Corresponding actions: Formation of Exclusion and Investable Lists	12-13
	Corresponding actions: Incorporate ESG into the investment decision-making process	13
	Corresponding actions: ESG Enhancements	14-16
<b>Principle Two</b>	We will be active owners and incorporate ESG issues into our ownership policies and practices.	
	Corresponding actions: Corporate Engagement	25-28
	Corresponding action: Join International Organizations	28
	Corresponding action: Climate Change Forum	28
	Corresponding act: Proxy Voting	30-33
<b>Principle Three</b>	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	
	Corresponding actions: Corporate Engagement	25-28
	Corresponding action: Join International Organizations	28
	Corresponding action: Climate Change Forum	28
	Corresponding act: Proxy Voting	30-33
<b>Principle Four</b>	We will promote acceptance and implementation of the Principles within the investment industry.	
	Corresponding Actions: Responsible Investment Achievements	17-21
	Corresponding Actions: Climate Change Forum	28
<b>Principle Five</b>	We will work together to enhance our effectiveness in implementing the Principles.	
	Corresponding actions: Joining International Organizations	28
	Corresponding actions: Climate Change Forum	28
<b>Principle Six</b>	We will each report on our activities and progress towards implementing the Principles.	
	Corresponding actions: Regularly update annual stewardship report, and continuously update the official website section on responsible investment.	