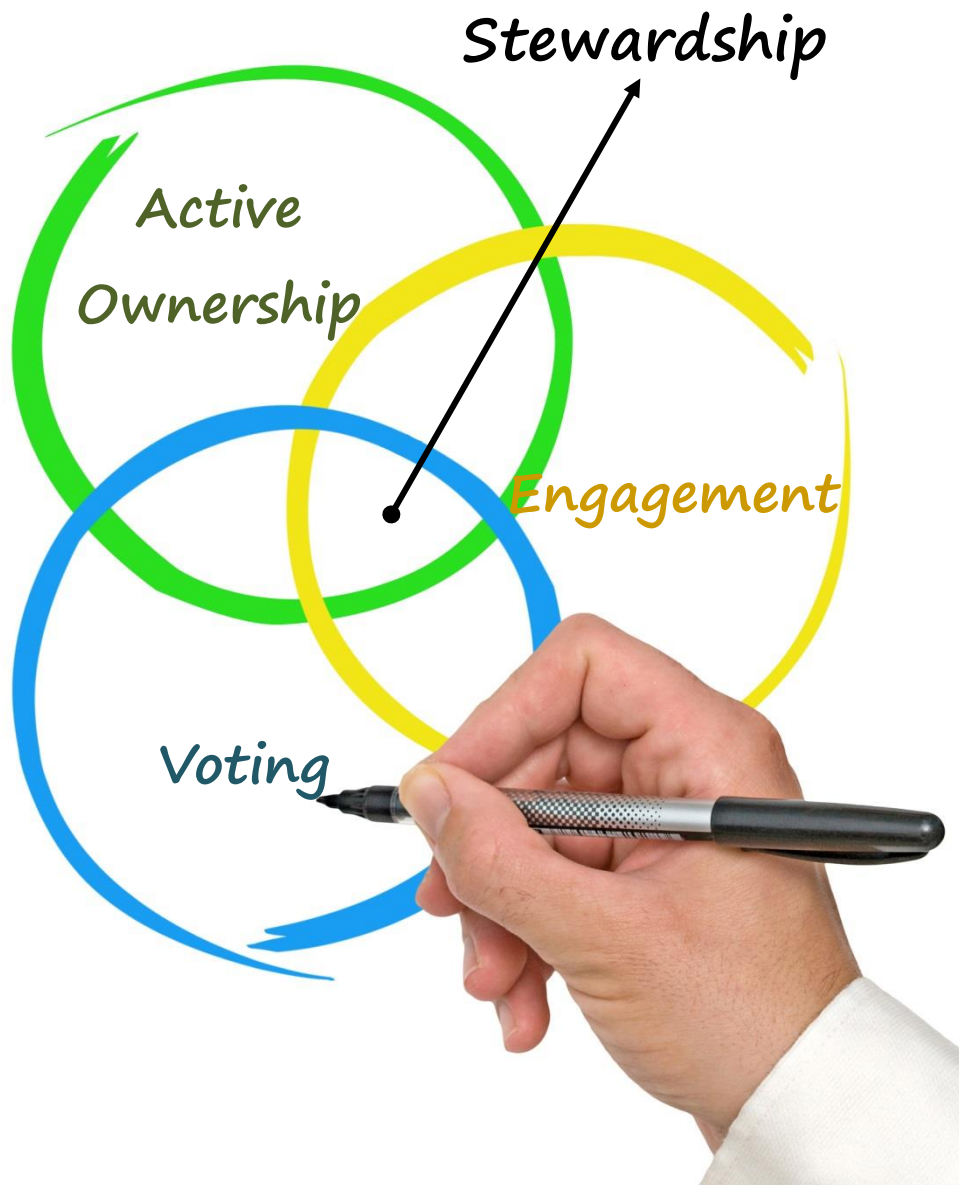


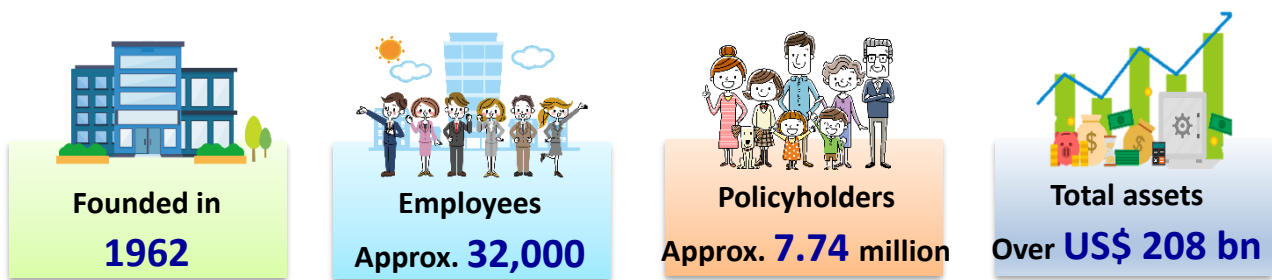


國泰人壽  
Cathay Life Insurance

## 2018 Cathay Life Insurance Stewardship Report



## ABOUT CATHAY LIFE INSURANCE

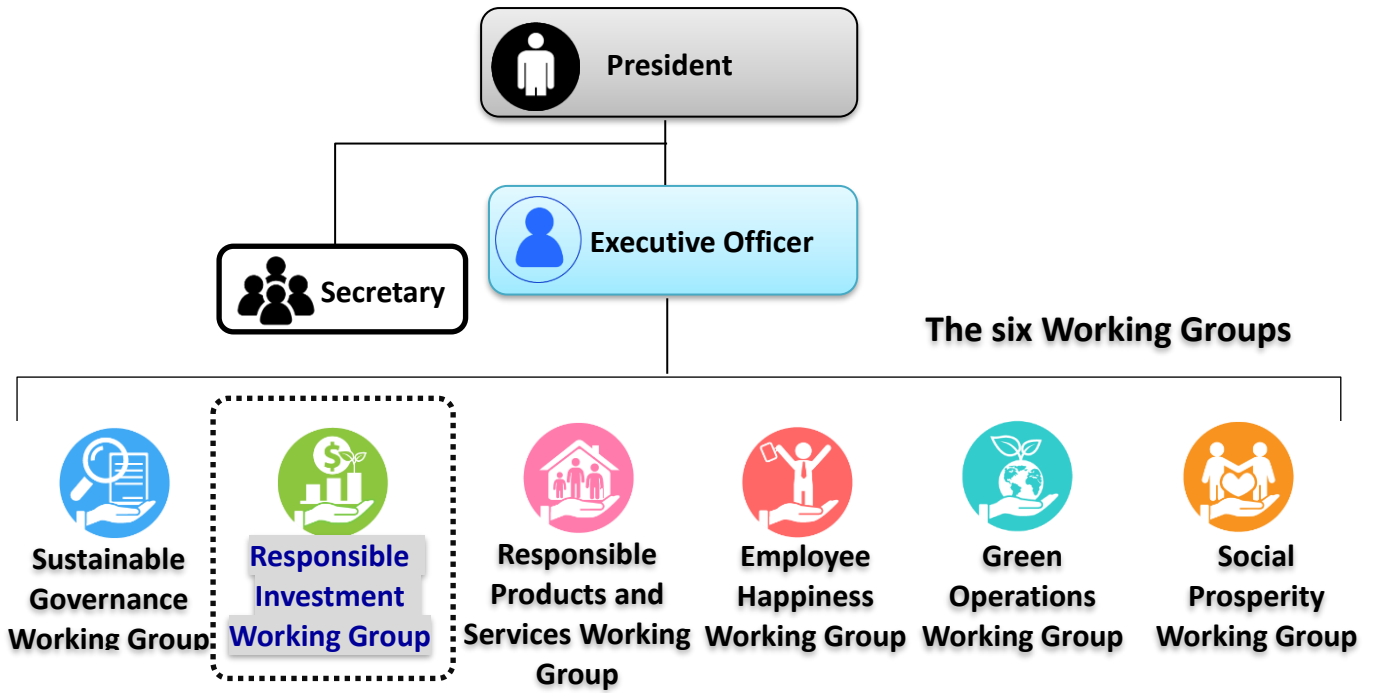


Founded in 1962, Cathay Life Insurance has 32,000 employees, 7.74 million policy holders, and total assets of over US\$ 208 billion, and is the leader of Taiwan's insurance industry. "Lead the way in sustainable insurance and ensure the happiness of society" is Cathay Life's vision of sustainability, which consists of four strategic focuses: Commitment, Accountability, Richness, and Eco-Living (C.A.R.E.).

In 2016, Cathay Life established the Corporate Sustainability (CS) Team. Under CS Team, Responsible Investment Working Group was established by gathering employees from different investment related departments including Fixed-Income, Equity, Alternative Investment and Financial Planning in the same year. Executive vice president of investment department act as leader of the Responsible Investment Working Group in compliance with the strategic focus of accountability in Cathay's Life's vision of sustainability and lead members of the Working Group in the setting of goals and annual implementation plans in order to exercise core competencies of "investment drives growth," support enterprises committed to sustainable development, fulfill stewardship, establish an model of industrial accountability, and co-create a sustainable future.



Cathay Life Corporate Sustainability Team



## STATEMENT

On July 25, 2016, Cathay Life signed the Taiwan Stewardship Principles for Institutional Investors issued by TWSE Corporate Governance Center, and became the first insurer in Taiwan to become a signatory.

Cathay Life will always commit to integrate environmental, social and governance (ESG) factors into investment decision-making and ownership practices 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 Cathay Life, customers and shareholders and realizing responsible investment.

This report is we claim to abide by six principles of Taiwan Stewardship Principles for Institutional Investors and publish annually based on Principle 6.

The six principles are:

Principle 1: Establish and disclose stewardship policies.

Principle 2: Establish and disclose policies on managing conflicts of interest.

Principle 3: On-going observation of investee companies.

Principle 4: Maintain an appropriate dialogue and interaction with investee companies.

Principle 5: Establish clear voting policies and disclose voting results.

Principle 6: Periodically disclose to customers or beneficiaries the status of fulfilling its stewardship responsibilities.

## CONTACT INFORMATION

Please contact us for any comments or inquiries on this report.

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Taiwan Stewardship Principles  
for Institutional Investors



Signatory

 Cathay Life Insurance  
2016.07.25



## **STEWARDSHIP MEASUREMENT**

### (I) ESG Integration

Cathay Life's business philosophy has always been to facilitate sustainable development of society and corporate through our core competencies in investment. On this basis, we began with daily investment behaviors, and integrated ESG factors into our investment decision-making process through mechanisms establishments and process adjustments to generate economic benefits in our capital utilization and simultaneously create sustainable values for capital markets and the general public.

#### 1. Negative screening

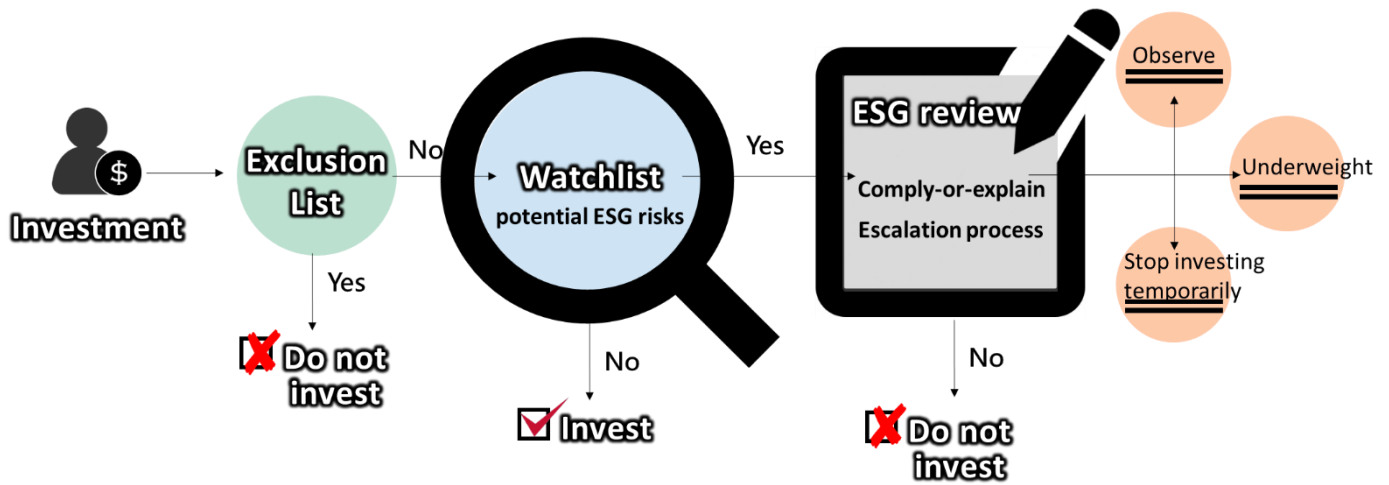
[Cathay FHC and Subsidiaries Investment and Lending Exclusion Policy](#) jointly established by Cathay FHC, Cathay Life, and various Cathay subsidiaries, build an investment and lending exclusion list which include issuers in the focus industries (e.g., controversial weapons) with high environmental, social and moral risks that lead to negative social impacts, and government bonds issued by countries that systematically violate human rights or exhibit major disputes over human rights. Each year, we regularly adjust and review our focus industries and exclusion list by using data from professional third-party ESG database according to factors including international sustainability trends and ESG risks.

#### 2. Establishing ESG risk review procedures

When performing investments, investment teams will also carefully evaluate the performance of investee companies based on key ESG indicators and enforce immediate management and control upon the discovery of controversial behaviors or ESG risks in order to lower the overall risks of investment portfolios.

In 2018, we took a step further to establish a watchlist of investment targets with potential ESG risks, thus refining our responsible investment sustainability project in response to stakeholders' expectations by adopting ESG risk review procedures including comply-or-explain and the escalation

process. This year, the number of cases that underwent discussions in ESG review procedures amounted to 129.



### 3. Evaluating counterparty ESG

From 2017 onwards, we have included ESG into considerations of new transaction counterparties in our PE/HF fund investment assessment reports.

#### (II) ACTIVE OWNERSHIP: ASSET MANAGER MANDATING AND MONITORING

To ensure our mandate partners fulfill the duty of being an asset manager, we have taken signing the Principles for Responsible Investment (PRI) into consideration as an one of evaluation items for mandate partner selection process and ask 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 asset management companies since 2017. Together with our mandate partners, we encourage all asset managers to understand the importance of ESG risks and opportunities and shape the future in a sustainable manner.

As of the end of 2018, 98% of our mandate assets were managed by asset management companies that are either PRI signatories or who have follow the government stewardship code in place, up 3% from 2017.

(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.

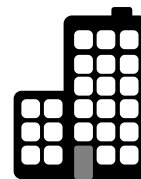


1. Dialogue

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 2018 company visits is as follows: participants grew by 47% from that in 2017, and companies visited also grew by 24%.



A total of **2,476**  
employees participated



Visited a total of **1,052** companies; total  
no. of visits reached **2,214**  
Averaged **2.10** visits per company visited





Considering the current lack of familiarity with the concept of ESG in Taiwan, Cathay Life also took advantage of relevant activities to demonstrate that institutional investors have started paying attention, in addition to the financial performance of investee companies, to issues other than financial performance (ESG), in hopes of increasing the financial and non-financial (ESG) information transparency of investee companies and improving the quality of interaction between investors and international ESG grading institutions.



From September to October 2018, Cathay Life was invited to speak at the “Stewardship Activity Practical Forum for Institutional Investors” of the Investor Relationship Forum organized by the TWSE

This is the first time I heard about ESG. I thank Cathay Life for its detailed introduction, and our IR department will also explain the importance of ESG to our managers.

From IR staff at a listed company  
2018.09.10



## 2. Engagement

[Cathay Financial Holdings Engagement Policy](#), jointly established by Cathay FHC, Cathay Life, and various Cathay subsidiaries, publicizes Cathay's sustainable spirit and corporate governance values to exercise our influence as a sustainable investor. We uphold the importance of engagement and encourage investee companies to effectively manage their ESG responsibilities, and hope in doing so to co-create the greatest benefits for the stakeholders of both Cathay and our investee companies and facilitate a positive cycle for society.

Even as extreme weather and climates brought by climate change have become a major issue for all nations across the globe, the Intergovernmental Panel on Climate Change (IPCC) of the United Nations and the World Bank have reported that Taiwan is arguably one of the countries that are most prone to natural disasters, even more so than Japan. Physical risks such as landslides and floods caused by climate change, as well as risks in the transformation of policies, laws and regulations and market demands that aim to control climate





change, will not only influence choices of factory location for traditional manufacturing industries and change the operating models of future businesses, but also become for the insurance industry one of the risks to consider in choosing investment targets and real estate.

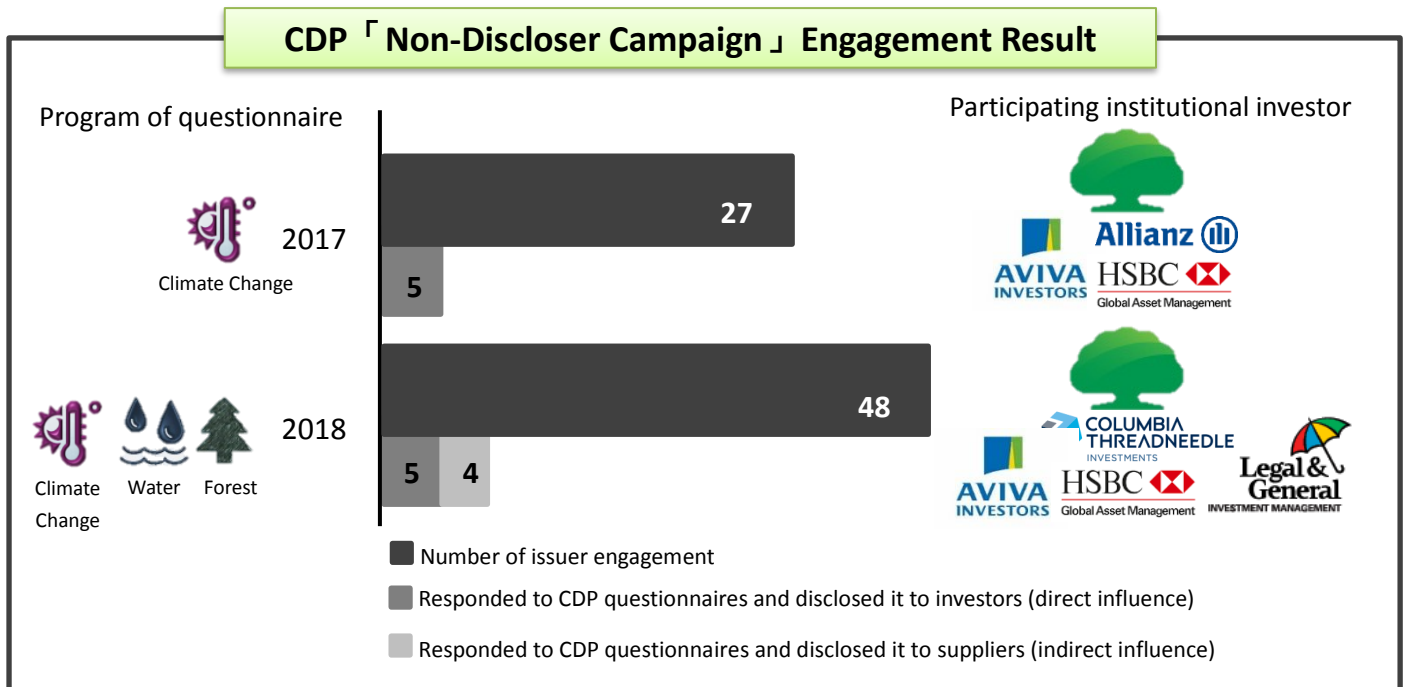
Therefore, as one of the largest institutional investors in Taiwan, Cathay Life is not only the insurance company with the largest investment (of US\$4.1 billion in 2018) in low-carbon industry, but also an enterprise that adopts “climate change” as the main theme of engagement in conducting dialogues and communication with investee companies. We hope to make our home a better place to live by encouraging good behaviors from good companies and exerting a positive influence on other players in the field.

#### (1) Participating in the CDP Non-Discloser Campaign

Cathay Life has been participating in CDP Non-Discloser Campaign for two consecutive years since 2017, and is the only financial institution in Taiwan to have done so. As the largest local institutional investor, Cathay Life takes it upon itself to act as a leader in engagement. We direct and connect with other international institutional investors, and encourage companies in Taiwan which haven't yet to participate in carbon emission disclosure as well as enterprises which CDP wishes to disclose such information to respond to CDP questionnaires, in order to facilitate the enterprises' disclosures of their measures related to climate change and carbon emission. Such disclosure also assists enterprises in setting up the most appropriate climate risk response strategies to mitigate or adapt to the impact of climate change. Meanwhile, we can also increase the acquisition and completeness of carbon emission figures, and improve our ability to assess the climate risks of investee companies.

In 2018, we expanded the campaign. The companies we communicated with grew from 27 to 48, and the types of questionnaire we encouraged responses to grew from 1 (“climate change”) to 3 (“climate change,” “water,”

and “forest”). After communicating with the companies, 5 responded to CDP questionnaires and disclosed it to investors, 4 responded to CDP questionnaires and chose to disclose it to suppliers, while 20.8% of the companies promised in their replies to respond to the questionnaires within a period of 3 years.



Cathay Life is active in campaigning for Taiwanese enterprises' proper attention to climate change and for their responses to CDP questionnaires, which won for us the recognition of the CDP. We also share our practical experience of engagement in Taiwan with CDP to assist in the advancement of the engagement processes and methods of its Non-Discloser Campaign. We firmly believe that our intensive cooperation and frequent exchanges with international organizations will not only improve Taiwanese enterprises' response to climate change and the transparency of information disclosure, but will also make Taiwan's efforts visible to the international community.



## (2) Participating in the Climate Action 100+ global initiative

Climate Action 100+ officially commenced on December 12, 2017 as a 5-year campaign jointly initiated by major international institutional investors. Currently, 310 institutional investors have become signatories, and assets under management amount have reached US\$32 trillion. Cathay Life and Cathay SITE are also its signatories, and are Taiwan's only participants.



Climate Action 100+ sets out to promote industries' transformation into low carbon economy to accelerate the achievement of the goals set by the Paris Agreement. This initiative puts the top 100 GHG emission enterprises in the global economy in communication with 69 related companies, in hopes that they will improve their climate risk management, reduce GHG emission, and enhance disclosure of financial information related to climate change in accordance with the framework of Task Force on Climate-related Financial Disclosures (TCFD) issued by the FSB in June 2017.

32 out of the 161 enterprises in the world are from Asia, among which 3 are from Taiwan. Cathay Life took the role of a leader for 1 company and that of supporter for another company. We hope that in-depth communication with these 2 companies for a period of 5 years will be conducive to Taiwan's transformation into a low carbon economy.

## (3) Organizing the Climate Change Forum

Paying due attention to the issues of climate change with investee companies and creating a positive cycle of sustainable development have always been one of our unwavering values. To realize our vision, we not only participate in international initiatives but also organize events to inspire domestic enterprises' awareness of climate change.



Following the private meeting between former U.S. Vice President Al Gore and 20-plus leading companies in Taiwan at Taiwan's Climate Change Roundtable Forum in November 2017, in December 2018, Cathay Life organized another Climate Change Forum in collaboration with CDP and PwC, and invited investee companies unfamiliar with or interested in climate change to participate in the forum.

We held a conference and 2 workshops to help investee companies further understand the CDP questionnaire structure and TCFD framework, in the process building stronger mutual connections as we jointly responded to the risks and opportunities of climate change through reciprocal exchange and improvement.

In the Climate Change Forum which took place on December 5, 2018, we invited heavyweight organizations including CDP, the internationally renowned climate change organization based in the UK, and PwC, to acquaint Taiwanese enterprises Cathay invests in with the issues of climate change.



86

Participants



55

Companies



4.42/5

Satisfaction score



In the CDP questionnaire scoring methodology workshop, everyone engaged in discussions and exchanges with enthusiasm.

Having participated in the forum, we have acquired more in-depth understanding and knowledge of CDP and TCFD

From participate  
2018.12.05



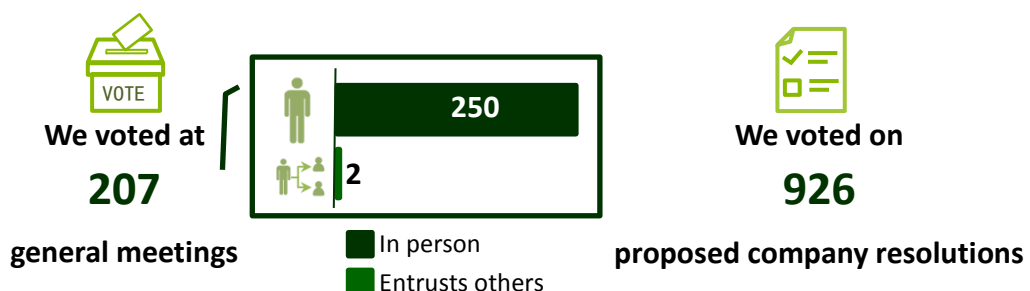


### 3. Proxy voting disclosure

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.

We exercise our voting rights in shareholders' meetings in accordance with external laws and regulations and the voting policy we have established. We also carefully evaluate proposals before exercising our voting rights. To show our appreciation for our investee companies and promote their development, we support proposals from investee management. In principle, we oppose proposals violating investee ESG, such as those regarding false financial statements, improper compensation of directors and supervisors, and actions having negative influence on the environment or society at large (e.g., pollution; violation of human rights; deprivation of labor rights).

However, according to Articles 146-1 and 146-5 of the Insurance Act, insurance companies may not vote in director and supervisor elections of investee companies listed in Taiwan, hence the abstention votes for proposals related to the appointment of directors and supervisors. Our 2018 attendance of investee company shareholders' meetings and voting are explained by proposal type as follows:





Category	Resolutions	Votes For	Votes Against	Abstentions
Financial Reports	199	100%	0%	0%
Capitalization	266	100%	0%	0%
Routine Business	266	100%	0%	0%
Directors Related: Election	79	0%	0%	100%
Directors Related: Other	97	100%	0%	0%
Remuneration	9	100%	0%	0%
Reorganization and Mergers	3	100%	0%	0%
Other	7	100%	0%	0%
<b>Total</b>	<b>926</b>	<b>91.5%</b>	<b>0.0%</b>	<b>8.5%</b>

Note: The above table shows the proxy voting results of Cathay Life in accordance with external laws and regulations and Cathay's voting policies. Figures for number of attendances and proposals include those of annual general meeting (AGM) and extraordinary general meeting (EGM).



For more information about other sustainability of Cathay Life, please visit:

1. CS website of Cathay Life insurance :  
[https://campaign.cathaylife.com.tw/CorporateSustainability\\_en/index.html](https://campaign.cathaylife.com.tw/CorporateSustainability_en/index.html)
2. Cathay Life Insurance PSI Disclosure Report  
[https://campaign.cathaylife.com.tw/CorporateSustainability\\_en/report.html](https://campaign.cathaylife.com.tw/CorporateSustainability_en/report.html)
3. Statement on Taiwan Stewardship Principles for Institutional Investors  
[https://campaign.cathaylife.com.tw/CorporateSustainability\\_en/pdf/ComplianceStatement.pdf](https://campaign.cathaylife.com.tw/CorporateSustainability_en/pdf/ComplianceStatement.pdf)
4. 2017 Cathay Life Insurance Stewardship Report  
[https://campaign.cathaylife.com.tw/CorporateSustainability\\_en/pdf/2017Cathay\\_Life\\_Insurance.pdf](https://campaign.cathaylife.com.tw/CorporateSustainability_en/pdf/2017Cathay_Life_Insurance.pdf)
5. Cathay Life Insurance Proxy Voting Report in 2015-2018  
[https://www.cathaylife.com.tw/life/B2CStatic/link/b2c/CorporateSustainability/pdf/ProxyVotingReport\\_ENG.pdf](https://www.cathaylife.com.tw/life/B2CStatic/link/b2c/CorporateSustainability/pdf/ProxyVotingReport_ENG.pdf)