

1.1.2 Sustainable Development Committee

In 2023, the Bank established the Sustainable Development Committee as the core organization to realize our corporate sustainability vision. We implemented the "Sustainable Development Committee Organizational Regulations" to demonstrate our firm determination to promote sustainable finance and enhance our competitiveness in the field of sustainability development. The current Sustainable Development Committee is a functional committee under the jurisdiction of the Board of Directors, with the Chairman of the Board serving as its chairman. The committee's responsibilities include formulating and revising annual plans and strategic directions for sustainability development, defining sustainability projects and activity plans, convening meetings at least quarterly to track and review the implementation effectiveness of sustainability development plans and projects, and reporting to the Board of Directors. As the highest guiding and supervisory body for the Bank's sustainability development initiatives, the Board of

Directors leads the Bank in implementing corporate sustainability principles and policies from top to bottom, actively promoting comprehensive sustainable development.

The Sustainable Development Committee has established the "Corporate Sustainability Team (CS Team)," chaired by the president, to oversee and supervise related matters. The task force serves as the primary organizational unit responsible for promoting corporate sustainability within the Bank. Through the Environmental(E), Social(S) and Governance(G) dimensions, the task force implements sustainable development initiatives. The Corporate Sustainability Task Force convenes quarterly meetings and regularly reports on sustainability work plans and execution results to the Sustainable Development Committee.

The CS Team is further subdivided into six sustainability task groups, each with a specific mission. The following areas are covered by the task force: sustainability governance, responsi-

ble investment, responsible products and services, employee happiness, green operations, and social prosperity. Each department participates in different task groups according to its functions. These groups are responsible for implementing the annual plans and strategies adopted by the committee and developing execution plans. In addition to regularly reviewing the implementation of action plans, it also establishes and plans business objectives and budgets to ensure that executing units receive corresponding resources.

Moreover, key objectives are included in the annual KPIs of executives at the level of Vice President and above to ensure alignment of action execution with goals. This approach advances sustainability development work related to the Bank's corporate sustainability vision of "Leading Green Finance, Co-creating a Sustainable Future," thereby realizing and strengthening the Bank's corporate social responsibility efforts.

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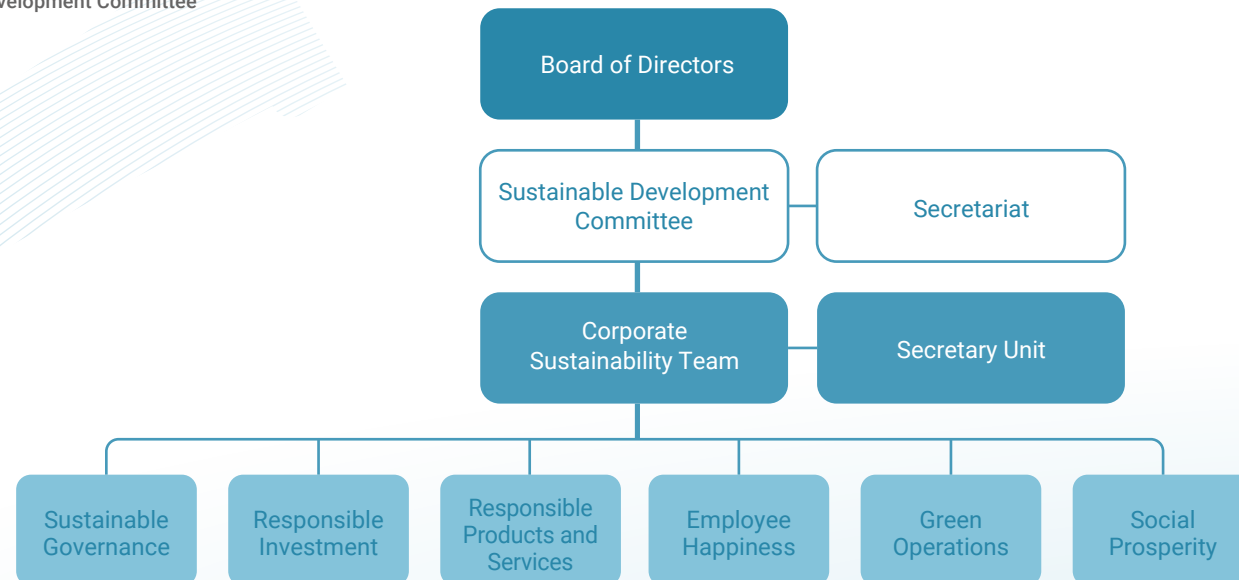
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5.1.2 Audit Committee

To enhance the professional functions of the Board of Directors and align with international standards, the Bank established the Audit Committee under the Board of Directors in June 2022. By virtue of the Audit Committee's specialization and independency, the Audit Committee assists the Board of Directors in making critical decisions. The Audit Committee shall be composed of all independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

In 2023, the Audit Committee convened six times with a 100% attendance rate. The main purpose of the operation of the Audit Committee is to supervise the following matters: fair presentation of the financial statements of the Bank, the hiring (and dismissal), independence, and performance of certificated public accountants of the Bank, the effective implementation of the internal control system of the Bank, compliance with relevant laws and regulations by the Bank, management of the existing or potential risks of the Bank, review of matters relating to mergers and acquisitions, senior management's accountability and promotion of the responsibility map.

To effectively execute independent oversight and checks and balances, all proposals are reported to and discussed by the Board of Directors. If any director or a juristic person represented by a director is an interested party with respect to any proposal, and the relationship is likely to prejudice the interests of the Bank, the director shall recuse him or herself therefrom, to align with the best interests of stakeholders.

5.1.3 Performance Evaluation and Remuneration Policy

To enhance the corporate governance system and create long-term value for shareholders, while ensuring that remuneration is linked to roles and responsibilities, the Bank has established the "Guidelines for Evaluation of Directors' Performance," "Guidelines for Directors' Remuneration," "Performance Management & Development Guidelines for Cathay Managers," and "Guidelines for Remuneration of Senior Management." These documents clearly define the various remuneration items and performance evaluation standards for directors and managers. Additionally, specific guidelines for the overall operation of the Board of Directors and functional committees have been stated in the "Regulations Governing the Evaluation of the Board and Functional Committee's Performance," which include corporate sustainability indicators. This ensures that the Bank fulfills its responsibilities in corporate governance, business operations, and the practice of corporate sustainability.

• Performance Evaluation Aspects:

1. The Bank has established the "Regulations Governing the Evaluation of the Board and Functional Committee's Performance" to assess the overall performance of the board and functional committees. The evaluation encompasses five major aspects, each divided into "qualitative" and "quantitative" measurement indicators: participation in company operations, enhancement of board (and functional committees) decision-making quality, composition and structure of the board (and functional committees), selection and continuing education of directors (and committee members), and internal controls. To further enhance the func-

tionality and efficiency of the board, the Bank conducts internal performance evaluations at least once a year, and external effectiveness evaluations by external professional organizations at least once every three years. The most recent internal evaluation results demonstrate that both the board and committees have exceeded standards, reflecting the Bank's outstanding achievements in promoting corporate governance and sustainability. The latest external evaluation also comprehensively acknowledges the board's performance over the past year, further validating the excellent performance in board performance management and continuous improvement in functionality and efficiency.

2. The Bank has established the "Guidelines for Evaluation of Directors' Performance," which includes indicators such as understanding company goals and missions, supervising the Bank's financial performance, supervising the Bank's internal audit and control, risk management, compliance with laws and regulations, and other reference items (such as company credit ratings and corporate social responsibility performance, board participation rates, etc.). Additionally, we have the "Performance Management & Development Guidelines for Cathay Managers," which not only includes measurement indicators such as annual strategic goals and job responsibilities (including "operational management," "effectiveness of internal control execution," "effectiveness of compliance with laws and regulations"), but also incorporates sustainability indicators since 2022 (such as performance in low-carbon operations and the use of green energy in environmental operations) into relevant senior management KPIs. Annual performance evaluations are conducted at the end of each year to ensure that both board members and executives fulfill their duties.

• Remuneration Policy Aspects:

To enhance overall operational efficiency and long-term business performance, the Bank has established the "Guidelines for Directors' Remuneration," which clearly outline the remuneration items and standards for directors, including remuneration, benefits, and transportation expenses. Director remuneration is determined by considering each director's level of participation in company operations, contribution value, and industry norms. It is submitted to the Audit Committee for review and approval by the Board of Directors.

Furthermore, to create long-term shareholder value and ensure remuneration alignment with job position and job responsibilities, the Bank has established the "Guidelines for Remuneration of Senior Management." Fixed remuneration of senior management is determined based on job responsibilities, performance, and capabilities, taking into account external benchmark market standards. Variable remuneration is based on the "Performance Management & Development Guidelines for Cathay Managers," reviewed and assessed annually, and year-end bonuses are granted based on the Bank's net earnings and overall performance relative to market standards. Additionally, we also attract, motivate and retain outstanding talents through following the Cathay FHC Long-Term Incentive Plan.