



Compliance Statement – Stewardship Principles for Institutional Investors

Cathay Life Insurance Co., Ltd. (hereinafter referred to as the “Company”) mainly runs a life insurance business and is an “Asset owner” who invests with its proprietary capital and funds collected from clients or beneficiaries.

Consistency and pragmatism have always been the Company’s persistence. In an era where corporates are attached more closely to the society and environment, the Company believes that the most crucial corporate social responsibility of financial institutions is sustainable development, and its sustainable vision is “Lead the way in sustainable insurance and ensure the happiness of society”. Under this vision, the company will continue to keep pace with the sustainability trends of international benchmark companies. At the same time, the Company, as a responsible institutional investor, will prudently allocate the funds on behalf of shareholders and clients to reduce the environmental, social, and corporate governance (ESG) risks and eventually exert a strong influence on capital market and investee companies.

The Company hereby represents to comply with “Stewardship Principles for Institutional Investors”. Explanation on the compliance with the six principles is detailed below:

Principles 1: Establish and disclose stewardship policies

The Company provides life insurance products to its clients and one of its long-standing business philosophy is to fulfill its corporate accountability and promote corporate sustainability and development. To undertake the responsibility of being an asset owner, the Company has established the stewardship policy that can encourage sustainable corporate practices, which contribute to the long- term value creation that benefits the Company, its clients and shareholders, and thereby make the society full of positive cycles. The main policy contents are as follows:

- Operating in life insurance industry, the Company is an asset owner making investments using proprietary capital and various reserves. Through stewardship activities, the Company considers environmental, social and governance (ESG) issues to increase the value of its investments and enhance long-term benefits for itself, its clients, and shareholders.
- The Company may determine the frequency, extent, and methods of stewardship activities based on the purpose and benefits of the investment and the influence of the investments on its sustainable development. The Company’s stewardship activities are carried out in many ways, including keeping investee companies under observation, interactions with the management, and participation in shareholders' meetings and voting.



- The Company may entrust part of its stewardship activities to other professional agencies, such as those providing voting advice or voting on behalf of the Company. This is based on agreements with such agencies or is done under the Company's supervision in order to ensure that the entrusted agency performs at the request of the Company.
- The Company shall disclose its stewardship activities at least once every year on its website.

Principles 2: Establish and disclose policies on managing conflicts of interest

To ensure that the Company executes its businesses in the interest of its clients and shareholders, the Company has established the Employees' Code of Conduct and policies on managing conflicts of interest, including types of conflicts of interest and management approach. The main policy contents are as follows:

- A policy on managing conflicts of interest aims to ensure that the Company operates in the interests of its clients and shareholders.
- Scenarios where conflicts of interest may arise include:
 1. Where the Company or its employees, for its own benefits, makes a transaction or investment to the disadvantage of its clients or shareholders.
 2. Where the Company or its employees, for the benefits of certain clients or shareholders, makes a transaction or investment to the detriment of other clients, shareholders or stakeholders.
- The Company has stipulated the Internal Controls and Operating Procedures, the Employees' Code of Conduct, the Rules for Conduct of Financial Investment Transactions, the Internal Practices and Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties and the Regulations for Extending Loans by Insurance Enterprises to Interested Parties. In addition, conflicts of interest can be managed through training, delegation of duties, and information security control.
- The Company is advised to consolidate and explain to clients, shareholders, and stakeholders the causes and the response measures taken against major incidents where conflicts of interest have occurred and may cause damage to its goodwill or financial soundness.

Principle 3: On-going observation of investee companies

To ensure that sufficient and valid information can be obtained by the Company for assessing the nature, timeline and degree of dialogue and interaction with investee companies and to form a sound



basis for its investment decision-making, the Company shall focus on issues regarding the investee companies, such as related news, financial performance, industry profile, business strategy, activities for environmental protection, social responsibilities and corporate governance.

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

Through appropriate dialogue and interaction with investee companies, the Company will further understand and communicate with management about risks faced by industry and strategies adopted, and strive to reach consensus on the long-term value creation with the investee companies. The Company communicates with management of investee companies through conference calls, face-to-face meetings, participation in institutional investors' roadshows or attendance at shareholders' meetings or significant extraordinary general meetings. In scenarios where an investee company may violate principles of corporate governance on specific issues or damage long-term values of clients, beneficiaries and shareholders of the Company, the Company will, when considered necessary, inquire with management of the investee company about correcting measures, and will not give up its rights to act collectively with other investors to express appeals and protect their interests.

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

In order to achieve maximum benefits for clients / shareholders, the Company has established a clear voting policy and be a proactive voter at shareholders' meetings and does not necessarily support proposals made by management. The main policy contents are as follows:

- In the best interest of its clients and shareholders, the Company establishes a clear voting policy and actively exercise its voting rights so as to express an opinion on each proposal at the shareholders' meetings of investee companies.
- The company's voting policy may include the following:
 1. The Company shall establish the threshold for exercising voting rights as determined in relation to its influence on the overall operations of investee companies through conducting a suitability analysis. For instance, voting rights will only be exercised if a shareholding reaches a certain percentage or amount.
 2. Before attending a shareholders meeting of an investee company, the Company enterprise shall prepare an explanation of how it has evaluated and analyzed the exercise of voting rights, and after each such shareholders meeting shall periodically submit to its board of directors a written record of the exercise of voting rights.
 3. To fully express an opinion on each proposal at the shareholders' meetings of investee



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

4. To show respect for the professionalism of investee companies and to promote its development, the Company supports proposals proposed by the management in principle. The Company opposes proposals violating the corporate governance of investee companies, such as false financial statements and improper compensation of directors and supervisors, or those having a negative influence on the environment or society at large, such as pollution, violation of human rights, and deprivation of labor rights. Except as otherwise stipulated by law, the Company may abstain from proposals involving the election of directors and supervisors.

- The Company should properly record and analyze the voting rights exercised in accordance with the above policies so as to facilitate disclosure of its voting activities, which may be disclosed annually.

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

The stewardship activities are disclosed by the Company on its website on a regular basis, including this statement, explanation on non-compliance with stewardship principles, attendance at shareholders' meetings of investee companies, voting activities, and other material events.

Signatory: Cathay Life Insurance Co. Ltd.

2017/01/24