



國泰金控

Cathay Financial Holdings

Case study: Cathay Financial Holdings (Taiwan) Investor Climate Action Plan

ICAPs Expectations Ladder Area: Corporate Engagement and Policy Advocacy

Cathay Financial Holding Co. (Cathay) is a diversified financial institution that includes asset owner (insurance) and asset management subsidiaries, as well as banking businesses with total assets of over USD\$400bn (as of June 2021). Cathay is a leader across Asia in integrating climate change risks, opportunities and other ESG factors into its investment and other business processes, and has implemented multiple climate-related initiatives through its Corporate Sustainability Committee and TCFD Task Force.

Corporate Engagement

Investors can directly influence corporate practices and performance on climate change management. Collectively and individually, they have an essential role to play in accelerating the business transition to a net zero emissions economy. Cathay is undertaking multiple Tier 1 and 2 actions within the ICAPs ladder.

Cathay is an active participant in multiple collaborative engagement programs, including collaborating on all three Taiwanese engagements within the Climate Action 100+ initiative. They also participate in other collaborative initiatives such as AIGCC's Asian Utilities Engagement Program, CDP's Non-Disclosure campaign and CDP's Science Based Target Campaign. In addition, Cathay also bilaterally engages with companies within its portfolio to have 1.5 degree aligned business strategies - in 2020, Cathay engaged with 79 companies.

Cathay adopts a collaborative approach when engaging with companies, working through issues alongside the company and bringing global best practice to the discussion. At the same time, there is a clear action plan to escalate the issues to senior management to drive action. In its engagement with Formosa Petrochemical, a Climate Action 100+ focus company, Cathay also met with senior management of its parent, Formosa Group, a strategy that contributed towards Formosa Petrochemical making a net zero 2050 commitment in 2021. Cathay will continue to work with the company on its implementation plan in the short and medium term going forward.

Whilst climate resolutions are rare in Taiwan, Cathay expects this and other methods of engagements, such as making a statement at a company AGM, to pick up. Cathay has supported climate resolutions at overseas portfolio companies and its mandates to external managers clearly state that ESG factors need to be incorporated into voting guidelines. Cathay Life has a proxy voting guideline that includes sustainability, but they do not currently pre-declare voting intentions on ESG defining resolutions.

Policy Advocacy

An enabling policy framework is essential for a just transition to a net zero economy by 2050 and the case for investors to advocate for this is clear: investors are a key influence on policymakers and, therefore, policy engagement by investors is an important extension of these investors' responsibilities and fiduciary duties to their beneficiaries. Cathay is undertaking multiple Tier 1 and 2 actions within the ICAPs ladder.

Cathay supports policy advocacy through collaborative investor statements and by taking a leading role in discussions of sustainable finance, policy, and regulatory measures to ensure 1.5°C-aligned financial flows.

Cathay engages with policymakers through the Investor Agenda as a signatory to the Global Investor Statement to Governments on the Climate Crisis. Cathay's subsidiaries, Cathay Life Insurance and Cathay SITE Asset Management, are members of Taiwan Life Insurance Association and Taiwan Securities Investment Trust & Consulting Association, respectively, which both advocate for Taiwanese financial institution practices to align with TCFD disclosures.



These gaps – in climate ambition, policy action and risk disclosure – need to be addressed with urgency.

We, therefore, call on all governments in 2021 to:

1. Strengthen their NDCs for 2030 before COP26, to align with limiting warming to 1.5-degrees Celsius and ensuring a planned transition to net-zero emissions by 2050 or sooner.
2. Commit to a domestic mid-century, net-zero emissions target and outline a pathway with ambitious interim targets including clear decarbonization roadmaps for each carbon-intensive sector.
3. Implement domestic policies to deliver these targets, incentivize private investments in zero-emissions solutions and ensure ambitious pre-2030 action through: robust carbon pricing, the removal of fossil fuel subsidies by set deadlines, the phase out of thermal coal-based electricity generation by set deadlines in line with credible 1.5-degrees Celsius temperature pathways, the avoidance of new carbon-intensive infrastructure (e.g. no new coal power plants) and the development of just transition plans for affected workers and communities.
4. Ensure COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience. This includes facilitating investment in zero-emissions energy and transport infrastructure, avoiding public investment in new carbon-intensive infrastructure and requiring carbon-intensive companies that receive government support to enact climate change transition plans consistent with the Paris Agreement.
5. Commit to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, ensuring comprehensive disclosures that are consistent, comparable, and decision-useful.

Strong policies, in line with limiting global warming to no more than 1.5-degrees Celsius, can accelerate and scale up private capital flows towards the net-zero transition. Full implementation of the Paris Agreement will create significant investment opportunities in clean technologies, green infrastructure and other assets, products and services needed in this new economy. In turn, investors can use capital allocation and stewardship to support sustainable activities that generate jobs and economic growth, transition away from carbon-intensive activities and increase resilience. We encourage governments to engage closely with investors to make sure these opportunities are fully realized.

As investors, we are committed to working with governments to ensure policy mechanisms are developed and implemented to transition to a climate resilient net-zero emissions economy by 2050 or sooner.

We urge all governments to step up their collective response to the climate crisis.

5 action points from the Global Investor Statement to the Governments on the Climate Crisis (source: <https://www.iigcc.org/resource/global-investor-statement-to-governments-on-the-climate-crisis-2021-update/>)

Cathay is also very active with its policy advocacy work in Taiwan. Cathay organizes an annual sustainable finance and climate change summit where there is strong C-suite representation both internally and from external stakeholders. They also participate in multiple intergovernmental meetings on sustainable finance and have organized a series of sustainability workshop to build capacity and bridge relations between NGOs, corporates and the government. Cathay actively participates in meetings and workshops initiated by the Office of Energy & Carbon Reduction under the Premier Office and the Environmental Protection Administration since 2020. Through the meetings, Cathay urges the government to introduce carbon pricing in line with the goal of net zero by 2050 and toward the pricing level adopted by international communities. Cathay's Chief Investment Officer is also the current chair of AIGCC and is an avid advocate for an enabling policy framework for an economy-wide transition to net zero.



Cathay FHC organized an annual Sustainable Finance and Climate Change Summit since 2017 to engage with the corporates taking ESG and climate actions. Over 200 Taiwanese listed companies, representing 70% of market capitalization of listed companies, attended the Summit in 2020. (source:

<https://www.cathayholdings.com/en/holdings/csr/intro/cathay-sustainable-finance-and-climate-change-summit>)



Mr. Chang-Ken Lee, President, Cathay Financial Holdings

“Net zero emissions is a critical action to tackle the climate crisis. Cathay FHC has committed to achieving net zero emissions by 2050, of which we have also committed to using 100% renewables by 2030 in all the operation locations in Taiwan. To achieve net zero, Cathay FHC has been devoting tremendous efforts to engage with our investee companies taking actions toward net zero. Mitigating climate change challenges is everyone’s responsibility. Cathay FHC looks forward to working together with all the stakeholders toward net zero.”

Mr. Chang-Ken Lee, President, Cathay Financial Holdings