



國泰世華銀行

Cathay United Bank

Progress Report on the Implementation of the Principles for Responsible Banking (PRB) 2020



Compliance Statement

Cathay United Bank (CUB) is the first bank in Taiwan to adopt the United Nations' "Principles for Responsible Banking" (PRB) on its own initiative in December, 2018, taking concrete actions to fulfill its corporate social responsibility as a financial institution.

CUB's President Alan Lee indicated that with the concerted efforts of all colleagues, the Bank has been leading financial peers in social/environmental awareness. The Bank will continue upholding its mandate to promote the PRB in the future to attain a shared value for the enterprise, society, and the environment.

This report is a statement by the Bank on its compliance with the PRB and regular disclosure of its PRB implementation in accordance with Principle 6.

Principle 1: Alignment

Principle	Implementation Summary
<p>Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	<p>In terms of alignment, the SDGs identification and execution planning are summarized as follows.</p> <p>The Bank has identified 9 Sustainable Development Goals (SDGs) with significant impact to align the Bank's business strategies and programs with the SDGs, the Paris Agreement, and other social objectives, and to develop action plans for the implementation of the SDGs by the relevant departments of Corporate Sustainability (CS).</p>

Principle 2: Impact and Target Setting

Principle	Implementation Summary
<p>Principle 2: Impact and Target Setting</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	<p>In terms of impact and target setting, the analysis and setting are conducted in 2 stages, as summarized below.</p> <p>I. Based on the PRB methodology, 6 areas where the Bank’s businesses will have a significant impact on the SDGs and the Paris Agreement are identified (5 areas with positive impact and 1 with negative impact):</p> <p>(1) Positive impact:</p> <ul style="list-style-type: none"> a) Renewable energy loans b) Social enterprise loans c) Microloans d) Promotion of products for seniors e) FinTech <p>(2) Negative impact: Loans to high carbon emission industries</p>

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Principle 3: Clients and Customers

Principle	Implementation Summary
<p>Principle 3: Clients and Customers</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>	<p>In terms of cooperation with clients/customers, the Bank upholds the Principles of Treating Customers Fairly (TCF), actively collaborates with customers/clients, and encourages sustainable practices with an aim to foster economic development and make positive contributions to the environment and society, as summarized below.</p> <ol style="list-style-type: none"> 1. As a pioneer in green finance, the Bank undertook the first solar project financing, the first Equator Principles (EP) case, and the first syndicated loan of offshore wind farm in Taiwan. In 2019, the Bank also hosted the largest syndicated loan of offshore wind farm in the Asia-Pacific region, engaging with customers to generate positive environmental and social benefits. 2. Through online and offline digital integration of front, middle and back-end offices, the Bank aims to provide customers with omnibus and seamless digital services, creating a brand new digital channel and digital financial system. 3. The Bank promotes preferential loans for social enterprises, supports the development of social enterprises, and cooperates with social enterprises on projects such as “Bonus Point Donation” and “Christmas Bazaar for Social Enterprises” to engender social influence. 4. With the financial expertise, the Bank promotes the “Professional Baseball Players Anti-Gambling Trust” and the “Care Trust for Seniors” to foster a healthy culture of professional sports, ensure the safe and secure use of customers' assets, and create significant social value.

Principle 4: Stakeholders

Principle	Implementation Summary
<p>Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	<p>In terms of stakeholders, in addition to identifying key stakeholders, the Bank has strengthened consultation, interaction and cooperation with relevant stakeholders to achieve positive environmental and social impact, as summarized below.</p> <ol style="list-style-type: none"> 1. The Bank and Cathay FHC co-organized the “Cathay Sustainable Finance and Climate Change Summit” to engage with customers, regulators, academics, NGOs, and other Cathay Group subsidiaries for idea exchange and networking. With great media exposure, the Summit delivered positive environmental and social impacts to Taiwan. 2. The Bank conducted customer satisfaction surveys to understand the demands of the customers and the local communities, so as to leverage the Bank’s expertise to enhance social welfare through financial services. 3. The Bank participated in external evaluations, such as the Finance Best Practice Awards by Taiwan Academy of Banking and Finance and Taiwan Corporate Sustainability Awards (TCSA), and received affirmation; the awards were announced to the public through press release. The Bank will exceed the expectations of customers and achieve sustainable management. 4. The Bank exercised its core function and cooperated with the police to prevent fraud, and was recognized by the National Police Agency as a meritorious unit for assisting in stopping fraud. 5. The Bank collaborated with Cathay FHC to hold a supplier assembly to promote suppliers’ recognition of sustainability and improve their production/operations.

Principle 5: Governance and Culture

Principle	Implementation Summary
<p>Principle 5: Governance and Culture</p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	<p>In implementing the current governance structure and management of PRB, a top-down system and culture has been established. The summary description is as follows.</p> <ol style="list-style-type: none">1. In terms of PRB implementation, the Board of Directors (BOD) is the supervisory unit and the CS team is the management unit. The PRB implementation progress is reviewed in quarterly CS meeting, and the CS team secretary unit reports the implementation progress to the BOD every 6 months.2. Regarding staff training, the Bank has added PRB e-learning courses to strengthen the corporate culture of responsible banking.

Principle 6: Transparency and Accountability

Principle	Implementation Summary
<p>Principle 6: Transparency and Accountability</p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>	<p>The Bank leads the industry in following the international sustainability framework, and is the first bank in Taiwan to voluntarily adhere to the PRB of the UN. Transparency and accountability related descriptions are as follows:</p> <ol style="list-style-type: none"> 1. The Bank's PRB implementation progress report will be disclosed to the public and investors on the Bank's corporate sustainability website and Cathay FHC's CSR report on a regular basis starting this year. 2. The Bank has appointed an accounting firm to provide assurance on this PRB implementation progress report; please refer to the "Summary of Subject Matter Assured". 3. To demonstrate our commitment to corporate sustainability and PRB, the Bank discloses the implementation of the Equator Principles and results of ESG review of corporate loans in the Cathay FHC's Corporate Sustainability Report each year. In 2020, the Bank also amended the "Principles Governing Sustainable Environmental, Social, and Governance (ESG) for Corporate Loans" and "Rules Governing Project Finance of Equator Principles" to improve the implementation of EP and ESG risk management.

Summary of Subject Matter Assured

No.	Subject Matter Assured	Applicable criteria
1	<p>6 areas with significant impact are identified:</p> <ol style="list-style-type: none"> 1) Areas with positive impact: <ol style="list-style-type: none"> a) Renewable energy loans b) Social enterprise loans c) Microloans d) Promotion of products for seniors e) FinTech 2) Area with negative impact: Loans to high carbon emission industries 	<p>The 6 areas are analyzed by the Bank and approved in the internal management meeting.</p>
2	<p>The Bank has set the following targets for renewable energy loans and coal-fired electricity generation financing.</p> <ol style="list-style-type: none"> 1) Target of renewable energy loan: The balance of renewable energy loans to reach 85% of the balance of electricity generation loans by 2025. 2) Target of loans to high carbon emission industries: No new financing case of coal-fired electricity generation. 	<p>The targets are approved in the Bank's internal management meeting.</p>

Summary of Subject Matter Assured

No.	Subject Matter Assured	Applicable criteria
3	The Bank tracks on a quarterly basis the ratio of the balance of renewable energy loans to the balance of electricity generation loans and the execution status of no new financing case of coal-fired electricity generation.	The Bank tracks on a quarterly basis in internal management meeting regarding the targets of renewable energy loans and loans to high carbon emission industries and execution status
4	As of Dec. 31, 2019, the balance of renewable energy loans accounted for 69.23% of the balance of electricity generation loans. As of Dec. 31, 2020, the balance of renewable energy loans accounted for 76.08% of the balance of electricity generation loans.	The Bank defines the ratio as: The Balance of Renewable Energy Loans / The Balance of Electricity Generation Loans. 1. Renewable energy loans: The borrowers' operation relates to renewable energy. 2. Electricity generation loans: 1) Electricity supply industry (including renewable energy loans identified in 1.) 2) Non-electricity supply industry but loan purpose is for thermal power generation based on the Business Unit's report.
5	In terms of PRB implementation, the BOD is the supervisory unit and the CS team is the management unit. The PRB implementation progress is reviewed in quarterly CS meeting, and the CS team secretary unit reports the implementation progress to the BOD every 6 months.	The Bank's PRB implementation status.
6	"Principles Governing Sustainable Environmental, Social, and Governance (ESG) for Corporate Loans" and "Rules Governing Project Finance of Equator Principles" were amended in 2020.	"Principles Governing Sustainable Environmental, Social, and Governance (ESG) for Corporate Loans" and "Rules Governing Project Finance of Equator Principles" were amended and approved through the Bank's internal process in 2020.

Independent Limited Assurance Report



Independent Limited Assurance Report

PWCM20000520

To Cathay United Bank Co., Ltd.

We have been engaged by Cathay United Bank Co., Ltd ("Company") to perform assurance procedures on the sustainability performance information identified by the Company and reported in the Progress Report on the Implementation of the Principles for Responsible Banking (PRB) 2020 (hereinafter referred to as the "PRB Report"), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by the Company (hereinafter referred to as the "Subject Matter Information") and the respective applicable criteria are stated in the "Summary of Subject Matter Assured" on page 10-11 of the PRB Report.

Management's Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the PRB Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the PRB Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China, to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Subject Matter Information, and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

- Made inquiries of the persons responsible for the Subject Matter Information to understand the processes and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where

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there may be risks of material misstatement; and

- Based on the above understanding and the areas identified, performed selective testing including inquiry, observation, inspection, and reperformance to obtain evidence for limited assurance.

We do not provide any assurance on the PRB Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

Certain Subject Matter Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment that is required of Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria."

Other Matter

The Management of the Company is responsible for maintaining the Company's website. If the Subject Matter Information or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers, Taiwan

Li, Yi-Huah

Title: Partner

April 23, 2021