

# Progress Report on the Implementation of the Principles for Responsible Banking (PRBs) 2022

## 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.*

## About Us

Cathay United Bank (CUB) is a private bank with the largest number of branches across Taiwan. Assuming a leading market role in credit card services and wealth management, CUB tasks itself with facilitating corporate and individual growth, providing diverse products and services to meet the financial needs of individual and corporate customers. CUB plays an active role in fulfilling social responsibility of Cathay Group (the “Group”), working hand in hand with all interested parties to wield its financial influence; in addition to monitoring the impact of environmental changes and the pandemic/COVID-19 on society, economy and individuals.

## Our Commitment

### Equator Principles (EPs)

In 2015, CUB became the first bank in Taiwan to adopt the Equator Principles.



### Principles for Responsible Banking (PRBs)

In 2018, CUB became the first bank in Taiwan to announce voluntary compliance with the United Nations' Principles for Responsible Banking.

## Development

CUB led the industry to sign the Equator Principles (EPs) in 2015, taking the initiative to care for the environment and society according to international standards. Since announcing its voluntary compliance with the United Nations' Principles for Responsible Banking (PRBs) in 2018, CUB has conducted an extensive evaluation by identifying the impact that products and services may have on society and individuals, focusing on CUB's core functions and Sustainable Development Goals (SDGs). Simultaneously CUB ensures that its business strategy aligns with its sustainability framework targets by complying with the EPs, PRBs, and the Paris Climate Agreement, pledging wholeheartedly to government initiatives such as the Green Finance Action Plan and Guidelines for Domestic Banks' Climate Risk Financial Disclosure. Looking towards the future, CUB will expand the blueprint of its sustainable development goals to include factors such as climate, health, and

empowerment. By integrating multiple factors, such as the nature of its business, asset portfolio, and strategic vision, CUB aspires to formulate action plans that will bring about significant changes. For CUB, the year 2022 was a year of action. In addition to various sustainable measures taken by its domestic operations, CUB also saw its overseas branches and subsidiaries contribute to the local environment and society to varying degrees, working hand in hand with local regulators and forming risk management teams to address climate and other risk factors.

#### CUB China

CUB China conducted an overhaul on mechanisms and regulations regarding ESG risk management, planning to incorporate ESG with its business by passing ESG Risk Ratings in 2023, guiding investment away from “carbon and energy intensive” industries and companies, or businesses that are “incompatible with sustainable development goals.” In November 2022, CUB China took the idea further by introducing the Green Deposit Project. The project was the first of its kind offered by a Taiwan-based bank in China and gained support from many carbon-conscious businesses.

#### Hong Kong Branch

CUB’s Hong Kong Branch signed a strategic memorandum of understanding (MOU) with the Hong Kong Quality Assurance Agency (HKQAA) to advance the development and scope of bilateral collaboration in green finance. Aside from boosting Hong Kong Branch’s ESG financing business, this MOU will enable the Branch to create adaptable ESG financing projects for its customers. **Through active engagement with its customers, CUB’s Hong Kong Branch was able to develop a Sustainability Linked Loan (SLL), of which many reputed companies have since signed up. The SLL helps CUB win the Hong Kong Green and Sustainable Finance Awards.**

#### Singapore Branch

**The Singapore Branch improved its framework for managing environmental risk and incorporated the latest MAS guidelines, which came into force in June 2022. The Singapore Branch will continue to enhance its ESG structure.**

## Principle 2: Impact and Target Setting

*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.*

### Impact Analysis of Our Products and Services

CUB has adopted the United Nations Environment Program Finance Initiative (UNEP FI) Investment Portfolio Impact Analysis Tool, applying it to identify and assess influential products and services.

(Table 1. Financed emissions from the Bank's corporate loans by the end of 2022)

Carbon Emission Ratios of Long-Term Corporate Loans (by Industry)
Basic Materials
Manufacturing
Consumer Staples
Public Utilities
Finance
Consumer Discretionary
Information Technology
Energy
Real Estate
Telecommunications Services
Healthcare

Note: Based on the SBTs of long-term corporate loan (namely mid to long-term loan to non-SMEs)

The Impact Radar consists of 22 impact areas across the three pillars of sustainable development (economic, environmental, and social). In reference to the international initiatives and agreements such as SDGs and the Paris Climate Agreement mentioned in the PRB Principle 1, six of the Bank's current products and services will have significant impacts on SDGs. These six types of products and services are listed below in Table 2 by type of business and impact:

(Table 2. The correlation between the Impact Radar and CUB products/services that possess significant SDG impact)

Financial Service	Impact	Corresponding SGD(s)	Corresponding Impact Radar Area	Impact Radar Pillar
Renewable energy loans	Positive	7, 9, 13	Energy	Society
			Air	Environment
			Resource efficiency	
			Climate	
Social enterprise loans	Positive	5, 8	Employment	Society
			Economic convergence	Economy
Microloans	Positive	1, 8	Employment	Society
			Economic convergence	Economy
			Inclusive, healthy economies	Economy
Products for senior citizens	Positive	3	Health & Sanitation	Society
Digital finance	Positive	9	Mobility	Society
Loans to high carbon emission industries	Negative	13	Air	Environment
			Climate	

### Description of Target Setting, Implementation, Monitoring, and Progress

Both the public and private sectors need more investment and funding for energy transition in order to mitigate the impact of climate change, which is exacerbated by the increase in greenhouse gas emissions. For a financial mediator, the best and prudent option is to turn deposits into loans to industries or facilities, thereby benefiting the environment or society.

Due to the urgency and materiality of climate change and energy transition, CUB’s lending policy is keen to support national development of the “Green Power and Renewable Energy Policy”, serving their core function in reducing the negative impact caused by corporate operations might have. Hence, renewable energy loans and loans to high carbon emission industries have been selected from the aforementioned list. They will be given set targets that are specific, measurable, and trackable before being presented to the board of directors.

CUB remains steadfast in its support for renewable energy loans, and has ceased to extend credit facilities for coal-related loans since April 2021. CUB follows up on any changes in loan amounts

as well as progress on a quarterly basis, dutifully presenting the results to the board of directors at least once a year. Details are provided in Table 3.

(Table 3. The implementation, monitoring, and progress of PRB targets)

Target	Target Setting	Monitoring	Progress on Implementing Targets
Renewable energy loans (Target achieved)	The proportion of renewable energy in the power supply loan maintains steady growth and reaches 85% by 2025.	Follow up on a quarterly basis.	87.56% at the end of 2022, crossing the set threshold. 77.53% at the end of 2021, up 1.45% from 76.08% in the same period of 2020.
Loans to high carbon emission industries “Zero coal financing*” will succeed “desisting from undertaking new coal-fired power financing cases”.	The “zero coal financing” target is to nullify all credit facilities for coal-related loans by the first quarter of 2027.	Follow up on a quarterly basis.	The revolving facility will reset to 0 once the buffer period expires at the end of 2022 and will not be renewed. Mid/long-term credit facilities gradually mature; no new loans/loan increase will be approved.

\*The upstream, midstream, and downstream coal supply chains, including the exploitation, production, and wholesalers and retailers, are on the loan exclusion list of the Bank.

Given that the proportion of renewable energy in the power supply loan has already surpassed the set target (85%) and reached 87.56% at the end of 2022 and that the proportion is unlikely to drop below 85% by 2025, the Bank, maximizing its financial influence, has pledged to double the size of the products or services related to green deposits and loans by 2030 to support customers’ low-carbon transition and to subsequently create a net-zero future. This can enhance customers’ competitive edge and facilitate society’s gradual transition into the green economy. The green deposit/loan is the new target that will replace the previous target (renewable energy loans) starting 2023. Details are provided in Table 4.

(Table 4. A new PRB target that replaces the renewable energy loan target starting 2023. Currency: NT\$)

Target	Target Setting	Monitoring
Products or services related to green deposits and loans	Building on the foundation laid in 2022, products or services related to green deposits or loans grow 100% by 2030.	Follow up on an annual basis

## **Principle 3: Clients and Customers**

*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.*

### **Valuing Clients and Customers and Engaging in Partnerships**

CUB upholds its commitments to the environment, society, and customers and proactively integrates these commitments into its core functions. Moreover, the Bank will make use of the aforementioned products and services that have positive influence and work responsibly with its clients and customers in an effort to bring about a greater positive impact on society.

### **Overview of Previous and Current Practices**

1. **Renewable Energy Financing:** CUB is a pioneer in green finance. Since 2011, CUB undertook the first solar power project financing, the first EP case, and the first syndicated loan for an offshore wind farm in Taiwan. By the end of 2021, the Bank has already approved loans for over 2,500 domestic and overseas solar power stations, with total installed capacity reaching 758 MW. Together, the power stations can reduce 393,000 tons of carbon emissions every year, which is equivalent to the carbon absorption of 1,023 Daan Forest Parks. CUB facilitates the co-existence between its customers and the environment with loans: as of 2022, the Bank's credit positions for renewable energy reached NT\$27.1 billion.
2. **Individual Banking:** Of the six types of products and services disclosed in Principle 2, most CUB's products and services offered are for individual banking customers, except for those for customers in the renewable energy sector and high-emitting industries. CUB is also dedicated to providing services catering to customers' needs. An example is the CUBE card that was launched in 2021. The CUBE card allows cardholders to choose their preferred reward plans freely. By the end of December 2022, the number of the CUBE card in circulation reached 8.81 million, with a total annual transaction amount of NT\$580 billion, placing the Bank firmly at the top amongst its peers. Furthermore, nearly ten million customers have chosen CUB to manage their deposits and loans and use the CUBE app to access to one-stop financial experience, which further lays the solid foundation for the Bank to exert its influence in individual and digital banking.

Provision methods of related individual banking products and services and their social benefits are elaborated in Table 5.

(Table 5. Cases of how CUB individual banking accommodates the needs of customers)

	<b>Financial Service</b>	<b>Participant</b>	<b>Provision Method</b>	<b>Social Benefit</b>
1	<b>Social enterprises: donating reward points</b>	<b>Social enterprises, credit card holders</b>	<b>Cardholders may assist the growth and development of a social enterprise of their own choice by donating their reward points</b>	<b>Generating a greater social impact</b>
2	<b>Digital finance: integration of online and offline products or services (CUBE card and app)</b>	<b>Individual customers</b>	<b>Meeting various needs with a CUBE Card, a CUBE account, and the CUBE app</b>	<b>Enjoying integrated financial services on a digital platform</b>
3	<b>Financial Inclusion: financial service station</b>	<b>Brick-and-mortar shops (e.g., supermarkets), remote areas, or office workers</b>	<b>Administrating applications from a nearby location or during non-business hours</b>	<b>Providing the public with better financial services</b>
4	<b>Products for senior citizens: long-term care micro trust</b>	<b>Plan for customers who require long-term care</b>	<b>Using a lower threshold to help senior citizens in outlining asset applications, thus providing them with care and security</b>	<b>Expanding the financial inclusion of CUB, thereby attaining excellent financial health</b>

## **Leveraging the Group’s Synergies**

Taiwan and many other countries are facing an ageing population and changing social environment. Against such backdrops, people desperately need a commercial mechanism to help them plan for their retirement. In response to people’s need, the Financial Supervisory Committee (FSC) launched the Comprehensive Trust 2.0 Program. Knowing what customers want, CUB has been sparing no efforts to cater their needs.

After years of preparation, collaboration, applications, CUB and Cathay Life Insurance co-launched a cross-selling mechanism for insurance trusts and got the green light from the FSC in 2022. Meanwhile, the Trust Association of the Republic of China (TAROC) then amended the “Guidelines Regarding the Cross-Selling of Insurance Trust by Trust and Insurance Companies.” Following the promulgation of the amended Guidelines, CUB and Cathay Life Insurance conducted sales employee training and officially offered the insurance trust program on December 15<sup>th</sup>. The program, an innovative one-stop financial service that integrates resources of Cathay Group, offers customers double protection covering insurance and trust and also helps promote financial inclusion.

## **Principle 4: Stakeholders**

*We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.*

### **Identifying Stakeholders**

Cathay FHC, the parent company of CUB, firmly abides by the AA1000 Stakeholder Engagement Standard (SES). After rounds of communication and meetings with the senior management, the Group has identified nine major stakeholders, namely, government, investors, employees, customers, suppliers, associations, media, communities, and youths.

### **Engagement and Strategic Partnerships**

#### **Regulators and Relevant Institutions**

In 2022, the FSC established the Coalition of Movers and Shakers on Sustainable Finance (the “Coalition”) to encourage players in the financial sector to take more active measures on five major aspects: green procurement, funding and engagement, information disclosure, assistance and promotion, and international outreach. The Coalition also aims to attract more companies to join green supply chains and invest more in net-zero technologies. To this end, Cathay FHC joins hands with its subsidiaries to support the spirit of movers and shakers. In response to the spirit, CUB keeps contributing voluntarily to fulfil its promises. For instance, in the aspect of the funding and engagement, CUB will follow the FSC’s request to conduct engagements on its funding position with more than half of domestic companies with high carbon emissions by the end of 2025 and encourage these companies to set net-zero targets by 2050. Companies that are already qualified for such engagements are requested to set more ambitious targets and measures to achieve their net-zero targets.

In collaboration with the Taipei City Government and the Small and Medium Enterprise Credit Guarantee Fund of Taiwan (Taiwan SMEG), CUB launched the Social Enterprise Financing Project in 2017 to help social enterprises thrive by providing them with quality financial services. Concurrently, CUB also plays an active role in supporting projects rolled out by government agencies and relevant financial institutions, such as the climate change management project co-launched by the Bankers Association and the Joint Credit Information Center (JCIC), as well as the Workshop on Categorization of Sustainable Economic Activities by the Chung-Hua Institution for Economic Research. CUB will take a step further by participating in project meetings of the Coalition to build a management framework for sustainable finance in Taiwan with the competent authority, the Bankers Association, JCIC, and other peers in the financial sector.

CUB also works closely with regulators in other countries. Apart from principles and regulations



formulated by the Bank, overseas branches also follow policies and guidelines of local authorities and association of banks to facilitate sustainable financing and provide feedback accordingly. For example, when the Association of Banks in Singapore published the Environmental Risk Questionnaire in April 2022, CUB's Singapore Branch immediately used the questionnaire to collect and identify data related to environmental risks from corporate customers to create a win-win outcome by financing the customers for low-carbon transition.

## **Corporate Customer**

As mentioned in Principle 2, CUB's corporate loan customers are mostly made up of manufacturing companies. Taking seriously its responsibility to the environment and society, CUB engages first with companies that have already made SBT commitments but have yet set relevant targets to reduce carbon emissions. These companies are mainly from sectors such as oil and gas, electronic manufacturing, semiconductor, and manufacturing.

The Bank also performs stringent monitoring and management on sectors with high carbon emissions, including steel, cement, semiconductors, chemicals, fossil fuels, and textiles. CUB urges business units to introduce SLLs or green loans to customers in those sectors or to encourage these customers to reduce greenhouse gas emissions by increasing capital expenditures to improve existing manufacturing techniques.

## **Diverse Collaboration Channels**

CUB has adopted a variety of means to enhance engagement, interaction, and collaboration with the primary stakeholders. Such methods include organizing meetings, forums, and charity events; participating in international initiatives, evaluations, and system seminars; hosting earning calls and responding to investors' feedback; publishing related reports and press releases; and examining satisfaction levels of both employees and customers. An example of the Bank's dedication is the Circular Economy Program, a workshop co-hosted with Cathay Financial Holdings, research institutions, and other prominent foundations, where customers, research bodies, and peers from the financial sector were invited to exchange ideas covering material life, knowledge, and finance.

Furthermore, the Bank was invited to provide courses regarding sustainable financing at the Taiwan Academy of Banking and Finance, where CUB's employees shared their experiences and helped other banks equip their employees with expertise regarding sustainable finance.

Following is a summary illustrating CUB's commitment to making a positive impact on both society and the environment over time:

Main Participants	Common method of Communication and Cooperation	Potential Benefits from Products, Services, or Systems
<b>Associations</b>	We will participate in the associations' planning and discussion for financial sustainability, subsequently sharing and exchanging relevant experiences.	The facilitation of the government's climate risk management mechanism and corporate banking's ESG management system.
<b>Government, Customers, Suppliers, Media, Youths</b>	We will invite people from various fields to partake in the "Cathay Sustainable Finance and Climate Change Summit" and the "Cathay Climate Change Youth Forum" in an effort to encourage interaction and promote awareness and cooperation amongst ourselves.	Helps participants to understand and acknowledge CUB's corporate sustainability actions.
<b>Employees and Media</b>	Besides integrating our core functions and reducing carbon emission in operations, we will also encourage our employees to participate in charitable activities. Such accomplishments will be later released for evaluation and competition.	Wins the support and acknowledgment of the public (including our customers), and the hearts and minds of employees.
<b>Customers and Communities</b>	We will seek to better understand the needs of our customers and local communities from the feedback obtained from interviews and customer services, enabling us to benefit society through the means of finance.	Improves service quality to better accommodate customer needs, consequently increasing satisfaction.

## Seamless Communication

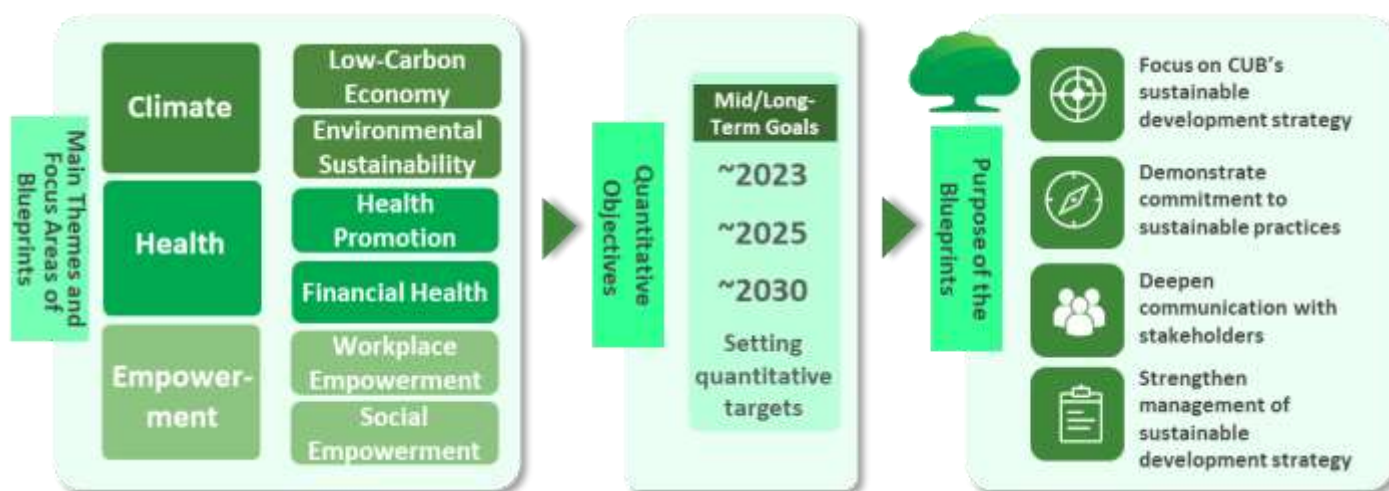
CUB utilizes diverse channels of communication to bolster interaction with customers and representatives of the government, industry, and academia. Due to CUB's prominent role in the finance sector, we aspire to generate a greater impact in the days to come. Despite facing multiple challenges, such as the pandemic, climate change risks, and the environmental impact on business operations in recent years, CUB has persisted in the innovation of its core financial functions to accommodate the needs of its stakeholders. It is important for finance sector to leverage their funds, monitor emerging climate risks, and make good use of every exchange with stakeholders to respond to their needs. By providing unwavering support for industries that possess a positive social and environmental impact, CUB is adamant in using its influence in various areas to ignite a change in companies.

## Principle 5: Governance & Culture

*We will implement our commitment to these Principles through effective governance and a culture of responsible banking.*

### Developing Effective Governance and Forging a Culture of Responsible Banking

In 2020, CUB determined its three main themes of corporate sustainability: Climate, Health, and Empowerment. CUB strives to understand the connection between sustainability initiatives and financial products by integrating core financial functions, implementing actions, and conducting brand research on sustainable finance products, thereby empowering CUB to advance sustainability strategy management. In 2022, the Bank developed two sub-themes out of each main theme and created six sustainable development blueprints for fulfilling CUB's objectives concerning sustainable development.



CUB lays out multiple ambitious goals for its core functions, such as: achieving net-zero in its financial assets by 2050, becoming a leader in climate-related engagement, and providing comprehensive climate financing solutions. Further details are as follows:

#### 1. Achieving net-zero in its financial assets by 2050

Cathay United Bank takes concrete action to significantly reduce carbon emissions through investment and financing, which is the first financial institutions to do so in Taiwan. The Bank, a staunch supporter of Taiwan's green electricity and renewable energy policy, formulates asset transformation plans by referencing the SBTi's Pathways to Net-Zero and supports corporate and retail customers to reduce carbon emissions by providing them with green financial products and services. Moreover, the Bank supports industries and technologies highlighted in Taiwan's Pathway to Net-Zero Emissions in 2050 and keeps facilitating green investments and financing to promote the development of low-carbon industries.

## 2. Becoming a leader in climate-related engagement

CUB understands the importance of climate action in strengthening the resilience of financial assets. Hence, the Bank leads the industry to join climate action groups at home and abroad, aligns itself with the international framework, and partners with Cathay Financial Holdings to support initiatives, such as RE100, Science Based Target initiative (SBTi), and the Coalition of Movers and Shakers on Sustainable Finance. By translating climate action into initiatives and engagements, CUB guides its corporate customers to become aware of the importance of carbon emission reduction. The Bank showcases its financial influence to encourage investment or financing targets to take concrete measures, such as setting net-zero goals by 2050 and reinforcing climate action. By wielding its financial leverage, CUB continues to serve as an indispensable partner in the value chain of sustainable finance, helping Taiwan's industries on their journey to the net-zero transformation.

## 3. Providing comprehensive climate financing solutions

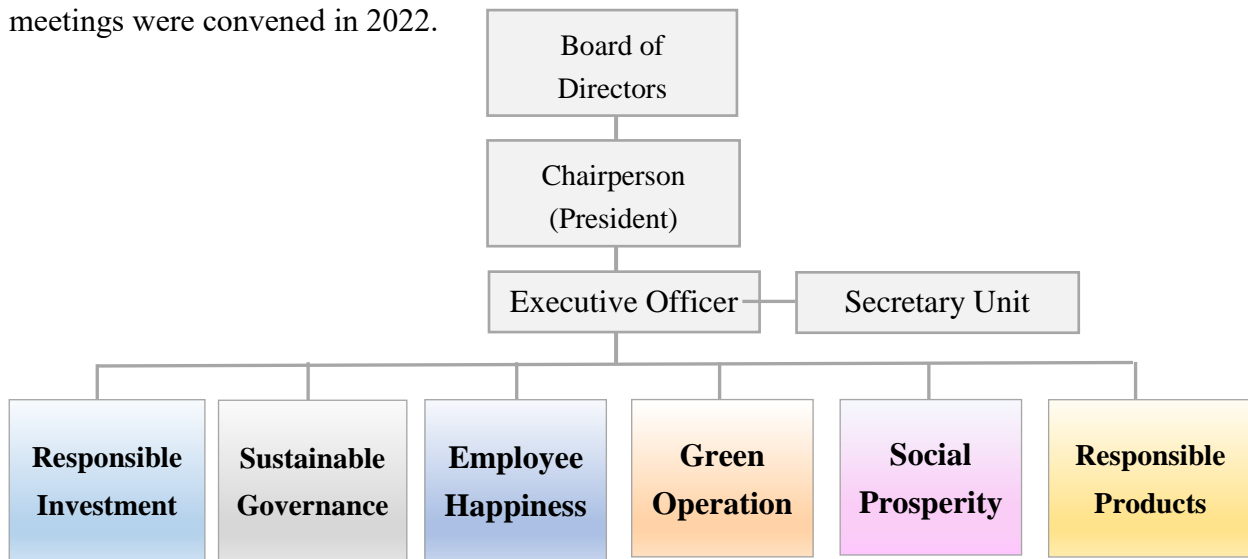
With the support of Cathay Group's comprehensive financial supply chains, CUB aspires to become the bridge linking Taiwan's net-zero policy and industrial transformation. The Bank will continuously incorporate sustainable finance practices into its core functions and develop and offer holistic climate finance solutions to corporate loan customers with wholehearted care and support.

CUB supports companies to invest in low-carbon transformation by providing green loans and SLLs, assisting sustainable supply chain to become more sustainable, and undertaking green bonds. For retail customers, the Bank plans to offer them personalized sustainable financial services so that they can engage in green finance more easily. The Bank can also expand its influence as a result. For corporate customers, the Bank will review their climate change preparedness by launching initiatives and engagements, assist them in designing or executing their transformation plans, and become their partners to address the impact of mitigating or adapting to climate change.

## **Developing Effective Governance**

CUB has established a corporate sustainability (CS) team to promote the Bank's sustainability operations. The CS team, chaired by CUB President and led by senior executives, comprises six working groups: Responsible Investment, Sustainable Governance, Responsible Products, Employee Happiness, Green Operation, and Social Prosperity. The team convenes meetings on a quarterly basis. By undertaking the Group's focus on sustainability, the team is responsible for formulating short/mid/long-term initiatives that center around the Bank's core functions to ensure

that the concept of sustainable development will reach all aspects of businesses. The team will report key matters and progress to the Board of Directors at least once a year. Two rounds of meetings were convened in 2022.



## Principle 6 Transparency & Accountability

*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.*

CUB periodically reviews the implementation of these Principles and instills complete transparency, thus exemplifying its impact and conduct as a responsible bank. This report concludes the measures undertaken by the Bank for the purpose of implementing the PRBs and managing the impact of its products and services. With its core functions serving as a solid foundation, CUB will make full use of ESG elements to bolster its decision-making process in relevant businesses.

CUB is not only the first in the industry to comply with international sustainability frameworks, but also the first in Taiwan to declare voluntary compliance with the UN PRBs. Further details are as follows:

1. Since 2021, CUB has been making the PRB implementation progress report available to the public and investors on its corporate sustainability website and Cathay FHC's Corporate Sustainability Report.
2. CUB regularly discloses its EP implementation and the ESG review results of corporate loans in Cathay FHC's Corporate Sustainability Report. CUB also periodically discloses the progress of EP cases on its official website. Meanwhile, CUB will continue to improve ESG and EP regulations on a yearly basis as the Bank continues to monitor and control climate-related risks and seeks to improve management mechanisms. In 2022, the Bank revised the Environmental, Social, and Governance (ESG) Rules for Corporate Loans, and the Rules Governing Project Finance of Equator Principles.

## Conclusion

Sustainable development is an issue with far-reaching impact and a focus area of regulators at home and abroad, leading the financial sector to place greater emphasis on the common values of sustainable development. Boasting technological capability, CUB strives to develop more accessible financial services that better meet customers' needs. As mentioned before, CUB's parent company Cathay Financial Holdings is an honorable member of the Coalition of Movers and Shakers on Sustainable Finance. In terms of the aspect of information disclosure, the Bank will:

1. Obtain third party assurance or guarantee on the disclosed items and statistics related to environmental issues mentioned in the Sustainability Report of 2022 and 2023 or on the items disclosed in the TCFD report.
2. Reference the methodologies adopted by the Partnership for Carbon Accounting Financials

(PCAF) and disclose the total carbon emissions of carbon-intensive industries in the Bank's domestic investment and financing positions and their types of industries by the end of 2025.

Meanwhile, CUB will bolster collaboration across various fields and industries, inspiring companies to exhibit their determination to create social and environmental prosperity.

## Summary of Subject Matter Assured

#	Subject matter	Applicable criteria
1	<p>Six of the Bank’s current products and services with significant impact are identified (Table 2):</p> <p>1)Positive impact:</p> <ul style="list-style-type: none"> <li>a) Renewable energy loans</li> <li>b) Social enterprise loans</li> <li>c) Microloans</li> <li>d) Products for senior citizens</li> <li>e) Digital finance</li> </ul> <p>2)Negative impact: Loans to high carbon emission industries</p>	<p>The 6 areas are analyzed by CUB and approved in the internal management meeting.</p>
2	<p>Table 3 The implementation, monitoring, and progress of PRB targets.</p> <ul style="list-style-type: none"> <li>(a) Target of renewable energy loan: The proportion of renewable energy in the power supply loan maintains steady growth and reaches 85% by 2025.</li> <li>(b) Target of loans to high carbon emission industries: “Zero coal financing*” will succeed “desisting from undertaking new coal-fired power financing cases” and the “zero coal financing” target is to nullify all credit facilities for coal-related loans by the first quarter of 2027.</li> </ul>	<p>The targets are approved in CUB internal management meeting.</p>
3	<p>The Bank has ceased to extend credit facilities for coal-related loans since April 2021 and follows up on any changes in loan amounts as well as progress on a quarterly basis, dutifully presenting the results to the board of directors at least once a year.</p>	<p>See 2022 Progress Report on the Implementation of PRB</p>
4	<p>Table 3: The implementation, monitoring, and progress of PRB targets</p> <p>87.56% at the end of 2022.</p>	<p>The Bank defines the ratio as: The Balance of Renewable Energy Loans / The Balance of Electricity Generation Loans.</p> <ul style="list-style-type: none"> <li>1. Renewable energy loans: The borrowers’ operation relates to renewable energy.</li> <li>2. Electricity generation loans: <ul style="list-style-type: none"> <li>1) Electricity supply industry (including renewable energy loans identified in 1.)</li> <li>2) Non-electricity supply</li> </ul> </li> </ul>



#	Subject matter	Applicable criteria
		industry but loan purpose is for thermal power generation based on the Business Unit's report.
5	CUB has established a corporate sustainability (CS) team to promote the Bank's sustainability operations. The CS team, chaired by CUB President and led by senior executives, comprises six working groups. The team convenes meetings on a quarterly basis and reports key matters and progress to the Board of Directors at least once a year. Two rounds of meetings were convened in 2022.	<ul style="list-style-type: none"> <li>▪ See 2022 Progress Report on the Implementation of PRB</li> <li>▪ The total numbers of Board reports relating to 2022 sustainability implementation progress</li> </ul>
6	In 2022, the Bank revised the Environmental, Social, and Governance (ESG) Rules for Corporate Loans, and the Rules Governing Project Finance of Equator Principles.	The guideline approved in CUB internal management process.

## Independent Limited Assurance Report

PWCR22000700

To Cathay United Bank Co., Ltd

We have been engaged by Cathay United Bank Co., Ltd (“**the 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 (PRBs) 2022 (hereinafter referred to as the “**2022 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” of the 2022 PRB Report.

### **Management’s Responsibilities**

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the 2022 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 2022 PRB Report in accordance with the Standard on Assurance Engagements 3000, “Assurance Engagements other than Audits or Reviews of Historical Financial Information” of the Republic of China, to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material respects, 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 there may be risks of material misstatement; and
- Based on the above understanding and the areas identified, performed selective testing including inquiry, observation and inspection to obtain evidence for limited assurance.

We do not provide any assurance on the 2022 PRB Report as a whole or on the design or operating effectiveness of the relevant internal controls.

### **Compliance of Independence and Quality Management 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 Standard on Quality Management 1, “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” of the Republic of China and accordingly to design, implement and evaluate the system of quality management 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 respects, 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.

*Chao, Yung-Chieh*

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Chao, Yung-Chieh

Partner

For and on behalf of PricewaterhouseCoopers, Taiwan

6 June 2023