



國泰世華銀行

Cathay United Bank

2023

Climate and Nature Report



CONTENTS

Milestones & Achievements	3
Message from the Chairman	5
About the Report	6

CHAPTER

01	Identification and Impacts of Material Risks and Opportunities	7
1.1	Climate and Nature Risks and Opportunities	8
1.2	Climate- and Nature-related Scenario Analysis	16

CHAPTER

02	Strategic Goals & Progress	21
2.1	Transition Plan	22
2.2	Financial Assets	24
2.3	Products & Services	37
2.4	Business Operations	42

CHAPTER

03	Governance & Risk Management	50
3.1	Climate & Nature Governance Framework	51
3.2	Climate and Nature-related Expertise Development	54
3.3	Climate and Nature Risk Management	56

CHAPTER

04	Conclusion:	62
	From Climate Focus to a Comprehensive Approach to Nature	

CHAPTER

05	Appendix	64
5.1	Summary of Key Data	65
5.2	TCFD Index	75
5.3	Guidelines for Domestic Banks' Climate Risk Financial Disclosure Index	76
5.4	IFRS S2 Index	77
5.5	TNFD Index	78
5.6	Summary of Subject Matter Assured	79
5.7	External Independent Attestation Statement	81

Milestones & Achievements



2023 Highlights

Low-carbon economy

Amount of SLL

+95.2%

NT\$16.927B in 2022
→ NT\$33.036B

Low-carbon economy

Amount of green loans

+11.2%

NT\$25.244B in 2022
→ NT\$28.080B

Low-carbon economy

Selected on CDP's

A List
for the second
consecutive year

Low-carbon economy

Percentage of available credits for
renewable energies to the electricity
generation industry reached 93.33%

+5.77%

87.56% in 2022 → 93.33%

Low-carbon economy

Only Taiwanese bank to receive the
"Outstanding Award for Green and
Sustainable Loan Structuring Advisor"
from the HKQAA for two consecutive years

Low-carbon economy

1st in Taiwan to receive
Carbon Label and Carbon Reduction Label
for Personal Housing Loan

Low-carbon economy

Only Taiwanese bank to win
the Bronze Stevie Award in the
"2023 International Business Awards-
Sustainability Initiative of the Year -
in Asia, Australia and New Zealand"

Environmental
sustainability

Received Bronze at the
"5th National Enterprise
Environmental
Protection Award"
(NEEPA), marking CUB's
fourth NEEPA award

Environmental
sustainability

Increased
renewable energy
use by
92.8%

from 2022

Environmental
sustainability

Reduced Scope1&2
emissions by
20.0%

from 2020

Environmental
sustainability

Increased installed
capacity from solar
power systems on
proprietary buildings by
235.5%

80.7kW in 2022 →
270.78kW

Environmental
sustainability

Increased sustainability
procurement by
+25%

NT\$154M in 2022 →
NT\$192M

Selected as an outstanding
green buyer by the Ministry
of Environment

Message from the Chairman

Climate change and environmental degradation pose increasingly threats to human societies and economies. Frequent reports of various disasters and several ecological indicators also suggest that our ecosystems being at risk of collapse. In 2023, recorded as the warmest year in history, scientists have shifted their description from Global Warming to the Era of Global Boiling and Climate Breakdown, highlighting the critical nature of the climate crisis.

As a member of the global community, Cathay United Bank (CUB) has long upheld the principles of social responsibility and accountability in its operations. We are committed to leveraging our financial influence to promote sustainability and have thus dedicated ourselves to strengthening our strategies and actions to combat changes in our climate and nature. Adhering to the three main pillars defined in Cathay Financial Holdings' (Cathay FHC) sustainability blueprint — "Climate", "Empowerment", and "Health" — CUB endeavors to fulfill our corporate social responsibility. Within the climate pillar, CUB is focusing on two major objectives: "low-carbon economy" and "environmental sustainability" to strengthen climate and nature resilience. We see ourselves as a key enabler on the path to net zero and will collaborate with society to tackle environmental challenges.

To build a sustainable enterprise, we at CUB are staying abreast of international trends and developments, working together as one to uphold sustainability ideals in every aspect of our daily operations. We will continue to strive toward the goals set forth in Cathay FHC's Sustainable Environment Strategy Blueprint. In 2015, CUB became the first financial institution in Taiwan to sign the Equator Principles, an international set of principles to govern our financing efforts. In 2016, CUB was the lead bank in Taiwan's first syndicated loan for offshore wind energy. In 2018, CUB declared support for the UN's Principles for Responsible Banking (PRB) and became the first in Taiwan to voluntarily adhere to and promote PRB. In 2022, CUB underwrote the Philippines' first sustainability-linked loan. In 2023, CUB became the first financial institution in Asia to join the CDP's Commercial Bank Project. At CUB, we will continue to work with employees and customers from various perspectives to create a new chapter in sustainable finance.

As a pioneer in sustainable finance, CUB aims to be a driving force behind climate and nature solutions. We are committed to exploring and leading in climate and nature strategy planning, leveraging TNFD recommendations to gain a comprehensive oversight of risks and opportunities. With forward-thinking strategies and steady progress in Taiwan, we seek to leverage our financial influence as a responsible bank and demonstrate CUB's climate and nature actions to the world.

Chairman

郭明鑑



About the Report

As a key player in driving positive environmental and social impact within the financial industry, CUB leverages abundant group resources, extensive experience in long-term social advocacy, and a vision to lead as a green finance pioneer. CUB aims to guide the financial sector in harnessing its influence to raise awareness of climate issues and actively promote Taiwan's transition to green finance. This report follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), the Guidelines for Domestic Banks' Climate Risk Financial Disclosure set by the Financial Supervisory Commission (FSC), the International Sustainability Standards Board (ISSB) IFRS S2 Climate-related Disclosures, and the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD). The objective is to provide stakeholders with comparable and reliable sustainability information through public and transparent disclosure, demonstrating CUB's climate and nature resilience and influence exerted beyond the bank in the face of climate and environmental challenges.

Reporting Scope | CUB and the bank's primary place of business - Taiwan - constitute the scope of this report.

Reporting Period | The report primarily covers CUB's climate and nature-related actions in 2023, supplemented by historical data.

Verification and Assurance | CUB has engaged PricewaterhouseCoopers Taiwan (PwC Taiwan) to provide independent limited assurance (LA) over selected sustainability performances in accordance with the TWSAE3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and TWSAE3410 "Assurance Engagements on Greenhouse Gas Statements" issued by the Accounting Research and Development Foundation. In this report, (LA) indicate that the data has subject to external independent limited assurance by PwC. For details of the Independent Limited Assurance Report, please refer to [Appendix 5.7 Independent Assurance Statement](#).

Statement of MSCI CVaR data use: MSCI Climate Value at Risk (CVaR) data used in this report, includes but is not limited to information obtained by MSCI ESG Research LLC and its affiliates (hereinafter referred to as "MSCI and Affiliates") from sources it believes to be reliable (hereinafter referred to as "relevant data"). However, MSCI and Affiliates do not guarantee the originality, accuracy, and/or completeness of any such data, and explicitly deny any implicit or explicit guarantees, including general applicability and applicability for specific purposes. Such relevant data is only intended for internal use and may not be reproduced or disclosed in any form. It also may not be used as the basis or component of any financial instrument, product, or index. Furthermore, any relevant data cannot be used as the basis for making any decision to buy or sell negotiable securities. MSCI and Affiliates are not liable for any mistakes or omissions of any data herein, and do not bear any responsibility for any direct, indirect, special, punitive, consequential, or any other damages (including loss of profits), even if the user has given notice of the possibility of such damages.

Milestones & Achievements

Message from the Chairman

About the Report

01 Identification and Impacts
of Material Risks and
Opportunities

02 Strategic Goals & Progress

03 Governance & Risk
Management

04 Conclusion

05 Appendix

CHAPTER

01

Identification and Impacts of Material Risks and Opportunities

1.1 Climate and Nature Risks and Opportunities

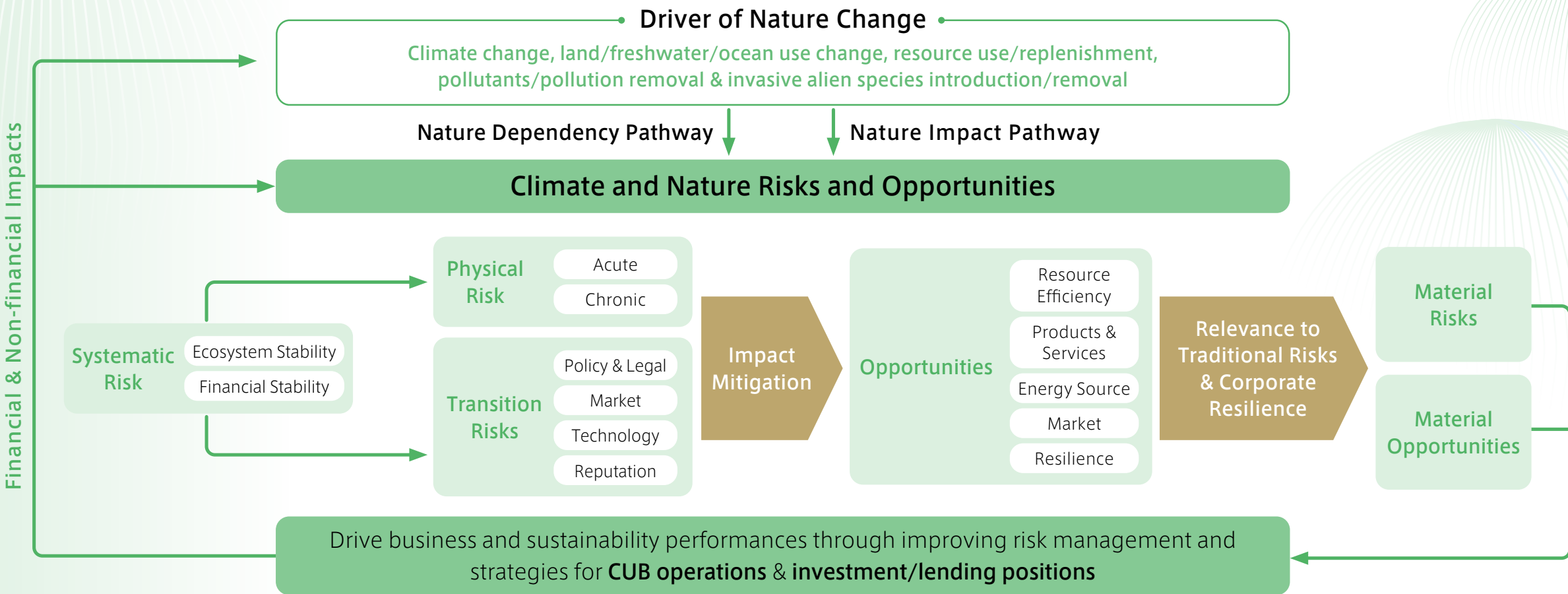
1.2 Climate- and Nature-related Scenario Analysis

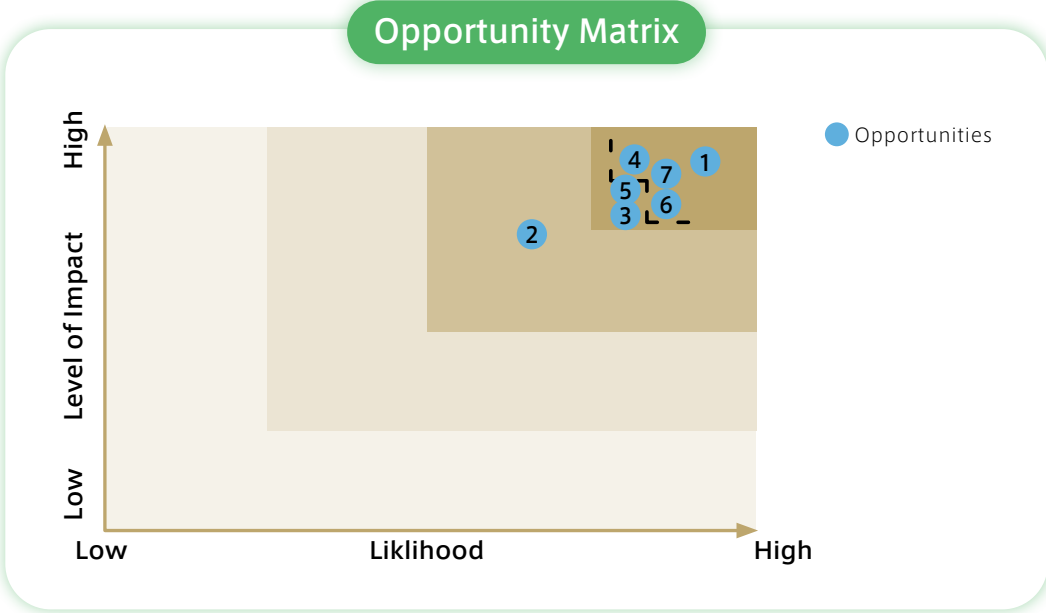
1.1 Climate and Nature Risks and Opportunities

On the basis of Cathay FHC's material risks, CUB has defined six risk categories, health and medical, environmental and energy, technology, politics and economy, and social and corporate governance. CUB heeded advice from internal experts and ranked the risks by materiality based on Level of Impact and Likelihood. This helps identify material risks and make adjustments accordingly. The environmental and energy risk is considered a climate and nature risk. Recognizing the rising attention to climate and nature issues by regulatory agencies and international frameworks such as TCFD and TNFD, CUB and Cathay FHC have launched a process to identify climate and nature risks and opportunities.

1.1.1 Identification Process of Climate and Nature Risks and Opportunities

CUB considered Cathay FHC's sustainability strategies and referred to TCFD and TNFD recommendations as well as the Network for Greening the Financial System (NGFS) comprising central banks and financial supervisors to gain insight into climate and nature risks and opportunities pathways and, thereby, identify short-, mid-, and long-term climate and nature risks and opportunities relevant to CUB. We then assess how they tie to existing traditional risks and corporate resilience to identify the risk or opportunity's potential financial impacts on the bank's operations or investment and lending positions. We then rely on internal experts to create matrices to assess materiality and rank risks based on the Level of Impact and Likelihood, which are regularly adjusted. Finally, based on the identification results, CUB enhances risk management processes and develops response strategies for operations and investment/lending positions to improve both its commercial and sustainability performance and mitigate financial and non-financial impacts.





1.1.2 Results of Climate and Nature Risk and Opportunity Identification

Overview of Material Climate and Natural Risks and Opportunities

In 2023, CUB identified six material risks and four material opportunities based on the climate and nature risk and opportunity matrix. The identified risks and opportunities serve as the foundation for CUB's risk management, strategies, and plans. For measures targeting these risks and opportunities, please see [2. Strategic Targets](#) & Progress and [3. Governance & Risk Management](#).

Material Risks	Potential Financial Impacts	Level of Impact	Time Horizon	Relevant Traditional Risks
④ Transition risks from policy uncertainty	Decreased earnings from investments and loans due to policy uncertainty	Investment & Lending	Long term	Credit risks
② Engagement mechanism fails to meet expectations of stakeholders	Decreased revenue from negative impact on company reputation	CUB operations	Long term	Reputational risk
⑤ Risks for undertaking green investments and lending	Decreased earnings from investment and lending due to customers defaulting	Investment & Lending	Long term	Credit risk
① Risk of litigation or penalties relating to climate change and nature	Increased operating costs from fines and rulings	CUB operations	Long term	Operational risk Reputational risk
③ Changes in customer preference for investment or financial products	Decreased revenue due to changes in customer preference	CUB operations	Long term	Market risk
⑦ Rising credit and market risks in carbon-intensive investment portfolios	Expected losses from loan assets in high emission industries due to changes in carbon fee policies and regulations	Investment & Lending	Mid-term	Credit risk

Material Opportunities	Potential Financial Impacts	Level of Impact	Time Horizon	Relevant TCFD Opportunities
① Inspire customer trust by building management mechanisms to fulfill sustainability commitments externally	Increased revenue due to rising confidence and trust in CUB	CUB operations	Long term	Products & services
④ Develop green and innovative services to increase customer adhesion and strengthen brand value	Increased revenue from capitalizing on business opportunities	CUB operations	Long term	Products & services
⑦ Develop carbon-related business opportunities and services	Increased revenue from capitalizing on business opportunities	CUB operations	Long term	Products & services
⑥ Exert financial influence through initiatives and engagement actions and work with engagement targets to develop innovative finance for climate and nature	Increased revenue from actively engaging businesses and developing business opportunities	CUB operations	Long term	Market

Note Definition of time horizon: Short-term means likely to occur within one year; Mid-term means likely to occur in one to three years; and Long-term means likely to occur in three to five years.

Overview of Other Climate and Nature Risks and Opportunities

In addition to the material climate and nature risks and opportunities identified, CUB also has heeded other climate and nature risks and opportunities. There are seven material risks and four material opportunities.

Other Risks	Potential Financial Impacts	Level of Impact	Time Horizon	Relevant Traditional Risks
11 Physical risks to CUB, investees, and borrowers from extreme weather and climate	Expected losses from flood damages to real estate collateral and CUB locations	CUB operations Investment & Lending	Mid-term	Operational risk Credit risk
8 Inconsistency between sustainability commitments and actual practices	Decreased revenue due to changes in customer preference	CUB operations	Long term	Reputational risk
6 Risk of stakeholder resistance to climate strategies	Increased operating costs from fines and negative impacts on company reputation	CUB operations	Long term	Reputational risk
13 Nature-related transition risks confronting investees and borrowers	Decreased revenue from investments and lending due to higher default rates from customer as a result of transition risks	Investment & Lending	Long term	Credit risk
10 Increased losses from fixed assets from climate disasters	Expected losses from flood damages to real estate collateral and CUB locations	CUB operations Investment & Lending	Mid-term	Operational risk Credit risk
12 Nature-related physical risks confronting investees and borrowers	Decreased revenue from investments and lending due to higher default rates from customer as a result of physical risks	Investment & Lending	Long term	Credit risk
9 Low-carbon transition challenges confronting CUB operations	Decreased revenue due to customers being unable to reduce their transition costs	CUB operations	Long term	Operational risk

Other Opportunities	Potential Financial Impact	Level of Impact	Time Horizon	Relevant TCFD Opportunities
5 Increase real estate value by driving net zero transitions and energy services across proprietary real estate	Increased revenue from capitalizing on business opportunities	CUB operations	Long term	Products & services
8 Expand climate innovation and capitalize on nature-based investment and lending opportunities	Increased revenue from capitalizing on business opportunities	Investment & Lending	Mid-term	Products & services
3 Strengthen loss control and resilience at CUB and customer locations	Increased revenue from strengthening loss control	CUB operations	Long term	Resilience
2 Strengthen management mechanisms for climate and nature risks to safeguard customer interests	Increased revenue from strengthened climate and nature management	CUB operations	Long term	Resilience

Note Definition of time horizons: Short-term means likely to occur within one year; Mid-term means likely to occur in one to three years; and Long-term means likely to occur in three to five years.

Opportunity & Risk Concentration

Physical & Transition Risks Allocate Across Specific Industries

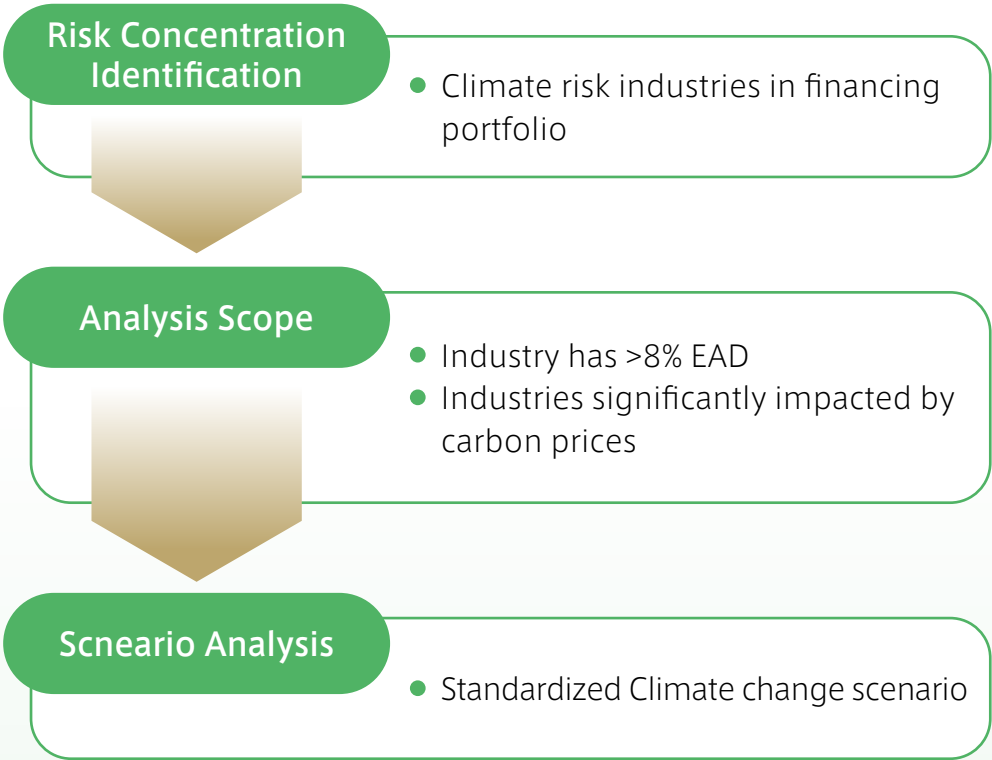
With impacts from climate and nature risks escalating, governments have been declaring regulations to combat climate change (CBAM, CCA, and the Climate Change Response Act). And, we are witnessing a significant increase in extreme climate events. To better understand the level of impact from transition and physical risks on CUB^{Note 1}, we selected specific domestic industries with significant impact on CUB's business^{Note 2} and by using Supervisory Version of Climate Change Scenario Analysis to analyze credit concentration, expected losses to pre-tax P/L, physical and transition risk distributions, and other composite indicators. The results are as follows: (for the full climate change scenario analysis report, please see [1.2 Climate & Nature Scenario Analysis](#))

■ Credit concentration and expected losses to pre-tax P/L

Specific Domestic Industries		Loan Concentration	Expected Losses to Pre-tax P/L					
			Orderly Transition		Delayed Transition		Current Policy	
			2030	2050	2030	2050	2030	2050
Industries with High Credit Concentration	Real Estate Development	20.39%	2.95%	3.54%	3.13%	3.40%	3.01%	3.58%
	Real Estate Management & Services	13.44%	1.29%	1.42%	1.37%	1.36%	1.32%	1.47%
	Wholesale & Retail	13.44%	3.34%	3.74%	3.17%	4.12%	3.25%	3.30%
	Manufacturing of Electronic Components & Related Products	11.12%	1.86%	2.31%	2.20%	2.45%	1.85%	2.26%
	Financial Services	8.56%	2.04%	2.27%	1.92%	2.52%	1.99%	2.05%
High Emission Industries		5.71%	2.29%	2.89%	2.01%	3.95%	2.15%	2.21%

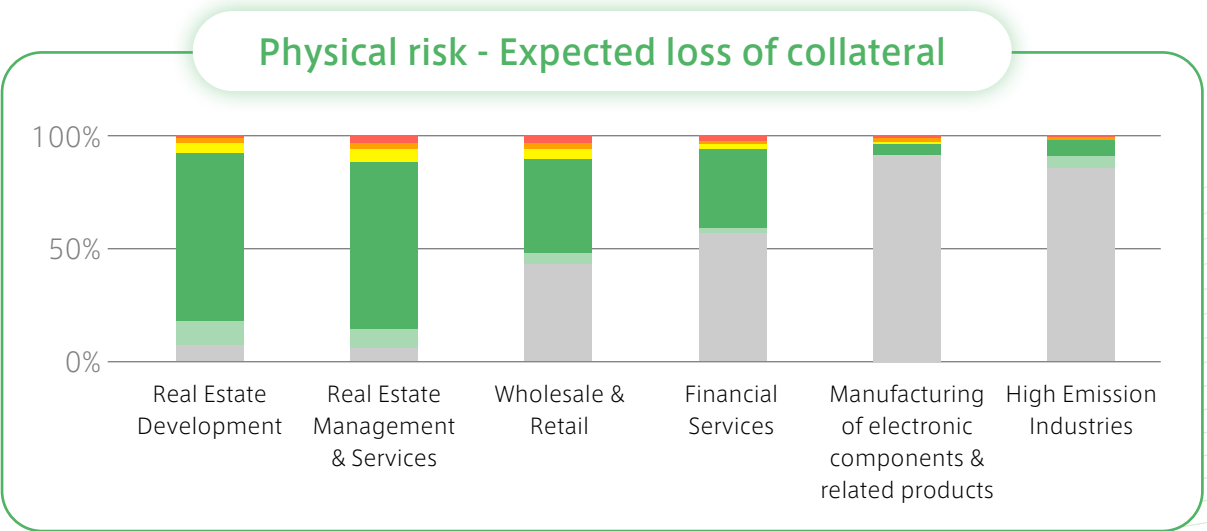
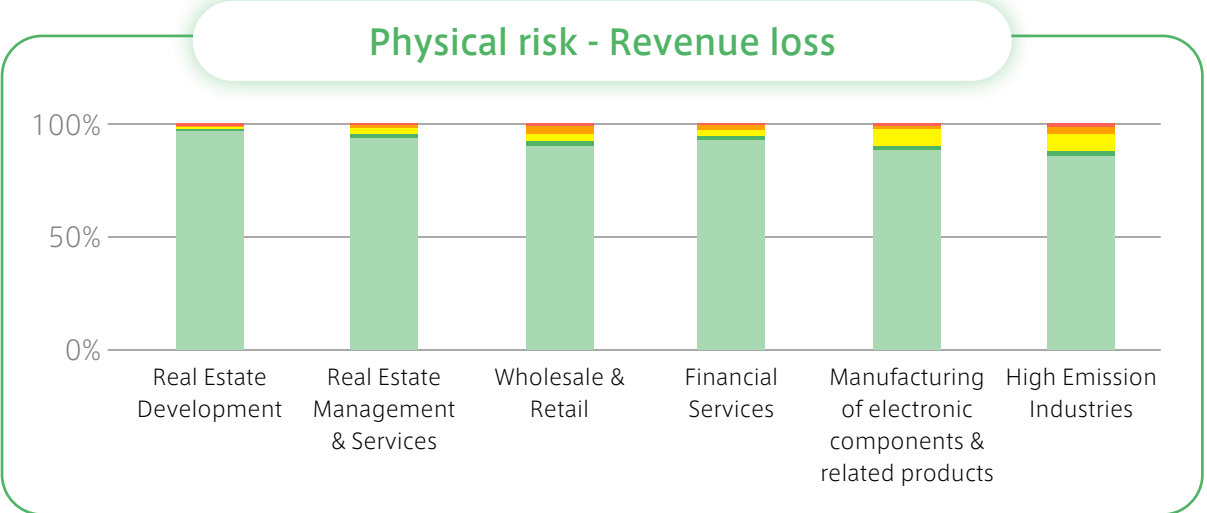
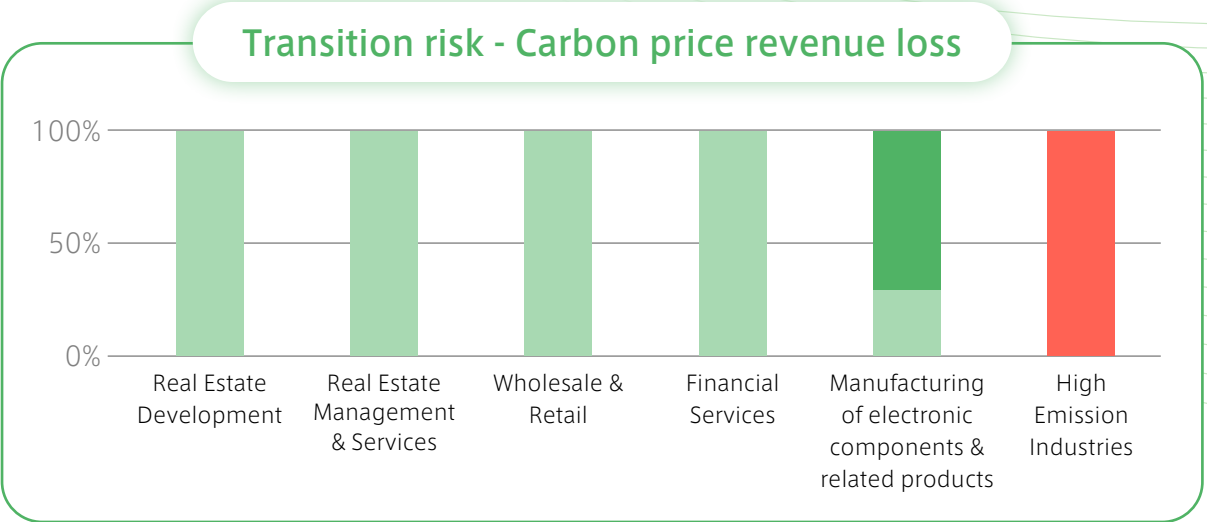
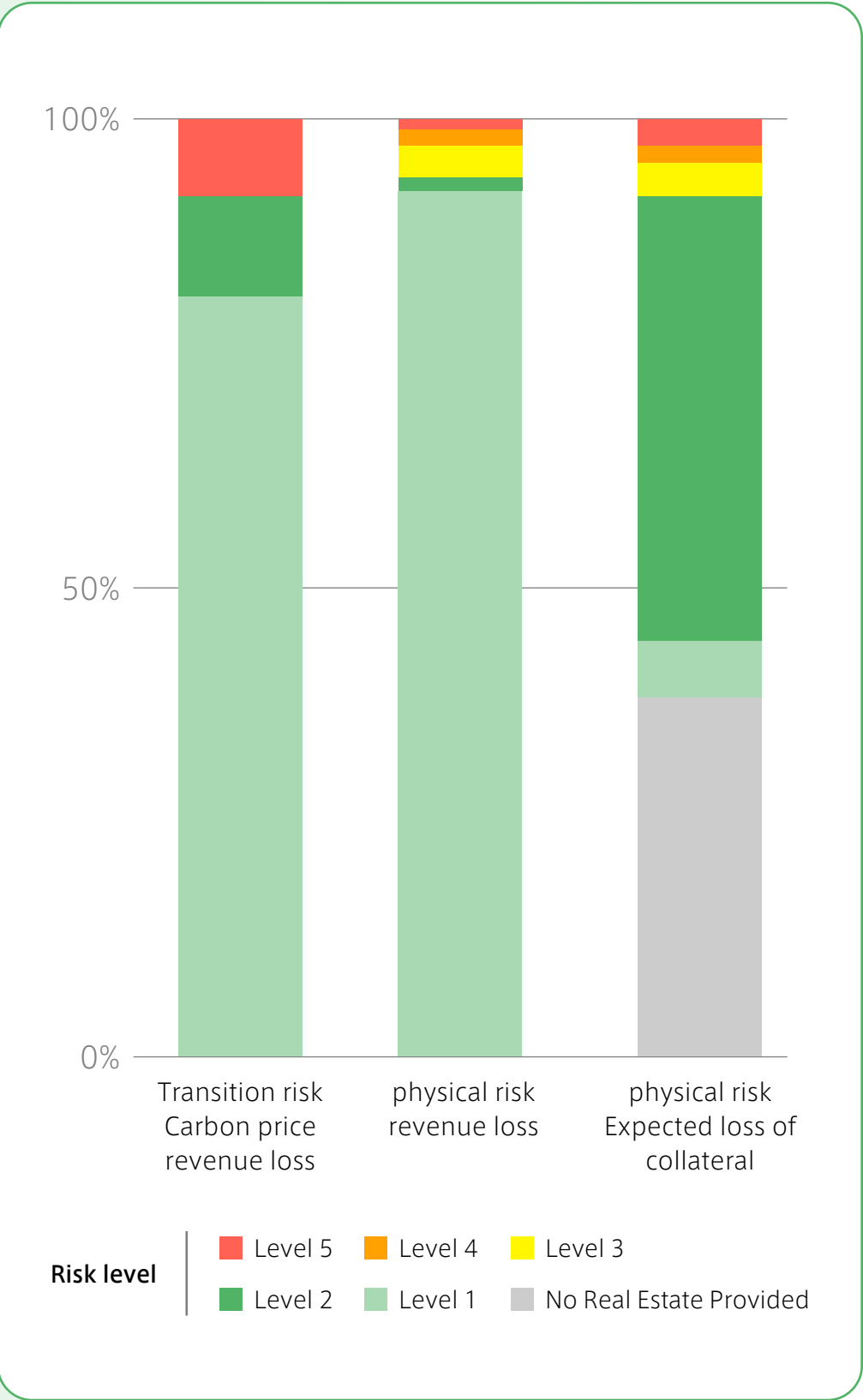
Note 1 According to the scenario analysis assumptions set by the Bankers Association of the Republic of China in the "Plan for Climate Change Scenario Analysis of Domestic Banks (2022)," loan positions impacted by physical or transition risks can be categorized into five risk levels according to level of impact, with level five being the highest.

Note 2 Specific Domestic Industries include: (1) Industries with high credit concentration: significant credit exposure levels, with the exposure amount accounting for more than 8% of the total credit; and (2) High Emission industries: those significantly affected by carbon pricing, indicating high transition risks (Level 5 transition risk level).



■

Distribution of Physical and Transition Risk level of Specific Domestic Industries' Exposure Amount Under the Orderly Transition & Delayed Transition Scenarios in 2050
Note 3



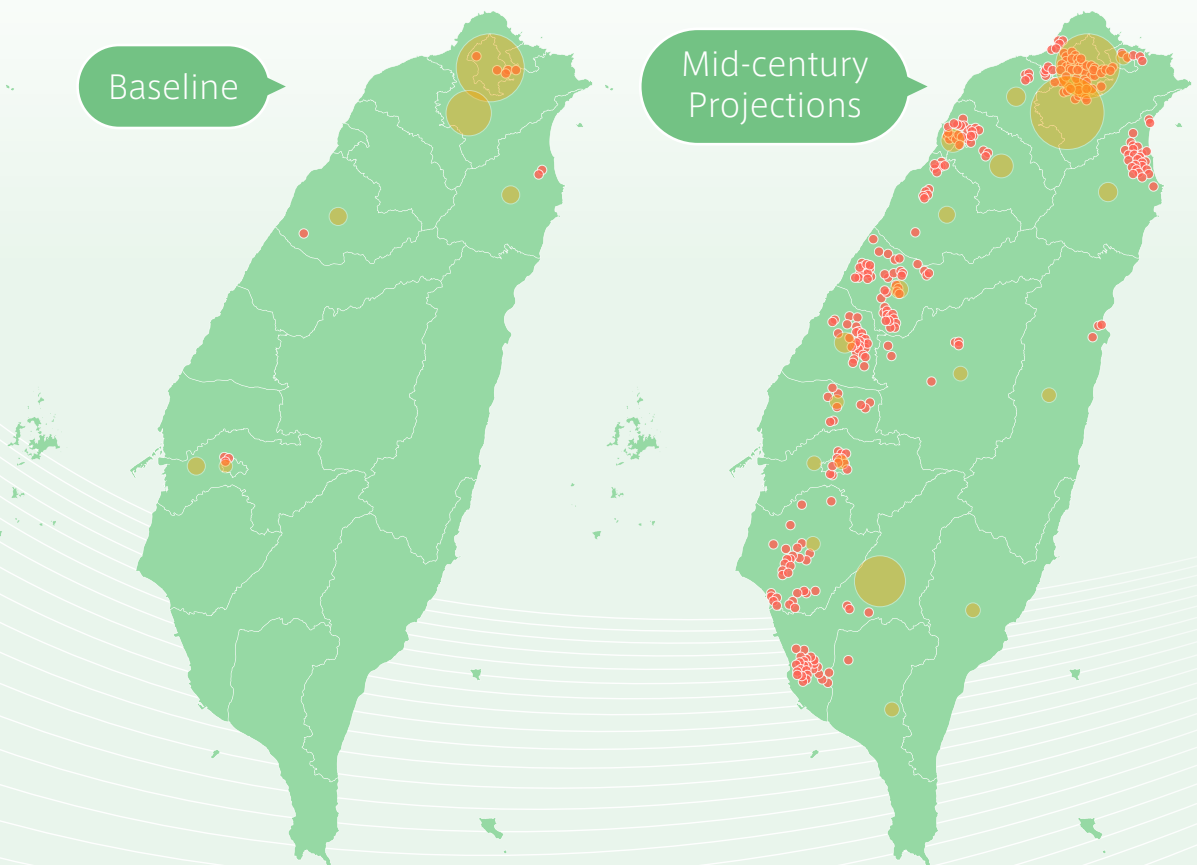
Note 3 The distributions of credit exposure across different industries by 2050 given different physical and transition risk levels under the orderly transition and delayed transition scenarios. For example, the revenue losses of physical risks are caused by heavy rainfall, droughts, and floods. The exposure amount of high credit concentration industries is highest in the first risk level (accounting for more than 80%).

Physical Risks from Floods

CUB uses the National Science and Technology Center for Disaster Reduction's (NCDR) AR5 scenarios for flood risk identification to create a dynamic risk map projected to the end of the century. There are five levels of flood vulnerability, with the top 20% on the hazard/vulnerability level being the most vulnerable to flood risks. We compared CUB's business locations and real estate held by mortgageborrowers against the risk map to verify the physical risk level for flooding in 2023. Results showed that risk exposure of CUB's business locations and real estate held by consumer home loan borrowers are currently manageable.

Percentage of High Flood Risk Areas		
	Baseline Period	Mid-century Projections
Amount of Mortgage	0.22%	5.48%
Number of CUB Locations	0.58%	8.19%

Home Loan Collaterals with High Physical Risks



- Home Loan Collaterals within level 5 Flood risk region
- The circle represent the outstanding amount in the region. the larger circle, the risker.

Risk Concentration Identification

- CUB locations in climate risk areas
- Mortgage collaterals in climate risk areas

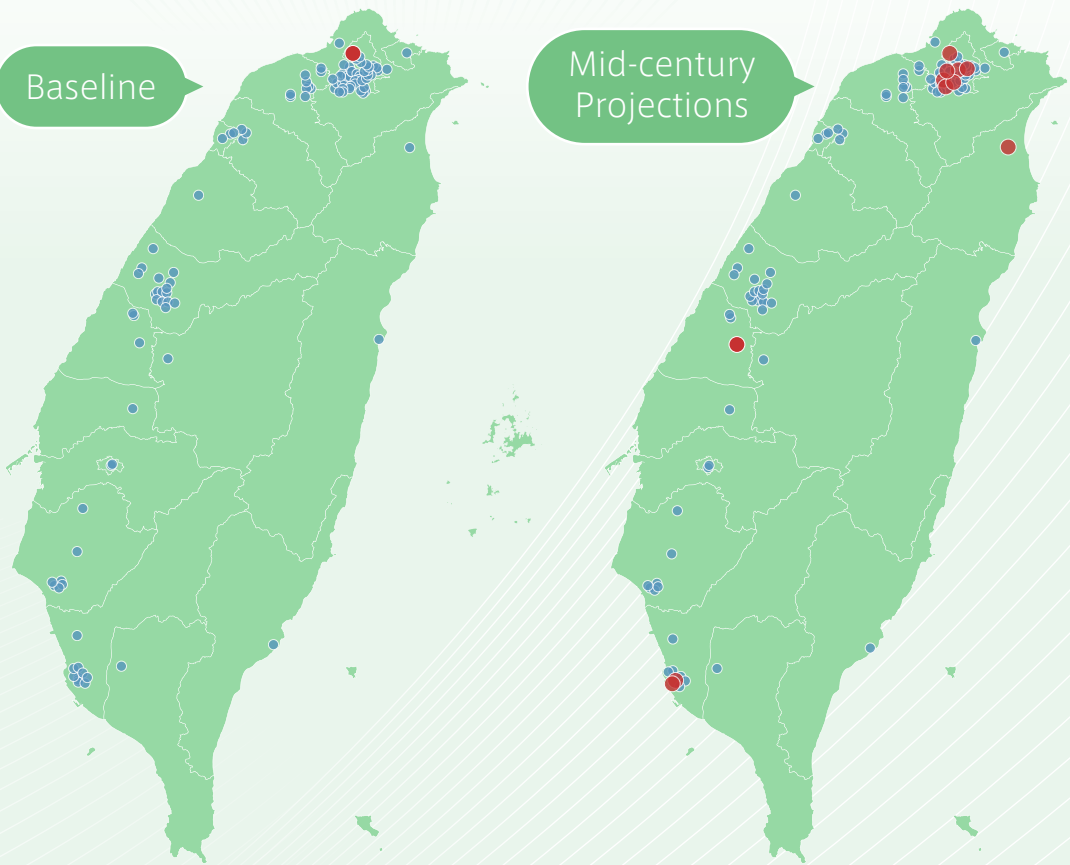
Analysis Scope

- Top 20% in hazard-vulnerability level

Analysis Tool

- AR5 Flood Scenario

CUB Locations with High Physical Risks

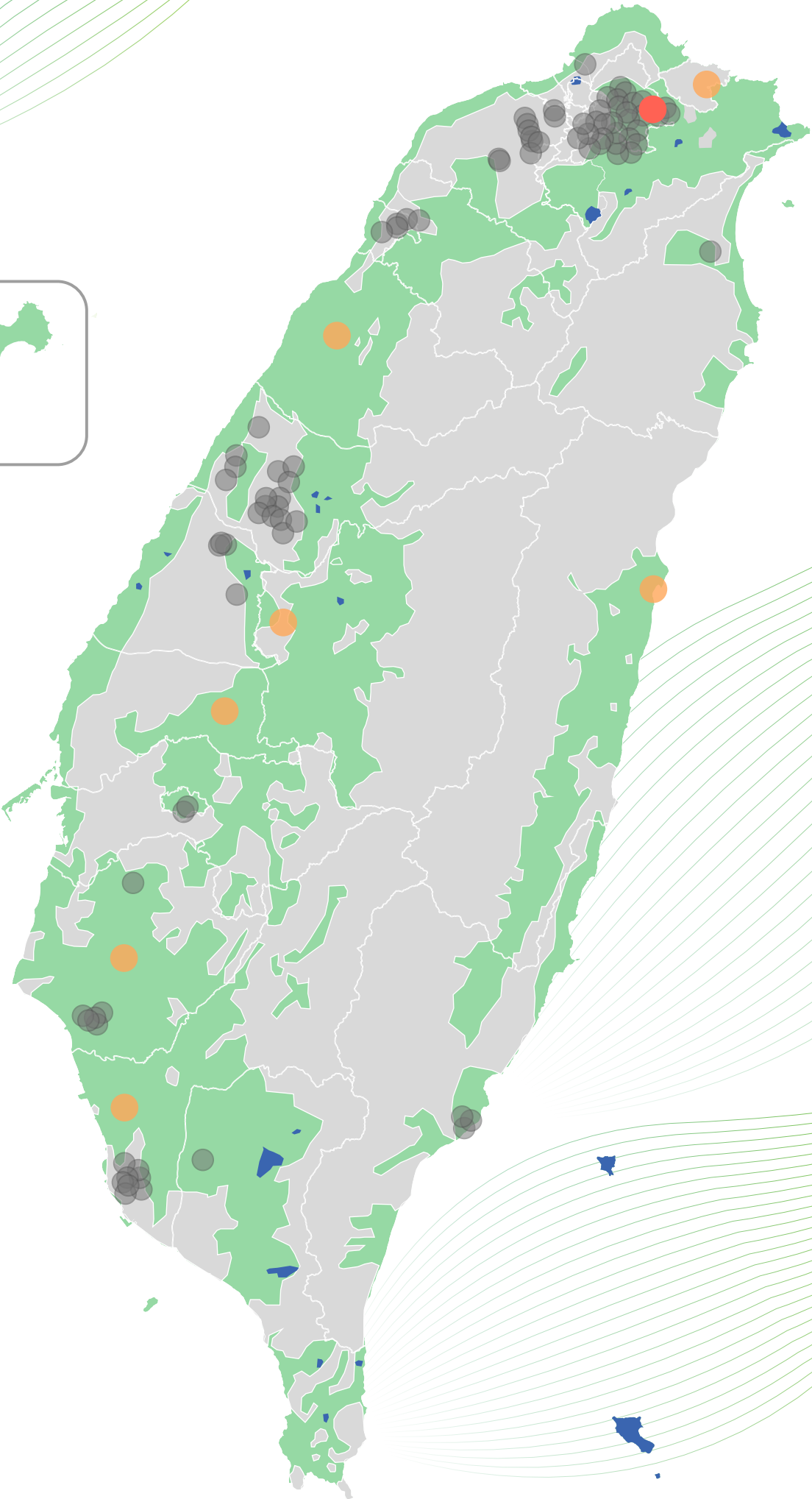


- Location within Level 5 risk region
- Location without Level 5 risk region

Environmentally-sensitive CUB Locations

Cathay FHC has assisted CUB in identifying operational sites across Taiwan that intersect with environmentally sensitive areas. These areas include "Biodiversity Hotspots," areas of concern on the "Taiwan Ecological Network," and habitats of endangered plants listed on the "IUCN Red List." As illustrated, only one CUB site is located within a "Biodiversity Hotspot" or habitats of endangered plants listed on the "IUCN Red List." Moving forward, CUB will continue to monitor the impact of biodiversity on the natural environment, aiming to halt and reverse biodiversity loss and promote positive natural growth.

-  Within Biodiversity hotspots or IUCN Red List
-  Within Taiwan Ecological Network
-  Without biodiversity hotspot, IUCN red list and Taiwan Ecological Network
-  Taiwan Ecological Network Region
-  IUCN Red List

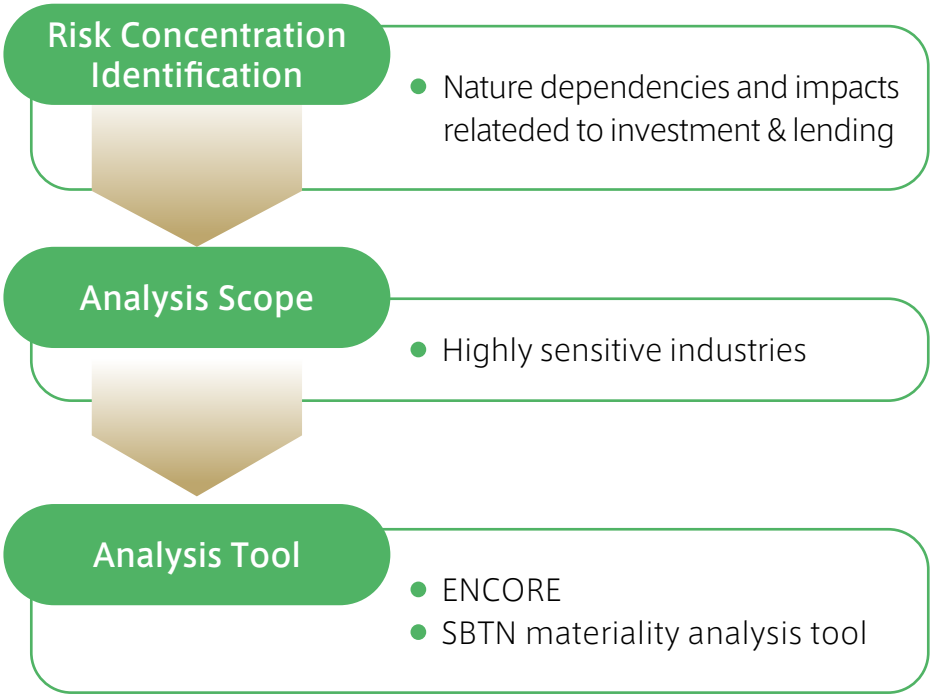


Investment & lending in Highly Sensitive Industries

CUB references TNFD recommendations and integrates data from the ENCORE^{Note 1} database and SBTN^{Note 2} materiality tools to evaluate the dependence and impact of highly sensitive industries^{Note 3} on ecosystem services, as well as the exposure of investment and lending positions in realted industries. This analysis serves as a reference for enhancing risk management and strategic planning. The results are shown in the figure below, indicating that the investment and the amount of corporate lending^{Note 4} for highly sensitive industries account for approximately 3.63% of total investment and 7.90% of total amount of corporate lending. Notably, "Mining" and "Fossil Fuel Power Generation and Coal-Related Industries" are highly dependent on water resources. Due to their water-intensive nature, these industries have a significant impact on ecosystems, making them highly sensitive to water resources. For detailed scenario analysis, please refer to [Section 1.2.3.](#)

Water Resources: Drought Scenario Analysis.

- Note 1** The ENCORE (Exploring Natural Capital Opportunities, Risks, and Exposure) database was jointly developed by United Nations Environment Programme (UNEP) and other organizations. It compiles global data on nature-related risks to help businesses assess their "dependence" and "impact." ENCORE defines "dependence" as the degree to which economic activities rely on ecosystem services and natural capital, and "impact" as the degree to which economic activities affect ecosystem services and natural capital.
- Note 2** Science Based Targets Network (SBTN) provides a materiality assessment tool to assess the comprehensive impact of a company's economic activities on nature.
- Note 3** Cathay FHC has established group-wide regulations on industry limits, defining sensitive industries by considering factors such as climate change, natural capital, pollution and waste, and human rights. If CUB's sensitive industries align with those of Cathay FHC, they are classified as highly sensitive industries. Cathay FHC's definition of "mining" includes industries such as basic metal manufacturing.
- Note 4** Investments are the proportion of exposed investments in highly sensitive industry to the total investment portfolio. The total investment portfolio includes domestic and foreign stocks, bonds, unlisted stocks, and other non-cash equivalent securities, excluding asset-backed securities, funds, venture capital, investments through equity method, and reinvestments. Lending is the proportion of exposed corporate lendings in highly sensitive industries to the total corporate lending portfolio. The total corporate lending portfolio includes domestic and foreign borrowers but excludes closed accounts, dormant accounts, collections, bad debts, frozen accounts, and private banking clients abroad.



Industry		Nature Dependencies					Nature Impacts					Investment	Lending
CUB's Highly Sensitive Industries	Sub-industries	Water	Air	Species	Soil	Habitat	Climate Change	Water Use	Ecosystem Changes	Pollution	Disturbance to Species		
Agriculture, Forestry, Fisheries, & Husbandry	Agriculture, Fisheries & Husbandry											0.00%	0.03%
	Forestry & Wood/Bamboo Products											0.00%	0.06%
	Pulp & Paper Products											0.00%	0.30%
F&B Manufacturing	F&B Manufacturing											0.60%	1.40%
Oil & Gas	Oil & Gas											0.17%	0.24%
Manufacturing of Chemical Materials, Fertilizers, Nitrogen Compounds, Plastic/Rubber Materials & Man-made Fibers	Fertilizer & Agrichemicals											0.15%	0.06%
	Other Chemical Products											0.00%	2.17%
Construction Materials	Construction Materials (incl. cement)											0.00%	0.11%
Mining	Mining											2.71%	3.01%
Fossil Fuel Electricity Generation & Coal-related Industries	Fossil Fuel Electricity Generation & Coal-related Industries											0.00%	0.25%
Aviation	Aviation											0.00%	0.27%
Total												3.63%	7.90%

Very High High Medium Low N/A

(Information acquired on December 31, 2023)

01

Identification and Impacts of Material Risks and Opportunities

02

Strategic Goals & Progress

03

Governance & Risk Management

04

Conclusion

05

Appendix

1.2 Climate- and Nature-related Scenario Analysis

To evaluate the financial effects of climate and natural impacts, CUB conducts climate- and nature-related scenario analysis each year using the supervisory version of climate change scenarios and an in-house version, while also incorporating internal management guidelines. The scenario analysis examines potential influence from plausible future scenarios and identifies how physical risks impact CUB operations and investment/lending positions. The scenario analysis also identifies how transition risks affect credit risk factors. This allows CUB to calculate financial losses under each given scenario and adapt climate and natural risk management strategies as needed.

(Scenario analysis information acquired on December 31, 2023)

Scenario	Risk		Time Horizon	Scope	Details
Supervisory Version of Climate Change Scenario Analysis ^{Note 1}	Physical	Heavy rainfall / Drought/Floods	2030 2050	Domestic corporate/ consumer lending Oversea corporate lending Passbook investments	• Orderly Transition: Corresponds with NGFS Net Zero 2050 and IPCC RCP2.6 • Disorderly Transition: Corresponds with NGFS Delayed Transition and IPCC RCP 2.6 • Current Policy: Corresponds with NGFS Baseline and IPCC RCP8.5
	Transition	Carbon price			
Corporate Financing in Aircraft Leasing Industries ^{Note 2} Transition Risk	Transition	Policies	-	Aircraft leasing in Singapore Corporate financing	• In-house Scenario: Changes in consumer preference and valuation under the CORSIA scenario
Droughts ^{Note 3} Scenario Analysis	Physical	Drought	Short-term: 2020-2040 Midterm: 2030-2050 Long-term: 2040-2060	Domestic mining Corporate financing	• In-house Scenario: Corresponds with IPCC SSP1-2.6
Trading Book Equity Securities Decarbonization Transition	Transition	Carbon price/ electricity rates/ additional costs in upstream & downstream	-	Trading book investments	• Orderly Transition: Corresponds with NGFS Net Zero 2050 • Disorderly Transition: Corresponds with NGFS Delay Transition • Hot House Transition: NDCs

Note 1 Orderly transition refers to a gradual global progression towards net zero by 2050 (potential temperature rise of 1.5° C). Disorderly transition refers to a delayed start in transitioning, ultimately still reaching net zero by 2050 (potential temperature rise of less than 2° C). Current Policy refers to a scenario where there are no policies to mitigate GHG emissions (potential temperature rise of over 3° C). The impacts assumed under these three regulatory climate scenarios include macroeconomic changes such as GDP, unemployment rates, and market interest rates, as well as the impact on real estate values due to natural disasters.

Note 2 Revised 2030 CORSIA carbon reduction goal - In 2020, the COVID-19 pandemic caused a significant drop in global air traffic demand, prompting the International Civil Aviation Organization (ICAO) to revise the CORSIA baseline to 85% of 2019 carbon emissions for the period from 2024 to the end of the plan in 2035, making the target more challenging. The original goal was to use the average carbon emissions of 2019 and 2020 as the baseline then set a net-zero aspirational goal for 2030.

Note 3 Considering Taiwan has declared Net Zero goal by 2050 and planned emission pathways and key strategies, CUB chose IPCC SSP1-2.6, which is the closest match, for scenario analysis. Drought risk data are sourced from the Joint Credit Information Center's (JCIC) "Climate Physical Risk Data Platform for FIs." This platform officially launched on January 31, 2024, and provides consistent and comparable climate data for the financial sector, including information on "temperature," "heatwaves," "cold waves," "sea level," "flooding," "drought," "landslides," and "typhoons," to effectively assess physical climate risks.

1.2.1 Supervisory Version of Climate Change Scenario Analysis

Overview of Scenario Analysis Process

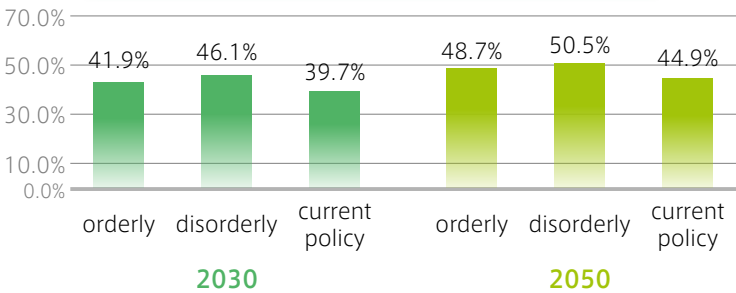
In accordance with the "Plan for Climate Change Scenario Analysis of Domestic Banks (2022)," CUB conducts annual supervisory version of climate change scenario analyses covering six positions: domestic lending (including passbooks), domestic bonds, domestic equity investments, oversea lending, oversea bonds, and oversea equity investments. The supervisory version of climate change scenarios take into account the uncertainty of transition policy paths and include three scenarios: orderly, disorderly, and current policy. These scenarios are designed based on practices from credible international institutions such as the Network for Greening the Financial System (NGFS), the Basel Committee on Banking Supervision (BCBS), and the European Central Bank (ECB). For physical risks, CUB calculates the profitability and loss in collateral value of a corporation as well as impacts of value loss of a mortgage collateral with risk grade identification and impact factors. Transition risks largely derive from emission costs, which are calculated as the rising costs incurred by businesses as a result of transition costs using publicly available information on industry classifications and carbon pricing projections. Macroeconomic factors are also considered. Through this evaluation process, CUB estimated the expected losses of investment and lending assets due to climate risks in 2030 and 2050, allowing us to understand the potential financial impacts of climate risks.

Analysis Results and Resilience Evaluation

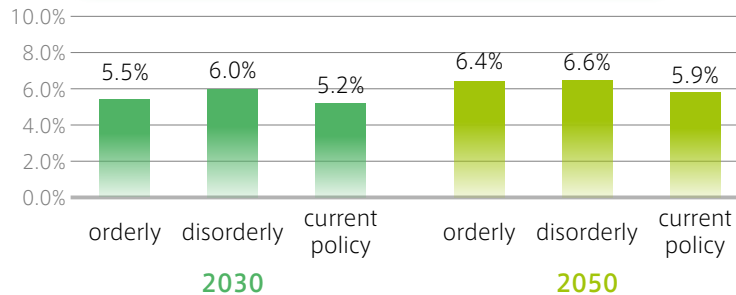
The key findings from the supervisory version of climate change scenario analysis are summarized below, with detailed results available in [Appendix 5.1 Summary of Key Data](#). The expected total loss from the scenario analysis is deemed manageable:

- (1) The greatest expected loss occurs in 2050 under disorderly transition, accounting for approximately 6.6% of the net value of the base year.
- (2) In 2050 under orderly and disorderly scenarios, exposed value loss of collateral in domestic corporate and consumer lending, which located in high physical risk areas (Grade 5), approximates accounts for 6.84%.
- (3) In 2050, the credit amount of domestic corporate lending for carbon-intensive industries facing high transition risks (Grade 5) accounts for about 5.7%.

Ratio of Expected losses to pre-tax earning in the Baseline year by scenario, end of 2023



Ratio of expected Losses to net value in the baseline year by scenario, end of 2023



Risk Mitigation Strategies

To address these risks, CUB has a target to reach net zero in all financial assets by 2050. We have established the "Coal-Exit Action," aiming for zero coal financing by the end of Q1 2027. We are prioritizing financing low-carbon transitions and will adjust strategies as necessary to ensure that asset allocation remains resilient to climate and nature-related risks. Additionally, CUB has launched the Climate and Nature Action Plan, which includes regular verification of climate strategy resilience, monitoring investments and lending in highly sensitive industries, and tracking the physical risk concentration of real estate collateral in corporate and consumer loans. CUB has also set short-, mid-, and long-term targets for investment and lending to track progress towards net-zero transition. For more details, refer to [Section 2.2.1. Net Zero Emissions in Financial Assets by 2050](#).

1.2.2 Transition Risk Scenario Analysis for Corporate Financing in Aircraft Leasing Industries

Overview of Scenario Analysis Process

According to the "Guidelines on Environmental Risk Management for Banks" issued by the Monetary Authority of Singapore (MAS), banks are required to conduct scenario analysis and stress testing to assess the impact of significant environmental risks on their credit portfolios. Given the substantial credit exposure of CUB's Singapore branch to the aviation industry, we have evaluated the impact of transition risks on our aviation industry credit portfolio based on the credit structure. This analysis takes into account the changes in airline preferences under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) scenario and the price volatility of aircraft assets due to international carbon emission policies. We assess the impact of changes in aircraft leasing rates and residual values of aircraft collateral on borrowers' financial conditions to estimate potential expected losses.

Transition Risk Scenario Analysis for Corporate Financing in Aircraft Leasing Industries				
Aircraft Leasing: Secured Credit	Borrower	Aircraft Leasing: Unsecured Credit		
Policy Changes	Risk Scenario	Policy Changes		
Changes in airline preference and valuation under CORSIA	Assumption	Changes in airline preference and valuation under CORSIA		
Percentage of aircrafts leased & residual value of aircraft collateral	Scope	Percentage of aircrafts leased		
Singapore	Region	Singapore		
7.49%	EL% Under Scenario Analysis	0.22%		
2.17%	EL% in Baseline Scenario	0.11%		
5.32%	EL Percentage Increase Derived from Transition Risks	0.11%		

Note EL% is the percentage of EL out of EAD. EL represents expected losses, while EAD represents exposure at default.

Analysis Results and Resilience

Assessment of the aircraft leasing industries focused on expected losses derived from transition risks for the Singapore branch's secured and unsecured credits given changes in airline preference under the CORSIA scenario. Evaluating the expected losses arising from transition risks for the Singapore branch's secured and unsecured loans given changes in airline preference under the CORSIA scenario were 5.32% and 0.11% respectively. The expected total loss from the scenario analysis is deemed manageable.

Risk Mitigation Strategies

CUB complies with TMRAC and rules for aircraft collateral valuation when screening customers and managing collateral for all aircraft financing cases. The Singapore branch's aviation team refers to the latest TMRAC and considers the environmental impacts of aircraft financing by undertaking new/energy-efficient aircraft financing and/or participating or leading financing compliant with the Loan Market Association's (LMA), Green Loan Principles (GLP) and Sustainability Linked Loan Principles (SLLPs), expanding the bank's financing products.

1.2.3 Water Resources: Drought Scenario Analysis

Overview of Scenario Analysis Process

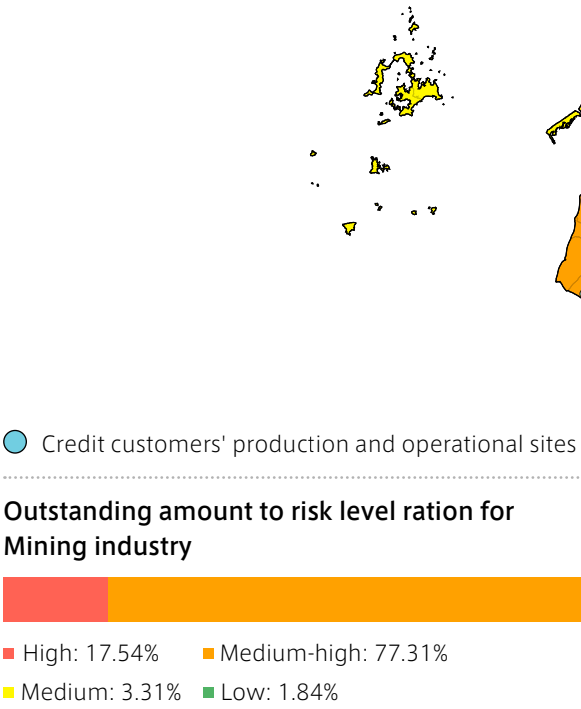
Global warming has led to increasingly extreme climate conditions. Taiwan faces issues such as extreme temporal and spatial distribution of rainfall, increased droughts, increased evaporation rates due to rising temperatures, aging reservoirs , pipelines with high leakage rates and declining storage capacity. The government has implemented measures like the "Reclaimed Water Resource Development Act" and "Regulations on the Water Conservation Charge" to encourage water conservation through policy means. As Taiwan's water demand continues to grow with economic development, stable water supply faces challenges. This could lead to increased water costs for enterprises or even disrupt their operations. International credit rating agencies have highlighted water resources as the most critical environmental risk in Taiwan's sovereign ESG ratings.

CUB's drought scenario analysis categorizes administrative districts into four different water risk levels based on the corresponding water restriction measures indicated by different water signals. We also consider exposure distribution and industries highly sensitive to water resources. For this analysis, we focus on the operating and production sites associated with domestic corporate lending to the "mining industry," a highly sensitive industry, to assess the operational impact of water shortages due to climate change and the potential disruptions this could cause. CUB links these impacts to credit risk to estimate potential expected losses.

Analysis Results and Resilience

The distribution of risk across administrative districts, the distribution of CUB's corporate borrowers' production and operational sites, and the exposure of the mining industry in high-risk districts are illustrated below. CUB has estimated the total expected losses under the SSP1-2.6 scenario at different time horizons. The greatest expected loss occurs between 2040 and 2060, accounting for approximately 0.183% of the bank's pre-tax profit. The expected total loss from the scenario analysis is deemed manageable.

CUB's Highly Sensitive Industries		Mining
Domestic Corporate Financing Exposed Percentage		2.74%
Expected Losses to Pre-tax P/L		
SSP1-2.6	2020-2040	0.167%
	2030-2050	0.182%
	2040-2060	0.183%



Risk Mitigation Strategies

CUB ensures risk analysis and projections are reliable by regularly reviewing scenario assumptions and the reasonability of data. Simultaneously, CUB monitors investment and lending to limits of highly sensitive industries, tracking and monitoring exposure and trends across high water risk regions.

Risk Mitigation Strategy ①
Regularly review scenario assumptions and the reasonability of data

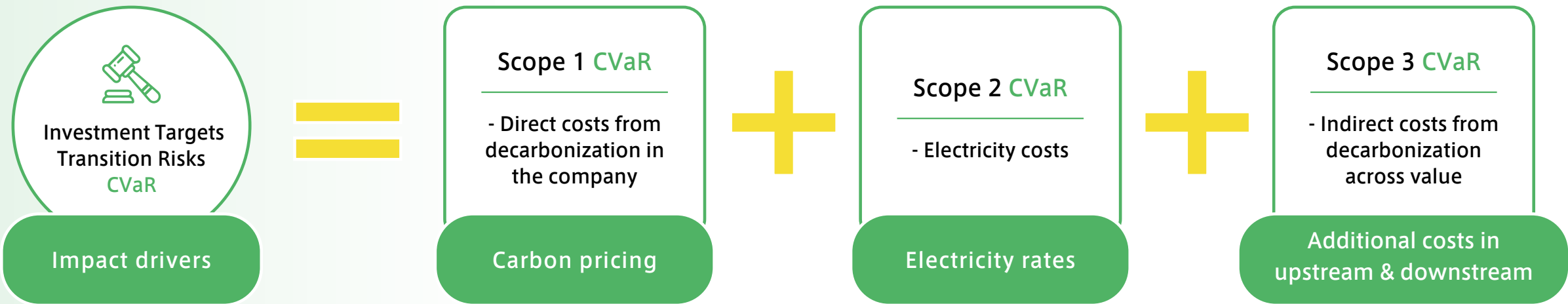
Risk Mitigation Strategy ②
Monitor investment and lending to limits of highly sensitive industries

Risk Mitigation Strategy ③
Track and monitor exposure and trends across high water risk regions

1.2.4 Trading Book Equity Securities: Decarbonization Transition Scenario Analysis

Overview of Scenario Analysis Process

Global low-carbon transitions and extreme climate events significantly impact companies and leads to the devaluation of their issued securities and resulting in net value losses for investor assets. Besides using standardized climate change scenario analysis to assess credit risks and losses from banking book investments, CUB also introduced an MSCI-developed model and NGFS Phase 3 scenarios to evaluate Climate VaR (CVaR) to represent market risks resulting from devaluation of trading book equity securities due to decarbonization transition scenarios for orderly transition (net zero by 2050), disorderly transition (delayed transition), and hot house (nationally determined contributions). Losses from trading book equity securities under climate scenarios due to transition risks are analyzed using the CVaR model and targets financial impacts from costs to reduce Scope 1, Scope 2, and Scope 3 emissions in investment targets. The discounted financial losses are the results of CVaR calculations.



Analysis Results and Resilience

Scenario analyses reveal that CUB's trading book equity securities will experience climate losses from market risks of 4.9%, 2.5%, and 0.3% of the position's market value for the orderly transition, disorderly transition, and hot house scenarios, respectively. Under the orderly transition scenario, due to the lower potential warming scenario and higher carbon pricing, the climate loss accounts for the highest at 4.9% of the position's market value. However, results show that the impact is manageable and that we demonstrate a certain degree of resilience.

Risk Mitigation Strategies

CUB incorporates ESG risk assessments into internal investment processes as a crucial factor in investment decisions to reduce climate risk losses. This approach aligns with CUB's goal of achieving net zero emissions for investment and lending assets by 2050 and enhancing the bank's climate resilience.

Milestones & Achievements

Message from the Chairman

About the Report

01 Identification and Impacts
of Material Risks and
Opportunities

02 Strategic Goals & Progress

03 Governance & Risk
Management

04 Conclusion

05 Appendix



CHAPTER

02

Strategic Goals & Progress

2.1 Transition Plan

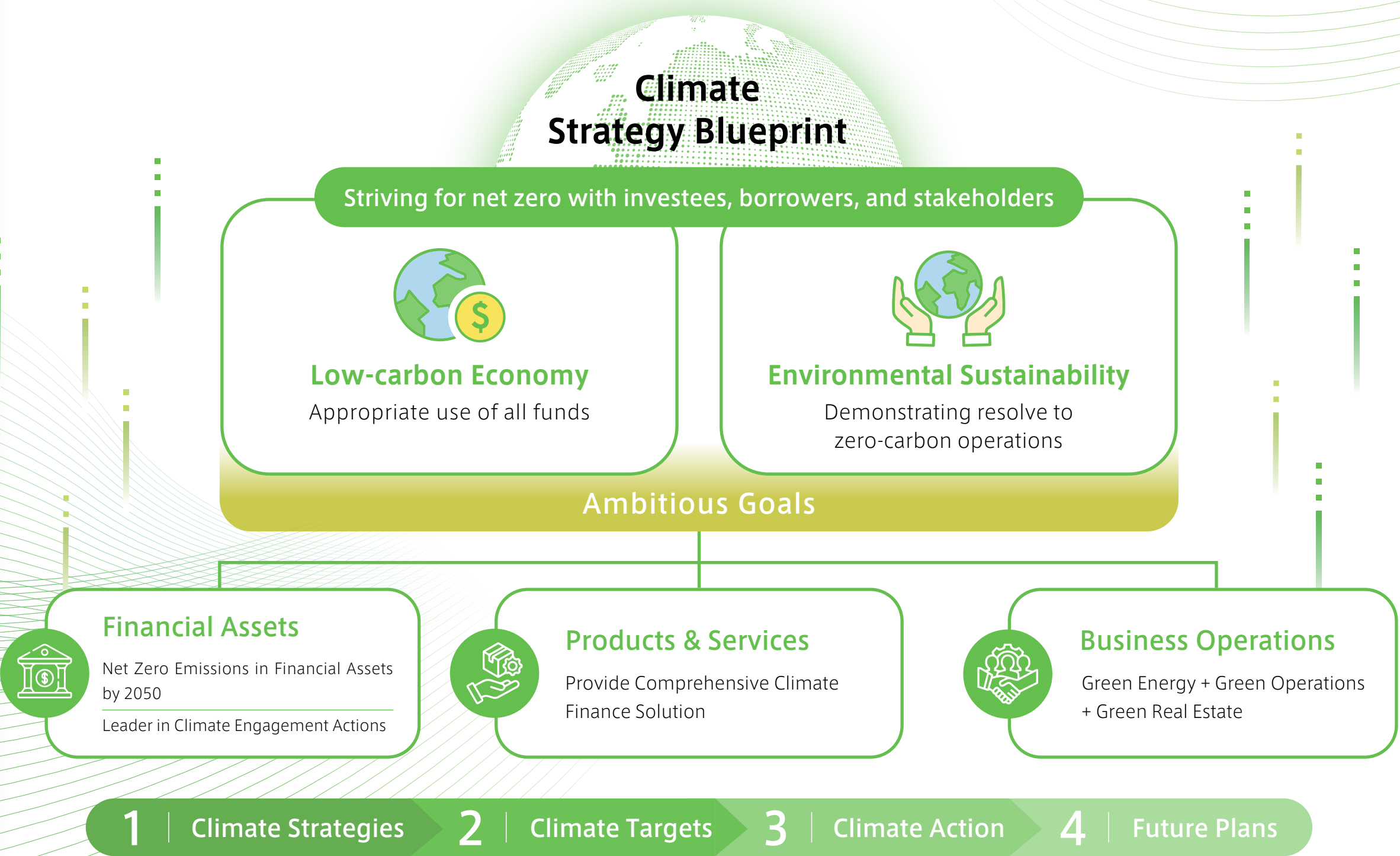
2.2 Financial Assets

2.3 Products & Services

2.4 Business Operations

2.1 Transition Plan

CUB has adopted corporate sustainability as a vital factor in operational decisions, actively striving to become a leading brand in green finance. To achieve net zero and exert CUB's influence as a financial institute, the bank has designated "climate" as one of the three major themes of our Sustainability Blueprint. In addition, CUB is spotlighting "low-carbon economy" and "environmental sustainability," establishing climate-related strategies and targets that cover downstream financial assets, products/services, CUB operations, and upstream suppliers to develop a reliable transition plan.



Overview of Climate Strategy Blueprint

To address climate and nature-related risks and opportunities (see [Section 1.1 Climate and Nature Risks and Opportunities](#)), CUB has established climate strategy goals and actions as summarized in the following table. CUB tracks these goals annually to ensure the effectiveness of the transition plan.

Climate Strategies	Climate Goals	Risks & Opportunities	Climate Action	Affected Stakeholders
Net Zero Emissions in Financial Assets by 2050	- SBT emissions reduction targets (SBTs) for investment/lending - By 2027, reduce credit facility for the coal industry to zero	1 4 6 7 8 1 2 7	1. Monitor decarbonization progress 2. Zero coal financing strategy	Customers/ Government
Leader in Climate Engagement Actions	Engage with investment/lending targets to participate in SBT	2 3 6	1. Facilitate climate engagement 2. Commit to international initiatives	Customers/ Government/ Peers
Provide Comprehensive Climate Finance Solution	By 2030, exceed NT\$100B in sustainable loans	3 5 4 8	1. Green capital 2. Green finance products/services	Customers
Green Energy	- By 2025, achieve 100% renewable energy usage in HQ - By 2030, achieve 100% renewable energy usage in CUB locations across Taiwan - By 2050, achieve 100% renewable energy usage in CUB locations around the world	2 8 9 1	1. Increase Use of Renewable Energies 2. Deploy Energy Management Systems 3. Consider Carbon Pricing Mechanisms from the Operations Side 4. Install Solar Panels on Proprietary Buildings	Employees
Green Operations	- By 2050, achieve net zero in S1+2 from CUB operations - By 2030, complete carbon footprint verification for main financial products/services - By 2030, achieve 18 cubic meters per capita water consumption - By 2030, achieve 27.7kg per capita waste	2 8 9 1 3	1. Decarbonize CUB operations 2. Three Workplace Strategies 3. Water management 4. Waste reduction 5. Sustainable procurement	Employees/ Suppliers
Green Real Estate	By 2030, ensure 45% of CUB branches meet eco-friendly standards	2 8 10 11 13 1 3 5	1. Green retrofit 2. Low-carbon architecture 3. Green landlord	Customers/ Employees

Note In line with international market trends and Cathay FHC's sustainability policy, from 2024 onwards, CUB will set ambitious targets for "green loans" and "sustainability-linked loans," defining them as "sustainable loans." The base year will be 2023, and the target year will be 2030.

2.2 Financial Assets

As a leader in sustainable finance, CUB is committed to responsibly utilizing every investment. By actively managing the carbon emissions of our financial assets and engaging proactively with investment and lending targets, CUB aims to guide them towards a low-carbon economy and a zero-carbon society, striving to be an influential and responsible bank.

2.2.1 Net Zero Emissions in Financial Assets by 2050

Climate Strategies

CUB has rolled out low-carbon transition plans for financial assets using science-based and quantitative decarbonization targets and a goal for zero coal financing, working steadily towards the ultimate goal of net zero Emissions in Financial Assets by 2050.

Climate Targets

■ Set science-based emissions reduction targets

Asset	Methodology	Base Year	Climate Target – Cathay FHC's SBT	Annual Emissions Reduction Target
Listed equity & bonds	Temperature Rating	2020	• By 2026, decrease Scope 1+2 investment portfolio temperature from 3.08° C to 2.68° C	2.16%
			• By 2026, decrease Scope 1+2+3 investment portfolio temperature from 3.13° C to 2.79° C	1.80%
Electricity Generation Project Finance	Sectoral Decarbonization Approach (SDA)	2019	• By 2026, decrease emissions intensity (tCO ₂ e/MWh) by 33% from base year	4.73%
Commercial Real Estate			• By 2026, decrease emissions intensity (tCO ₂ e/MWh) by 39% from base year	5.56%
Long-Term Corporate Loan (Electricity Generation Industry)			• By 2035, decrease emissions intensity (tCO ₂ e/MWh) by 69% from base year	4.30%
Long-Term Corporate Loan (Commercial buildings)			• By 2035, decrease emissions intensity (tCO ₂ e/MWh) by 73% from base year	4.57%
Long-Term Corporate Loan (Fossil fuel, electrical and electronic equipment, semiconductor, general manufacturing sectors)	SBT Portfolio Coverage Approach	-	• By 2026, 33% of loan portfolio by loan value setting SBTi validated targets	4.76%

Note 1 Cathay FHC passed SBTi verification in September 2022, setting an overall target to control warming well below 2° C achieve net zero group-wide by 2050. The SBT baseline calculation and target setting for Cathay FHC include financial assets of all subsidiaries.

Note 2 (1) Electricity generation project finance: Evaluates the generated capacity and carbon emissions of each power plant based on their installed capacity, using carbon intensity of electricity generation as an indicator.
(2) Commercial real estate: Targets leased collaterals and evaluates their total floor area and building use for GHG emissions, using carbon intensity per square meter unit as an indicator.
(3) Long-term Corporate Loans (excl. SMEs): GHG information primarily derived from GHG emissions data disclosed by the companies themselves or, if company does not disclose GHG emissions, estimations according to their business data. Industries/sectors are categorized into electricity generation, commercial buildings, SBT Portfolio Coverage, etc., and managed according to their characteristics.

Note 3 Annual emissions reduction targets refer to linear reduction rates required each year after the base year and target is set.

■ Divestment from Coal Industries

Target

Zero Coal Financing



By end of 2027 Q1,
reduce coal value chain credit
balance to zero

Strategy

- (LA) Cathay United Bank has ceased to extend credit facilities for coal-related loans since April 2021. This policy covers the upstream, midstream, and downstream coal industry chains, including upstream, midstream, and downstream sectors such as coal mining, products, wholesale, and retail, all of which are added to our exclusionary screening.
- All revolving credit lines will expire at the end of 2022, the designated transition period, and will not be renewed. Mid-to-long-term credit lines will not be renewed upon expiration.

Monitoring

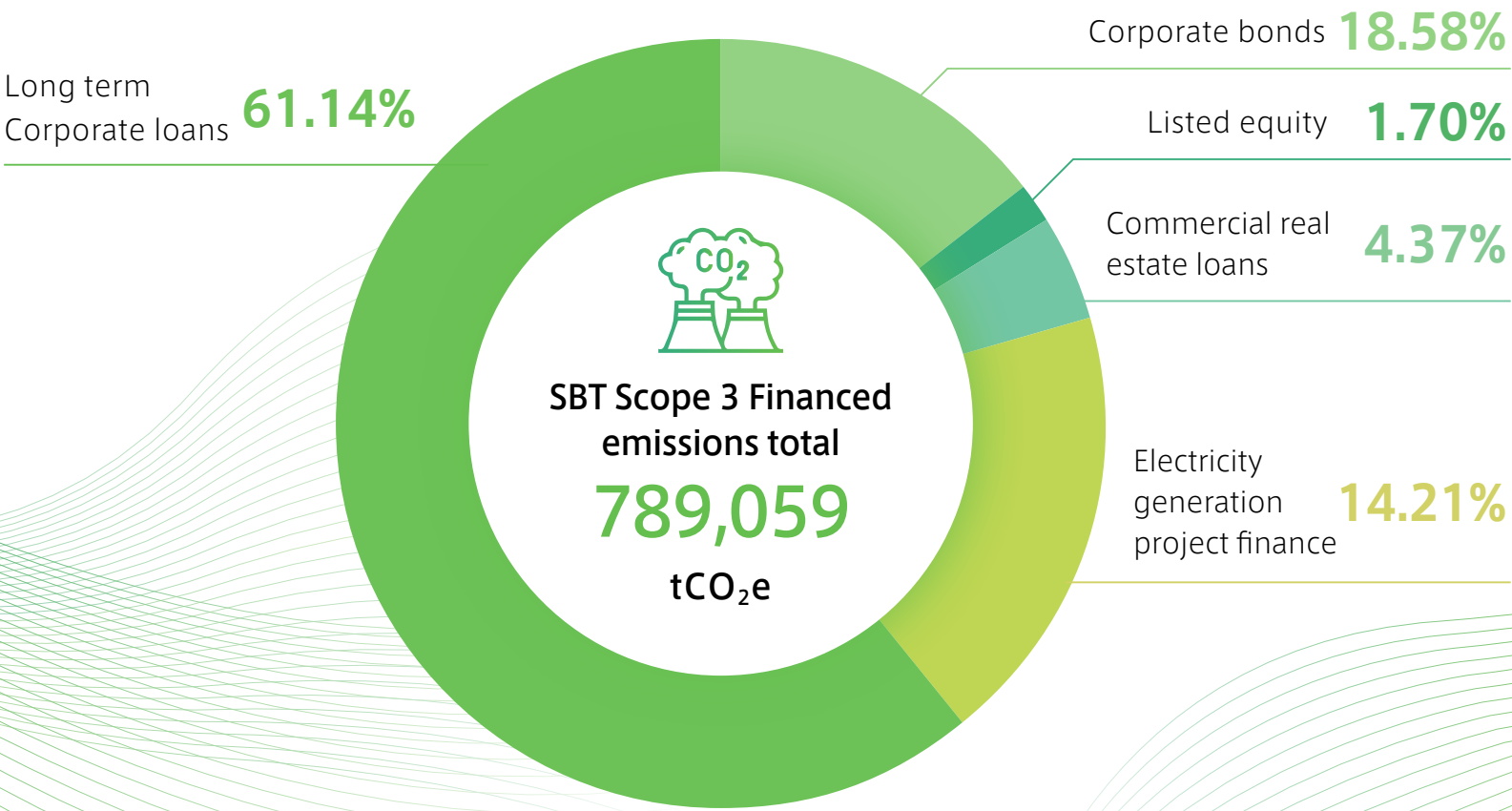
Quarterly

Climate Action and Progress

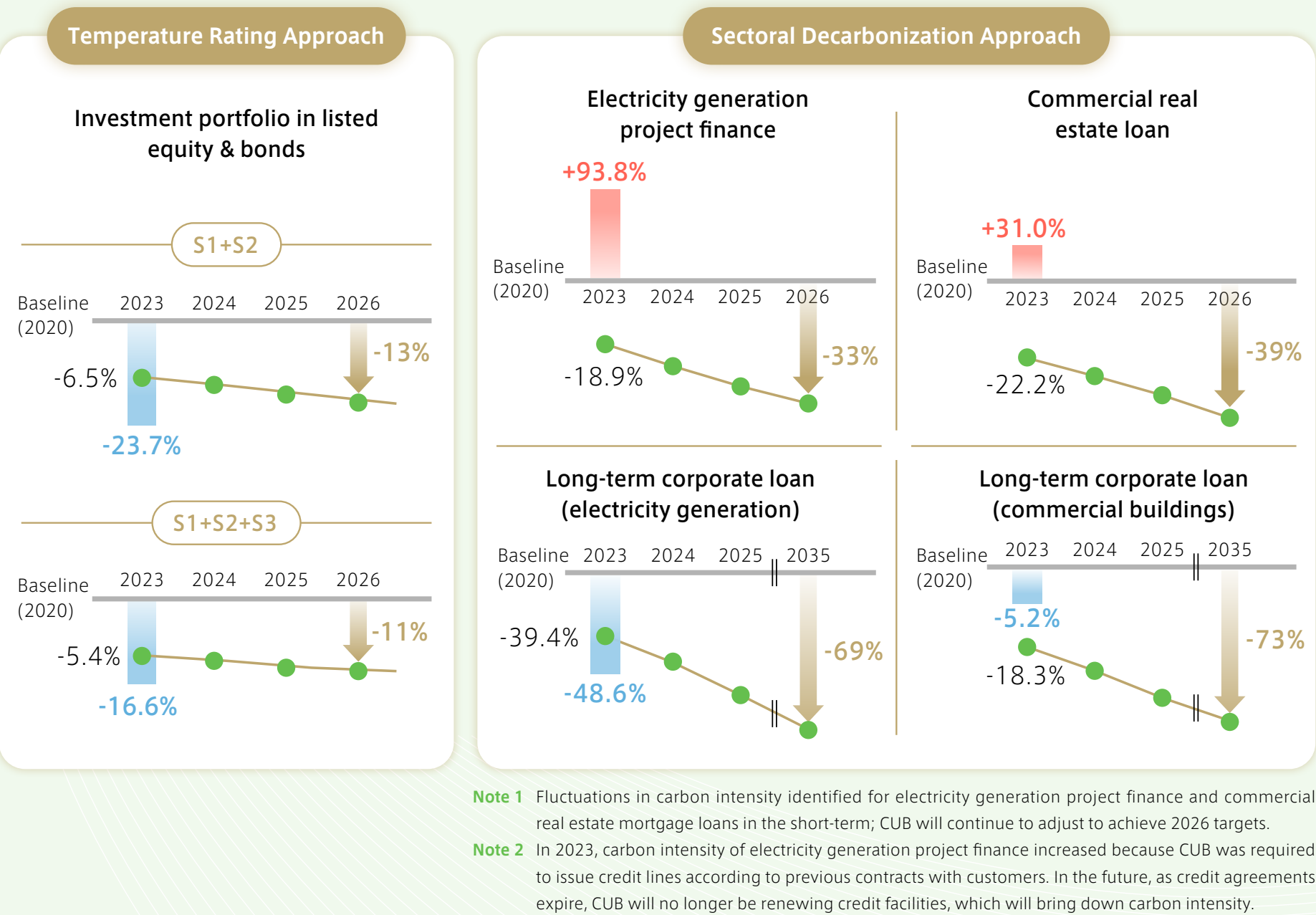
■ Monitoring SBTs

In compliance with Cathay FHC policies, CUB has established decarbonization pathways and targets for investment/lending portfolios based on the Financial Sector Science-based Targets Guidance and quantitative approaches for developing emission-based and impact-based targets. CUB has also referenced ISO 14064-1: Greenhouse Gases and PCAF guidelines to develop an SBT Scope 3 carbon inventory mechanism for financial assets, which will guide investment/lending strategies and goals. CUB's SBT carbon inventory for credit facilities primarily covers non-SMEs and continues to monitor progress toward SBTs set according to the Sectoral Decarbonization Approach and SBT Portfolio Coverage Approach. CUB's SBT carbon inventory for investments covers listed stocks and bonds and evaluates potential warming from investment assets with the Temperature Rating Approach to ultimately meet temperature goals set forth in SBTs for investment portfolios. Each year, CUB will analyze carbon distribution from investment/lending positions or carbon-intensive businesses or industries to serve as reference for future adjustments to investment/lending strategies and positions, developing emissions reduction strategies and action plans accordingly.

Results from the 2023 SBT S3 carbon inventory for financial assets are as follows:



2023 progress towards SBT Scope 3 emissions reduction targets for all financial assets are as follows:



Temperature Rating Approach

Sectoral Decarbonization Approach


Target Value: Reach required reduction rate from baseline value to meet Cathay FHC's SBT target


Actual Value: CUB's actual reduction rate from baseline value


Baseline Value: Baseline of Cathay FHC's SBT target on investment assets is 2020

SBT Portfolio Coverage Approach

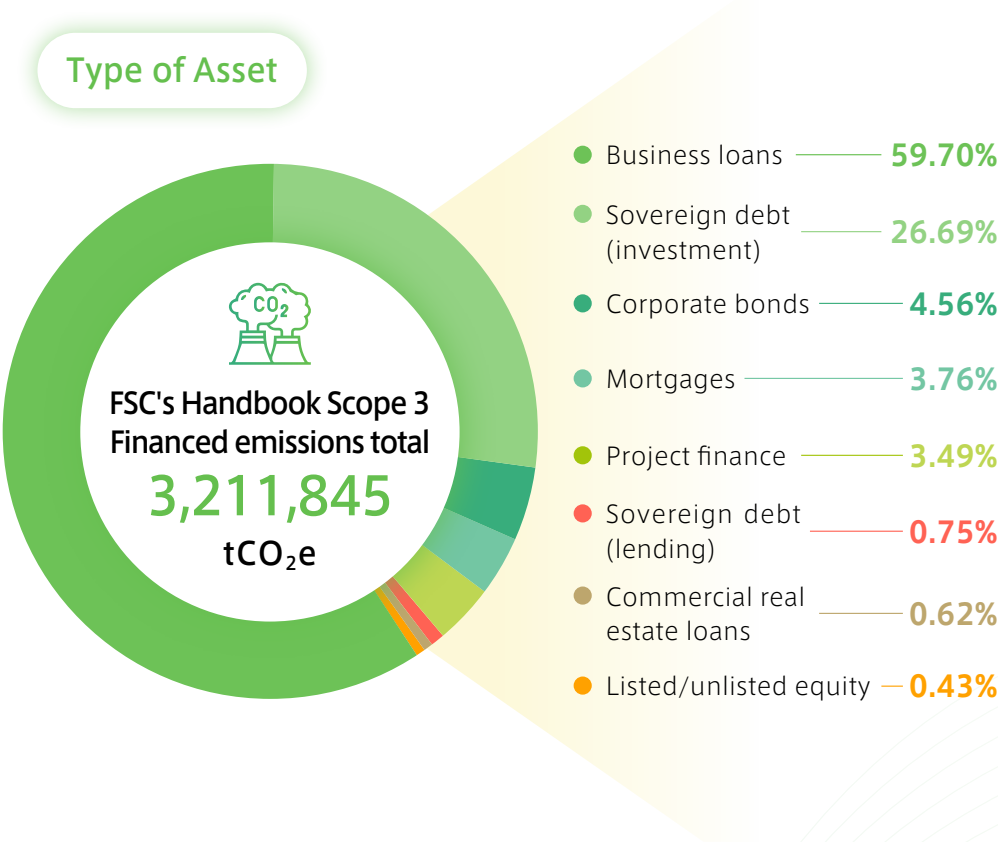

Target Value: Engagement outcomes required to meet Cathay FHC's SBT target


Actual Value: CUB's actual engagement outcomes

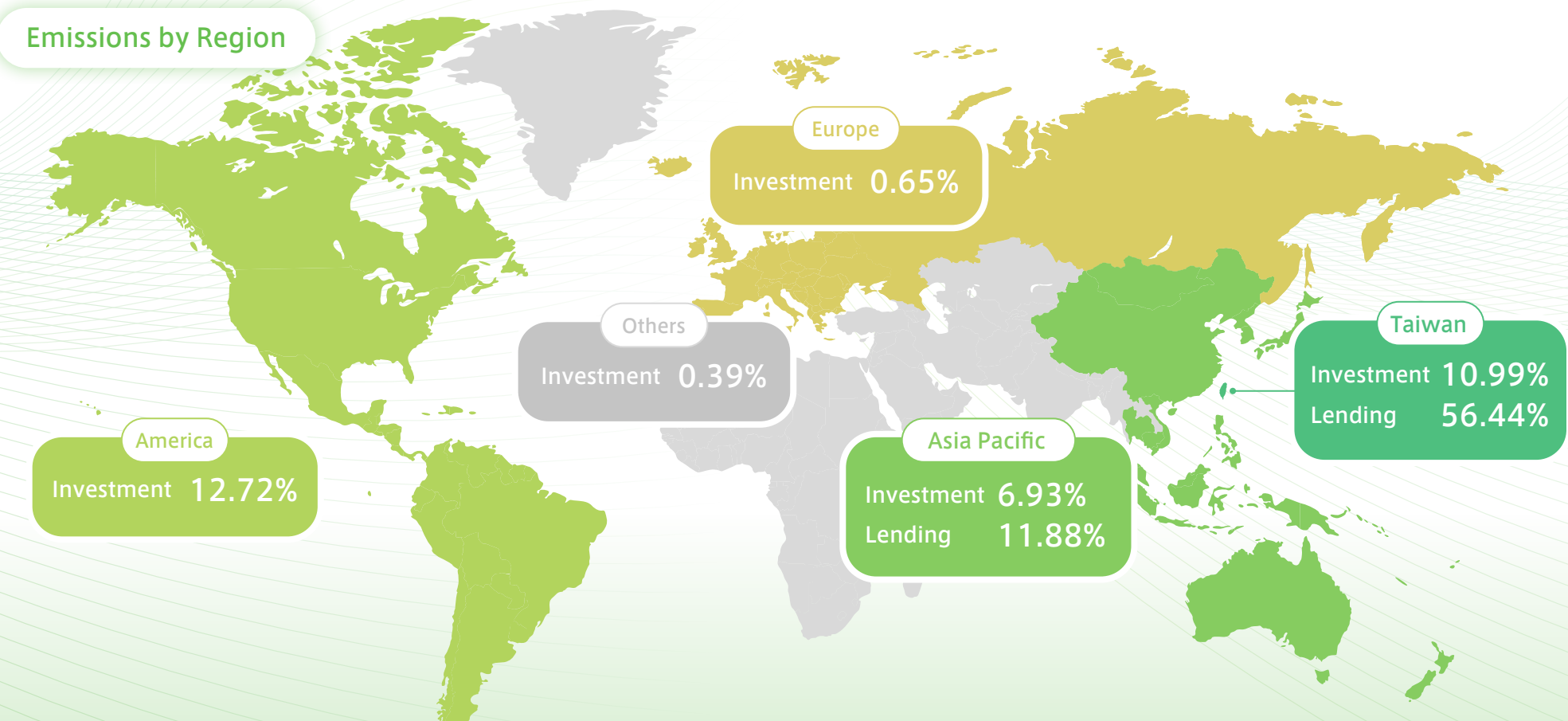
Investment and Lending Portfolio Carbon Footprint - Based on the Taiwan FSC's Manual for Determining Scope 3 Emissions in Investment and Lending Portfolios for Banks

In addition, CUB also complied with the Bankers Association of the Republic of China's (BAROC) "Taiwan FSC's manual for determining scope 3 emissions in investment and lending portfolios for banks (FSC's Handbook)" to develop an Scope 3 inventory mechanism for financial assets in compliance with BAROC guidelines. The inventory scope is larger and more comprehensive than the Scope 3 inventory for SBT. In the future, CUB will leverage FSC's Handbook Scope 3 inventory results to develop and establish our emissions reduction strategies and targets. Using the PCAF methodology, CUB's inventory task force conducted carbon inventory for investment and lending positions as of December 31, 2023. The inventory scope covers listed and unlisted equity investments, corporate bonds investments, sovereign debt, business loans, project investments/finance, commercial real estate investments/finance, and mortgages. The inventory is then verified by our in-house verification team for accuracy and reasonableness through cross-checking inventory results, corrected, and then verified and assured by an independent third party. CUB will submit the final version in compliance with guidelines from competent authorities or BAROC.

Results from the 2023 FSC's Handbook Scope 3 carbon inventory for financial assets are as follows (For details, please refer to [5.1 Summary of Key Data](#)):



Emissions by Region

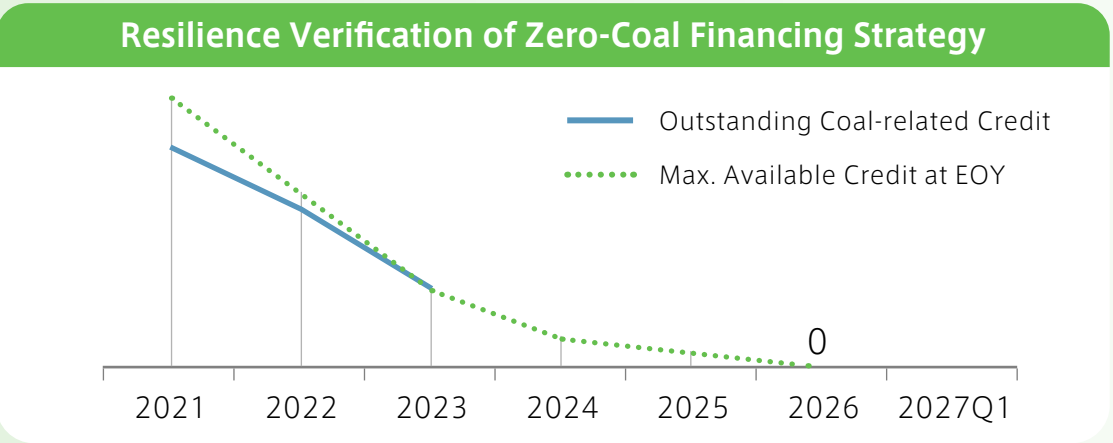


Note 1 To prepare for inventory and verification, CUB held kick-off meetings with various departments in 2023 to prepare for inventory and verification of financed emissions. In addition, we organized a carbon inventory workshop to demonstrate how to inventory carbon emissions using the example of credit assets.

Note 2 S3 financed emissions here exclude LULUCF.

■ Zero Coal Financing Strategy

The goal of CUB's zero coal financing strategy is to reduce coal value chain credit facilities to zero by 2027 Q1 through regularly monitoring remaining credit lines to coal-related businesses to track current progress toward zero coal financing goals. The following details how CUB verifies strategy resilience:



Future Plans

CUB will continue to comply with PCAF and SBTi methodologies to gradually expand scope of carbon footprint verification for investment and lending portfolios to thereby strengthen carbon management of financial assets.

Low-carbon Transition Plans for Financial Assets

Investment Assets:

- (1) Assess carbon emissions data, emissions reduction targets, and SBT potential temperature rise of sensitive industries; and confirm whether company has decarbonization policies, have joined SBT or other initiatives, or committed to other net zero initiatives for comprehensive assessment.
- (2) In-depth engagement (encourage investee to set SBTs) and issue-based engagement (ensure investees set emissions reduction targets and disclose emissions) with investees.

Credit Assets:

- (1) Strengthen carbon management mechanism over carbon-intensive positions to optimize disclosure quality and conduct issue-based engagement alongside authorities in compliance with Coalition of Movers and Shakers on Sustainable Finance commitments and SBTs.
- (2) Continue to improve management measures over high climate risk industries.

2.2.2 Leader in Climate Engagement Actions

Climate Strategies

As one of the systemically important banks in Taiwan, CUB fully understands the importance of climate action in enhancing the resilience of financial assets. We take on the role of a leader in sustainable finance, advocating and engaging with borrowers to highlight the importance of corporate energy-saving and carbon reduction by supporting climate action in customers. CUB communicates with investees and borrowers to encourage them to disclose carbon inventory results, set more specific medium- and long-term emissions reduction targets, or join international decarbonization organizations such as SBT/RE100.

Climate Targets

CUB actively engages with borrowers to encourage them to join SBT. Cathay FHC commits to 33% of its other long-term corporate loan portfolio by loan value within the fossil fuel, electrical and electronic equipment, general manufacturing, and semiconductor sectors setting SBTi validated targets by 2026.

Climate Action and Progress

■ Facilitate Climate Engagement

Leveraging the Cathay FHC's comprehensive financial industry chain, CUB is committed to bridging Taiwan's zero-carbon policies and industrial transition trends and integrating sustainable finance into our core businesses. In addition, CUB will comply with the core framework of the "Taiwan Sustainable Taxonomy" and work through various direct and cooperative engagement channels to spotlight how companies are preparing for climate change and assist and support borrowers in planning and executing transition action plans. We hope to support borrowers to mitigate or adapt to the impacts of climate change, which can ensure a competitive industry while in transition, fostering an orderly shift towards a green economy and collectively creating a net-zero future. For details on progress toward SBT targets (of the SBT Portfolio Coverage Approach) in 2023, please refer to [2.2.1 Net Zero Emissions in Financial Assets by 2050](#).

Taiwan Sustainable Taxonomy

To support Taiwan's goal of net zero by 2050, competent authorities issued the "Taiwan Sustainable Taxonomy" in December 2022 to encourage listed companies to voluntarily disclose the following information through their sustainability reports, annual reports, or official website: (1) the eligibility and alignment of their main economic activities or projects with these guidelines, (2) specific improvement or transition plans, and (3) the sustainability of their main economic activities. Financial institutions are also advised to refer to these guidelines for investment and lending assessments and decisions, product design, and corporate engagement when labeling investments, lending, or financial products as "green", "ESG," or "sustainable." CUB has designed related processes for engaging with investees and borrowers based on the "Taiwan Sustainable Taxonomy", as detailed below.

CUB incorporated the "Taiwan Sustainable Taxonomy" as one of the themes for client engagement, encouraging listed companies to fill out JCIC's "Corporate ESG Information & Sustainable Economic Activities Questionnaire" which covers GHG emissions, energy management, environmental protection, social responsibility, corporate governance, and self-assessment of applicability/compliance with the "Taiwan Sustainable Taxonomy" and their public disclosure. CUB aims to help companies and understand their current sustainable economic activities to facilitate investment assessments from the financial sectors, directing funds to sustainable economic activities and driving sustainable corporate development and low-carbon transitions. Engagement approaches include ESG engagement meetings, participating in investee's shareholder meeting or investor conference, correspondence with invetee, lectures, education and training, and engagement with investee.

CUB discloses engagement with investees in compliance with the "Taiwan Sustainable Taxonomy". As of 2023, CUB has evaluated eight investment projects as Taxonomy-eligible and Taxonomy-aligned activities.



Sustainability Self-assessment of Investment Projects	
2023	
Ordinary Economic Activities (OEAs)	
Eligibility	5
Alignment	5
2023	
Forward-Looking Economic Activities (FLEAs)	
Eligibility	3
Alignment	3

Projects					
No.	OEAs /FLEAs	Technical Screening Criteria	Significant environmental impact? (Y/N)	Significant social impact? (Y/N)	Result of Sustainability Self-assessment
1	H04 Passenger rail transportation	Aligned	Aligned (N)	Aligned (N)	Aligned
2	Z05 Applications of low-carbon transportation technologies	Directly Aligned	Aligned (N)	Aligned (N)	Aligned
3	Z05 Applications of low-carbon transportation technologies	Directly Aligned	Aligned (N)	Aligned (N)	Aligned
4	Z05 Applications of low-carbon transportation technologies	Directly Aligned	Aligned (N)	Aligned (N)	Aligned
5	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned
6	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned
7	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned
8	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned



Corporate Lending

To encourage corporate borrowers to transition to low-carbon operations and promote sustainable development, CUB has incorporated green loans^{Note 1} and sustainability-linked loans^{Note 2} into internal guidelines. Subsequently, in response to the "Taiwan Sustainable Taxonomy", practical requirements such as lending assessments, decision-making, product design, and corporate engagement have also been incorporated into internal regulations. CUB will continue to refine practices, such as "socially responsible loan," based on new recognition principles issued by international associations and domestic regulatory trends.

- (
 - CUB discloses engagement with borrowers in compliance with the "Taiwan Sustainable Taxonomy". As of 2023, CUB has evaluated five lending projects as Taxonomy-eligible and Taxonomy-aligned activities.)

Sustainability Self-assessment of lending Projects					
2023 Ordinary Economic Activities (OEAs) Eligibility 5 Alignment 5 2023 Forward-Looking Economic Activities (FLEAs) Eligibility 0 Alignment 0					
Projects					
Customer	OEAs /FLEAs	Technical Screening Criteria	Significant environmental impact? (Y/N)	Significant social impact? (Y/N)	Result of Sustainability Self-assessment
A	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned
B	F07 Purchase & acquisition of buildings	Aligned	Aligned (N)	Aligned (N)	Aligned
C	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned
D	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned
E	F01 New buildings	Aligned	Aligned (N)	Aligned (N)	Aligned

Note 1 Green Loans: Any types of loans made available to green projects and is based around the following core components:

- (1) Use of Proceeds: The funds are made available exclusively for green projects with substantial environmental benefits. Common uses of proceeds of green loans include renewable energy, energy efficiency, pollution prevention and control, natural resource management, biodiversity, clean transportation, water management, climate change adaptation, circular economy, and green buildings.
- (2) Environmental Benefit Objectives and Evaluations: Shall include the environmental sustainability objective(s) of the borrowers; and the environmental benefit objectives of the use of proceeds and the evaluation indicators; and if the use of proceeds relates to GHG emissions, business units shall have a process in place to identify borrower's greenhouse gas emission situation, restrictions, difficulties and action plans (including technology and financial needs, etc.) in the carbon reduction process during the KYC (Know Your Customer) stage
- (3) Management of Fund Flow : To ensure that the funds are used for expenditures for green projects, it is necessary to establish clear control methods.
- (4) Fund Utilization Report : During the loan period, borrowers shall specify the use of green loan funds and the implementation progress or situation of the environmental benefit objectives.

Note 2 Sustainability-Linked Loans: Loans where the lending criteria are linked to predetermined sustainable development performance goals, offering economic incentives to encourage the borrower to achieve sustainability goals; is based around the following core components:

- (1) Key Performance Indicator: The Bank and the borrowers will agree on KPIs to measure the borrower's performance on environmental, social and corporate governance aspects. KPIs include GHG inventory and disclosure, emissions reduction target setting, sustainability assessment results, net zero initiatives, and water resources, etc.;
- (2) Sustainability Performance Target: Suitable quantitative targets set according to KPIs;
- (3) Economic incentives set according to credit criteria (rewards/penalties) for SPT achievement and applicable period;
- (4) Verification: Agreed format, frequency, and submission deadlines for information to be provided post-lending. The information shall be verified by a third-party institution to confirm achievement of KPIs.

Direct Engagement



Due Diligence as Institutional Investor

In compliance with due diligence policies, CUB actively engaged with investees in 2023, participating in votes at 106 shareholder meetings, 305 investor conferences, and 163 direct engagements on environmental issues via phone calls, emails, etc. Focus areas included energy conservation, environmental protection, climate change, and environmental impacts. Related actions are as follows:

- (1) CUB's investment team engages monthly with investee's management team via phone calls and on-site visits, expressing CUB's opinion and gaining further insight on material issues. In addition, CUB refers to trends in industry and regulatory landscapes to evaluate whether engagement with investee is required on specific issues.
- (2) In the event of major news or announcements in contradiction with CUB's sustainability ideals, CUB will communicate with investee's management team by attending shareholder meetings, attending board of director or supervisory board meetings when applicable, and sending letters or emails to ensure investee's policies remain aligned with CUB's sustainability ideals. CUB will vote against any proposals that raise concerns regarding an investee's approach or ability to address environmental and social risks.
- (3) CUB will evaluate ESG risks based on interactions and engagement with investees, which will serve as reference for decisions on whether to continue investing in said investee. In addition, CUB will regularly review and offer written suggestions on investee's ESG risk ratings. CUB will also check the "Annual Corporate Governance Ratings" and other related information produced by the TWSE, TPEx, and SFI for ESG risks and opportunities in investees.



**2023
Achievements**



**Number of
engagements on
environmental issues**

163



**Case
Study**

Direct Engagements on Climate Issues

CUB continues to observe industry trends to identify changes in external environments, such as carbon taxes, stricter chemical safety regulations, and nation-wide commitments toward net zero, confronting investees in the future. As a responsible investor, CUB has sought for insight on mid-to-long-term net zero transition issues from two investees, encouraging them to set decarbonization strategies. In addition, CUB encourages investees to develop the following four major decarbonization strategies to achieve carbon neutrality by 2050: low-carbon energy transition, circular economy for energy conservation and decarbonization, increase renewable energy use and carbon capture, and strengthen ESG disclosure. ESG disclosure can be strengthened by providing detailed descriptions of ESG practices and improving corporate governance ratings. Progress in climate action of the two investees engaged in 2023 are as follows: CUB will continue to track their progress and factor the results into in-house investment decisions:

Company A

- 1. Established Sustainability Committee:** Established a sustainability committee in June 2022 and designated the board of directors as the highest executive body for ESG issues
- 2. Set Emissions Reduction Targets:** Set goals to reduce 35% carbon emissions by 2030 and reach carbon neutrality by 2050 with 2007 as the base year
- 3. Low-carbon Energy Transition:** Converted coal-fired furnaces into steam furnaces and installed solar panels to rooftops
- 4. Published Sustainability Reports:** Disclosed ESG information in compliance with GRI, SASB, and TCFD guidelines

Company B

- 1. MSCI ESG Ratings:** In 2023 Q3, received first MSCI ESG rating - BBB
- 2. Carbon Inventory:** In 2023, conducted carbon inventory, which will be completed before the FSC's deadline
- 3. ESG Report:** Made plans to publish an ESG report, which will likely be for 2024 due to staffing and workload factors

Note Both examples are real-life case studies of CUB's investees, represented by the names: Company A & Company B.

Collaborative Engagement



Forums/Workshops

ESG: Toward Net Zero Emissions & Sustainability Forums

In 2023, CUB co-hosted the ESG: Toward Net Zero Emissions & Sustainability Forums with CDP and ITRI. We invited our enterprise borrowers and welcomed nearly hundreds of businesses across Taiwan at the forum. The forum series revolved around four themes: "Circular Economy Opportunities and Low-carbon Materials", "Carbon Neutrality in Smart Factories", "Outlook on Digital Technology Trends and the New Net Zero Sustainable Ecosystem," and "Net Zero Carbon Emissions and Environmental Information Disclosure." The goal of the forum was to help businesses looking to transition by offering insights into net zero transition technologies and industry development trends, working together to uncover solutions toward net zero.



2023
Achievements

In-person participants

230 ppl

Online livestream
viewers

750 ppl

Circular Economy Exploration Workshop

CUB collaborated with the Circular Taiwan Network and partnered with President Chain Store Corporation to invite raw materials suppliers and food processors to participate in a workshop aimed at ideating the feasibility of circular economy strategies, such as food waste recycling and packaging. The workshop assisted suppliers to explore their current operations and reflect on opportunities to incorporate circular economy principles into their production processes, specifically three dimensions: raw materials and by-products, water, and packaging. Through this collaboration, CUB worked with President Chain Store Corporation to drive its supply chain towards a circular economy, leveraging the influence of an industry giant to drive sustainability across its value chain.



2023
Achievements

29
participating companies

95%

participants believed that **the circular economy is conducive to decarbonization transformation** and that resource recycling offers new business opportunities such as "decarbonization & waste reduction," "increased competitiveness," and "sustainable operations"



Carbon Disclosure Project: Commercial Banks

As the first financial institution in Asia to collaborate with CDP on its Commercial Bank Project, CUB helps customers understand the importance of net zero emissions and managing environmental impacts by inviting them to complete CDP's questionnaires. We encourage businesses to take real action against the climate crisis, strengthen disclosure quality of carbon management, and support SMEs in receiving CDP scores and breaking into the global sustainable supply chain.



2023
Achievements

Over **70** participating businesses
(mainly in electronic products, components and
equipment manufacturing, and retailers)
and helped **16** enterprise borrowers
receive **CDP scores**

1st financial institution in Asia
to participate in the CDP's
Commercial Bank project

The Only Taiwanese Financial Institution Partnering with CDP for SME Corporate Questionnaire

According to related statistics, as of 2022, over 98% of enterprises in Taiwan are classified as SMEs. This highlights the crucial role that SMEs play in the pathway to achieving net zero by 2050. The ability of SMEs to adapt to low-carbon transition will significantly impact their competitiveness in the export market. CDP selected 15 representative members from a sizable group of major interested parties worldwide to serve as the members of the core advisory panel, and CUB is one of the many being selected. The project aims to provide a set of frameworks, tools and resources for SMEs to set carbon reduction commitments that align with 1.5° C while disclosing environmental impacts. Compared with the general framework of CDP, this project is more suitable for the SMEs' organizational structure, making it easier for SMEs to disclose their carbon reduction roadmaps, environmental impact, and corporate measures and strategies.



2023
Achievements

Only Taiwanese bank
to collaborate with CDP for SME
Corporate Questionnaire



Partnerships with NPOs

Milestones & Achievements

Message from the Chairman

About the Report

01 Identification and Impacts
 of Material Risks and
 Opportunities

02 Strategic Goals & Progress

03 Governance & Risk
 Management

04 Conclusion

05 Appendix

Memorandum of Understanding with the Metal Industries R&D Center (MIRDC)

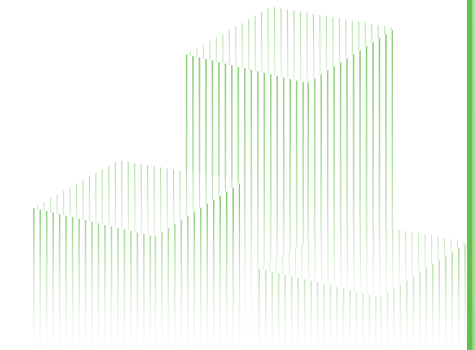
In 2023, CUB signed a memorandum of understanding(MOU) with the MIRDC, the first carbon inventory assurance institute in Taiwan. Under the MOU, CUB and MIRDC will collaborate to accelerate low-carbon transitions in industries toward net zero, supporting Taiwan's industry as they progress toward the national goal of Net Zero by 2050. Future areas of cooperation include:

- (1) Assisting industries develop carbon inventory competency and advise on decarbonization technologies through on-site visits and diagnostic consultation;
- (2) Assessing lending projects related to sustainable finance to ensure companies taking real action toward decarbonization have access to interest rates reduction to strengthen the green competitiveness of industries;
- (3) Cultivating decarbonization and carbon management professionals to build up companies' abilities for carbon inventory, strengthen net zero knowledge and skills, and build a talent pool of sustainability professionals.



2023
 Achievements

**1st financial institution
 in Taiwan to sign an MOU
 with the MIRDC**



Collaboration with the Public Sector

CUB is supporting SMEs in green transitions by working with local governments and competent authorities on ESG issues and projects to exert CUB's influence for sustainable finance. In 2023, CUB supported the "Strengthening Green Competitiveness for Net Zero Trends" from the MOEA Small and Medium Enterprise Administration through a collaboration with the ITRI Industry Development Center, successfully referring six regional borrowers for free carbon diagnostics reports.



2023
 Achievements

**Successfully secured free
 carbon diagnostics reports
 for 6 regional borrowers
 through referral.**

■ Commitments to Domestic & International Initiatives

To align with global sustainable development trends and bridge the influence of financial institutions in Taiwan and beyond, CUB actively participates, signs, and complies with sustainable development standards and initiatives from Taiwan and globally. We consistently challenge and assess ourselves using the highest standards available, embracing the value of "take Taiwan into the world and bring the world to Taiwan". CUB continues to glean from forward-looking global insights and share international practices with Taiwanese businesses. We hope that Taiwan's efforts toward net zero become visible on the world stage.

CUB's Domestic/International Sustainability Standards & Initiatives



- 1st financial institution from Taiwan to join RE100
- 6th financial institution in Asia to pass SBTi verification
- Joined the Coalition of Movers and Shakers on Sustainable Finance to support the FSC
- Joined the PCAF



- 1st in Taiwan to sign the Equator Principles (EP)
- 1st bank to voluntarily comply with the Principles for Responsible Banking (PRB)
- Complies with the GRI Standards
- Sustainability Accounting Standards Board (SASB)
- IFRS S1 & IFRS S2
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Taskforce on Nature-related Financial Disclosures (TNFD)
- UN Sustainable Development Goals (UN SDGs)

Note Sustainability standards and initiatives supported by Cathay FHC are also applicable to CUB.

Strengthening Client Capacity for Net Zero Transition & Working Together for Net Zero by 2050

Net-zero transition refers to actions taken to address climate change and achieve net-zero GHG emissions globally. To this end, CUB has implemented a series of mechanisms to strengthen our borrowers' ability to transition to net-zero, thereby enhancing our influence on them.

- (1) CUB has adopted the Equator Principles (EPs) and voluntarily follows the United Nations' Principles for Responsible Banking (PRB). We integrate the Task Force on Climate-Related Financial Disclosures (TCFD) and the Taskforce on Nature-Related Financial Disclosures (TNFD) frameworks, aligning with CDP and Science-Based Targets (SBT) to establish internal management rules that incorporate ESG, climate risks, and response measures of borrowers into our investment and lending processes. This includes disclosure of environmental factor management and transition assessments of carbon emissions. Additionally, to promote borrowers' net-zero transition goals, we manage cases based on SBTs, setting short- and midterm emissions reduction targets for different types of financial assets. CUB also designs "carbon emission calculators" for various asset types to estimate carbon emissions of credit cases, assessing their contribution to our overall carbon emissions and impact on our SBTs. This aligns with our commitment to achieving net-zero emissions for financial assets by 2050.
- (2) As an EP bank, CUB complies with EP Principle 2, which requires, for all Projects in all locations, when combined Scope 1 and Scope 2 Emissions are expected to be more than 100,000tCO₂e annually, CUB must consider the relevant transition risks and complete an assessment to reduce greenhouse gases. Alternative analysis of GHG emissions is required for eligible project borrowers to follow. CUB leverages Principle 2 to influence borrowers, requiring them to strengthen contributions to net zero transition.
- (3) Following the third principle of the UN PRB, we strengthen cooperation with borrowers, encouraging practices that support sustainable net-zero transitions and promote the development of economic activities that create shared prosperity for current and future generations.
- (4) As a pioneer in sustainable finance within Taiwan's financial sector, CUB collaborates with borrowers and encourages them to commit to climate engagement and support international climate initiatives. CUB lends full support to investees and borrowers in planning and rolling out low-carbon transition action plans. We also leverage funds (e.g., SLLs, green loans, green deposits, etc.) to direct industries and society to net zero and strengthen the quality of green financial products and services, positioning ourselves as a crucial partner in the sustainable financial value chain and encouraging borrowers to actively strive toward Net Zero by 2050.

Future Plans

As a pioneer in Taiwan's financial sector, CUB remains committed to participating in climate engagement campaigns and international climate initiatives. We assist and support our investees and borrowers in planning and implementing low-carbon transition action plans, positioning ourselves as a crucial partner in the sustainable financial value chain. Our efforts aim to help Taiwan achieve Net Zero by 2050.

Leading Climate Engagement and Sustainable Partnerships for Low-Carbon Transitions & A Better Future

-  **Customized Corporate Engagement by Client Scale:** Develop customized engagement strategies according to client characteristics and work alongside government support plans and authoritative organizations to support businesses in implementing sustainability.
-  **Collaborate with Authoritative Organizations to Affirm Cathay's Sustainability Leadership:** CUB collaborates with leading organizations across sectors to drive decarbonization and net-zero transition in industries, further strengthening CUB's leadership in sustainable finance. We have plans to organize the "2024 CUB ESG: Toward Net Zero Emissions & Sustainability Forums" to exert our influence as a financial institution and encourage businesses to take real action against climate change.

2.3 Products & Services

As the leading brand in green finance, CUB continues to focus on our core business and leverage our funds to lead industries and society to net-zero transitions. We continue to develop more accessible digital services and enhance the quality of our green financial products and services to create a future where both our environment and economy thrive.

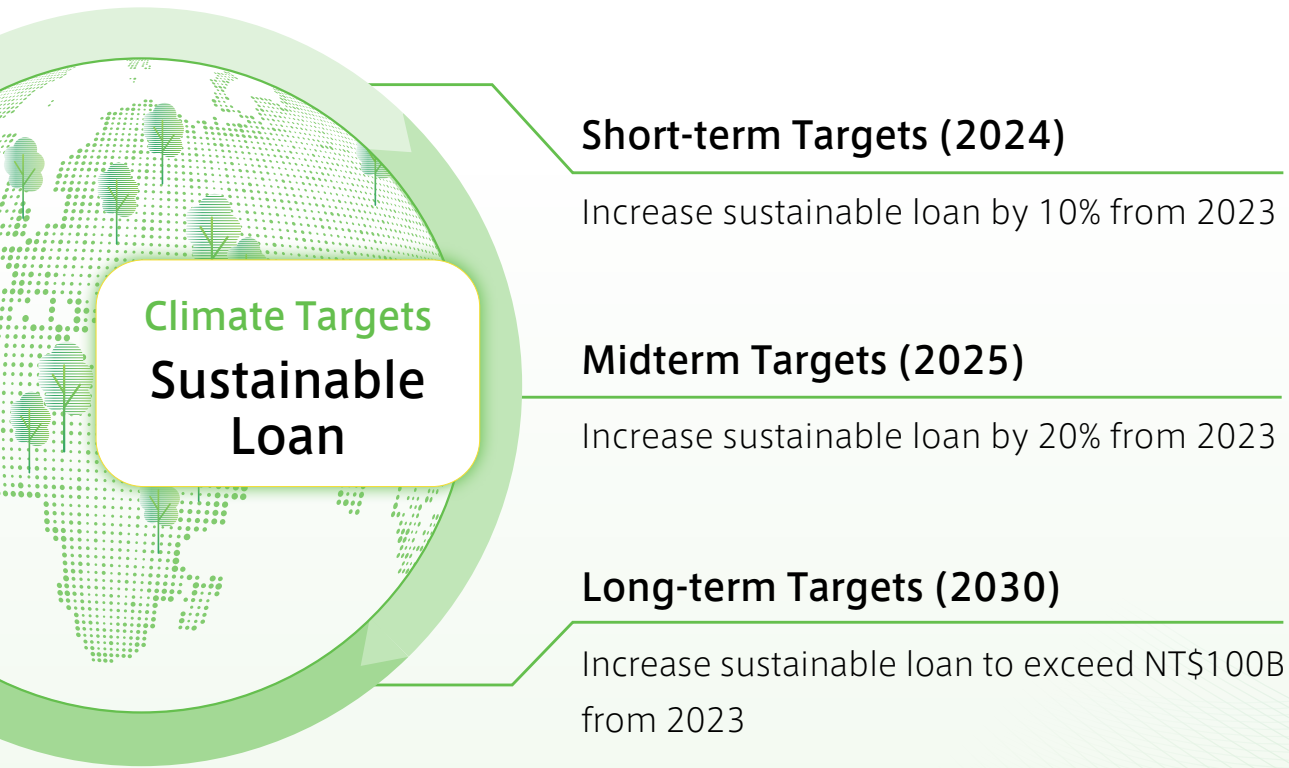
2.3.1 Provide Comprehensive Climate Finance Solution

Climate Strategies

Support businesses and industries through funding, financial products, and financial servicesto generate opportunities for low-carbon transition, mitigate or adapt to climate change to ensure competitiveness of industrial transformation and promote an orderly societal shift towards a green economy.

Climate Targets

■ Climate Finance Solution Targets



Climate Action and Progress

■ Green Financial Products & Services

CUB has adopted Cathay FHC's dual-track transformation strategy to optimize our business strengths while also building a data-driven culture through digitalization, data, and technologies. CUB is seeking to subvert the digital development process and encourage corporate borrowers and general borrowers to transition to low carbon by enhancing the quality of our green financial products and services. We are bridging financial activities with environmental and social concerns to direct investments and funding to green domains and sustainable development. In addition, CUB is developing personalized sustainable financial services to encourage the public to engage in green finance, thereby expanding our influence as a responsible bank.



Green Financial Products & Services	Details	Key Climate Indicator(s)	2022/12/31	2023/12/31
Environment-related Investment & Lending	Cathay FHC offers sustainability-themed investment and lending to ensure our environment and society can both flourish. Low carbon and energy storage domains are particularly relevant to the low-carbon transition, representing an important direction to develop for sustainable environmental development. CUB follows Cathay FHC's vision and has defined related services as environmental financing and environmental-related investments, taking stock of progress in each category to hopefully exert our influence as a financial institution and contribute to the vision of sustainable environmental development. For more information on sustainability investment and lending, please refer to Appendix 5.1 Summary of Key Data .	Amount of environmental financing	NT\$38.1B	NT\$41.3B
		(Amount of environmental financing)/(Total Amount of Corporate Lending)×100%	-	LA 5.43%
		Amount of environmental-related investments	NT\$19.4B	NT\$25.7B
		(Amount of environmental-related investments)/(Total Investment)×100%	-	2.14%
Investment & Lending in Industries Important to Taiwan's 12 Key Strategies	Climate change is a challenge confronting the global community. As such, Taiwan established action plans in the "Roadmap to Net Zero by 2050" for 12 key domains critical to energy, industry, lifestyle, and social transition policies. The Taiwanese government issued the "12 Key Strategies" to integrate inter-agency resources and show support to all contributing individuals, businesses, and NGOs. The capital market serves a critical role in this process as a major driving force for net-zero transitions that can contribute to the development and breakthroughs of new technologies. To exert our influence as a financial institution, CUB also offers funding support for industry development as part of our efforts to help Taiwan achieve Net Zero by 2050. For more information on investment and lending in industries critical to the "12 Key Strategies," please refer to Appendix 5.1 Summary of Key Data .	Investments and lending in industries critical to the "12 Key Strategies" listed in the "Roadmap to Net Zero by 2050"	-	NT\$33.212B
Renewable Energy Loans	For corporate lending, CUB focuses on supporting Taiwan's green electricity and renewable energy policies and has set a goal to continue increasing the percentage of renewable energy loans to electricity supply loans until we reach 85% in 2025. This is a measurable goal that helps us monitor the outcome of the bank's support for renewable energy loan.	Percentage of renewable energy loan to total electricity supply loan	87.56%	93.33%

Green Financial Products & Services	Details	Key Climate Indicator(s)	2022/12/31	2023/12/31
Sustainable Loan	Green Corporate Loan	Amount of green corporate loans	NT\$25.244B	LA NT\$28.080B
		(Amount of green corporate loans)/(Total Amount of Corporate Lending)×100%	3.64%	3.69%
	Sustainability-Linked Loan (SLL)	Amount of SLL	NT\$16.927B	LA NT\$33.036B
		(Amount of SLL)/(Total Amount of Corporate Lending)×100%	2.44%	4.34%
Renewable Energy Industry Insurance	CUB and Cathay Century are collaborating together on the same marketing guidelines to offer applicable insurance to green energy industries in support of their sustainable development and operations.	Insurance premium of green energy industry borrowers	NT\$277M	NT\$564M
Green Consumer Loans	CUB assessment of all green loan products from the consumer finance unit	Amount of green consumer loans	NT\$652M	NT\$567M
		(Amount of green consumer loans)/(Total Amount of Consumer Lending)×100%	0.05%	0.04%

Green Financial Products & Services	Details	Key Climate Indicator(s)	2022/12/31	2023/12/31
Green Time Deposit	CUB's guidelines for Green Time Deposit product is designed based on the Green Bond Principles (GBP) established by the International Capital Market Association (ICMA). We also engaged third-party accounting firms to audit and issue limited assurance reports on the use of funds for this program. Green Time Deposit product is offered to enterprise borrowers to fund green projects in renewable energy and sustainable water sources. Launched in July 2022, the scale of the program has grown to NT\$30B.	Green Time Deposit balance	NT\$4.905B	LA NT\$2.394B
Digitalization of Insurance Policies & Documents	The life insurance application process is primarily electronic, with customers signing policy documents on mobile devices and transmitting images of application documents via digital systems, enhancing paperless applications and reducing resource waste.	Ensure 85% of life insurance enrollment are conducted digitally	85.34%	93.96%
ESG Funds	CUB established an ESG webpage to promote green financial products, guiding customers to understand ESG investments and become investors in sustainability.	● Scale of ESG funds ● Number of ESG fund borrowers	-	NT\$5.78B 20,059

Note 1 The amounts in the table are all in New Taiwanese Dollars.

Note 2 2025 targets for renewable energy loans were met ahead of schedule in the end of 2022. Considering that energy transition is an important strategy for Taiwan's goal of Net Zero by 2050 and that there is still a significant domestic demand for related funding, CUB will continue to track progress until 2025.

Note 3 Total amounts of corporate lending (includes domestic and foreign borrowers but excludes closed accounts, dormant accounts, collections, bad debts, frozen accounts, and private banking clients abroad) were NT\$692.976B in 2022 and NT\$760.978B in 2023. Total outstanding consumer loans were NT\$1,310.353B in 2022 and NT\$1,459.992B in 2023.

Case Study ❶

"ATM Change Deposit and Payment Service" & "Personal Housing Loan" Received ISO 14067: Carbon Footprint Verification & "Personal Housing Loan" Received EPA's Carbon Label & Carbon Reduction Label

In 2023, CUB received ISO 14067: Carbon Footprint Verification for two major services: "ATM Change Deposit and Payment Service" & "Personal Housing Loan." Furthermore, our "Personal Housing Loan" received both the Carbon Label and Carbon Reduction Label from the EPA, demonstrating our commitment to incorporating carbon inventory into financial products and services. The process involves sustainability strategies such as recording carbon emissions from raw material input, service provision, and waste disposal, as well as auditing carbon footprints throughout the product life cycle.

Case Study ❷

Ongoing Implementation of RPA for Process Automation

In 2023, CUB continued to implement Robotic Process Automation (RPA) to reduce paper usage and enhance operational speed and accuracy. The newly added RPA processes in 2023 resulted in an annual savings of over 500,000 sheets of A4 paper, successfully optimizing our operational processes and reducing carbon emissions.

Case Study ❸

CUBE App's One-Stop Services

CUB's CUBE App consistently integrates digital financial services with environmental sustainability ideals, offering one-stop green financial services. For instance, the "Accounting Calendar" launched in 2023 combines a calendar to access detailed financial transactions by date, offering customers convenient management services. This service also helps reduce the carbon footprint associated with transportation and paper usage, making sure our customer's financial activities are eco-friendly as well.

Case Study ❹

Trust Services for Carbon Credit Prices

In response to the establishment of Taiwan Carbon Solution Exchange (TCX) at the end of 2023, CUB developed a "Trust Services for Carbon Credit Prices" and integrated settlement mechanisms, taking on the role of clearing bank. This initiative aims to enhance the domestic carbon credit trading system, empowering customers' decarbonization efforts and prioritizing the promotion of low-carbon transitions across industries.

Future Plans

As a comprehensive climate financial solutions provider, CUB will continue to exert influence as a financial institution, directing funds into low-carbon transition plans. CUB seeks to support sustainability and lead customers to contribute to climate- and nature-positive goals.

Directions

- For six major product and service categories including personal loans, personal housing loans, wealth management, credit cards, deposits, and ATM services, CUB plans to obtain carbon footprint verification by 2030 and aims to receive the Carbon Label and the Carbon Reduction Label.
- CUB plans to introduce a Green Loan Project for consumers (including mortgage loans and personal loans).
- CUB will underwrite green bonds for major enterprises and its affiliates committing to the research and development of negative emissions technologies, forward-looking energies, and the circular economy. Currently, CUB plans to focus on underwriting green bonds for biodiversity.

2.4 Business Operations

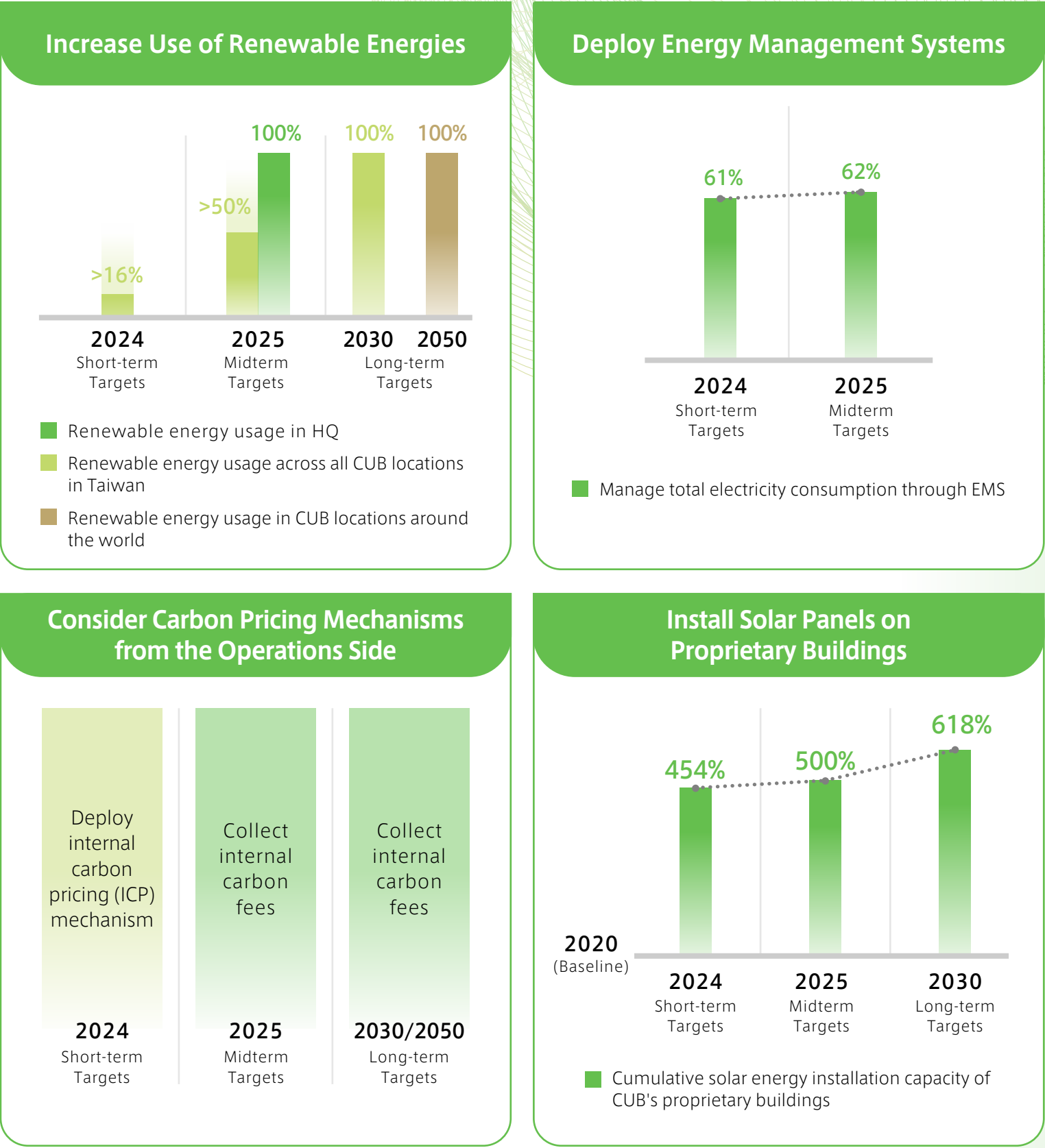
On environmental issues, CUB is spotlighting green operations, green energy, and green real estate, working step by step to fulfill our "Zero-Carbon Operation Transition Plan" to achieve Net Zero by 2050. CUB is also dedicated to creating an agile workplace and work culture to reduce operational emissions and promote renewable energy use. In 2022, Cathay FHC became the first financial institution in Taiwan to join the RE100, further exerting Cathay FHC's influence to support sustainability in real estate ecosystems by offering accessible renewable energy and working with stakeholders to strive toward a net zero economy and sustainability goals.

2.4.1 Green Energy

Climate Strategies

As around 95% of CUB's carbon emissions from business operations derive from purchased electricity, CUB is spotlighting four areas - "Increase Use of Renewable Energies," "Deploy Energy Management Systems," "Consider Carbon Pricing Mechanisms from the Operations Side," and "Install Solar Panels on Proprietary Buildings" - to promote energy transitions, reduce environmental impacts, and commit fully to RE100. Ultimately, the goal is to achieve Net Zero by 2050.

Climate Targets



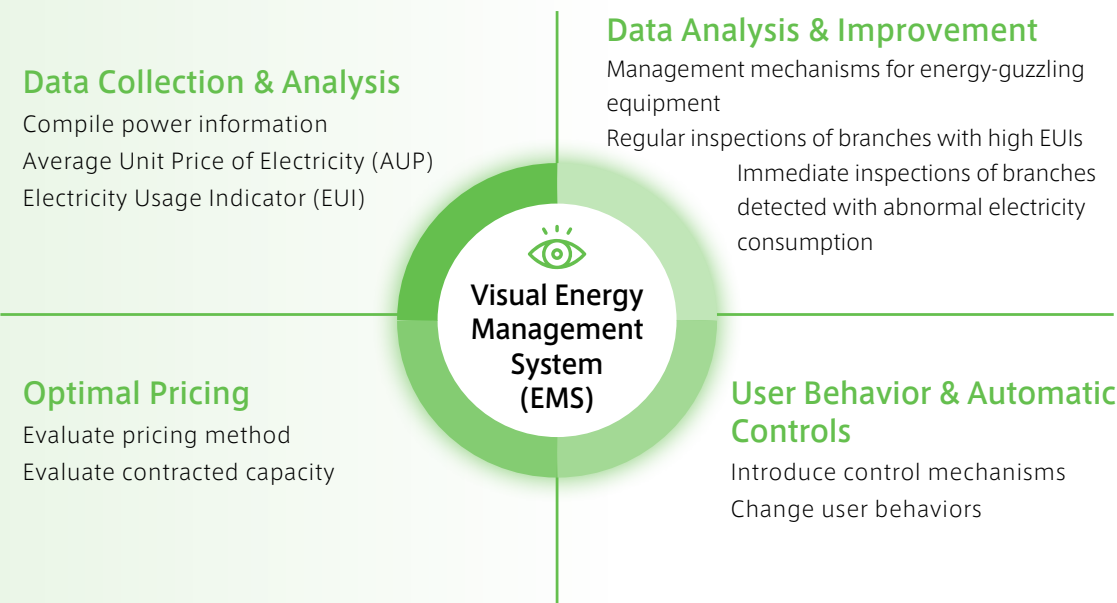
Climate Action and Progress

■ Increase Use of Renewable Energies

In April 2022, Cathay FHC became the first financial institution in Taiwan to join RE100. To fulfill Cathay FHC's RE100 commitment, CUB actively negotiated Power Purchase Agreements (PPAs) for renewable energy and obtained Renewable Energy Certificates (RECs) through various channels, including bidding on the National Renewable Energy Certification (T-REC) Center platform and negotiating with electricity providers. By the end of 2022, CUB had achieved 100% renewable electricity supply for our headquarters and set short-, mid-, and long-term renewable energy targets, aiming to increase usage annually. By the end of 2023, the renewable energy usage rate reached 17.8%.

■ Deploy Energy Management System

The cloud-based energy management system has been rolled out to over 90% of CUB branches. The operational processes of CUB's EMS are shown in the figure below. Through a cloud-based EMS, we can gain insight into energy usage across different branches, improve energy use patterns, and, subsequently, control energy costs to strengthen climate resilience on the foundations of energy management. In the future, we will continue to roll out the EMS to branches but also deploy smart meters to operational sites yet incorporated into our EMS. CUB aims to extend EMS to units at headquarters to monitor their energy consumption, which can advocate for energy conservation but also help determine if old A.C. units should be replaced, thereby supporting energy conservation and decarbonization.



■ Consider Carbon Pricing Mechanisms from the Operations Side

CUB has conducted GHG inventories since 2016 and identified Scope 2 emissions (indirect emissions from purchased electricity) as the primary source of emissions from company operations. As such, we have based our internal carbon pricing on renewable energy costs and defined the internal carbon pricing of 2023 as NT\$14,141/tCO₂e. In the future, we will adjust internal carbon pricing each year according to factors such as renewable energy costs and electricity emissions factors announced by MOEA. CUB's internal carbon pricing mechanism is linked to Scope 2 emissions. During the 2023 Electricity Saving Competition, we reported the cost of carbon emissions from each unit to raise employee awareness of carbon costs and incorporate carbon costs into internal management measures toward net zero. Our goal is to ensure low-carbon practices are upheld by every unit to accelerate energy transition, increase energy use efficiency, and expedite changes in internal behaviors to ensure decarbonization. In 2023, our internal carbon pricing and the Electricity Saving Competition inspired a total of 6,031 employees to participate and conserve around 541,854kWh and reduce 268tCO₂e. Additionally, starting at the end of 2023, CUB will be implementing an "internal carbon fee" system in phases, based on current internal carbon pricing, to charge units for actual carbon emissions. This approach solidifies the concept of "carbon pricing," integrating carbon costs into organization's operational expenses and linking them to the zero-carbon transition strategy to achieve net-zero carbon emissions goals.

■ Install Solar Panels on Proprietary Buildings

Committed to renewable energy, CUB negotiates PPAs for renewable energy and installs solar panels on the rooftops of proprietary buildings. In 2013, CUB established Taiwan's first solar-powered branch, pioneering the banking industry. In 2018, we installed solar panels to our Ruihu Branch, turning it into the largest solar-powered branch in the Greater Taipei area. In 2023, CUB added five new solar-powered branches and expanded one, bringing the total to eight solar-powered branches with an installed capacity of 270.78kW. By the end of 2023, plans were underway to convert six branches into solar-powered branches. The new solar systems for the aforementioned branches are expected to be completed by the end of 2024 and will introduce an installed capacity up to 500kW.

Climate Action	Investments as of 2023	Financial Impacts in 2023	Future Financial Impacts
Increase Use of Renewable Energies	Spent NT\$35.17M (cumulative) in additional electricity costs to purchase RECs and wheel renewable energy	Spent NT\$22.35M (in 2023) in additional electricity costs to purchase RECs and wheel renewable energy	- Continue to increase operating expenses annually for at least over ten years - From 2024 to 2030, we plan to gradually increase the proportion of renewable energy use, which is expected to result in an accumulated increase in electricity expenses of NT\$465.85M. Additionally, starting in 2030, after we achieve RE100 for domestic operations, we anticipate a subsequent annual increase in electricity expenses of NT\$134.40M
Deploy Energy Management Systems	Spent NT\$29.70M (cumulative) on deploying a visual energy management system	Rolled out EMS to additional CUB locations and spent NT\$1.85M in CapEx in 2023	- Continue to increase CapEx and operating expenses in the next ten years and then reduce operating expenses after ten years - Roll out EMS to one CUB location and spend NT\$300,000 in CapEx in 2024
Consider Carbon Pricing Mechanisms from the Operations Side	-	-	Continue to decrease operating expenses annually for at least over ten years
Install Solar Panels on Proprietary Buildings	Spent NT\$19.95M (cumulative) on installing solar power systems	Installed five and expanded one solar power system(s) and spent NT\$15M in CapEx in 2023	- Continue to increase CapEx and operating expenses in the next ten years and then reduce operating expenses after ten years - Install six solar power systems and spend NT\$19.9M in CapEx in 2024

■ Received the "5th National Enterprise Environmental Protection Award- Bronze Award" from the Ministry of Environment

The highest honor for corporate environmental protection efforts, the "National Enterprise Environmental Protection Award" was established by the Ministry of Environment and aims to encourage corporates to fulfill their corporate social responsibility and promote environmental protection. Award winners are encouraged to serve as a model for other businesses, drive industries toward common good, and enhance the quality of our living environments.

In 2023, CUB participated in this award by showcasing our efforts in five areas: environmental policy management, energy and resource conservation, pollution prevention and reduction, environmental participation, and other outstanding environmental achievements. The MOENV recognized our comprehensive efforts in sustainability and carbon reduction by awarding CUB the "5th National Enterprise Environmental Protection Award- Bronze Award." CUB President Alan Lee accepted the award and took a commemorative photo at the Presidential Office. This marks the fourth time CUB has been honored with this award.



Future Plans

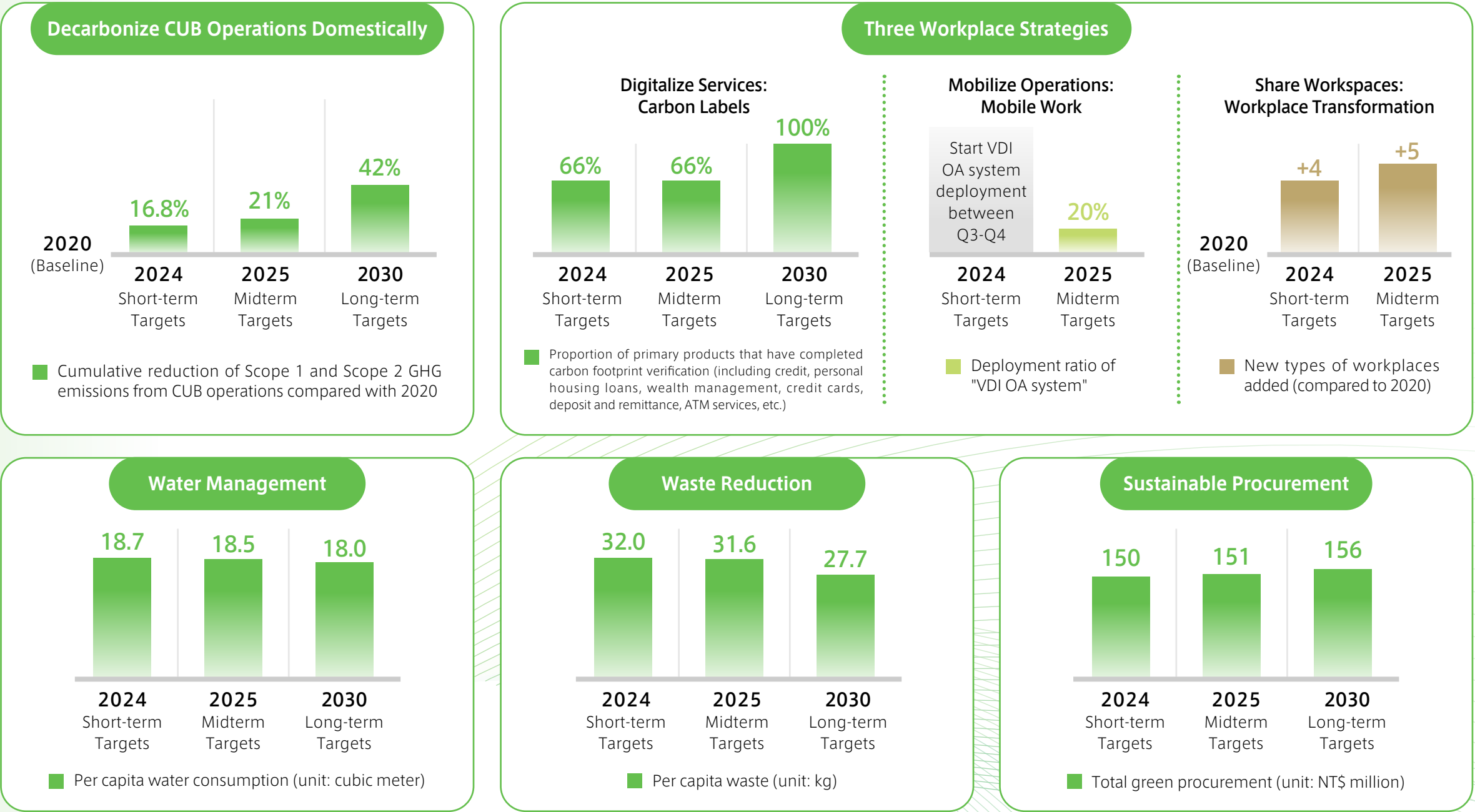
To accelerate energy transitions, CUB will continue to strengthen efforts in our four major action plans - "Increase Use of Renewable Energies," "Deploy Energy Management Systems," "Consider Carbon Pricing Mechanisms from the Operations Side," and "Install Solar Panels on Proprietary Buildings" - to actively develop green energy.

2.4.2 Green Operations

Climate Strategies

To reduce our operational impact on the environment and provide employees with a better office environment, CUB has actively introduced various management systems in our operations, including the ISO 14001: Environmental Management System, ISO 50001: Energy Management System, and ISO 46001: Water Efficiency Management System. Each year, we conduct rolling equipment replacements based on factors such as equipment lifespan and energy consumption status. Embracing the rise of remote work and digital transformation, we integrate green operational mindset. Our "Three Workplace Strategies" —Digitalize Services, Mobilize Operations, and Share Workspaces — fosters a sustainable work environment. CUB is also seeking to minimize water consumption and waste per capita, while introducing sustainable procurements and mitigating the environmental impacts of our operations.

Climate Targets



Climate Action and Progress

■ Decarbonize CUB Operations

To achieve our carbon reduction targets and align with national net-zero policies, CUB has been committed to Science-Based Targets (SBT) since 2021. We aim to reduce Scope 1 and Scope 2 from our operations by 4.2% annually, with a projected cumulative reduction of at least 42% by 2030 compared to 2020 levels. To monitor our progress, we conduct annual GHG inventories following ISO 14064 standards. These results aim to track environmental data and are independently verified, providing crucial benchmarks for our reduction goals. As of the end of 2023, CUB has achieved a cumulative 20.0% reduction in Scope 1 and Scope 2 emissions from our 2020 baseline.

■ Three Workplace Strategies: Digitalize Services, Mobilize Operations & Share Workspaces

To adapt to changes in organizational work patterns and consumer behaviors, CUB has embraced the "Three Workplace Strategies"—Digitalize Services, Mobilize Operations & Share Workspaces—to support green operations and create a low-carbon, agile, shared, and circular workplace. Details of the strategies are as follows:

- (1) Digitalize Services:** With digital transition at the core, CUB is adopting digital processes and leveraging digital technologies to optimize user experiences with products. We have also obtained ISO 14067: Carbon Footprint of Products and the MOENV's Carbon Label and Carbon Reduction Label for main financial products and services. We are using Life Cycle Assessment (LCA) to calculate and manage GHG emissions produced by products and services, including upstream green procurement and low-carbon products and service processes in the midstream and downstream. In a show of resolve to reduce carbon emissions, CUB commits to completing carbon footprint verification for major financial products and services by 2030.
- (2) Mobilize Operations:** To create a more convenient and agile workflow, CUB introduced VDI OA in 2023, bringing information into the cloud as we distributed more laptops to roll out remote work and offer more convenience.

- (3) Share Workspaces:** CUB is transforming workplaces and evaluating spatial modules and designs based on the nature of different functions to develop a new shared office space and ensure a great employee experience, remote working capabilities, energy conservation, and efficient and flexible use of office space.

■ Water Resource Management

Climate change has indirectly altered water cycles and rainfall patterns, making water resources a significant global issue. As such, CUB seeks to conserve water resources within our operational scope. In addition to achieving our 2023 water conservation goals, we have set a target of 18.7 cubic meters per capita water consumption for 2024, committing to not exceed 18 cubic meters per capita water consumption by 2030. To achieve these goals, we have implemented the following measures:

- (1) Installation of automatic sensors to conserve water and use products certified as water-efficient for faucets, toilets, and other facilities.
- (2) Setting targets for water conservation, establishing an action plan to ensure targets are met, and working with EDM to remind employees to reduce water consumption.
- (3) Introducing ISO 46001: Water Efficiency Management System in 2023.

■ Waste Reduction

The financial services sector produces only domestic waste and general recyclables and does not produce toxic waste. CUB regularly reviews waste spreadsheets for more insight into the collection of waste-related data and makes necessary recycling changes as soon as possible. We also use EDM to remind and communicate with employees, raising awareness and encouraging action for waste and plastic reduction to generate positive environmental impacts. We have also set short-, mid-, and long-term goals, committing to 27.7kg per capita waste by 2030.

■ Sustainable Procurement

CUB issued Sustainability Procurement Guidance, providing specific green procurement requirements and recommendations. We actively promote green procurement and encourage suppliers to align with sustainable development goals, prioritizing energy-efficient servers and computer equipment, green building materials, energy-saving and water-saving equipment, and eco-friendly office supplies. In 2023, our total green procurement expenditure amounted to NT\$192.57M, with 94.24% sourced locally. We were also recognized as an outstanding green buyer by the MOENV and we anticipate increasing operating expenses in this area for at least the next decade.



From Internal Operations to Common Good with Natural Environments: Supporting SDG 14 "Life Below Water" to Conserve and Sustainably Use the Oceans, Sea and Marine Resources and SDG 15 "Life on Land" to Restore Ecosystems & Reverse Biodiversity Loss

Beach Cleanups

Since 2018, CUB has organized beach cleanups for six consecutive years, rallying employees, their families, and suppliers to join in ocean conservation efforts. To date, we have conducted over 13 beach cleanup events across Taiwan. In 2023, two cleanups were held at Keelung's Heping Island and along the coast of Changhua, collectively gathering 388kg of marine debris. Moreover, we participate in the International Coastal Cleanup (ICC) initiative, recording the types and quantities of debris collected through records that are then uploaded to the cloud for expert analysis, aiding in identifying pollution sources.

Mountain Cleanups

In 2023, CUB ventured into mountain conservation efforts for the first time. At the Datun Nature Park on Yangming Mountain, we organized a "Mountain Cleanup - Removal of Invasive Species" event. Ecological guides educated participants about the harmful impacts of invasive species on mountain habitats and native species. Volunteers then removed 164kg of small-leaf spiderwort from Yangming Mountain by hand to carve out more space for native species.



Future Plans

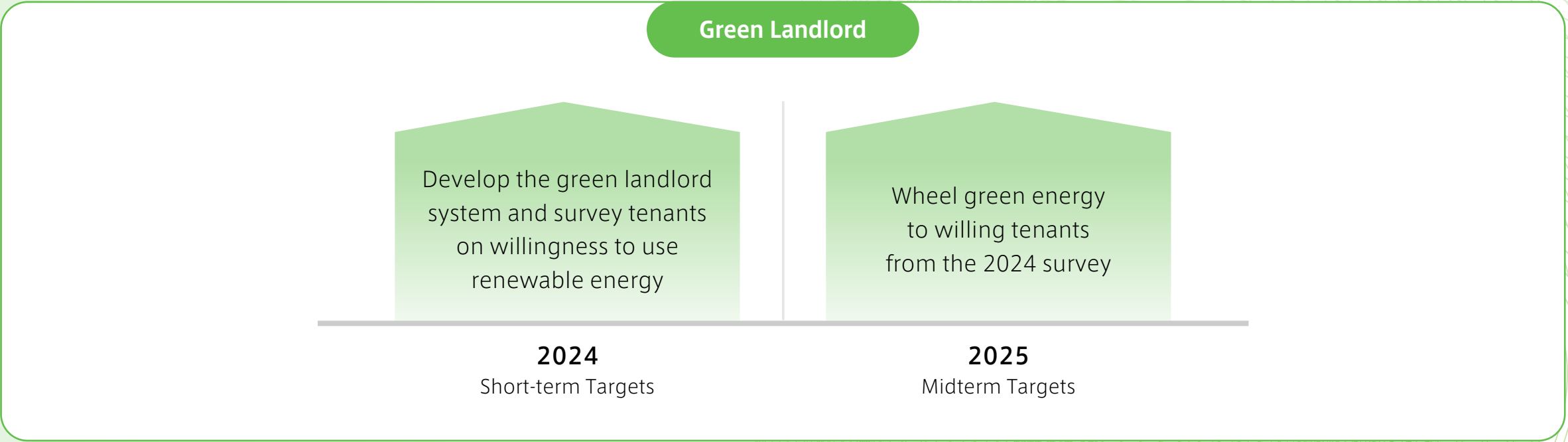
To realize our zero-carbon transition plan, CUB will continue to follow SBTs. We are committed to reducing GHG emissions from our operations, implementing Three Workplace Strategies and minimizing water consumption and waste production to mitigate our environmental impacts. We also advocate for green procurement, working with suppliers to strive for sustainable development.

2.4.3 Green Real Estate

Climate Strategies

CUB is retrofitting buildings to comply with eco-friendly concepts, building low-carbon architectures, cultivating an ecosystem of low-carbon buildings, and driving industry participation in the energy transition.

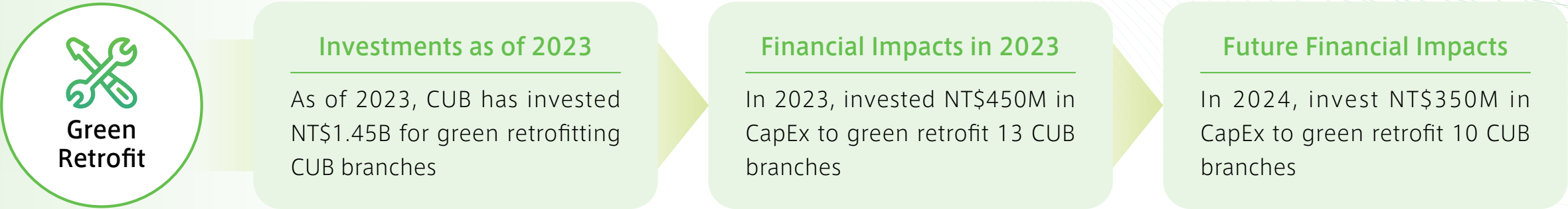
Climate Targets



Climate Action and Progress

■ Green Retrofit

In 2019, CUB started to green retrofit branches and has since increased our use of green building materials to over 60% of total surface areas, transforming buildings to produce lower carbon emissions. At CUB, we remain committed to ensuring all green retrofitted branches are 100% compliant with eco-friendly guidelines. As of the end of 2023, we have spent a cumulative total of NT\$1.45B for green retrofitting 24.8% or 41 CUB branches, meeting our targets for the year. We anticipate increasing CapEx and operating expenses in this area for at least the next decade.



■ Low-Carbon Architecture

New CUB buildings comply with low-carbon, environmental protection, and energy conservation guidelines. For example, evaluating building exterior/location, enhancing greenery coverage, and adopting equipment with energy and water saving labels as well as assessing rainwater recycling systems and solar power systems for new real estate development projects. The goal is to reduce the consumption of traditional energy by generating energy onsite for self-use.

■ Green Landlord

CUB mapped out the green landlord system to outline how landlords can wheel in and distribute renewable energy to building tenants. The program is an effective solution to the renewable energy dilemma that previously prevented tenants under the same electricity account from accessing renewable energies. Under the program, tenants can access renewable energies without entering into multi-party agreements with electricity suppliers, Taipower, and landlords, thereby increasing the accessibility of renewable energy to tenants. In 2024, we will survey tenants' willingness to use renewable energy. In 2025, we will launch the "Green Real Estate Rental Program" to wheel green energy to willing tenants.

Future Plans

CUB continues to retrofit buildings to ensure eco-friendliness and is dedicated to creating a low-carbon real estate ecosystem. We are committed to adopting ESG and green architectural designs. In the future, we plan to launch the "Green Real Estate Rental Program," continuing to work with tenants to achieve net zero emissions and making renewable energies more accessible to SME tenants. CUB is striving toward energy transition and UN SDGs through three directions: "low-carbon architecture," "green retrofit," and "green landlord."

Milestones & Achievements

Message from the Chairman

About the Report

01 Identification and Impacts
of Material Risks and
Opportunities

02 Strategic Goals & Progress

03 Governance & Risk
Management

04 Conclusion

05 Appendix

CHAPTER

03

Governance & Risk Management

3.1 Climate & Nature Governance Framework

3.2 Climate and Nature-related Expertise Development

3.3 Climate and Nature Risk Management

3.1 Climate & Nature Governance Framework



Organization	Committee Chair/ Supervisor/ Working Group Leader	Reporting/ Meeting Frequency in Climate and Nature Issues	Roles in Climate and Nature Issues
Board of Directors	Chairperson	Semiannually	The highest governing body for all decisions related to climate and nature-related issues.
Sustainable Development Committee	Chairperson	Semiannually Note 1	It is an organization dedicated to advancing corporate sustainability and reports to the board of directors.
Risk Management Committee	Chief Risk Officer (CRO)	Quarterly	It is the organization dedicated to overseeing risk management.
CS Team	President	Quarterly Also convene ad hoc meetings as needed	Climate and nature-related working groups are as follows: Responsible Investment Working Group: Manages the investment/lending climate and nature risks and opportunities, incorporates ESG into CUB's investment and lending procedures, and is responsible for engagement with borrowers. Responsible Products and Services Working Group: Responsible for promoting ESG and green financial products and services and managing related risks and opportunities. Green Operation Working Group: Responsible for managing the environmental impact of CUB's operations, it is also the dedicated unit that promotes the reduction of Scope 1 and Scope 2 greenhouse gases, as well as increasing the use of renewable energy.

Note 1 The Sustainable Development Committee meets quarterly starting 2024.

3.1.1 Board of Directors and Management Level Roles and Responsibilities

Board of Directors: Oversight

The Board of Directors is the highest governing body for ESG and climate risk management. It is responsible for approving climate-related policies, strategies and targets. The Board considers climate risks and opportunities in the approval process and oversees climate risk management and disclosure.

Management Level: Monitor, Manage and Oversee

The Sustainable Development Committee, Risk Management Committee, and the management level such as the President and the CRO oversee and manage CUB's climate and nature-related issues. The Sustainable Development Committee has established CS Team, chaired by the President, with the Vice President acting as the Executive Officer and supervisor overseeing various key tasks. Six major working groups have been set up under this committee, with different departments participating according to their functions. These groups are responsible for implementing the annual sustainability development plans and strategies set by the committee, devising execution plans, and incorporating key objectives into the annual KPIs of managers at the Vice President level and above to ensure aligned actions and goals. Among these groups, the Responsible Investment Working Group, the Responsible Products Working Group, and the Green Operations Working Group are more deeply involved in climate and nature-related issues. On the other hand, the Risk Management Committee, led by the CRO, formulates regulations and manages risks through its various risk management units according to their functions. Operating on parallel tracks, these two committees jointly assess CUB's climate and nature risks and opportunities, as well as our dependence and impact on nature. Based on these assessments, they develop relevant strategies and action plans to ensure the effective implementation of climate and nature management actions.

3.1.2 Climate and Nature Governance Performance

The CS Team are responsible for formulating the sustainable strategy blueprint and its key action plans. In addition to regularly reviewing the implementation status of these action plans, the team also set business target budgets. This ensures that front and back office personnel are coordinated in implementing low-carbon economy strategies, guaranteeing that execution units receive the necessary resources to achieve these goals. Since 2022, the performance of low-carbon operations, including the rate of change in operational carbon emissions and green electricity usage rate, has been included in the performance indicators for CUB's President and CS Executive Officer. The risk management units are responsible for monitoring and managing climate and nature-related risks. Their tasks include climate and nature scenario analysis, issuing climate risk appetite statements and limit management, and reporting on ESG and climate risk management. They also integrate the functions of various risk management units to jointly formulate a three-year climate and nature-related action plan, aimed at responding to and monitoring significant climate and nature risks.

Climate and nature governance actions include the identification, assessment, prioritization, and monitoring of climate and nature risks and opportunities, dependencies, and impacts. This also involves setting climate-related risk indicators or targets, and corresponding risk management mechanisms and financial operation strategies. These issues are implemented and managed through the aforementioned execution units and overseen by the management. Relevant proposals are regularly reported, and regulation amendments are presented as needed, allowing the Board of Directors to grasp the current execution and management status of CUB's climate and nature-related issues. The following climate and nature-related proposals were presented to the Board in 2023 and early 2024 :

Major climate and nature-related matters approved by the Board

- Sustainable Strategy Blueprint and its key action plans
- Climate Change Scenario Analysis Results
- Guidelines Governing ESG and Climate Risk Management Amendments
- Execution status of the Science Based Targets (SBT)
- Climate Risk Appetite Statement and Limit Management
- Climate and Nature-related Action Plans
- ESG and Climate Risk Management Execution Report

3.1.3 Climate-related Financial Supervision over CUB's Overseas Branches

All CUB overseas branches are required to comply with internal ESG management regulations, which align with the supervisory requirements of the overseas branches. The responsible units at the headquarters and the overseas branches continue to collaborate closely, aligning with the regulatory frameworks and standards of various countries, providing feedback on consultation documents and surveys, conducting gap analyses, and establishing and implementing ESG and climate risk management mechanisms.

Working Progress of 2023

Hong Kong Branch

1. A Climate Risk Management survey from the Hong Kong Monetary Authority (HKMA) was conducted in April 2023, and a reply was made on April 20, 2023.
2. The 2022 Climate Risk Stress Tests on the branch's Corporate Banking Lending Portfolio was completed. In addition, in response to the HKMA's notification letters on the second round of climate risk stress testing scenarios and net-zero transition planning, we invited external consultants to evaluate branch climate risk management and stress testing models, and to plan enhancements to the green product framework.
3. The Hong Kong branch continues to engage with customers and assist enterprises in their low-carbon transition and sustainable operations through green finance. On November 30, 2023, the branch was awarded the "Outstanding Green and Sustainable Loan Structuring Advisor" at the "Hong Kong Green and Sustainable Finance Awards" ceremony organized by the Hong Kong Quality Assurance Agency (HKQAA).



Singapore Branch

1. The branch formulated the "Environmental, Social and Governance (ESG) Rules for Private Banking" in response to the "ABS Sustainable Private Banking and Wealth Management Guidelines" released by the Association of Banks in Singapore (ABS), and had the rules approved on March 10, 2023.
2. Surveys and consultation documents on sustainability and climate-related issues for competent authorities were reviewed and replied within deadline, which mainly include:
 - (1) Monetary Authority of Singapore (MAS) Surveys: "Guidelines on Environmental Risk Management for Banks" and "Proposed Guidelines on Transition Planning for Banks".
 - (2) The third and fourth consultation on the Green Finance Industry Taskforce (GFIT)'s green taxonomy released by ABS.
 - (3) "Turning Climate Ambition into Action in Singapore" published by the Sustainability Reporting Advisory Committee (SRAC).

Manila Branch

"Rules of Sustainable Finance for Cathay United Bank Co., Ltd. Manila Branch" was amended and approved on May 2, 2023 in response to Circulars 1128 and 1149 published by the Bangko Sentral ng Pilipinas (BSP) and relevant regulations stipulated by the head office.

Ho Chi Min City Branch

1. In February 2023, the branch conducted The Banking Industry Green Financing Survey from State Bank of Vietnam (SBV) and replied on February 28, 2023.
2. The "Credit Risk Management Rules" was amended in compliance with Circular No. 17 pertaining to regulations on environmental risk management upon lending announced by the SBV, and was approved on December 18, 2023.

Note Circular 1128: Environmental and Social Risk Management Framework; Circular 1149: Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks.

3.2 Climate and Nature-related Expertise Development

CUB actively responds to United Nations sustainable development issues and Green Finance 3.0. To ensure the entire company possesses the appropriate skills, abilities, and knowledge, we promote differentiated training programs for personnel at all levels. These programs are designed top-down to enable various roles within the organization to integrate their core competencies in addressing climate and nature-related risks and opportunities. In 2023, we implemented a comprehensive ESG sustainability curriculum ranging from introductory to advanced levels. This curriculum helps employees understand our strategic development, the impacts of climate and environmental changes, and the risks to industries brought by the net-zero transition. For example, we arranged for mid- to senior-level managers to participate in the "Net Zero Academic Research Forum" and included topics such as "Capital Adequacy Planning and Sustainable Low-Carbon Transition - Risks and Opportunities of Net Zero Carbon Emissions" in management seminars. CUB will annually review and refine the training programs to enhance professional capabilities related to climate, carbon tariffs, human rights, and supply chain management. Together with our employees, we will work towards achieving Cathay's strategic development goals for the transition plan. Through impact investment and lending strategies, we aim to become a key force in driving both CUB and our clients towards sustainable transition.



Driving Organizational Focus

- It is recommended to take at least one external course on "Sustainable Development and Climate Change" each year.

Incorporate into Operation Strategies

- The annual management conference incorporates topics on sustainable development and climate change, advocating for the integration of sustainability principles into CUB's strategic blueprint to ensure senior management embraces sustainability as a key consideration in business strategy.
- It is mandated to participate annually in courses related to sustainable development, climate, and environmental issues relevant to job responsibilities, enhancing proficiency in understanding sustainability trends.

Unit-level Implementation

- Foster sustainable talent teams to implement organizational sustainability strategies, integrating risk identification with unit sustainability objectives.

Promote Sustainability Mindset

- Develop digital learning courses to promote concepts of sustainable development and climate change, helping colleagues understand the company's sustainability strategies.
- Assist front-office staff in enhancing their knowledge and skills in sustainable practices, strengthening alignment with corporate clients on engagement actions.

Participant	Training Methods and Content	Effect and Application Scenario	Training Hours	Number of Persons Trained
Board Directors and Supervisors	Flexible ESG governance related courses	Driving organizational focus on sustainable impact	269	15
Mid- to senior-level managers	Organize seminars and external training sessions, encouraging participation in professional sustainability training based on business responsibilities.	Incorporate sustainability philosophies into operation strategies and promote them with sustainable operations.	423	391
Entry-level managers	Establish internal sustainability talent certification mechanism to assist realization of each unit's core competencies.	Improve identification and handling capabilities in responding to climate change and sustainability-related risks.	432	48
Employees	Promote digital training program and set up "Sustainability Section" on the learning website.	Enhance the link between sustainability mindset and business operations to jointly realize Cathay's sustainability vision.	9,116	47,035



Case Study

Case Study

Circular Economy Workshop

In 2023, CUB invited Circular Taiwan Network to organize an internal workshop on circular economy at Cathay FHC. 30 employees from CUB, Cathay FHC, Cathay Life Insurance, and Cathay Securities Investment Trust participated in the workshop to learn about circular economy and establish a sustainability mindset.

Training Program by the Industrial Technology Research Institute (ITRI)

In November 2023, CUB invited ITRI's Sustainable Academy to offer a course titled "ESG Corporate Disclosure Guidelines: An Introduction to Sustainable CSR Reports". The primary audience for this course is corporate banking personnel. The goal is to assist front-office staff in interpreting CSR reports, thereby enhancing CUB's corporate engagement rate and uncovering potential business opportunities.

CDP Educational Training

CDP is an international organization and the world's largest repository of environmental information disclosure and tracking data. By inviting borrowers to participate in CDP disclosure, we can enhance their awareness of the net-zero transition, thereby reducing the carbon footprint of our borrowers, the international supply chain, and banks. In 2023, CUB conducted several internal education training sessions to help corporate banking personnel understand the benefits of environmental disclosure. We plan to expand this initiative in 2024 to include the CDP SME Rating Project, continuing to assist small and SMEs in obtaining ratings and integrating into the global sustainable supply chain.

Training for Employees at Overseas Branches

In 2023, CUB engaged external professional consultants to provide the latest information on industry development trends related to the net-zero transition. We conducted three training sessions, tailored to the regions and business attributes of each overseas unit. The training topics included international ESG trends, ESG regulations and promotion progress in various countries, post-loan engagement, and practical case studies (e.g., carbon reduction practices in commercial real estate, comparative analysis of local financial industry cases). The goal was to enhance the ESG professional competencies of our overseas staff and strengthen their communication skills with corporate borrowers. In 2024, CUB plans to expand the training sessions to deepen sustainable professional competencies further. These sessions will also include in-depth introductions and case analyses of net-zero carbon transition technologies needed by various industries, aiming to continuously enhance the sustainability training of our employees at overseas branches.

- Participants: Staff at overseas branches (including Cathay United Bank (China) Ltd. branches) and those at relative units of the head office
- Number of training sessions: 3
 - (1) Singapore Branch and Labuan Branch
 - (2) Hong Kong Branch and Cathay United Bank (China) Ltd. branches
 - (3) Ho Chi Min City Branch, Manila Branch, Vientiane Branch, and Yangon Branch

3.3 Climate and Nature Risk Management

CUB has established a "Risk Management Policy" in compliance with the ERM framework and implements various control measures to address different risks. Since 2018, we have incorporated ESG risks into Cathay's risk management scope. In 2021, we further introduced the "Guidelines Governing ESG and Climate Risk Managements", and added the climate risk appetite statement and limit management in 2023 to strengthen ESG and climate-related risk management approach. All three lines of defense have corresponding management actions in place to ensure the full implementation of risk management and internal control. Additionally, we have planned a three-year climate and nature action plan (2024-2026) to address and monitor climate and nature material risks.

3.3.1 Climate Risk Appetite and Limit

Cathay FHC established a Climate Risk Appetite Statement in 2023 and set investment and lending limits on sectors likely to be affected by climate factors. CUB has adopted the Climate Risk Appetite Statement which states: The Bank actively seeks to reduce or avoid its exposures arising from companies or industries that are highly sensitive to climate change risks and areas that are of highly physical risks if it is difficult for the Bank to manage or control the risks after careful assessment is made. For highly sensitive industries, we have introduced a limit management mechanism and established internal regulations, been regularly monitoring the usage of investment and lending limits in highly sensitive industries, and been continuously strengthening CUB's climate and nature risk management.

3.3.2 The Three Lines of Defense

CUB adopts the corporate sustainability organizational structure and deepens the corporate risk governance culture through the three lines of defense framework for internal control. The first line of defense (self-assessment), the second line of defense (risk management/compliance/information security), and the third line of defense (audit management) continuously strengthen their mechanisms. By identifying and measuring risks, analyzing risk correlations, and assessing the impact on company operations and business, we develop control measures and response strategies. The audit unit has incorporated sustainability development matters into its audit scope, including ESG risk management and compliance with corporate governance regulations. Regular reports are made to the Board of Directors and the Audit Committee, assisting them and senior management in evaluating the effectiveness of the risk management and internal control systems and providing timely improvement recommendations.



3.3.3 Climate & Nature Action Plan

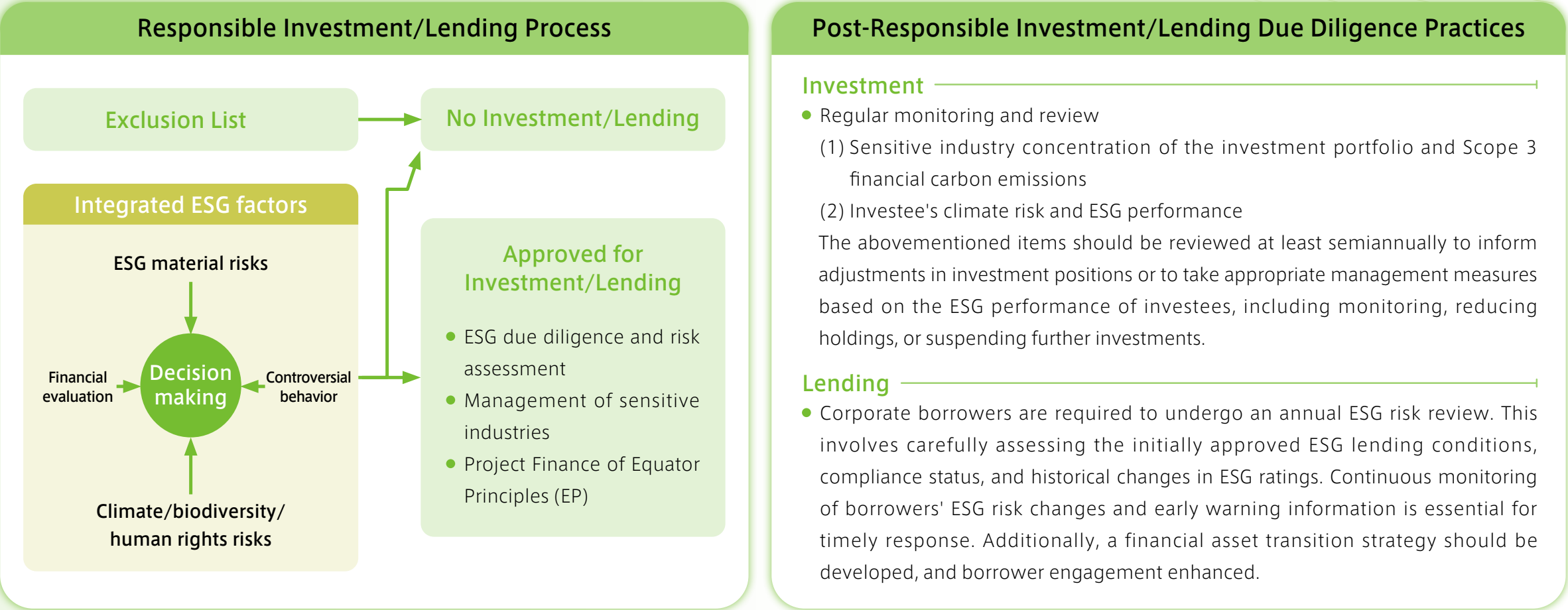
CUB and Cathay FHC integrate the identification, assessment, and prioritization processes for climate and nature risks and opportunities (see [1.1 Climate and Nature Risks and Opportunities](#) for related results). Through the formulation of a three-year climate and nature action plan, we aim to respond to and monitor the climate and nature material risks identified. This approach focuses on the key development directions of Cathay FHC, enhances CUB's climate and nature risk management, and aligns with international trends. Key descriptions of CUB's climate and nature-related action plan are as follows:

Action Plan	Key Points of the Plan	Corresponding Material Risks
 Improve ERM Mechanism	Considering that climate factors will eventually translate into traditional risks, we plan to integrate the related mechanisms into the ERM framework as climate quantitative assessment techniques mature to enhance management effectiveness. - Investment and lending risk management mechanism - Capital risk management mechanism	1 7
 Climate Strategy Resilience Verification	In line with IFRS S2 requirements, CUB is developing the climate strategy resilience verification for CUB and Cathay FHC to assess the potential impacts of different climate scenarios. - Climate scenario analysis - Verification of strategic targets and assessment of financial impacts	4 7
 Nature-related Risk Measurement and Analysis	In response to international trends and aligning with the TNFD framework, CUB is developing nature-related risk management. - Methods for identifying and measuring nature risks - Nature risk management/indicator targets	2 7
 Facilitating Climate and Nature Financial Innovation/Management	In response to climate and nature trends, we aim to seize business opportunities early and develop corresponding control mechanisms. - Climate/nature risk information management platform - Innovative applications of climate/nature financial and risk tools	5 3

Note CUB has formulated a three-year climate and nature action plan (2024-2026) at the beginning of 2024. To ensure the Board of Directors and senior management can supervise the progress of climate and nature-related issues, the action plan was presented to the Board and the Risk Management Committee in the first quarter of 2024. Additionally, Cathay FHC will regularly track the subsidiaries' progress in implementing the plan.

3.3.4 Investment and Lending Risk Management

CUB is committed to reducing climate change and environmental, social, and governance (ESG) risks, clearly defining climate-related risks (including transition risks and physical risks). We have integrated ESG and climate-related risk identification processes (including ESG factors such as controversial behavior, climate, biodiversity, and human rights) into our existing investment and lending processes. We actively respond to TCFD, TNFD, and align with frameworks such as CDP and SBT. We have also established investment/lending management rules to carefully assess the ESG and climate risks of investees and borrowers before making decisions and implement a tiered management approach. After investing/lending, we continuously review the ESG and climate performance of these entities and engage in in-depth dialogue with relevant companies to assist them in their transition, thereby effectively managing the long-term risks of our investment and lending portfolios.



■ Exclusionary Screening

CUB adheres to Cathay FHC's investment and lending exclusion policy by establishing an exclusion list of Industries/Enterprises/Business Activities that we do not engage with. In 2024, we plan to introduce new management measures related to unconventional oil and gas and natural gas. We exclude controversial weapons, human rights violations, pornography, mining, coal/nuclear power generation, coal-related activities, upstream oil and gas extraction, tobacco, gambling, rainforest logging, and drift gill-net manufacturing and fishing. This aligns with SDG 14 "Life Below Water" and SDG 15 "Life on Land" to conserve and sustainably use the oceans, seas and marine resources for sustainable development and protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

■ **ESG Due Diligence and Risk Assessment**

CUB stringently controls the ESG-related risks arising from investment and corporate lending cases and has established an ESG risk rating management mechanism to conduct differentiated tiered management.



Investment

For industries classified as sensitive, CUB requires the completion of a "Climate Risk Assessment Form" as part of the due diligence process, incorporating climate risk factors such as carbon emissions data, carbon reduction goals and strategies, potential temperature increase, water footprint, and water resource management policies. Additionally, if the investment target has a poor ESG risk rating, an "ESG Risk Assessment Form" must be completed to further evaluate whether to invest and determine post-investment management measures.



**Corporate
lending**

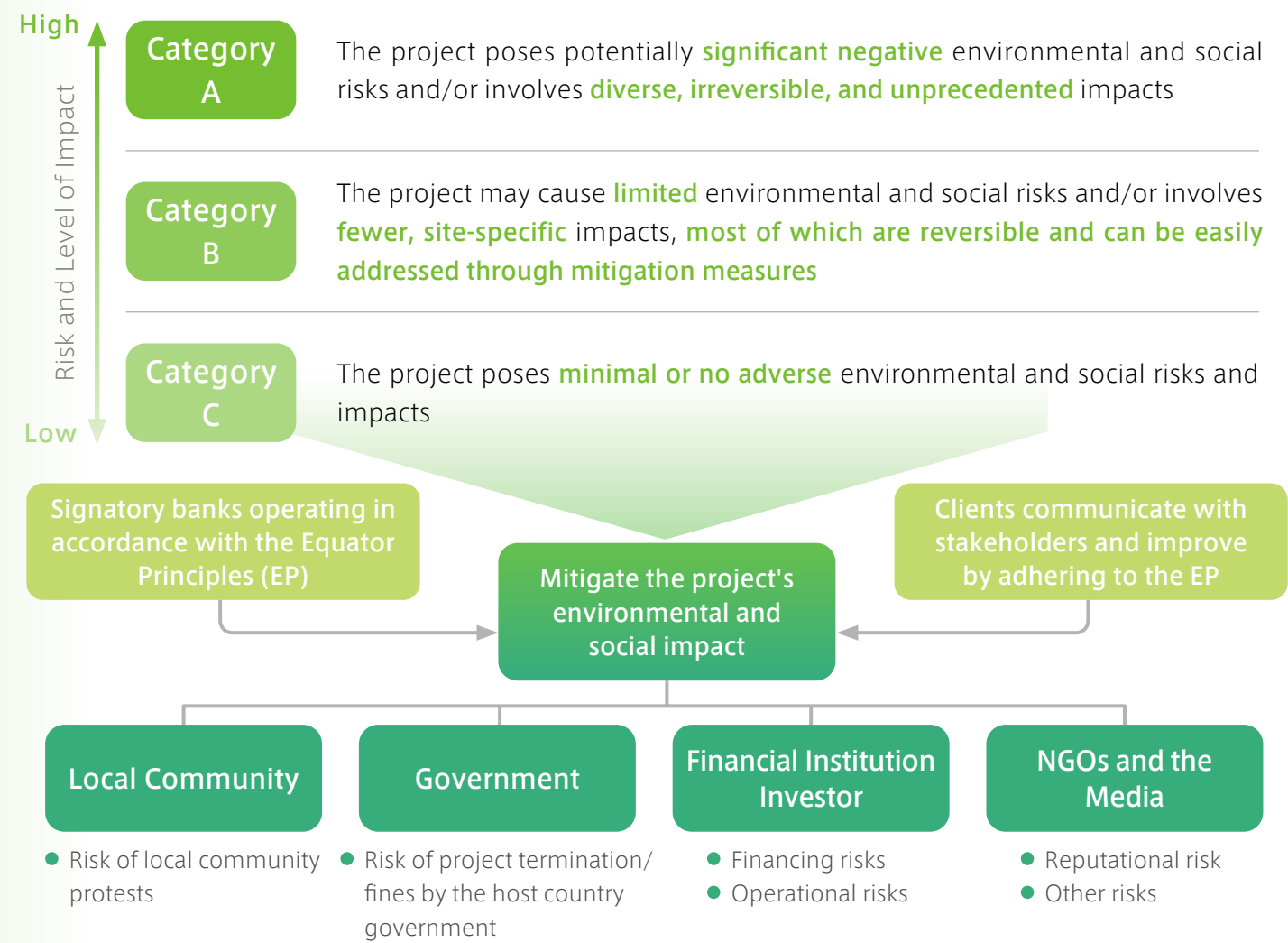
During the KYC (Know-Your-Customer) process for corporate lending cases, CUB includes the evaluation of ESG-related risks such as environmental pollution, harm to social welfare, human rights violations, governance, and climate and nature risks. This involves reviewing ESG incidents related to the borrower, consulting the borrower on incident improvement measures, risk mitigation strategies, and tracking inspection items. ESG risk reviews for corporate lending cases are conducted according to ESG risk classification, requiring borrowers to provide ESG risk management plans, including but not limited to carbon emissions data, carbon reduction goals and strategies, and water resource management policies. CUB also assesses the borrower's transition opportunities, such as the technical difficulties and fund needs for carbon reduction, and evaluates the opportunity of engagement through green loans and sustainability-linked loans.

■ **Management of Sensitive Industries**

Considering climate risk sensitivity factors such as carbon emissions and water usage, CUB has established a management mechanism for sensitive industries to deeply assess environmental and climate-related risks. In 2024, CUB has: (1) Added "biodiversity" as a new sensitivity factor, and (2) Implemented tiered management for sensitive industries, controlling highly sensitive industries according to industry-specific limit regulations.

■ Project Finance of Equator Principles (EP)

CUB includes biodiversity, climate change, and human rights risks as essential items in the Equator Principles (EP) project finance assessment. Each EP case is reviewed according to the eight IFC Performance Standards, including PS6 on biodiversity, with clear incorporation of review comment. For example, projects with an annual total carbon emission expected to exceed 100,000 tons must consider their transition risks, complete an analysis of alternatives to reduce greenhouse gas (GHG) emissions, and monitor their emissions and mitigation measures' effectiveness post-lending. The Equator Principles focus on assessing the potential environmental and social risks of large-scale project finance. For projects with significant potential environmental and social impacts and risks (Equator Principles Category A and B projects), the evaluation process involves independent environmental and social risk assessments by professional third-party consultants. Post-lending, rigorous post-loan management mechanisms are required, including annual monitoring reports reviewed by professional third-party consultants to ensure proper monitoring of environmental and social risks associated with EP lending cases. As of the end of 2023, 3 cases reached Financial Close (ready for disbursement upon signing) in accordance with Equator Principles, with new approved lending amounting to approximately NT\$1.585 billion. As of December 2023, CUB has accumulated a total of 24 EP credit cases that have reached Financial Close.



Year	Number of New Cases	Category A	Category B	Category C
2015	Grace Period			
2016	5	1	1	3
2017	2	0	0	2
2018	6	1	2	3
2019	2	1	0	1
2020	2	0	0	2
2021	2	1	0	1
2022	2	0	2	0
2023	3 (LA)	0	2	1
Total	24	4	7	13

Note 1 According to the Equator Principles, environmental risk assessments should align with the risk categories defined by the TCFD. For social risk assessments, borrowers should reference the UN Guiding Principles on Business and Human Rights (UNGPs) to evaluate human rights risks and impacts.

Note 2 Projects that meet the criteria for Equator Principles (EP) project finance typically have a higher environmental and social impact than regular cases. As an EP member bank, CUB not only assesses environmental risks like climate change and biodiversity but also require borrowers to reference the UNGPs to assess human rights risks for stakeholders such as local communities and residents. For projects with significant impacts (such as Category A and B risks), third-party consultants must provide relevant assessment documents, including effective engagement actions with affected communities and other stakeholders. CUB's Board of Directors and Risk Management Committee can regularly monitor the environmental and human rights risks of EP cases and track the progress of mitigation measures through ESG execution reports.

Note 3 The number of new cases refers to lending cases that have reached Financial Close during the year (i.e., the cases have been signed and are in a drawable state) and are used to calculate the new approved EP lending amount.



ESG Rating and Classification Module System

CUB utilizes external big data sources on ESG factors, applying data extraction, analysis, and processing techniques to feed this information into our self-developed "ESG Rating and Classification Module System". This automated system swiftly conducts preliminary ESG risk assessments and classifications for borrowers, dynamically detects changes in post-loan management risk ratings in real-time, provides risk warning signals, and issues alert notifications. This system not only saves manual query time but also effectively uncovers potential ESG issues that manual inspections might miss. This enables our frontline business units to promptly grasp the ESG risk levels and exposure statuses of managed borrowers, assists the mid-office risk control units in monitoring asset portfolio quality changes, and helps the back-office operations units reduce operational risks, thereby preventing reputational damage or significant financial losses caused by borrowers' ESG deficiencies or questionable behaviors. Consequently, it enhances our bank's overall risk management mechanism, aligns with international standards, and creates sustainable value.

We periodically update and process big data in accordance with external regulations and international standards to continuously evaluate the appropriateness of ESG risk assessment results. This invention is a pioneering effort within the financial industry to introduce an internal ESG risk rating and management framework and to initiate differentiated management through ESG risk classification. It covers the entire credit process end-to-end, aligning with international trends and group development directions, and is committed to promoting sustainable finance. In addition to adopting the Equator Principles and voluntarily adhering to the UN Principles for Responsible Banking, we have deepened our understanding of environmental, social, and governance risks. The ESG Rating and Classification Module System was officially granted an "invention" patent by the Intellectual Property Office of the Ministry of Economic Affairs on July 1, 2023.

To enhance CUB's ESG model, we have, unlike most database systems that only acquire negative penalty information from external data platforms, introduced an automated positive ESG information extraction technology in 2023. Leading the financial industry, we have expanded the scope of positive data mining to include small and medium-sized enterprises (SMEs). Additionally, we are the first to employ AI algorithms for the automatic detection and interpretation of corporate ESG score performances, significantly reducing the manual calibration process. Continually optimizing the ESG rating model through big data improves accuracy. Moreover, by designing a "weighting" system, we standardize and sum up the positive and negative performances of borrowers, grading them into four tiers based on their standardized total positive and negative scores. This approach helps us evaluate the sustainability-related risks and opportunities of our borrowers and formulate credit decision management measures. The upgraded ESG Rating Module System was officially granted a "utility model" patent by the Intellectual Property Office of the Ministry of Economic Affairs on April 21, 2024.

3.3.5 Operational Risk Management

CUB strives to minimize losses and ensure the safety of personnel, compliance with legal regulations, and protection of customer rights during operational disruptions caused by various disasters. In the event of business or information service incidents, facility failures, or damages, we ensure that critical services can continue to operate, providing uninterrupted service to our customers. We have established a Business Continuity Management (BCM) systems and various recovery plans to promote and maintain the operation of our BCM systems, aiming to reduce response times during incidents and crises. Each year, we conduct complex scenario-based drills to enhance staff response capabilities and validate the effectiveness of related plans. To reinforce high standards in our BCM systems, we have proactively adopted the international management standard "ISO 22301:2019 Business Continuity Management Systems" and obtained international certification from the British Standards Institution (BSI). This continuous improvement in our BCM systems ensures a safer and higher-quality financial service environment for our customers, employees, shareholders, and stakeholders.

Milestones & Achievements

Message from the Chairman

About the Report

01 Identification and Impacts
of Material Risks and
Opportunities

02 Strategic Goals & Progress

03 Governance & Risk
Management

04 Conclusion

05 Appendix

CHAPTER
04 **Conclusion**
From Climate Focus to a Comprehensive Approach to Nature

Conclusion: From Climate Focus to a Comprehensive Approach to Nature

CUB has been deeply engaged in the field of climate finance for many years. By establishing strategies and goals focused on a "Low-carbon Economy" and "Environmental Sustainability", we are committed to promoting the transition of our investee and borrowers as well as our own operations. With a vision of achieving positive growth for nature, we are opening a new chapter that harmonizes with both natural and human environments.



Low-Carbon Economy

- We continue to expand the scope of carbon footprint assessment for our investment and lending portfolios by following the methodologies of PCAF and SBTi to enhance financial asset management.
- We continue to invest in domestic and international climate engagement activities and responding to climate initiatives through collaboration with authoritative institutions and customized engagement projects tailored to corporate borrowers based on their size, and strengthen the use of the Taiwan Sustainable Taxonomy among our engaged borrowers.
- We enhance green financial products and services related to personal banking, and continually empower corporate banking borrowers to lead them towards a low-carbon transition.



Environmental Sustainability

- We focus on the "Zero Carbon Operation Transition Plan" to mitigate the environmental impact of our operations through three main areas: Green Energy, Green Operations, and Green Real Estate.



Positive Growth for Nature

- We continue to align with the Task Force on Nature-related Financial Disclosures (TNFD) framework to strengthen the identification and assessment of nature-related risks and opportunities so as to improve related risk management and response strategies, and lead borrowers towards positive growth for nature.



Milestones & Achievements

Message from the Chairman

About the Report

01 Identification and Impacts
of Material Risks and
Opportunities

02 Strategic Goals & Progress

03 Governance & Risk
Management

04 Conclusion

05 Appendix

CHAPTER 05 Appendix

- 5.1 Summary of Key Data
- 5.2 TCFD Index
- 5.3 Guidelines for Domestic Banks' Climate Risk
Financial Disclosure Index
- 5.4 IFRS S2 Index
- 5.5 TNFD Index
- 5.6 Summary of Subject Matter Assured
- 5.7 External Independent Attestation Statement

5.1 Summary of Key Data

Investment and Lending Portfolio Carbon Footprint - Based on the Taiwan FSC's Manual for Determining Scope 3 Emissions in Investment and Lending Portfolios for Banks

As of December 31, 2023 Coverage ^{Note 1}	Coverage Applicable to PCAF Methodology	Coverage of Carbon Inventory
Investment	34.05%	33.58%
Corporate Finance	99.26%	99.26%
Consumer Finance	49.55%	49.47%
Total	55.77%	55.56%

Note 1 Mainly due to insufficient specific data that makes calculation impossible, coverage using the PCAF methodology and the verification coverage for corporate lending are slightly less than 100%. For consumer lending, both the coverage using the PCAF methodology and the verification coverage are less than 100% because the scope of the "Taiwan FSC's manual for determining scope 3 emissions in investment and lending portfolios for banks" is limited to real estate loans used for purchasing residential properties. The verification coverage for consumer lending is slightly less than the coverage using the PCAF methodology because some collateral consists of vacant land or non-real estate, which cannot be included in the calculation. For investments, both the coverage using the PCAF methodology and the verification coverage are less than 100% due to the exclusion of certain assets such as money market instruments (notes), asset-backed securities, green bonds, sustainable development bonds, municipal bonds, options, and investments in subsidiaries that are fully controlled and included in the bank's consolidated financial statements. The verification coverage for investments is slightly less than the coverage using the PCAF methodology because the assets exclude supranational bonds.

As of December 31, 2023 Type of Asset			Absolute Emissions ^{Note 1} Scope 1 & Scope 2 (tCO ₂ e)	Emission Intensity ^{Note 3}		Data Quality Score
				Economic Emission Intensity	Physical Emission Intensity	
Investment ^{Note 2}	Listed/Unlisted Equity		13,761	0.57	-	3.16
	Corporate Bond		146,628	0.54	-	2.75
	Sovereign Debt (Investment)	Excluding LULUCF	857,164	8.10	-	1.57
		Including LULUCF	795,351	7.52		
Subtotal	Excluding LULUCF		LA 1,017,553	2.52	-	LA 2.47
	Including LULUCF		LA 955,740	2.37		
Lending	Sovereign Debt (Lending)	Excluding LULUCF	24,208	17.90	-	1.00
		Including LULUCF	31,787	25.51		
	Corporate Finance	Business Loan	1,917,364	2.72	-	3.83
		Project Finance ^{Note 4}	112,128	4.65	0.76	3.00
		Commercial Real Estate Loan	19,916	0.79	128.41	4.00
	Consumer Finance	Mortgage	120,676	0.22	21.91	4.00
		Motor Vehicle Loan	-	-	-	-
Subtotal	Excluding LULUCF		LA 2,194,292	1.67	-	LA 3.89
	Including LULUCF		LA 2,201,871	1.68	-	
Total	Excluding LULUCF		3,211,845	1.87	-	3.55
	Including LULUCF		3,157,611	1.84	-	

Note 1 Absolute emissions refer to the carbon emissions from financial assets (financed emissions) in Scope 3 as defined by the BAROC, originating from the Scope 1 and Scope 2 emissions of the investees and borrowers.

Note 2 The financed emissions of investment assets can be further estimated using tools provided by MSCI, which separately estimate the Scope 1 and Scope 2 emissions of the investees. For example, the Scope 1 and Scope 2 emissions for listed/unlisted equity are 2,681 and 11,080 tCO₂e respectively; for corporate bonds, they are 75,320 and 71,308 tCO₂e respectively; and for sovereign debt investments, they are 857,164 and 0 tCO₂e respectively.

Note 3 Economic emission intensity unit: tCO₂e per NT\$1M; physical emission intensity unit: tCO₂e/MWh (project finance), kgCO₂e/m² (commercial real estate loans and mortgages).

Note 4 The avoided emissions from project finance are approximately 321,668 tCO₂e.

As of December 31, 2023 Region		Investment Assets				Lending Assets		
		Absolute Emission ^{Note 1}		Data Quality Score	Economic Emission Intensity (tCO ₂ e/NT\$1M)	Absolute Emission ^{Note 1}	Data Quality Score	Economic Emission Intensity (tCO ₂ e/NT\$1M)
		Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)			Scope 1 & Scope 2 (tCO ₂ e)		
Excluding LULUCF	Taiwan	289,708	63,173	2.09	3.20	1,812,774	3.90	1.52
	Asia Pacific	214,855	7,727	3.07	2.08	381,518	3.80	3.25
	The Americas	400,677	7,763	1.85	3.58	--	--	--
	Europe	18,653	2,273	3.09	0.30	--	--	--
	Others	11,272	1,452	3.48	5.27	--	--	--
	Total	1,017,553		2.47	2.52	2,194,292	3.89	1.67
Including LULUCF	Taiwan	272,677	63,173	2.09	3.04	1,812,774	3.90	1.52
	Asia Pacific	217,576	7,727	3.07	2.10	389,098	3.80	3.32
	The Americas	353,929	7,763	1.85	3.17	--	--	--
	Europe	17,898	2,273	3.09	0.29	--	--	--
	Others	11,272	1,452	3.48	5.27	--	--	--
	Total	955,740		2.47	2.37	2,201,871	3.89	1.68

Note 1 Absolute emissions refer to the carbon emissions from financial assets (financed emissions) in Scope 3 as defined by the BAROC, originating from the Scope 1 and Scope 2 emissions of the investees and borrowers.

As of December 31, 2023 Industry Distribution ^{Note 2}	Investment Assets - Listed/Unlisted Equity & Corporate Bond					Lending Assets - Business Loan		
	Absolute Emissions ^{Note 1}			Data Quality Score	Economic Emission Intensity (tCO ₂ e/ NT\$1M)	Absolute Emission (tCO ₂ e)	Data Quality Score	Economic Emission Intensity (tCO ₂ e/ NT\$1M)
	Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	Scope 1 & Scope 2 (tCO ₂ e)					
Energy	45,206	2,383	47,589	3.91	17.75	148,514	4.14	17.36
Materials	5,734	5,653	11,387	2.25	11.31	923,894	3.29	16.34
Industrials	6,482	2,880	9,362	3.09	1.79	128,458	3.84	2.05
Consumer Discretionary	685	697	1,382	2.07	0.39	159,874	3.82	1.58
Consumer Staples	3,352	3,340	6,692	2.00	0.65	114,636	3.73	5.24
Health Care	2	21	23	3.32	0.42	8,246	3.63	1.01
Financials	4,159	6,321	10,480	2.99	0.05	78,364	4.24	0.54
Information Technology	5,471	48,955	54,426	2.11	1.34	218,492	3.10	2.53
Communication Services	1,375	8,462	9,837	2.00	0.71	4,992	3.93	0.31
Utilities	5,492	3,494	8,986	2.00	8.62	109,595	4.34	20.48
Real Estate	43	182	225	5.00	0.34	22,296	4.00	0.12
Total	160,389			2.78	0.54	1,917,364	3.83	2.72

Note 1 Absolute emissions refer to the carbon emissions from financial assets (financed emissions) in Scope 3 as defined by the BAROC, originating from the Scope 1 and Scope 2 emissions of the investees and borrowers.

Note 2 Industries are classified using the two-digit sector level codes of the Global Industry Classification Standard (GICS).

As of December 31, 2023 Asset/Industry Distribution ^{Note 2}		Lending Asset - Undrawn Loan Commitment ^{Note 3}	
		Absolute Emissions ^{Note 1} Scope 1 & Scope 2 (tCO ₂ e)	Economic Emission Intensity(tCO ₂ e/NT\$1M)
Corporate Finance	Sovereign Debt (Lending)	0	0
	Energy	137,211	27.91
	Materials	665,465	23.81
	Industrials	116,851	3.43
	Consumer Discretionary	66,578	1.37
	Consumer Staples	68,767	7.08
	Health Care	4,523	1.27
	Financials	48,918	0.30
	Information Technology	82,444	2.15
	Communication Services	1,036	0.52
	Utilities	141,726	116.55
	Real Estate	18,661	0.26
	Project Finance	76,314	27.98
Consumer Finance	Commercial Real Estate Loan	1,019	0.46
	Mortgage	296	0.23
	Motor Vehicle Loan	-	-
Total		1,429,809	3.50

Note 1 Absolute emissions refer to the carbon emissions from financial assets (financed emissions) in Scope 3 as defined by the BAROC, originating from the Scope 1 and Scope 2 emissions of the investees and borrowers.

Note 2 Industries are classified using the two-digit sector level codes of the Global Industry Classification Standard (GICS).

Note 3 Carbon emissions from undrawn loan commitments for lending asset categories and each industry are disclosed in anticipation of aligning with IFRS S2 requirements.

Operational Greenhouse Gas Emissions

Item	Unit	2021		2022		2023	
Scope 1-Consolidated Group	tCO ₂ e	Taiwan	1,108.59	Taiwan	1,169.69	Taiwan	1,141.74
		Overseas	295.54	Overseas	731.28	Overseas	882.11
Scope 2-Consolidated Group (Location-based Emission)		Taiwan	21,153.41	Taiwan	20,800.54	Taiwan	20,653.02
		Overseas	1,469.66	Overseas	3,151.31	Overseas	3,156.64
Scope 2-Consolidated Group (Market-based Emission)		Taiwan	20,963.15	Taiwan	18,850.55	Taiwan	16,991.85
		Overseas	1,469.66	Overseas	3,151.31	Overseas	3,156.64
Scope 1 +Scope 2-Consolidated Group (Location-based Emission)		Taiwan	22,262.00	Taiwan	21,970.23	Taiwan	21,794.76
		Overseas	1,765.20	Overseas	3,882.59	Overseas	4,038.76
Scope 1 +Scope 2-Consolidated Group (Market-based Emission)		Taiwan	22,071.74	Taiwan	20,020.24	Taiwan	18,133.59
		Overseas	1,765.20	Overseas	3,882.59	Overseas	4,038.76
Scope 3-Upstream Transportation and Distribution			0.0214		0.0087		0.0058
Scope 3-Downstream Transportation and Distribution			0.0347		0.0238		0.0155
Scope 3-Business Travel			5.4317		34.9564		284.7081

Operational Greenhouse Gas Emissions

Item	Unit	2021	2022	2023
Scope 3-Purchased Goods	tCO ₂ e	348.0573	484.2873	656.1360
Scope 3-Solid and Liquid Waste Management		115.4699	110.7612	125.0655
Scope 3-Emission or Removal during Use of Product		1,221.6041	1,543.3874	1,798.5032
Scope 3-End-of-life of Products		142.5889	136.3138	133.4802
Carbon Credit Purchase		-	-	10,000 ^{註 6}
Carbon Offset Emission		-	-	0 ^{註 7}
Intensity-Consolidated Group	(Scope 1+Scope 2) tCO ₂ e/NT\$1M	0.37	0.32	0.26
Renewable Power Purchase(PV)	kWh	-	2,391,024	7,276,290
Renewable Energy Certificate (T-REC)	Number of Certificates	379	1,440	120

Note 1 Renewable Energy Certificates or Renewable Energy Usage: In accordance with the GHG Protocol Scope 2 Guidance, Scope 2 emissions are disclosed under both the "Location-based" and "Market-based" methods.

Note 2 (1) Since 2018, the new version of ISO 14064-1:2018 standards has been adopted, and from 2020, BSI has been commissioned for external verification. (2) Greenhouse gas emissions are calculated using the "Operational Control" approach, with Scope 2 emissions based on the market-based method.

Note 3 The emission factors are adjusted annually according to the Bureau of Energy: 2021: 0.502 kg CO₂e/kWh; 2022: 0.509 kg CO₂e/kWh; 2023: 0.495 kg CO₂e/kWh

Note 4 Intensity (Scope 1 + Scope 2/NT\$1M): Calculated based on the market-based method.

Note 5 Verification boundaries for Scope 1 and Scope 2: 2021: All domestic locations and international locations (including overseas branches, Cathay United Bank (China), and Cathay United Bank (Cambodia)). From 2022: All domestic locations and international locations (including overseas branches, Cathay United Bank (China), Cathay United Bank (Cambodia), and Indovina Bank). Scope 3 boundaries include operational waste, water usage, travel, credit card services, and unsecured microcredit services generated by Taiwan branches.

Note 6 Carbon credits purchased in 2023 were all certified by the Gold Standard: 1000 tCO₂e from the Eritrea Community Water Wells Project, 3500 tCO₂e from the AMI KHANH HOA Solar Project, 2500 tCO₂e from the Mozambique Central Safe Drinking Water Project, 1000 tCO₂e from the Kenya Household and Commercial Biogas Appliances Project, 2000 tCO₂e from the Santa Marta Landfill Gas (LFG) Capture and Power Generation Project, totaling 10,000 tCO₂e.

Note 7 Carbon credit usage is currently under planning.

Supervisory Version of Climate Change Scenario Analysis Results

Expected Losses to Pre-tax P/L						
Asset Position	Orderly Transition		Disorderly Transition		Current Policy	
	2030	2050	2030	2050	2030	2050
Domestic Lending (Corporate Finance & Consumer Finance)	36.9%	42.1%	41.8%	43.3%	37.1%	41.9%
Oversea Lending (Corporate Finance)	2.7%	3.6%	1.8%	4.1%	0.3%	0.3%
Passbook investments	2.4%	3.0%	2.6%	3.1%	2.3%	2.7%
Total	41.9%	48.7%	46.1%	50.5%	39.7%	44.9%
Expected Loss to Net Value						
Asset Position	Orderly Transition		Disorderly Transition		Current Policy	
	2030	2050	2030	2050	2030	2050
Domestic Lending (Corporate Finance & Consumer Finance)	4.8%	5.5%	5.5%	5.7%	4.9%	5.5%
Oversea Lending (Corporate Finance)	0.4%	0.5%	0.2%	0.5%	0.0%	0.0%
Passbook investments	0.3%	0.4%	0.3%	0.4%	0.3%	0.4%
Total	5.5%	6.4%	6.0%	6.6%	5.2%	5.9%

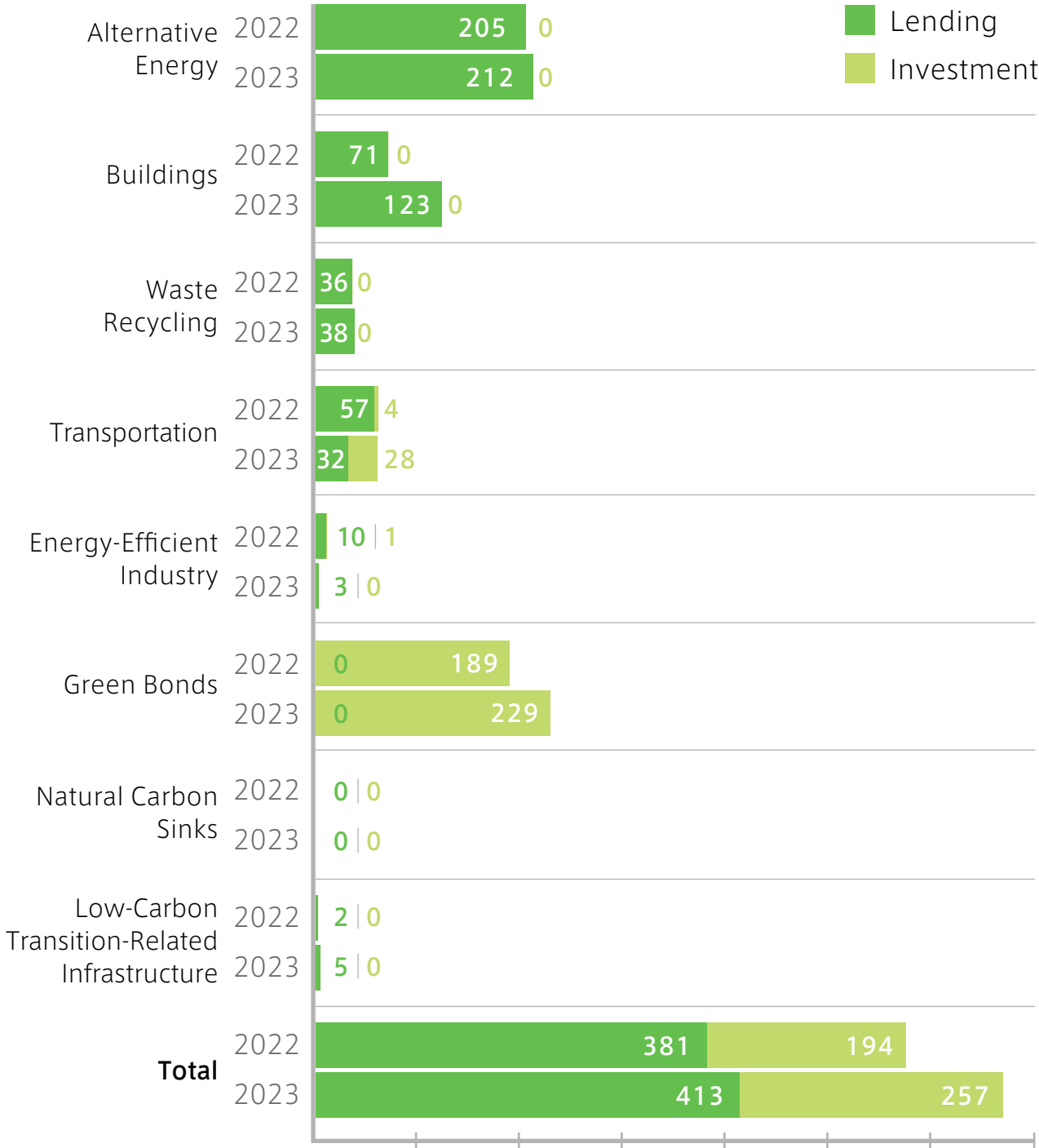
Note 1 The transition risk parameters used in this scenario analysis differ from those used in the previous year and have been updated based on the latest available industry carbon emission information.

Note 2 The scope of this calculation is based on CUB itself, including domestic and foreign branches as well as international financial business branches. The positions include on- and off- passbook lending positions, bonds, and equity investments, while excluding domestic government institutions.

■ Results on Green Energy and Green Operations

	2021	2022	2023
Renewable Energy Usage (kWh)	412,000	3,863,024	7,448,304
Energy Management System Established (Locations)	144	146	153
Internal Carbon Pricing Mechanism	NA	NA	In 2023, an internal carbon pricing mechanism was incorporated into the energy-saving competition. The implementation plan for the future internal carbon pricing was also promoted in the competition's energy-saving and carbon reduction reports.
Solar Panels on Proprietary Buildings (kw)	80.7	80.7	270.78
Domestic Operational Greenhouse Gas Emission (Scope 1 + Scope 2 tCO ₂ e)	22,072	20,020	18,134
Per Capita Water Consumption (cubic meters)	18.47	18.14	18.07
Per Capita Waste (kilogram)	35.46	32.85	30.82
Sustainable Procurement (green procurement/NT\$)	163,055,190	154,303,005	192,573,349

■ Achievements in Environmental Investment and Lending



Note 1 Starting from 2022, Cathay's sustainable lending has added "Natural Carbon Sinks" and "Low-Carbon Transition-Related Infrastructure" themes.

Note 2 The statistical figures in the table are in NT\$100M.

■ Investment & Lending in Industries Important to Taiwan's 12 Key Strategies

Industry	Investment & Lending Total Amount in 2023
Wind/Solar Energy	228.16
Hydrogen	0
Innovative Energy	0
Power Systems & Energy Storage	0
Energy Saving	0
Carbon Capture, Utilization & Storage	0
Carbon-free & Electric Vehicles	0.5
Resource Recycling & Zero Waste	0
Carbon Sinks	0
Green Lifestyle	0
Green Finance	103.46
Just Transition	0
Investing & Lending Total Amount	332.12

Note The statistical figures in the table are in NT\$100M.

5.2 TCFD Index

Aspect	TCFD Recommended Disclosures	Chapter of Disclosure
Governance	(a) Describe the board's oversight of climate-related risks and opportunities.	3.1
	(b) Describe management's role in assessing and managing climate-related risks and opportunities.	3.1
Strategy	(a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	1.1
	(b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	1.1 / 2.1 / 2.2 / 2.3 / 2.4 / 3.3
	(c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	1.2
Risk Management	(a) Describe the organization's processes for identifying and assessing climate-related risks.	1.1
	(b) Describe the organization's processes for managing climate-related risks.	3.1 / 3.3
	(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	1.1 / 3.1 / 3.3
Metrics and Targets	(a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	1.2 / 2.2 / 2.3 / 2.4
	(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	2.2 / 2.4
	(c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2.2 / 2.3 / 2.4

5.3 Guidelines for Domestic Banks' Climate Risk Financial Disclosure Index

Aspect	Guidelines for Domestic Banks' Climate Risk Financial Disclosure Recommended Disclosures	Chapter of Disclosure
General Description	1. (1)-(4)	Applicable to all
Governance	2. (1)	3.1 / 3.3
	2. (2)	3.1
	2. (3)	3.1 / 3.2 / 3.3
	2. (4)	3.1
Strategy	3.(1)	1.1
	3.(2)	2.1
	3.(3)	1.1 / 1.2
Risk Management	4.(1)	3.3
	4.(2)	1.1
	4.(3)	1.1
	4.(4)	3.3
	4.(5)	3.3
	4.(6)	3.3
	4.(7)	1.2
	4.(8)	3.3
Metrics and Targets	5.(1)	2.2 / 2.4
	5.(2)	2.2 / 2.4
	5.(3)	2.2 / 2.3

Note For detailed information for each article, please refer to the website ([Link](#)).

5.4 IFRS S2 Index

Aspect	IFRS S2 Recommended Disclosures		Chapter of Disclosure
Objective	Paragraphs 1 & 2	The objective of IFRS S2 Climate-related Disclosures	Applicable to all
Scope	Paragraphs 3 & 4	Applicable to climate-related risks to which the entity is exposed and climate-related opportunities available to the entity	Applicable to all
Governance	Paragraphs 5-7	The objective of climate-related financial disclosures on governance	3.1
Strategy	Paragraphs 8 & 9	The objective of climate-related financial disclosures on strategy	2.1
	Paragraphs 10-12	Climate-related risks and opportunities	1.1
	Paragraphs 13	Business model and value chain	1.1
	Paragraphs 14	Strategy and decision-making	2.1 / 2.2 / 2.3 / 2.4 / 3.1
	Paragraphs 15-21	Financial position, financial performance and cash flows	1.1 / 2.1 / 2.2 / 2.3 / 2.4
	Paragraphs 22 & 23	Climate resilience	1.2
Risk Management	Paragraphs 24-26	The objective of climate-related financial disclosures on risk management	3.3
Metrics and Targets	Paragraphs 27 & 28	The objective of climate-related financial disclosures on metrics and targets	2.1
	Paragraphs 29-32	Climate-related metrics	2.1 / 2.2 / 2.3 / 2.4
	Paragraphs 33-37	Climate-related targets	2.1 / 2.2 / 2.3 / 2.4

Note For detailed information for each article, please refer to the IFRS Foundation website ([Link](#)).

5.5 TNFD Index

Aspect	TNFD Recommended Disclosures	Chapter of Disclosure
Governance	(a) Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities	3.1
	(b) Describe management's role in assessing and managing nature-related dependencies, impacts, risk and opportunities	3.1
	(c) Describe the organization's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities	3.1 / 3.3
Strategy	(a) Describe the nature-related dependencies, impacts, risks and opportunities the organization has identified over the short, medium and long term	1.1
	(b) Describe the effect nature-related dependencies, impacts, risks, and opportunities have had on the organization's business model, value chain, strategy, and financial planning, as well as any transition plans or analysis in place	1.1 / 2.1 / 2.2 / 2.3 / 2.4 / 3.3
	(c) Describe the resilience of the organization's strategy to nature-related risks and opportunities, taking into consideration different scenarios	1.2
	(d) Disclose the locations of assets and/or activities in the organization's direct operations, and, where possible, upstream and downstream value chain(s) that meet the criteria for priority location	1.2
Risk & Impact Management	(a)(i) Describe the organization's processes for identifying, assessing, and prioritizing nature-related dependencies, impacts, risks, and opportunities in its direct operations	1.1
	(a)(il) Describe the organization's processes for identifying, assessing, and prioritizing nature-related dependencies, impacts, risks, and opportunities in its upstream and downstream value chain(s)	
	(b) Describe the organization's processes for managing nature-related dependencies, impacts, risks and opportunities	3.1 / 3.3
Metrics & Targets	(c) Describe how processes for identifying, assessing, prioritizing, and monitoring nature-related risks are integrated into and inform the organization's overall risk management processes	1.1 / 3.1 / 3.3
	(a) Disclose the metrics used by the organization to assess and manage material nature-related risks and opportunities in line with its strategy and risk management processes	1.2
	(b) Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature	1.1 / 1.2 / 2.2 / 2.3 / 2.4
	(c) Describe the targets and goals used by the organization to manage nature-related dependencies, impacts, risks and opportunities and its performance against these	2.2 / 2.3 / 2.4

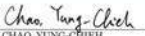
5.6 Summary of Subject Matter Assured

No.	Subject matter	Applicable criteria	Page Number
1	As of December 31, 2023, the amounts of Cathay United Bank's Green Time Deposit, Green Corporate Loan, and Sustainability-Linked Loan (SLL) were NT\$2.394 billion, NT\$28.080 billion, and NT\$33.036 billion, respectively.	As of December 31, 2023, the amounts of products or services related to green time deposits or loans undertaken by Cathay United Bank in 2023. There were three types of products related to green deposits or loans of Cathay United Bank: 1. Green Time Deposit 2. Green Corporate Loan 3. Sustainability-Linked Loan A green corporate loan is a type of financing or refinancing that is exclusively used to fund green projects. Definitions of Green Time Deposit and Sustainability-Linked Loan (SLL) are detailed on the Cathay United Bank official website.	39-40
2	Cathay United Bank has ceased to extend credit facilities for coal-related loans since April 2021. This policy covers the upstream, midstream, and downstream coal industry chains, including upstream, midstream, and downstream sectors such as coal mining, products, wholesale, and retail, all of which are added to our exclusionary screening.	The target has been approved by CUB internal management meeting.	25
3	Cathay United Bank's environmental financing in 2023 amounted to 5.43% of the total amounts of corporate lending.	The amount of environmental financing by Cathay United Bank in 2023 divided by the total lending provided. Cathay United Bank's environmental financing includes investments in sustainable-related industries category such as low-carbon investments and low-carbon transition-related infrastructure in infrastructure investment. Cathay United Bank determines low-carbon investments according to following criteria: 1. Industry classification belongs to alternative energy, construction, waste recycling, transportation, energy-saving industry, and carbon sinks. 2. The company's business items include above categories. 3. The investments include in the Bloomberg's green bond list. Cathay United Bank determines infrastructure investments according to following criteria: 1. The industry classification belongs to the categories of transportation, public facilities, social housing, environmental improvement facilities, low-carbon transition-related infrastructure, infrastructure construction, and software. 2. The company's business items include above categories.	38
4	As of the end of 2023, 3 cases reached Financial Close (ready for disbursement upon signing) in accordance with Equator Principles.	Total number of Cathay United Bank's financing projects that reach financial close (ready for disbursement upon signing) according to the Cathay United Bank's "Rules Governing Project Finance of Equator Principles" in 2023.	60

No.	Subject matter	Applicable criteria	Page Number
5	Appendix Investment and Lending Portfolio Carbon Footprint - Based on the Taiwan FSC's Manual for Determining Scope 3 Emissions in Investment and Lending Portfolios for Banks - Total financed emission and data quality from proprietary investment asset portfolio including LULUCF in 2023 were 955,740 tCO₂e and 2.47 score respectively; - Total financed emission and data quality from proprietary investment asset portfolio excluding LULUCF in 2023 were 1,017,553 tCO₂e and 2.47 score respectively; - Total financed emission and data quality of various lending portfolio including LULUCF in 2023 were 2,201,871 tCO₂e and 3.89 score respectively; - Total financed emission and data quality of various lending portfolio excluding LULUCF in 2023 were 2,194,292 tCO₂e and 3.89 score respectively;	- In reference to PCAF standards, Cathay United Bank formulated the Taiwan FSC's manual for determining scope 3 emissions in investment and lending portfolios for banks to calculate and disclose financed emissions. - Financed Emissions of Investment and Financing Portfolio: The financed emissions in metric tons of CO₂ equivalent (tCO₂e) for Scope 1 and Scope 2 categories related to the investment portfolio and lending portfolios held by Cathay United Bank. Cathay United Bank strives to use the "latest obtainable emissions data or estimation data" (Scope 1 and Scope 2): - Sources of the latest obtainable emissions data or estimates (Scope 1 and Scope 2) include emissions data from investee companies directly requested by Cathay United Bank, MSCI Total Portfolio Footprinting (MSCI TPF), MSCI ESG Manager, Bloomberg, Official websites of various state-owned enterprises, government announce carbon emissions, Taiwan Economic Journal (TEJ) database or Third-party public statistics. - Estimates are conducted by Cathay FHC based on the methodology recommended by PCAF, using emissions data calculated from Energy Usage Intensity (EUI) of the building type, or physical and economic activity, or obtained from MSCI Total Portfolio Footprinting (MSCI TPF), MSCI ESG Manager and Bloomberg classified by industry to calculate estimated industry specific emissions factors or the distribution factor estimated based on the closest annual financial information or accounting financial information. - Scope of Financed Emissions of Investment Portfolios: Cathay United Bank conducted an inventory of listed and unlisted stocks, corporate bonds, and sovereign debt (excluding supranational organizations) held as part of proprietary investments assets on December 31, 2023. The scope includes proprietary investments held by Cathay United Bank that belong in the following accounts: "Financial Assets at Fair Value Through Profit or Loss (FVTPL)," "Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)," "Financial Assets at Amortized Cost (AC)," and "Investments Accounted for Using Equity Method (IEQU)" for self-managed investment portfolios. - Scope of Carbon Emissions of Lending Portfolios: As of December 31, 2023, electricity generation project finance, commercial real estate, mortgages, commercial loans, and sovereign loans. - Data Quality Score: Calculated with PCAF-recommended methodology and includes data quality scores provided by MSCI TPF and MSCI ESG Manager. A weighted average is calculated based on lending position values. - Industry Classification Disclosure: The classification is based on the 11 economic sectors at level one of the Global Industry Classification Standard (GICS) structure.	66
6	Appendix Investment and Lending Portfolio Carbon Footprint - Based on the Taiwan FSC's Manual for Determining Scope 3 Emissions in Investment and Lending Portfolios for Banks - Financed emissions from proprietary investment asset portfolios (excluding sovereign bond investments) by industry in 2023. - Total financed emissions of commercial loans by industry in 2023.		68

5.7 External Independent Attestation Statement

Limited Assurance Report

 Independent Limited Assurance Report To Cathay United Bank Co., Ltd We have been engaged by Cathay United Bank Co., Ltd (the "Company") to perform assurance procedures in respect of the key performance information indicators by the Company and reported in the 2023 Climate and Nature Report (hereinafter referred to as the "Identified Key Performance Indicators") and have issued a limited assurance report based on the result of our work performed. Subject Matter Information and Applicable Criteria The subject matter information is the Identified Key Performance Indicators of the Company. The Identified Key Performance Indicators and the respective applicable criteria are stated in the "Summary of Subject Matter Assured" on page 79-80 of the 2023 Climate and Nature Report. The scope of the aforementioned Identified Key Performance Indicators is set out in the "About this Report" on page 6 of the 2023 Climate and Nature Report. The respective applicable criteria referred to above are the FRB Reporting and Self-Assessment Template, Guidelines for Domestic Banks' Climate Risk Financial Disclosure issued by the Financial Supervisory Commission, the Company's financed portfolio carbon emissions calculation criteria, which is based on the Global GHG Accounting and Reporting Standard for the Financial Industry, published by the Partnership for Carbon Accounting Financials (the "PCAF") and the manual for determining scope 3 emissions in investment and lending portfolios for banks, the Global Industry Classification Standard (the "GICS"), and the other criteria referred to or designed by the Company based on the Company's industry characteristics and sustainability performance information reported (hereinafter referred to as the "Applicable Criteria"). Management's Responsibility The Management of the Company is responsible for the preparation of the Identified Key Performance Indicators disclosed in the 2023 Climate and Nature Report in accordance with the respective applicable criteria. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of the Identified Key Performance Indicators that are free from material misstatement, whether due to fraud or error. Inherent Limitation Certain subject matter information assured 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 more dependent on individual assumptions and judgments. 普華永道會計師事務所 PricewaterhouseCoopers, Taiwan 110208 臺北市民權路華盛大樓一樓333室27樓 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110208, Taiwan T: +886 (2) 2729 6666, F: +886 (2) 2729 6686, www.pwc.tw	 The quantification of the Portfolio Carbon Emissions data (hereinafter referred to as the "Portfolio Carbon Emissions") underlying the Portfolio Carbon Emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases, and the estimation uncertainty from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge. There are significant limitations in the availability and quality of GHG emissions data from third parties, resulting in reliance by Company on proxy data. As there are currently no legislative requirements or regulation prescribing the preparation, disclosure and verification of the Company's Portfolio Carbon Emissions, the Portfolio Carbon Emissions needs to be read and understood together with the financed portfolio carbon emissions calculation criteria designed by the Company. Compliance of Independence and Quality Management Requirement We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies the Standard on Quality Management 1, "Quality Management for Public Accounting Firms" of the Republic of China, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our Responsibility Our responsibility is to express a limited assurance conclusion on the Identified Key Performance Indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Statement of Assurance Engagements Standards 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", and, the Statement of Assurance Engagements 3410, "Assurance Engagements on Greenhouse Gas Statements", of the Republic of China. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Key Performance Indicators are free from material misstatement. Under the requirements of the aforementioned standards, our limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the criteria as the basis for the preparation of the Identified Key Performance Indicators, assessing the risks of material misstatement of the Identified Key Performance Indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the Identified Key Performance Indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both	 the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of quantification methods, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing the procedures listed above, we: - Portfolio Carbon Emissions - Evaluate the suitability in the circumstances of the Company's use of the respective applicable criteria as the basis for preparing the Portfolio Carbon Emissions; - Through inquiries, obtained an understanding of the Company's control environment and information system relevant to the Portfolio Carbon Emissions quantification and reporting, but did not evaluate the design of specific control procedures, obtain evidence about their implementation, or test their operating effectiveness; and - Evaluated the appropriateness and consistency of the Company's methods for developing estimates. However, our procedures performed did not include testing the data underlying the estimates or separately developing our own estimates against which to evaluate the estimates made by the Company; - Reconciled the emission data back to the underlying records on a sample basis to obtain evidence for limited assurance. However, our procedures did not include corroborating the accuracy and completeness of the underlying greenhouse gas emissions and financial data from third parties; and - Considered the presentation and disclosure of the Portfolio Carbon Emissions, including the categorization of data by industry sector and the quality score, but excluding the coverage rate of greenhouse gas emission data. - Other Identified Key Performance Indicators - Made inquiries of the persons responsible for the Identified Key Performance Indicators to obtain an understanding of the processes, information systems 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 substantive testing on selective basis, including inquiries, observation, inspection, and reperformance to obtain evidence for limited assurance. 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. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Key Performance Indicators have been prepared, in all material respects, in accordance with the respective applicable criteria. We also do not provide any assurance on the 2023 Climate and Nature Report as a whole or on the design or operating effectiveness of the relevant internal controls. Furthermore, except for the Identified Key Performance Indicators, our assurance does not extend to information disclosed in the 2023 Climate and Nature Report for the period ended December 31, 2022 or prior periods. Limited Assurance Conclusion Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Key Performance Indicators in the 2023 Climate and Nature Report are not 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. We have no responsibility to re-perform any procedures regarding the Identified Key Performance Indicators after the date of our assurance report, even if the Identified Key Performance Indicators or the applicable criteria have been subsequently modified.  CHAO YUNG-CHIEH Partner For and on behalf of PricewaterhouseCoopers, Taiwan September 2, 2024
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Milestones & Achievements

Message from the Chairman

About the Report

01 Identification and Impacts of Material Risks and Opportunities

02 Strategic Goals & Progress

03 Governance & Risk Management

04 Conclusion

05 Appendix

■ ISO 14064-1: 2018 Greenhouse gas inventory at organizational level (consolidated group)



Opinion Statement

Greenhouse Gas Emissions
Verification Opinion Statement

This is to verify that:

Cathay United Bank Co., Ltd.
No. 7, Songren Rd.,
Xinyi Dist.
Taipei City
110412
Taiwan

國泰世華商業銀行股份有限公司
臺灣
台北市
信義區
松仁路7號
110412

Holds Statement No: GHGEV 784022-3
Verification opinion statement

As a result of carrying out verification and validation procedures in accordance with ISO 14064-3:2019, it is the statement for mixed engagement including reasonable assurance for verification activity, validation and agreed-upon procedures (AUP) contains the following:

- The Greenhouse Gas Emissions with Cathay United Bank Co., Ltd. for the period from 2023-01-01 to 2023-12-31 was verified and validated.
- The verified organization-level greenhouse gas emissions include direct greenhouse gas emissions 1,141.7371 tonnes of CO₂ equivalent and indirect greenhouse gas emissions from imported energy 20,653.0165 tonnes of CO₂ equivalent.
- Cathay United Bank Co., Ltd. has defined and explained its own process and pre-determined criteria for significance of indirect Greenhouse Gas Emissions and quantify and report these identified significant emissions accordingly.

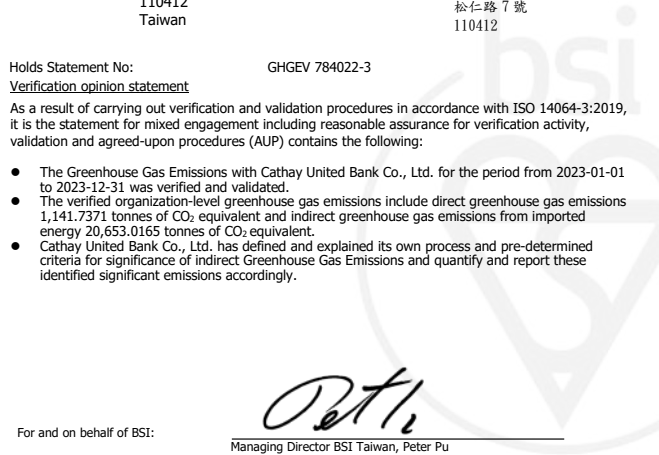
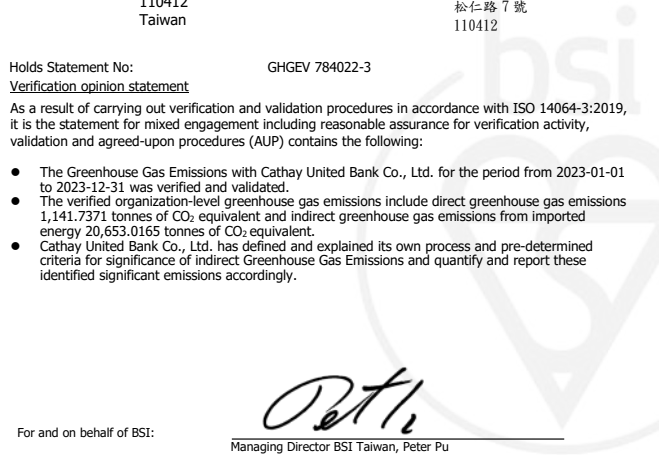
For and on behalf of BSI:


Managing Director BSI Taiwan, Peter Pu

Originally Issue: 2024-04-30

Latest Issue: 2024-04-30

Page: 1 of 5



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BSI Taiwan is a subsidiary of British Standards Institution.

■ ISO 14001: 2015 Environmental management systems



Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015

This is to certify that:

Cathay Financial Holdings
No. 296, Sec. 4, Ren'ai Rd.
Da'an Dist.
Taipei City
10633
Taiwan

國泰金融控股股份有限公司暨子公司
臺灣
台北市
大安區
仁愛路四段
296號
10633

Holds Certificate No: EMS 735138

and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope:

The composed of insurance, securities, banking and other diversified financial institutions.

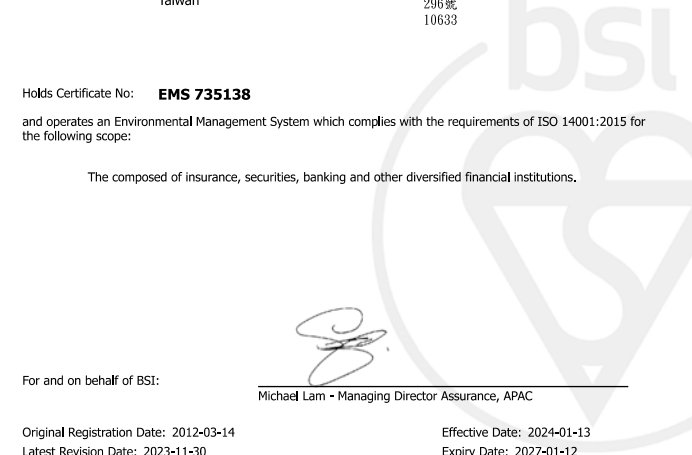
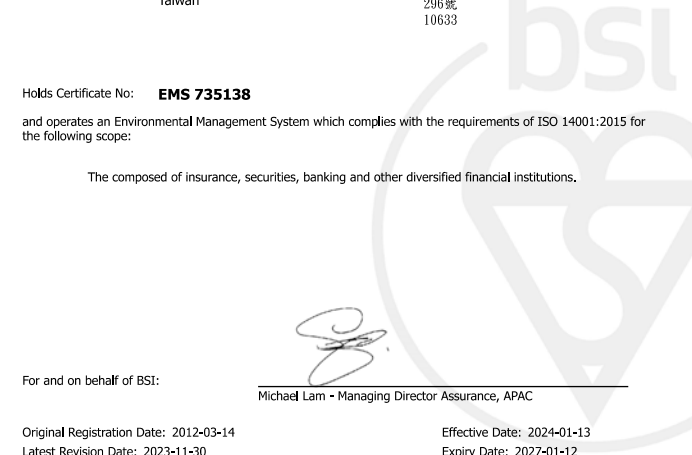
For and on behalf of BSI:


Michael Lam - Managing Director Assurance, APAC

Original Registration Date: 2012-03-14
Latest Revision Date: 2023-11-30

Effective Date: 2024-01-13
Expiry Date: 2027-01-12

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■ ISO 14064-1: 2018 Energy management systems



Certificate of Registration

ENERGY MANAGEMENT SYSTEM - ISO 50001:2018

This is to certify that:

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No. 296, Sec. 4, Ren'ai Rd.
Da'an Dist.
Taipei City
10633
Taiwan

國泰金融控股股份有限公司暨子公司
臺灣
台北市
大安區
仁愛路四段
296號
10633

Holds Certificate No: ENMS 735140

and operates an Energy Management System which complies with the requirements of ISO 50001:2018 for the following scope:

The composed of insurance, securities, banking, and other diversified financial institutions.
The main energy uses include:
- electricity for lighting, office equipment and air conditioning
- diesel for emergency power generator and gasoline for company car.

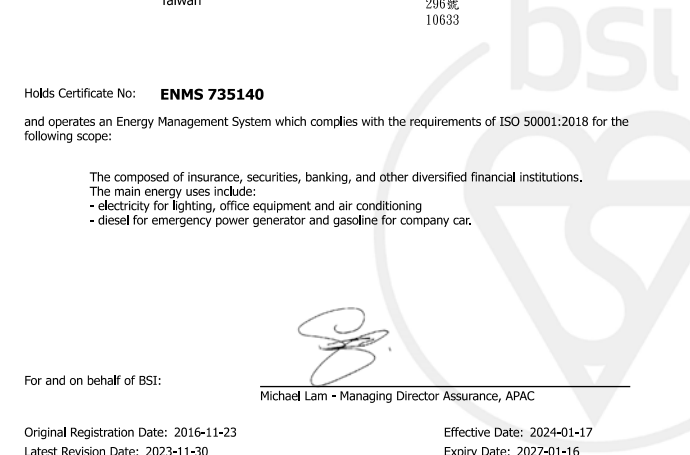
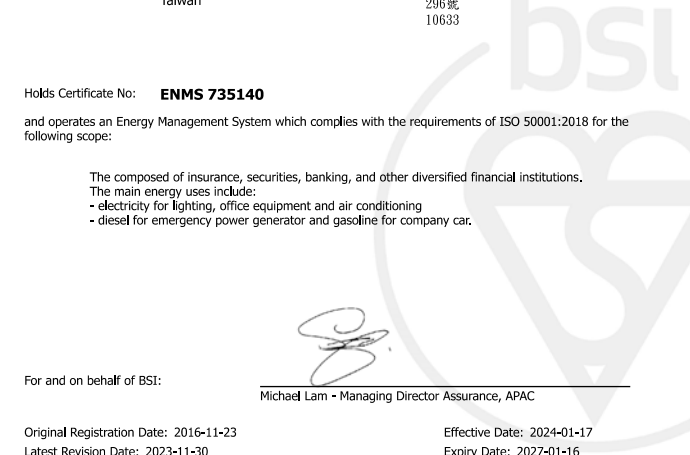
For and on behalf of BSI:


Michael Lam - Managing Director Assurance, APAC

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Latest Revision Date: 2023-11-30

Effective Date: 2024-01-17
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國泰世華銀行
Cathay United Bank