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Climate Strategy

- 2.1 Climate and Nature-Related Financial Disclosure
- 2.2 Low-Carbon Economy
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The growing threat of climate change and environmental degradation increasingly undermines the global economy and social well-being. The Bank actively responds to challenges and deepens climate and nature protection strategies. We hope to use our financial influence to help society adapt to change, strengthen climate and natural resilience, and strive to become a key catalyst for achieving net-zero emissions and financial transformation.

2.1 Climate and Nature-Related Financial Disclosure

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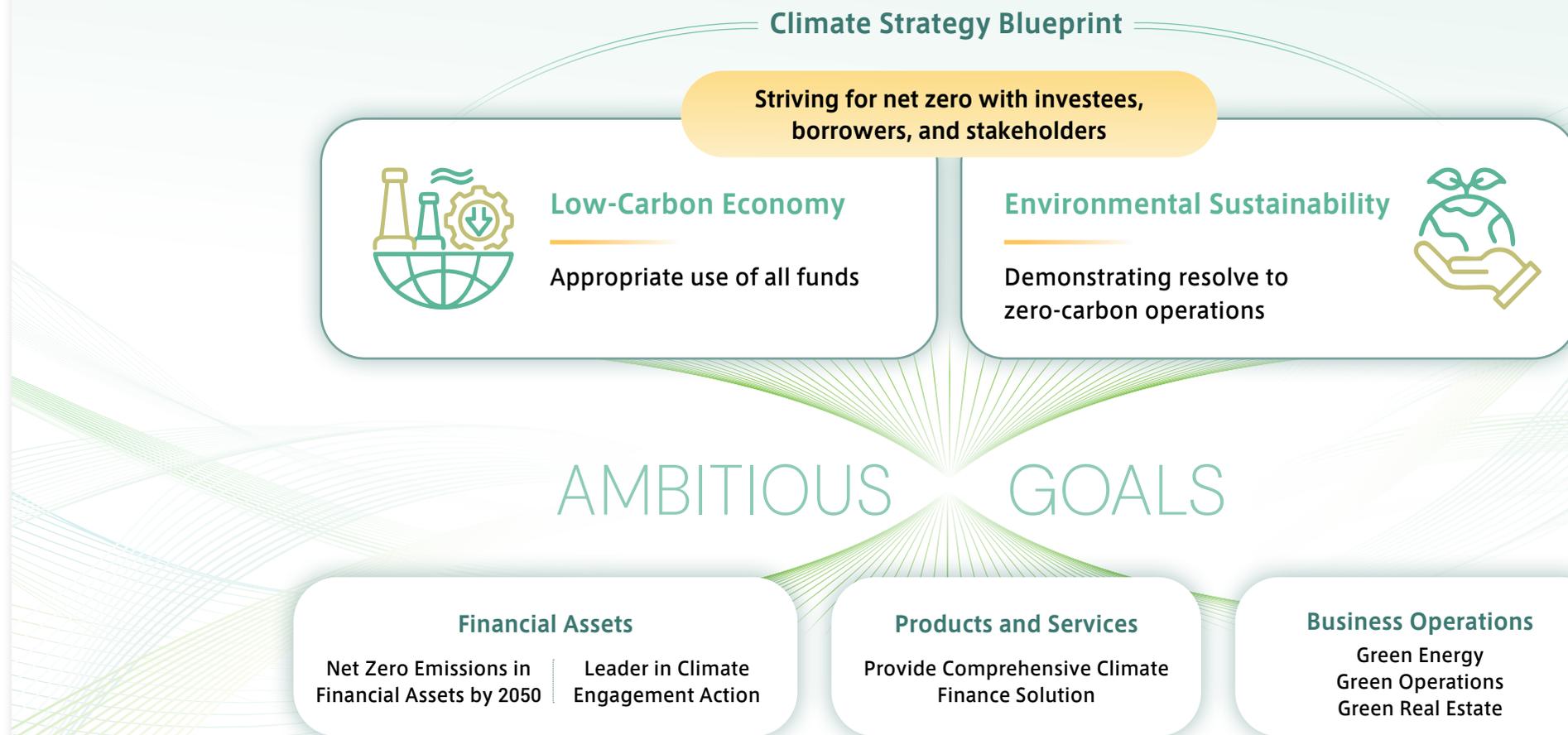
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The Bank has established "Climate" as one of the three main pillars in our sustainability strategy blueprint. Focusing on "low-carbon economy" and "environmental sustainability," we've developed a climate strategy blueprint spanning all segments of the value chain: including downstream financial assets and products/services, CUB operations, and upstream suppliers. We hope that the blueprint can drive corporate sustainability and decarbonization transition in an orderly manner. Following the five key elements outlined in the Transition Plan Taskforce's (TPT) guidelines, the Bank has merged transition plans and climate disclosure to ensure comprehensive and reliable reporting. We regularly track strategies and progress to target and publish annual reports. This allows us to showcase our achievements to stakeholders for enhanced transparency and trust and ensures the efficacy and ongoing evolution of our plans. At CUB, our vision is to become a leading brand in green finance, and we hope to lead our peers in the financial sector in developing greater awareness of climate change and nature-related issues. We will adhere to the guidelines set forth by the Financial Supervisory Commission, including the Guidelines for Domestic Banks' Climate Risk Financial Disclosure, the Task Force on Climate-related Financial Disclosures (TCFD), and the Taskforce on Nature-related Financial Disclosures (TNFD) to publicly disclose the Bank's resilience and financial impact in addressing environmental challenges.

2.1.1 Climate and Nature Governance Structure

Governance Structure for Climate and Nature Issues Management and Reporting



Organization	Committee Chair/ Supervisor/ Working Group Leader	Reporting/ Meeting Frequency	Roles in Climate and Nature Issues
Board of Directors	Chairman	Semiannually	The highest governing body for ESG risk management, responsible for reviewing and approving climate and nature-related policies, strategies, and goals, and ensuring that climate and nature-related risks and opportunities are considered. It oversees the management and disclosure of climate and nature-related risks.
Risk Management Committee	Chief Risk Officer	Semiannually	Responsible for monitoring and managing climate and nature-related risks, including overseeing the execution of climate and nature scenario analysis, climate change risk appetite statements, limit management, and assessing nature dependency and impact by the risk management unit. It integrates the functions of various risk management units to jointly formulate a three-year climate and nature action plan to respond to and monitor significant climate and nature risks.
Sustainable Development Committee	Chairman	Quarterly	The committee responsible for driving the sustainable development of the Bank, which regularly reports on corporate sustainability issues and implementation efforts to the board of directors.
CS Team	President	Quarterly and convenes ad hoc meetings when necessary	The following are the working groups involved in deeper discussions on climate and nature issues : <ul style="list-style-type: none"> Responsible Investment Working Group: Manages climate and nature-related risks and opportunities in investment and lending incorporates ESG principles into investment and lending processes, and engages with clients. Responsible Products and Services Working Group: Promotes ESG and green finance-related products and services and evaluates and manages associated risks and opportunities. Green Operation Working Group: Responsible for managing the environmental impact of CUB's operations and leads efforts to reduce Scope 1 and Scope 2 greenhouse gas emissions and increase the use of renewable energy.

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Column

★ ★ ★ **Industry First in Taiwan:** ★ ★ ★
Cathay FHC Appoints Chief Climate Officer

In 2024, Cathay FHC became the first in the industry to appoint a Chief Climate Officer (CCO), a role concurrently held by the Chief Risk Officer, to reinforce the formulation and implementation of climate strategies and climate risk management actions. As a member of Cathay FHC's Climate and Nature Working Group, the Bank actively participates in task assignments and discussions to strengthen its management of climate and nature-related risks. In addition, senior executives of the Bank attend Cathay FHC's quarterly Climate Governance Meetings, working collaboratively to improve the group's responsiveness and resilience to climate and nature-related issues.

To actively respond to challenges posed by the UN SDGs, Green Finance 3.0, and the Green and Transition Finance Action Plan, the Bank is committed to enhancing climate risk awareness and management capabilities across all employees. To such ends, we have designed diverse training plans for different positions to ensure that all employees can consider climate risks in their daily work. In 2024, the Bank launched a series of innovative training videos, including digital courses on climate change and an environmental documentary, to help employees learn more about the impacts of climate change. Every March, the Bank reviews and develops an annual sustainability training agenda aimed at strengthening employee's understanding of climate, carbon tariffs, human rights, and supply chain management. At CUB, we work hand-in-hand with our employees to advance the strategic goals of Cathay's transition plan, becoming a key driver in the sustainable transformation of both the bank and our clients.

The Bank's performance management system covers financial targets, business operations, risk management, regulatory compliance, and internal controls. To promote corporate sustainability, climate-related indicators have been incorporated into the performance evaluation criteria of the President and the CS Executive Officer. Through this system, the achievement of indicators is reviewed regularly and assessed annually. Bonus standards are determined based on evaluation results and market performance, thereby reinforcing strategic climate objectives and incentivizing leadership toward sustainability targets, and enhancing both market competitiveness and accountability.

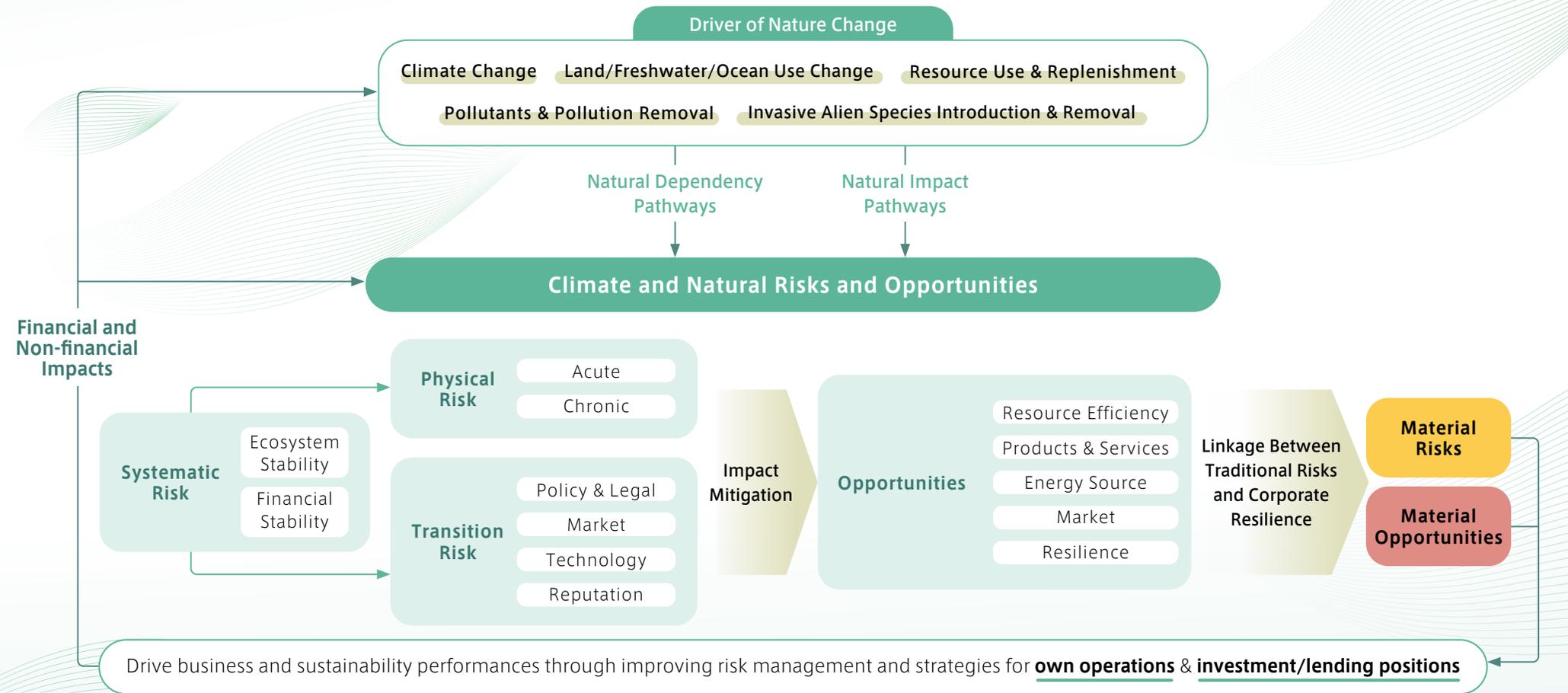
■ Climate & Nature Governance Framework



2.1.2 Identification of Climate and Nature Risks and Opportunities

CUB considered the Group's sustainability strategy and references frameworks such as TCFD, TNFD, and the Network for Greening the Financial System (NGFS) established by central banks and supervisory authorities to understand the transmission pathways of climate and nature-related risks and opportunities. We identify climate and nature-related risks and opportunities associated with the Bank, evaluate their links with existing conventional risks and corporate resilience, and discern their potential financial impacts on our operations or investment and lending positions.

Through the expertise of internal specialists, we establish matrices to rank the significance of risks and opportunities based on "impact severity" and "likelihood of occurrence," and regularly adjust them. Finally, based on the results, we identified six material risks and four material opportunities. We then enhance risk management processes and plan response strategies for our operations and investment and lending positions, aiming to improve the Bank's business and sustainability performance and mitigate both financial and non-financial impacts.



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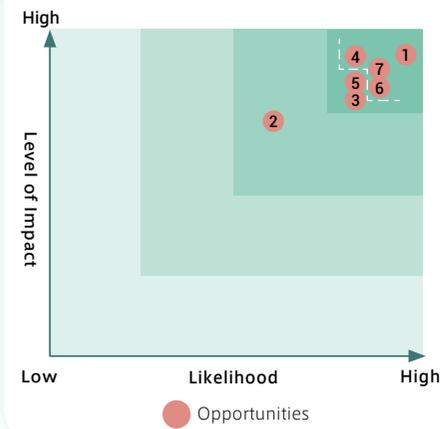
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Risk Matrix



Opportunity Matrix



Note: Definition of time frames: 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.

Material Risks	Current Financial Impacts	Potential Financial Impacts	Impact Dimension	Time Horizon	Relevant Traditional Risks	Relevant TCFD Risks	Relevant TNFD Risks
4 Transition risks from policy uncertainty	Changes in policy standards or mechanisms may impact clients' business revenues or result in restrictions, thereby affecting the quality of our lending portfolios	Decreased earnings from investments and loans due to policy uncertainty	Investment & Lending	Mid-term Long-term	Credit risk Market risk	Policy & Legal	Market
2 Engagement mechanism fails to meet expectations of stakeholders	No related penalties or fines incurred in 2024	Decreased revenue from negative impact on company reputation	CUB operations	Mid-term Long-term	Reputational risk	Reputation	Reputational
5 Risks for undertaking green investments and lending	Emerging low-carbon technologies are not yet mature, which may either lead to high R&D costs or the technologies may not meet market demands, which impacts the quality of our lending portfolios	Decreased earnings from investment and lending due to clients defaulting	Investment & Lending	Mid-term Long-term	Credit risk Market risk	Market	Market Technology
1 Risk of litigation or penalties relating to climate change and nature	No related penalties or fines incurred in 2024	Increased operating costs from fines and rulings	CUB operations	Mid-term Long-term	Operational risk Reputational risk	Technology	Policy
3 Changes in client preferences for investment or financial products	Developed sustainable finance, with green loans reaching NT\$25 billion and sustainability-linked loans reaching NT\$49.513 billion by the end of 2024	Decreased revenue due to changes in client preferences	CUB operations	Short-term Mid-term Long-term	Market risk	Technology	Market
7 Rising credit and market risks in carbon-intensive investment portfolios	Higher carbon costs for clients may reduce returns on the Bank's investment and lending portfolios	Expected losses from loan assets in high emission industries due to changing costs of carbon emissions	Investment & Lending	Mid-term Long-term	Credit risk Market risk	Policy & Legal	Market

Material Opportunities	Current Financial Impacts	Potential Financial Impacts	Impact Dimension	Time Horizon	Relevant TCFD Opportunities	Relevant TNFD Opportunities
1 Inspire client trust by building management mechanisms to fulfill sustainability commitments externally	Participated in and aligned with international initiatives; developed ESG Risk Management Model 2.0 to strengthen the Bank's ESG governance framework, with total spending of approximately NT\$5.62 million	Increased revenue due to rising confidence and trust in CUB	CUB operations	Mid-term Long-term	Resilience	Resilience
4 Develop green and innovative services to increase customer adhesion and strengthen brand value	By the end of 2024, green loans reached NT\$25 billion and sustainability-linked loans reached NT\$49.513 billion	Increased revenue from capitalizing on business opportunities	CUB operations	Short-term Mid-term Long-term	Products & services	Products & services
7 Develop carbon-related business opportunities and services	Joined international initiatives; subscribed to research materials to identify potential business opportunities; collaborated with consultants to conduct surveys, host forums and workshops, and provide clients with carbon assessments and transition guidance, with total spending of approximately NT\$6.59 million	Increased revenue from capitalizing on business opportunities	CUB operations	Mid-term Long-term	Products & services Market	Products & services Market
6 Exert financial influence through initiatives and engagement actions and work with engagement targets to develop innovative finance for climate and nature	Organized ESG forums, workshops, sustainability practice lectures, and Chartered Sustainable Finance Manager (CSFM) training programs, with total spending of approximately NT\$3.98 million	Increased revenue from actively engaging businesses and developing business opportunities	Investment & Lending CUB operations	Mid-term Long-term	Resilience	Reputational capital

2.1.3 Climate and Nature-Related Scenario Analysis

To evaluate the financial impacts of climate and nature-related shocks, the Bank conducts regular climate and nature-related scenario analysis annually, which is integrated into internal management rules. We evaluate the potential impact of future scenarios and identify the potential effects of physical and transition risks on investment and lending positions through the scenarios set. We calculate financial losses under each scenario to timely adjust climate and nature risk management strategies. For detailed methodology and analysis results, please refer to our [Climate and Nature Report 2024](#) Section 3.3.3 Risk Measurement and Management.

Scenario	Risk Type	Time Horizon	Scope	Details	Results
Official Climate Change Scenario Analysis (Long-term scenario) ¹	Physical	2030 2050	<ul style="list-style-type: none"> Domestic corporate & consumer lending Oversea corporate lending Domestic and oversea passbook investments 	<ul style="list-style-type: none"> Orderly Net Zero (ONZ) Scenario: aligned with NGFS Net Zero 2050 and IPCC SSP1-1.9. Disorderly Transition(DT) Scenario: aligned with NGFS delayed transition and IPCC SSP1-2.6. Passive Transition(PT) Scenario: aligned with NGFS fragmented world and IPCC SSP2-4.5. 	The highest expected loss under long-term scenarios occurs in 2050 under the Passive Transition scenario, accounting for approximately 47.47% of baseline pre-tax profit and 7.37% of baseline net assets. The financial impact is assessed to be within CUB's risk tolerance levels.
	Transition				
Official Climate Change Scenario Analysis (Short-term scenario)	Physical	Within 1 year	<ul style="list-style-type: none"> Domestic corporate & consumer lending Domestic passbook investments 	<ul style="list-style-type: none"> Physical Risk Intensity-adjusted (IA) Scenario: the statistical rainfall data from Typhoon Morakot adjusted to reflect the intensity under climate change conditions. Transition Risk (TR) Scenario: uniform carbon fee applied across all industries and companies. Combined Loss (CL) Scenarios: considers both physical and transition risk scenarios. 	The highest expected loss under short-term scenarios occurs in the Combined Loss Scenario, accounting for approximately 26.49% of baseline pre-tax profit and 4.11% of baseline net assets. The financial impact is assessed to be within CUB's risk tolerance levels.
	Transition				
Scenario Analysis of Transition Risks on Corporate Loans in Aircraft Leasing Industry ²	Transition	–	<ul style="list-style-type: none"> Aircraft leasing in Singapore Corporate lending 	<ul style="list-style-type: none"> In-house Scenario: changes in aircraft preference and valuation under the CORSIA scenario. 	Expected credit losses (ECL%) for secured and unsecured credit positions at Singapore branch are 5.33% and 1.20%, respectively. The financial impact on CUB remains manageable.
Water Resources: Droughts Scenario Analysis	Physical	Short-term: 2020-2040 Midterm: 2030-2050 Long-term: 2040-2060	<ul style="list-style-type: none"> Domestic mining industry Corporate lending 	<ul style="list-style-type: none"> In-house Scenario: aligned with IPCC SSP1-2.6, considering Taiwan's 2050 net-zero target and corresponding emission pathways and strategies. 	The highest expected loss (EL%) from physical risk occurs in 2040–2060, at approximately 0.71%. The financial impact on CUB remains manageable.
Trading Book Equities and Bonds: Decarbonization Transition Scenario Analysis	Transition	–	<ul style="list-style-type: none"> Trading book investments 	<ul style="list-style-type: none"> Orderly Transition: aligned with NGFS Net Zero 2050. Disorderly Transition: aligned with NGFS delayed transition. Too Late Scenarios: aligned with fragmented. 	Under the Orderly Transition Scenario, due to lower warming potential and higher carbon price, climate-related losses account for up to 4.9% of market value. The financial impact on CUB remains manageable.

Note:

- Orderly Net Zero refers to a scenario where the world gradually achieves net-zero emissions by 2050 (approx. 1.5 °C warming). Disorderly Transition refers to a delayed transition that still achieves net-zero by 2050 (warming below 2 °C). Passive Transition refers to a scenario where delayed action fails to meet carbon reduction targets, resulting in more severe physical and transition risks (warming exceeds 2 °C). These standardized scenarios simulate impacts on macroeconomic indicators such as GDP, unemployment, and interest rates, as well as property value losses due to natural disasters.
- Revised 2030 CORSIA Target: Due to the significant decline in global aviation demand caused by COVID-19 in 2020, ICAO revised the CORSIA baseline to 85% of 2019 emissions for the 2024–2035 period, making the target more challenging. The original baseline was the average of 2019 and 2020 emissions, with a goal of zero growth in emissions by 2030.

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2.1.4 Climate and Nature Action Plan

The Bank and the group's integration involves the process of identifying, assessing, and prioritizing climate and nature-related risks and opportunities. For detailed results, please refer to our [Climate and Nature Report 2024](#) section 1.2 Risks and Opportunities and 3.3.2 Risk Identification). Based on this, the Bank has developed Climate and Nature Action Plan for the coming three years. The plans will address and monitor material climate and nature risks identified to spotlight the group's key area of focus, perfect CUB's climate and nature-related risk management, and stay ahead of international trends.

Action Plan	Key Points of the Plan
Improve ERM Mechanism	Improve the management of material risks by establishing identification and assessment processes, integrating emerging risks and climate & nature-related risk mechanisms, and incorporating transition plans/speed into investment and financing evaluations. <ul style="list-style-type: none"> Material Risk Management Investment and Financing Risk Management Mechanism
Strengthen Risk Strategy Resilience	Conduct climate quantitative analysis for investment, financing, and owned real estate; enhance scenario analysis applications; establish indicators for physical risk exposure; and use scenario analysis to build a strategy validation mechanism to ensure resilience under various climate scenarios. <ul style="list-style-type: none"> Climate Scenario Analysis Strategic Target Validation and Financial Impact Assessment
Apply Financial Innovation and Tools	Improve the coverage of climate risk information platforms, enhance the application of climate data in business development, and expand the use of climate resources to support strategic business opportunities. <ul style="list-style-type: none"> Risk Management Platform Cross-Domain Data Management and Strategic Opportunity Application
Research and Apply Global Trends	Analyze nature-related risks across industries using tools aligned with the TNFD framework; develop quantitative indicators and management approaches to effectively control nature-related risks and address emerging issues in industry transitions. <ul style="list-style-type: none"> Pilot Application of Nature Methodologies Research on Emerging Issues

Note: At the beginning of 2025, CUB formulated a three-year (2025–2027) Climate & Nature Action Plan. To ensure that the Board of Directors and senior management can effectively oversee the implementation progress of climate and nature-related issues, the action plan was submitted to the Board and the Risk Management Committee in the first quarter of 2025. Cathay FHC will also regularly track the implementation progress across its subsidiaries.

2.1.5 Climate and Nature Indicators and Targets

The Bank integrates sustainability thinking into its operational decision-making core considerations, actively advancing towards the goal of becoming a leading brand in "green finance," and establishing climate and nature-related objectives.

Climate Strategies	Climate Targets
Net Zero Emissions in Financial Assets by 2050	<ul style="list-style-type: none"> SBT emissions reduction targets (SBTs) for investment/lending Reduce credit facilities extended to the coal industry to zero by 2027
Leader in Climate Engagement Actions	<ul style="list-style-type: none"> Engage with investment/lending targets to participate in SBTi
Provide Comprehensive Climate Finance Solution	<ul style="list-style-type: none"> Exceed NT\$100 billion in sustainable loans^{Note} by 2030
Green Energy	<ul style="list-style-type: none"> Achieve 50% renewable energy usage at CUB locations across Taiwan by 2025 Achieve 100% renewable energy usage in HQ by 2025 Achieve 100% renewable energy usage at CUB locations across Taiwan by 2030 Achieve 100% renewable energy usage at all global CUB business locations by 2050
Green Operations	<ul style="list-style-type: none"> Achieve net-zero operations (Scope 1 & 2) by 2050 Complete carbon footprint verification for main financial products/services by 2030 Achieve 18 cubic meters per capita water consumption by 2030 Achieve 27.7 kg per capita waste by 2030 Achieve NT\$156 million in total green procurement by 2030
Green Real Estate	<ul style="list-style-type: none"> Achieve 45% of CUB branches retrofitted to eco-friendly standards by 2030

Note: In alignment with international market trends and the Group's sustainability policy, in 2024, CUB established lending targets for "Green Loans" and "Sustainability-Linked Loans," collectively defined as "Sustainable Loans." In 2025, CUB added "Social Loans" for the first time. The base year is 2023, and the target year is 2030.