

2021 Progress Report on the Implementation of the Principles for Responsible Banking (PRB)

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

About Cathay United Bank

Cathay United Bank (CUB) is the private bank with the largest number of branches in Taiwan. CUB plays a leading market role in such services as credit card and wealth management, providing diverse products and services to accommodate the financial service needs of individual and corporate customers and contributing to economic growth. With such prominent financial influence, CUB aspires to promote social responsibility and pays special attention to the environmental changes that impact society and individuals.

Our Commitment

- Equator Principles (EP)

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

- Principles for Responsible Banking (PRB)

In 2018, CUB has become the first bank in Taiwan to voluntarily comply with the United Nations' Principles for Responsible Banking.

Development

Since announcing its voluntary compliance with the United Nation's PRB in 2018, CUB has conducted extensive evaluations to identify the impact that products and services may have on society and individuals, to carry out materiality assessment and to focus on core functions and Sustainable Development Goals (SDGs). Simultaneously, CUB ensures that its business strategy aligns with its sustainability framework targets by complying with the EP, PRB, the Paris Climate Agreement and by supporting government initiatives such as the Green Finance Action Plan and Guidelines for Domestic Banks' Climate Risk Financial Disclosure. Looking towards the future, CUB will incorporate the three main sustainability themes of Cathay Financial Holdings Group to multiple aspects such as business nature, asset portfolio and strategic vision and to formulate action plans that will create significant change.

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Products and Service' Impact Analysis

CUB provides a wide array of products and services that meet the financial service needs of both individual and corporate customers. In the meantime, CUB pays close attention to international trends, the government's Green Finance Action Plan, and the UN PRB guidelines. Based on CUB's core businesses, international initiatives and agreement stated in Principle 1, CUB identifies 6 most relevant products or service which have greatest impact to SDGs and Paris Agreement. The six products and services are categorized by functions and impact and are listed below.

1. Significant positive impacts:

- (1) Renewable energy loans (SDGs 7, 9, 13; Paris Climate Agreement)
- (2) Social enterprise loans (SDGs 5, 8)
- (3) Microloans (SDGs 1, 8)
- (4) Products for senior citizens (SDG 3)
- (5) Digital finance (SDG 9)

2. Significant negative impacts:

- (1) Loans to high-carbon emission industries (SDG 13; Paris Climate Agreement)

CUB has referred to the United Nations Environment Programme Finance Initiative (UNEP FI) Investment Portfolio Impact Analysis Tool to identify CUB's influential products and services.

The Impact Radar consists of the aspect of society, environment and economy and corresponds to 22 impact areas. Table 1 below shows how the above-mentioned aspects, CUB's core businesses and SDG impact correlate with each other.

(Table 1: The correlation between the Impact Radar and CUB’s products/services that creates significant impact to SDG)

Financial service	Impact	Corresponding SDG	Corresponding Impact Radar impact area	Impact Radar pillar
Renewable energy loans	Positive	7, 9, 13	Energy	Society
			Air	Environment
			Resource efficiency	
			Climate	
Social enterprise loans	Positive	5, 8	Employment	Society
			Economic convergence	Economy
Microloans	Positive	1, 8	Employment	Society
			Economic convergence	Economy
			Inclusive, healthy economies	Economy
Products for senior citizens	Positive	3	Health & Sanitation	Society
Digital finance	Positive	9	Mobility	Society
Loans to high-carbon emission industries	Negative	13	Air	Environment
			Climate	

Target Setting, Implementation, Monitoring, and Progress

In CUB, the individual and corporate customers loan account for approximately 62% and 37% respectively. Due to the magnitude and urgency of climate change and energy transition, CUB actively support national development of the “Green Power and Renewable Energy Policy” and uses CUB’s core function to reduce negative impacts caused by corporate customer. Hence, renewable energy loans and loans to high-carbon emission industries have been selected from the aforementioned list for target setting. CUB has set measurable and monitorable goals for the 2 services and the implementation will be reported to the Board of Directors.

CUB supports renewable energy loans. Since 2014, CUB has ceased renewing coal industry’s loan. The implementation of two targets is monitored quarterly and reported to the Board at least once a year. Details are provided in Table 2.

(Table 2: The implementation, monitoring, and progress of PRB targets.)

Target	Target Setting	Monitor Frequency	Progress
Renewable energy loans	The balance of renewable energy loans to reach 85% of the balance of electricity generation loans by 2025	Quarterly	As of Dec. 31, 2021, the balance of renewable energy loans accounted for 77.53% of the balance of electricity generation loans. Compared with the one of 2020, there was an increase of 1.45%
Loans to high-carbon emission industries- Shifting from “No new financing case of coal-fired electricity generation” to “zero coal financing*”	The goal of “Zero coal financing” is to make all coal credit line to be zero by the first quarter of 2027.	Quarterly	The revolving credit will be reset to 0 once the buffer period expires at the end of 2022 and cannot be renewed. As for mid/long-term credits, they will expire gradually and no new/additional loans will be allowed.

*The upstream, midstream, and downstream supply chain for coal include the exploitation, produce, and sale; the extent that are within the scope of CUB “Zero coal financing”.

To reduce carbon emissions in operations, CUB has initialized the Zero Emission Transformation Project in 2021. Project details and progress are listed in the following:

- (1) In the category of Personal Unsecured Loan Services, CUB stands out amongst its peers and receives the Environmental Protection Administration’s (EPA) Carbon Footprint label and Carbon Reduction label in 2021.
- (2) Regarding low-carbon operations, CUB sets 2020 as the base year to improve on scope 1 and 2’s carbon emission. CUB sets on reducing carbon emission by 2.5% annually and to reach 25% by 2030.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Collaborating with Clients and Customers

Considering the commitment to the environment, society, and customer, CUB uses the power of its core functions and the positive impact of its products and services to work with its clients, making contribution to the environment and society.

Overview of Policies and Practices

1. **Renewable energy financing:** CUB is the pioneer in green finance. Since 2011, CUB undertook the first solar power project financing, the first EP project, and the first syndicated loan for an offshore wind farm in Taiwan. By 2021, the credit line for renewable energy had reached NT\$18 billion. CUB is dedicated to promoting services relevant to renewable energy, working with customers to create environmentally friendly solutions.
2. **Retail Banking:** By the end of 2021, CUB has nearly 7.6 million credit cards in circulation with an annual transaction amount of NT\$504.78 billion; making CUB ranked the top amongst its peers. With the credit cards in circulation and nearly 10 million customers, CUB has the base to bring positive impact through the service of retail banking and digital finance. Thus, we are dedicated to providing financial services that can better meet the needs of our customers. Details are provided in Table 3.

(Table 3: Cases of how CUB retail banking meets the needs of customers.)

Financial service	Customer	Service	Impact
Social enterprise – Bonus Points Donation	Social enterprises, credit card holders	Cardholders may choose to donate their bonus points to a social enterprise, thus assisting the growth and development of the social enterprises	Generating a greater social impact together
Digital finance – the integration online and offline financial products (e.g., CUBE credit card)	Individual customers	Through the use of Global MyB2B App	Providing a cross-function digital finance experience
Financial inclusion – Financial Service Station	Storefront (e.g., supermarket), remote areas, or office workers	Administrating applications from a nearby location or during non-business hours	Providing a more convenient financial service to the public
Products for senior citizens – Micro Senior Trust	Plan for the elder customers that are in need of care	Using a lower threshold to assist elder citizens in planning asset management to provide them care and security	Expanding the financial inclusion of CUB, attaining excellent financial health

Principle 4: Stakeholders

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

Identifying Stakeholders

Cathay FHC, the parent company of CUB, abides by the AA1000 Stakeholder Engagement Standard (SES). Through internal communication and discussion among the senior management of Cathay Financial Group, 9 key stakeholders are identified: the government, shareholders/investors, employees, customers, suppliers, public associations, media, communities, and youths as stakeholders.

CUB has adopted a variety of means to enhance engagement, interaction, and collaboration with the primary stakeholders. Such methods include organizing meetings, holding forums, leading charity events, implementing projects, participating in external evaluations and seminars and to hosting earning calls, responding to investors and supporting international initiatives. The goal is to continue to create the positive impact to the environment and society. Further details are provided in the following:

Main participants	Method of engagement	Possible Effects of products, services, or systems
Public associations	We participate in the public associations' planning for and discussion of sustainable finance sustainability to share and exchange relevant experiences.	<ul style="list-style-type: none"> ● Government's management mechanism of climate risk ● The collaboration of enhancing ESG in corporate finance
Government, customers, suppliers, media, and youths	We invite people from various fields to join in the "Cathay Sustainable Finance and Climate Change Summit" and the "Cathay Climate Change Youth Forum" to facilitate interaction, knowledge sharing and collaboration.	Making participants to understand and acknowledge CUB's corporate sustainability actions
Employees and media	Based on our core functions and the goal to reduce carbon emission in operations, we encourage our employees to participate in charitable activities. Such accomplishments are publicly disclosed for evaluation and competition.	Receiving the acknowledgement of the public (including existing customers) and the employees
Customers and communities	We seek to better understand the needs of our customers and local communities according to the feedback obtained from interviews and customer services to better benefit society through the financial service.	Improving service quality to better meet customer needs and increase satisfaction.

CUB utilizes diverse channels of engagement to bolster interaction with customers and representatives of the government, industry, and academia. Considering CUB's prominent role in the finance industry, we aspire to generate a greater impact to the society. Despite facing multiple challenges such as the pandemic, climate change risks, and the environmental impact on business operations in recent years; CUB has persisted in the innovation of its core financial functions to meet the needs of its stakeholders. Properly managing capitals that financial institutions involved has always been a key issue in the finance industry. By providing impactful financial service, CUB continues to support industries that possess a positive social and environmental impact to facilitate positive corporate changes

Principle 5: Governance & Culture

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

Constructing A Responsible Banking Culture and Developing Effective Governance

In 2020, CUB has established its three sustainability themes: Climate, Health and Empowerment, taking critical actions based CUB's core financial functions and conducting researches on sustainable financial brand to strengthen the connection between sustainable actions and financial brand to successfully implement sustainability strategy.

CUB establishes the Corporate Sustainability (CS) Team as the core unit to realize corporate sustainability. The President of CUB serves as the chairman and supervises the team's six working groups: Responsible Investment, Sustainable Governance, Responsible Products and Services, Employee Happiness, Green Operation, and Social Welfare. CUB's senior managers oversee the team and holds meetings on a quarterly basis. By adhering to Cathay's themes of sustainability, the team formulates short/mid/long-term initiatives which echoes CUB's core functions. Through successful implementation of these initiatives, the concept of sustainable development is well embedded in all aspects of the business. The team reports key sustainability-related resolutions and sustainability implementation progress to the Board of Directors at least once a year. For sustainability implementation progress for 2021, there were 2 presentations reported to the Board of Directors.

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

CUB periodically reviews the implementation of these Principles and makes public disclosure to disclose the fulfilled responsibility of sustainable banking and created impacts. This report concludes the measurements that CUB has taken to implement PRB and to manage the impact of its products and service. Based on CUB's core functions, CUB incorporates key elements of ESG to ensure sustainability-focused decision making.

CUB is not only among the first groups in the industry to comply with the international sustainability framework but also the first in Taiwan to declare voluntary compliance with the UN PRB. Further progress is as followed:

1. Since 2021, CUB's PRB implementation progress report has been disclosed to the public and investors on its corporate sustainability website and in Cathay FHC's CSR report.
2. CUB regularly discloses its EP implementation and ESG reviews of corporate loans in the Cathay FHC's Corporate Sustainability Report. Additionally, CUB discloses its progress on undertaking EP projects on its official website on a regular basis. In 2021, CUB has established the "ESG and Climate Risk Management Guidelines". Since then, CUB has persisted in refining ESG- and EP-related guidance to monitor and track climate risks and the improvement of management mechanisms.

Sustainability is relevant to a wide range of aspects, such as climate change, low-carbon transformation, circular economies, and financial inclusion. All of the above issues that highly relevant to future implementation of sustainability CUB will live up to the spirit of shared good and leverage the power of technology to develop more inclusive financial services and to facilitate cross-industry cooperation to foster the sustainability development.

Summary of Subject Matter Assured

#	Subject matter	Applicable criteria
1	<p>The 6 products and services with significant impact are identified:</p> <p>1) Significant positive impact:</p> <ul style="list-style-type: none"> a) Renewable energy loans b) Social enterprise loans c) Microloans d) Promotion of products for seniors e) FinTech <p>2) Significant negative impact: Loans to high carbon emission industries</p>	<p>The 6 products and services are analyzed by CUB and approved in the internal management meeting.</p>
2	<p>Table 2: The implementation, monitoring, and progress of PRB targets.</p> <p>(a) Target of renewable energy loans: The balance of renewable energy loans to reach 85% of the balance of electricity generation loans by 2025.</p> <p>(b) Target of loans to high carbon emission industries: Shifting from “No new financing case of coal-fired electricity generation” to “zero coal financing”. The goal of “Zero coal financing” is to make all coal credit line to be zero by the first quarter of 2027.</p>	<p>The targets are approved in CUB internal management meeting.</p>
3	<p>CUB supports renewable energy loans. Since April 2021, CUB has ceased renewing coal industry’s loan. The implementation of two targets is monitored quarterly and reported to the Board at least once a year.</p>	<p>See 2021 Progress Report on the Implementation of PRB</p>
4	<p>Table 2: The implementation, monitoring, and progress of PRB targets</p>	<p>The Bank defines the ratio as: The Balance of Renewable Energy Loans / The Balance of Electricity Generation Loans.</p>

#	Subject matter	Applicable criteria
	As of Dec 31, 2021, the balance of renewable energy loans accounted for 77.53% of the balance of electricity generation loans.	<ol style="list-style-type: none"> 1. Renewable energy loans: The borrowers' operation relates to renewable energy. 2. Electricity generation loans: <ol style="list-style-type: none"> 1) Electricity supply industry (including renewable energy loans identified in 1.) 2) Non-electricity supply industry but loan purpose is for thermal power generation based on the Business Unit's report.
5	CUB establishes the Corporate Sustainability (CS) Team as the core unit to realize corporate sustainability. The President of CUB serves as the chairman and supervises the team's six working groups. CUB's senior managers oversee the team and holds meetings on a quarterly basis. For sustainability implementation progress for 2021, there were 2 presentations reported to the Board of Directors.	<ul style="list-style-type: none"> • See 2021 Progress Report on the Implementation of PRB • The total numbers of Board reports relating to 2021 sustainability implementation progress
6	In 2021, CUB has established the "ESG and Climate Risk Management Guidelines"	The guideline approved in CUB internal management process.

Independent Limited Assurance Report



Independent Limited Assurance Report

PWCM22000040

To Cathay United Bank Co., Ltd

We have been engaged by Cathay United Bank Co., Ltd (“the **Company**”) to perform assurance procedures on the sustainability performance information identified by the Company and reported in the 2021 Progress Report on the Implementation of the Principles for Responsible Banking (PRB) (hereinafter referred to as the “**2021 PRB Report**”), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by the Company (hereinafter referred to as the “Subject Matter Information”) and the respective applicable criteria are stated in the “Summary of Subject Matter Assured” of the 2021 PRB Report.

Management’s Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the 2021 PRB Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the 2021 PRB Report in accordance with the Statement of Assurance Engagements Standards No. 1, “Assurance Engagements other than Audits or Reviews of Historical Financial Information” in the Republic of China, to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria, and issue a limited assurance report.

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

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

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- Made inquiries of the persons responsible for the Subject Matter Information to understand the processes and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and
- Based on the above understanding and the areas identified, performed selective testing including inquiry, observation, inspection, and reperformance to obtain evidence for limited assurance.

We do not provide any assurance on the 2021 PRB Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Compliance of Independence and Quality Control Requirement

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

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

Inherent Limitations

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

Limited Assurance Conclusion

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

Other Matter

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

PricewaterhouseCoopers, Taiwan



Li, Yi-Huah

Title: Partner

May 31, 2022