

2022 ESG and Climate Risk Management Work Report

CUB's "ESG and Climate Risk Management Work Report" describes the Bank's practice to identify ESG and climate-related risks, evaluate climate risks in credit extension and other important businesses, and formulate strategies and risk management plans.

1. Transformation of high-carbon emission industries amid a target of net-zero emissions by 2050 and the approach of the carbon pricing era

- (1) **"Climate Change Response Act"**: The "Climate Change Response Act" was passed in January 2023, which includes a carbon reduction target in the regulations, stipulating that Taiwan should achieve net-zero carbon emissions by 2050, and introduces a new carbon price mechanism. In the first stage, carbon taxes will be levied on major carbon emitters, such as steel, semiconductors or cement industry.
- (2) **Taiwan's 2050 net-zero emissions pathway**: In March 2022, the National Development Council (NDC) proposed four pillars of transformation: "Energy Transition", "Industrial Transition", "Lifestyle Transition" and "Social Transition", including key guidelines on energy transformation, building efficiency improvement, vehicle electrification, circular economy and negative emissions technologies, and put forward 12 key strategic action plans in December 2022.

2. Regulators urge the financial industry to promote sustainable transformation as Action Plans for Green Finance 3.0 have been introduced

- (1) **The "Coalition of Movers and Shakers on Sustainable Finance" leads the financial industry to promote sustainability**: To expand the financial industry's influence on the sustainable development, the Financial Supervisory Commission (FSC) selected five financial holding companies that have achieved good results in the field of sustainability to form the "Coalition of Movers and Shakers on Sustainable Finance" in September 2022 and take more active measures on green procurement, information disclosure, funding and engagement, assistance and promotion, and international outreach. The Coalition conducts engagement for companies with high carbon emissions in its position, develops sustainable application tools, and drives the industry to move towards the goal of sustainable development.
- (2) **Providing further supervision through the "Guidelines for Domestic Banks' Climate Risk Financial Disclosure" and "Criteria for Determining Whether Economic Activities Qualify as Sustainable"** : To enhance the climate resilience of financial industry's assets, the FSC announced the "Guidelines for Domestic Banks' Climate Risk Financial Disclosure" and "Criteria for Determining Whether Economic Activities Qualify as Sustainable" in November and December 2022, providing detailed regulations and indicators on the banking industry's climate risk management mechanism and corporate sustainability practices.
- (3) **"Sustainable Finance Evaluation" guides financial industry to develop towards sustainable finance**: In December 2022, the FSC announced the first sustainable finance evaluation indicators, combined with corporate governance evaluation and risk governance to facilitate financial institutions to review their own climate and ESG-related risks.

3. Expanding the scope of environmental risk monitoring from climate to natural areas

According to the World Economic Forum's Global Risks Report, biodiversity loss is ranked as the top three most severe risks around the world. In order to raise awareness of the risks associated with the loss of natural capital, the Taskforce on Nature-related Financial Disclosures (TNFD) released a framework in 2023 to assess the reliance and impact of industry operations on natural resources, with a focus on biodiversity, water resource management, pollution, etc.

1. Governance

(1) ESG and Climate Risk Integration and Management

A. The Bank promotes integrated management of climate risks and sustainable financial transformation through the “Risk Management Policy”, and implements the policy in core businesses, products, services, processes and internal regulations and mechanisms to strengthen ESG risk rating management and engagement with loan customers. In addition, the Bank also stipulates the “Principles Governing Corporate Banking Sustainable Loans” to enhance green finance products and services such as green deposits, green loans, and sustainability-linked loan (SLL), and to encourage and assist corporate banking loan customers in their low-carbon transition. The Bank should report to the BOD on a semi-annual basis on the implementation of ESG and climate risk management, including the overall status of the Bank’s ESG and climate risk and the implementation of risk management, and should regularly monitor relevant indicators, analyze, evaluate and manage climate risks.



Figure 1: Policies and management guidelines governing climate change

B. The Bank actively responds to financial supervision and implements carbon reduction policies. For example, CUB participated in the project team of the Joint Credit Information Center (JCIC) and the Bankers Association of the Republic of China (BAROC), and jointly planned the “Standardized Climate Scenario Analysis” and formulated the “Climate-related Risk Management Manual”. Furthermore, Cathay FHC, the parent company of CUB, joined the “Coalition of Movers and Shakers on Sustainable Finance” recruited by FSC to promote the carbon reduction transformation of investment/financing customers through engagement, with the goal of prompting the customers to set a target of net-zero carbon emissions by 2050, and promoting sustainable finance and the sustainable development of industries and enterprises.

C. In accordance with the “Guidelines for Domestic Banks’ Climate Risk Financial Disclosure”, the Bank integrates the ESG and climate risk management framework in terms of governance,

strategy, risk management, metrics and targets, and continues to refine the Bank's ESG and climate risk management mechanisms and action plans through analysis of the "Sustainable Finance Evaluation" in 2023. In addition, the Bank also plans to connect with Cathay FHC's climate risk appetite statement and limit management introduced in 2023, including enhancing the Bank's sustainable finance performance by setting CS KPIs for senior supervisors, and providing various training for employees according to core functions, so as to strengthen the Bank's resilience in response to risks related to ESG and climate change.

(2) ESG and Climate Related Training

The Bank’s Board of Directors and management regard climate change as a critical issue that might impact the stable development of business. Through a comprehensive governance structure and development strategy, the Bank vows to fulfill our responsibility as an industry leader in combating climate change and provides ESG and climate related training for the Board of Directors, senior management and all the employees at the Bank.

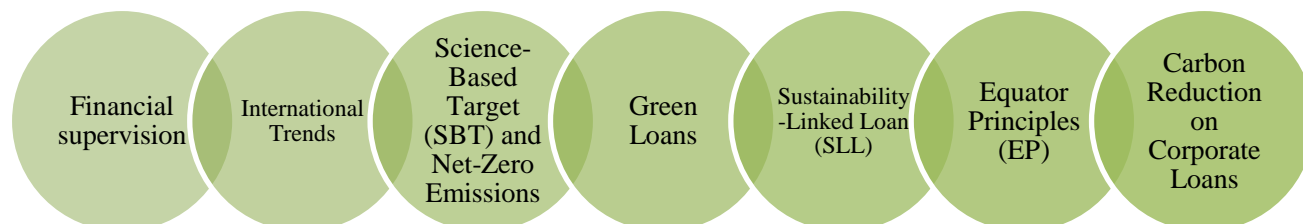


Figure 2: Topics of ESG and climate related training in 2022

(3) ESG Financial Supervision in Overseas Branches

All the Bank’s overseas branches shall abide by the Bank’s “ESG and Climate Risk Management Guidelines” and the “Environmental, Social, and Governance (ESG) Rules for Corporate Loans.” The Bank’s current regulations are compliant with the requirements of overseas regulators. Head Office’s responsible units have been closely collaborated with overseas employees to comply with their local regulations, conduct gap analyses, and establish or improve existing mechanisms.

Table 1: Work progress of overseas branches in 2022

Overseas branches and subsidiaries	Work Progress in 2022
Hong Kong Branch	<ol style="list-style-type: none"> 1. In accordance with the GS-1 regulation (Climate Risk Management) promulgated by the HKMA at the end of December 2021, HO together with Hong Kong Branch conducted gap analysis, established relevant action plans, and incorporated climate risk factors and high carbon emission risk indicators into the Branch’s regulations. 2. Completed the Branch’s internal scenario analysis methodology for climate physical risks (mainly on corporate loans), and conducted an assessment of standardized climate change scenario analysis for investment and financing. 3. Hong Kong Branch signed a strategic cooperation memorandum with the Hong Kong Quality Assurance Agency (HKQAA) on behalf of CUB to

Overseas branches and subsidiaries	Work Progress in 2022
	<p>promote local customers to undertake sustainable-linked loans.</p>
Singapore Branch	<ol style="list-style-type: none"> 1. The Environmental Risk Questionnaire released by the Association of Banks in Singapore was incorporated into the Bank’s “Environmental, Social, and Governance (ESG) Rules for Corporate Loans”, which was officially implemented on June 1, 2022. 2. Reviewed the consultation paper on the green taxonomy published by Green Finance Industry Taskforce (GFIT) governed by Monetary Authority of Singapore (MAS). 3. Conducted assessment and research on relevant mechanisms and methodologies of the Information Paper on Environmental Risk Management published by MAS in June 2022. For climate risk stress testing, training on knowledge transfer was completed in November 2022.

2. Strategy

(1) Standardized Climate Change Scenario Analysis

- A. Standardized climate change scenario analysis uses the NGFS Orderly Scenario, NGFS Disorderly Scenario, and No-Policy Scenario (RCP8.5) to assess the expected loss (EL) of credit and investment assets due to climate risk in 2030 and 2050.
- (A) Orderly scenario: Assuming that (1) climate policies are formulated in advance and implemented gradually, (2) net-zero emissions can be achieved by 2050 and (3) the global temperature increase can be kept below 1.5°C; in this scenario, both physical and transition risks are taken into account, and both bear relatively low risks.
- (B) Disorderly scenario: Assuming that climate policies are not formulated immediately, so (1) there will be greater pressure to reduce carbon emissions, (2) high carbon reduction costs will be incurred, and (3) carbon prices will rise rapidly; in this scenario, both physical risks and transition risks are taken into account.
- (C) No-policy scenario: No-policy scenario refers to no climate-related action is taken; in this scenario, only physical risks are taken into account.
- B. Results of the Bank's climate change scenario analysis (as of December 31, 2022):
- (A) In the orderly scenario in 2050, the expected loss (EL) accounted for 5.3% of the net value and 40.6% of income before tax, the increased expected loss (EL) accounted for 1.86% of the net value and 14.33% of income before tax compared to the baseline scenario.
- (B) In the disorderly scenario in 2050, the expected loss (EL) accounted for 5.5% of the net value and 42.7% of income before tax, the increased expected loss (EL) accounted for 2.12% of the net value and 16.39% of income before tax compared to the baseline scenario.
- (C) In the no-policy scenario in 2050, the expected loss (EL) accounted for 5.1% of the net value and 39.3% of income before tax, the increased expected loss (EL) accounted for 1.68% of the net value and 12.98% of income before tax compared to the baseline scenario.

Table 2: Results of standardized climate change scenario analysis-EL in standardized climate change scenario

(Data date: December 31, 2022)

Asset Position	EL in standardized climate change scenario	Orderly Scenario		Disorderly Scenario		No-Policy Scenario	
		FY30	FY50	FY30	FY50	FY30	FY50
Corporate Banking (Domestic & Overseas Loans)	% of EL to Net Worth	2.6%	2.9%	2.3%	3.3%	2.5%	2.4%
	% of EL to Earnings before tax	20.2%	22.1%	18.0%	25.2%	19.0%	18.8%
Consumer Banking (Domestic Loans)	% of EL to Net Worth	2.1%	2.0%	2.6%	1.8%	2.2%	2.4%
	% of EL to Earnings before tax	16.1%	15.8%	19.9%	13.7%	16.8%	18.3%
Investment Position	% of EL to Net Worth	0.3%	0.4%	0.3%	0.5%	0.2%	0.3%
	% of EL to Earnings before tax	2.0%	2.8%	2.2%	3.8%	1.9%	2.1%
Total	% of EL to Net Worth	5.0%	5.3%	5.2%	5.5%	4.9%	5.1%
	% of EL to Earnings before tax	38.3%	40.6%	40.1%	42.7%	37.7%	39.3%

Note 1: The Bank's Net Worth in 2022 is approximately NT\$237,734 million and the Earnings before tax is approximately NT\$30,780 million.

Note 2: Taiwan is committed to achieving net-zero emissions by 2050, but the main policies, regulations and transformation pathways are still in accordance with the original target of a 50% reduction in carbon emissions by 2050. If a net-zero target is officially announced and set, it will take several years before more effective and concrete measures can be implemented, so Taiwan is likely to be under a disorderly transition scenario.

Table 3: Results of standardized climate change scenario analysis-EL Due to Climate Change

(Data date: December 31, 2022)

Asset Position	EL Due to Climate Change	Orderly Scenario		Disorderly Scenario		No-Policy Scenario	
		FY30	FY50	FY30	FY50	FY30	FY50
Domestic Loans (Corporate & Consumer Banking)	% of EL to Net Worth	1.39%	1.52%	1.68%	1.53%	1.42%	1.59%
	% of EL to Earnings before tax	10.71%	11.77%	13.01%	11.82%	10.98%	12.27%
Overseas Loans (Corporate Banking)	% of EL to Net Worth	0.10%	0.16%	0.01%	0.28%	Not included in the trial calculation scope	
	% of EL to Earnings before tax	0.74%	1.23%	0.07%	2.20%		
Investment Position	% of EL to Net Worth	0.07%	0.17%	0.10%	0.31%	0.06%	0.09%
	% of EL to Earnings before tax	0.53%	1.34%	0.75%	2.38%	0.43%	0.71%
Total	% of EL to Net Worth	1.56%	1.86%	1.79%	2.12%	1.48%	1.68%
	% of EL to Earnings before tax	11.98%	14.33%	13.83%	16.39%	11.41%	12.98%

Note 1: The Bank's Net Worth in 2022 is approximately NT\$237,734 million and the Earnings before tax is approximately NT\$30,780 million.

Note 2: Taiwan is committed to achieving net-zero emissions by 2050, but the main policies, regulations and transformation pathways are still in accordance with the original target of a 50% reduction in carbon emissions by 2050. If a net-zero target is officially announced and set, it will take several years before more effective and concrete measures can be implemented, so Taiwan is likely to be under a disorderly transition scenario.

Note3: The EL due to climate change is to subtract EL in standardized climate change scenario from EL in the baseline scenario.

(2) Scenario Analysis of Transition Risks on Corporate Loans in Aircraft Leasing Industries

In accordance with MAS’s Guidelines on Environmental Risk Management for Banks, banks are required to conduct scenario analysis and stress testing to assess the impact of major environmental risks on the bank’s credit portfolio. Given that the Singapore Branch has a significant loan position in the aviation industry, the impact of transition risks needs to be assessed under the loan structure.

Considering the impact of changes in market preferences on borrower’s financial conditions, and in response to the price volatility of aircraft assets under the international carbon reduction policy, the degree to which loss given default (LGD) is affected needs to be assessed. The expected loss (EL) amount is calculated based on adjusted probability of default (PD) and adjusted loss given default (LGD).

When assessing the changes in market preferences in the aircraft leasing industry under the CORSIA scenario, the percentage of EL derived from transition risks in the Bank’s secured and unsecured loan positions to the industry’s exposure at default (EAD) was 5% and 0.38% respectively.

The selection of target customers and collateral management for the Bank’s aircraft leasing loan cases are processed in accordance with TMRAC and the “Aircraft Collateral Appraisal Rules”. The Singapore Branch’s aviation team will refer to the latest TMRAC, and take into account the environmental impact of aviation financing by undertaking new/energy-saving aircraft financing and/or participating in or arranging loans that meet the green loan principles and sustainability-linked loan principles of the Loan Market Association’s (LMA), so as to contribute to the growth of the credit products.

Table 4: Carbon reduction strategies and action plans for financial assets

(Data date: December 31, 2022)

Scenario Analysis of Loans in Aircraft Leasing Industries		
Type of borrower	Aircraft leasing- secured loan	Aircraft leasing- unsecured loan
Risk scenario	Policy change	
Scenario assumption	Customer preference changes and valuation adjustment in CORSIA scenario	
Analysis subject	Leasing ratio of aircrafts and residual value of aircraft collaterals	Leasing ratio of aircrafts
Region	Singapore	
Percentage of EL to the industry’s EAD under scenario analysis	7.83%	0.59%
Percentage of EL to the industry’s	2.83%	0.21%

EAD in the baseline scenario		
Percentage increase in EL due to transition risks	5.00%	0.38%

Note: 2030 CORSIA carbon emission reduction objective after amendment: In 2020, COVID-19 pandemic had caused a serious decline in global shipping demand. Therefore, the International Civil Aviation Organization (ICAO) announced a new CORSIA baseline for the first and second implementation phases (2024-2035) of 85% of carbon emissions in 2019, which is more challenging than the original objective. The scheme for CORSIA had originally been designed to use a baseline of average carbon emissions from 2019 and 2020, and to maintain zero growth in carbon emissions in 2030 compared to the base period.

(3) Sustainable Strategy Blueprint- Low Carbon Economy

A. Achieving net-zero in financial assets by 2050 through setting science-based target and promoting financial asset transition:

- (A) Setting science-based target (SBT): Set the carbon reduction path of the investment and financing portfolio based on the carbon emission intensity and impact.
- (B) Coal-Exit Action:
 - a. Withdraw from coal-fired power generation financing, focus on promoting natural gas and renewable energy financing, and establish the goal of “zero coal financing” with the object of having zero coal-related credit facility by the first quarter of 2027.
 - b. Divest from coal-fired power generation and coal value chains that have not been actively promoting transformation.
- (C) Establishing investment and financing transformation plan: Supervise industries with high climate risks and reduce the carbon footprint of investment and financing year by year.

B. Becoming a leader in climate-related engagement:

CUB exerts its influence, communicates and cooperates with stakeholders in the financial value chain, promotes corporates to adopt climate response actions, and strengthens its climate resilience. Hence, the Bank leads the industry to join climate action groups at home and abroad, and aligns itself with the international framework, becoming the first bank in Taiwan to adopt the Equator Principles (EP). Also, the Bank voluntarily adheres to the Principles for Responsible Banking (PRB), and partners with Cathay FHC to support initiatives, such as RE100, Science Based Target initiative (SBTi), and the Coalition of Movers and Shakers on Sustainable Finance. By “translating climate action into initiatives and engagements”, CUB helps its corporate customers become aware of the importance of carbon emission reduction, and showcases its financial influence to encourage investment or financing targets to take concrete measures, such as setting net-zero goals by 2050 and reinforcing climate action. By doing so, CUB not only becomes a critical partner of customers in the value chain of sustainable finance, but assists Taiwan’s industry to achieve net-zero transition.

C. Providing comprehensive climate financing solutions:

With the support of Cathay Group’s comprehensive financial supply chains, CUB aspires to act as a bridge between Taiwan’s net-zero policy and industrial transformation. The Bank continuously incorporates sustainable finance practices into its core functions and develops and provides comprehensive climate finance solutions to corporate loan customers with wholehearted care and support. The Bank supports corporates to invest funds in low-carbon transition by providing green loans, SLLs, sustainable supply chains, and green bond underwritings, and develops

personalized sustainable financial services to enable the public to participate in green finance. For corporate customers, the Bank launches initiatives and engagements, assists them in designing or implementing transformation plans, and becomes their partners to deal with the impact of climate change. CUB is committed to doubling the scale of its products or services related to green deposits or loans by 2030 to further support customers' low-carbon transition and to subsequently create a net-zero future. This can enhance customers' competitive edge and facilitate society's orderly transition into a green economy.

3. Risk Management

(1) Climate Risk Appetite Statement

To strengthen climate risk management, the FSC announced the “Guidelines for Domestic Banks’ Climate Risk Financial Disclosure” for banking industry in November 2021, requiring banks to formulate relevant internal regulations or mechanisms, and to conduct climate-related risk management and disclosure by the end of June 2023. In accordance with Cathay FHC’s Climate Risk Appetite Statement, “it is suggested to reduce involvement in or the undertaking of cases related to industries or enterprises sensitive to the climate change risk and areas with higher physical risk that are evaluated to be difficult for management and risk control”, the Bank will continue to strengthen its climate risk management through the introduction of relevant control indicators and limit management mechanisms in line with Cathay FHC’s risk appetite management mechanism.

(2) ESG Risk Management

CUB conducts KYC and risk review for all corporate loan cases in accordance with the “Environmental, Social, and Governance (ESG) Rules for Corporate Loans” to identify and manage the ESG risks, and to review the ESG records of loan customers. During the ESG review process, the Bank identifies sensitive industries and tracks the changes in ESG risk ratings of corporate loan customers. We also keep track of each loan customer’s post-loan ESG records and examine their ESG performance during annual review.

(3) Equator Principles (EP)

- A. The Bank reviews cases subject to potential environmental and social impacts and relatively higher risks (e.g. Category A and Category B cases) based on the “Rules Governing Project Finance of Equator Principles”. For the case evaluation process, we have professional third-party consultants to conduct independent environmental and social risk reviews and a strict post-loan management mechanism. We also need to provide a monitoring report reviewed by the professional third-party consultants to ensure that the Bank properly monitors the environmental and social risks of EP loan cases.
- B. Two new loan cases were applicable to the EP and reached Financial Close in 2022, and the growth of EP loans was approximately NT\$2,021 million. As of December 2022, a total of 21 EP loan cases reached Financial Close at the Bank.

Table 5: Overview of the Bank's EP cases

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
Total	21	4	5	12

Note: "New cases" refer to the loan cases that reached the Financial Close in the current year (meaning that the customer has signed the contract and the loan can be drawn down). Increase of new facility of EP loans is then calculated accordingly.

4. Metrics and Targets

Table 6: The Bank’s key objectives for climate-related opportunities and risks

Risks and Opportunities	Items	Key Targets
Climate Opportunities	Products or services related to green deposits or loans	The growth rate of [green loan balance + SLL balance + green deposit project scale] (using 2022 as the base period): <ul style="list-style-type: none"> ➤ Short-term objective (2023): an increase of 10% ➤ Mid-term objective (2025): an increase of 30% ➤ Long-term objective (2030): an increase of 100%
Transition Risk	Green finance	The proportion of renewable energy in power supply loan continues to grow, reaching 85% by 2025.
	Zero coal financing	Prohibited to undertake coal power generation and coal industry chain. The objective is to have zero coal-related credit facility by the first quarter of 2027.

(1) Products or Services Related to Green Deposits or Loans

Targets and action plans: CUB aims to support enterprises and industries to create low-carbon transition opportunities or mitigate/adapt to climate change through funds or financial products and services. This can enhance customers’ competitive edge and facilitate society’s orderly transition into a green economy. The objective for the growth rate (green loan balance + SLL balance + green deposit project scale) of products or services related to green deposits or loans was set in 2022 (using 2022 as the base period). The short-term objective (2023) is an increase of 10%; the mid-term objective (2025) is an increase of 30%; and the long-term objective (2030) is an increase of 100%.

- Sustainability-Linked Loan (SLL): A SLL is a type of loan instrument which financially incentivizes the borrower’s achievement of predetermined sustainability performance targets. After measuring the loan customer’s environmental, social and corporate governance (ESG) performance, relevant, measurable and verifiable key performance indicators (KPIs) should be set. KPI engagement subjects include greenhouse gas inventory and disclosure, carbon reduction target setting, sustainability evaluation results, net-zero carbon emissions initiative, and water resources management, etc.
- Green Loan: The proceeds must be used for green projects with substantial environmental benefits. Common types of use of proceeds include: renewable energy, energy efficiency, pollution prevention and control, natural environment management, biodiversity, clean transportation, water

resource management, climate change adaptation, circular economy and green buildings, etc.

- Green Deposit: The funds raised by the Bank’s green deposits are exclusively used for financing projects that meet the requirements of the JCIC for “green loan” or for projects in accordance with the Bank’s green loan principles, including but not limited to renewable energy, energy efficiency, pollution prevention and control, sustainable water source and wastewater treatment and other projects.

Table 7: Products or services related to green deposits or loans

(Unit: NT\$ million)

Balance	2022/12
Sustainability-Linked Loan (SLL)	16,927
Green Loan	25,244
Green Deposit	4,905
Total	47,076

(2) Green Finance

Targets and action plans: The proportion of renewable energy in power supply loan continues to grow, reaching 85% by 2025.

Table 8: Overview of the Bank’s renewable energy loan

Renewable Energy	2020/6	2020/12	2021/6	2021/12	2022/6	2022/12
Percentage	72.11%	76.08%	77.19%	77.53%	83.44%	87.56%

(3) Zero Coal Financing

Targets and action plans: The Bank has determined the entire coal industry chain as a prohibited industry for undertaking since April 2021. The revolving facility was reduced to zero after the buffer period expires at the end of 2022 and cannot be renewed. The mid- and long-term facility will gradually expire and no new loans are allowed. The Bank’s objective is to have zero coal-related credit facility by the first quarter of 2027.

(4) Low Carbon Operations

Targets and action plans: Corporate sustainability indicators, such as the change ratio of carbon emission and utilization rate of green power in operations, have been included into the KPIs of the Bank’s President and CS executive officers since 2022.

Table 9: Measurement of greenhouse gas emissions and electricity consumption in the Bank’s operations (t-CO2e/year)

Year	2017	2018	2019	2020	2021		2022
Scope 1 & Scope 2	16,167.37	17,434.79	16,561.94	22,674.32	Domestic	22,071.73	The inspection is expected to be completed in April 2023
					Overseas	1,765.20	
YoY%	-	7.84%	-5.01%	36.91%	Domestic	-2.66%	
					Overseas	N/A	

Note 1: Since 2017, the Bank has carried out the measurement of greenhouse gas emissions in the HO building, Credit Card Operations Department and all domestic branches, and plans to gradually expand the scope of measurement.

Note 2: In 2020, the Bank included all domestic offices into the scope of measurement.

Note 3: In 2021, in addition to domestic offices, 37 overseas sites were also included in the scope, including overseas branches, representative offices, CUB China and CUB Cambodia.

附件一、確信項目彙總表(Summary of Subject Matter Assured)

#	Subject matter	Applicable criteria	Page Number
1	(Table 8 : Overview of the Bank's renewable energy loan) As the end of 2022, the proportion of renewable energy in power supply loan was 87.56%.	As of December 31, 2022, the proportion of Cathay United Bank's renewable energy in power supply loan.	17
2	Target of "Zero Coal Financing": The Bank has determined the entire coal industry chain as a prohibited industry for undertaking since April 2021.	The target has been approved by CUB internal management meeting. The definition of the entire coal industry chain in Cathay United Bank's internal management regulations is including the upstream, midstream, and downstream coal industry chains while coal-related mining, products, wholesale, and retail, etc. are not undertook.	17
3	(Table 7 : Products or services related to green deposits or loans) As the end of 2022, the amounts of Sustainability-Linked Loan (SLL), Green Loan, and Green Deposit.	As of December 31, 2022, the amounts of products or services related to green deposits or loans undertook by Cathay United Bank. There were three types of products related to green deposits or loans of Cathay United Bank: 1. Sustainability-Linked Loan (SLL) 2. Green Loan 3. Green Deposit	16~17

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 2022 ESG and Climate Risk Management Work Report and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by the Company (hereinafter referred to as the “**Subject Matter Information**”) and the respective applicable criteria are stated in the “Summary of Subject Matter Assured” of the 2022 ESG and Climate Risk Management Work Report.

Management’s Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the 2022 ESG and Climate Risk Management Work Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the 2022 ESG and Climate Risk Management Work Report in accordance with the Standard on Assurance Engagements 3000, “Assurance Engagements other than Audits or Reviews of Historical Financial Information” of the Republic of China, to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material respects, in accordance with the respective applicable criteria, and issue a limited assurance report.

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

assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

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

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

We do not provide any assurance on the 2022 ESG and Climate Risk Management Work Report as a whole or on the design or operating effectiveness of the relevant internal controls. Our assurance does not extend to information in respect of earlier periods or to any other information disclosed in the 2022 ESG and Climate Risk Management Work Report for 2021.

Compliance of Independence and Quality Management Requirement

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

Our firm applies Standard on Quality Management 1, “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” in the Republic of China, this Standard requires the firm to design, implementation, and operate the system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

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

Limited Assurance Conclusion

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

Other Matter

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

Chao, Yung-Chieh

Chao, Yung-Chieh

Partner

For and on behalf of PricewaterhouseCoopers, Taiwan

31 July 2023