

## 2.1 Climate and Nature-related Financial Disclosure

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### Climate Strategy Blueprint

Striving for net zero with investees, borrowers, and stakeholders

Low-carbon Economy  
Appropriate use of all funds

Environmental Sustainability  
Demonstrating resolve to  
zero-carbon operations

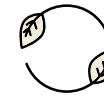
#### AMBITIOUS GOALS



#### Financial Assets

Net Zero Emissions  
in Financial Assets  
by 2050

Leader in Climate  
Engagement  
Action



#### Products and Services

Provide  
Comprehensive  
Climate Finance Solution



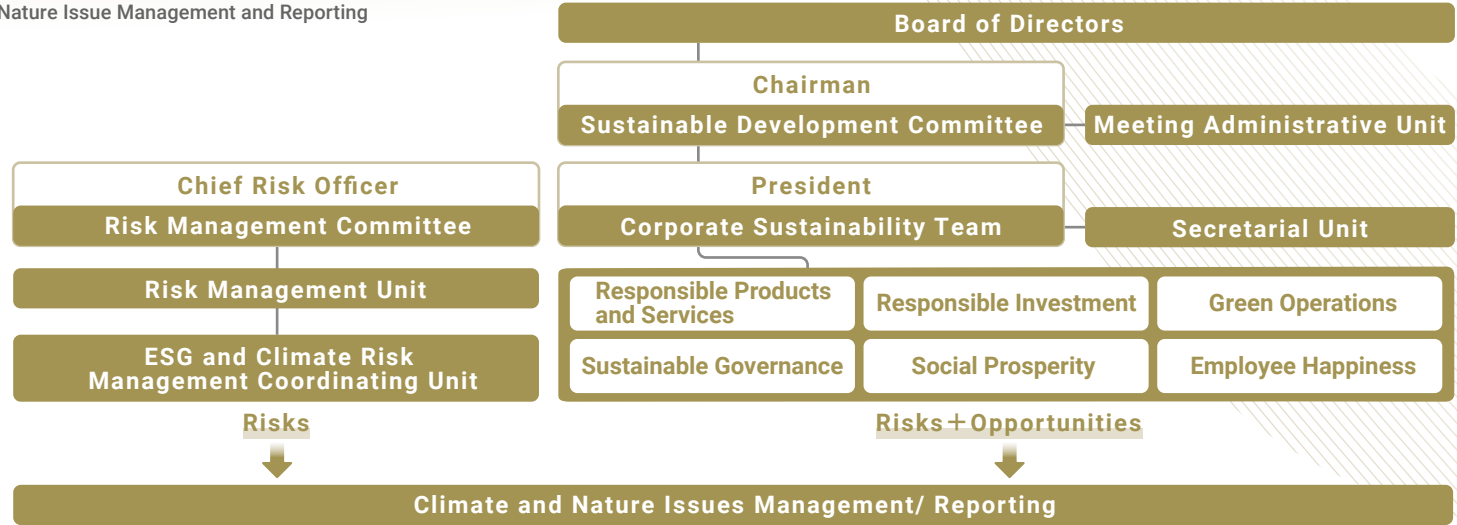
#### Business Operations

Green Energy +  
Green Operations +  
Green Real Estate

Our vision is to lead as a green finance pioneer, aiming to guide the financial industry in leveraging its influence to raise awareness on climate change and nature-related issues. We will adhere to the guidelines set forth by the Financial Supervisory Commission, including the domestic banking industry's Climate Risk Financial Disclosure Guidelines, the Task Force on Climate-related Financial Disclosures (TCFD), and the Task Force on Nature-related Financial Disclosures (TNFD). Through transparent and public disclosure, we aim to demonstrate our climate and nature resilience in the face of environmental challenges and our financial impact externally.

## 2.1.1 Climate and Nature Governance Structure

Governance Structure for Climate and Nature Issue Management and Reporting



Climate and Nature Governance Structure and Reporting/Meeting Frequency

Organization	Reporting/Meeting Frequency	Roles in Climate and Nature Issues
<b>Board of Directors</b>	Semiannually	The highest governance body for ESG risk management, responsible for 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.
<b>Risk Management Committee</b>	Quarterly	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, and limit management 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.
<b>Sustainable Development Committee</b>	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.
<b>CS Team</b>	Meets quarterly on a regular basis and convenes as needed based on practical requirements	The following are the working groups involved in deeper discussions on climate and nature issues : <ul style="list-style-type: none"> <li>• <b>Responsible Investment</b> : Responsible for managing climate and nature-related risks and opportunities in investment/credit decisions, integrating ESG into the investment/credit process, and engaging with clients on these matters.</li> <li>• <b>Responsible Products and Services</b> : Responsible for promoting ESG and green financial products and services, as well as managing related risks and opportunities.</li> <li>• <b>Green Operations</b> : Responsible for managing the environmental impact of CUB's operations and serving as the main driver for reducing Scope 1 and Scope 2 greenhouse gas emissions and increasing the use of renewable energy.</li> </ul>

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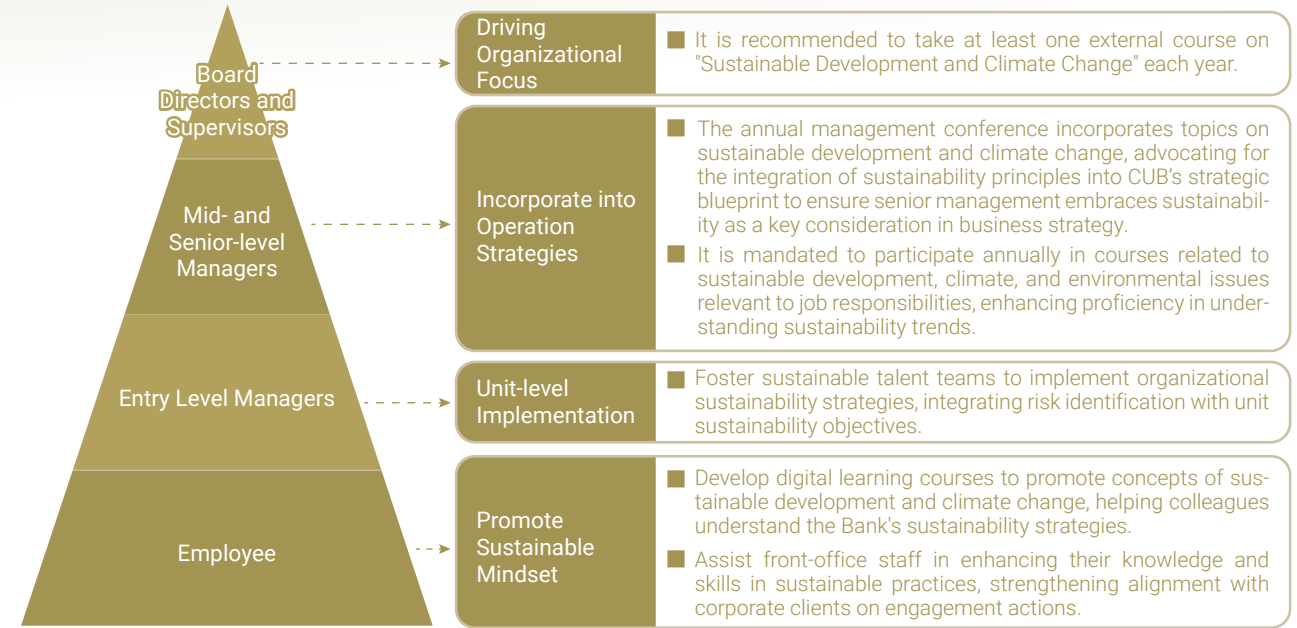
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CUB actively responds to United Nations sustainable development issues and Green Finance 3.0. To ensure the entire company possesses the appropriate skills, abilities, and knowledge, we promote differentiated training programs for personnel at all 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.

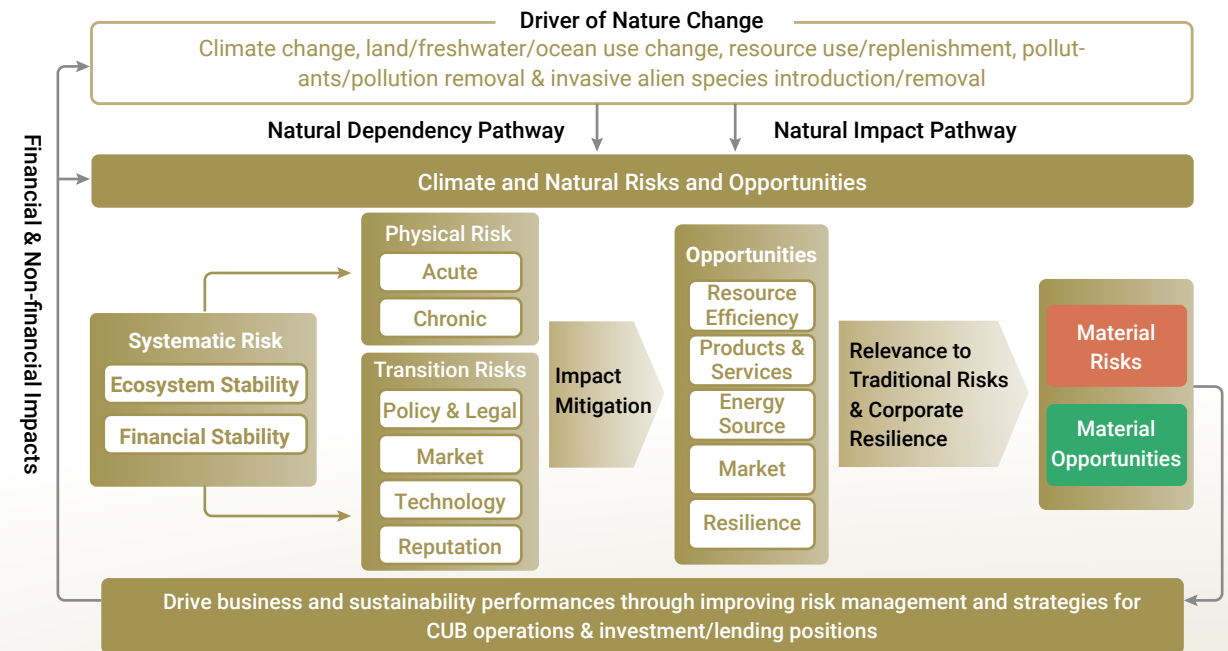
### 2.1.2 Identification of Climate and Nature Risks and Opportunities

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 regulatory authorities to understand the transmission pathways of 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 identification results, we 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.



Climate & Nature Governance Framework



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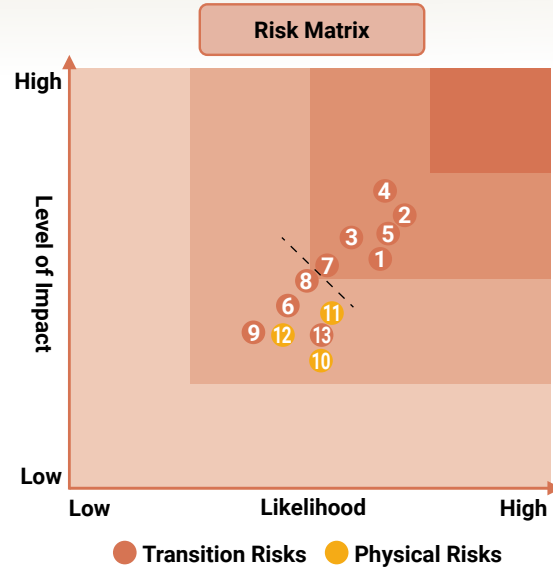
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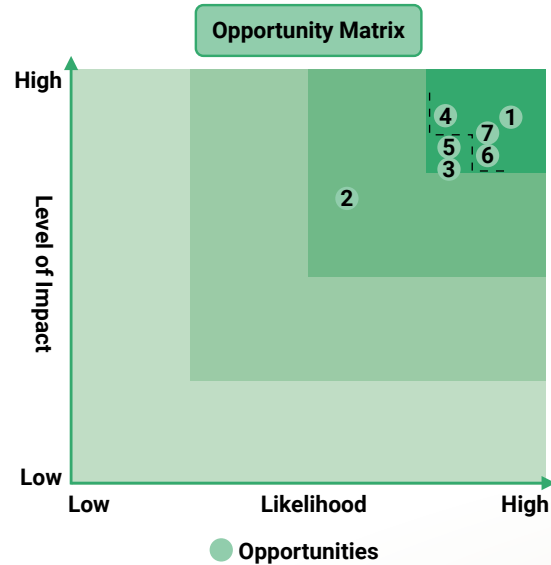
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	Material Risks	Potential Financial Impacts	Level of Impact	Time Horizon	Relevant Traditional Risks
4	Transition risks from policy uncertainty	Decreased earnings from investments and loans due to policy uncertainty	Investment & Lending	Long term	Credit risk
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

## 2.1.3 Climate and Nature Scenario Analysis

To evaluate the financial effects of climate and nature-related shocks, the Bank conducts regular climate and nature 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 2023 Section 1.2: Climate- and Nature-related Scenario Analysis.

Scenario	Risk Type		Time Horizon	Scope	Details
Supervisory Version of Climate Change Scenario Analysis	Physical	Heavy Rainfall / Drought/Floods	2030	<ul style="list-style-type: none"> <li>Domestic corporate/consumer lending</li> <li>Oversea corporate lending</li> <li>Passbook investments</li> </ul>	<b>Orderly Transition:</b> Corresponds with NGFS Net Zero 2050 and IPCC RCP2.6 <b>Disorderly Transition:</b> Corresponds with NGFS Delayed Transition and IPCC RCP 2.6 <b>Current Policy:</b> Corresponds with NGFS Baseline and IPCC RCP8.5
	Transition	Carbon Price	2050		
Corporate Financing in Aircraft Leasing Industries Transition Risk	Transition	Policies	-	<ul style="list-style-type: none"> <li>Aircraft leasing in Singapore</li> <li>Corporate financing</li> </ul>	<b>In-house Scenario:</b> Changes in consumer preference and valuation under the CORSIA scenario
Droughts Scenario Analysis	Physical	Drought	Short-term: 2020-2040 Midterm: 2030-2050 Long-term: 2040-2060	<ul style="list-style-type: none"> <li>Domestic mining</li> <li>Corporate financing</li> </ul>	<b>In-house Scenario:</b> Corresponds with IPCC SSP1-2.6
Trading Book Equity Securities Decarbonization Transition	Transition	Carbon Price/ Electricity Rates/ Additional Costs in Upstream & Downstream	-	<ul style="list-style-type: none"> <li>Trading book investments</li> </ul>	<b>Orderly Transition:</b> Corresponds with NGFS Net Zero 2050 <b>Disorderly Transition:</b> Corresponds with NGFS Delay Transition <b>Hot House:</b> 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). No 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.

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## 2.1.4 Climate and Nature Action Plan

The Bank integrates the process of identifying, assessing, and prioritizing climate and nature risks and opportunities (for detailed results, refer to section [2.1.2 Identification of Climate and Nature Risks and Opportunities](#)). Based on this, it formulates a Climate and Nature Action Plan to address and monitor the identified climate and nature material risks. The aim is to establish a robust risk management mechanism to effectively respond to the challenges posed by climate change.

Action Plan	Key Points of the Plan
<b>Improve ERM Mechanism</b>	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. <ul style="list-style-type: none"> <li>Investment and lending risk management mechanism</li> <li>Capital risk management mechanism</li> </ul>
<b>Climate Strategy Resilience Verification</b>	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. <ul style="list-style-type: none"> <li>Climate scenario analysis</li> <li>Verification of strategic targets and assessment of financial impacts</li> </ul>
<b>Nature-related Risk Measurement and Analysis</b>	In response to international trends and aligning with the TNFD framework, CUB is developing nature-related risk management. <ul style="list-style-type: none"> <li>Methods for identifying and measuring nature risks</li> <li>Nature risk management/indicator targets</li> </ul>
<b>Facilitating Climate and Nature Financial Innovation/Management</b>	In response to climate and nature trends, we aim to seize business opportunities early and develop corresponding control mechanisms. <ul style="list-style-type: none"> <li>Climate/nature risk information management platform</li> <li>Innovative applications of climate/nature financial and risk tools</li> </ul>

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.

## 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 and Nature Indicators and Targets	
<b>Net Zero Emissions in Financial Assets by 2050</b>	<ul style="list-style-type: none"> <li>SBT emissions reduction targets (SBTs) for investment/lending.</li> <li>By 2027, reduce credit facility for the coal industry to zero.</li> </ul>
<b>Leader in Climate Engagement Actions</b>	<ul style="list-style-type: none"> <li>Engage with investment/lending targets to participate in SBTi.</li> </ul>
<b>Provide Comprehensive Climate Finance Solution</b>	<ul style="list-style-type: none"> <li>By 2030, exceed NT\$100B in sustainable loans.</li> </ul>
<b>Green Energy</b>	<ul style="list-style-type: none"> <li>By 2025, achieve 100% renewable energy usage in HQ</li> <li>By 2030, achieve 100% renewable energy usage in CUB locations across Taiwan</li> <li>By 2050, achieve 100% renewable energy usage in CUB locations around the world</li> </ul>
<b>Green Operations</b>	<ul style="list-style-type: none"> <li>By 2050, achieve net zero in S1+2 from CUB operations</li> <li>By 2030, complete carbon footprint verification for main financial products/services</li> <li>By 2030, achieve 18 cubic meters per capita water consumption</li> <li>By 2030, achieve 27.7kg per capita waste</li> </ul>
<b>Green Real Estate</b>	<ul style="list-style-type: none"> <li>By 2030, ensure 45% of CUB branches meet eco-friendly standards</li> </ul>

Note: In line with international market trends and the group'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.