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## 2.2.3 Net Zero Emissions for Financial Assets by 2050

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

### 2.2.3.1 Science-Based Target (SBT) for Carbon Reduction

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

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

Note 2: (1) Electricity generation project finance: Evaluates the generated capacity and carbon emissions of each power plant based on their installed capacity, using carbon intensity of electricity generation as an indicator.

(2) Commercial real estate: Targets leased collaterals and evaluates their total floor area and building use for GHG emissions, using carbon intensity per square meter unit as an indicator.

(3) Long-term Corporate Loans (excl. SMEs): GHG information primarily derived from GHG emissions data disclosed by the companies themselves or, if company does not disclose GHG emissions, estimations according to their business data. Industries/sectors are categorized into electricity generation, commercial buildings, SBT Portfolio Coverage, etc., and managed according to their characteristics.

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

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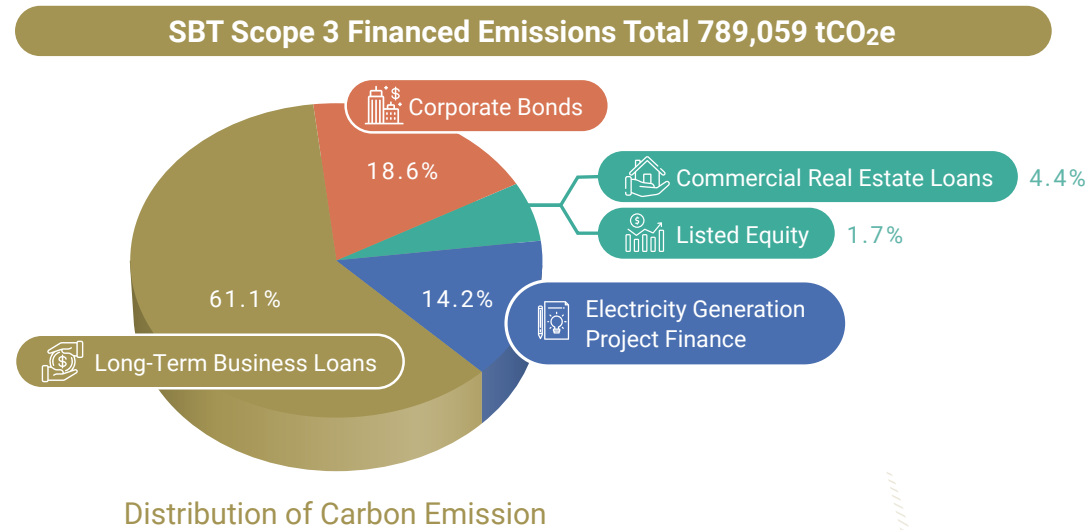
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CUB has established decarbonization pathways and targets for investment/lending portfolios based on the Financial Sector Science-based Targets Guidance and quantitative approaches for developing emission-based and impact-based targets. CUB has also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

The summarized results of the 2023 carbon inventory for each financial asset category under SBT Scope 3 are as follows:



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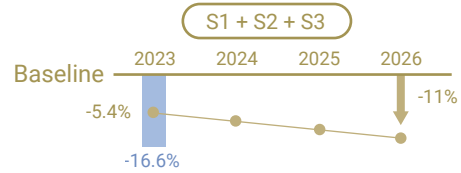
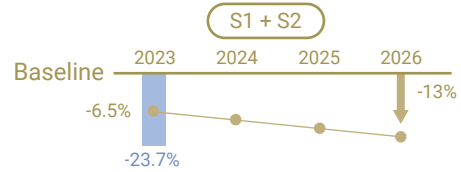
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**Temperature Rating Approach**

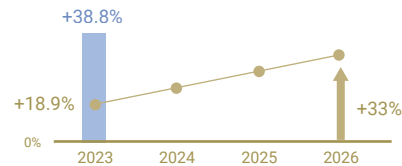
**Investment Portfolio in Listed Equity & Bonds**



● Target Value: Reach required reduction rate from baseline value to meet Cathay FHC's SBT target.  
 ■ Actual Value: CUB's actual reduction rate from baseline value.  
 — Baseline Value: Baseline of Cathay FHC's SBT target on investment assets is 2020.

**SBT Portfolio Coverage Approach**

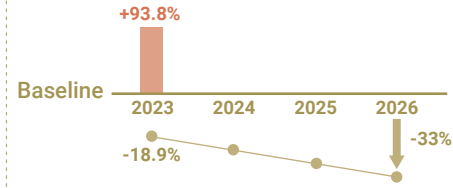
**Long-Term Corporate Loan  
Fossil Fuel, Electrical and Electronic Equipment, Semiconductors,  
General Manufacturing Sectors**



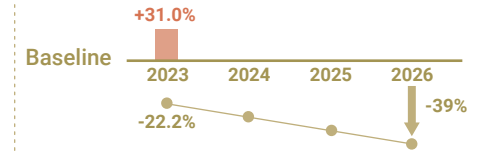
● Target Value: Engagement outcomes required to meet Cathay FHC's SBT target.  
 ■ Actual Value: CUB's actual engagement outcomes.

**Sectoral Decarbonization Approach**

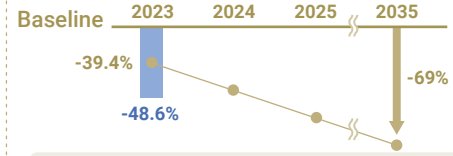
**Electricity Generation Project Finance**



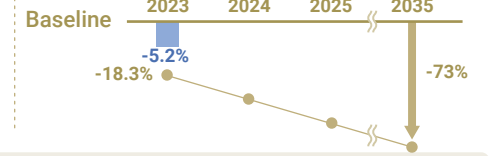
**Commercial Real Estate Loan**



**Long-term Corporate Loan  
(Electricity Generation)**



**Long-term Corporate Loan  
(Commercial Buildings)**



● Target Value: Reach required reduction rate from baseline value to meet Cathay FHC's SBT target.  
 ■ Actual Value: CUB's actual reduction rate from baseline value.  
 — Baseline Value: Baseline of Cathay FHC's SBT target on financing assets is 2019.

Note 1: Fluctuations in carbon intensity identified for electricity generation project finance and commercial real estate mortgage loans in the short-term; CUB will continue to adjust to achieve 2026 targets.

Note 2: In 2023, carbon intensity of electricity generation project finance increased because CUB was required to issue credit lines according to previous contracts with customers. In the future, as credit agreements expire, CUB will no longer be renewing credit facilities, which will bring down carbon intensity.

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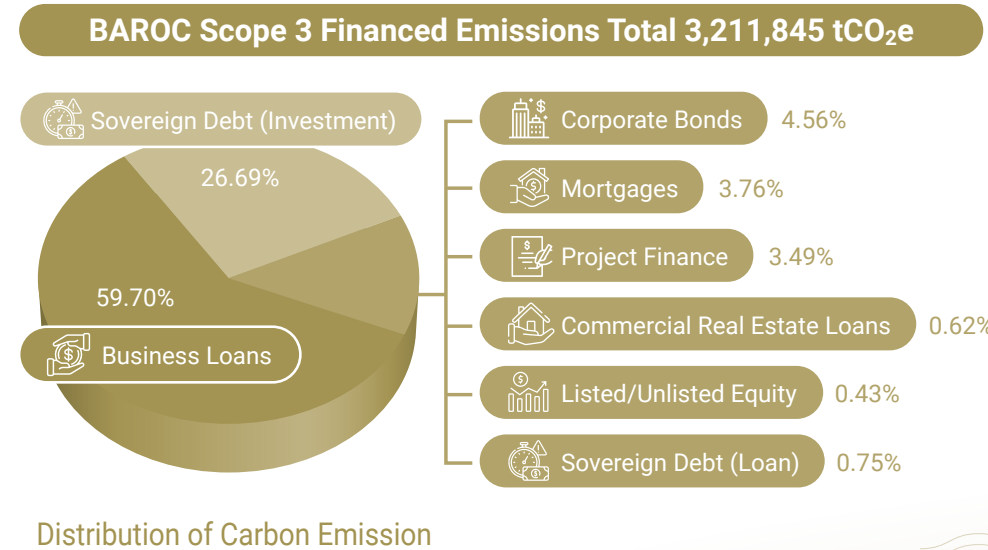
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### 2.2.3.2 Scope 3 Carbon Footprint Accounting for Financial Assets by the Bankers Association

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

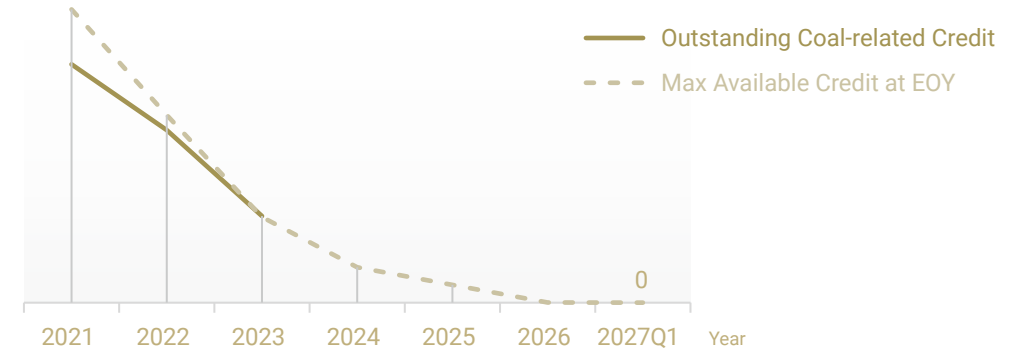
The results of the carbon assessment for three financial asset categories within the banking association's scope in 2023 are as follows. For detailed information, please refer to CUB Climate and Nature Report 2023.



### 2.2.3.3 The Zero Coal Financing Strategy

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

**Resilience Verification of Zero-Coal Financing Strategy**



### 2.2.4 Leader in Climate Engagement Actions

As one of the systemically important banks in Taiwan, CUB fully understands the importance of climate action in enhancing the resilience of financial assets. We take on the role of a leader in sustainable finance, advocating and engaging with borrowers to highlight the importance of corporate energy-saving and carbon reduction by supporting climate action in customers. CUB communicates with investees and borrowers to encourage them to disclose carbon inventory results, set more specific medium- and long-term emissions reduction targets, or join international decarbonization organizations such as SBT/RE100. For detailed information, please refer to CUB Climate and Nature Report 2023.