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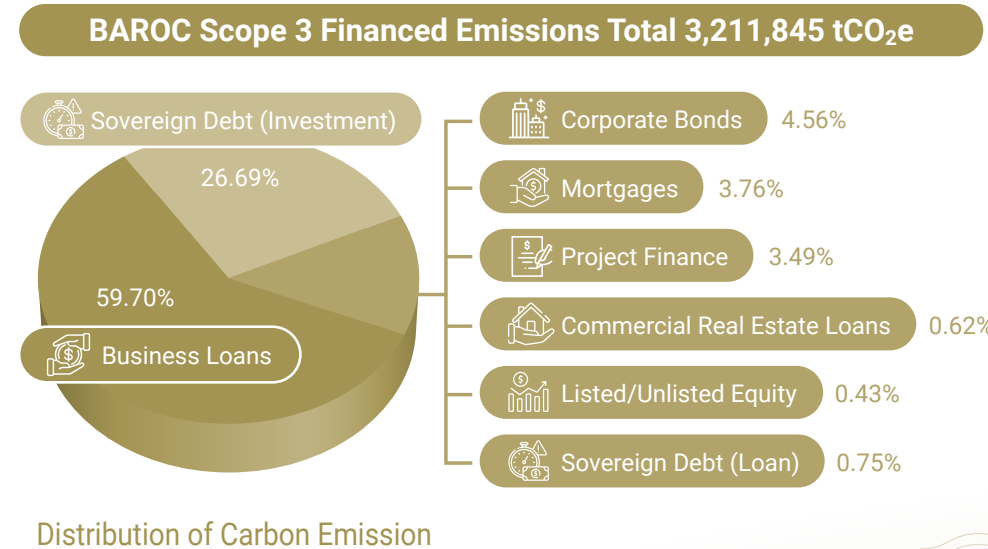
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2.2.3.2 Scope 3 Carbon Footprint Accounting for Financial Assets by the Bankers Association

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.

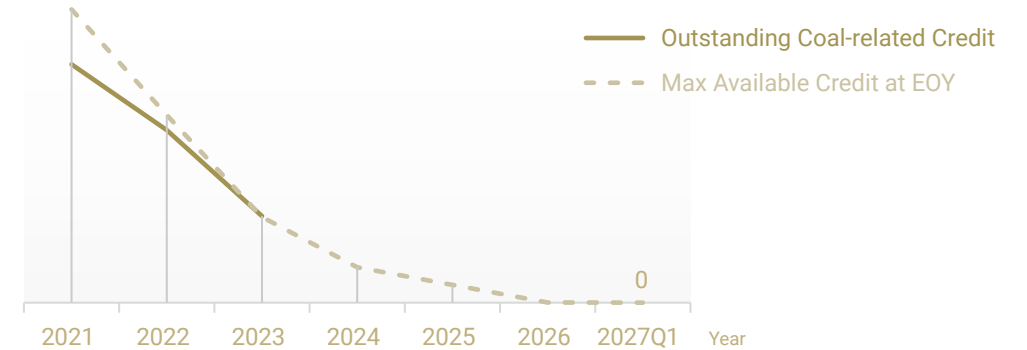
The results of the carbon assessment for three financial asset categories within the banking association's scope in 2023 are as follows. For detailed information, please refer to CUB Climate and Nature Report 2023.



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.

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Key Case Study Sharing

Coalition of Movers and Shakers on Sustainable Finance

Cathay FHC participates in the establishment of the "Coalition of Movers and Shakers on Sustainable Finance" initiated by the FSC and serves as the convener of the Funds and Statistics Division. The alliance pledges to achieve goals such as low-carbon investment and climate engagement, collaborating with other financial institutions to assist regulatory authorities. The Bank supports the actions of Cathay FHC, actively promoting the development of sustainable finance and facilitating the low-carbon transition of industries.

Carbon Disclosure Project: Commercial Banks

As the first financial institution in Asia to collaborate with CDP on its Commercial Bank Project, CUB helps customers understand the importance of net zero emissions and managing environmental impacts by inviting them to complete CDP's questionnaires. We encourage businesses to take real action against the climate crisis, strengthen disclosure quality of carbon management, and support SMEs in receiving CDP scores and breaking into the global sustainable supply chain. In 2023, over 70 enterprises participated in the CDP questionnaire project, and we helped 16 enterprises receive CDP scores.

The Only Taiwanese Financial Institution Partnering with CDP for SME Corporate Questionnaire

The Bank as the exclusive banking partner in Taiwan collaborating with CDP, actively participates as an external expert consultant in the formulation of the CDP SME Corporate Questionnaire. The project aims to provide a set of frameworks, tools and resources for SMEs to set carbon reduction commitments that align with 1.5 ° C while disclosing environmental impacts. Compared with the general framework of CDP, this project is more suitable for the SMEs' organizational structure, making it easier for SMEs to disclose their carbon reduction roadmaps, environmental impact, and corporate measures and strategies.

Memorandum of Understanding with the Metal Industries R&D Center (MIRDC)

In 2023, CUB signed a memorandum of understanding (MOU) with the MIRDC, the first carbon inventory assurance institute in Taiwan. Under the MOU, CUB and MIRDC will collaborate to accelerate low-carbon transitions in industries toward net zero, supporting Taiwan's industry as they progress toward the national goal of Net Zero by 2050. Future areas of cooperation include:

- (1) Assisting industries develop carbon inventory competency and advise on decarbonization technologies through on-site visits and diagnostic consultation;
- (2) Assessing lending projects related to sustainable finance to ensure companies taking real action toward decarbonization have access to interest rates reduction to strengthen the green competitiveness of industries;
- (3) Cultivating decarbonization and carbon management professionals to build up companies' abilities for carbon inventory, strengthen net zero knowledge and skills, and build a talent pool of sustainability professionals.



The Bank's Low-Carbon Economy Team and MIRDC jointly organized the "TASS 2023 Asia Sustainable Supply + Circular Economy Expo" - Green Finance Forum. The forum agenda includes discussions on "The Impact of Global Decarbonization on Enterprises: Assessment, Response, and Green Financial Innovation Solutions" and "Carbon Inventory and Carbon Reduction Technology Applications in the Metal Industry." These sessions aim to help enterprises identify and assess the impact of global decarbonization, understand carbon inventory methodologies, share industry insights and technology applications for intelligence and low-carbonization, and leverage the power of sustainable finance to assist enterprises in low-carbon transition.

Engagement with Investee Companies

In compliance with due diligence policies, we actively engaged with investees through various means such as attending shareholder meetings, investor conference, and sending letters. Focus areas included energy conservation, environmental protection, climate change, and environmental impacts. Related actions are as follows:

- (1) CUB's investment team engages monthly with investee's management team via phone calls and on-site visits, expressing CUB's opinion and gaining further insight on material issues. In addition, CUB refers to trends in industry and regulatory landscapes to evaluate whether engagement with investee is required on specific issues.
- (2) In the event of major news or announcements in contradiction with CUB's sustainability ideals, CUB will communicate with investee's management team by attending shareholder meetings, attending board of director or supervisory board meetings when applicable, and sending letters or emails to ensure investee's policies remain aligned with CUB's sustainability ideals. CUB will vote against any proposals that raise concerns regarding an investee's approach or ability to address environmental and social risks.
- (3) CUB will evaluate ESG risks based on interactions and engagement with investees, which will serve as reference for decisions on whether to continue investing in said investee. In addition, CUB will regularly review and offer written suggestions on investee's ESG risk ratings. CUB will also check the "Annual Corporate Governance Ratings" and other related information produced by the TWSE, TPEX, and SFI for ESG risks and opportunities in investees.

Direct Engagements on Climate Issues

Company A

1. Established Sustainability Committee: Established a sustainability committee in June 2022 and designated the board of directors as the highest executive body for ESG issues.
2. Set Emissions Reduction Targets: Set goals to reduce 35% carbon emissions by 2030 and reach carbon neutrality by 2050 with 2007 as the base year.
3. Low-carbon Energy Transition: Converted coal-fired furnaces into steam furnaces and installed solar panels to rooftops.
4. Published Sustainability Reports: Disclosed ESG information in compliance with GRI, SASB, and TCFD guidelines.

Company B

1. MSCI ESG Ratings: In 2023 Q3, received first MSCI ESG rating - BBB
2. Carbon Inventory: In 2023, conducted carbon inventory, which will be completed before the FSC's deadline
3. ESG Report: Made plans to publish an ESG report, which will likely be for 2024 due to staffing and workload factors