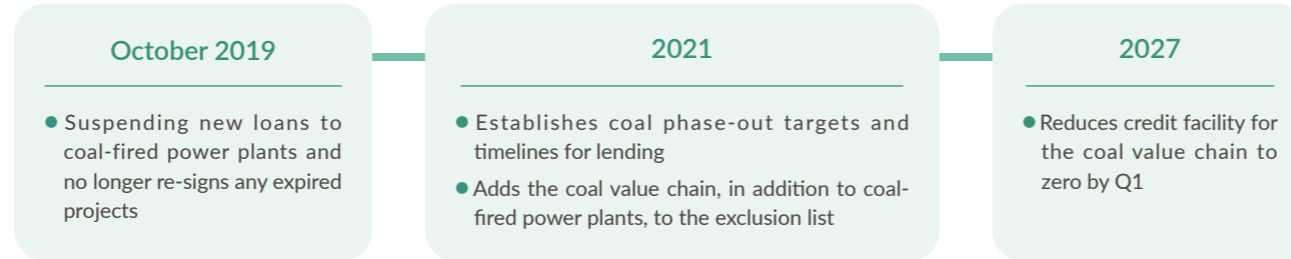


## ■ Strategy for Coal Divestment

Coal-fired electricity generation is a major factor exacerbating the impacts from climate change. Therefore, phasing out coal to opt for other alternative energies and technologies is critical to achieve Net-Zero. Given this trend, the coal industry is also facing higher risks of stranded assets. In terms of lending, CUB has been actively responding to international supervision and regulation on carbon-intensive industries and has already established coal divestment targets and timelines. CUB's coal management policy received the highest score amongst Taiwanese banks in the "[Banking Sector Coal Policy Ratings](#)" by 350 Taiwan.

### Coal Phase-out Strategy from Loans



Note: The coal value chain here includes coal mines, coal-fired electricity generation, coal-related products, and the wholesaling or retailing of coal.

In terms of investments, in 2019, Cathay Life added coal-fired power plants with a coal share of revenue (CSR) of above 50% and not actively transitioning to renewable energy on the "exclusion list" and became the first institutional investor to start phasing out coal in Taiwan. In 2021, industries along the coal value chain such as "coal railroad transportation" and "coal support services" were added to the "exclusion list," once again making Cathay Life the first institutional investor to phase out coal value chain. In 2022, Cathay Life further reduced the CSR threshold to 30%. On this foundation, Cathay FHC has formulated strategies and targets to gradually phase out coal from all proprietary equity and fixed income investments and mandated investment.

### Coal Phase-out Strategy from Investments



Note: The coal value chain here includes the coal mining industry, coal-fired electricity generation industry, coal railway transportation industry, and coal support services.

Accelerating the coal-fired energy transition is of the utmost importance. In addition to formulating strategies for gradual coal divestment, Cathay FHC also hopes to actively communicate with corporations and thereby urge the electricity generation industry to phase out coal. To such end, Cathay FHC has joined the "Asian Utilities Engagement Program" (AUPEP) launched by the Asia Investor Group on Climate Change (AIGCC) to work with international investors in urging coal-fired power companies to pursue low-carbon transitions. For more information, please refer to the information on the AUPEP in [2.1.2 Leader in Climate Engagement Actions](#).

## ■ Climate-Sensitive Industry Management

Cathay FHC continues to carefully monitor and manage the climate risks of investments and loans. Cathay FHC's subsidiaries have included climate-sensitive industries (e.g., coal-related industries, oil & gas-related industries, the construction materials industry, the aluminum industry, the aviation industry, the mining industry, etc.) in investments and loans to sensitive industries and integrated climate risk factors into decision-making processes for investments and loans. For more information, please refer to [5.2 Responsible Investment](#).

## ■ Management of Unconventional Oil & Gas Industries

Cathay Life has formulated management approaches for unconventional oil and natural gas investment, listing oil sands, shale oil, and liquefied natural gases (LNG) refined from unconventional fossil fuels as sensitive industries and categorizing companies onto exclusion lists and watchlists. Companies with unconventional oil & gas revenue over 50% and not pursuing low-carbon transition are now excluded from active investments in equity or bonds and investments managed by third parties.

## ■ Task Force on Climate-Related Financial Disclosures (TCFD)

In 2018, Cathay FHC signed to support the TCFD and continues to strengthen climate management through practices such as risk assessment, scenario analysis, carbon reduction strategies, and information disclosure to ensure that climate risks are considered in company operations, strengthen long-term resilience of Cathay FHC's operations, and build a low-carbon sustainable future. For more information on climate governance, strategies, risk management, and metrics & targets, please refer to [P.125](#) in the TCFD Report.