





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective



CONTENTS

A	About this Report	2					
Ν	Message from the Chairman						
k	Key Milestones	4					
H	Highlights and Performance	5					
	nternational Perspective	6					
	Material Risks and Opportunities	7					
	1.1 Identifying Risks and Opportunities of Climate and Nature	8					
	1.2 Material Topics in Risks and Opportunities of Climate and Nature	9					
	2 Strategic Ambition and Progress	11					
	2.1 Transition Plan	12					
	2.1.1 Climate Strategy Blueprint	12					
	2.1.2 Important Metrics and Targets	15					
	2.2 Implementation Strategy	17					
	2.2.1 Financial Assets	18					
	2.2.2 Products and Services	18 22					
	2.2.3 Business Operations	25					
	2.3 Engagement Strategy						
	2.3.1 Engagement with Value Chain 2.3.2 Engagement with Industry & Finance	25					
	Sector Peers	26					
	2.3.3 Engagement with Government & Civil Society	27					
	2.3.4 International Organizations & Initiatives	28					

2	
Governance and Risk Management	30
3.1 Governance Structure and Responsibilities	31
3.1.1 Board and Management Responsibilities3.1.2 Incentives and Performance-Based Compensation3.1.3 Corporate Culture & Competency Training	31 32 32
3.2 Risk Management Framework and Policy	33
3.3 Risk Concentration Identification	35
3.4 Climate and Nature Scenario Analysis	38
3.5 Investment and Lending Risk Management	39
3.5.1 Investment and Lending Scenario Analysis3.5.2 Industry Exclusion and Restriction Policies3.5.3 Responsible Investment and Lending Processes3.5.4 Management of Sensitive Industries	39 43 43 44
3.6 Insurance Risk Management	45
3.6.1 Insurance-Related Scenario Analysis3.6.2 Industry Exclusion and Restriction Policies3.6.3 Risk management processes in the insurance	46 48
value chain	48
3.7 Operational Risk Management	49
3.7.1 Operational Scenario Analysis 3.7.2 Business Continuity Management Mechanism	49 50
3.8 Finance Innovation for Climate and Nature	50

4 Outlook and Conclusion	51
4.1 The Road to Net Zero	52
4.2 Nature Positive	52
5 Appendix	53
5.1 Summary of Major Data	54
5.2 Summary of Subject Matter Assured	59
5.3 TCFD Index	61
5.4 IFRS S2 Index	62
5.5 TPT Index	63
5.6 TNFD Index	64
5.7 External Assurance	65



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

About this Report

This report is prepared in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations by the Financial Stability Board (FSB) and follows the reporting framework of the International Sustainability Standards Board (ISSB) as outlined in the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures published in June 2023. It aims to provide comprehensive guidance and reference for the financial industry on climate-related financial disclosures, ensuring comparability and reliability to meet stakeholders' needs for climate-related information.

Cathay Financial Holdings ("Cathay FHC", "Cathay" or "the Group") also refers to the recommendations in the TPT Disclosure Framework published by the UK's Transition Plan Taskforce (TPT) in October 2023, as well as recommendations from the Taskforce on Nature-related Financial Disclosures (TNFD) published in September 2023. The report is compiled in accordance with international frameworks to meet public expectations for information disclosure.

- Scope of Disclosure: This report encompasses the main operations in Taiwan of Cathay FHC and its principal subsidiaries, including Cathay Life, Cathay United Bank (CUB), Cathay Century Insurance, Cathay Securities, and Cathay Securities Investment Trust (Cathay SITE).
- Period of Disclosure: Primarily examines climate and nature measures in 2023, supplemented by important milestones and achievements in 2024 and the past.
- Verification and Assurance: Cathay FHC engaged PwC Taiwan to independently verify the sustainability performance selected in the report prepared according to GRI standards. The verification was conducted under limited assurance in accordance with the TWSAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and TWSAE 3410 "Assurance Engagements on Greenhouse Gas Statements" issued by the Accounting Research and Development Foundation. For details of the limited assurance by the accountants, please refer to the appendix.

Statement of MSCI CVaR data use: MSCI Climate Value at Risk (CVaR) data used in this report, includes but is not limited to information obtained by MSCI ESG Research LLC and its affiliates (hereinafter referred to as "MSCI and Affiliates") from sources it believes to be reliable (hereinafter referred to as "relevant data"). However, MSCI and Affiliates do not guarantee the originality, accuracy, and/or completeness of any such data, and explicitly deny any implicit or explicit guarantees, including general applicability and applicability for specific purposes. Such relevant data is only intended for internal use and may not be reproduced or disclosed in any form. It also may not be used as the basis or component of any financial instrument, product, or index. Furthermore, any relevant data cannot be used as the basis for making any decision to buy or sell negotiable securities. MSCI and Affiliates are not liable for any mistakes or omissions of any data herein, and do not bear any responsibility for any direct, indirect, special, punitive, consequential, or any other damages (including loss of profits), even if the user has given notice of the possibility of such damages.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

Message from the Chairman

Leverage Our Influence as a Financial Institution & Demonstrate Sustainability Practices and Resilience

In the past year, markets have endured inflation, rising interest rates, geopolitical tensions, and adjustments in the industry. The volatility in capital markets has presented challenges for various industries and sectors. Changing landscapes are now the norm. Companies must, therefore, attach greater importance to risk control to ensure sustainable operations and greater resilience in the face of challenges.

Global climate change introduces impacts on our natural environments, loss in biodiversity, and food insecurity, affecting our survival and the world we live in. Cathay FHC is the largest financial institution in Taiwan by asset under management. As such, we are entrusted by more than half of the people in Taiwan to capitalize on our financial expertise and establish sustainability strategies and goals, work with stakeholders and partners across the industry's value chain, promote sustainable finance, and facilitate and support the industry's transition towards low carbon practices.

Cathay FHC has received global recognition for our efforts in mitigating climate change, environmental protection, and biodiversity. Between 2022 and 2023, we have been awarded the highest honors from the Carbon Disclosure Project (CDP), a world-leading authority, by being selected for their A List. In 2023, Cathay FHC was also invited to present at the World Climate Summit, a side event of COP28, for the third time. We were deeply honored to share our experiences in accelerating the transition toward net zero emissions as well as our observations and suggestions on climate finance around the world.

Transitioning towards net zero emissions and achieving positive growth with our natural environment are challenging and daunting missions that require a company to have resolve, courage, and innovation. Support in the form of financial funding is also critical. Countries, regions, and industries may face different challenges, but the path to a flourishing society and the common good will be the same - by working across sectors and capitalizing on our collective wisdom. We at Cathay FHC would like to take this opportunity to thank our customers, shareholders, and employees for your long-term support and trust. We hope that we can continue to leverage our influence as a financial institution to generate greater value for stakeholders and demonstrate our sustainability practices and resilience.

Chairman











Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



Key Milestones

2016

2017



2019

Representation of the property of the property

2012



► First bank in Taiwan to become a signatory to the Equator Principles (EPs) Q

2015

- Founding member of the Asia Investor Group on Climate Change (AIGCC)
- First financial institution in Taiwan to ioin Climate Action 100+ and the CDP's Non-Disclosure Campaign (NDC) Q
- Signed the endorsement for the Task Force on Climate-related Financial Disclosures (TCFD) initiative and established a dedicated TCFD task force

2018

• First financial institution to verify the carbon footprint of investment portfolios in accordance with TCFD's recommendations Ω First financial institution in the world to adopt ISO 20400 standards for sustainable procurement **Q**

2023



2022



2021

strategic sustainable development

Utilities Engagement Program (AUEP)

Science-Based Targets Campaign

Adopted "Climate" as one of the three focus areas for

• Only financial institution in Taiwan to join the Asian

First financial institution in Taiwan to join the CDP

- Signed and endorsed the Business for Nature's COP15 Business Advocacy Campaign
- Only life insurance provider in Taiwan to join Nature Action 100 Q
- First bank in Asia to join the CDP Carbon Disclosure Item-Commercial Bank Project Q
- Ranked as the top private financial institution in Taiwan by UK Financial Times' "Asia-Pacific Climate Leaders 2023" 🛡
- Awarded the highest honors A List again in the CDP assessment 🛡

- Releases Cathay's first TCFD Report
- ► First financial institution from Taiwan to join RE100 🔎
- Obtained official approval of Science Based Targets (SBTs)
- Joined the Partnership for Carbon Accounting Financials (PCAF)
- Joined the Taskforce on Nature-related Financial Disclosures (TNFD)
- First financial institution from Taiwan to join the Partnership for Biodiversity Accounting Financials (PBAF) Q
- Founding member of the Business Council for Sustainable Development of the Republic of China (BCSD Taiwan)'s Taiwan Nature Positive Initiative (TNPI)
- Founding member of the Financial Supervisory Commission (FSC)'s Coalition of Movers and Shakers on Sustainable Finance
- Awarded the highest honors A List for the first time in the CDP assessment Ψ
- Only financial institution in Taiwan to join the Ceres' Valuing Water Finance Initiative



2050

2024

► The TCFD task force

Nature Task Force

Cathav's Climate and

reestablished as



► 100% use of renewable

energy at Cathay FHC,

Cathav Life, CUB, and

Cathay Century

Insurance HQ (

 Reduce the balance of credit assets in the coal value chain to zero in Q1

- Exclude investment assets from coal value chain industries and unconventional oil & natural gas sectors that derive a significant portion Note 1 of their revenue from such activities and are not actively transitioning towards sustainability
- 60% renewable energy use at global business locations, and 100% renewable energy use at all Taiwan business locations
- ► 100% renewable energy use at all global business locations
- ► Net-zero emissions in financial assets 🌰

Note 1: For details on revenue portions, please refer to \$\infty\$ 2.1.2 Important Metrics and Targets.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



International Recognition and Honors

A List

▶ Awarded the highest honors from the Carbon Disclosure Project (CDP), a world-leading authority, by being selected for their A List for two consecutive years

Capital Market and Products & Services



NT\$30 billion

► Green Time Deposit Program reached over NT\$30 billion

NT\$ 48 billion

► Sustainability-linked Loans reached over NT\$48 billion

Sunshine Green Benefit Debt STO, raising NT\$30 million

NT\$30 million

► Released Taiwan's First

67 cases

Organized 3 loss-control seminars, and conducted 67 natural disaster risk assessments for solar energy

Engagement Action

75%

► Listed companies that participated in the Cathay Sustainable Finance and Climate Change Summit represented approximately 75% of Taiwan stock market

▶ First bank in Asia to join the CDP Carbon Disclosure Item-Commercial Bank Project Helped 16 companies obtain CDP ratings

Carbon Credit & Internal Carbon Pricing





Risk Management in Specific **Industries**

Management Guidelines

 Management Guidelines for Coal, Unconventional Oil, and Natural Gas Industries

Natural capital and human rights

Highlights

and

Performance

▶ Expanded the management scope of sensitive industries, incorporating factors such as natural capital and human rights

Initial Purchase

► Participated in the initial purchase of international carbon credits, offering Trust Services for Carbon Credit Prices



340 metric tons

▶ First-time implementation of ICP Energy Conservation & Carbon Reduction Campaign Reduced over 340 metric tons of carbon emissions and accumulated approximately NT\$5 million of carbon fees fund





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

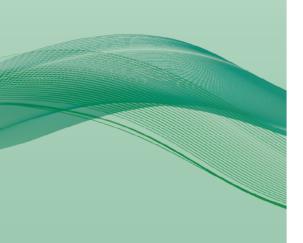
Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



International Perspective

Cathay FHC at COP28: Showcasing Low-Carbon **Transition Finance**

Lee Chang-Ken, President of Cathay FHC, was invited to Dubai to participate in the World Climate Summit, a pivotal forum at the 28th United Nations Climate Change Conference (COP28), where he shared Cathay's experience with the net zero transition - offering a perspective from Asia's financial sector. The summit, organized by the World Climate Foundation (WCF), focused on the theme of "Perspectives from Asia: How to Accelerate Climate Finance and Clean Energy Transition," covering critical issues such as industry transitions, nature-based solutions, and climate finance. It stood as the preeminent business leadership gathering during COP28. In his address on "Mobilizing the Private Sector for Climate Finance," President Lee discussed trends from recent COP meetings and stressed the urgency of achieving the Paris Agreement targets through innovative financing models like blended finance and transition finance to expedite the shift to a low-carbon economy. He under-

Photo: Lee Chang-Ken, President of Cathay FHC, represents the company at the World Climate Summit during the 28th United Nations Climate Change Conference (COP28)

scored the importance of a just transition—integrating innovative technologies, naturebased approaches, and robust policy frameworks with cross-sectoral collaboration—to effectively tackle climate change challenges.

Cathay FHC advocates for nature and sustainable finance at the World Biodiversity Summit (WBS) during Climate Week NYC

The ongoing loss of global biodiversity represents a grave threat to the global economy and supply chains. Sophia Cheng, Chief Investment Officer at Cathay FHC, attended the WBS during Climate Week NYC. Serving as a keynote speaker on the panel "Charting a Course of Action for Nature," she detailed Cathay's efforts to amplify the impact of sustainable finance worldwide. Cheng highlighted the critical role of technological innovations and non-traditional financial instruments like blended finance in engaging the private sector more effectively and addressing the significant funding deficiencies facing global conservation efforts. Emphasizing Cathay's pragmatic approach of "learning by doing," Cheng illustrated the company's dedication to sustainable and responsible investing and lending. She also noted the necessity of bridging scientific knowl-

edge from climate change, natural capital, and biodiversity with academic and industry expertise to ensure that local practices are aligned with global sustainability frameworks.



Photo: Sophia Cheng (second left), Chief Investment Office of Cathay FHC, speaks on nature and sustainable finance at the WBS during Climate Week NYC





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

 ${\rm Ch}3$ Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunitie

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



1.1 Identifying Risks and **Opportunities of Climate** and Nature



Risk Drivers and Transmission

Climate change presents both physical and transition risks, which are transmitted through economic and financial sectors, leading to increased traditional financial risks. These in turn impact business operations, products and services, and financial assets, threatening financial stability.

As the global fight against climate change progresses, promoting "Nature Positive " has become as crucial as achieving net-zero emissions. In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) released recommendations to guide corporations in decision-making and management to operate sustainably within limited natural resources and minimize impacts on the natural environment to maintain ecological balance. Cathay has adopted the LEAP approach from the TNFD initiative, progressively integrating nature-related risk assessments and pilot applications to explore the impacts of its operations on nature and biodiversity.

Prioritizing Climate and Other Risks

► Global financial markets and regulations are becoming increasingly complex due to climate change, technological advancements, and demographic shifts. To assess the impacts and implications of these factors, Cathay annually compiles a Cathay Risk Map. Each subsidiary identifies risks, and the Cathay FHC organizes these into a Cathay Risk Map based on the assessment results, establishing mitigating actions. For detailed information on the risk assessment processes and results, please refer to the Cathay FHC Sustainability Report 2023.

Imp Bus	pendence and act of inesses on Environment) a	Sources of Climate and Nature-Related Risks and Opportunities		Economic Transmission Pathway	\rangle	Traditional Financial Risks	Impact
	• Land • Oceans	Physical Risks	Acute Chronic	Microeconomic Impact	Corporates: • Property damage, business interruption, legal liabilities	Credit Risk	 Increase in probability of default (PD) or loss given default (LGD), depreciation of collateral 	
Dependence	Atmosphere Freshwater Environmental		Policy and regulations	mic Impact	Households: Income loss, property damage leading to increased costs and value impact	Market Risk	 Repricing of equities, fixed income, and commodities 	Financial Assets
	changes	Transition Risks	Market Technology Reputation	Macroec	 Capital depreciation and growth in investments Price fluctuations Productivity changes 	Liquidity Risk	 Increased liquidity needs, refinancing risks 	
П	GHG Emissions Disturbances	System Risks	Ecosystem Collapse System Risks Financial Stability	Macroeconomic Impact	 Labor market frictions Socio-economic shifts Impacts on international trade, fiscal revenue, interest rates, and exchange rates 	sk Operation Risk	Business interruptions, legal liability risks	Products &
Impact	Water Management Soil Emission	Opportunity	Resource EfficiencyMarketFinancingResilienceReputation	Impact Factors	Profitability decline Real estate value reduction Household wealth reduction Investment performance decline Increased compliance	k Insurance Risk	Increase in insurance losses and coverage gaps	Services
				tors	costs Rising legal expenses Increased probability of claims Increase in stranded assets	Reputation Risk	Greenwashing concerns damaging brand image	Business Operations
	5) (Sector Risk	Specific industries vulnerable to policy impacts affecting investment and financing risks	



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



1.2 Material Topics in Risks and Opportunities of Climate and Nature

Climate and nature have become long-term strategic issues. Every year, Cathay reevaluates climate and nature risks/opportunities then prioritizes them to select 6 material risks and 5 material opportunities. The evaluation considers the potential impact on Cathay over time, the duration, and correlation with conventional risks. Based on these findings, Cathay devises transition plans for three main business attributes: financial assets, products and services, and business operations. These plans are integrated with an effective governance framework and risk management mechanisms to enhance the corporate responsiveness and resilience to climate and nature-related issues.

(1)

Identifying Material Risks

Priority	y Category		Category		Risk	Potential Financial Impact	Impact on Cathay	Duration of Impact ^{Note}	Corresponding Risks (Conventional)	Primary Mitigating Action	Reference
1	Transition	Market	Changing consumer preferences	Not offering products that meet customer demands or investing in companies with poor climate adaptation strategies may reduce consumer engagement, leading to decreased revenues	Investment & Lending Insurance Operations	Short- to Long-term	Credit Market	Climate Strategy Blueprint -Provide Comprehensive Climate Finance Solution	2.2.2 Products and Services		
2	Transition	Policy & Policy and Regulatory	Policy and Regulatory Uncertainty	Ambiguities in climate policy may disrupt the operations of our own company and our clients, including insured businesses, preventing timely adaptation or sufficient transition and thus decreasing profitability	Investment & Lending Insurance Operations	Mid- to Long-term	Credit Market	Climate Strategy Blueprint- Net Zero Emissions in Financial Assets by 2050, Leader in Climate Engagement Actions, Green Energy, Green Operations, Green Real Estate	2.2.1 Financial Assets 2.2.3 Business Operations 2.3 Engagement Strategy 3.5 Investment and Lending Risk Management 3.6 Insurance Risk Management		
3	Transition	Technology	Green Asset/ Product Risks	Inadequately assessing the risks associated with green finance and insurance products could lead to increased exposure to client defaults and higher claims, adversely affecting profits	Investment & Lending Insurance	Mid- to Long-term	Credit Market Insurance	To establish "ESG and climate risk management guidelines", and formulate responsible investment and lending processes and risk management processes in the insurance value chain	3.2 Risk Management Framework and Policy 3.5 Investment and Lending Risk Management 3.6 Insurance Risk Management		
4	Transition	Market	Risks from high-emitting investment portfolios	High-emitting industries facing transformation pressures may incur increased financial stress or higher default risks, resulting in reduced returns on investment portfolios	Investment & Lending	Mid- to Long-term	Credit Market	Climate Strategy Blueprint- Net Zero Emissions in Financial Assets by 2050	2.2.1 Financial Assets 3.5 Investment and Lending Risk Management		
5	Physical	Acute/ Chronic	Climate-related Physical Risks	Climate-related disasters such as typhoons, floods, and extreme temperatures can cause significant financial, personnel, and operational losses to our operations, investees, and insured companies, negatively impacting profitability	Investment & Lending Insurance Operations	Short- to Long-term	Credit Insurance Operational	To establish "ESG and climate risk management guidelines", and formulate responsible investment and lending processes, risk management processes in the insurance value chain,	3.2 Risk Management Framework and Policy 3.5 Investment and Lending Risk Management 3.6 Insurance Risk Management 3.7 Operational Risk		
6	Physical/Transition Phys		Nature-related Physical/ Transition Risks	Investments or insured entities facing degradation of natural ecosystem services or incurring costs for environmental transition may experience reduced returns on investments and insurance revenues	Investment & Lending Insurance	Mid- to Long-term	Credit Market Insurance	and Business Continuity Management Mechanism", and use digital tools to innovate monitoring and management	Management 3.8 Finance Innovation for Climate and Nature		

Note: Short-term means likely to occur within 1 year; Mid-term means likely to occur in 1-3 years; and Long-term means likely to occur after three years or more.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

 $\mathsf{Ch2}\,\mathsf{Strategic}\,\mathsf{Ambition}\,\mathsf{and}\,\mathsf{Progress}$

 ${\rm Ch}3$ Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



Identifying Material Opportunities

Priority	Туре	Opportunity	Potential Financial Impact	Impact on Cathay	Duration of Impact ^{Note}	Primary Mitigating Action	Reference
1	Products & Services	Innovative Green Services	Develop innovative green services in the strive towards net-zero operations, while simultaneously fulfilling the diverse needs of our customers, increasing engagement	Operations	Short- to Long-term	Climate Strategy Blueprint -Provide Comprehensive Climate Finance Solution	2.2.2 Products and Services
2	Resilience	Management Mechanism for Sustainability Commitment	Establish management mechanisms to fulfill our sustainability commitments ensures that these pledges are met, thereby increasing client engagement and trust	Operations	Mid- to Long- term	The board of directors oversees the work progress and promotion of ESG and climate-related risks and opportunities through the "Corporate Sustainability Committee" and "Risk Management Committee", and senior executives lead various working groups to implement climate and nature-related strategies into daily operations	3.1 Governance Structure and Responsibilities
3	Resilience	Advocacy and Engagement Initiatives	Through advocacy and engagement actions, we leverage our financial influence and engage in dialogue with stakeholders along the financial value chain, fostering the development of innovative financial solutions in climate and nature, thereby enhancing profitability	Investment & Lending Operations	Mid- to Long- term	Climate Strategy Blueprint - Leader in Climate Engagement Actions	2.3 Engagement Strategy
4	Market/ Products & Services	Carbon-Related Opportunities and Services	Develop carbon-related opportunities and services to expand the scope of our services and increase revenue	Operations	Mid- to Long- term	Climate Strategy Blueprint - Provide Comprehensive Climate Finance Solution	2.2.2 Products and Services
5	Products & Services	Climate Innovation and Nature-Related Financial Products and Services	Expand portfolio to include climate innovation and nature-related investment opportunities, insurance products/services, and funds, which will diversify the range of products available and boost profits	Investment & Lending Insurance	Short- to Long-term	Climate Strategy Blueprint - Provide Comprehensive Climate Finance Solution	2.2.2 Products and Services

Note: Short-term means likely to occur within 1 year; Mid-term means likely to occur in 1-3 years; and Long-term means likely to occur after three years or more.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

2.1 Transition Plan

In 2021, Cathay defined climate as one of the company's three focus areas in response to climate risk and to demonstrate resolve for pivoting Cathay to net zero emissions. In 2022, Cathay went a step further and designed a Climate Strategy Blueprint for more in-depth developments of these focus areas. Two dimensions - Low-Carbon Economy and Environmental Sustainability - were determined as our Ambitious Goals. The company also determined short-, mid-, and long-term climate goals, steadily implemented a credible transition plan.

2.1.1 Climate Strategy Blueprint

Climate Strategy Blueprint

As Taiwan's largest financial institution, Cathay is committed to the proper use of all capital and to working with shareholders and customers. We will accompany our investees and borrowers in their low-carbon transition to furnish a zero-carbon society and establish ourselves as an influential benchmark.

Ambitious Goals

- Achieve net zero emissions by setting SBTi and transitioning financial assets.
- Encourage and work with stakeholders in the financial value chain to take action against climate change and strengthen resilience against climate risks.
- Support companies and industries to create opportunities for low carbon transformation or mitigate/adapt to climate change through funds or financial products and services, so that industries will become more competitive and society will develop towards a green economy in an orderly manner.



By spotlighting Green Energy, Green Operations, and Green Real Estate, Cathay FHC is steadily implementing its "Zero-Carbon Operation Transition Plan" to achieve net zero emissions by 2050.

Ambitious Goals

- Promote energy transition so that business locations in Taiwan will use 100% renewable energy, and business locations worldwide will use 60% renewable energy by 2030.
- Mobilize operations, digitalize services, and share workspaces in order to incorporate sharing and circulation into planning and creation of a low-carbon workplace.
- Furnish an ecosystem of low-carbon buildings and drive industry participation in the energy transition.

(a) < 12 →</p>



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

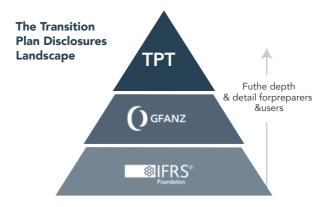
Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

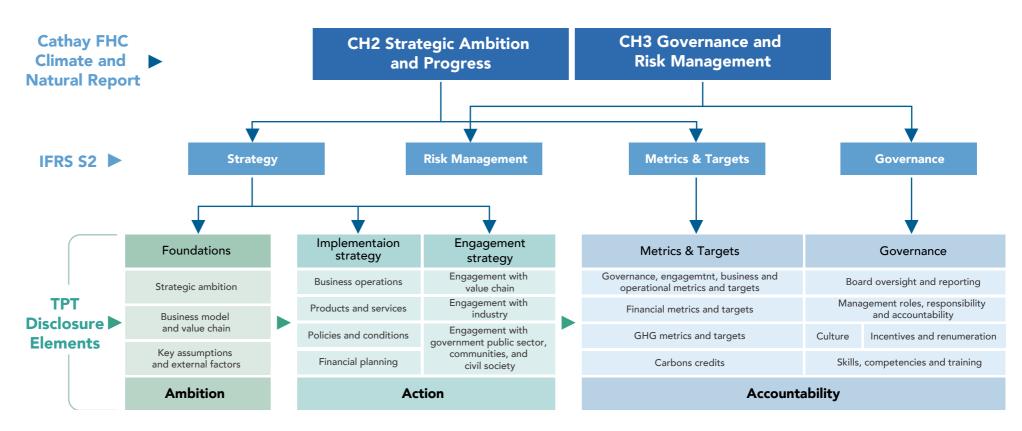
Ch5 Appendix

Climate Strategy Blueprint Compliant with IFRS S2 and TPT Disclosure Framework

Cathay recognizes the transition plan disclosure requirements set forth by IFRS S2 as well as the international community's hopes for a standardized framework. In October 2023, the Transition Plan Taskforce (TPT), spearheaded by the UK's HM Treasury, published its final "TPT Disclosure Framework." The Framework builds on related IFRS S2 guidelines and the five core elements found in the "Financial Institution Net-zero Transition Plans" published by the Glasgow Financial Alliance for Net Zero (GFANZ) as the TPT hopes to develop a consistent and open disclosure framework for transition plans. As such, Cathay has cross-checked the TPT Disclosure Framework with the company's existing Climate Strategy Blueprint and identified that core elements of TPT's framework align with international disclosure frameworks, which further echoes the fundamental goal of transition plans.



TPT built on GFANZ and IFRS





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



Climate Strategy Blueprint & "TPT Disclosure Framework" Index

The TPT Disclosure Framework applies three guiding principles of Ambition, Action and Accountability and is organized across five Elements: Foundations, Implementation Strategy, Engagement Strategy, Metrics & Targets, and Governance. Cathay's Climate Strategy Blueprint aligns with the TPT Framework's three guiding principles. Ambition covers two dimensions of Low-Carbon Economy and Environmental Sustainability as ambition goals of the transition plan. Action covers elements such as business operations, products and services, policies and conditions, and engagement strategies. Accountability covers metrics and targets and leverages governance framework to embed the plan into the organization. In conclusion, Cathay's Climate Strategy Blueprint perfectly echoes the TPT Disclosure Framework.

			TPT Disclosure Frame	work			
Principles	Ambition	Action			Accountability		
Disclosure Elements	Foundations	Implementation Strategy	Engagement Strateg	ЭУ	Metrics & Targets	Governance	
Definition	Strategic Ambition of the plan	Actions taken within business operations, products and services, and policies and conditions to achieve the Strategic Ambition	Engagement with value chain, in- government, public sector, commun society to achieve the Strategic Amb	nities, and civil	Metrics and targets used to drive and monitor progress towards the Strategic Ambition	How transition plan is embedded within existing governance structures and organizational arrangements to achieve the Strategic Ambition	
	Low-Carbon Economy Cathay is committed to the proper use of all capital and to working with shareholders and customers. We will accompany	Net Zero Emissions in Financial A emissions by setting SBTi and tran	sitioning financial assets 2.	Chapter 2.1 Financial ssets	 Percentage decrease of emission intensity from electricity generation project finance and commercial real estate mortgage loans; temperature ratings of Cathay-invested listed companies, etc. Exclude investment assets from coal value chain industries and unconventional oil & natural gas sectors that derive a significant portion of their revenue from such activities and are not actively transitioning towards sustainability, etc. 	Cathay FHC's board of directors serves as the highest governing body of Cathay. The board oversees the progress and advancement of ESG and climate-related risks and opportunities through the Corporate Sustainability. Committee and the Risk	
Climate Strategy Blueprint	borrowers in their low- carbon transition to furnish a zero-carbon society and establish ourselves as an influential benchmark.	Leader in Climate Engagement A stakeholders in the financial val climate change and strengthen res	lue chain to take action against 🚉	.3 Engagement trategy	 Participating in climate and natural organizations or initiatives; engagement initiatives; engagement with key companies in domestic investment and lending portfolios that account for a certain percentage of carbon emissions, etc. 	Management Committee. At the management level, quarterly cross- group climate governance meetings are convened by the CRO of Cathay FHC,	
ычерпп	Sustainability By spotlighting Green Energy, Green Operations, and Green Real Estate,	Provide Comprehensive Climate companies and industries to creat transformation or mitigate/ada funds or financial products and become more competitive and green economy in an orderly management.	ate opportunities for low carbon apt to climate change through services, so that industries will are society will develop towards a	.2.2 Products nd Services	Percentage increase of low-carbon investments, sustainable loan remainder, insured amount for green insurance, and cases of corporate catastrophe services, etc.	focusing on discussions related to climate and nature. The meetings are supervised by Cathay FHC President, who provides guidance and opinions. In addition, senior executives	
	Cathay FHC is steadily implementing its "Zero-Carbon Operation Transition Plan" to achieve net zero emissions by 2050.	locations worldwide will use 60% • Green Operations: Mobilize ope	orenewable energy, and business renewable energy by 2030 erations, digitalize services, and corporate sharing and circulation ow-carbon workplace osystem of low-carbon buildings	.2.3 Business Operations	 Increase in renewable energy usage; acquire Green Building (TW) or LEED (US) accreditation for all new buildings; green leasing coverage for commercial buildings in specific areas, etc. 	lead various working groups to drive climate and nature-related policies and risk management measures and ensure that these policies are implemented in day-to-day operations.	



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

2.1.2 Important Metrics and Targets

In 2022, Cathay established short-, mid-, and long-term quantitative metrics and targets for Ambitious Goals of the company's Climate Strategy Blueprint. Cathay FHC and its subsidiaries' Corporate Sustainability Committees regularly track progress and results, and update goals to ensure the transition plan remains effective. This chapter extracts Cathay's status of major targets in 2023 and short-, mid- & long-term targets for 2024-2050. Assessment reveals that Cathay achieved most of its 2023 targets, please refer to Cathay FHC's Sustainability Report 2023 for more details.

Status of Major targets in 2023

y / Status	or Major targets in	1 2023			✓ Achieved
Business Scope		Item/Metrics	2023 Targets	2023 Progress	
	Percentage decrease of emiss 2019	sion intensity from electricity generation project fin	ance compared to base year of	19.3%	Note 3
	Long-Term Corporate loans	Percentage decrease of emission intensity from compared to base year of 2019	electricity generation industry	18.5%	Ø
	listed conition 0 hands	Percentage decrease of temperature targets of	Scope 1+2	27.5%	
Financial	Listed equities & bonds	proprietary assets from base year of 2020	Scope 1+2+3	19.5%	
Assets	Investment assets Note 1	Exclusion of companies that reach a certain percentage of revenue threshold and are not actively transitioning	Coal value chain Note 2	30%	
	Engagement with key comp percentage of total carbon er	anies in domestic investment and lending portfo missions	lios that account for a specific	45%	Ø
	Participation in international/	domestic engagement and initiative campaigns		3~5	Ø
	Percentage increase in low-ca	arbon investments from base year of 2020		20%	Ø
	Percentage increase in green	deposit/loan products or services from base year of	of 2022	10%	Ø
Products & Services	Percentage increase in insure	d amount for green insurance underwriting from ba	ase year of 2022	5%	Ø
Services	Percentage increase in compa	anies enrolled in Cathay's corporate catastrophe se	ervices from base year of 2022	5%	Ø
	Fulfillment of RE100 commitm	nent and increased use of renewable energies		10%	Ø
	Increase in onsite self-use PV	systems on proprietary buildings from base year o	f 2020	CUB: 335%	Ø
Business Operations	Green leasing coverage for co	ommercial buildings in specific areas		Grade A offices in Taipei City's Xinyi & Dunnan commercial areas	Ø
	Carbon reduction incentives t	to employees in 2023 in combination with internal	carbon fee mechanisms	Implemented	Ø
	Secure LEED (US) certification	n or green building (TW) for all new buildings after	2023	Implemented	⊘

Note 1: Investment assets include active investments in stocks or bonds and investment positions managed by third parties.

Note 2: Coal value chain under investment assets includes coal mining, coal-fired power generation, coal railway transportation, and coal ancillary services.

Note 3: Cathay is contractually obligated to fund a fossil fuel power station, which is currently CUB's only fossil fuel project finance. The credit limit will expire in 2026 and will not be renewed.



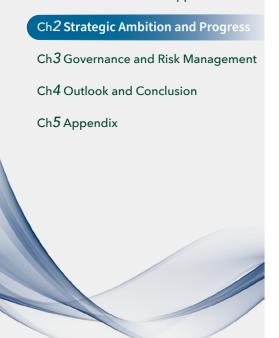
Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities



Short-, Mid- & Long-term targets for 2024-2050

Business		Item/Metrics		Short-term		Mid-term		L	ong-term	
Scope		2024	2025	2026	2027	2030	2035	2050		
	Percentage decrease of emission intensity from electricity generation project finance compared to base year of 2019 (Unit: tCO ₂ e/MWh)			23.7%		33.1%			68.8% 73.1%	
		Percentage decrease of emission intensity from commercial real estate mortgage loans compared to base year of 2019 (Unit: kgCO ₂ e/m²)				37.8%				
		Percentage decrease of electricity generation indu year of 2019 (Unit: tCO ₂ e/	stry compared to base	22.7%		31.7%			68.8%	
	Long-term corporate loans	Percentage decrease of e commercial buildings compa (Unit: kgCO ₂ e/m²)		27.4%		37.7%			73.1%	
	corporate loans	Percentage of outstanding within the fossil fuel, electric equipment, and general semiconductor sectors stargets compared to base	ectrical and electronic eral manufacturing setting SBTi validated	35%		45%		32		
	Listed equities & bonds	Temperature targets of proprietary assets from	Scope 1+2	2.82° C		2.68° C				
		ted equities &base year of 2020	Scope 1+2+3	2.9° C		2.79° C				Net zero
Financial Assets		Temperature targets of AUM from base year of 2020	Scope 1+2	2.85° C		2.71° C				emissions in financial
			Scope 1+2+3	2.93° C		2.81° C				assets
	Investment	Exclusion of companies that reach a certain percentage of revenue	Coal value chain ^{Note 2}	30%	20%			OECD: 5% Non-OECD: 20%		
	assets Note 1	threshold and are not actively transitioning	Unconventional oil and natural gases ^{Note 3}	50%	30%			OECD: 20% Non-OECD: 30%		
	Credit assets	Full divestment from coal v	ralue chain ^{Note 4}				Q1			
	Engagement with portfolios that ac emissions	Engagement with key companies in domestic investment and lending portfolios that account for a specific percentage of total carbon emissions			50%			55%		
		Participation in domestic/international climate and natural organizations or initiatives				10				
		Participation in domestic/international climate engagement and initiative campaigns				3				
	Participation in do initiative campaign	mestic/international nature-r is	elated engagement and			2				
	Percentage increas	se in low-carbon investments	from base year of 2020	30%	40%			70%		



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



Business	Normal Marketine	Short-term	Mi	d-term			Long-term		
Scope	Item/Metrics	2024	2025	2026	2027	2030	2035	2050	
	Percentage increase in sustainable loan from base year of 2023	10%	20%			60% Exceed 100 billion			
Products & Services	Percentage increase in insured amount for green insurance underwriting from base year of 2022	10%	15%			30%			
	Percentage increase in companies enrolled in Cathay's corporate catastrophe services from base year of 2022	10%	15%			30%	2		
	Total number of green bond underwriting from base year of 2020	14	15			20			
	Fulfillment of RE100 commitment and increased use of renewable energies	Taiwan: 22.7%	Six companies ^{Note5} HQ: 100%			Taiwan: 100% Global: 60%		Global: 100%	
Business	Increase in onsite self-use PV systems on proprietary buildings from base year of 2020	Cathay Life: 1,000% CUB: 454%	Cathay Life: 2,500% CUB: 500%			Cathay Life: 3,750% CUB: 618%			
Operations	Green leasing coverage for commercial buildings in specific areas	Six special municipalities	Six special municipalities			All of Taiwan			
	Secure LEED (US) certification or green building (TW) for all new buildings after 2023			100%					

Note 1: Investment assets include active investments in stocks or bonds and investment positions managed by third parties.

Note 2: Coal value chain under investment assets includes coal mining, coal-fired power generation, coal railway transportation, and coal ancillary services.

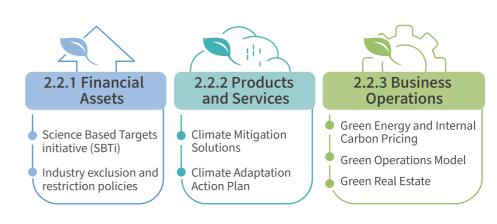
Note 3: Unconventional oil and natural gases under investment assets include extra heavy crude oils such as oil sands as well as shale oil and liquefied natural gases (LNG) refined from unconventional fossil fuel.

Note 4: The coal value chain under credit assets includes coal-related mining, products, wholesale, and retail, etc.

Note 5: Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, and Cathay SITE.

2.2 Implementation Strategy

Cathay FHC's transition plan calls for companies to disclose actions taken to achieve strategic ambition in response to policy requirements, product and service offerings, and business operations, as well as the resulting impact on financial position, financial performance, and cash flow. Cathay is committed to judiciously deploying every unit of capital, collaborating with shareholders and clients, and supporting investees and borrowers in transitioning to a low-carbon economy, progressing towards a carbon-neutral society. The focus includes energy, operations, and real estate, implementing strategic ambition for a Zero-Carbon Operation Transition Plan. Specific strategic ambitions for climate have been set for financial assets, products and services, and business operations.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

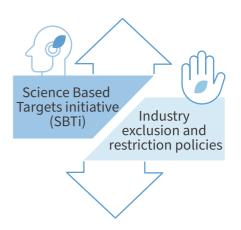
Ch4 Outlook and Conclusion

Ch5 Appendix

With increasing global carbon reduction regulation, the Financial Supervisory Commission released the "Green Finance Action Plan 3.0"

in September 2022, emphasizing the need for financial institutions to understand the carbon emissions of their own and their investment/ lending portfolios, assess and identify the potential impacts of climate change on individual financial entities and the capital market, and establish carbon reduction targets, divestment standards, and monitor industry transition progress. Cathay FHC employs science-based targets and exclusion and restriction policies as part of its strategy to address carbon-intensive

industries. This strategy, by influencing asset allocation in carbon-intensive sectors, may lead to a short-term reduction in the overall value and returns of financial assets. However, in the medium to long term, it aims to mitigate the risk of holding onto controversial assets, as well as the risk of them becoming stranded assets, thereby enhancing the stability of the overall financial asset value and related returns. Additionally, Cathay actively engages with its investees and borrowers to drive the low-carbon transition. For more information, @ please refer to 2.3 Engagement Strategy.



Science Based Targets initiative (SBTi)

2.2.1 Financial Assets

Establishing an emission-based and impact-based carbon reduction pathway for investment/ lending portfolios is one of Cathay's key strategies to achieve zero emissions from financial assets by 2050. In 2021, Cathay FHC adopted methodologies from the Science Based Targets initiative (SBTi) and the Partnership for Carbon Accounting Financials (PCAF) to audit carbon footprints and set reduction targets for financial assets. In September 2022, Cathay's science-based carbon reduction targets were officially approved. The targets, based on the 2020 baseline year, cover 46% of the total investment activities, including listed equities and corporate bonds, electricity generation project finance, commercial real estate mortgages, and long-term corporate loans. For more information, @please refer to Cathay FHC's Sustainability Report 2023.



Industry exclusion and restriction policies

Fossil fuels are a primary driver of climate change, and the pace of phasing them out varies by country, impacting the global burden of climate change. The guestion of how to effectively wield financial influence to gradually and orderly phaseout coal, oil, and natural gas industries to facilitate a transition to a low-carbon economy is a crucial concern. Cathay has developed exclusion and restriction policies for investments, lending, and insurance pertaining to the coal value chain and unconventional oil and natural gas sectors, setting thresholds for exclusion of companies that reach a certain percentage of revenue without active transition efforts. For more information, respectively see 3.5 Investment and Lending Risk Management and 3.6 Insurance Risk Management.

2.2.2 Products and Services

As global warming becomes more severe, the idea of green finance is gaining traction. Companies are now considering environmental sustainability as a key factor in their decision-making process, beyond mere profit and cost considerations. Additionally, the implementation strategy of the transition plan anticipates that companies will disclose changes in their product and service mix to meet strategic ambitions. Cathay's significant risk identification and opportunity assessment results reveal one risk and three opportunities directly related to products and services, highlighting the crucial role of products and services that mitigate and adapt to climate change.

Green capital, green products, and green services are the three main focuses of Cathay's initiatives to promote climate-friendly products and services, providing comprehensive climate finance solutions to support businesses in investing in low-carbon green transition. For example, considering the financial impact generated by green services, Cathay assists solar power industry players in conducting onsite health checks and risk identification. Through seminars, educational training, and research, Cathay enhances stakeholders' ability to identify risks. While this may incur additional costs in the short term, offering loss control and preventive advising helps businesses mitigate or adapt to the impacts of climate change, increasing stakeholders' resilience in managing natural disasters and effectively reducing claims expenses.





Message from the Chairman

Key Milestones

Highlights and Performance **International Perspective** Ch 1 Material Risks and Opportunities Ch2 Strategic Ambition and Progress Ch3 Governance and Risk Management Ch4 Outlook and Conclusion Ch5 Appendix

Cathay addresses climate-related transition risks through green capital and products as two major climate change mitigation solutions. Such as low-carbon investment and lending, green deposits, and green funds, etc. by providing diversified climate financial products to lead the industry's low-carbon transition.

Low-carbon Industry Investment & Lending Current **Progress**

Buildings



• Cathay refers to the Global Investor Coalition on Climate Change (GIC)'s Low Carbon Investment(LCI) Registry when defining the low-carbon sector, which includes alternative energy, green buildings, waste recycling, low-carbon transportation, circular economy, green bonds, and natural carbon sinks.

Transportation
Green Bonds

• In 2023, Cathay's low-carbon industry investments totaled NT\$298.7 billion, and lending totaled NT\$40.8 billion. For more information, Please refer to 5.1_Summary of Major Data.

Renewable Energy Industry

- As of the end of 2023, loans have been approved for 2,700 solar power stations in Taiwan and abroad, with a total installed capacity of 1,045 MW and annual carbon reduction benefits of 638,000 metric tons. Note
- In 2023, CUB completed lending of an onshore wind farm project in Vietnam, marking the first-ever renewable energy project the bank financed in Vietnam. For the project, CUB was awarded The Asset Magazine's Renewable Energy Deal of The Year - Wind.

Note: Calculated based on Taiwan's average solar PV capacity factor in 2023 announced by the Taiwan Power Company and electricity emission factor of 0.495 kgCO2/kWh in 2022 announced by the Bureau of Energy.



Green Deposits

• As of the end of 2023, over 40 companies had participated in the Green Time Deposit Program, amassing a total scale of over NT\$30 billion, with a balance of NT\$2.394 billion. Funds from these green deposits have been invested in renewable energy projects, including solar power loan, wind power, and fishery and electricity symbiosis projects. In September 2023, Cathay obtained its first assurance report for these projects.

Sustainability-linked Loans (SLL)

• As of the end of • In 2023, Cathay partici-2023, Cathay had cumulatively issued more than NT\$48 billion (NT\$33.036 billion balance) in SLLs to nearly 60 corporate clients.

Green Bonds & Sustainability Bonds

pated in the underwriting of TSMC's listed green bonds in Taiwan, totaling NT\$40 billion.

• In 2023, Cathav FHC underwrote four international sustainability bonds.

Sunshine Green Benefit Debt STO

In November 2023. Cathav was granted approval to start a Security Token Offering (STO) in collaboration with the parent companv of Sunny Founder. GRINNODÓT, launching Taiwan's first Sunshine Green Benefit Debt STO and raising NT\$30 million.

Green Insurance

In 2023, Cathay Century Insurance increased insurance coverage for solar power and offshore /onshore wind farms. underwriting an additional NT\$28.07 billion.



Green funds

Cathay SITE became the first trust company in Taiwan authorized to set up a subsidiary to issue private equity (PE) funds. Cathay Sustainable Private Equity Fund focused entirely on Taiwan's kev sustainable development industries, with an actual invested amount reaching NT\$6.8 billion in 2023.

fnl < 19 >



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



S Climate Adaptation Action Plan

Driven by global warming, extreme weather events are becoming increasingly common across the world, with the crisis of heavy rainfall and severe droughts becoming more evident. In response to the impacts of climate change, Cathay aligns with the government's "National Climate Change Adaptation Action Plan" by promoting and establishing related goals. For instance, Cathay Century Insurance provides corporate catastrophe services to help businesses identify and assess future climate risks, thereby enhancing the adaptability of energy supply and industries. Moreover, Cathay Century Insurance has pioneered the development of crop insurance, securing agricultural production and preserving biodiversity.



- Corporate loss-control seminars: In 2023, three seminars were held to share insights on "Composite Corporate Operational Risks," "Cybersecurity Risks," "Corporate Sustainability and Green Energy," and other trending topics with corporate clients.
- Corporate loss-control consulting: In collaboration with Eos Rhea Metis Ltd. (ERM), Cathay Century Insurance studied wind damage mechanisms on solar power equipment and developed risk potential maps based on major climate factors. Drawing on the damage and risk assessment practices from Typhoon Soudelor in 2014, these two topics were shared at loss-control seminars to enhance disaster awareness and risk mitigation among solar industry stakeholders. Cathay Century Insurance assists corporate clients in reviewing and improving equipment readiness, providing solutions to enhance resilience against natural disasters.



Green Services

Corporate Catastrophe Services

Disaster Types	Typhoons, Floods, Earthquakes	Flooding	Natural Disaster Risk Assessment of Solar Power Facilities
Target ► Clients	Insured clients with typhoon, flood, and earthquake insurance / Internal underwriting units / Corporate clients seeking to insure against typhoons, floods, and earthquakes	Corporate clients exposed to flooding risks	Solar Power Facilities
Features >	On-site inspections and simulation -based assessments with Taiwan Risk Management (TRM)'s Typhoon and Flood Risk Assessment Model	Help clients assess factory surroundings, including the adequacy of drainage facilities and identification of vulnerable flood-prone areas	On-site inspections and data collection are conducted to evaluate if solar panels can withstand high winds during typhoons and prevent damage, thereby promoting overall quality in the solar energy industry
Outcome ▶	From 2012 to 2023, Cathay provided 289 risk assessment reports related to typhoon, flood, and earthquake risks for corporate clients and internal underwriting units. Additionally, 183 internal assessments were provided based on client needs, totaling 472 risk assessments	From 2013 to 2023, 18 service cases were completed	From 2015 to 2023, 67 solar facility risk assessments were conducted



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

₹esu

CASE STUDY

Enhancing Climate Resilience and Loss- Control for Solar Power Systems

Cathay Century Insurance has identified three key measures for reducing climate risk at solar power plants

While adhering to existing building codes for wind resistance, it's crucial to also consider the impacts of climate change by appropriately elevating wind resistance and safety standards

Special attention must be paid to the design, construction, material strength, and size of the installations

Operators should regularly check for loose fittings or corrosion in connectors

- ▶ Since 2015, Cathay Century Insurance has offered site survey services to identify potential risks for solar power operators. Operators are reminded to ensure construction quality, materials used, wind resistance designs, and maintenance checks of the installations. Through educational training and on-site inspections, Cathay Century Insurance helps transform knowledge, experience, and expertise into support and research results, enhancing operational resilience.
- ▶ Solar energy is a critical source of green energy in Taiwan. However, frequent typhoons represent a significant threat, posing risks to the stability of green power supply. Cathay Century Insurance's research shows that solar power equipment losses in Taiwan most commonly occur within 50 kilometers south of the typhoon center, particularly affecting installations in the central and southern regions. Typhoons crossing the central mountains from Hualien and those entering from Taitung through the Kaohsiung & Pingtung Region cause the most damage.
- Cathay Century Insurance collaborates with the Taiwan Association of Disaster Prevention Industry to research the correlation between wind speed and solar power equipment damage. This research incorporates insurance loss data, typhoon paths, and observed wind speeds to perform in-force policy health checks for solar power sites valued at over NT\$110 billion.



Photo: Cathay's proprietary Solar Power Puzzle Model is used in internal employee training. Patent granted in February 2023.



Photo: On-site inspections at solar energy facilities to help identify risks and give suggestions on improvements.

CASE STUDY

Climate Change Resilience and Biodiversity Preservation through Crop Insurance

Cathay's Crop Insurances Mango Crop Insurance (government disaster relief-linked) Mango Crop Insurance (regional harvesting)

Parametric Guava Crop Insurance (for wind speed of typhoon and rainfall)

- As extreme weather conditions intensify, the risks to crop yields also increase. Cathay Century Insurance utilizes its expertise to help various communities manage climate risks. Since 2016, Cathay has offered Mango Crop Insurance(government disaster relief-linked policy and regional harvesting policy), and Parametric Guava Crop Insurance (for wind speed of typhoon and rainfall). These policies are tailored to the specific characteristics of each crop and adjusted based on climate and harvest variations. For instance, Mango Crop Insurance (regional harvesting) of 2017 compensates farmers when actual harvests fall below guaranteed levels, providing farmers with flexible compensation that aligns with actual cultivation conditions.
- ▶ To provide precision claims service for its crop insurance products, Cathay Century Insurance integrated an automated digital service, introduced instant claims processing, and adjusted the compensation ratio to mitigate the financial impact of typhoons and torrential rains. In 2022, Cathay Century Insurance's Guava Crop Insurance began using instant claims processing. This innovative approach has enabled us to initiate claims processing immediately when natural disasters such as torrential rains occur. We also proactively reached out to affected farmers via text messages, intending to complete claims payments as quickly as possible to help them replant and restore production levels.
- In 2023, four claims were paid under Mango Crop Insurance (government disaster relief-linked), totaling about NT\$408,000. In addition, Cathay Century Insurance actively participates in agricultural seminars where we share our knowledge and expertise to help farmers increase their insurance and risk management awareness and gain valuable market insights. By regularly reviewing our insurance products and making adjustments to our policies, we strive to provide farmers with the most comprehensive coverage possible.



Photo: Guava harvest





Photo: Cathay Century Insurance hosts a seminar for farmers



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

2.2.3 Business Operations

Cathay FHC has set three major strategies for reducing its own operational emissions: Green Energy, Green Operations, and Green Real Estate. Additionally, Cathay follows the "Zero-Carbon Operation Transition Plan" to drive low-carbon operations and efforts in the group. Cathay became the first financial institution from Taiwan to join RE100 in April of 2022, and drafted the Green Leasing Program with the Bureau of Standards, Metrology and Inspection, M.O.E.A. The program helps SMEs obtain addedvalue services from renewable energy, working with stakeholders towards a collective vision of environmental sustainability.





Green Energy and Internal Carbon Pricing

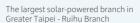
Cathay FHC set forth the Environmental and Energy Policy in 2022, stipulating that all its subsidiaries must consider appropriate use of natural resources, climate change and manage operation and investment risks when conducting operations and activities pertaining to environment and energy. The group's Green Operation Working Group is in charge of promoting these efforts and providing adequate training and resources.



Increase Use of Renewable Energies

- Cathay FHC became the first financial institution from Taiwan to join RE100 in 2022. We have committed to using 100% renewable energy in all global Cathay locations by 2050.
- In 2023, the usage of renewable energy reached 17.95 million kWh, accounting for 16.5% of Cathay Group's total domestic electricity consumption, surpassing the group's 10% goal for 2023.







The largest onsite self-use solar power plant in Cathay Group - Cathay Life's Wuri Building in

Install Solar Panels on Proprietary Buildings

- CUB and Cathay Life assessed their proprietary buildings for solar panel installation in 2013 and 2018 respectively. The renewable energy generated would be for onsite self-use, thereby reducing the carbon emissions from gray energy. Additionally, the companies may sign FIT contracts with Taipower to sell renewable energy and increase revenue.
- CUB set up the first solar-powered branch in 2013, and as of 2023, have established 8 solar-powered branches for a total installed capacity of 270 kW.
- Cathay Life has set up a total of 6 onsite self-use solar power plants and 4 FIT-type solar power plants as of 2023, for total installed capacities of 513 kW and 6,451 kW, respectively.



Internal Carbon Pricing (ICP)

- Cathay FHC leverages ICPs to internalize external costs, and to serve as a basis for managing carbon risks and assessing our carbon reduction responsibilities.
- In 2023, Cathay Life held energy conservation and carbon reduction events to incorporate ICP. The collected carbon fees were given out as rewards for carbon reduction, or allocated for the purchase of carbon credits and acquisition of green building accreditation so that the carbon fees are reinvested into the Zero-Carbon Operation Transition Plan to create a virtuous cycle and enhance the synergy of sustainable development.

CASE STUDY

Cathay Life ICP - Energy Conservation & **Carbon Reduction Campaign**

- Period: April to September 2023
- Eligibility: All Cathay Life employees (around 500 units)
- Rewards: carbon fees collected from energy conservation & carbon reduction efforts X reward multiplier (%) = cash reward
- Reward Distribution: Rewarded to regional offices, business units, HQ, and service centers

Carbon reduction: Over 340 metric tons

Carbon fees: Approximately NTS 5 million Energy savings: Approximately **700** MWh

Note: Calculated based on the electricity emission factor of 0.495 kgCO2e/kWh published by MOEA in 2022.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

S Green Operations Model

Cathay is committed to reducing the environmental impact of its operations, innovating workflows in the workplace, and enhancing resource efficiency, which contributes to lowering mid to long-term operating costs and emissions. This is achieved through workplace digitization, water resource management, sustainable procurement, and carbon credit trading.





Sustainable Procurement



Carbon Credit Trading

• In 2023, Cathay implemented the ISO 46001:2019 Water Efficiency Management System and passed the external verification by BSI, earning the ISO 46001:2019 certificate.

Water Management

- Since 2016, Cathay has led the financial industry in organizing the Sustainability Supplier Conference, sharing Cathay's sustainability initiatives, human rights and environmental protection training, and supporting the Ministry of Environment's "Private Enterprises and Organizations Green Procurement Program."
- Since 2017, suppliers have been invited to sign the "Cathay Financial Holdings Statement of Sustainability Values," and from 2018, Cathay introduced the ISO 20400:2017 guidance for sustainable procurement, becoming the first enterprise in the global financial sector to pass the audit.



Share Workspaces

• Spatial modules and designs are based on the nature of different iob functions. Office spaces will now be designed for sharing and employees will no longer have fixed workstations, enabling them to brainstorm at any time and share spaces for discussions.



Mobilize Operations

• In 2022, Cathay FHC piloted a mobile office project using Virtual Desktop Infrastructure Office Automation (VDI OA), expanding cloud data management and laptop distribution. In 2023, Project WFH 2.0 was extended to Cathay Life and CUB.



Digitalize Services

- In 2023, Cathay Life completed the carbon footprint verification for 2021 Life Insurance Services and obtained the Carbon Reduction Label once again.
- In 2023, CUB obtained ISO 14067 carbon footprint verification for small deposits/payments via ATMs, as well as the Carbon Label and Carbon Reduction Label for residential mortgage services. In 2024, CUB obtained ISO 14067 verification for online credit card applications. The goal for 2030 is to complete carbon footprint verification for six major products and services including credit, housing loans, wealth management, credit cards, deposit and remittance business, and ATMs.
- In 2019, Cathay Century Insurance completed setting Product Category Rules (PCR), obtained Carbon Label and Carbon Reduction Label in 2020 and 2021 respectively, becoming the first and only insurance company to obtain dual label certifications.

- In 2023, Cathay purchased over US\$200,000 in international carbon credits from the Taiwan Carbon Solutions Exchange, accounting for one-quarter of the total amount expended for the first order.
- CUB has developed Trust Services for Carbon Credit Prices and integrated receiving, payment, and clearing mechanisms.











Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

Green Real Estate

Cathay Life manages development and operational risks under the "Responsible Property Investment and Management Policy," mandating green building designs for all construction projects initiated since 2016. Additionally, Cathay aims to the Green Leasing Program across all commercial office buildings in Taiwan by 2030, ensuring easy access to renewable energy for SMEs and achieving net-zero emissions together, thus establishing a low-carbon real estate ecosystem.

Take the financial impact of green leasing as an example, Cathay, as a landlord, may face increased costs due to the purchase of renewable energy in the short term. However, in the medium to long term, as many international corporations increasingly demand that their supply chains use renewable energy, domestic and international businesses will actively seek green energy sources. Landlords can then use the provision of green energy in commercial buildings as a leasing incentive, enhancing rental income and the added value of commercial properties, thereby exerting a sustainable impact on the real estate ecosystem.

Green Real Estate Cycle

Development & Acquisition

Control real estate development and operational risks in cornpliance with the "Responsible Property Investment and Management Policy"

Design & Construction

Comply with green building standards for buildings developed in 2016 or later include solar panels as one of the assessment items



Green Landlord

Purchase and distribute renewable energies for tenants

Simplify access to renewable energies for tenants

Work with tenants to strive for net zero emissions through vising renewable energies

Renovation

Green retrofit buildings based on their purpose

Repurpose areas to reduce energy consumption

Introduce an Information management systerm to strengthen building management efficiency

Replace energy guzzling equlpment on a rolling basis to increase energy use efficiency



- Secure LEED (US) or green building (TW) certification for all new buildings since 2023
- Obtained 1 LEED (US) certification for green buildings in 2023

Renewable Energy Services for Commercial Buildings

In July 2022, Cathay Life and the Bureau of Standards, Metrology and Inspection (BSMI), M.O.E.A. co-designed the Green Leasing Program 2.0 to provide renewable energy access to tenants under the same electricity account. Under the new program, building owners are the main purchasers, which facilitates bulk buying of renewable energies for entire buildings that can be subsequently distributed to tenants in need. The program aids in industry energy transition. In 2023, Cathay Life introduced at least 13 GWh of green electricity and promoted the Green Leasing Program through two information sessions.

CASE STUDY

Cathay Life Helps its Tenant Obtain Renewable Energy

- The tenant, Company F, has committed to using 100% renewable energy for its operations. However, reducing carbon emissions across all its locations in Taiwan has been challenging, with approximately 40% of emissions stemming from gray energy use. Increasing the use of green electricity is key to reducing these emissions.
- Of Company F's 19 stores in Taiwan, half have independent electricity meters and have directly purchased green
- electricity. The other half, sharing meters, rely on landlords to procure and distribute green electricity. With Cathay Life's assistance, Company F's store in Bade, Taoyuan successfully switched to green electricity in August 2023.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

2.3 Engagement Strategy

Through initiative organizations and engagement, Cathay urges investees and borrowers to consider the financial impacts of climate change, even taking a step further to assist investees and borrowers with adopting climate risk management frameworks and developing response measures. In doing so, Cathay hopes to join forces with investees and borrowers to usher in a low-carbon economy. Cathay also leverages the company's function as a pioneer in sustainable finance, positioning ourselves as an enabler of the value chain. Cathay hosts forums and events to bring together industry peers, the academia, the public sector, and various stakeholders to discuss climate challenges and responses. The company's existing engagement strategy covers different stakeholders, including Value Chain, Industry/Finance Sector Peers, and Government/Civil Society. It also meets disclosure elements highlighted by TPT's criteria for engagement strategies.

Direct Engagement

Reaching out to investees and borrowers through direct channels (e.g., telephone. letters, emails, and in -person meetings) to discuss strategies, operations and ESG issues

Engagement

Model

Collaborative Engagement

Participating in or conducting engagement activities by signing or independently adhering to international ESG-rélated advocacy activities to leverage responsible investment influence: collaborating with other financial institutions or international organizations to participate in or organize engagement activities

Engagement Targets		Overview	Reference
	Upstream (Supply Chain)	 Hosing the Sustainability Supplier Conference; engaging with upstream suppliers with the "Cathay Financial Holdings Statement of Sustainability Values." 	2.2.3 Business Operations
Value Chain	Downstream (Investees & Borrowers)	 Cathay FHC established the "Cathay Financial Holdings Engagement Policy" and the "Cathay Financial Holdings Engagement Regulations" to incorporate corporate engagement and shareholder action into investing and lending processes. Climate Change and ESG are two major themes in Cathay's engagement activities. Through individual assessments of investee company involved in these issues, the company evaluates the significance of investment positions and related issues to determine whether they should be included as engagement targets. 	2.3.1 Engagement with Valu 2.3.2 Engagement with Indu Finance Sector Peers
Industry/Finance Sector Peers		Participation in government alliances, associations, and similar organizations or projects to engage with industry.	2.3.3 Engagement with Government Civil Society 2.3.4 International Organization
Government	/Civil Society	 Working with international organizations or participating in initiatives to influence policy makers; hosting surveys or presentations of achievements to increase public awareness of climate risks. 	Initiatives

2.3.1 Engagement with Value Chain 2.3.2 Engagement with Industry & Finance Sector Peers

- 2.3.3 Engagement with Government & Civil Society
- 2.3.4 International Organizations & Initiatives

2.3.1 Engagement with Value Chain

Cathav Sustainable Finance and Climate Change Summit

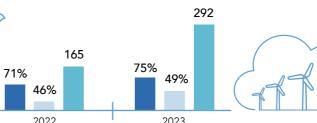
Now onto its seventh consecutive year, the Cathay Sustainable Finance and Climate Change Summit is one of the earliest forums of its scale to spotlight sustainability and climate issues. The Forum is hosted in collaboration with the TWSE and aims to bring together the industry, academia, and public sector to explore challenges and solutions in our transition to net zero emissions. In 2023, a staggering 1,873 companies and organizations registered for the forum. TWSE-listed companies in attendance accounted for over 75% of Taiwan's total market capitalization, while carbon emissions from TWSE- and OTC-listed companies in attendance accounted for 50% of Taiwan's total carbon emissions.

Activity Results

- Attending TWSE-listed companies to Taiwan's total market capitalization
- Attending TWSE- and OTC-listed companies to Taiwan's total carbon emissions
- Attending directors/supervisors of TWSE- and OTC-listed companies













Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

Circular Economy Workshop

In 2023, CUB collaborated with Circular Taiwan Network on a Circular Economy Workshop and invited 29 ingredient and food manufacturers, including President Chain Store Corporation and its supply chain, to the workshop. During the workshop, attendees were inspired to reflect on the impacts of a linear production and consumption model, introduced to basic circular economy concepts, and encouraged to explore transitional opportunities that allow them to incorporate the circular economy in their manufacturing process. The workshop was attended by 29 companies (major retailers as well as ingredient suppliers and food manufacturers along the supply chain), with 95% of participants believing that the circular economy is helpful for decarbonization transformation.

ESG: Toward Net Zero Emissions & Sustainability Forums

In 2023, CUB co-hosted the forum series with CDP and ITRI, revolving around four themes: "Circular Economy Opportunities and Low-carbon Materials," "Carbon Neutrality in Smart Factories," "Outlook on Digital Technology Trends and the New Net Zero Sustainable Ecosystem," and "Net Zero Carbon Emissions and Environmental Information Disclosure." The forums drew support from hundreds of companies, with 230 participants in person and 750 viewers attending online via livestream.



2.3.2 Engagement with Industry & Finance Sector Peers

Cathay FHC takes climate action but also actively supports policies and industry guidelines put out by competent authorities. The company hopes to inspire a flying geese paradigm, leading peers in the financial sector to move forward together and drive sustainable development and low-carbon transition in society and industries through engagement actions.

Coalition of Movers and Shakers on Sustainable Finance

In 2022, Cathay FHC responded to the FSC's call and became a founding member of the Coalition of Movers and Shakers on Sustainable Finance, signing commitments on five issues: green procurement, information disclosure, engagement with investees and borrowers, assistance and promotion, and aligning with international standards. Under the Coalition of Movers and Shakers on Sustainable Finance, Cathay has engaged with carbon-intensive investees and borrowers to develop sustainability applications and tools. Cathay FHC serves as the convener for the Working Group for Capital and Statistics under the Platform for Net Zero Promotion for the Financial Industry. The working group aims to develop related tools, guidelines, or plans by bringing together related units and finance industry associations. For example, in 2023, Cathay FHC helped trade associations revise the code of conduct for the industry, incorporate sustainable economic activity guidelines, integrate sustainable finance data surveys and related indicators, offer education and training, and develop sustainable finance websites to encourage further sustainability actions in the industry.

Working Group under the Joint Credit Information Center & Bankers Association of the R.O.C.

CUB participated in a project launched by the Joint Credit Information Center and Bankers Association of the R.O.C. to develop an Official Climate Change Scenario Analysis and compile a Domestic Banks' Climate-Related Risk Management Practice Handbook. The working group sought to provide detailed regulations that would give the finance industry a better grasp on the climate resilience of their assets.

- Official Climate Change Scenario Analysis: CUB helped develop the climate stress-testing model and conducted a trial run with its credit assets. The results of the trial run helped verify the scenario analyses.
- Domestic Banks' Climate-Related Risk Management Practice Handbook: CUB assisted the Joint Credit Information Center and Bankers Association of the R.O.C. with the compilation of the handbook and also led the strategy group.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

2.3.3 Engagement with Government & Civil Society

- Engaging with public sector & policymakers by participating in international initiatives & organizations
- Cathay is a member of the AIGCC's Engagement & Policy Working Group and collaborates with international investors and AIGCC to provide feedback on the potential impacts of Asian and international climate policies, financial regulatory frameworks related to sustainable finance, and climate-related disclosure frameworks on investments.
- Cathay is part of the CDP MDC and works with international investors to urge governments to take proactive climate action and engage with local governments in North America to disclose CDP-relevant information.
- Cathay participated in the COP15 Business advocacy campaign organized by Business for Nature, joining the business community in urging governments worldwide to impose mandatory policies requiring large multinational corporations and financial institutions to assess and disclose their impacts and reliance on biodiversity.
- Launch Party of the Survey Report on Life Risk Trends

CASE STUDY

Raising Public Awareness of Climate Risks & Strengthening Responses

Climate change's effects extend beyond our environments, ecosystems, and industries. They can have varying levels of impact on our bodies, minds, and properties, potentially emerging as a new type of life risk. In 2023, Cathay Life published Taiwan's first-ever climate-oriented Survey Report on Life Risk Trends. This report explores the public's awareness of potential global risks and examines the impact and preparedness levels for climate change on three risk dimensions: physical health, psychological well-being, and property.

Cathay hoped to use the survey as an opportunity to encourage individuals to address climate risks from three aspects: physical health, psychological well-being, and properties. The company further conducted scenario analyses, focusing on the impact of temperature changes on death and hospitalization claims under life insurances to understand the financial implications. For more details, please refer to Section 3.6.1 Insurance-related Scenario Analysis.





1

Climate change ranks as the second most significant potential risk in the minds of Taiwanese people, with over 90% of the population acknowledging that it will cause varying degrees of impact on physical health, psychological well-being, and property.

Survey Results

2 opproxima

Approximately 45% of the population is not concerned about climate change, and nearly 20% of the population has made no preparations whatsoever in response to climate change. This indicates a gap between awareness of climate risks and taking action towards mitigating those risks.



Taiwanese people are most concerned about air pollution, extreme heatwaves, and droughts, considering these three climate events to have the largest impact on their daily lives.



Cathay Life's 2023 Survey Report on Life Risk Trends





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

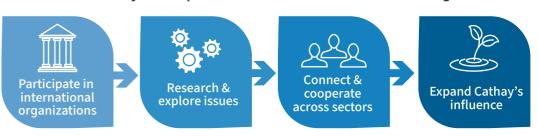
Ch4 Outlook and Conclusion

Ch5 Appendix

2.3.4 International Organizations & Initiatives

As global concern for the environment grows, discussions have expanded from the early focus on climate change to broader topics encompassing the natural environment. Presently, the main areas of concern are climate change, water resources, and nature & biodiversity. Through participation in advocacy organizations and engagement with investees and borrowers, Cathay urges them to consider the potential financial impacts of these issues and further encourages them to adopt risk management frameworks and develop response strategies so they are ultimately able to achieve a low-carbon economy.

How Cathay's Participation in International Initiatives Drives Change



Domestic/International Organizations and Initiatives on Climate and Nature









Engagement Targets









- In 2015, CUB became the first bank in Taiwan to adopt EPs, incorporating social and environmental impact factors into assessment for project finance.
- As of the end of 2023, 3 cases reached Financial Close in accordance with EPs.



Asia Investor Group on Climate Change (AIGCC)



Value Chain/Industry/Finance Sector Peers/Government

- Cathay FHC is a founding member of the AIGCC. Cathay FHC's Chief Investment Officer was also invited to chair the AIGCC in 2018 and since held that position, assisting with the group's affairs. Cathay is also part of five AIGCC working groups, working with international investors to perfect climate action.
- In 2023, Cathay FHC attended five AIGCC conferences as speakers, sharing Cathay's experiences in climate action and insights to the latest trends.



CDP Non Disclosure Campaign (CDP NDC)



- In 2023, Cathay enjoyed an above-international-average success rate by successfully engaging with six companies, inspiring them to complete
- From 2017 to present, Cathay has successfully engaged with 66 companies, with 53% of them achieving higher CDP scores in the





Task Force on Climate-related Financial Disclosures (TCFD)



Value Chain/Industry/Finance Sector Peers/Government

• TCFD was founded by the FSB in 2015. In June 2018, Cathay FHC signed on as a supporter, with Cathay FHC's Chief Risk Officer leading a cross-subsidiary TCFD Task Force.





Value Chain/Industry

- The three companies that Cathay engaged with have all committed to carbon-free or carbon-neutral goals by 2050, and one of them is already SBT-approved.
- Cathav was invited to the 2023 Q3 progress meeting to share with Asian investors how Cathay develops engagement plans and how we engage with businesses. Cathay was also invited to a closed-door roundtable with three major steel companies from Asia and international institutional investors to explore decarbonization challenges and opportunities for the steel industry.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



2020

Ceres' Valuing Water Finance Initiative (VWFI)



് Value Chain/Industry

- In 2020, Cathay FHC and Cathay Life joined the Ceres' Valuing Water Finance Task Force. In 2022, Ceres officially launched its Valuing Water Finance Initiative to target the 72 companies with the highest water footprint around the world for engagement.
- · Cathay works with international investors to engage with companies, encouraging them to adopt water stewardship and set water-related



- CDP MDC
- Commercial Banks Project
- SME Corporate Questionnaire project













PCAF Partnership for Carden Accounting

Member

2021

CDP SBT

T N Forum

FD

AIGCC

AUEP

2022



2023

CDP Municipal Disclosure Campaign (CDP MDC)



Government

· As the only financial institution from Taiwan to join the CDP MDC, Cathav works with international investors to urge governments to take proactive climate action and engaged with 204 local governments in North America to disclose CDP-relevant information.

CDP Commercial Banks Project



⊖ Value Chain

• CUB, as the first Asian financial institution to work with CDP, reached out to over 70 enterprise customers to complete CDP questionnaires and helped 16 enterprises secure a CDP rating, thereby encouraging enterprises to take action against the climate crisis and enhance the quality of their carbon disclosure.

CDP SME Corporate Questionnaire Project



Value Chain

• CUB, as the first financial institution in Taiwan to participate in the development of the CDP SME Corporate Questionnaire, aims to address the challenges faced by SMEs in completing the questionnaire. The bank collaborated with the research team to develop disclosure frameworks and tools tailored to the needs of these enterprises.

Business for Nature



Government

• Cathay FHC is a signatory of the COP15 Business advocacy campaign, urging governments worldwide to impose mandatory policies requiring large multinational corporations and financial institutions to assess and disclose their impacts and reliance on biodiversity by 2030.

Nature Action 100



♥ Value Chain

• Cathay Life is among the first financial institutions and is currently the only financial institution from Taiwan to sign up in support of Nature Action 100, hoping to work with 190 international institutional investors to "reverse the current trend towards natural capital degradation and biodiversity loss. Cathay Life has engaged with 100 companies of importance in food, chemicals, forestry, pharmaceuticals, and other sectors. The goal is to encourage these companies to adopt proactive action to protect and restore nature and ecosystems and mitigate their own financial risks.



Asian Utilities Engagement Program (AUEP)



Value Chain/Industry

- Cathay joined this AIGCC-founded program in 2021, hoping to take more proactive action in supporting public utilities with coal divestment, energy transition, and other climate issues.
- The focus utility company that Cathay Life has been engaging with has committed to completely phasing out coal assets by 2040; the target was approved by

CDP Science-Based Targets (CDP SBT)



Value Chain

- Cathay has been working with CDP since 2021 to the world's most influential companies to set carbon emission goals that align with the 1.5°C warming scenario and achieve net zero emissions in value chain by 2050.
- Between 2022 and 2023. Cathav successfully engaged with 98 businesses. resulting in them committing to science-based targets and 26 of these targets being approved by SBTi.

The Partnership for Carbon Accounting Financials (PCAF)



Value Chain/Industry/Finance Sector Peers

• PCAF assists the finance industry with assessing and disclosing climate risks in their investment/lending portfolios. Cathay was able to gain insight into carbon footprint methodologies for financial assets by joining the PCAF.

Taskforce on Nature-related Financial Disclosures (TNFD)



Value Chain/Industry/Finance Sector Peers/Government

• TNFD develops nature-related risk management methods and financial disclosure frameworks. Cathay became a TNFD adopter by participating in the TNFD Forum and working group discussions as well as adopting the Nature-related Risk & Opportunity Management and Disclosure Framework.

Partnership for Biodiversity Accounting Financials (PBAF)



Value Chain/Industry/Finance Sector Peers

• Cathay FHC is the first financial institution in Taiwan to join PBAF and support internationally recognized standards for quantitative assessment, aspiring to enhance biodiversity management across investment and lending portfolios.



Taiwan Nature Positive Initiative (TNPI)



Industry/Finance Sector Peers/Government & Civil Society

• TNPI was established by the Business Council for Sustainable Development of the Republic of China (BCSD Taiwan) under Cathay FHC's sponsorship in hopes of galvanizing the private sector to take greater action for nature, biodiversity, and wildlife conservation issues, cultivate relevant professional talents, as well as enhance the transparency with which businesses manage nature-related risks and opportunities for greater resilience.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

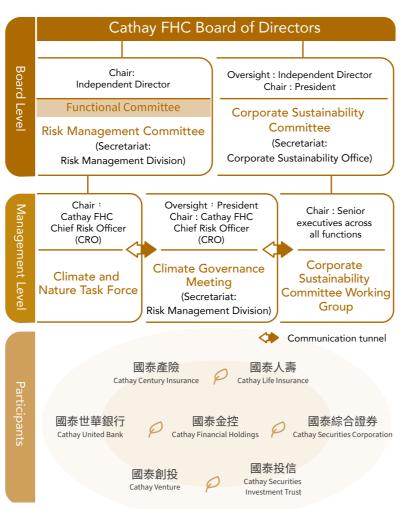
Ch4 Outlook and Conclusion

Ch5 Appendix

3.1 Governance and Risk Management

Cathay FHC's board of directors is the highest governing body of Cathay. The board oversees the company's overall climate and environmental development strategy. Through its Corporate Sustainability Committee, Risk Management Committee, and collaboration with various working groups, strategies are implemented in daily operations to ensure sustainable business practices and meet stakeholder expectations. In addition, Cathay integrates ESG and climate risks into its existing Enterprise Risk Management Framework (ERMF). Through processes such as risk identification, measurement, response, monitoring and reporting, and adjustments to business and risk strategies, Cathay assesses the impact on investment and lending, insurance, and business locations, and deliberates on relevant management actions.

3.1.1 Governance Structure and Responsibilities



Board Roles and Responsibilities

Board Level	Chaired by	Meeting Frequency	Responsibilities
Board of Directors	Chairman	Meets at least quarterly	The board is Cathay's highest governance body. It is responsible for formulating and deciding on climate-related policies and the Strategic Ambition. The Corporate Sustainability Committee and Risk Management Committee monitor the implementation status and operational advancement of climate-related risks and opportunities.
Risk Management Committee	Independent director	Quarterly	The committee reports to the board and is responsible for overseeing the management of ESG and climate risks within the Group. In April 2023, it was upgraded to a functional committee under the board and was chaired by an independent director.
Corporate Sustainability Committee	Cathay FHC President	Quarterly	The committee reports to the board and is responsible for promoting the sustainable operation of the group. The committee is chaired by the Cathay FHC president, with the subsidiaries' presidents serving on the committee. The committee is supervised by independent directors.

Management Responsibilities

Management Level	Chaired by	Meeting Frequency	Responsibilities
Climate Governance Meeting	Cathay FHC Chief Risk Officer (CRO)	Quarterly	The meeting centers around climate and environmental issues, seeking alignment and consensus among senior executives. The CRO of Cathay FHC serves as the chairman, with oversight from the President of Cathay FHC regarding the committee's activities.
Cathay's Climate and Nature Task Force ^{Note}	Cathay FHC Chief Risk Officer (CRO)	Monthly	Responsible for discussions and collaborations regarding climate and natural risk management. The task force coordinates the expertise and resources of the subsidiaries, with the CRO serving as the chairman.
Corporate Sustainability Committee Working Group	Senior executives across all functions	Convene ad hoc meetings as needed	The Corporate Sustainability Committee has established six task-oriented working groups: Responsible Investment, Sustainable Governance, Responsible Products and Services, Employee Happiness, Green Operation, and Social Prosperity. Here is an overview of the responsibilities of the working groups with a strong climate and nature focus: Responsible Investment Working Group: Promotes the integration of ESG considerations into investment and lending processes, investor relations, and information disclosure Responsible Products and Services Working Group: Assesses risks and opportunities of ESG products and services, develops strategies and ESG-related products and services, including the development of green financial products and services Green Operation Working Group: Focuses on environmental policy and management mechanisms, daily environmental operational management of business locations, supply

Note: The International Sustainability Standards Board (ISSB), established by the International Financial Reporting Standards (IFRS) Foundation, took over the supervision of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2024. Considering the growing international emphasis on nature and biodiversity issues, Cathay's TCFD task force was renamed Cathay's Climate and Nature Task Force.

chain management, and participation in green initiatives



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

3.1.2 Incentives and Performance-Based Compensation

In 2021, Cathay committed to using 100% renewable energy at the headquarters of Cathay FHC, Cathay Life, CUB, and Cathay Century Insurance by 2025, and subsequently at all operating locations in Taiwan by 2030. Therefore, in 2022, Cathay integrated sustainable development goals (SDGs) into long-term business performance. Specific sustainability performance indicators were set for the senior executives and presidents of Cathay and its subsidiaries to further promote corporate sustainability and implement the transition to zero-carbon operations across Cathay.

Remuneration policy

The performance review and remuneration policy, system, standards and structure for senior executives are reviewed by the Remuneration Committee of Cathay FHC before being submitted to the board for approval. Cathay follows the "Guidelines for Managerial Performance Development" and "Guidelines for Senior Executive Compensation" for performance management and remuneration. Managers are evaluated based on the achievement of annual targets and the results serve as the basis for compensation.

Climate-linked performance

Taking the example of the performance-based compensation of the President of Cathay FHC, the salary structure consists of fixed and variable components, with the variable portion linked to long-term operational performance, including the achievement of sustainability targets for the reduction of greenhouse gas emissions by Cathay FHC and its subsidiaries.



3.1.3 Corporate Culture & Competency Training

In response to global trends in ESG and climate development, Cathay actively promotes talent development programs. Through various educational trainings, knowledge-sharing sessions, and exchanges with external organizations, resources and expertise are leveraged to enhance employees' ESG and climate awareness. This initiative aims to deepen employees' basic and advanced knowledge, enabling them to apply the insights in their work and integrate them into various daily business developments. In addition, Cathay listens to employee feedback and encourages their involvement in the transition plan, ensuring alignment between corporate culture, talent strategy, and Strategic Ambition of the transition plan.

ESG and climate-related training policy

To ensure that the company as a whole is equipped with the necessary skills, capabilities and knowledge, CUB conducts ESG and climaterelated education and training for its board of directors, senior executives, and all employees. Tailored ESG training programs are provided based on the specific needs of each group. covering topics such as international initiatives, international and domestic regulatory trends, international and domestic assessments and trend analysis, ESG & climate risks and opportunities, green financial products, and market overview. These training programs are designed to enhance the organization's ability to identify and manage climate change and ESG-related risks, and are aligned with departmental development goals and core functions to strengthen overall sustainability capabilities and talent development.

Directors and supervisors

Regular, flexible, ESG governance-related courses and training programs are conducted to establish a learning mechanism for directors and supervisors to deepen their roles within the board and drive the organization's attention to make a sustainable impact.

Organize lectures and external training, encourage participation in professional sustainability training based on business responsibilities, incorporate sustainability concepts into business strategies, and promote sustainable business.

Entry-level management

All employees

Establish an internal sustainability talent certification mechanism to facilitate the integration of core functions and enhance the ability to identify and manage climate change and ESG-related risks

Promoting digital training courses and setting up a "sustainability zone" on the learning website to enhance employees' ESG awareness and its integration into daily business operations, fostering a collective commitment to sustainability goals

ESG Talent Cultivation Program

• Sustainable Finance Manager: In 2023, Cathay Life was the first insurer in Taiwan to work with the Taiwan Institute for Sustainable Energy (TAISE) to jointly host the training program of Sustainable Finance Manager. The program provided training for 60 Cathay managers and employees, with 97% of the participants becoming Sustainable

Finance Manager certified. The curriculum covered four main themes: "Trends and Policies in Sustainable Finance," "Investment, Lending, Insurance, and Value Chain," "ESG Information Disclosure and Evaluation," and "Climate Finance and Management Practices," totaling 40 hours of training to strengthen participants' expertise in sustainable finance.

 Enhancing ESG Competencies: Cathay enhances ESG professional competencies through courses, newsletters, seminars, and other educational training initiatives. In 2023, a total of 11,600 employees from Cathay Life, CUB, Cathay SITE, Cathay Century Insurance, and Cathay Securities participated in courses and external seminars. The average training time per participant was 13 hours.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

3.2 Risk Management Framework and Policy

Cathay adheres to the Enterprise Risk Management Framework (ERMF) to establish the Risk Management Policy, which governs various key risks. It sets guidelines for managing market, insurance, operational, liquidity, credit, capital adequacy, reputation, emerging, ESG, and climate risks, while controlling industry concentration risks. In addition, it identifies, measures, and analyzes climate-related risks through the Three Lines of Defense Model based on the responsibilities of each line. The assessment includes the impact on business operations, products and services, financial assets, etc., and develops control measures and response strategies.



Cathay FHC has established the "ESG and Climate Risk Management Guidelines" in accordance with the Risk Management Policy. These guidelines oversee the monitoring of ESG risks in investments, corporate lending, and insurance underwriting, as well as climate-related risk management. This includes risk appetite, sensitive industry management, national physical risk control, scenario analysis, and stress testing. An annual ESG and climate risk management report is submitted to the Risk Management Committee and the board.

Climate Risk Appetite and Limit

In 2023, Cathay formulated the Climate Risk Appetite Statement. Along with the control mechanism of the statement, Cathay refers to data from external institutions, global trend considerations, and recommendations from internal experts to assess issues such as climate change, natural capital, and human rights. The control mechanism also helps the company identify sensitive industries, set limits, and integrate internal risk management processes.

Climate Risk Appetite Statement

▶ It is suggested to reduce the exposure 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.



- Establish risk management policy and mechanism
- Consolidated management and monitoring of subsidiaries' risks



 Hierarchal management of subsidiaries' risks



ESG and climate risk management

Enterprise Risk Management Framework(ERMF)

Market Risk	Insurance Risk	O	perational Risk		iidity isk	Credit Risk
Capital	Reputation		Emerging		ESG and Climate	
Adequacy	Risk		Risk		Risk	

ESG and Climate Risk Management Guidelines

Environmental Climate-related Risks: risk Transition Risks, Physical Risks

Social Risks Corporate Governance Risks

Climate Risk Appetite and Limit/Metrics

Three Lines of Defense Model





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

Comparison of Climate Risks and Traditional Financial Risks

Types of Risk Management		Traditional Financial Risks					
		nagement	Financial Assets	Products & Services	Business Operations		
Time Scope		ре	Short- to long- term	Mid- to long- term	Mid- to long- term		
Value Chain Impact		Downstream (client)	Downstream (client)	Own operations, upstream (supplier)			
Climate Risks	Transition	Policy and regulations	V	V	V		
		Technology	V				
		Market	V				
		Reputation	V	V	V		
	Physical	Acute	V	V	V		
		Chronic	V	V	V		
Management policy		policy	ESG and Climate Risk Management Guidelines Responsible Investment and Lending Policy/ Investment and Lending Exclusion Policy	 ESG and Climate Risk Management Guidelines Environmental and Energy Policy 	 Environmental and Energy Policy Cathay Financial Holdings Statement of Sustainability Values Sustainable Procurement Policy 		

Climate Risk Management Process Business and Risk Strategy Adjustments Incorporate climate risk assessment results into business and risk strategy planning and adjust course of action as necessary Reporting Identify the transmission Continuous monitoring of pathways of climate risks internal and external and their impacts on environmental changes and traditional financial regular reporting to the Risk Management Committee Climate Risk and the board Management Process authorization Engage with clients and set Assess potential financial limits on actions to mitigate impacts through GHG climate risk while capitalizing inventory categorization, on opportunities created by scenario analysis, and climate events, and develop stress testing low-carbon products and fund allocation

Note: Policy and regulations include current regulation, emerging regulation and legal risk.

Omparison of Risk Identification, Scenario Analysis, and Management Measures

To provide stakeholders with a comprehensive understanding of where Cathay's business is most vulnerable to climate risk within its value chain, the company conducts carbon emission assessments for its major investment and lending activities, as well as its insurance operations. Cathay also identifies business locations that are vulnerable to climate and natural physical risks and uses scenario analysis to quantify the financial losses associated with climate risk to develop appropriate risk management measures.

		D' LA	D. I D	
	Risk Identification	Risk Assessment	Risk Response	Reference
	Nisk Identification	Scenario Analysis	Management Measures	
Concentration identification	Asset type/regional/industry distribution of emissions and exposure in investment and lending portfolios	 [Scenario A] Impact of global political, economic, and natural disasters on the value of equity and bond investment positions [Scenario B] Expected credit losses on specific investment positions due to water stress [Scenario C] Impact on lending positions from increased regulation and natural disasters 	Industry exclusion and restriction policies Responsible investment and lending processes Management of sensitive industries Climate strategy resilience	3.5 Investment and Lending Risk Management
	Distribution of climate risk products in insurance portfolios	[Scenario D] Climate change impact on typhoon and flood insurance claims	Industry exclusion and restriction policies Risk management processes in the insurance value chain	3.6 Insurance Risk Management
		[Scenario E] Temperature change impact on life insurance death and hospitalization claims	Raising Public Awareness of Climate Risks & Strengthening Responses	2.3.3 Engagement with Government & Civil Society
	Regional distribution of climate risks for business locations	[Scenario F] Impact of typhoons and floods under climate change on Cathay-owned real estate repair costs	Establish a comprehensive business continuity management mechanism	3.7 Operational Risk Management
	Regional distribution of natural risks for business locations	Research and develop quantitative methods by leveraging industry-government- academia resources	Conduct ecological conservation and restoration activities	3.3 Concentration Risk Identification



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Managemen

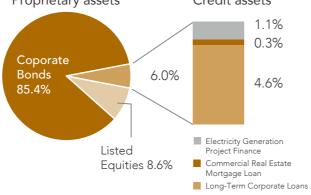
Ch4 Outlook and Conclusion

Ch 5 Appendix

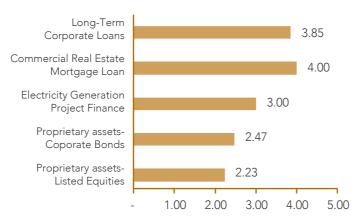
3.3 Risk Concentration Identification







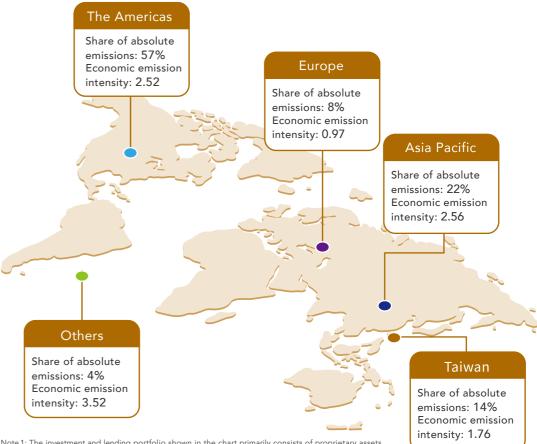
Data Quality Score by Asset Class



Note: The investment and lending portfolio shown in the chart primarily consists of proprietary assets. The investment assets encompass Cathay Life, CUB, Cathay Century Insurance, and Cathay Securities, while the credit assets encompass CUB.

Regional distribution of emissions in the investment and lending portfolio

The absolute emissions from our investment portfolio are primarily concentrated in the Americas, followed by Asia Pacific and Taiwan. Cathay has taken proactive steps in investment and lending management, as well as engagement initiatives, to accelerate the transition to low-carbon practices in high-emitting industries and mitigate climate risks in its assets across regions.



Note 1: The investment and lending portfolio shown in the chart primarily consists of proprietary assets, including listed equities and bonds for Cathay Life, CUB, Cathay Century Insurance, and Cathay Securities, as well as long-term corporate loans under CUB.

Note 2: Economic emissions intensity (unit: tCO2e/NT\$1M).



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch 3 Governance and Risk Managemen

Ch4 Outlook and Conclusion

Ch5 Appendix

Relative Analysis of Absolute Emissions and **Economic Emissions Intensity**



Note 1: The investment and lending portfolio shown in the chart primarily consists of proprietary assets, including listed equities and bonds for Cathay Life, CUB, Cathay Century Insurance, and Cathay Securities, as well as longterm corporate loans under CUB.

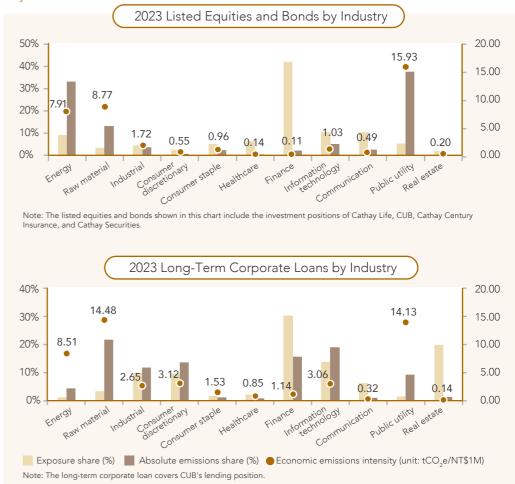
Note 2: Absolute emissions (unit: tCO₂e), economic emissions intensity (unit: tCO₂e/NT\$1M).

Emissions Distribution by Insurance Type in Insurance Product Portfolio

In 2022, Cathay Century Insurance incorporated the principles of the "EU Taxonomy for Sustainable Activities" and adopted the methodology outlined in the CRO Forum's "Carbon Footprinting Methodology for Underwriting Portfolios." In the same year, Cathay Century Insurance became the first company in the property insurance sector to complete carbon intensity calculations for both the motor insurance and energy sectors (power plants) for 2021. Furthermore, in April 2023, Cathay Century Insurance completed the carbon inventory of its insurance portfolios using PCAF methodology. For further data insights, @ please refer to section 5.1 Summary of Major Data.

Distribution of Emissions and Exposures by Industry in the **Investment and Lending Portfolio**

As of December 2023, the scope of emissions accounting by industry covers listed equities and bonds of Cathay Life, CUB, Cathay Century Insurance, and Cathay Securities, as well as long-term corporate loans under CUB. Cathay's investment and lending portfolio's associated absolute emissions primarily stem from three key industries: energy, raw material, and public utility. The combined exposure totals approximately 17%. Consequently, Cathay has taken a proactive stance towards investment and lending management, engaging in actions aimed at accelerating the low-carbon transition of high-carbon industries and mitigating the climate risks associated with its assets. For further data insights, @ please refer to section 5.1 Summary of Major Data.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Managemen

Ch4 Outlook and Conclusion

Ch5 Appendix

Regional distribution of natural risks for business locations

At the 2022 Convention on Biological Diversity (CBD COP15) in Kunming, the "Kunming-Montreal Global Biodiversity Framework" was adopted. It urges large companies and financial institutions to regularly monitor, assess, and disclose biodiversity risks, dependencies, and impacts. The framework also calls for the gradual integration of conservation measures into investment valuations. Cathav uses the LEAP Approach to identify sensitive areas where its operations are located. Cathay also combines various philanthropic initiatives to support local restoration projects as part of its response to natural risks.

Regional distribution of climate risks for business locations

In identifying the flood risk for Cathay's business locations, Cathay uses the National Science and Technology Center for Disaster Reduction's (NCDR) AR5 scenarios for flood risk identification to create a dynamic risk map expected to the end of the century. There are five levels of flood vulnerability, with five being the most vulnerable. We compare Cathav's business locations against the risk map to verify the physical risk level for flooding in 2023, including locations for Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, and Cathay SITE. It was found that the business locations falling under the level 5 risk category represent 6% of the total business locations. We periodically examine the safety and potential impact for Cathay-owned real estate and strengthen flood prevention equipment and backup mechanisms.

Restoration of showy lily



CASE STUDY

Identifying the Distribution of Biodiversity Sensitive Sites at Cathay's business locations

In Taiwan, the high-altitude mountain areas have national forest compartments and the Central Mountain Range Conservation Corridor, which provide excellent protection for rich biodiversity resources. However, the lowland and low-altitude mountainous areas face urgent conservation needs and lack a comprehensive system for protected areas. As one of Taiwan's largest real estate investors, Cathay has identified five sites located in "biodiversity hotspots" or areas listed on the Red List's "Endangered Plants Habitat." Through the TNFD analysis, Cathay recognizes the impact of biodiversity loss on the natural environment and actively integrates various philanthropic initiatives to support local restoration projects. Cathay aims to protect biodiversity hotspots affected by habitat loss, in the hope of halting and reversing biodiversity decline, thereby promoting natural regeneration.

Cathay's Ecological Conservation and Restoration Activities

Restoration of stout camphor tree and Taiwan ebony

Cathav Securities, in cooperation with the Chishang Township Office in Taitung and social enterprises, is engaged in a joint effort to restore native Taiwanese species, particularly the stout camphor tree and Taiwan ebony. A total of 420 saplings have been planted in Chishang, Taitung. This initiative is expected to offset approximately five metric tons of carbon emissions annually.

Over the next decade, the project aims to achieve carbon neutrality through the forest's photosynthesis, providing significant environmental benefits. Ten years later, when the trees are fully grown, the initiative will implement the public utilization proposal to support the development of the local community and aboriginal tribes, thus promoting regional revitalization.

Note: The exposure of environmentally sensitive areas (ESAs), as suggested by the indicators in TNFD version 1.0, refers to locations where an organization's assets or activities directly interact with nature. Examples include areas of significant biodiversity.



Listed as "biodiversity hotspot" or Red

Restoration of Showy Lily

The showy lily, native to Taiwan, thrives in the habitat in Pingxi District, New Taipei City. However, it has faced significant conservation challenges due to past human development activities. In cooperation with Pingxi Elementary School, the Cathay Charity Foundation has contributed to the revamping of a 20-year-old restoration base. This initiative marks a significant milestone in the journey towards environmental sustainability in Pingxi and its surrounding areas.

- Showy lily is a plant native to the northern region of Taiwan that blooms every year from July to September. Due to its limited distribution in its habitats and recent overexploitation by humans, the population of this native species has declined dramatically. As a result, it has been listed as a critically endangered species by the Council of Agriculture and the International Union for Conservation of Nature (IUCN).
- Stout camphor tree is a native species of Taiwan, typically found in the broad-leaved forests at middle-to-low altitudes. However, it is currently facing the threat of extinction due to the high demand from the sculpting and furniture industries, as well as the increased need for camphor oil. Recognizing its significance, Taiwan has classified the stout camphor tree as a first-class protected species and considers it a national treasure.
- Diospyros philippensis, more commonly known as Taiwan ebony, is a native evergreen tree with diverse utility. Apart from offering windbreak and greenery, its fruits are edible. Furthermore, it holds significance as one of Taiwan's most prized ebony woods.

Restoration of stout Restoration of camphor trees Taiwan ebony Source: Forestry and Nature Conservation Agency & the Endemic Species Research Institute, Ministry of Agriculture



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

3.4 Climate and Nature Scenario Analysis

Cathay is collaborating with local and global research institutions to develop financial quantitative analysis research to gain better insight into the financial impact of climate change. The scenario analysis delves into Cathay's core businesses and value chains to validate the methodology for assessing strategic resilience and formulating response measures. Cathay refers to climate scenarios published by international institutions, including the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and has incorporated the Nationally Determined Contributions (NDCs) into the assessment process. The scenario analysis does not consider uncertainties related to mid- and long-term policy changes.

Scenario Analysis Overview

Business Scope	Value Chain	Scenario Overview	Cat	egory	Analysis Time Frame Note 1	Scope	Duration	Scenario	Financial Impact	Reference	
		[Scenario A] Impact of global political, economic, and natural disasters on the value of equity and bond investment positions	Physical	Acute and chronic	2021-2100	Global	Annually	RCP8.5	Equity/bond VaR is below 6% in all three scenarios and		
			Transition	Policy and regulations	2021-2050	Global	Annually	NGFS	sovereign bond VaR is below 3%.		
Financial Assets	Downstream/ Clients	[Scenario B] Expected credit losses on specific investment positions due to water stress	Physical	Chronic	-	Specific countries	-	Drought lasts five years for every 100-year return period	Expected credit loss to net assets remain below 1% in both the food & beverage manufacturing and the integrated oil & gas industries.	3.5.1 Investment and Lending Scenario Analysis	
		[Scenario C] Impact on lending positions from increased regulation and natural disasters	Physical	Acute and chronic	2023 and 2025	Global	Annually	RCPs	Across different scenarios and periods, CUB's expected credit loss to net assets and pretax		
			Transition	Policy and regulations	2023 and 2025	Global	Annually	NGFS	earnings average 4.5 - 6.5% and 37 - 48%, respectively.		
		[Scenario D] Climate change impact on typhoon and flood insurance claims	Physical	Acute	Near future, mid-century, end of the century	Taiwan	Annually	RCP2.6, 4.5, 6.0, 8.5	Average simulated expected loss for different scenarios and periods increased by 1.4 times compared to the base year.		
Products & Services	Temperatu i m p a c t insurance	[Scenario E] Temperature change impact on life insurance death and hospitalization claims	Physical	Chronic	2035, 2050, and 2100	Taiwan	Annually	SSP1- 2.6, 2-4.5, 3-7.0, 5-8.5	Warming under various scenarios and periods is expected to increase Cathay Life's hospitalization rates by 1-4% and inpatient surgery rates by 1-3%.	3.6.1 Insurance-Related Scenario Analysis	
Business Operations	Cathay's Operations	[Scenario F] Impact of typhoons and floods under climate change on Cathay- owned real estate repair costs	Physical	Acute	Near future, mid-century, end of the century	Taiwan	Annually	RCP2.6, 4.5, 6.0, 8.5	Under the RCP8.5 scenario, the group's average annual loss at the end of the century is expected to increase by less than NT\$50 million from the base year.	3.7.1 Operational Scenario Analysis	

Note 1: "Near future" is defined as before 2035; "mid-century" is defined as from 2046 to 2065; "end of the century" is defined as from 2081 to 2100.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

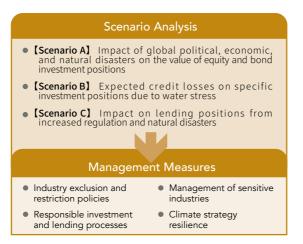
Ch4 Outlook and Conclusion

Ch5 Appendix

3.5 Investment and Lending Risk Management

Cathay refers to literature from international financial regulators and standards from international organizations on financial risk exposure and conducts scenario analysis to understand the potential impact of climate-related risks on its investment and lending positions. Through this scenario analysis, Cathay aims to identify potential transmission pathways and assess the financial impact of climate-related risks. This analysis serves as a critical basis for developing risk mitigation strategies.





3.5.1 Investment and Lending Scenario Analysis

[Scenario A] Impact of global political, economic, and natural disasters on the value of equity and bond investment positions

Background

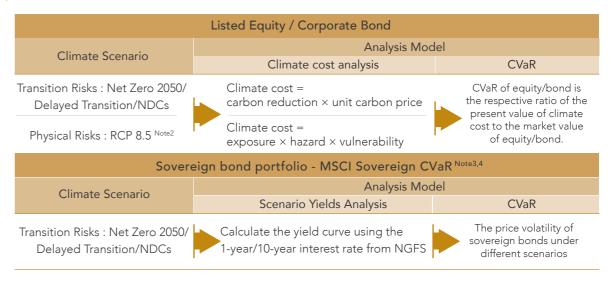
The global transition to a low-carbon economy and the increase in extreme weather events are having a profound impact on companies. As a result, the marketable securities issued by these companies may decline in price, resulting in a loss of net asset value for investors holding these securities. In response, Cathay assesses the impact of climate change on the value of our equity and bond investments using the NGFS scenarios. The assessment examines scenarios that include an orderly transition to net zero by 2050, a delayed transition, and Nationally Determined Contributions (NDCs). We use Climate VaR (CVaR) Note1 to assess the impact and incorporate the results into our future investment strategy considerations. For investments in sovereign bonds, we use the Sovereign Climate VaR methodology, published by MSCI in 2022, to assess the potential losses on sovereign bond portfolios from rising yields under various NGFS transition scenarios.

NGFS scenarios framework in Phase IV Too little, too late Disorderly Too little, too late Transition Pragmented World Transition NDCS 2°C Current Folicies

NGFS Scenario Framework

Source: NGFS Climate Scenarios for central banks and supervisors, November 2023

Analysis Procedure





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

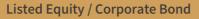
Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

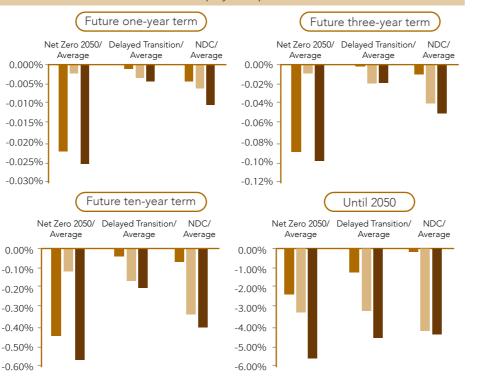
Ch4 Outlook and Conclusion

Ch5 Appendix

Analysis Results

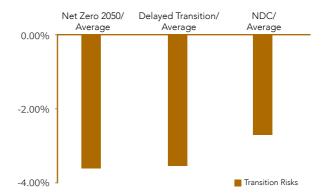


CVaR of Listed Equity / Corporate Bond in 2023



Sovereign Bond

CVaR of Sovereign Bond in 2023



Overview

Cathay used the MSCI model database and selected NGFS scenarios to conduct scenario analysis on listed equities, corporate bonds and sovereign bonds. Under the "Transition Risk 2050, Physical Risk 2100" scenario, the proportional loss amount for listed equities and corporate bonds relative to portfolio value remains below 6%. Meanwhile, the price volatility of sovereign bonds remains below 3% across scenarios. Overall, the financial impact is considered limited.

■ Transition Risks ■ Physical Risks ■ Consolidated Risks (Transition + Physical) Note: Transition risks are considered until 2050, physical risks until 2100

Note 1: Climate Value at Risk (CVaR) refers to the investment portfolio's discounted present value of cumulative climate risk-related cost through 2080. Please refer to MSCI's official website (https://www.msci.com/our-solutions/esg-investing/climate-solutions/scenario-analysis) for more information.

Note 2: There is an offset relationship between transition and physical risk. MSCI considers the effectiveness of the remaining emission scenarios in mitigating physical climate risk in the near term, which is not significantly different from the business-as-usual and RCP8.5 scenarios. Therefore, we use the RCP8.5 emissions scenario for all physical risks with only two climate scenarios: average and extreme (95th percentile). When assessing physical risks, "RCP8.5 extreme" is used for the NDC scenario, while "RCP8.5 average" is used for the rest of the scenarios.

Note 3: MSCI Sovereign CVaR methodology assesses the potential losses on sovereign bond portfolios from rising yields under various NGFS transition scenarios.

Note 4: A note on the MSCI Sovereign CVaR data source - due to the maturity dates of sovereign bonds, the data date for 2022 is set to January 31, 2023, while the data date for 2023 is set to December 29, 2023.

Note 5: The Y-axis of CVaR of Listed Equity/Corporate Bond is the respective ratio of the present value of climate cost to the market value of equity/bond; the Y-axis of CVaR chart of sovereign bonds is the price volatility of sovereign bonds under different scenarios

М

Management Measures

Cathay considers the impact of climate risk as part of our ESG risk assessment when making investment decisions. Climate change is also a key focus of our engagement activities. In addition, we set clear requirements for the consideration of climate change factors in our investment mandates. Third-party managers are required to submit relevant responsible investment policies to help us understand their responsible investment practices and ensure that they meet their investment obligations. For details, please refer to 3.5.3 Responsible.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch 5 Appendix

[Scenario B] Expected credit losses on specific investment positions due to water stress

Background

Referring to the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD), Cathay applies the LEAP (Locate, Evaluate, Assess, and Prepare) approach to analyze key industries' investment and lending positions related to natural dependencies and impacts to facilitate relevant scenario analysis.

Analysis Procedure

Cathay has identified the food & beverage manufacturing and integrated oil & gas industries as highly dependent on water resources through the ENCORE tool. Therefore, it uses the Drought Stress-Test Prototype Tool developed by the United Nations Environment Programme Finance Initiative (UNEP FI) to conduct quantitative analysis and assess drought risks in countries where it has investment exposure. These countries include Brazil, China, Mexico, and the United States, under the scenario of a five-year drought during a 100-year return period to determine the expected magnitude of loss.

ENCORE high-dependency and high-impact industries

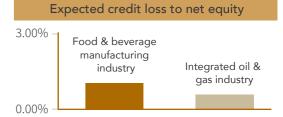
	High Dependencies	High Impact			
Depende rankin	Industry	Impact ranking	Industry		
1	Food & beverage manufacturing	1	Oil & gas (including upstream)		
2	Oil & gas (including downstream)	2	Metals & mining		
3	Transportation	3	Transportation		

Note: ENCORE provides the level of dependency and impact on each driving factor for all sub-industries (GICS_level4). Cathay converts these levels into scores and uses them alongside its portfolio of equities and bonds to screen industries accordingly.



Analysis Results

The scope of the assessment covers the investment position of Cathay Life, CUB, Cathay Century Insurance, and Cathay Securities in the food & beverage manufacturing and integrated oil & gas industries. The assessment concludes that the risk of drought has a limited impact on the investment position of the relevant industries.



Note: The combined net worth of Cathay Life, CUB, Cathay Century Insurance, and Cathay Securities at the end of 2023 was used as the denominator.



Management Measures

Cathay has included the food & beverage manufacturing and integrated oil & gas industries in the sensitive industry management mechanism to regularly monitor the exposure limits and adjust the strategy whenever necessary to ensure that the asset allocation remains resilient to climate- and nature- related risks. For details, please refer to 3.5.2 Industry Exclusion and Restriction Policies and 3.5.4 Management of Sensitive Industries.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

[Scenario C] Impact on lending positions from increased regulation and natural disasters

Background

CUB conducts scenario analysis of climate change based on the "Plan for Climate Change Scenario Analysis of Domestic Banks." CUB utilizes scenarios from the NGFS and IPCC to consider both transition and physical risks. CUB classifies industries and administrative areas in Taiwan into different risk categories. The analysis evaluates the expected credit losses of the lending position in 2030 and 2050 under the "orderly," "disorderly," and "no policy/ regulation" scenarios to provide information to be used to adjust the formulation of its lending strategy.

Analysis Procedure

Climate Scenario

NGFS and IPCC Scenarios

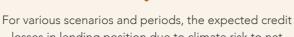


Parameters

Country, industry, loan-to-sales ratio, full guarantee ratio, CLTV, and DBR

Risk Factors

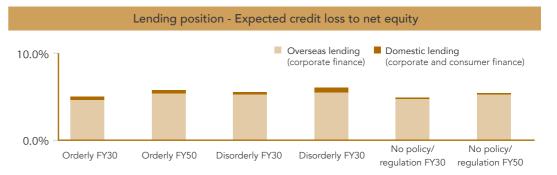
Borrower default rate, loss given default

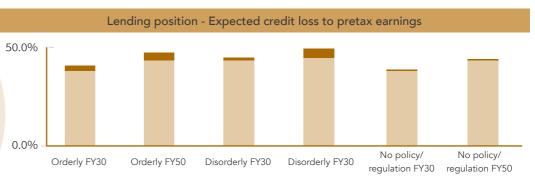


losses in lending position due to climate risk to net asset value and pretax earnings

Analysis Results

For various scenarios and periods, the expected credit losses in lending position of CUB due to climate risk as a percentage of net assets and pretax earnings average 4.5-6.5% and 37-48%, respectively.





Note: In 2023, CUB's net asset was approximately NT\$271.9 billion, with pre-tax earnings of NT\$35.7 billion.

Management Measures

Cathay regularly conducts resilience verification and monitors the utilization of portfolio exposure limits for highly sensitive industries. Cathay also tracks the concentration of physical risks associated with corporate and consumer lending real estate collateral. On the other hand, Cathay has also established a "Coal-Exit Action" plan for the coal industry and a "Zero Coal Financing" target. The goal is to achieve zero coal lending by the end of Q1 2027. Additionally, there will be a focus on promoting lending for decarbonization and transition, with timely adjustments to strategies to ensure resilience in asset allocation against climate and natural-related risks. For details, please refer to 3.5.2 Industry Exclusion and Restriction Policies.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

3.5.2 Industry Exclusion and Restriction Policies

	2024	2025	2027	2030
Investment Assets (Notes 1-3)	Coal value chain: Exclude companies with more than 30% of coal share of revenue (CSR) and that are not actively transitioning Unconventional oil & natural gas: Exclude companies with more than 50% of revenue from unconventional oil/natural gas and that are not actively transitioning	Coal value chain: Exclude companies with more than 20% of CSR and that are not actively transitioning Unconventional oil & natural gas: Exclude companies with more than 30% of revenue from unconventional oil/natural gas and that are not actively transitioning	-	Coal value chain: OECD countries: Exclude companies with more than 5% of CSR and that are not actively transitioning Non-OECD countries: Exclude companies with more than 20% of CSR and that are not actively transitioning Unconventional oil & natural gas OECD countries: Exclude companies with more than 20% of revenue from unconventional oil/natural gas and that are not actively transitioning Non-OECD countries: Exclude companies with more than 30% of revenue from unconventional oil/natural gas and that are not actively transitioning
Credit assets (Notes 4-5)	-	-	• Coal value chain: Coal value chain credit balance reduced to zero at the end of Q1	-

Note 1: Investment assets include active investments in equities or bonds and investment positions managed by third parties.

Note 2: Coal value chain under investment assets includes coal mining, coal-fired power generation, coal railway transportation, and coal ancillary services.

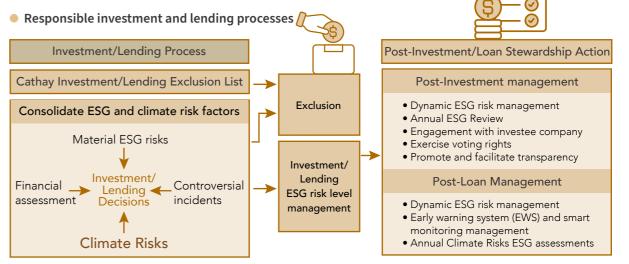
Note 3: Unconventional oil and natural gases under investment assets include extra heavy crude oils such as oil sands as well as shale oil and liquefied natural gases (LNG) refined from unconventional fossil fuel.

Note 4: CUB stopped issuing new loans to coal-fired power generation projects in 2019 and no longer renews contracts. CUB has ceased to extend credit facilities for coal value chain loans as of April 2021.

Note 5: The coal value chain under credit assets includes coal-related mining, products, wholesale, and retail, etc.

3.5.3 Responsible Investment and Lending Processes

In addition to industry-specific divestment policies, Cathay incorporates ESG and climate risk factors into its investment and lending processes. These climate risks considerations are guided by international frameworks such as the Principles for Responsible Investment (PRI), the Principles for Responsible Banking (PRB), and the Equator Principles (EPs). Cathay's Responsible Investment and Lending Policy covers investments in listed equities and bonds, as well as credit assets in corporate lending, excluding only those assets that are inconsistent with responsible investment or lending practices. In addition, Cathay has established the "Investment and Lending Exclusion Policy" to avoid risks associated with controversial investment targets. This policy identifies high-risk targets through its "Focus Area Standards" and categorizes them as excluded targets for investment and lending activities to be placed on the Investment and Lending Exclusion List. For more details, @ please refer to Cathay FHC's Sustainability Report 2023.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

3.5.4 Management of Sensitive Industries

Cathay refers to ESG reports from prominent overseas institutions and considers various factors such as climate change, natural capital and human rights, in addition to recommendations from internal experts. This helps to identify sensitive industries and integrate them into the internal risk management process to enhance industry-specific risk management mechanisms. In addition, in response to the increasing credit risk caused by the failure of corporate climate transition, Cathay has implemented differentiated management measures for investment and lending exposures to low credit ratings.



Sensitive industry identification

Refer to international ESG industry reports and internal expert recommendations

Establish a management mechanism for sensitive industries

Regular review and adjustment

Discuss and report

	D	epende	nce			Impact					
Industry	Species	Habitats	Soils and sediments	Water resources	Atmosphere	Disturbances	Ecosystem use	GHG Emissions	Pollutants	Water use	Exposure share (%)
Agriculture, forestry, fishery, and animal husbandry											0.06
Food & beverage manufacturing											2.40
Oil and natural gas											4.31
Chemical feedstock, fertilizers, nitrogen compounds, plastics/rubber feedstock, and synthetic fiber manufacturing											0.89
Construction materials (including cement)											0.18
Mining											1.66
Fossil fuel power generation and coal-related											0.17
Aviation											0.04
											9.71

■ Very High ■ High ■ Medium ■ Medium-low ■ Low ■ No Information Available

Note 1: Investment assets include Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Venture, and Cathay SITE; credit assets include Cathay Life and CUB.

Note 2: The exposure ratio is calculated as exposure to a given industry to the overall exposure at the end of March 2024. The exposure to a given industry includes non-marketable securities (domestic and overseas equities and bonds, OTC stocks, short-term securities) and corporate lending credit facilities related to that industry.

Note 3: ENCORE provides the level of dependency and impact on natural capital and driving factors for all industry classifications.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

Climate strategy resilience

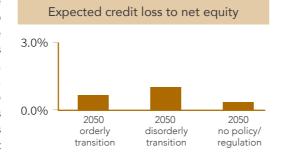
Climate strategy resilience refers to whether Cathay's climate policies and actions formulated to cope with the challenges of climate change offer sufficient defense or recovery capacity in the face of potential impact from different climate scenarios. A resilient climate strategy helps Cathay to effectively mitigate and adapt to the financial and operational impacts of climate change.

Methodology

Cathay conducts quantitative analysis of climate risks in investment and lending exposures in sensitive industries in accordance with the "Plan for Climate Change Scenario Analysis of Domestic Banks" to verify the current climate resilience of its risk exposures. Through this risk management mechanism, Cathay ensures the manageability and acceptability of the financial impact of its investment portfolio under different climate scenarios.

Results

Cathay's investments in sensitive industries are expected to incur limited losses relative to net assets under various climate scenarios through 2050, including orderly transition, disorderly transition, and no policy scenarios. This suggests that Cathay's current strategies and sensitive industry asset portfolios are resilient to climate impacts.



Note: Position date is November 2023.

3.6 Insurance Risk Management

The increasing stringency of climate regulations is exerting pressure for transition, leading to changes in underwriting content or an expected increase in market competition and demands for the transition of insurance products in the future. Conversely, the frequent occurrence of extreme weather events can lead directly to losses in the insured portfolio and adverse health effects due to temperature changes, increasing in life insurance claims. To address these challenges, Cathay has conducted scenario analyses focusing on two key areas: typhoon and flood insurance, and the potential impact of temperature changes on life insurance claims. These analyses provide valuable insights into the potential financial impact on Cathay and enable the development of response strategies.



Scenario Analysis

- [Scenario D] Climate change impact on typhoon and flood insurance claims
- **(Scenario E)** Temperature change impact on life insurance death and hospitalization claims



- Industry exclusion and restriction policies
- Risk management processes in the insurance value chain
- Raising Public Awareness of Climate Risks & Strengthening Responses





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Managemen

Ch4 Outlook and Conclusion

Ch5 Appendix

3.6.1 Insurance-Related Scenario Analysis

[Scenario D] Climate change impact on typhoon and flood insurance claims



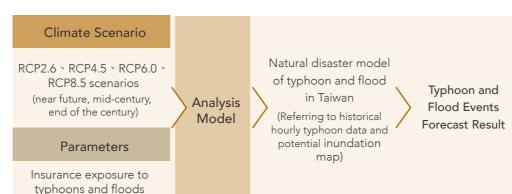
Background

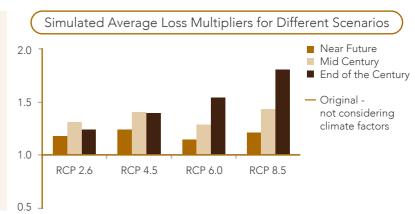
Cathay Century Insurance expects climate change to increase the incidence of damage to its insured portfolio, resulting in a corresponding increase in claims costs. Cathay uses RCP2.6, RCP4.5, RCP6.0, and the most severe RCP8.5 scenarios proposed in the IPCC AR5 to conduct loss prediction using natural disaster models for typhoons and floods. The analysis aims to find out the potential losses from position risk exposures in the near future (-2035), mid-century(2046-2065), and end of the century (2081-2100). The results should help us to better adjust our solvency level and asset allocation.





Analysis Procedure







Analysis Results

in 2023

Simulated average loss from exposures to typhoons and floods under various RCP scenarios is expected at 1.4 times the base year (2023).



Management Measures

Cathay regularly reviews the expected changes in typhoon and flood losses under various climate change scenarios as a reference for long-term planning of future underwriting and reinsurance considerations; at the same time, stress tests are conducted to incorporate climate change factors to examine the impact of typhoon and flood on the company's solvency level under various scenarios to ensure manageable risks. For detailed risk management procedures, @ please refer to 3.6.2 Industry Exclusion and Restriction Policies.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch 3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

Scenario E) Temperature change impact on life insurance death and hospitalization claims



Background

Climate change has led to a steady rise in global temperatures, resulting in global heat waves in recent years. The combination of global warming and the urban heat island effect has increased the frequency and duration of heat waves in Taiwan, which may become the new normal if the current trend continues. Cathay uses historical data (2005-2019) on weather, air quality, and death/hospitalization, as well as AR6 climate scenario analysis data available on the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) to conduct our analysis. We built a model to assess the impact of rising temperatures on death from all causes, hospitalization, and inpatient surgery to project the outlook for life insurance claims.



Analysis Procedure

Temperature-Death/ Hospitalization Association Model

Research Data

- 2005-2019 daily mean temperature and air quality data from the Central Weather Bureau
- 2005-2019 death/hospitalization data
- 2005-2019 surgical hospitalization data

TCCI

TCCIP AR6 scenario daily mean temperature data (2035, 2050, 2100)

Climate Scenario

Assumption

Assuming that customer attributes and insurance risk mix remain consistent with those in 2021

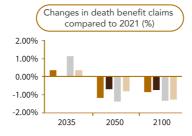


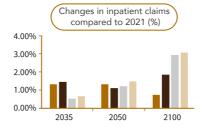
Analysis Results

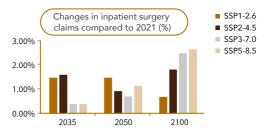
Based on the simulation conducted using TCCIP's SSP-RCP climate scenarios in Taiwan, the number of high-temperature days across Taiwan will increase while the number of high-risk low-temperature days will decrease. Taiwanese people tend to be more adaptable to high temperatures than to low temperatures. Below are the preliminary assessment results for extreme scenarios at mid-century and late-century, based on the assumption that our customer structure remains the same:

Parameters

- The increase in temperature is expected to result in a slight decrease of approximately 1% in total life claims expenses of Cathay Life; the impact on claims is not considered material.
- The increase in temperature is expected to increase overall inpatient claims expenses of Cathay Life by 1-4%, while inpatient surgical claims expenses are expected to increase by 1-3%. Medical utilization is generally expected to increase as temperatures rise.







Management Measures

Based on international and domestic research, the potential impacts of climate change, particularly its influence on extreme weather events such as heavy rains and typhoons, could accelerate the spread of infectious diseases. Domestic research focuses primarily on rising temperatures. Cathay remains committed to improving its understanding of climate risks related to personal insurance products. In addition, through the Survey Report on Life Risk Trends, Cathay aims to encourage individuals to consider climate risks from a physical, mental and financial perspective. The aim is to strengthen public awareness and adaptive capacity to climate risks. For more details, please refer to 2.3.3 Engagement with Government & Civil Society.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch 3 Governance and Risk Managemen

Ch4 Outlook and Conclusion

Ch5 Appendix

3.6.2 Industry Exclusion and Restriction Policies

2024 2030 2040

Insurance underwriting (Notes 1-5) ·Cathay Century Insurance has established management policies regarding the coal, unconventional oil, and natural gas industries

- Coal mining, coal-fired power generation, and coal infrastructure: For clients with more than 30% of coal share of revenue and discontinue coverage of new
- Unconventional oil & natural gas: For clients with more than 50% of revenue from unconventional oil & natural gas and discontinue coverage of new projects.
- Coal mining, coal-fired power generation, and coal infrastructure: For clients with more than 5% of coal share of revenue and discontinue coverage of new projects.
- Unconventional oil & natural gas: For clients with more than 30% of revenue from unconventional oil & natural gas and discontinue coverage of new projects.

Unconventional oil & natural gas: For clients with more than 5% of revenue from unconventional oil & natural gas and discontinue coverage of new projects.

Note 1: The 5% revenue associated with coal/unconventional oil/natural gas is the final assessment threshold. The gradual phase-out process will take place based on the outlined timeline.

Note 2: New projects include expansions of existing business. Coverage will no longer be provided to customers for expansion projects related to coal, unconventional oil, and natural gas.

Note 3: Unconventional oil and natural gas refer to oil sands, shale oil and gas, Arctic oil and natural gas, and ultra-deepwater and unconventional natural gas and other petroleum. Upstream production of the above is within the scope of control.

Note 4: If a company has made a public commitment to achieve net-zero emissions by 2050 and has third-party verification of its carbon reduction efforts, or if the project supports renewable energy or low-carbon transition, it is exempt from the control threshold above. Note 5: The management policy is applicable to operations related to reinsurance and treaty reinsurance.

3.6.3 Risk management processes in the insurance value chain

Cathay Century Insurance regularly evaluates the potential impact of ESG and climate-related risks on specific industries or its insured portfolio. We integrate risk factors into our product design and develop risk management measures tailored to potential risks within the value chain. Collaborating with experts from the industry, government and academia, Cathay Century Insurance strives to enhance resilience to climate change. Looking ahead, Cathay Century Insurance aims to identify risks and opportunities related to biodiversity, forests/water resources, and the circular economy.



Product Design

- Cathay Century Insurance regularly convenes climate change meetings for the product team and underwriting departments to promote the development of low-carbon sustainable products such as crop insurance, renewable energy-related insurance (solar and wind power), and public bicycle insurance to promote the transition towards green practices
- Use PCAF (Partnership for Carbon Accounting Financials, Carbon Accounting Financial Partnership) methodology to conduct carbon intensity inventory and complete carbon intensity calculations for car insurance and commercial insurance



 Regularly track product loss ratios and adjust premiums and underwriting policies as needed



- Use the climate risk model to assess the impact of natural disasters across Taiwan and appropriately diversify the risk through reinsurance contracts
- Establish catastrophe reserves to prevent and prepare for potential losses from natural disasters
- Incorporate climate change impact into underwriting considerations for participation in future contracts with other parties/Offshore Insurance Unit (OIU) businesses

Marketing and Promotion

- Implement loss control consultant recommendations to increase risk awareness among corporate clients and help them assess and mitigate risks, such as through solar energy and flood simulation analyses
- Use APPs and digital platforms to distribute product information to reduce resource consumption in the marketing process

- Establish underwriting rules as the basis for underwriter approval or rejection of any insurance products that are susceptible to natural catastrophes
- Establish an underwriting risk identification and assessment mechanism for sensitive industries such as logging and coal
- Implement a more rigorous, higher-level underwriting process for policyholders with higher environmental risks to better assess their exposure to climate change risks
- Provide underwriting and loss control recommendations using climate risk modeling



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Managemer

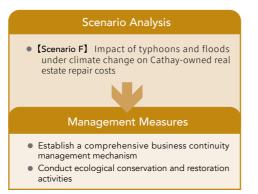
Ch4 Outlook and Conclusion

Ch 5 Appendix

3.7 Operational Risk Management

Climate-related physical risks refer to the financial risks that companies face from acute or chronic extreme weather events. Cathay conducts scenario analysis to understand the potential financial impact associated with the increased frequency of severe weather events such as typhoons or floods. This helps to establish operational management mechanisms to enhance awareness and management of climate-related physical risks. In addition, Cathay is engaged in ecological conservation and restoration efforts to mitigate the impact of natural disasters.





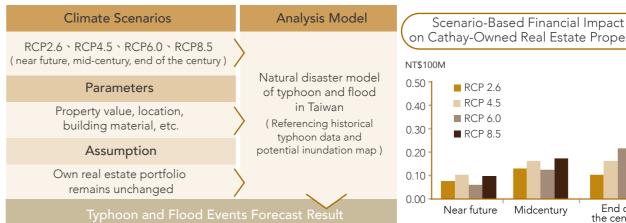
3.7.1 Operational Scenario Analysis

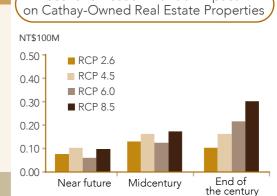
[Scenario F] Impact of typhoons and floods under climate change on Cathayowned real estate repair costs

Background

To fully understand the impact of climate change, Cathay used scenarios RCP2.6, RCP4.5, RCP6.0, and the most severe RCP8.5 proposed in the IPCC Fifth Assessment Report(AR5) to conduct scenario simulations. We also used natural disaster models developed in collaboration with academic research institutions to simulate typhoon and flood scenarios. We used the model to analyze the risk exposure of Cathay's properties to typhoons and floods, and the potential level of damage during different periods: the near future (-2035), midcentury(2046-2065), and end of the century(2081-2100). The results form an important basis for formulating our BCM planning and asset allocation strategies.

Analysis Procedure





Analysis Results

Under the RCP8.5 scenario, the group's average annual loss from typhoon and flood damages to buildings will increase by less than NT\$50 million at the end of the century from the base year (2023).

Management Measures

We consider the potential impact of climate risk factors, such as floods, mudslides, and earthquakes) on the safety of our assets when selecting business and investment locations as well as regularly inspect our properties and step up safety inspections and repairs. Since 2020, Cathay FHC and its major subsidiaries have implemented Business Continuity Management framework that incorporates all business continuity priorities. This system addresses physical risk adaptation, including natural disaster scenarios, creating backup and recovery business continuity plans (BCPs), conducting regular drills, and enhancing resilience to climate change, @please refer to 3.7.2 Business Continuity Management Mechanism.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

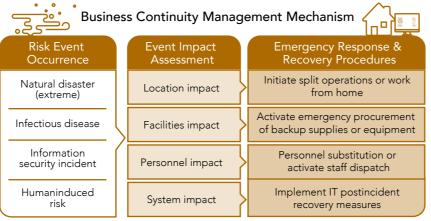
3.7.2 Business Continuity Management Mechanism

Establish a comprehensive business continuity management mechanism

- Cathay FHC has implemented the "Business Continuity Management Guidelines" and "Business Continuity Management Strategy" to establish a comprehensive management system throughout the group. The system is supported by a complete reporting mechanism to ensure effective communication during emergencies. In the event of a natural disaster or other emergency, Cathay FHC will activate the appropriate emergency response procedures and business recovery measures based on the severity of the incident and its reporting levels.
- In addition, we regularly conduct multi-hazard drills for different scenarios each year to ensure that critical business operations remain uninterrupted and that backup mechanisms are effective in the event of a natural disaster or force majeure.

Adoption of ISO 22301 - Business Continuity Management Systems (BCMS)

 Cathay FHC and its subsidiaries, including Cathay Life, CUB, Cathay Century Insurance, Cathay Securities and Cathay SITE, have all been internationally certified by the British Standards Institution (BSI). We are committed to ensuring the effectiveness of our business continuity management mechanism and continue to strengthen the group's operational resilience.



3.8 Finance Innovation for Climate and Nature

Faced with challenges such as the dynamic nature of climate change and data complexity, traditional management methods often struggle with issues such as low efficiency and inaccurate data. Exploring solutions through digital tools such as cloud computing, big data, and artificial intelligence, or collaborating across sectors with organizations such as meteorological agencies, academia, government, and industry, can advance the development of climate risk management tools within Cathay. The expansion of management solutions can foster innovative applications of climate and environmental data, helping address the challenges posed by climate change and shaping the future of climate resilience management.

CASE STUDY

Management ∧

Application 💯

► Combine asset and flood databases to analyze collateral

and flood risk areas. This can

be used in stress testing to support underwriting consid-

► Spatial visualization facilitates

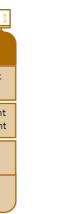
risk monitoring of credit assets by creating maps of asset distribution and flood risk

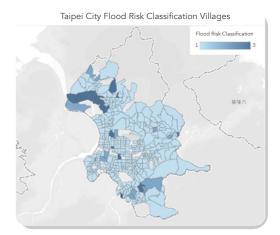
erations.

areas

Cathay FHC Collaborates with National Taiwan University on Flood Probability Risk: Pilot Application for Mortgage Collateral

Cathay FHC collaborated with National Taiwan University to utilize flood probability mapping data to analyze the physical risks of mortgage collateral. Flooding primarily affects the ground floor of buildings, making ground-floor storefronts, townhouses, apartments, and high-rises more sensitive collateral to "flood disasters" compared to other floors. In 2023, the project used Cathay Life's mortgage collateral in Taipei City as a pilot project. Leveraging the results of data talent courses, mortgage asset details were accessed and combined with flood databases. Business intelligence and analytics software were then used to create relevant distribution maps.







Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

 ${\rm Ch}3$ Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



4

Outlook and Conclusion

With an emerging trend to declare commitment to net zero emissions, many companies are now developing plans to help them achieve their climate goals. Yet the details and quality of these transition plans currently vary drastically across companies, thereby limiting the ability of stakeholders to determine a company's credibility. International and government organizations are also beginning to develop standardized disclosure frameworks in the hopes of creating more consistent and open transition plans so that stakeholders have greater insight into how they should distribute their capital to support businesses supporting the transition to net zero. Cathay recognizes the importance of such transition plans and will be applying a global disclosure framework to information disclosure to meet the expectations of our stakeholders.

- 4.1 The Road to Net Zero
- 4.2 Nature Positive



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

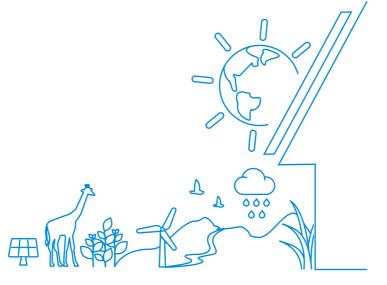
Ch4 Outlook and Conclusion

Ch5 Appendix

4.1 The Road to Net Zero

To achieve net-zero emissions by 2050, Cathay recognizes that relying solely on existing technologies and policies will not suffice. It is imperative to accelerate the structural transformation of energy, invest in innovative industries, and extend the scope of policies and lifestyle changes. While Taiwan is not a United Nations member, as a major exporter, our country must swiftly adapt to global policies like carbon border taxes and green supply chains. However, industries face numerous challenges in their pursuit for net-zero. Effective communication and coordination between the financial and industrial sectors are crucial, along with exploring solutions through public-private collaboration. Cathay aims to empower value chains, embracing the company's role as a leader in sustainable finance and anticipating trends in "Transition finance" and "Adaptation finance". The company integrates resources from subsidiaries to provide climate change mitigation solutions and enhance the competitiveness of businesses through climate transition. Cathay is now gradually upping adaptation funds to increase the resilience of enterprise customers against natural disasters. Furthermore, Cathay recognizes growing global concern for just transitions and spotlights underprivileged groups and human rights protection throughout the transition process, aspiring for a more just, orderly, and equitable transition towards the era of green economy.





4.2 Nature Positive

According to the "Living Planet Report 2022" published by the World Wildlife Fund (WWF), global wildlife populations fell by 69% between 1970 and 2018. The extinction of species is accelerating. Information from the Food and Agriculture Organization of the United Nations (FAO) reveals that more than 75 percent of the world's food crops depend, to some extent, on pollination from various species. Deforestation and soil corrosion have left pollinators in sharp decline, damaging the food security of humans. Climate change is a major environmental crisis, but beyond that, biodiversity loss also poses significant risks to natural ecosystems. Mitigating climate change and biodiversity conservation are, therefore, global challenges. Cathay hopes to incorporate nature and biodiversity into risk assessments and sustainability strategies, working to first assess the value chain impact and reliance on natural resources and then determine relevant goals. Working with the supply chain and partners to explore solutions, Cathay is committed to developing resilient policies for nature conservation and climate adaptations to seize opportunities for sustainable development.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch**5** Appendix

5.1 Summary of Major Data

Table 1 Green Capital

	202	1	202	2	2023		
Unit: NT\$100M	Investment	Lending	Investment	Lending	Investment	Lending	
Low Carbon	2,076	314	2,679	379	2,897	408	
Alternative Energy	235	172	409	205	421	212	
Buildings	767	44	694	71	693	123	
Waste Recycling	50	48	42	36	51	38	
Transportation	707	40	835	57	838	32	
Energy-Efficient Industries	121	9	170	10	273	3	
Green Bonds	196	0	520	0	621	0	
Natural Carbon Sinks	-	-	0	0	0	0	
Infrastructure	7,377	711	8,329	781	8,415	702	
Transportation Facilities	605	67	751	68	793	52	
Public Utilities Infrastructure	5,863	447	6,493	441	6,717	403	
Social Housing and Elderly Residence Projects	0	149	0	237	0	201	
Environmental Remediation/ Protection Facilities	48	48	39	33	54	41	
Low-Carbon Transition-Related Infrastructure	-	-	15	2	823	5	
Infrastructure Construction and Software	861	0	1,030	0	28	0	
Water resources	78	9	61	12	67	11	

Table 2 Green Products and Services

	2021	2022	2023
Global installed solar power station capacity (MW) $^{\mathrm{Note}1}$	758	888	1,045
Global installed offshore wind energy capacity (MW)	1,373	1,373	1,373
Percentage of available credits for renewable energies to the electricity generation industry	77.53	87.56	93.33
Insured amount under renewable energy engineering and equipment insurance (Hydroelectric Power, Solar Power, Wind Power) (NT\$100M) Note 2	1,488	1,830	2,111
Cumulative premium income from bicycle insurance (NT\$10K)	2,000	2,563	2,765
Bicycle insurance (cases)	8,261	10,093	10,745
Cumulative insured amount under Public Bicycle Accident Insurance (NT\$10K)	1,937	2,792	4,186
Cumulative insured cases under Public Bicycle Accident Insurance (10K bike rides)	7,757	11,820	18,854

Note 1: CUB provided loans for 111 solar power stations in Taiwan in 2023, with a total installed capacity of 156 MW. Note 2: No hydroelectric power investments or insurance from 2022-2023.





Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



Table 3 Financed Emissions Inventory of Financial Assets and Property Insurance

This table primarily covers the investment and lending portfolio encompassed by SBT targets. The emissions data for bank credit assets are calculated according to the Taiwan FSC's manual for determining scope 3 emissions in investment and lending portfolios for banks. For more details, 🐨 please refer to Cathay FHC's Sustainability Report 2023 and CUB's Climate and Natural Report 2023.

			Absolute	Emissions (Unit	: tCO ₂ e)		Emission	Intensity (Unit:	Note 2)	Data Quality Score
Asse	t type	2021	2022	C 1	2023	C 1.2	2021	2022	2023	2023
	Listed Equities	1,059,599	545,086	Scope 1 400,355	Scope 2 509,205	909,560	0.26	0.13	1.40	2.23
Proprietary assets Note 1	Corporate Bonds	10,207,824	9,213,947	7,877,593	1,183,977	9,061,570	2.46	2.12	2.29	2.47
ussets	Total	11,267,423	9,759,033	8,277,949	1,693,182	9,971,130	2.71	2.25	2.17	2.44
Assets Under	Listed Equities	311,296	408,808	515,545	359,880	875,425	0.90	1.25	2.12	2.16
Management	Corporate Bonds	961,146	588,561	483,106	119,966	603,072	2.79	0.07	2.34	2.33
(AUM) Note 1	Total	1,272,443	997,369	998,651	479,846	1,478,497	3.69	1.32	2.21	2.23
	Electricity Generation Project Finance	171,883	152,493	-	-	112,128	-	-	0.25	3.00
Credit assets Note 1	Commercial Real Estate Mortgage Loan	29,282	40,590	-	-	34,517	-	-	95.43	4.00
	Long-Term Corporate Loans	432,660	355,119	-	-	482,408	-	-	2.21	3.85
	Total	633,825	548,203	-	-	629,052	-	-	n/a	3.82

Note 1: Proprietary assets cover investments of Cathay Life, CUB, Cathay Century Insurance, Cathay Securities; assets under management (AUM) cover investments of Cathay SITE; and credit assets cover lending positions of CUB.

Note 2: Listed equities and corporate bonds, and long-term corporate loans are calculated based on economic carbon intensity (tCO2e/NT\$1M); electricity generation project finance is based on physical carbon intensity (tCO2e/MWh); and commercial real estate mortgage loans are based on physical carbon intensity (kgCO₂e/m²).

Note 3: Differences in individual item totals and the overall total may occur due to rounding.

Note 4: Absolute emissions, economic carbon intensity, and data quality scores are calculated based on methodologies developed by the Partnership for Carbon Accounting Financials (PCAF).

Note 5: Economic carbon intensity calculations for listed equities and corporate bonds for 2021-2023 are based on investment amounts in these assets, with 2022 report figures using the total investment amount in listed equities and corporate bonds as the denominator.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch**5 Appendix**



		Investme	nt Assets		Credit	Credit assets			
		Listed Equit	ies & Bonds		Long-Term Co	rporate Loans			
Industry		Emissions tCO ₂ e)		ission intensity ₂ e/NT\$1M)	Absolute emissions	Economic emission intensity			
	Proprietary assets	Assets Under Management (AUM)	Proprietary assets Assets Under Management (AUM)		(Unit: tCO ₂ e)	(Unit: tCO ₂ e/NT\$1M)			
Energy	3,290,223	229,344	7.91	8.37	20,786	8.51			
Raw material	1,302,972	562,433	8.77	20.05	105,512	14.48			
Industrial	341,115	67,990	1.72	1.87	57,350	2.65			
Consumer discretionary	60,457	12,116	0.55	0.49	65,813	3.12			
Consumer staple	221,928	14,511	0.96	0.63	5,555	1.53			
Healthcare	38,808	4,409	0.14	0.12	4,033	0.85			
Finance	212,568	33,796	0.11	0.28	76,048	1.14			
Information technology	495,621	308,649	1.03	1.06	92,621	3.06			
Communication	234,606	22,134	0.49	0.55	4,257	0.32			
Public utility	3,756,828	82,175	15.93	13.78	44,385	14.13			
Real estate	16,006	672	0.20	0.33	6,048	0.14			

Note 1: Proprietary assets cover investments of Cathay Life, CUB, Cathay Century Insurance, Cathay Securities; assets under management (AUM) cover investments of Cathay SITE; and credit assets cover lending positions of CUB.

Note 2: Listed equities and corporate bonds, and long-term corporate loans are calculated based on economic carbon intensity (tCO₂e/NT\$1M); electricity generation project finance is based on physical carbon intensity (tCO₂e/MWh); and commercial real estate mortgage loans are based on physical carbon intensity (tgCO₂e/m²).

Note 3: Differences in individual item totals and the overall total may occur due to rounding.

Note 4: Absolute emissions, economic carbon intensity, and data quality scores are calculated based on methodologies developed by the Partnership for Carbon Accounting Financials (PCAF).

Note 5: Economic carbon intensity calculations for listed equities and corporate bonds for 2021-2023 are based on investment amounts in these assets, with 2022 report figures using the total investment amount in listed equities and corporate bonds as the denominator.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

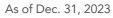
Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



		Investme	nt Assets		Credit assets			
		Listed Equit	ies & Bonds	Long-Term Corporate Loans				
Region	Absolute Emissi	ons (Unit: tCO ₂ e)		ission intensity ₂ e/NT\$1M)	Absolute emissions	Economic emission intensity		
	Proprietary assets	Assets Under Management (AUM)	Proprietary assets	Assets Under Management (AUM)	(Unit: tCO ₂ e)	(Unit: tCO₂e/NT\$1M)		
Taiwan	1,068,265	825,404	1.60	2.39	330,095	2.60		
Asia Pacific	2,026,648	63,935	2.66	2.38	152,313	1.67		
The Americas	5,695,575	477,367	2.52	1.88	-	-		
Europe	772,739 57,770		0.97	2.23	-	-		
Others	407,903	54,021	3.52	3.17	-	-		

Note 1: Proprietary assets cover investments of Cathay Life, CUB, Cathay Century Insurance, Cathay Securities; assets under management (AUM) cover investments of Cathay SITE; and credit assets cover lending positions of CUB.

As of Dec. 31, 2023

		Ca	rbon Inventory of Insurance Product Portfolio	
Insurance Type		Absolute Emissions (Unit: tCO ₂ e)	Economic emission intensity (Unit: tCO ₂ e/NT\$1M)	Data Quality
	Commercial Fire Insurance	33,765	8.72	3.10
	Engineering Insurance	1,428	2.79	4.82
Commercial	Marine Insurance	4,844	13.60	3.62
Insurance	Liability Insurance	8,431	4.25	4.23
	New Insurance	619	1.59	4.31
	Total	49,087	6.90	3.63
Private Car Insurance		280,763	17.74	3.24
	Total	329,850	14.38	3.36

Note 1: Absolute emissions, economic carbon intensity, and data quality scores are calculated based on methodologies developed by the Partnership for Carbon Accounting Financials (PCAF).

Note 2: Listed equities and corporate bonds, and long-term corporate loans are calculated based on economic carbon intensity (tCO₂e/NT\$1M); electricity generation project finance is based on physical carbon intensity (tCO₂e/MWh); and commercial real estate mortgage loans are based on physical carbon intensity (kgCO₂e/m²).

Note 3: Differences in individual item totals and the overall total may occur due to rounding.

Note 4: Absolute emissions, economic carbon intensity, and data quality scores are calculated based on methodologies developed by the Partnership for Carbon Accounting Financials (PCAF).

Note 5: Economic carbon intensity calculations for listed equities and corporate bonds for 2021-2023 are based on investment amounts in these assets, with 2022 report figures using the total investment amount in listed equities and corporate bonds as the denominator.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



Table 4 Operational Carbon Inventory

Unit: tCO₂e		2021		2022	:	2023	1
Company of the control of the contro	Taiwan	3,712.39	Taiwan	3,971.91	Taiwan	4,031.19	
Scope 1 emission	Overseas	393.02	Overseas	830.54	Overseas	1,424.78	
6 0	Taiwan	52,817.70	Taiwan	48,521.37	Taiwan	44,879.34	ľ
Scope 2 emission - market-based emission	Overseas	3,051.15	Overseas	6,423.35	Overseas	7,037.61	
6 0	Taiwan	53,038.08	Taiwan	52,882.81	Taiwan	53,600.09	1
Scope 2 emission - location-based emission	Overseas	3,051.15	Overseas	6,423.35	Overseas	7,037.61	
Company of the Compan	Taiwan	56,530.09	Taiwan	52,493.28	Taiwan	48 ,910.53	
Scope 1 + Scope 2 - market-based emissions	Overseas	3,444.16	Overseas	7,253.89	Overseas	8,105.63	
Company of the control of the contro	Taiwan	56,750.47	Taiwan	56,854.72	Taiwan	57,631.28	1
Scope 1 + Scope 2 - location-based emissions	Overseas	3,444.16	Overseas	7,253.89	Overseas	8,462.39	
Carbon intensity (tCO ₂ e per person)		1.22		1.29		1.09	
Carbon intensity (tCO ₂ e per million revenue)		0.43		1.57		1.11	
Scope 3 – Purchased Products & Services	130	,801.25	144	,540.35	171	,546.62	
Scope 3 – Capital Goods	9	,839.39	32	,257.48	47	,518.22	
Scope 3 – Fuel- & Energy- Related Activities	9	,466.19	8	,949.37	8	,946.54	
Scope 3 – Upstream Transportation & Distribution	12	,064.49	11	,511.57	12	,734.08	1
Scope 3 – Waste Generated in Operations		419.29		396.92		454.65	
Scope 3 – Business Travel	9	,848.33	9	,478.62	9	,393.07	1
Scope 3 – Employee Commuting	25	,240.33	25	,750.71	30	,146.82	
Scope 3 – Upstream Leased Assets	5	,380.46	6	,293.43	5	,722.50	
Scope 3 – Downstream Transportation & Distribution	4	,169.79	3	,987.36	4	,105.33	
Scope 3 – Processing of Sold Products		0		0		0	
Scope 3 – Use of Sold Products and Services		0		0		0	
Scope 3 – End-of-life Treatment of Sold Products		197.72		283.63	14	,279.70	
Scope 3 – Franchises		0		0		0	

- Note 1: We adopted the new version of ISO 14064-1:2018 standards in 2018, and commissioned BSI to conduct external third-party audits in 2020.
- Note 2: The GHG inventory is based on operational control. The scope of the inventory is 100% and Scope 2 is calculated using a market-based approach.
- Note 3: Scope 2 consists of emissions associated with electricity. The Bureau of Energy has adjusted the historical electricity emission factor; the current calculation uses the updated factor, which is 0.533 (2019), 0.509 (2020), and 0.495 (2022) kg $\rm CO_2e/kWh$. The GHG inventory is based on the reference information from GWP AR5 and the EPA GHG Emissions Factors Management Guide 6.0.4.
- Note 4: The number of employees at the locations in the scope of the inventory is 47,267 (2020) and 46,427 (2021), 46,157 (2022), 44,748 (2023).
- Note 5: Business travel emissions include employee travel on the Taiwan High Speed Rail (THSR) and flights. Emissions are calculated based on International Civil Aviation Organization (ICAO) and THSR data (34g CO₂e/person-km). As business travel is conducted in accordance with Cathay's business needs and is not a major category of emissions, it is not included in the management indicators.
- Note 6: In 2020, Cathay reviewed and adjusted the scope of the report based on our business needs and the management of Scope 1 and Scope 2 emissions. We use 2020 as the base year for setting emission reduction targets.
- Note 7: Scopes 1 and 2 are calculated in accordance with ISO 14064 guidelines, with the reporting boundary aligned to financial reporting boundaries. Starting this year, Scope 3 emissions are calculated according to the minimum boundary of the GHG Protocol Scope 3 Value Chain Standard, resulting in differences from last year's disclosed figures. This year's reporting scope is limited to domestic operations, and the figures have not been verified. Specifically, Cathay FHC no longer engages in "Processing of Sold Products," "Use of Sold Products and Services," and "Franchises," hence the values for these categories are zero.



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



Table 5 Overview of Energy Use

		2021		20	22	2023		
Electricity consumption (gray energy)	(a. m. d.)	Taiwan	105,466	Taiwan	104,141	Taiwan	90,665	
	(MWh)	Overseas	4,875	Overseas	9,686	Overseas	11,271	
Total Energy Use	(MWh)	Taiwan+Overseas	114,446	Taiwan+Overseas	127,354	Taiwan+Overseas	129,214	
	Onsite self-use PV system (kWh)		247,000		32,000		335,214	
Use of Renewable	RECs (kWh)		878,000		4,631,000	243,000		
Energy	PPA (kWh)	0			4,150,652	17,374,676		
	Total (kWh)		1,125,000		8,813,652	17,952,890		

5.2 Summary of Subject Matter Assured

Item	Subject Matter	Applicable Criteria	Reference	Page
1	Total infrastructure investing amount reached NT\$841.5 billion in 2023; Total infrastructure lending amount reached NT\$70.2 billion in 2023	Cathay Financial Holdings and its subsidiaries determine infrastructure investment/lending according to following criteria: 1. Industry classification belongs to the categories of transportation, public facilities, social housing, and environmental improvement facilities, low-carbon transition-related infrastructure, infrastructure construction, and software. 2. The company's business items include the above categories. Infrastructure investments, including equity and debt, are calculated based on the book value of each subsidiary at the end of 2023 (including overseas subsidiaries and offices); Infrastructure lending amount is calculated using the original lending amount minus the recovered lending amount.	5.1 Summary of Major Data Table 1 Green Capital	<u>P.54</u>
2	Total low-carbon and green energy investing a mount reached NT\$289.7 billion; Total low-carbon lending amount reached NT\$40.8 billion	Cathay Financial Holdings and its subsidiaries determine low-carbon and green energy investment/lending according to following criteria: 1. Industry classification belongs to alternative energy, construction, waste recycling, transportation, high efficiency and energy-saving industry, and carbon sinks. 2. The company's business items include above categories. 3. Investments included in Bloomberg's green bond list. Low-carbon investment, including real estate, equity, and debt, are calculated based on the book value of each subsidiary (including overseas subsidiaries and offices) at the end of 2023; Low-carbon lending amount is calculated using the original lending amount minus the recovered lending amount.	5.1 Summary of Major Data Table 1 Green Capital	<u>P.54</u>
3	Total water resources investing amount reached NT\$6.7 billion in 2023; Total water resources lending amount reached NT\$1.1 billion in 2023	Cathay Financial Holdings and its subsidiaries determine water resources investment/lending according to following criteria: 1. Industry classification relates to water supply, water treatment, sewage treatment, and industries related to water conservation, water cycle, and recycled water. 2. The company's business items includes the above categories. Water resources investments, including equity and debt, are calculated based on the book value of each subsidiary (including overseas subsidiaries and offices) at the end of 2023; Water resources lending amount is calculated using the original lending amount minus the recovered lending amount.	5.1 Summary of Major Data Table 1 Green Capital	<u>P.54</u>
4	As of the end of 2023, 3 cases reached Financial Close in accordance with EPs	Total number of CUB's financing projects that reach financial close according to the CUB's "Rules Governing Project Finance of Equator Principles" in 2023.	2.3.4 International Organizations & Initiatives	<u>P.28</u>



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

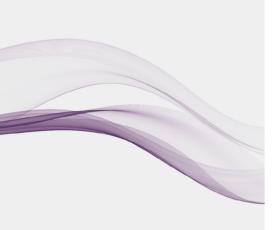
Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch**5** Appendix



Item	Subject Matter	Applicable Criteria	Reference	Page `
5	CUB provided loans for 111 solar power stations in Taiwan in 2023, with a total installed capacity of 156 MW	 Solar power stations: Total number of CUB-financed solar power stations approved by the Bureau of Energy in 2023. Domestic financed capacity: The sum of installed capacities from the lower of the projects with approval documents issued by the Bureau of Energy or Taipower Electricity Purchase Contract and financed by CUB head office and all domestic branches in 2023. 	5.1 Summary of Major Data Table 2 Green Products and Services	<u>P.54</u>
6	As of the end of 2023, the cumulative insured amount of renewable energy engineering and equipment insurance policies (Hydroelectric Power, Solar Power, Wind Power) was NT\$211.1 billion	The total insured amount of renewable energy engineering and equipment insurance cases undertaken by Cathay Century Insurance in 2023. The insured amount is the total policy amount in force as of the end of 2023, including the original insured amount of the policies and the adjusted insured amount by the end of 2023.	5.1 Summary of Major Data Table 2 Green Products and Services	<u>P.54</u>
		Cathay Financial Holdings and its subsidiaries referenced the "Portfolio Carbon Accounting Framework (PCAF)" to establish its "Portfolio Financial Carbon Emissions Calculation Criteria" and to compile and disclose financed emissions for various asset classes by Cathay Group's "Science-Based Targets". • Financed Portfolio Financed Emissions: The financed emissions in metric tons of CO ₂ equivalent	5.1 Summary of Major Data Table 3 Financed Emissions Inventory of Financial Assets and Property Insurance	
		(tCO ₂ e) for Scope 1 and Scope 2 categories related to the investment portfolio held by the group. The group strives to use the "latest obtainable emissions data or estimation data". This includes:		<u>P.55-P.56</u>
7	 Total financed emissions and data quality from proprietary investment asset portfolios in 2023 were 9,971,130 tCO₂e and 2.44 score respectively Financed emissions from proprietary investment asset portfolios by industry in 2023 	 Emissions data directly obtained from companies, either from MSCI Total Portfolio Footprinting (MSCI TPF), MSCI ESG Manager, Bloomberg, Official websites of various state-owned enterprises, Governments announce carbon emissions, Taiwan Economic Journal (TEJ) database or Third-party public statistics. Estimation data based on the methodology recommended by PCAF, using emissions data calculated from Energy Usage Intensity (EUI) of the building type, or physical and economic activity, or obtained from MSCI Total Portfolio Footprinting(MSCI TPF), MSCI ESG Manager and Bloomberg classified by industry to calculate estimated industry specific emissions factors or the distribution factor estimated based on the closest annual financial information or accounting financial information. 		
	 Total financed emissions and data quality of various lending portfolios in 2023 were 629,052 tCO₂e and 3.82 score respectively 	• Scope of Financed Emissions of Investment Portfolios: Cathay Life, Cathay Securities, Cathay Century Insurance conducted an inventory of listed stocks and corporate bonds held as part of proprietary investments assets on December 31, 2023. The scope includes proprietary investments held by Cathay Life, Cathay Securities, Cathay Century Insurance, and CUB that belong in the following accounts: "Financial Assets at Fair Value through Profit or Loss (FVTPL)," "Financial Assets		
	 Financed emissions from long-term lending portfolios by industry in 2023 	at Fair Value through Other Comprehensive Income (FVTOCI)," and "Financial Assets at Amortized Cost (AC)" for both self-managed and outsourced investment portfolios.		
	2020	 Scope of Financed Emissions of Lending Portfolios: As of December 31, 2023, electricity generation project finance, commercial real estate mortgage, and corporate loans (excluding short-term loans and loans to SMEs) provided by CUB. 		
		 Data quality score: Calculated by Cathay FHC with PCAF-recommended methodology and includes data quality scores provided by MSCI TPF and MSCI ESG Manager. A weighted average is calculated based on investment and lending position values. 		
		 Industry classification disclosure: The classification is based on the 11 economic sectors at level one of the Global Industry Classification Standard (GICS) structure. 		



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix



ltem	Subject Matter	Applicable Criteria	Reference	Page
8	CUB has ceased to extend credit positions to coal value chain loans as of April 2021	The definition of the entire coal industry chain in 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 undertaken.	3.5.2 Industry Exclusion and Restriction Policies	<u>P.43</u>
9	As of the end of 2023, the balances of CUB's green deposits and Sustainability-Linked Loans (SLL) were NT\$2.394 billion and NT\$33.036 billion respectively	As of December 31, 2023, the balances amount of Green Deposits and Sustainability-Linked Loans (SLL) undertaken by CUB.	2.2.2 Products and Services	<u>P.19</u>

5.3 TCFD Index

Aspect	TCFD Recommended Disclosures	Reference	Page
Governance	a. Describe the board's oversight of climate-related risks and opportunities.		
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	3.1 Governance Structure and Responsibilities	<u>P.31</u>
	a. Describe the climate-related risks and opportunities the organization has identified over the short-, mid-, and long- term.	1.2 Material Topics in Risks and Opportunities of Climate and Nature	<u>P.9</u>
Strategy	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	1.2 Material Topics in Risks and Opportunities of Climate and Nature2.1 Transition Plan2.2 Implementation Strategy2.3 Engagement Strategy	P.9 P.12 P.17 P.25
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	3.4 Climate and Nature Scenario Analysis3.5 Investment and Lending Risk Management3.6 Insurance Risk Management3.7 Operational Risk Management	P.38 P.39 P.45 P.49
	a. Describe the organization's processes for identifying and assessing climate-related risks.	1.1 Identifying Risks and Opportunities of Climate and Nature 1.2 Material Topics in Risks and Opportunities of Climate and Nature 3.3 Risk Concentration Identification	P.8 P.9 P.35
Risk Management	b. Describe the organization's processes for managing climate-related risks.	3.2 Risk Management Framework and Policy	P.33
Wanagement	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	3.5 Investment and Lending Risk Management3.6 Insurance Risk Management3.7 Operational Risk Management	P.39 P.45 P.49
	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2.1 Transition Plan 5.1 Summary of Major Data	P.12 P.54
Metrics and Targets	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	2.1 Transition Plan2.2 Implementation Strategy5.1 Summary of Major Data	P.12 P.17 P.54
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	2.1 Transition Plan	<u>P.12</u>



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

 ${\rm Ch}3$ Governance and Risk Management

Ch4 Outlook and Conclusion

Ch**5** Appendix



5.4 IFRS S2 Index

Aspect	S2 Recommended Disclosures	Reference	Page
Objective	Articles 1-2	- Applicable to all	
Scope	Articles 3-4	Applicable to all	-
Governance	Articles 5-7	3.1 Governance Structure and Responsibilities	P.31
	Articles 8-9	2.1 Transition Plan	<u>P.12</u>
	Articles 10-12	1.1 Identifying Risks and Opportunities of Climate and Nature 1.2 Material Topics in Risks and Opportunities of Climate and Nature	P.8 P.9
	Article 13	Material Topics in Risks and Opportunities of Climate and Nature 3.3 Risk Concentration Identification	P.9 P.35
6	Article 14	Material Topics in Risks and Opportunities of Climate and Nature Risk Management Framework and Policy	P.9 P.33
Strategy	Articles 15-21	 1.2 Material Topics in Risks and Opportunities of Climate and Nature 2.2 Implementation Strategy 3.4 Climate and Nature Scenario Analysis 3.5 Investment and Lending Risk Management 3.6 Insurance Risk Management 3.7 Operational Risk Management 	P.9 P.17 P.38 P.39 P.45 P.49
	Articles 22-23	3.4 Climate and Nature Scenario Analysis3.5 Investment and Lending Risk Management3.6 Insurance Risk Management3.7 Operational Risk Management	P.38 P.39 P.45 P.49
Risk Management	1.1 Identifying Risks and Opportunities of Climate and Nature 1.2 Material Topics in Risks and Opportunities of Climate and Nature Articles 24-26 3.2 Risk Management Framework and Policy 3.4 Climate and Nature Scenario Analysis 3.5 Investment and Lending Risk Management 3.6 Insurance Risk Management 3.7 Operational Risk Management		P.8 P.9 P.33 P.38 P.39 P.45 P.49



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

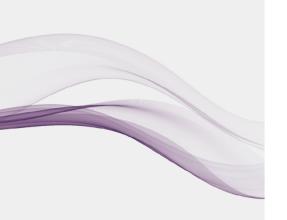
Ch 1 Material Risks and Opportunities

 $\mathsf{Ch2}\,\mathsf{Strategic}\,\mathsf{Ambition}\,\mathsf{and}\,\mathsf{Progress}$

 $\mathsf{Ch3}\,\mathsf{Governance}\,\mathsf{and}\,\mathsf{Risk}\,\mathsf{Management}$

Ch4 Outlook and Conclusion

Ch**5** Appendix



Aspect	S2 Recommended Disclosures	Reference	Page
Metrics and Targets	Articles 27-28	2.1 Transition Plan2.2 Implementation Strategy5.1 Summary of Major Data	P.12 P.17 P.54
	Articles 29-32	2.1 Transition Plan 5.1 Summary of Major Data	P.12 P.54
	Articles 33-37	2.1 Transition Plan 2.2 Implementation Strategy 5.1 Summary of Major Data	P.12 P.17 P.54

Note: For detailed information for each article, please refer to ISSB IFRS S2 Climate-related Disclosures (June 2023) and the "[Draft] IFRS S2 Climate-related Disclosures" posted by the Accounting Research and Development Foundation.

5.5 TPT Index

Principles	Disclosure Elements	Disclosure Sub-elements	Reference	Page
Ambition	1. Foundations	1.1 Strategic ambition		<u>P.12</u>
		1.2 Business model and value chain	2.1 Transition Plan	
		1.3 Key assumptions and external factors		
		2.1 Business operations		
	2.Implementation	2.2 Products and services	2.2 Invalantation Strategy	D 17
	strategy	2.3 Policies and conditions	2.2 Implementation Strategy	<u>P.17</u>
Action		2.4. Financial planning		
	3. Engagement strategy	3.1 Engagement with value chain		
		3.2 Engagement with industry	2.3 Engagement Strategy	<u>P.25</u>
		3.3 Engagement with government, public sector, communities, and civil society		
	4 M 0 T	4.1 Governance, engagement, business and operational metrics and targets	2.1 Transition Plan	<u>P.12</u>
		4.2 Financial metrics and targets	2.1 Transition Plan	P.12
	4. Metrics & Targets	4.3 GHG metrics and targets	5.1 Summary of Major Data	P.12 P.54
		4.4 Carbon credits	2.2 Implementation Strategy	<u>P.17</u>
Accountability	5. Governance	5.1 Board oversight and reporting		
		5.2 Management roles, responsibility and accountability		
		5.3 Culture	3.1 Governance Structure and Responsibilities	<u>P.31</u>
		5.4 Incentives and renumeration		
		5.5 Skills, competencies and training		



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

 ${\rm Ch}3$ Governance and Risk Management

Ch4 Outlook and Conclusion

Ch**5** Appendix



5.6 TNFD Index

Aspect	TNFD Recommended Disclosures	Reference	Page
Governance	a. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities		
	b. Describe management's role in assessing and managing nature-related dependencies, impacts, risk and opportunities	3.1 Governance Structure and Responsibilities	<u>P.31</u>
	a. Describe the nature-related dependencies, impacts, risks and opportunities the organization has identified over the short, medium and long term	1.2 Material Topics in Risks and Opportunities	P.9
Strategy	b. Describe the effect nature-related risks and opportunities have had on the organization's businesses, strategy and financial planning	of Climate and Nature	<u>r.y</u>
Strategy	c. Describe the resilience of the organization's strategy to nature-related risks and opportunities, taking into consideration different scenarios	3.4 Climate and Nature Scenario Analysis3.5 Investment and Lending Risk Management	P.38 P.39
	d. Disclose the locations where there are assets and/or activities in the organization's direct operations, and upstream and/or downstream and/or financed where relevant, that are in priority areas	3.3 Risk Concentration Identification	<u>P.35</u>
	a. (i) Describe the organization's processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its direct operations	1.1 Identifying Risks and Opportunities of Climate and Nature 1.2 Material Topics in Risks and Opportunities of Climate and Nature 3.3 Risk Concentration Identification	P.8 P.9 P.35
Risk and Impact Management	a. (ii) Describe the organization's approach to identifying nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s) and financed activities and assets	3.3 Risk Concentration Identification3.4 Climate and Nature Scenario Analysis3.5 Investment and Lending Risk Management	P.35 P.38 P.39
Wanagement	b. Describe the organization's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in light of these processes	3.5 Investment and Lending Risk Management	<u>P.39</u>
	c. Describe how processes for identifying, assessing and managing nature-related risks are integrated into the organization's overall risk management	3.2 Risk Management Framework and Policy	<u>P.33</u>
	d. Describe how affected stakeholders are engaged by the organization in its assessment, and response to, nature-related dependencies, impacts, risks and opportunities	3.3 Risk Concentration Identification3.5 Investment and Lending Risk Management	P.35 P.39
Metrics and Targets	a. Disclose the metrics used by the organization to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process	2.1 Transition Plan	<u>P.12</u>
	b. Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature	3.3 Risk Concentration Identification3.5 Investment and Lending Risk Management	P.35 P.39
	c. Describe the targets and goals used by the organization to manage nature-related dependencies, impacts, risks and opportunities and its performance against these	2.1 Transition Plan	<u>P.12</u>

Note: The Index refers to "The TNFD Nature-related Risk and Opportunity and Disclosure Framework beta v0.4."



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

5.7 External Assurance

Independent Limited Assurance Report

PWCM 23000599



Independent Limited Assurance Report

To Cathay Financial Holding Co. Ltd.

We have been engaged by Cathay Financial Holding Co. Ltd (the "Company") to perform assurance procedures in respect of the key performance information indicators by the Company and reported in the 2003 Climate and Nature Report (hereindiner referred to as the "Identified Key Performance Indicators") and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The subject matter information is the Identified Key Performance Indicators of the Company. The Identified Key Performance Indicators and the respective applicable criteria are stated in the "Summary of Subject Matter Assured" on page 26-of of the Climate and Nature Ropert. The scope of the aforementationed Identified Key Performance Indicators is set out in the "About this Report" on page 2 of the Climate and Nature Report.

Management's Responsibility

The Management of the Company is responsible for the preparation of the Identified Key Performance Indicators disclosed in the Climate and Nature Report in accordance with the respective applicable criteria. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of the Identified Key Performance Indicators that are free from material misstatement, whether due to fraud or error.

nherent Limitation

The Identified Key Performance Indicators 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 more dependent on individual assumptions and judgments.

The quantification of the Financed Emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases, and the estimation uncertainty from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge. There are significant limitations in the availability and quality of GHG emissions data from third parties, resulting in reliance by Company on percy data. As there are currently no legislative requirements or regulation prescribing the preparation, disclosure and verification of the Company's Financed Emissions, the Financed Emissions needs to be read and understood together with the Financed Emissions cellulation criteria designed by the Company.

> 資訊聯合會計學專務所 PricewaterhouseCoopers, Taiwan 110208 班上市场保証基据器一项 333 號 27 糖 27F, No. 333, Sec. 1, Keeling Rd., Xinyi Dist., Taipel 110208, Taiwan I: +886 (2) 2729 6666, F: +886 (2) 2729 6686, www.pwc.tw



Compliance of Independence and Quality Management Requirement

We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies the Standard on Quality Management 1, "Quality Management for Public Accounting Firms" of the Republic of China, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the identified Key Ferformance Indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Satement of Austrance Engagements Standards 3000, "Assurance Engagements ofher than Audits or Reviews of Historical Financial Information", and, the Satement of Assurance Engagements 43400, "Assurance Engagements of Developments on Correctionate Constitution," of the Republic of China. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Key Ferformance Indicators are free from material misstatement.

Under the requirements of the aforementioned standards, our limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the criteria as the basis for the preparation of the Identified Key Performance Indicators, assessing the risks of material misstanement of the Identified Key Performance Indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances and evaluating the overall presentation of the Identified Key Performance Indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of quantification methods, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

Financial Emissions

 Evaluate the suitability in the circumstances of the Company's use of the respective applicable criteria as the basis for preparing the Financed Emissions;



- Through inquiries, obtained an understanding of the Company's control environment and information system relevant to the Financed Emissions quantification and reporting, but did not evaluate the design of specific control procedures, obtain evidence about their implementation, or test their operating effectiveness; and
- Evaluated the appropriateness and consistency of the Company's methods for developing estimates.
 However, our procedures performed did not include testing the data underlying the estimates or separately developing our own estimates against which to evaluate the estimates made by the Company;
- Reconciled the emission data back to the underlying records on a sample basis to obtain evidence
 for limited assurance. However, our procedures did not include corroborating the accuracy and
 completeness of the underlying greenhouse gas emissions and financial data from third parties;
 and
- Considered the presentation and disclosure of the Pinanced Emissions, including the categorization
 of data by industry sector and the quality score, but excluding the coverage rate of greenhouse gas
 emission data.

2. Other Identified Key Performance Indicators

- Made inquiries of the persons responsible for the Identified Key Performance Indicators to obtain
 an understanding of the processes, information systems 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 substantive testing on selective basis, including inquiries, observation, inspection, and reperformance to obtain evidence for limited assurance.

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. Accordingly, we do not express a reasonable assurance opinion about whether the Company's identified Key Performance Indicators have been prepared, in all material respects, in accordinance with the researche solicidale criteria.

We also do not provide any assurance on the Climate and Nature Report as a whole or on the design or operating effectiveness of the relevant internal controls. Furthermore, our assurance does not extend to information disclosed in the Climate and Nature Report for the period ended Theorember 21 areas or prior periods.



Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Key Performance Indicators in the Climate and Nature Report are not 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. We have no responsibility to re-perform any precedures regarding the Identified Key Performance Indicators after the date of our assurance report, even if the Identified Key Performance Indicators or the applicable criteria have been subsequently modified.

Chao, Yung-Chieh

Partner
For and on behalf of PricewaterhouseCoopers, Taiwan
July 29, 2024



Message from the Chairman

Key Milestones

Highlights and Performance

International Perspective

Ch 1 Material Risks and Opportunities

Ch2 Strategic Ambition and Progress

Ch3 Governance and Risk Management

Ch4 Outlook and Conclusion

Ch5 Appendix

Greenhouse Gas Emissions Verification Opinion Statement

ISO 14064-1:2018

bsi. **Opinion Statement**



台北市

大安區

10633

仁全路四段 296 号





Greenhouse Gas Emissions

Verification Opinion Statement

Holds Statement No:

Verification opinion statement

This is to verify that: Cathay Financial Holdings and its subsidiaries No. 296, Sec. 4, Jen Ai Rd. Da-An Dist Taipei City

10633

GHGFV 784022

As a result of carrying out verification and validation procedures in accordance with ISO 14064-3:2019, it is the statement for mixed engagement including reasonable assurance for verification activity, validation and agreed-upon procedures (AUP) contains the following:

- The Greenhouse Gas Emissions with Cathay Financial Holdings and its subsidiaries for the period from 2023-01-01 to 2023-12-31 was verified and validated.
 The verified organization-level greenhouse gas emissions include direct greenhouse gas emissions 4,031.1914 tonnes of CO, equivalent and indirect greenhouse gas emissions from imported energy 55,000.0899 tonnes of CO; equivalent.
- Cathay Financial Holdings and its subsidiaries has defined and explained its own process and pre-determined criteria for significance of indirect Greenhouse Gas Emissions and quantify and report
- these identified significant emissions accordingly. The organizational boundary of Cathay Financial Holdings and its subsidiaries is described in the attached pages of statement number GHGEV 784022-1 to GHGEV 784022-11.

For and on behalf of BSI:

Originally Issue: 2024-04-30

Latest Issue: 2024-04-30

..making excellence a habit."

ISO 14064-1:2018 (Including overseas)

bsi. **Opinion Statement**



台北市



國泰金融控股股份有限公司暨子公司

Greenhouse Gas Emissions Verification Opinion Statement

This is to verify that: Cathay Financial Holdings and its subsidiaries No. 296, Sec. 4, Jen Ai Rd. Da-An Dist.

Taipei City 大容區 10633 仁爱路四段 296 號

Holds Statement No: GHGEV 784022-16 Verification oninion statement

As a result of carrying out verification and validation procedures in accordance with ISO 14064-3:2019, it is the statement for mixed engagement including reasonable assurance for verification activity, validation and agreed-upon procedures (AUP) contains the following:

- The Greenhouse Gas Emissions with Cathay Financial Holdings and its subsidiaries for the period from 2023-01-01 to 2023-12-31 was verified and validated.
 The verified organization-level greenhouse gas emissions include direct greenhouse gas emissions 5,455.9747 tonnes of CO, equivalent and indirect greenhouse gas emissions from imported energy 66,637.6985 tonnes of CO, equivalent.
 Cathay Financial Holdings and its subsidiaries has defined and explained its own process and pre-
- determined rotinities and its associations has defined and explaned its own increased in pre-determined criteria for significance of indirect Greenhouse Gas Emissions and quantify and report these identified significant emissions accordingly.

 The organizational boundary of Cathay Financial Holdings and its subsidiaries is described in the attached pages of statement number GHGEV 784022-1 & GHGEV 784022-6 to GHGEV 784022-15.

For and on behalf of BSI:

Originally Issue: 2024-04-30

Latest Issue: 2024-04-30

...making excellence a habit."

