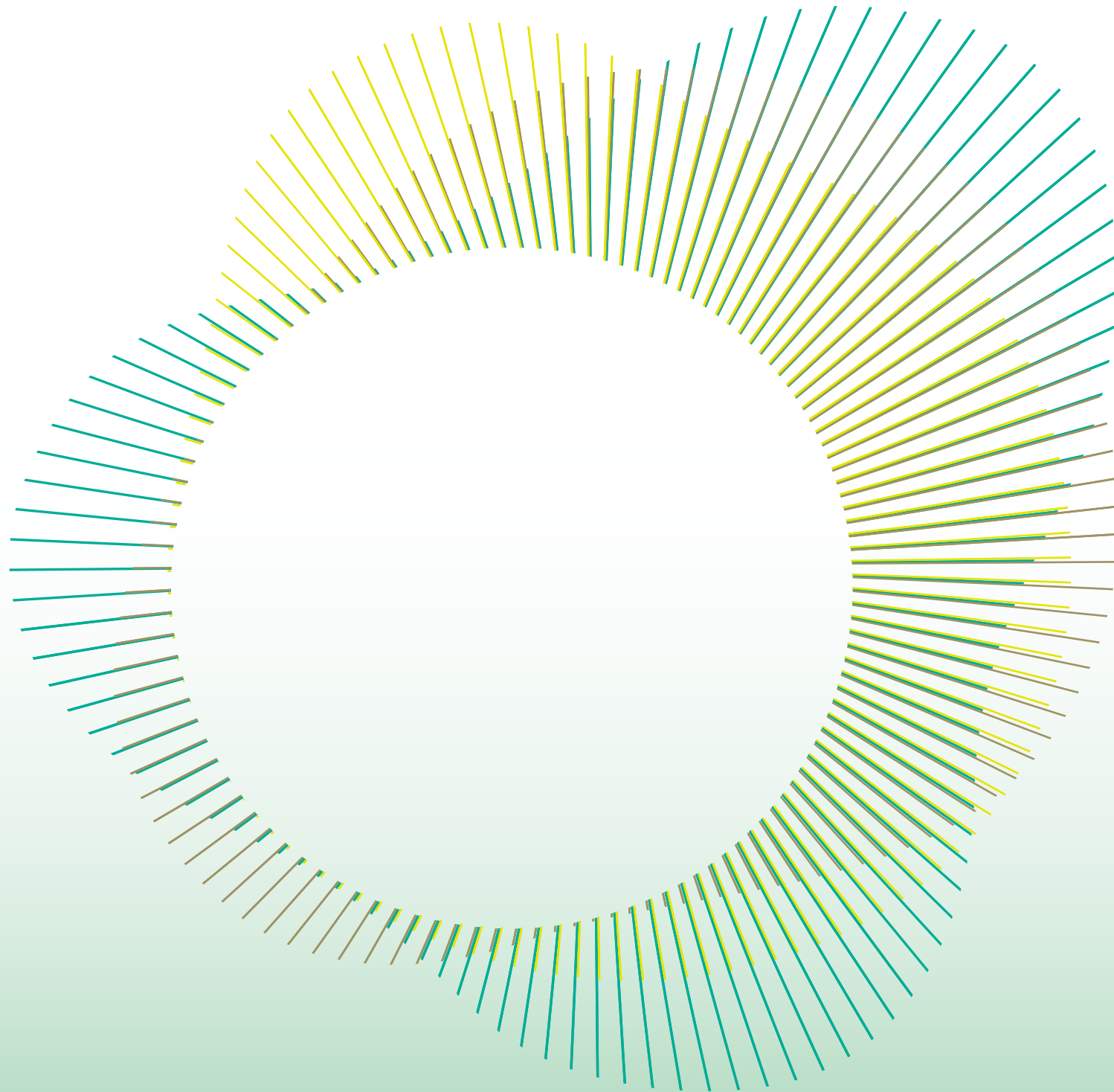


2024 Cathay Financial Holdings CLIMATE AND NATURE REPORT



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This report is based on the International Financial Reporting Standards (IFRS) S2 "Climate-related Disclosures" and the Task Force on Climate-related Financial Disclosures (TCFD) framework. It also references the "TPT Disclosure Framework" released by the Transition Plan Taskforce (TPT) in October 2023 to enhance the granularity and robustness of disclosures. In June 2024, the International Financial Reporting Standards Foundation (IFRS Foundation) officially assumed responsibility for TPT disclosure data, which will be incorporated into the supplementary resources of the International Sustainability Standards Board (ISSB) going forward.

Climate change not only increases the frequency of extreme natural disasters but also indirectly drives biodiversity loss, impacting businesses and organizations that depend on natural resources and ecosystem services. Cathay FHC also references the Taskforce on Nature-related Financial Disclosures (TNFD) framework to identify significant nature-related risks and opportunities arising from its business activities, along with their potential impacts. This analysis guides the development of mitigation strategies and corresponding risk management measures to ensure that its capital allocation does not result in adverse environmental outcomes. In 2025, Cathay further adopted the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool and conducted its first pilot assessment of nature-related risk indicators using the ENCORE tool, focusing on two key areas—water resources and forests. This forward-looking approach aims to identify potential nature-related risks embedded in investment positions and serves as a basis for strengthening internal management mechanisms and decision-making processes.



Scope of Disclosure

This report covers Cathay FHC and its major subsidiaries—including Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, and Cathay SITE—with a primary operational focus in Taiwan.



Period of Disclosure

The report primarily addresses climate- and nature-related risk management efforts in 2024, supplemented by key milestones and performance highlights from both 2025 and previous years.



Verification and Assurance

Cathay FHC engaged PwC Taiwan to conduct an independent limited assurance of selected sustainability performance indicators, as disclosed in this report and prepared in accordance with the GRI Standards. The assurance engagement was performed in accordance with the Taiwan Statement of Assurance Standards No. 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information," issued by the Accounting Research and Development Foundation. This engagement was conducted under a limited assurance framework. Data that has been assured by PwC is explicitly marked throughout this report to reflect its external, independent assurance status. The Limited Assurance Report issued by PwC is provided in the Appendix.

Message from the Chairman

Creating A Culture of Sustainable Governance & Enhancing Corporate Resilience

The rapid development of artificial intelligence has driven growth across related supply chains and injected fresh momentum into global capital markets. However, persistent geopolitical tensions, regional conflicts, and mounting volatility in financial markets have further intensified global economic inequality. These forces are bound to reshape global industrial structures and supply chains, challenging the agility and resilience of enterprises in the face of evolving external conditions.

In recent years, extreme climate has led to a surge in natural disasters. At the beginning of 2025, California experienced its most devastating wildfire on record, once again sounding the alarm and reminding us that the world must adopt comprehensive, proactive strategies to address extreme climate and achieve environmental sustainability. In this context, the insurance industry must adopt more effective tools and methodologies, help the public manage and prevent losses, and leverage its core financial competencies to mitigate impacts. At the same time, insurers must explore ways to contribute to social development and environmental protection. The path to net-zero transition will unavoidably disrupt the allocation of economic, industrial, and social resources. As such, striking a balance across environmental, social, and governance (ESG) aspects requires collective wisdom and resolute corporate action.

Cathay has been a long-time advocate of sustainable finance. We have established development goals for climate and nature around the theme of climate, one of the three core pillars of our sustainability strategies. Between 2022 to 2024, Cathay achieved Leadership status from the Carbon Disclosure Project (CDP), reflecting our commitment and progress in environmental governance, strategy, and implementation. In 2024, Cathay participated in the UN's Conference of the Parties for the fourth time. We were also once again invited by the World Climate Foundation to deliver the opening keynote at the World Climate Summit (WCS), where we presented our forward-looking insights on sustainable finance and engaged with global stakeholders to explore how climate finance can accelerate industrial transitions toward net-zero emissions. Together, we aim to develop practical and effective responses to the climate crisis.

At Cathay, we continue to uphold our core values of Integrity, Accountability, and Innovation as we navigate sustainable corporate management. We hope to collaborate across sectors to upgrade industries and facilitate nature-positive transitions by engaging and working with our stakeholders. We strive to drive a just and inclusive transition and fulfill our commitments and hope for a world that is Better Together.

Chairman

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2012

- Joined the Carbon Disclosure Project (CDP)

2015

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

2016

- Founding member of the Asia Investor Group on Climate Change (AIGCC)

2017

- First financial institution in Taiwan to join Climate Action 100+ and the CDP's Non-Disclosure Campaign (NDC)

2018

- Signed the endorsement for the Task Force on Climate-related Financial Disclosures (TCFD) initiative and established a dedicated TCFD task force
- First financial institution in Taiwan to assess the carbon footprint of investment portfolios in accordance with TCFD's recommendations

2019

- First financial institution in the world to adopt ISO 20400 standards for sustainable procurement

2021

- Adopted "Climate" as one of the three strategic pillars of sustainable development
- Only financial institution in Taiwan to join the Asian Utilities Engagement Program (AUEP)
- First financial institution in Taiwan to join the CDP Science-Based Targets Campaign

2022

- Released Cathay's first TCFD Report
- First financial institution from Taiwan to join RE100
- Joined the Partnership for Carbon Accounting Financials (PCAF)
- Joined the Taskforce on Nature-related Financial Disclosures (TNFD)
- Received approval for its Science Based Targets (SBTs)
- First financial institution from Taiwan to join the Partnership for Biodiversity Accounting Financials (PBAF)
- 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
- Attained a Leadership Level A rating (highest honor) for the first time in the CDP assessment
- Only financial institution in Taiwan to join the Ceres Valuing Water Finance Initiative

2023

- Signed and endorsed Business for Nature's COP15 Business Advocacy Campaign
- Only life insurance provider in Taiwan to join Nature Action 100
- First bank in Asia to join CDP's Commercial Banks Pilot Project
- Ranked as the top private financial institution in Taiwan by UK Financial Times' "Asia-Pacific Climate Leaders 2023"
- Attained a Leadership Level A rating (highest honor) again in the CDP assessment

2024

- The TCFD Task Force was reestablished as Cathay's Climate and Nature Task Force
- First financial institution in Asia to win the Environmental Finance "TCFD Report of the Year" Award
- Ranked as the top private financial institution in Taiwan by the Financial Times' "Asia-Pacific Climate Leaders 2024"
- Recognized for outstanding performance in the first TCFD report evaluation for banks and insurers conducted by NCCU-achieving excellence in banking, life insurance, and property insurance
- Attained a Leadership Level A rating in the CDP assessment for the third consecutive year
- First financial institution in Taiwan to establish the role of Chief Climate Officer

 First/Only  Honors  Major Visions & Goals

2025

- 100% renewable energy usage at the headquarters of Cathay FHC, Cathay Life, CUB, and Cathay Century Insurance

2027

- The outstanding credit balance related to the coal value chain was reduced to zero by the end of Q1

2030

- Exclude investment assets in coal value chain industries and unconventional oil and gas sectors that derive a significant portion^{Note} of their revenue from such activities and lack active transitioning towards sustainability
- Achieve 60% renewable energy usage at global business locations and 100% at all Taiwan business locations by 2030

2050

- Achieve net-zero emissions across all financial assets by 2050
- Achieve 100% renewable energy usage at all global business locations

From Risk to Resilience: The Role and Forward-looking Mission of the Chief Climate Officer

The impacts of climate change on the financial sector have extended far beyond environmental considerations, penetrating deeply into both the asset and liability sides of the balance sheet—including investment and lending decisions, real estate risks, insurance product design, and core areas of life insurance such as mortality and hospitalization rates linked to temperature fluctuations. In response to these diverse and complex challenges, Cathay FHC established the position of Chief Climate Officer to consolidate professional insights across business units, foster cross-departmental collaboration, and build a systematic climate response strategy. For instance, the implementation of carbon pricing mechanisms worldwide is expected to affect our investment and lending portfolios as well as the operations of our subsidiaries, highlighting that climate risk has become a critical factor in corporate management. At present, many companies still approach climate issues primarily through the lens of regulatory compliance. However, we believe that this is only the starting point. Looking ahead, climate change is expected to have far-reaching structural impacts on the financial system, requiring a more forward-thinking perspective. Our goal is to transform climate risks into drivers of transition, guiding companies toward a future where sustainability and resilience go hand in hand.



Cathay FHC's first Chief Climate Officer, concurrently served by Chief Risk Officer (CRO) Ching-Lu Huang, has strengthened the governance and management mechanisms for climate risk assessment.

Note: For details regarding revenue proportions, please refer to ▶ 1.4 Metrics & Targets

Global Perspectives

Cathay FHC at COP29: Leading Systemic Change for a Climate- and Nature-Driven Sustainable Transformation

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The 29th United Nations Climate Change Conference (COP29) was held in Azerbaijan, where Cathay FHC continued its active participation in global climate governance dialogues, underscoring the financial sector's crucial role in sustainable transformation. Cathay FHC President Lee Chang-Ken was once again invited as the keynote speaker at the high-profile side event, the World Climate Summit (WCS). His speech, titled "Driving Systemic Change for Climate and Nature Solutions," outlined Cathay's strategic approach to tackling climate and nature challenges through systems thinking.



Cathay FHC President Lee Chang-Ken attended the World Climate Summit at COP29

■ Driving Systemic Change: Pioneering a Climate and Nature Industrial Revolution

During the address, the President emphasized that the risks posed by climate change and biodiversity loss have become critical global challenges, necessitating urgent systemic change. Throughout history, each industrial revolution—from the steam engine-driven First Industrial Revolution to the digitization and artificial intelligence of the Fourth Industrial Revolution—has reshaped societal structures and ways of life. Today, faced with the realities of net-zero goals and natural crises, the world requires a new era: a "Climate Industrial Revolution" and a "Nature Industrial Revolution," aimed at deep structural transformation across energy, the circular economy, nature-based solutions, and technological innovation.

However, such sweeping transformations will inevitably impact existing economic structures and the distribution of societal resources. The President emphasized the importance of establishing mechanisms for a Just Transition to ensure a fair and inclusive transition process—an issue that requires collective focus and cross-sectoral collaboration. Through engagement with international organizations and dialogue among industry, government, and academia, Cathay aims to facilitate greater cross-border experience sharing and accelerate the development of climate finance solutions in Taiwan, Asia, and beyond.

■ Climate Finance in Focus: Integrating Resources and Expanding Action

At COP29, "climate finance" emerged as one of the most critical topics, underscoring the increasingly pivotal role of financial mechanisms in achieving global climate goals. The President stated that the world is actively exploring ways to harness financial power to support more climate-resilient projects. The key lies in cross-sector integration and diversified capital allocation, ensuring that resources effectively match the needs of projects with varying risks, scales, and development stages.

Building a robust climate finance ecosystem requires not only aligning capital supply and demand but also incorporating a deep understanding of technologies, business models, and context-specific local challenges to drive scalable solutions and even achieve commercial growth. Furthermore, the President highlighted the importance of innovative financial mechanisms and instruments in channeling capital to the right projects and identifying better sources of funding.

Currently, innovative financial mechanisms such as **Blended Finance**, **Transition Finance**, **Impact Investing**, and **Pay-for-Success Bonds** are demonstrating strong practical progress. These approaches help boost market confidence, reduce investment risks, and accelerate financial institutions' engagement with sustainability issues.

■ Building Consensus and Shaping a Net-Zero Future by 2050

Cathay FHC firmly believes that by fostering collaboration and knowledge-sharing among government, industry, and academia—both domestically and internationally—a sustainable governance model centered on Public-Private Partnerships (PPP) can be established. This collective effort serves as a positive force driving global environmental transformation and climate action. Looking ahead, Cathay remains committed to its belief that "Finance Drives Change" and will actively participate in international dialogues and initiatives. Cathay will work towards the collective vision of net-zero emissions by 2050, generating tangible impact in sustainable transitions for Taiwan, Asia, and beyond.

Cathay FHC at Climate Week NYC: Leading Forward-Looking Action on Biodiversity and Water Governance

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During the 2024 Climate Week NYC, Cathay FHC actively participated in multiple nature and sustainability-themed conferences, demonstrating its forward-looking strategies and proactive efforts in nature-positive growth. Sophia Cheng, Chief Investment Officer (CIO) of Cathay FHC, was invited as a panelist at the World Biodiversity Summit (WBS). She participated in a special forum titled "Valuing Natural Capital: Creating Markets for Nature", sharing how investment and lending strategies can drive trends in nature conservation and sustainable development. Additionally, Ceres' Valuing Water Finance Initiative invited her to speak at the "Ceres at Climate Week" water stewardship forum. During the event, she delivered a keynote speech on "Drops of Change: Building Climate Resilience through Water Stewardship," demonstrating the Taiwanese financial sector's active role and contributions to global natural resource management.



Cathay FHC Chief Investment Officer Sophia Cheng attended the WBS during 2024 Climate Week NYC as a featured speaker

■ Building Natural Capital Markets and Driving Biodiversity Growth

During the forum, the CIO emphasized that biodiversity and natural capital are broad and complex topics. To create an efficient and stable natural capital market, she advocated for the establishment of a globally unified platform for nature-related projects to efficiently match capital types with diverse risk profiles. She also highlighted the need to develop consistent market rules and standards, including clear definitions and trading mechanisms for nature or biodiversity credits, to enhance overall market transparency and efficiency. She also stressed the demonstration effect of successful pilot projects. For example, the Rhino Bond issued by the World Bank links the success of black rhino conservation directly to bond yields. This innovative model merges nature conservation with investment returns, resulting in a nearly 8% increase in the black rhino population. Such success stories help boost market confidence, attracting more capital to nature-based projects and achieving a win-win outcome for both conservation and investors.

■ Focusing on Water Stewardship: Enhancing Climate Resilience

At the "Ceres at Climate Week" water stewardship forum, the CIO emphasized that water resources, water quality, and water stability are deeply connected to human survival and ecosystem sustainability. Climate resilience must be embedded as a core pillar of sustainable corporate governance. She stated that Cathay and its subsidiaries not only continue to improve water-use efficiency but also actively integrate water resource considerations into our investment and lending decision-making processes.

Specifically, Cathay conducts water governance performance analyses and risk assessments for high water-risk industries, such as semiconductors, power generation, and food processing, incorporating these insights into engagement and investment management strategies. The CIO noted that Taiwan's high-tech industries have already demonstrated significant awareness and proactive engagement in water resource management. Cathay expects companies to leverage successful pilot projects as a foundation to scale up into broader and deeper water governance efforts, avoiding greenwashing risks and achieving tangible results in green transformation.



CHAPTER

01

Vision and Strategic Ambition

- ▶ 1.1 Vision
- ▶ 1.2 Opportunities and Risks
- ▶ 1.3 Transition Plan
- ▶ 1.4 Metrics & Targets

Cathay FHC identifies climate as one of the three core pillars of its sustainability strategy and has developed a Climate Strategy Blueprint to guide the Group's transition plan. This blueprint clearly outlines Cathay's goals, actions, and responsibilities in addressing climate change, serving as a foundation for its forward-looking strategic direction. To comprehensively assess climate-related risks and opportunities, Cathay FHC conducts annual reviews to reassess impact levels, impact durations, and potential financial implications. These efforts are supported by a robust governance structure and risk management framework that enable the Group to continuously strengthen its response to climate- and nature-related issues. Cathay FHC also aligns with international disclosure standards and regulatory guidelines to enhance the quality of climate-related disclosures and to foster deeper sustainability dialogue with stakeholders.

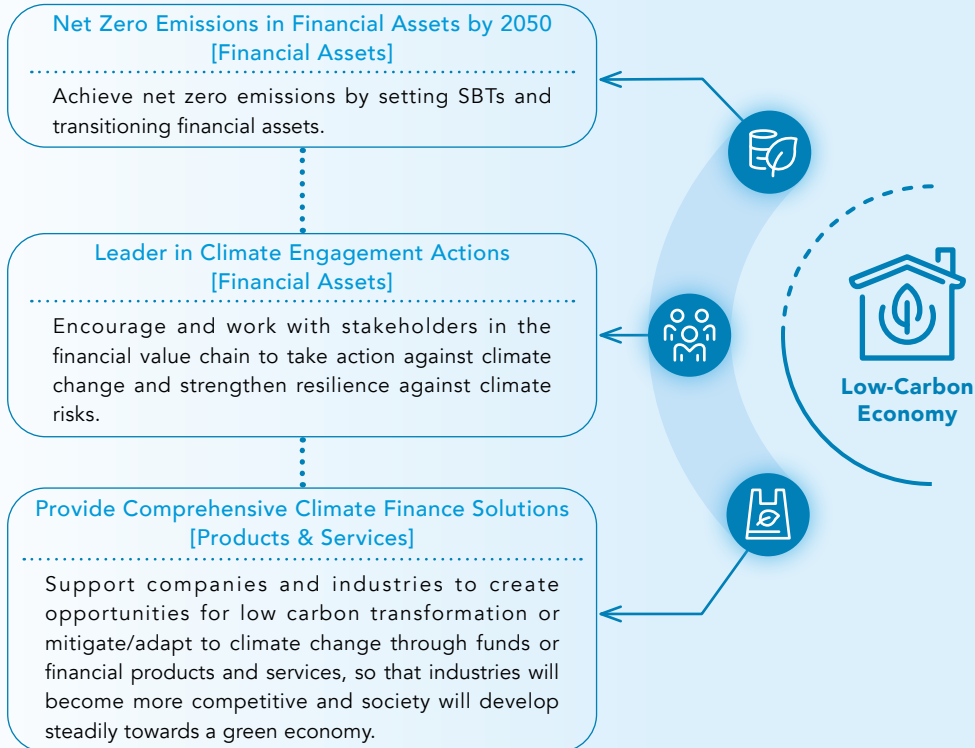
1.1 Vision

In 2021, Cathay designated "Climate" as one of the three new focus areas for strategic sustainable development. In 2022, the company further developed a Climate Strategy Blueprint to deepen its efforts under this strategic pillar. The blueprint is built around two key dimensions: Low-Carbon Economy and Environmental Sustainability, and sets forth ambitious goals to guide its actions. Based on these goals, Cathay has established a set of short-, medium-, and long-term metrics and targets. For further details, please refer to ► [1.4 Metrics & Targets](#).

■ Climate Strategy Blueprint

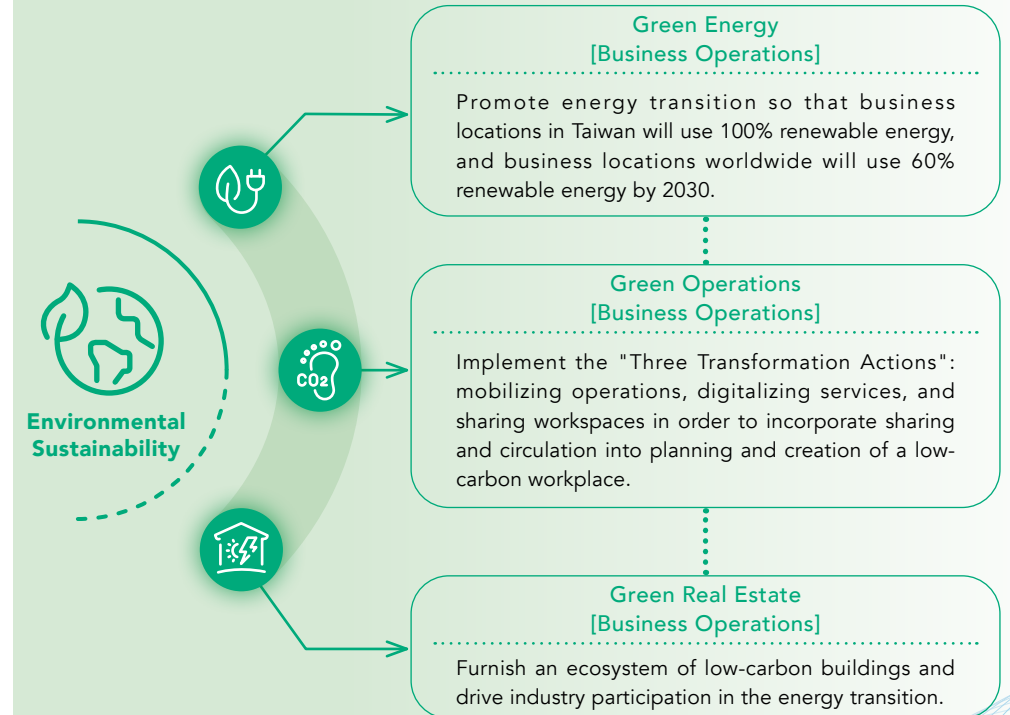
Vision

As the largest financial institution in Taiwan, Cathay FHC commits to using all funds responsibly, working with shareholders and customers, and helping investees and borrowers transition into the low-carbon economy as we strive towards a zero-carbon society. Cathay FHC is dedicated to becoming a leading and influential benchmark in the industry.



Vision

Focus on three main areas of energy, operations, and real estate, steadily advance the Zero-Carbon Operation Transition Plan with the goal of achieving net-zero carbon emissions by 2050.



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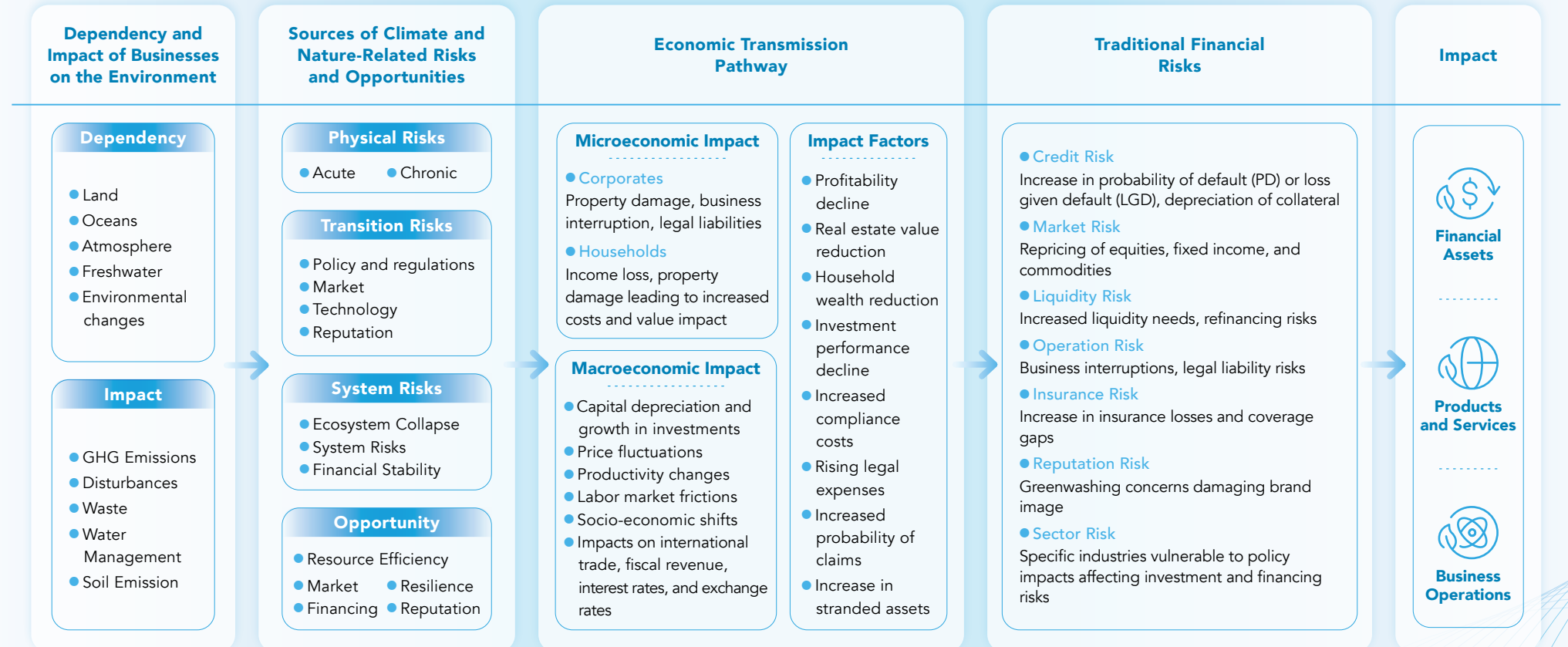
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1.2 Opportunities and Risks

■ Risk Drivers and Transmission

Climate risks can be categorized into physical risks and transition risks. These risks propagate through transmission and feedback effects between the economy and the financial sector. This amplifies traditional financial risks, which can impact business financial assets, products and services, and operations. Thus, climate risks pose a threat to overall financial stability. In the global effort to combat climate change, advancing "nature-positive growth" has emerged as a goal equally important as achieving net-zero emissions. In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) released its recommendations to guide organizations in their decision-making and business management processes. These recommendations aim to help businesses operate under limited natural resources, reduce negative impacts on nature, and preserve ecological balance. Cathay FHC has begun incorporating nature-related risk assessments using TNFD's LEAP approach, conducting pilot applications to evaluate its operational impacts on nature and biodiversity. These efforts support the company's ongoing refinement of its sustainable development strategy.



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Cathay conducts an annual reassessment of opportunities and risks, identifying key impact areas. Based on the assessment, six major climate and nature-related risks and five major climate and nature-related opportunities are selected. These are evaluated for their scope of impact, the corresponding time horizon, primary risks, and financial implications. These findings are integrated into an effective governance structure and risk management mechanisms, strengthening Cathay's capacity and resilience in addressing climate and nature-related challenges.

Identifying Material Opportunities

Priority	Type	Opportunity	Impact on Cathay			Duration of Impact			Potential Financial Impact
			Investment and Lending	Insurance	Operations	Short	Mid	Long	
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.
2	Resilience	Management that is Committed to Sustainability			●		●	●	Establish mechanisms to fulfill our sustainability commitments ensures that these pledges are met, thereby increasing client engagement and trust.
3	Resilience	Advocacy and Engagement Initiatives	●		●		●	●	Leverage our financial influence through advocacy and engagement initiatives to raise client climate awareness, collectively bolstering sustainability and a positive brand image.
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.
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 enhance profitability.

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.

Identifying Material Risks

Priority	Category		Risk	Impact on Cathay			Duration of Impact			Corresponding Conventional Risks			Potential Financial Impact	
				Investment and Lending	Insurance	Operations	Short	Mid	Long	Market	Credit	Insurance		Operations
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.	
2	Transition	Policy & Regulations	Policy and Regulatory Uncertainty	●	●	●		●	●	●	●		Policy changes may lead to increased risk management and compliance costs.	
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.	
4	Transition	Market	Risks from carbon-intensive investments	●				●	●	●	●		High-emission industries may face increased financial pressure or heightened default risks due to regulatory requirements and carbon fee/carbon tax policies, potentially leading to reduced returns in investment portfolios.	
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, investment subjects, and insured companies, negatively impacting profitability.
6	Physical/ Transition		Nature-related Physical/ Transition Risk	●	●			●	●	●	●	●		If investees or insured companies face the degradation of ecosystem services or are required to bear nature-related transition costs, it may lead to a decline in investment, financing, and insurance returns.

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.

1.3 Transition Plan

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 disclosures currently vary drastically across companies, thereby limiting the ability of stakeholders to determine a company's credibility. As such, international and government organizations developed standardized disclosure frameworks for 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 seeks to leverage international transition planning frameworks to address identified major climate and nature-related risks and opportunities, further enhancing its strategic development to align with stakeholder expectations.

■ International Transition Plan Disclosure Framework

Starting in October 2024, the ISSB, under the International Financial Reporting Standards Foundation (IFRS Foundation), officially integrated the specific disclosure requirements established by the UK Transition Plan Taskforce (TPT). This integration signifies that TPT's content will now serve as an important supplementary resource for the ISSB. According to IFRS S2 Climate-related Disclosures, companies are required to disclose their climate change transition plans, including the assumptions made during planning, and key information upon which transition strategies were developed. Furthermore, the Taskforce on Nature-related Financial Disclosures (TNFD) released a draft guidance for nature transition plans in October 2024, applying a framework consistent with TPT. This provides companies with structured guidance for implementing nature-related transition plans and integrating them with climate transition strategies. Cathay also plans to gradually incorporate nature transition plans into its existing climate transition strategy.

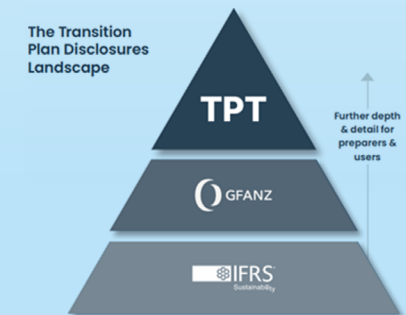
■ Application Framework of This Report

This report is structured based on IFRS S2 Climate-related Disclosures released by the ISSB and the recommendations of the TCFD. Scenario analysis is also employed to evaluate strategic resilience. In addition, the report references the final version of the TPT Disclosure Framework published by the UK TPT to optimize chapter structure. The TPT Disclosure Framework includes the three guiding principles of Ambition, Action and Accountability and encompasses five elements: Foundations, Implementation Strategy, Engagement Strategy, Metrics & Targets, and Governance. Cathay's Climate Strategy Blueprint is aligned with the three guiding principles outlined in the TPT Disclosure Framework. In line with Ambition, the strategy focuses on two main dimensions: Low-Carbon Economy and Environmental Sustainability as the ambitions of its transition plan. Under Action, the strategy encompasses business operations, products and services, financial assets, and engagement strategies. Within this, "Implementation Strategy" emphasizes the development of financial assets, product & services, and business operations, while "Engagement Strategy" focuses on value chains, industry/financial peers, and government/public stakeholders to illustrate Cathay's concrete pathways for achieving a low-carbon transition. For Accountability, relevant metrics and targets are established, and the transition plan is integrated into organizational operations through a well-structured governance framework, ensuring that the plan is effectively executed. The framework aligns with the FSC's recommendations on carbon reduction transition plans.



Transition Plan Taskforce (TPT) – Quick Facts

The UK Transition Plan Taskforce (TPT) was launched in April 2022 and completed its mission in October 2024. In October 2024, the International Financial Reporting Standards Foundation (IFRS Foundation) officially took over the disclosure requirements established by the TPT. The final Transition Plan Framework, released by the TPT in October 2023, not only aligns with the climate-related disclosure standards set forth by the ISSB IFRS S2, but also builds upon the five key elements of the Glasgow Financial Alliance for Net Zero (GFANZ) Net-Zero Transition Plan.



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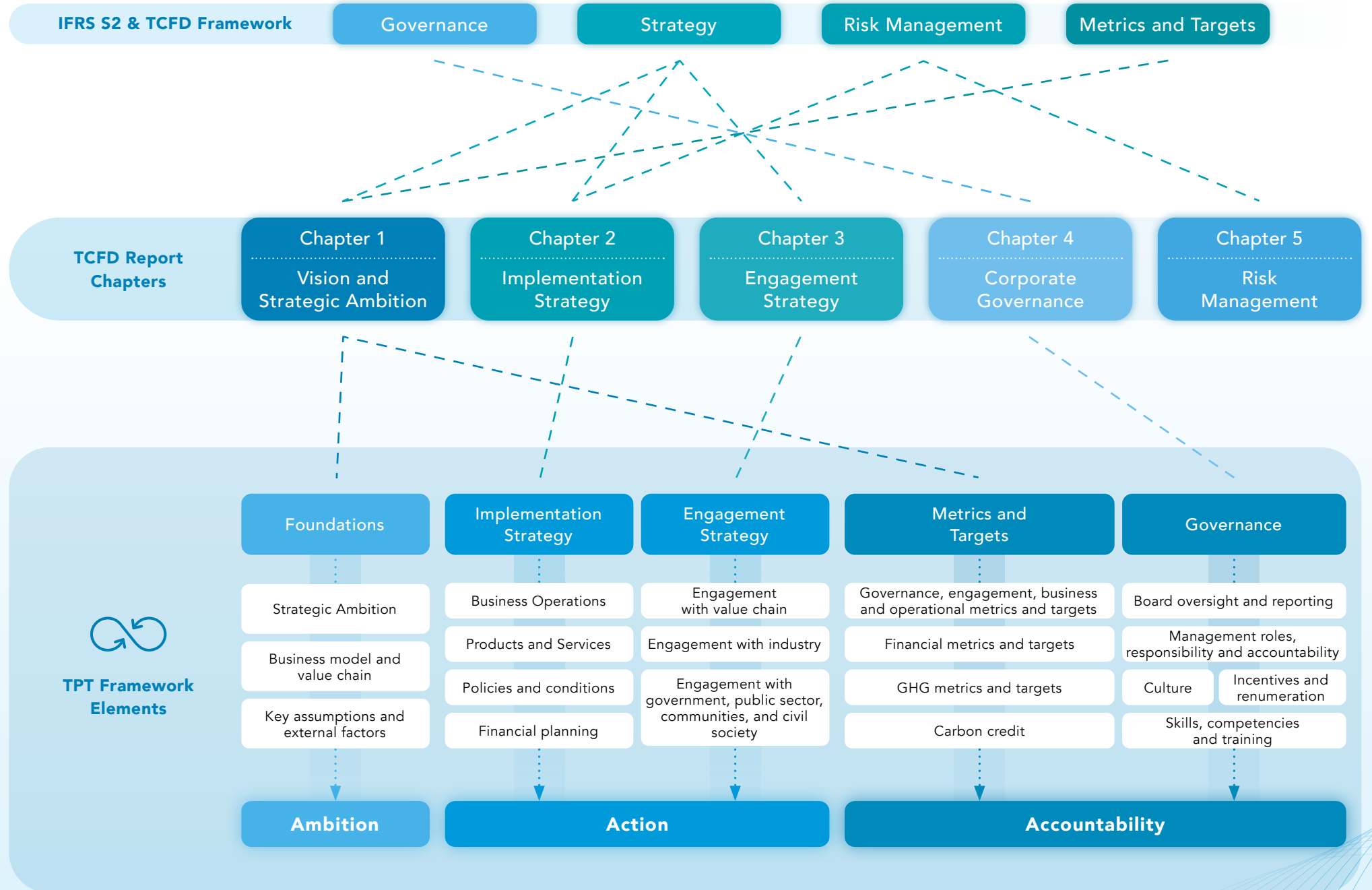
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■ Alignment of Cathay's Transition Plan

To enhance the quality and credibility of its disclosures, Cathay also benchmarked its blueprint against international transition plan disclosure frameworks. Upon review, the core elements of the current Climate Strategy Blueprint were found to be highly aligned with global standards, fully embodying the core principles of a transition plan.

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TPT Disclosure Framework					
Principles	Ambition	Action		Accountability	
Disclosure Elements	Foundations	Implementation Strategy	Engagement Strategy	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, industry peers, government, public sector, communities, and civil society to achieve the Strategic Ambition	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
Climate Strategy Blueprint	<p>Low-Carbon Economy Effectively utilize capital and work with shareholders and clients to support low-carbon economy transition of investment and lending targets, whilst striving to become an influential benchmark enterprise</p> <p>Environmental Sustainability Focus on three main areas of energy, operations, and real estate, steadily advance the Zero-Carbon Operation Transition Plan with the goal of achieving net-zero carbon emissions by 2050</p>	<p>Financial Assets Set science-based targets for emissions reductions in specific asset classes and establish exclusion and restriction policies for certain industries</p> <p>Products & Services Meet funding needs of corporations undergoing low-carbon green transition through the provision of green capital, green products, and green services</p> <p>Business Operations Implement the Zero-Carbon Operation Transition Plan through green energy, green operations, and green real-estate</p>	<p>Value Chain Organize forum events to establish communication channels with suppliers, investees, and borrowers and work together towards more responsible supply chain management and sustainable finance</p> <p>Industry/Financial Peers Participate in the Coalition of Movers and Shakers on Sustainable Finance, the Joint Credit Information Center, and the Bankers Association of the R.O.C. working groups to deepen sustainable actions within the financial sector</p> <p>Government/Public Engagement Promote policy development by participating in international organizations and advocacy activities. Conduct public awareness surveys to enhance risk perception and understanding</p>	<p>Financial Assets Set emission intensity or temperature targets for specific asset classes and establish exclusion criteria for industries, including thresholds for companies with a certain revenue proportion that are not actively transitioning</p> <p>Products & Services Pursue growth targets in areas such as low-carbon investments, sustainable lending, green insurance, and corporate catastrophe services</p> <p>Engagement Targets Engage with key companies in domestic investment and lending portfolios that account for a specific percentage of total carbon emissions</p>	Assign responsibilities at both the Board and management levels for supervising and managing ESG and climate-related risks and opportunities. Strengthen sustainability momentum and impact through incentive and performance-linked mechanisms as well as training and capacity-building programs

1.4 Metrics & Targets

Cathay's Climate Strategy Blueprint is built around two key dimensions-Low-Carbon Economy and Environmental Sustainability-and sets ambitious goals to guide the Group's transition efforts. Short-, medium-, and long-term metrics and targets have been established, with regular performance tracking in place to ensure the effectiveness of the transition plan. This section highlights the performance against major goals in 2024, as well as the short-, medium-, and long-term goals set for 2025 through 2050. For more information, please refer to ► [Cathay FHC's Sustainability Report 2024](#).

■ Status of Major Goals in 2024

✓ Met ⚠ In Progress

Business Scope	Item/Metrics			Ambition	Progress
Financial Assets	Percentage decrease of emission intensity from electricity generation project finance compared to base year of 2019 (Unit: tCO ₂ e/MWh)			23%	
	Percentage decrease of emission intensity from commercial real estate corporate loans compared to base year of 2019 (Unit: kgCO ₂ e/m ²)			28%	Note 4
	Long-Term Corporate Loans	Percentage decrease of emission intensity from electricity generation industry compared to base year of 2019 (Unit: tCO ₂ e/MWh)		23%	Note 4
		Percentage decrease of emission intensity from commercial real estate related compared to base year of 2019 (Unit: kgCO ₂ e/m ²)		27%	Note 4
	Listed equities & bonds	Temperature targets of proprietary investments from base year of 2020	S1+S2	2.82° C	
			S1+S2+S3	2.9° C	Note 4
		Temperature targets of asset management from base year of 2020	S1+S2	2.85° C	
			S1+S2+S3	2.93° C	
	Investment assets ^{Note 1}	Cease new investments in companies whose revenue exceeds a certain threshold and that are not actively transitioning	Coal value chain ^{Note 2}	30%	
			Unconventional oil and gas ^{Note 3}	50%	
Proprietary Assets: Share of financed emissions from domestic listed companies under stewardship			45%		
Percentage increase in low-carbon investments from base year of 2020			30%		
Products & Services	Percentage increase in sustainable lending from base year of 2023			10%	
	Percentage increase in insured amount for green insurance underwriting from base year of 2022			10%	
	Percentage increase in number of corporate catastrophe services from base year of 2022			10%	
	Cumulative number of green bond underwriting cases from base year of 2020			14	
Business Operations	Fulfillment of RE100 commitment and increased use of renewable energies			Taiwan: 22.7%	
	Increase in installed solar capacity on proprietary buildings from base year of 2020			Cathay Life: 1,000% CUB: 454%	
	Promote green leasing practices in commercial buildings across Taiwan's six special municipalities			Green leasing offered at a cumulative total of 28 buildings	

Note 1: Investment assets include listed equities and bonds, encompassing active and passive strategies, as well as third-party managed investments.

Note 2: Coal value chain under investment assets includes the industries in coal mining, coal rail freight, coal support services, and coal power.

Note 3: Unconventional oil and gas under investment assets refer to tar sands, shale oil.

Note 4: Emission intensity is experiencing fluctuations in the short-term. Cathay will continue to make adjustments to meet mid- and long-term targets.

Short-, Mid- & Long-term Goals for 2025-2050

Business Scope	Item/Metrics		Short-term 2025	Mid-term		Long-term		
				2026	2027	2030	2035	2050
Financial Assets	Percentage decrease of emission intensity from electricity generation project finance compared to base year of 2019 (Unit: tCO ₂ e/MWh)		28%	33%	38% ^{Note 5}			
	Percentage decrease of emission intensity from commercial real estate corporate loans compared to base year of 2019 (Unit: kgCO ₂ e/m ²)		34%	39%	44% ^{Note 5}			
	Long-Term Corporate Loans	Percentage decrease of emission intensity from electricity generation industry compared to base year of 2019 (Unit: tCO ₂ e/MWh)	27%	32%	36%	49%	69%	
		Percentage decrease of emission intensity from commercial real estate related compared to base year of 2019 (Unit: kgCO ₂ e/m ²)	33%	38%	42%	57%	73%	
	Listed equities & bonds	Temperature targets of proprietary investments from base year of 2020	S1+S2 2.75° C	2.68° C	2.61° C ^{Note 5}			
			S1+S2+S3 2.85° C	2.79° C	2.73° C ^{Note 5}			
		Temperature targets of asset management from base year of 2020	S1+S2 2.78° C	2.71° C	2.64° C ^{Note 5}			
			S1+S2+S3 2.87° C	2.81° C	2.75° C ^{Note 5}			
	Investment assets ^{Note 1}	Cease new investments in companies whose revenue exceeds a certain threshold and that are not actively transitioning	Coal value chain ^{Note 2}	20%	20%	20%	OECD:5% Non-OECD:20%	
			Unconventional oil and gas ^{Note 3}	30%	30%	30%	OECD:20% Non-OECD:30%	
	Proprietary Assets: Share of financed emissions from domestic listed companies under stewardship		50%	50%	52%	55%		
	Asset Management: Share of equity holdings in domestic carbon-intensive listed companies under stewardship ^{Note 6}		50%	50%	50%	80%		
	Percentage increase in low-carbon investments from base year of 2020		80%	100%	105%	110%		
Products & Services	Percentage increase in sustainable lending from base year of 2023		20%	30%	38%	60%		
	Percentage increase in insured amount for green insurance from base year of 2022		100%	104%	108%	120%		
	Percentage increase in number of corporate catastrophe services from base year of 2022		15%	18%	21%	30%		
	Cumulative number of green bond underwriting cases from base year of 2020		21	23	26	30		
Business Operations	Fulfillment of RE100 commitment and increased use of renewable energies		Six Companies ^{Note 4} : 100%			Taiwan: 100%		Global: 100%
	Increase in installed solar capacity on proprietary buildings from base year of 2020		Cathay Life: 2,500% CUB: 500%	Cathay Life: 2,750% CUB: 557%	Cathay Life: 3,000% CUB: 568%	Cathay Life: 3,750% CUB: 618%		
	Green leasing coverage for commercial buildings in specific areas		> 15 GWh	Six special municipalities	Six special municipalities	Taiwan		
	Secure Green Building Certification (TW) or LEED (US) certification for all new buildings after 2023					100%		

Note 1: Investment assets include listed equities and bonds, encompassing active and passive strategies, as well as third-party managed investments.

Note 2: Coal value chain under investment assets includes the industries in coal mining, coal rail freight, coal support services, and coal power.

Note 3: Unconventional oil and gas under investment assets include tar sands, shale oil.

Note 4: Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, and Cathay SITE.

Note 5: Cathay is expecting to review SBTs and will update targets accordingly.

Note 6: New goal set in 2025.

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CHAPTER.

Implementation Strategy

► 2.1 Implementation Approach and Scope

2.1.1 Financial Assets

2.1.2 Products & Services

2.1.3 Business Operations

Cathay FHC focuses on three core attributes—financial assets, products and services, and business operations—to develop concrete short-, medium-, and long-term strategic directions. The company seeks to channel capital toward key areas of sustainable development, support investees and borrowers in accelerating their low-carbon transition, and simultaneously expand its portfolio of environmentally friendly financial products and services to amplify positive impact. On the operational front, Cathay FHC also promotes its "Zero-Carbon Operation Transition Plan" through three key areas: green energy, green operations, and green buildings. These efforts represent tangible actions aimed at accelerating the Group's net-zero emissions commitment and advancing its overarching sustainability goals.

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2.1 Implementation Approach and Scope

Transition plans must be concrete and grounded in scientific evidence to ensure that a company's business model and operational strategy align with the goals of the Paris Agreement. Cathay developed corresponding strategic directions based on three operational pillars—financial assets, products and services, and business operations—to drive green transition and sustainable development.



2.1.1 Financial Assets

Cathay employs two core strategies to address the risks related to financial assets: "Science Based Targets (SBTs)" and "Industry Exclusion and Restriction Policy." The targets are developed using internationally recognized methodologies to set decarbonization pathways and concrete goals. At the same time, Cathay establishes exclusion and restriction timelines for specific industries to reduce exposure to climate-related risks and mitigate potential negative impacts from future business growth.

Strategic Direction	
Science Based Targets (SBTs)	To achieve net-zero emissions in financial assets by 2050, Cathay's key strategy is to set emission reduction pathways for its investment and lending portfolios based on both emission intensity (emission-based) and financed impact (impact-based) approaches. In 2021, Cathay began referencing the methodologies of the Science Based Targets initiative (SBTi) and the Partnership for Carbon Accounting Financials (PCAF) to conduct carbon inventory assessments of financial assets and to set reduction targets. In September 2022, Cathay's science-based targets (SBTs) were formally approved. Using 2020 as the base year, the approved targets currently cover 46% of total investment and lending activities. These include asset classes such as listed equity and corporate bonds, project finance in power generation, commercial real estate mortgage loans, and long-term corporate loans. ► For more information, please refer to Cathay FHC's Sustainability Report 2024.
Industry exclusion and restriction Policy	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 question of how to effectively wield financial influence to gradually and orderly phase out coal, oil, and gas industries to facilitate a transition to a low-carbon economy has been 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 gas sectors, setting thresholds for exclusion of companies that reach a certain percentage of revenue without active transition efforts. For more information, see ► 5.4 Investment and Lending Risk Management and ► 5.5 Insurance Risk Management.



2.1.2 Products & Services

As the challenge of global warming exacerbates, green finance has become a critical consideration in corporate decision-making. Companies are expected to proactively disclose their transition plans, outlining how they intend to adjust their product and service portfolios to align with the Sustainable Development Goals (SDGs). To build a more sustainable future, there is an urgent need to advance innovative climate mitigation solutions, such as leveraging financial instruments to support the development of renewable energy and carbon capture technologies. At the same time, climate adaptation actions must also be strengthened, including the development of climate risk insurance and the construction of resilient infrastructure, to help societies better cope with the impacts of climate change. By integrating diverse solutions across both mitigation and adaptation, we can more effectively address climate challenges and move toward a society that is both resilient and sustainable.

Strategic Direction	
Climate Mitigation Solutions	To address climate-related transition risks, Cathay focuses on two key climate mitigation solutions: "Green Capital" and "Green Products". For "Green Capital", Cathay actively promotes low-carbon investment and lending by directing capital toward businesses and projects with sustainable development potential. At the same time, it reduces exposure to high-carbon industries through the implementation of industry exclusion and restriction policy. For "Green Products", Cathay offers a diverse range of climate-related financial products, including green deposits, green funds, green insurance, and green bonds. These not only support the industry's transition toward a low-carbon future but also meet the growing and varied sustainability needs of clients in both investment and consumption.
Climate Adaptation Action Plan	As global warming intensifies, extreme weather events such as heavy rainfall and droughts are becoming more frequent, increasing the risk of physical climate-related disasters. In response, Cathay continues to support the government's National Climate Change Adaptation Action Plan by integrating it into corporate operational strategies and setting concrete adaptation targets. For example, Cathay Century Insurance provides corporate catastrophe services to help industries identify and assess potential climate risks. These services improve energy supply resilience and enhance the overall climate adaptation capacity of various sectors, thereby reinforcing society's ability to withstand climate-related disruptions. In addition, Cathay Century Insurance is an industry leader in the development and design of crop insurance, providing risk protection for agricultural production while also contributing to biodiversity conservation and the promotion of sustainable agriculture.



2.1.3 Business Operations

Cathay is working to reduce operational carbon emissions through three strategic directions: Green Energy, Green Operations, and Green Real Estate. These efforts are advanced through the Zero-Carbon Operation Transition Plan, which supports the transition toward low-carbon operations. To demonstrate its commitment to climate action, Cathay became the first financial institution in Taiwan to join RE100 in April 2022, pledging to achieve 100% renewable energy use across global operations. In collaboration with the MOEA Bureau of Standards, Metrology and Inspection, Cathay has also developed the Green Leasing Program, which offers value-added services such as access to renewable energy. This initiative supports small and medium-sized enterprises (SMEs) in reducing their carbon footprints and advances shared environmental sustainability goals with stakeholders.

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Strategic Direction	
Green Energy	<p>In 2022, Cathay adopted the "Cathay Financial Holdings – Environmental and Energy Policy," which requires all subsidiaries to optimize resource use, address climate change, and manage environmental and energy-related operational and investment risks effectively across their business activities, products, and services. To ensure policy implementation, Cathay established a Green Operation Working Group to coordinate related efforts and provide comprehensive training and resource support.</p> <div> <div> Increase Use of Renewable Energy As the first RE100 member in Taiwan's financial industry, Cathay pledges to use 100% renewable energy across all global operations by 2050. </div> <div> Install Solar Panels on Proprietary Buildings Cathay actively evaluates the installation of solar power systems on its own buildings. The generated energy can be used onsite for self-consumption, reducing reliance on conventional electricity, or sold to Taipower under power purchase agreements, creating additional income streams. </div> <div> Introduce Internal Carbon Pricing (ICP) Mechanism Cathay has introduced internal carbon pricing through initiatives such as energy-saving and carbon-reduction campaigns. The collected carbon fees are reinvested into the Zero-Carbon Operation Transition Plan, given out as rewards for carbon reduction, or allocated for carbon credit purchases and green building certifications. This approach creates a virtuous cycle and enhances the synergy of sustainable development. </div> </div>
Green Operations	<p>Cathay FHC is committed to minimizing the environmental impact of its operations through concrete initiatives such as the Three Workplace Strategies (Mobilize Operations, Digitalize Services, and Share Workspaces), water resource management, sustainable procurement, and participation in carbon credit trading. The company is also actively reimagining traditional workplace models and workflows to improve resource efficiency. These efforts not only help reduce mid- to long-term operational costs and carbon emissions but also enhance the Group's overall competitiveness and establish a solid foundation for sustainable business operations.</p>
Green Real Estate	<p>Cathay Life adheres to the "Responsible Property Investment and Management Policy" and rigorously manages risks associated with property development and operations. Since 2016, all real estate investment projects have been required to meet green building design standards. In 2022, to further accelerate corporate green transition, Cathay Life partnered with the MOEA Bureau of Standards, Metrology and Inspection to co-develop the Green Leasing Program 2.0 to resolve the issue of multiple tenants under one electricity bill number. Under this model, building owners serve as the primary purchasers of renewable energy for the entire building and distribute it to tenants with green power needs. This lowers the barrier for SMEs to access renewable energy and enables tenants and landlords to jointly advance toward net-zero emissions, fostering a low-carbon real estate ecosystem. This initiative demonstrates Cathay Life's concrete commitment to green real estate and exemplifies its active role in helping clients implement climate mitigation solutions.</p> <div> <p>Green Real Estate Cycle</p> <pre> graph TD GL[Green Landlord] --> R[Renovation] R --> OM[O&M Management] OM --> DC[Design & Construction] DC --> DA[Development & Acquisition] DA --> GL </pre> <ul style="list-style-type: none"> Green Landlord: Purchase and distribute renewable energies for tenants to simplify the process and work with tenants to use renewable energies and strive for net zero emissions Renovation: Green retrofit buildings based on their purpose, repurpose areas to reduce energy consumption O&M Management: Introduce an information management system to strengthen building management efficiency, and replace energy-guzzling equipment on a rolling basis to increase energy use efficiency Design & Construction: Comply with green building standards for building developed in 2016 or later, and include solar panels as one of the assessment items Development & Acquisition: Control real estate development and operational risks in compliance with the "Responsible Property Investment and Management Policy" </div>

03

CHAPTER.

Engagement Strategy

- ▶ 3.1 Engagement Method & Strategy
 - 3.1.1 Engagement with Value Chain
 - 3.1.2 Engagement with Industry & Finance Sector Peers
 - 3.1.3 Engagement with Government & Civil Society
- ▶ 3.2 International Organizations & Initiatives

Cathay FHC positions itself as an enabler within the value chain, actively engaging in initiatives such as hosting forums and participating in international sustainability alliances. The company collaborates with suppliers, investees and borrowers, industry and financial peers, government agencies, and the general public to advance awareness of sustainability issues and expand the reach of financial influence. In parallel, Cathay FHC also works closely with academia, the public sector, and a broad range of stakeholders to explore the challenges and response strategies related to climate change, promoting cross-sector collaboration and driving holistic sustainable development.

3.1 Engagement Method & Strategy

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Engagement Candidates			Overview
Value Chain	Upstream	Suppliers	<p>Cathay is committed to working with suppliers to address social, economic, and environmental issues, while also reducing procurement-related risks and generating sustainable business opportunities, ultimately supporting the goal of sustainable supply chain management. The company has adopted the "Cathay Financial Holdings Sustainable Procurement Policy", referencing ISO 20400: Sustainable Procurement Guidelines. The policy evaluates suppliers across seven core dimensions: ethical governance, healthy workplaces, labor and human rights, environmental sustainability, fair business practices, consumer protection, and social contribution, thereby promoting sustainability awareness and action among partners.</p>
	Downstream	Investees/Borrowers	<p>Cathay has also established both the "Cathay Financial Holdings and Subsidiaries' Engagement Policy" and the "Cathay Financial Holdings and Subsidiaries' Engagement Guidelines", which support robust corporate governance, respect shareholder rights, and enhance transparency. These guidelines integrate corporate engagement and shareholder action into investment and lending processes, allowing ESG insights to be shared with target companies to improve performance, enhance value, reduce risk, and fulfill post-investment/lending responsibilities-maximizing sustainable financial impact.</p> <div><p>Engagement Approaches</p><div><p>Engaging directly with target entities through communication channels such as phone calls, letters, emails, or in-person meetings to discuss ESG strategies, business operations, and other related topics</p><p>Direct Engagement</p></div><div><p>Participating in or conducting engagement activities by signing or independently adhering to international ESG-related advocacy activities to influence responsible investment; collaborating with other financial institutions or international organizations to participate in or organize engagement activities</p><p>Collaborative Engagement</p></div></div>
	Industry/ Finance Sector Peers		<p>Furthermore, Cathay actively participates in industry associations and policy development efforts. This includes supporting regulatory agencies and government authorities in promoting sustainable finance policies, and leveraging engagement efforts to set an example that drives broader sustainable development across the financial and industrial sectors.</p>
	Government & Civil Society		<p>Through participation in international organizations and initiatives, Cathay also aims to influence regional and local public sectors and policymakers. By conducting public surveys and publishing research reports, the company helps raise awareness of sustainability risks among the general public.</p>

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3.1.1 Engagement with Value Chain

Sustainability Supplier Conference

Since 2016, Cathay has led the financial industry by hosting the Sustainability Supplier Conference. The 2024 conference focused on "Driving Carbon Inventory and Carbon Reduction Management", bringing together over 1,200 suppliers to conduct carbon inventories and implement emission reduction measures for their products and services. Suppliers were also encouraged to apply for the Carbon Reduction Label certification issued by the Ministry of Environment, advancing toward sustainable net-zero goals. In 2018, Cathay became the first financial institution globally to both comply with and pass verification under the ISO 20400 Sustainable Procurement Guidelines. Cathay collaborates with suppliers across environmental, social, and governance dimensions by offering training and engagement opportunities, co-building a sustainable supply chain, and implementing green procurement practices. As of the end of 2024, 100% of Cathay's suppliers had signed Cathay's Declaration of Sustainability Values, affirming their shared commitment to sustainability.



Upstream

Suppliers

Investees/Borrowers

Downstream

Cathay Sustainable Finance and Climate Change Summit

Now in its eighth year, the Cathay Sustainable Finance and Climate Change Summit, co-hosted with the Taiwan Stock Exchange, has become one of Taiwan's earliest and most prominent forums dedicated to sustainability and climate issues. The event brings together leaders from government, industry, and academia to explore the challenges and solutions of the net-zero transition. The 2024 forum was held under the theme "Net Zero Transition Competitiveness", with discussions centered on climate finance, energy transition, and industrial transformation. The summit brought together influential voices from across sectors, providing strategic insight and actionable solutions for corporate sustainability. In 2024, the forum drew approximately 4,800 participants, with represented companies accounting for 82% of the Taiwan stock market capitalization and contributing approximately 54% of Taiwan's total carbon emissions.



CDP Commercial Bank Project

Over 95% of companies in Taiwan are small and medium-sized enterprises (SMEs), which often have difficulty completing the standard CDP questionnaire due to technical thresholds, limited resources, or industry characteristics. Cathay United Bank (CUB) has not only provided CDP feedback guidance but has also actively participated in the development team for the SME version of the CDP questionnaire—becoming the only non-governmental core member in Asia and the first financial institution in Asia to join the CDP Commercial Bank Project. Through in-depth collaboration with CDP, CUB has helped create a more tailored questionnaire framework suitable for the operating models of Taiwan's SMEs. In 2024, CUB invited 150 companies to participate in the project, including 110 first-time participants. A total of 121 companies completed the questionnaire and received an environmental disclosure score, resulting in a response rate exceeding 80%, significantly higher than the global supply chain average of about 50%.

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3.1.2 Engagement with Industry & Finance Sector Peers

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, 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. In this role, Cathay brings together affiliated entities and finance industry associations to promote climate-related financial data compilation and disclosure, helping drive the industry toward sustainable finance practices.

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

CUB actively participated in projects under the Joint Credit Information Center and the Bankers Association of the R.O.C., co-developing the Official Climate Change Scenario Analysis and contributing to the drafting of the Domestic Banks' Climate-Related Risk Management Practice Handbook. These initiatives provide the banking industry with more detailed guidance on climate risk management mechanisms, enabling financial institutions to better assess the climate resilience of their assets.

Official Climate Change Scenario Analysis

Cathay participated in the development of supervisory climate stress testing models. Trial calculations were conducted based on credit assets, with the results used to support the validation and refinement of the models.

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.

3.1.3 Engagement with Government & Civil Society



Government

CDP Municipal Disclosure Campaign

Cathay FHC has partnered with international investors and CDP to urge governments to take proactive climate action and engage with local governments in North America to disclose CDP-relevant information.

Business for Nature

In response to the COP15 Business Advocacy Campaign, Cathay joined forces with the global business community to call on governments to establish mandatory requirements for large multinational corporations and financial institutions to assess and disclose their biodiversity impacts and dependencies.

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Civil Society

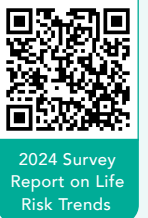
Survey Report on Life Risk Trends

Following the 2023 release of the first climate risk-themed Survey Report on Life Risk Trends in Taiwan's financial sector, Cathay Life turned its 2024 focus to disease risks. The survey, conducted online with a representative sample of Taiwanese residents aged 20 and above, explored physical, psychological, and financial concerns across generations when faced with health-related risks. In tandem, Cathay's sales agents promoted the idea of building resilience to illness through a holistic approach: "Caring for the body, mind, and financial well-being."



Survey Results

- In 2024, the top four perceived life risks were: climate change, global pandemics, environmental and human-made pollution, and chronic illness—with two of the top four directly tied to health risks, underscoring public concern.
- Only 38% of respondents considered themselves in good health, yet 50.5% felt financially unprepared for medical emergencies. The estimated average medical coverage gap stood at NT\$1.12 million.
- In the 2024 Survey, 52% of respondents expressed concern about being unable to care for their families during illness, while 46% worried about medical expenses—highlighting the potential for disease-related financial burdens to significantly affect quality of life.



2024 Survey
Report on Life
Risk Trends

Taiwan Climate Action Expo (TWCAE) and Cathay Climate Change Youth Forum

Climate change is a topic of concern with the current younger generation. Since 2020, Cathay FHC has hosted the Cathay Climate Change Youth Forum, connecting cross-sector resources and building a platform for youth-society dialogue. The forum encourages critical thinking, action, and creativity through collaboration with the Ministry of Education's innovation competitions. Beginning in 2022, Cathay co-hosted the Taiwan Climate Action Expo (TWCAE) with the International Climate Development Institute, integrating the youth forum into the expo and expanding the impact of Cathay's climate empowerment initiatives for young people. Cathay has also established "Cathay ESG Insights", hosted youth salons and climate lectures, promoting public awareness of sustainability - in hopes of prompting action by building understanding. The fifth forum in 2024 was held under the theme "From Science to Action", integrating science media and scientific literacy education to inspire youths to translate climate inquiry into actionable solutions, working alongside society toward a net-zero future.

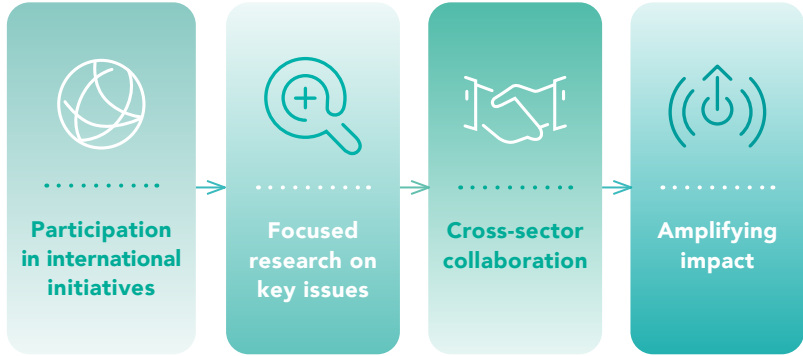


Annual Themes of the Cathay Climate Change Youth Forum






2020	2021	2022	2023	2024
Sharing insights on COP25, SBTi, and carbon market developments	Building on COP26 to explore the influence of finance	Promoting circular economy to create green business opportunities	Advocating impact investing and engaging youth in dialogue	From Science to Action: Advancing net-zero through climate science and critical thinking

3.2 International Organizations & Initiatives

As global attention on environmental sustainability continues to grow, international advocacy efforts are expanding their focus beyond climate change to encompass nature and biodiversity. Cathay recognizes the strong interconnection between climate change and biodiversity loss, and actively engages in international organizations and advocacy initiatives to promote responsible capital management. Through in-depth dialogue with investees and borrowers, Cathay not only emphasizes the potential financial implications of these issues but also introduces risk management frameworks and response strategies. These efforts support industries in transitioning toward a low-carbon economy while promoting nature-positive growth. For the full content, please refer to ► [Cathay FHC's Sustainability Report 2024](#).



■ Climate-related Organizations & Initiatives

	Asia Investor Group on Climate Change, AIGCC	▶ Cathay FHC is a founding member. Since 2018, the Chief Investment Officer has served as Chair, helping to drive the alliance's agenda and providing guidance as a Board Member since 2020. Cathay also encouraged more Asian investors to join the net zero movement. Cathay Life and Cathay SITE also joined in 2024.
	Asia Utilities Engagement Program, AUEP	▶ AUEP was launched by AIGCC to engage eight public utility companies in Asia. Since joining in 2021, Cathay has worked together with international investors to encourage public utility companies to strengthen management over climate risks and opportunities and take more initiative over coal divestment, energy transition, and other climate issues.
	Climate Action 100+	▶ Cathay Life and Cathay SITE became signatories at the initiative's launch in 2017—the first Taiwanese financial institutions to join. Cathay engages directly with three selected Taiwan-based companies, encouraging them to enhance their net-zero commitments while also seeking to understand their transition challenges through communication and working together to explore solutions.
	CDP Non Disclosure Campaign (CDP NDC)	▶ Since 2017, Cathay FHC has been the first Taiwanese financial institution to join CDP. It has long supported investee companies by communicating via emails and calls to assist with CDP questionnaire disclosures, enhancing climate-related transparency.
	CDP Science-Based Targets (CDP SBT)	▶ Since 2021, Cathay FHC has been working with CDP each year to urge 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 from the value chain by 2050.
	CDP Municipal Disclosure Campaign (CDP MDC)	▶ Since 2023, Cathay FHC has been the only Taiwanese financial institution to join, working together with international investors to encourage governments and public sectors to disclose environmental data.
	CDP Commercial Bank Project	▶ CUB became the first financial institution in Asia to collaborate with the CDP on this project in 2023, inviting customers to complete the CDP survey, introducing them to the importance of net zero emissions and environmental management, and improving the quality of their carbon disclosure.
	Task Force on Climate-related Financial Disclosures (TCFD)	▶ Cathay FHC became a supporter in 2018. Led by the Chief Risk Officer, a cross-subsidiary working group was established to voluntarily adopt TCFD recommendations, enhancing the management of climate risks, opportunities, and financial impacts.
	The Partnership for Carbon Accounting Financials (PCAF)	▶ Cathay FHC joined the Partnership for Carbon Accounting Financials (PCAF) in 2022 to support the financial sector in measuring and disclosing the climate risks of investment and lending portfolios. Cathay also contributes to the development of carbon accounting methodologies for financial assets.

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■ Nature- and Environment-related Organizations/Initiatives

	<p>Equator Principles, EPs</p>	<p>In 2015, CUB became the first bank in Taiwan to adopt EPs, incorporating social and environmental impact factors into assessment for project finance.</p>
	<p>Ceres Valuing Water Finance Initiative</p>	<p>Cathay FHC and Cathay Life became a founding member of Ceres' Valuing Water Finance Task Force in 2020, working with other members to develop suggestions to corporations on water management action plans and to the initiative for future developments. Formally established in 2022 to engage 72 companies with a high water footprint, Ceres' goal is to get these companies to recognize and evaluate water risks and take action.</p>
	<p>Partnership for Biodiversity Accounting Financials (PBAF)</p>	<p>In September 2022, Cathay FHC became the first corporation in Taiwan to join PBAF, promoting Cathay FHC's attention to biodiversity issues and more effectively managing our nature capital.</p>
	<p>Taskforce on Nature-related Financial Disclosures (TNFD)</p>	<p>Cathay FHC became a TNFD Forum member in 2022 and has since referenced the TNFD framework to disclose nature-related risks and opportunities. In 2023, Cathay further advanced its commitment by becoming a TNFD Adopter.</p>
	<p>Taiwan Nature Positive Initiative (TNPI)</p>	<p>Cathay FHC joined TNPI in 2022 to support and assist Taiwan corporations with improving their resilience and ability to respond to nature-related risks. The platform was initiated by the Business Council for Sustainable Development of the Republic of China (BCSD Taiwan) and aims to encourage participation in nature and biodiversity conservation as well as the cultivation of related professionals.</p>
	<p>Business for Nature</p>	<p>In February 2023, Cathay FHC formally endorsed the COP15 Business Advocacy Campaign, which calls on governments worldwide to take immediate policy action to halt and reverse the decade-long trend of nature loss. This initiative has received support from over 1,500 companies and financial institutions across 86 countries, representing more than US\$7.5 trillion in revenue.</p>
	<p>Nature Action 100</p>	<p>Cathay Life became one of the first financial institutions to join Nature Action 100 and participate in its engagement working group. The initiative brings together 230 global institutional investors to engage with 100 companies across the food, chemicals, forestry, and pharmaceuticals sectors-all considered systemically important to halting and reversing nature and biodiversity loss by 2030. Through this engagement, Cathay aims to encourage stronger corporate actions to protect and restore ecosystems, thereby reducing nature-related financial risks.</p>

04

CHAPTER.

Corporate Governance

- ▶ 4.1 Governance Structure and Responsibilities
 - 4.1.1 Board and Management Responsibilities
 - 4.1.2 Incentives and Performance-Based Compensation
- ▶ 4.2 Corporate Culture & Competency Training

Cathay FHC's Board of Directors serves as the highest governance body, overseeing the overall direction and effective implementation of climate and nature-related strategies. Through the Corporate Sustainable Development Committee and the Risk Management Committee, along with specialized task forces, Cathay integrates sustainability strategies into day-to-day operations and decision-making processes—ensuring long-term resilience while addressing stakeholder expectations. Cathay also actively strengthens corporate culture and internal capabilities. With internal training, professional courses, and cross-departmental collaboration, we enhance employee understanding of climate risk management, nature-related capital, and sustainable finance, ensuring the organization is equipped with the knowledge and expertise to drive long-term sustainable development.

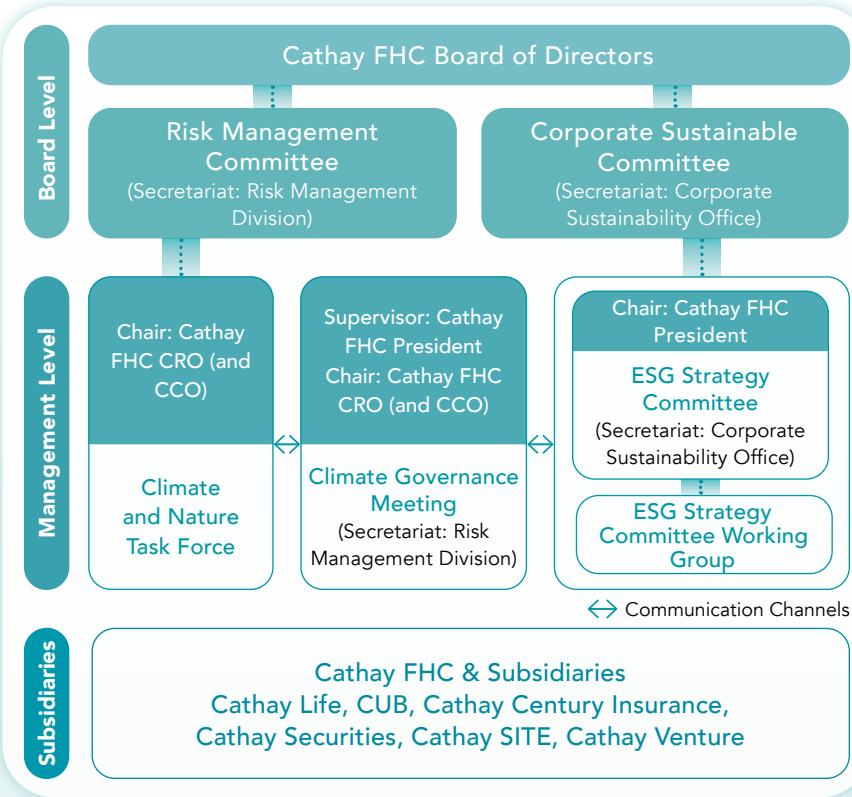
4.1 Governance Structure and Responsibilities

In June 2018, Cathay became a TCFD supporter and established Cathay's Climate and Nature Task Force under the purview of Cathay's Chief Risk Officer (CRO) for discussion, coordination, and management of climate and nature-related risks. To strengthen board effectiveness and ensure sound sustainability governance, Cathay has established two board-level functional committees—the Corporate Sustainable Development Committee and the Risk Management Committee—tasked with reviewing and supervising the implementation and management of ESG and climate-related policies, systems, strategies, and plans. In addition, quarterly Climate Governance Meetings are convened for senior executives to discuss and build consensus on key climate and nature-related issues, thereby enhancing our responsiveness and resilience.



In 2024, Cathay led the industry in appointing a Chief Climate Officer (CCO), a role held concurrently by the Chief Risk Officer (CRO), to formulate climate strategy and implement climate risk management.

4.1.1 Board and Management Responsibilities



Board Roles and Responsibilities

Organization Name	Chairperson	Frequency	Responsibilities
Board of Directors	Chairman	Meets at least quarterly	The highest governing body on climate issues; oversees overall business operations and approves proposals submitted by the Risk Management Committee.
Risk Management Committee	Independent director	Quarterly	Functional committee under the purview of the board, responsible for reviewing the Risk Management Policy, relevant guidelines, risk appetite, and other risk management-related tasks.
Corporate Sustainable Committee		Meets at least twice a year	Functional committee under the purview of the Board, responsible for reviewing sustainable development policies, systems, strategic direction, and annual plans.

Management Responsibilities

Organization Name	Chairperson	Frequency	Responsibilities
Climate Governance Meeting	Cathay FHC CRO (and CCO)	Quarterly	The meeting centers around climate and nature issues, seeking alignment and consensus among senior executives. The CRO (who also serves as CCO) of Cathay FHC serves as the chairman, with oversight from the President of Cathay FHC regarding the committee's activities.
ESG Strategy Committee	Cathay FHC President	Quarterly	The ESG Strategy Committee operates under the supervision of the Corporate Sustainable Development Committee. Chaired by the President of Cathay FHC, senior executives lead working groups to implement the group's sustainability strategies and actions.
Climate and Nature Task Force	Cathay FHC CRO (and CCO)	Monthly	Responsible for discussions and collaborations regarding climate and natural risk management, and primarily consists of Cathay FHC senior executives. The task force coordinates the expertise and resources of the subsidiaries, with the CRO serving as the chairman.
ESG Strategy Committee Working Group	All senior executives	Convene ad hoc meetings as needed	The ESG Strategy Committee has established six working groups. An overview of their responsibilities with a strong climate and nature focus is as follows: <ul style="list-style-type: none">•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 chain management, and participation in green initiatives.

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4.1.2 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



Remuneration for Directors

- Established based on the "Guidelines for Directors' Remuneration." The remuneration committee takes into account the director's level of participation in company operations, value contribution, and remuneration benchmark against industry peers
- The fairness of the "Guidelines for Directors' Remuneration" is evaluated once every three years, and the guideline is submitted to the remuneration committee and the board for approval
- In the director performance management development (PMD) process, directors are evaluated based on indicators such as internal audit and control, risk management, and compliance. Those who do not pass are ineligible to receive any variable compensation as directors



Remuneration for Senior Management

- Remuneration is established based on the "Manager Remuneration Payment Guidelines", taking into consideration roles and responsibilities, performance, and expertise, and is benchmarked against market value
- Cathay conducts an annual remuneration competitiveness analysis and evaluates each senior manager's fixed compensation individually. Additionally, we review the "Manager Remuneration Payment Guidelines" every three years and submit them to the remuneration committee and board for approval
- Established the Manager Performance Management Development Guidelines, which require managers to set individual performance goals based on the company or department's annual strategic priorities, job responsibilities, and corporate sustainability indicators. This ensures that managerial performance targets are closely aligned with the company's overall strategy

■ Performance-Based Compensation

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 emissions by Cathay FHC and its subsidiaries. To further strengthen the company's long-term performance, a portion of the variable compensation for the Cathay FHC President is deferred. The long-term incentives structure involves the payout of the variable compensation over three years rather than in full in the year of earnings. If there are occurrences of aggravated circumstances, such as intentional or material faults, professional activity leading to material risks for the company, or unethical actions during the deferred period, the remuneration committee and the board of directors have the authority to cancel the long-term incentives.

4.2 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, and external exchanges, resources and expertise are leveraged to enhance employee ESG and climate awareness. This initiative aims to deepen employees' basic and advanced knowledge, enabling them to apply professional insights in daily business developments. In addition, Cathay listens to employee feedback and encourages involvement in the transition plan, ensuring alignment between corporate culture, talent strategy, and the Strategic Ambition of the transition plan.

ESG and climate-related training policy

To strengthen employee awareness and sensitivity toward risk management, Cathay offers General Education Courses on Risk Management, which incorporates Climate change-related topics, to enhance understanding of sustainability risks. This underscores our strong commitment and proactive approach to climate risk management. Cathay also provides diverse training and courses on risk management based on the business activities of each subsidiary, and make arrangements for the board of directors and senior management to participate in relevant courses on corporate governance and risk management. Each subsidiary promotes differentiated training programs tailored to various functional roles and organizational levels to ensure that directors and supervisors, senior and mid-level executives, and employees are all able to incorporate climate risk into their day-to-day work. The following provides examples from CUB and Cathay Life.

■ CUB Training Policy

To ensure the effectiveness of training programs, CUB reviews and updates its annual sustainability training plan every March. Training content is continuously enhanced to include topics such as climate, carbon border tax, human rights, and supply chain management. The goal is to empower employees to contribute meaningfully to Cathay's strategic transition plan and serve as a driving force for clients' sustainable transformation. For more information, please refer to ► [CUB's Climate and Natural Report 2024](#).

Target Group	Training Approach & Content	Effectiveness & Application
Directors and supervisors	Flexible ESG governance-related courses	Drives organizational focus and amplifies sustainability impact
Senior-Level Executives	Lectures and external training programs on relevant sustainability topics	Deepens understanding of sustainability trends and enables more effective strategy development
Core Staff (CS Team Members)	Certified "Sustainable Finance Manager" program offering systematic training on sustainability trends and knowledge	Cultivates strong sustainability competencies, enabling internal experts to lead sustainability projects
Credit Officers	Thematic training on responsible lending principles for front-, middle-, and back-office credit teams	Enhances the principles and decision-making of sustainable loans assessment to facilitate the implementation of sustainable lending
General staff	Launched the digital course "Understanding Climate Change" and organized the "You Learn, We Donate" campaign. For every employee who completes the course, the company donates NT\$10 to a related non-profit organization. In 2024, a total of NT\$120,000 was donated	Raises sustainability awareness across all staff and reinforces CUB's commitment to sustainable development

■ Climate and Nature Education and Training at Cathay Life

Cathay Life deeply integrates climate and nature topics into its corporate culture. Through internal training, expert sharing, and collaboration with external partners, the company cultivates climate awareness among employees and strengthens capabilities in climate and nature-related risk management. For more information, please refer to ► [Cathay Life's Sustainability Report 2024](#).

Target Group	Training Approach & Content
Board of Directors	Deepen the culture of climate and nature governance by incorporating climate change and biodiversity into the annual training curriculum for directors and supervisors
Senior Executives	In 2024, external experts were invited to deliver five specialized sessions on climate and nature topics at management meetings and Corporate Sustainability (CS) committee sessions
Climate and Natural Risk Management Personnel	Designate personnel responsible for managing climate and nature-related risks for targeted training to stay abreast of climate trends and enhance their risk assessment capabilities
General staff	Establish climate change as a mandatory topic in annual employee training to raise climate awareness. To cultivate sustainable finance talent, Cathay also subsidizes employee participation in external sustainability finance courses and encourages the pursuit of professional accreditation

05

CHAPTER.

Risk Management

- ▶ **5.1 Risk Management Framework and Policy**
- ▶ **5.2 Risk Concentration Identification**
- ▶ **5.3 Risk Assessment and Management Overview**
- ▶ **5.4 Investment and Lending Risk Management**
- ▶ **5.5 Insurance Risk Management**
- ▶ **5.6 Operational Risk Management**
- ▶ **5.7 Finance Innovation for Climate and Nature**

Cathay FHC integrates ESG and climate risks into its Enterprise Risk Management Framework (ERMF), adopting a systematic approach based on the processes of identification, assessment, response, monitoring, and reporting. This is integrated with adjustments to business and risk strategies to comprehensively assess the potential impacts of climate change on investment and lending activities, insurance operations, and business locations. Additionally, Cathay is actively exploring and adopting innovative meteorological data technologies. The company is leveraging climate models and big data analytics to improve the accuracy and predictive capabilities of climate risk forecasting. Cathay strengthens its risk management effectiveness by integrating advanced technologies. This allows the company to develop more flexible and targeted response measures to address the evolving challenges of climate change. These measures ensure business continuity, resilience, and operational stability.

5.1 Risk Management Framework and Policy

■ ESG and Climate Risk Management Framework

Cathay FHC 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.

■ The Fundamentals and Actions of ESG and Climate Risk Management

Cathay FHC declared a Risk Appetite Statement to announce the company's tolerance to climate risks. The Statement was compiled in reference to information from external agencies and sets limits on industries sensitive to ESG risks such as climate change, natural capital, and human rights. The goal is to set concentration risk limits and regularly monitor any changes in risk exposure. In addition to climate risk management, Cathay is also developing business continuity management (BCM). The company has received certification for ISO 22301 - Business Continuity Management to strengthen emergency response against serious emergencies such as natural disasters.

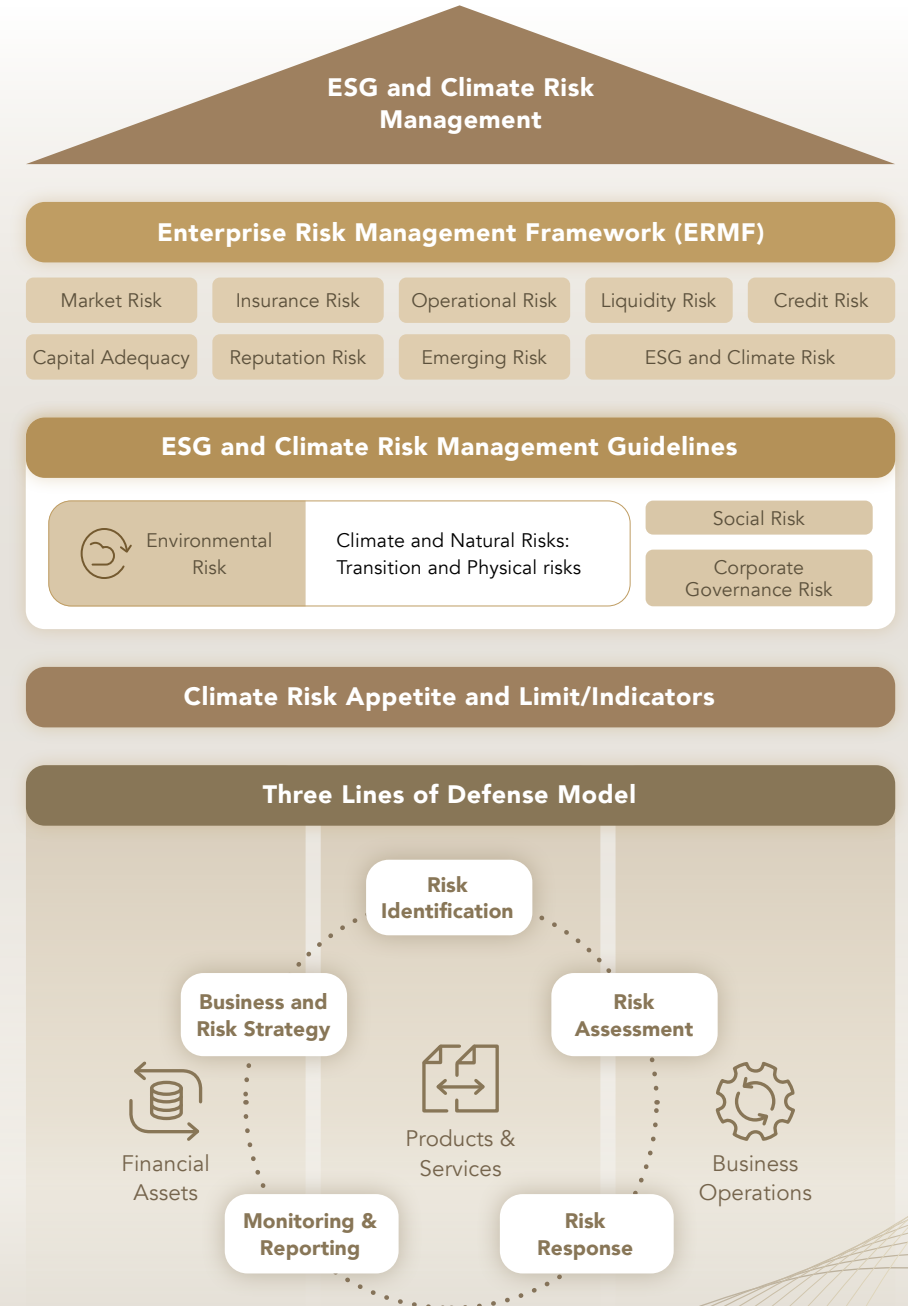
■ Climate Risk Appetite and Limit

In 2023, Cathay FHC 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

The company shall avoid or reduce exposure to industries or enterprises that are sensitive to climate change risks, as well as to areas with high physical risks that are deemed difficult to manage or control.



Cathay FHC

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

Subsidiaries

- Hierarchical management of subsidiaries' risks

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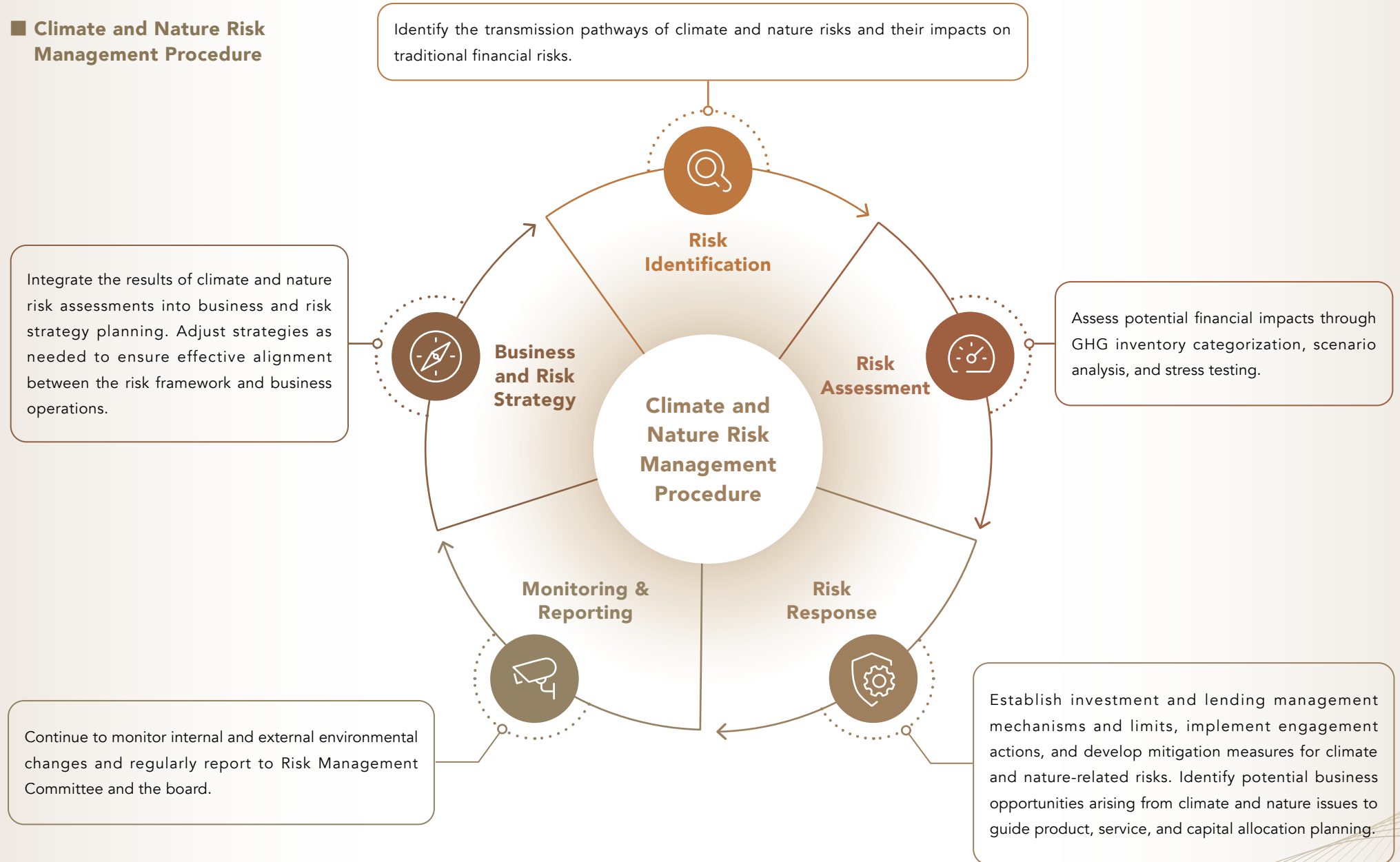
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■ Climate and Nature Risk Management Procedure



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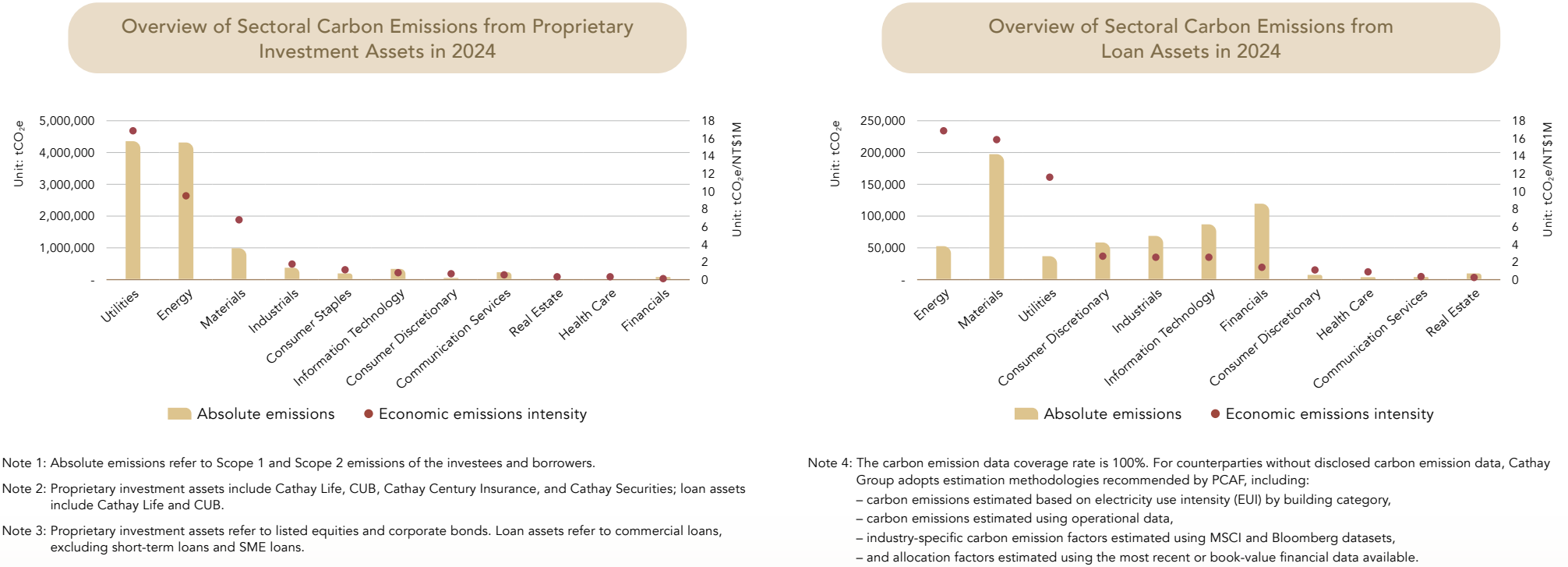
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5.2 Risk Concentration Identification

■ Emissions Distribution by Sector in Investment and Lending Portfolios

Among Cathay FHC's investment and loan assets, the top three sectors with the highest carbon intensity are utilities, energy, and materials. These three sectors collectively account for approximately 87% of the carbon emissions associated with investment assets and around 44% of those associated with loan assets. For more details, please refer to ► [Cathay FHC's Sustainability Report 2024](#).



■ Emissions Distribution by Insurance Underwriting Portfolio

In 2022, Cathay Century Insurance became the first in the industry to incorporate the EU Taxonomy concept and adopt the CRO Forum methodology, "Carbon footprinting methodology for underwriting portfolios," to calculate carbon intensity for auto insurance and energy-related policies (power plants) for the year 2021. Since 2023, the company has adopted the PCAF methodology to expand the scope to include commercial insurance. In 2024, Cathay Century Insurance became the first general insurer in Taiwan to obtain third-party assurance for its carbon accounting. For more details, please refer to ► [Cathay Century Insurance's Sustainability Report 2024](#).

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■ Identifying Physical Risk Exposure for Operational Sites and Mortgage Collateral

To identify flood risks for its business locations and mortgage collateral, Cathay uses flood risk information from the National Science and Technology Center for Disaster Reduction (NCDR) to create dynamic risk maps projected to the end of the century. There are five levels of flood hazard vulnerability, with five being the most vulnerable. Cathay's business locations are overlaid on the map to determine their physical risk level for flooding in 2024. This includes locations for Cathay FHC, Cathay Life, CUB, Cathay Century Insurance, Cathay Securities, and Cathay SITE. The analysis revealed that 5.6% of business locations and 5.8% of mortgage collateral fall under the level 5 risk category. Cathay regularly reviews its owned real estate to assess safety and potential climate impacts. The company has established a Business Continuity Management (BCM) program and is implementing physical risk adaptation plans to increase resilience to climate change. Cathay has also introduced a management framework for its mortgage business. This framework includes monitoring geographic concentration in high-risk zones and assessing the quality of collateral assets. These measures are designed to effectively manage and mitigate associated risks.



5.3 Risk Assessment and Management Overview

Cathay FHC's risk management strategy focuses on three primary categories: investment and lending risk, insurance risk, and operational risk. The company employs various risk assessment and management measures to address different risk scenarios, which are detailed in corresponding sections in the chapter. These risk management mechanisms ensure Cathay FHC can effectively respond to climate change and market fluctuations. Through systematic risk evaluation, policy formulation, and management frameworks, Cathay aims to mitigate potential impacts on its financial operations and promote the development of sustainable finance.

Category	Risk Assessment and Management Measures		Chapter/Section
 Investment and Lending Risk	Investment and Lending Scenario Analysis	Assess the impact of policy and regulatory changes, as well as natural disasters, on investments and financing	► 5.4.1 Investment and Lending Scenario Analysis
	Sensitive Industry Management Mechanism	Strengthen risk control through identification and risk assessment of sensitive industries	► 5.4.2 Sensitive Industry Management Mechanism
	Industry Exclusion and Restriction Policy	Implement investment and financing restrictions on specific industries to mitigate risk	► 5.4.3 Industry Exclusion and Restriction Policy
	Responsible Investment and Lending Process	Integrate Principles for Responsible Investment (PRI) to ensure sustainable capital allocation	► 5.4.4 Responsible Investment and Lending Policy
	Nature-Related Indicator Assessment	Focus on indicators such as water and forest to identify nature-related risks in the portfolio	► 5.4.5 Nature-Related Indicator Assessment
 Insurance Risk	Insurance Scenario Analysis	Evaluate the impact of climate change on typhoon and flood insurance, as well as other risks	► 5.5.1 Insurance Scenario Analysis
	Risk Management Process Across the Insurance Value Chain	Optimize underwriting decisions through individual risk assessments and product design	► 5.5.2 Risk Management Process Across the Insurance Value Chain
	Industry Exclusion and Restriction Policy	Limit underwriting for specific industries to reduce potential losses	► 5.5.3 Industry Exclusion and Restriction Policy
 Operational Risk	Real Estate Scenario Analysis	Assess the impact of climate change, extreme weather, and natural disasters on property assets	► 5.6.1 Real Estate Scenario Analysis
	Business Continuity Management (BCM) Mechanism	Develop contingency plans to ensure operational stability and enhance risk resilience	► 5.6.2 Business Continuity Management (BCM) Mechanism

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■ Scenario Analysis Overview

To better understand the financial impacts of climate change, Cathay FHC has conducted quantitative financial scenario analyses across its core businesses and value chain. These analyses aim to validate the resilience of its strategies and formulate appropriate mitigating actions. Currently, Cathay FHC adopts internationally recognized climate scenarios, including those from 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). The analysis also incorporates each country's Nationally Determined Contributions (NDCs) to ensure a comprehensive assessment of climate-related risks to the financial system.

	Tighter Regulations and Natural Disasters Impacting Investment and Lending Positions	Climate Change Impact on Typhoon and Flood Insurance Claims	Impact of Flooding and Landslides on Owner-Occupied / Investment Properties under Climate Change	
Business Scope	Financial Assets	Products and Services	Cathay's Operations	Investment Properties
Value Chain	Downstream/Clients	Downstream/Clients	Operational sites	Downstream/Tenants
Category	Physical - acute and chronic Transition - policy and regulations	Physical – acute and chronic	Physical - acute and chronic	
Analysis Time Frame ^{Note 1}	Short-term (1 year), 2030, 2050	Near future, mid-century, end of the century	2030, 2050, 2080	
Scope	Global	Taiwan	Taiwan	
Duration	Annually	Annually	Annually	
Climate Scenario	NGFS, IPCC	IPCC AR5 RCP 2.6, 4.5, 6.0, 8.5	IPCC AR6 SSP1-2.6, 2-4.5, 3-7.0, 5-8.5	
Potential Financial Impact	Based on climate scenario analyses at different time points, expected loss as a percentage of net asset value is approximately 0.6%–1.7% for investment positions and 1.4%–1.9% for credit exposures.	The simulated average loss under various scenarios is projected to be 1.3 times the base year (2024).	Under the SSP5-8.5 scenario, flood events lead to the greatest losses for owner-occupied real estate, with operational losses amounting to 0.08% of pre-tax net income.	Under the SSP5-8.5 scenario, floods and landslides result in the greatest loss to investment properties, with asset value losses accounting for 0.37% of their market value.
Reference	► 5.4.1 Investment and Lending Scenario Analysis	► 5.5. Insurance Scenario Analysis	► 5.6.1 Real Estate 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.

Note 2: Limitations of scenario analysis data and models: data gaps, uncertainty in assumptions, challenges related to time horizons, and model limitations.

5.4 Investment and Lending Risk Management

To better understand the impact of climate risks on investment and lending positions, Cathay FHC refers to literature from international financial regulators and standard from international organizations on financial risk exposure when conducting comprehensive scenario analysis. 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 and gives comprehensive insight into the potential impacts of climate change on asset value. Results of the analysis will inform Cathay FHC in formulating risk strategies, developing risk management measures, and adjusting investment and lending strategies for the strengthening of risk control in times of uncertainty.

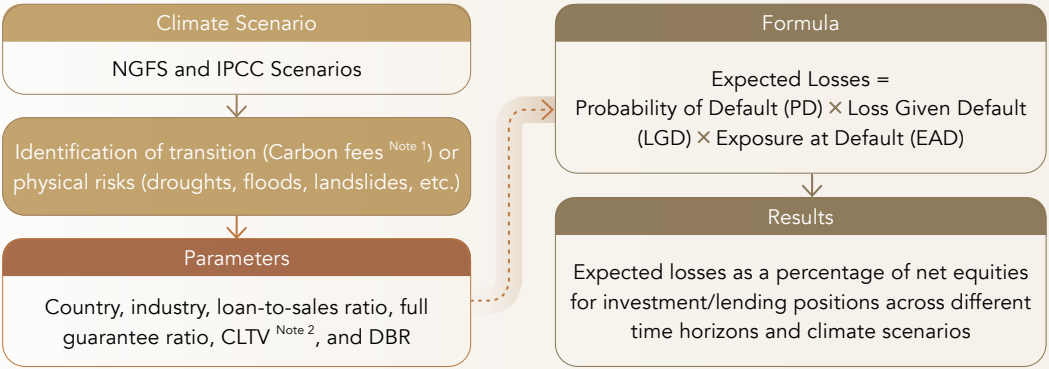
5.4.1 Investment and Lending Scenario Analysis

■ Tighter Regulations and Natural Disasters Impacting Investment and Lending Positions

● Background

Cathay FHC conducts scenario analysis of climate change based on the "Plan for Climate Change Scenario Analysis of Domestic Banks," utilizing scenarios from the NGFS and IPCC to consider both transition and physical risks. Cathay FHC classifies domestic and international investment/lending positions by industries and administrative areas into different risk categories. The analysis evaluates the expected losses in the short-term, 2030, and 2050 under the "orderly" and "disorderly" to inform asset strategies and planning.

● Analysis Procedure

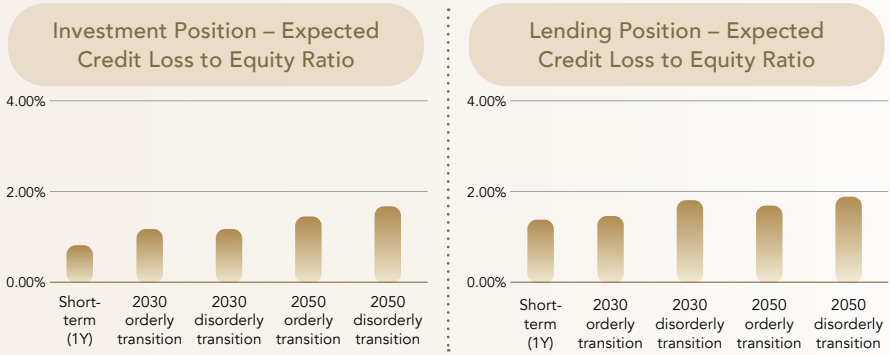


Note 1: Carbon fees taken from corresponding NGFS scenario and time horizon

Note 2: CLTV: Current loan-to-value ratio; DBR: Debt burden ratio

● Analysis Results

For various scenarios and periods, the expected credit losses in investment and lending positions due to climate risk as a percentage of net equity average 0.6-1.7% and 1.4-1.9%, respectively.



● Risk Response Measures

Cathay FHC and subsidiaries have policies in place to address such risks. We also regularly review and adjust standards, actively engage with other corporations, and strengthen and ensure climate risk resilience across group-wide investment and lending positions. For more information, please refer to ► 5.4.3 Industry Exclusion and Restriction Policy.

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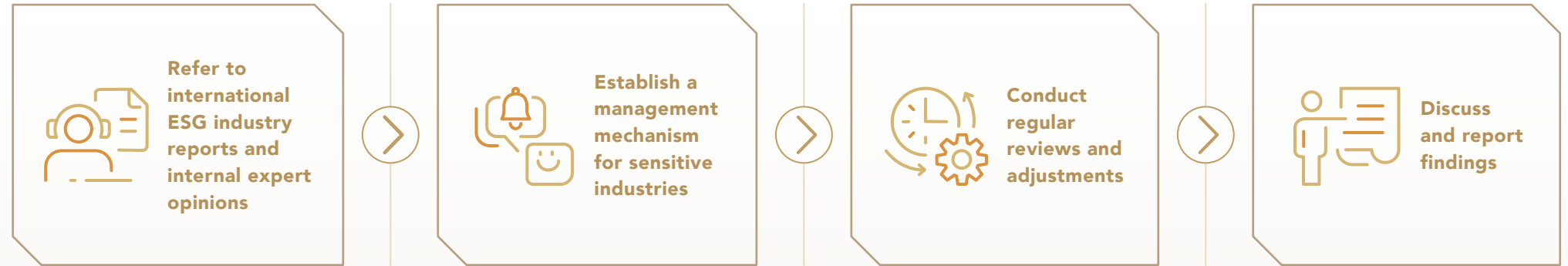
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5.4.2 Sensitive Industry Management Mechanism

Cathay FHC references ESG reports published by leading international organizations and incorporates key sustainability issues - including climate change, natural capital, and human rights - along with input from internal experts to identify high-risk sensitive industries. These industries are then integrated into Cathay's internal risk management processes to strengthen sector-specific risk control mechanisms. In addition, to strengthen overall risk resilience, Cathay FHC has also devised a differentiated management measure to target investment and lending exposures with low credit ratings, addressing potential rising credit risks from their delayed transitions.



■ Sensitive Industries: Dependency & Impact Assessments

Industries Sensitive to Climate Transition Risks

Cathay FHC refers to international standards such as the SASB Guidelines and IFRS S2 and has defined six industries - oil and gas, chemical raw materials, construction materials (incl. cement), mining, fossil fuels and coal-related industries, and aviation - as industries sensitive to climate-related transition risks. On this foundation, Cathay FHC further developed a climate transition risk assessment framework. In 2024, concentrated exposure to industries sensitive to climate transition risks accounted for assured 7.07%.

Industries Sensitive to Nature-related Physical & Transition Risks

Cathay FHC conducts nature-related dependency and impact assessments in accordance with the Network for Greening the Financial System (NGFS) Conceptual Framework on Nature-related Financial Risks and the results from assessments using WWF's ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tools. Based on these evaluations, Cathay further classifies sensitive industries into two categories: (1) industries sensitive to nature-related physical risks and (2) industries sensitive to nature-related transition risks. The categories serve as the foundation for identifying and managing nature-related risks.

Environmental Risk Hotspots

Very High High Medium Low No Data

Group List of Sensitive Industries	Sensitive to Climate Transition Risks	Sensitive to Natural Risks		Dependency					Impact						Exposed Positions (%)
		Physical	Transitional	Water resources	Atmosphere	Species	Soil	Habitats	Water use	Use of other resources	Climate change	Changing ecosystems	Pollution	Species disturbances	
Agriculture, forestry, fishery, and animal husbandry		●		High	Medium	Medium	High	Low	Very High	Very High	Medium	Low	High	Medium	0.06%
Food & beverage manufacturing		●		Very High	Low	Low	Low	Low	Medium	Low	Low	No Data	Low	Medium	2.41%
Oil and gas	●	●	●	Low	Low	Low	Low	Low	Low	No Data	High	Low	High	High	4.47%
Chemical raw materials	●			Medium	Low	Low	Low	Low	Low	No Data	Low	No Data	High	Very High	0.91%
Construction materials (including cement)	●		●	Medium	Low	Low	Low	Low	Low	No Data	Very High	Medium	High	Medium	0.12%
Mining	●	●	●	High	Low	Medium	Low	Low	Medium	High	High	Low	High	High	1.39%
Fossil fuel power generation and coal-related	●	●		Medium	Low	Low	High	Low	Low	Medium	Very High	Very High	High	Very High	0.15%
Aviation	●			Low	Low	Low	Low	Low	Medium	No Data	Very High	Low	Low	Very High	0.03%
Total															9.54%

Note 1: Investment assets include Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Venture, and Cathay SITE; Loan 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 December 2024. The exposure to a given industry includes non-cash-equivalents 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.

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■ Strategy Resilience Assessment

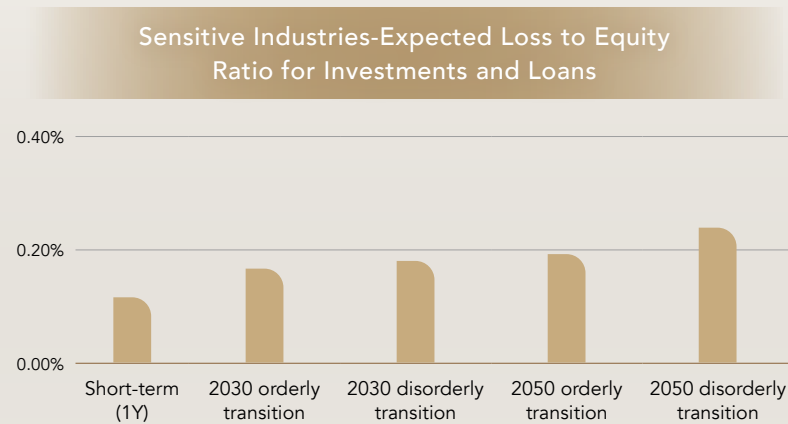
Climate strategy resilience refers to whether Cathay's climate policies and actions formulated to cope with the challenges of climate change offer sufficient defense or recovery capacity in the face of potential impact from different climate scenarios. A resilient climate strategy helps Cathay to effectively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

● Verification

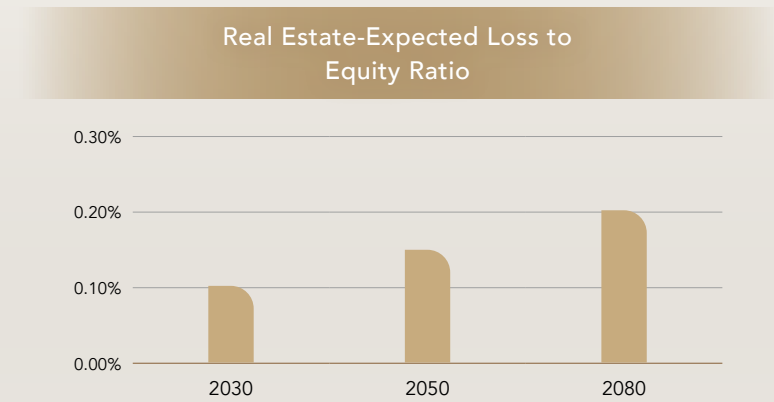
Cathay conducts quantitative analysis of climate risks in investment and lending exposures in sensitive industries in accordance with the "Plan for Climate Change Scenario Analysis of Domestic Banks" and "Climate Physical Risk Information Integration Platform for the Financial Industry" to verify the 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

To target sensitive industries, Cathay has established sensitive industries management mechanisms and will be leveraging climate-related risk factors to assess asset security and potential impacts before selecting operating locations and investing in real estate. Cathay has also established a business continuity management mechanism to ensure 100% business continuity priorities. Regarding climate-related exposures, Cathay's investment and lending portfolios have been assessed under various NGFS and IPCC climate scenarios, including short-term scenarios, the 2030 disorderly/ orderly transition scenarios, and the 2050 disorderly/orderly transition scenarios. For real estate portfolios, climate exposure has been evaluated using the IPCC AR6 scenarios. Across these assessments, expected losses remain a limited percentage of relevant net equity, indicating that Cathay's asset portfolio and current strategies in sensitive industries demonstrate strong climate resilience.



Note: Based on positions as of December 2024.



Note: Positions as of December 2024; selected scenario is AR6 SSP5-8.5.



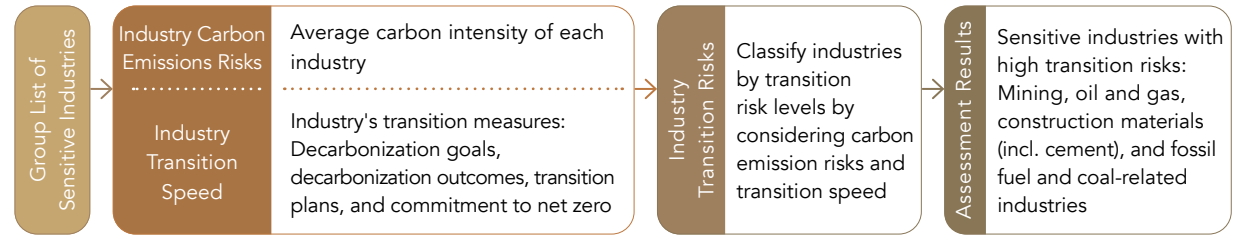
Climate Transition Risk Assessment Framework

Background

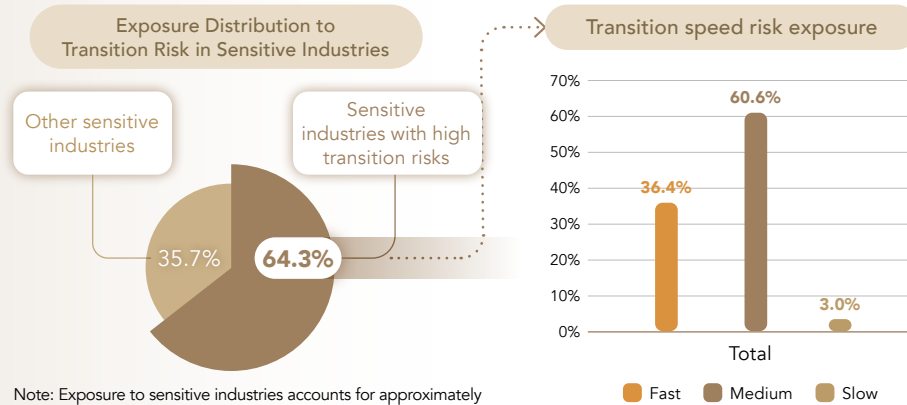
As the world collectively progresses toward net-zero emissions, carbon-intensive transitions have become a pressing concern. Cathay FHC actively assesses climate transition risks confronting investees and borrowers. We deploy related management measures pre-emptively to reduce potential financial and reputational damages from loss in asset value, rising default risks, and stricter regulations.

Assessment Approach & Process

Cathay FHC focuses on sensitive industries and refers to international assessment methods and external databases. The assessment serves to evaluate the carbon emissions risk of industries but also considers the corporation's transitional journey for a more comprehensive assessment. For industries with higher transition risks, Cathay conducted a more detailed analysis of transition speed for related investment/lending positions to gain a more comprehensive insight into impacts from climate transition risks.



Assessment Results



Note: Exposure to sensitive industries accounts for approximately 9.5% of total investment/lending exposures.

Transition Risk Analysis for Sensitive Industries

Mining, oil and gas, construction materials (incl. cement), and fossil fuel and coal-related industries are sensitive industries facing higher transition risks. These four industries account for 64.3% of investment and lending exposures in sensitive industries.

Transition speed analysis

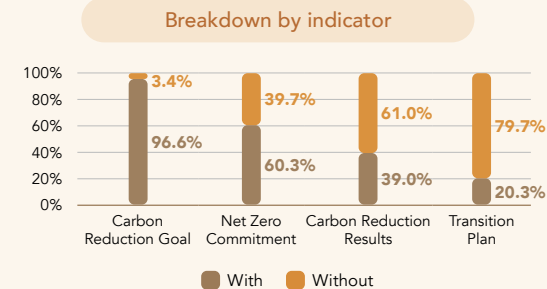
Among the aforementioned high-risk industries, 97.0% are transitioning rapidly or at a medium pace while 3.0% are experiencing delayed transitions, indicating that the majority of businesses have initiated transitions.

Management Measures

Implement exposure limits for sensitive industries and conduct regular monitoring of investment and lending risk exposure.

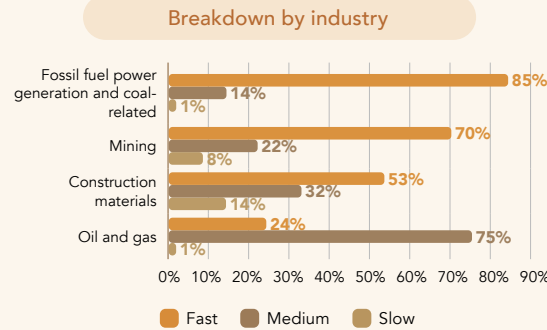
Continuously update and enhance transition risk assessment indicators in line with database updates to ensure timely reflection of investee companies' latest transition progress.

Continuously monitor developments and potential risks in high-transition-risk sensitive industries to strengthen climate risk management and improve the quality of investments and lending decision-making.



Transition Indicator Analysis

96.6% of investees and borrowers have set decarbonization targets, reflecting strong decarbonization awareness among businesses. The second highest indicator is percentage of businesses who have already set net zero commitments and achieved actual decarbonization effects. However, only 20.3% of our investment and lending position have developed specific transition plans, indicating that corporations still need to strengthen their actions.



Industry-specific Analysis

In industries subject to stricter regulatory requirements (e.g., fossil fuel and coal-related industries), corporations tend to demonstrate a faster transition pace. In other industries, differences in transition progress may stem from factors such as technological barriers, market demand, or data availability.

Note: Investment and lending positions dated for end of December 2024 and include positions held by Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay SITE, and Cathay Venture

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5.4.3 Industry Exclusion and Restriction Policy

	2025	2026	2027	2030	
Investment Assets (Notes 1-3)	<p>► Coal value chain: Cease new investments in companies whose revenue from coal exceeds 20% and that are not actively transitioning</p> <p>► Unconventional oil & gas: Cease new investments in companies whose revenue from unconventional oil and gas exceeds 30% and that are not actively transitioning</p>	<p>► Coal value chain: Cease new investments in companies whose revenue from coal exceeds 20% and that are not actively transitioning</p> <p>► Unconventional oil & gas: Cease new investments in companies whose revenue from unconventional oil and gas exceeds 30% and that are not actively transitioning</p>	<p>► Coal value chain: Cease new investments in companies whose revenue from coal exceeds 20% and that are not actively transitioning</p> <p>► Unconventional oil & gas: Cease new investments in companies whose revenue from unconventional oil and gas exceeds 30% and that are not actively transitioning</p>	<p>► Coal value chain:</p> <ul style="list-style-type: none"> ● OECD countries: Cease new investments in companies whose revenue from coal exceeds 5% and that are not actively transitioning ● Non-OECD countries: Cease new investments in companies whose revenue from coal exceeds 20% and that are not actively transitioning 	<p>► Unconventional oil & gas:</p> <ul style="list-style-type: none"> ● OECD countries: Cease new investments in companies whose revenue from unconventional oil and gas exceeds 20% and that are not actively transitioning ● Non-OECD countries: Cease new investments in companies whose revenue from unconventional oil and gas exceeds 30% and that are not actively transitioning
Loan Assets (Notes 4-5)			<p>► Coal value chain: Phase out coal financing to achieve zero coal lending by the end of Q1</p>		

Note 1: Investment assets include listed equities and bonds, encompassing active and passive strategies, as well as third-party managed investments.

Note 2: Coal value chain under investment assets includes the industries in coal mining, coal rail freight, coal support services, and coal power.

Note 3: Unconventional oil and gas under investment assets refer to tar sands and shale oil.

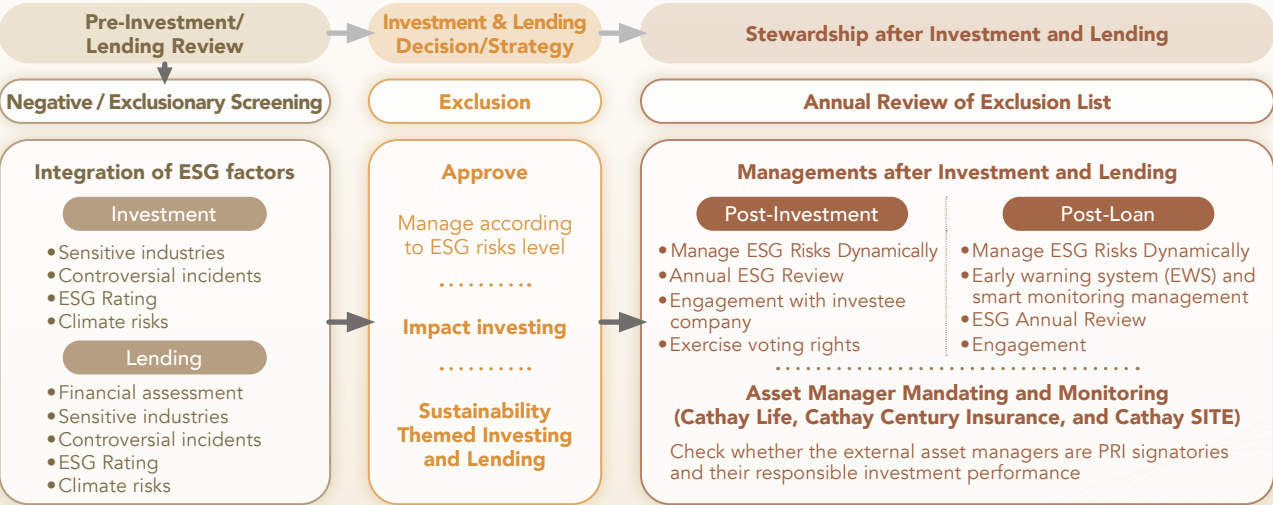
Note 4: CUB stopped issuing new loans to coal-fired power generation projects in 2019 and no longer renews contracts. CUB has also ceased to extend credit facilities for coal value chain loans as of April 2021.

Note 5: The coal value chain under loan assets includes coal mining, coal products, coal wholesale and retail, and coal railway transportation.

5.4.4 Responsible Investment and Lending Policy

In addition to following international frameworks such as the Principles for Responsible Investment (PRI) and the Equator Principles (EPs), Cathay FHC has established the "Cathay Financial Holdings and Subsidiaries' Responsible Investment and Lending Policy". This policy covers investments primarily in listed equities and bonds, and lending primarily in corporate finance, incorporating ESG factors into investment and lending decision-making processes, and integrating topics such as climate change, water stress, and biodiversity. In addition, to mitigate potential risks arising from controversial entities, Cathay FHC has also established the "Cathay Financial Holdings and Subsidiaries' Investment and Lending Exclusion Policy". Based on its "Focus Area Standards", this policy identifies higher-risk entities and includes them in an "Investment and Lending Exclusion List", which serves as a reference for excluding targets from investment and lending activities. For more information, please refer to ► [Cathay FHC's Sustainability Report 2024](#).

Responsible Investment and Lending Framework




Follows the light gray arrow if the investment/lending target is on the exclusion list; follows the dark gray arrow if the investment/lending target is not on the exclusion list.

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5.4.5 Nature-Related Indicator Assessment

Building on ENCORE's evaluation results of natural capital dependencies and impacts, Cathay FHC conducted its first evaluation of nature-related risk indicators in 2025, focusing on two key natural resources: water and forests. This assessment was informed by the TNFD's Sector Guidance: Additional Guidance for Financial Institutions and international best practices. By identifying potential nature-related risks in its investment portfolio, Cathay aims to establish a forward-looking foundation for enhancing internal management frameworks and decision-making processes. Given considerations around data availability and disclosure transparency, this year's analysis prioritized publicly listed equities as well as corporate and financial bonds.

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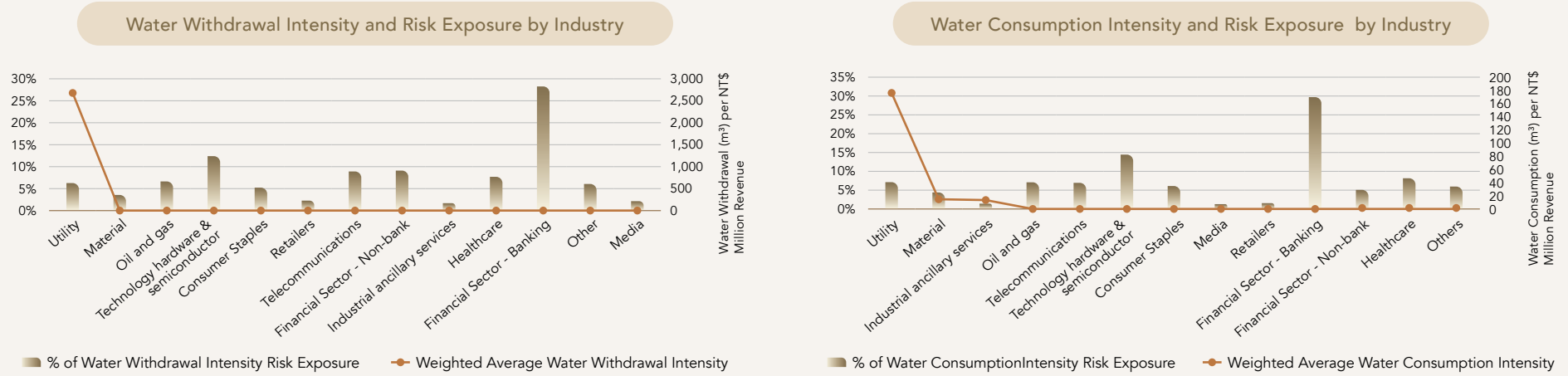


Water Resource Indicators

The analysis evaluates three water-related indicators within the investment portfolio: water withdrawal intensity, water consumption intensity, and water management policy. Water withdrawal and water consumption intensity reflect the level of a company's reliance on and actual use of water resources in its operations, helping assess both its dependency on water and the environmental impact of its activities. The existence of a water management policy indicates whether a company has established relevant governance mechanisms.

Water withdrawal & consumption intensity

Utilities within the portfolio show significantly higher water withdrawal and consumption intensity compared to other sectors, though these levels remain better than the industry average. Considering the utilities sector's high dependency on water and its potential for greater environmental impact, MSCI's Water Stress Risk Score is further referenced to assess water-related risks in this sector. This score reflects both a company's water use intensity and the water stress level in its operating regions-a higher score indicates greater water-related risk. Upon review, over 80% of utility holdings fall within the low to medium risk range. Ongoing monitoring will focus on whether these companies have established water resource management policies, which will inform future risk management and investment decisions.



Note 1: The investment position covers Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Ventures, and Cathay SITE, and includes domestic and international listed equities and corporate/financial bonds as of December 2024.

Note 2: Water withdrawal and water use intensity data were compiled using international databases and ESG digital platforms. The data coverage rates for water withdrawal and water use intensity are 79% and 63%, respectively.

Note 3: Exposure ratio refers to the proportion of investment positions for which water withdrawal and/or water consumption intensity data is available.

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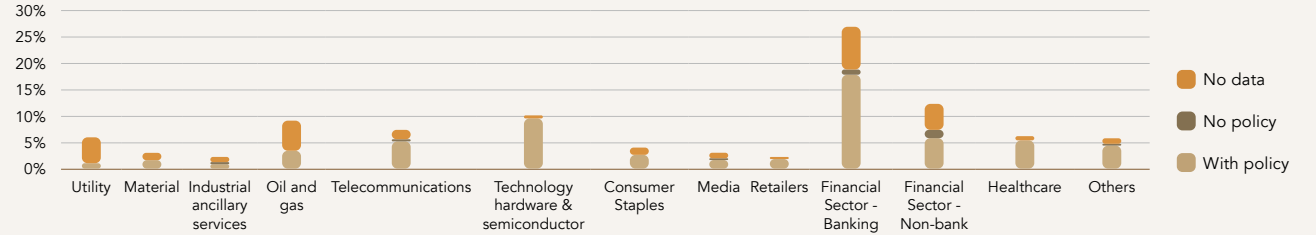
Water Management Policy

Approximately 62% of companies within the portfolio have established water management policies. The highest coverage is in the financial and technology hardware and semiconductor sectors. However, only 19% of companies in the utilities sector have such policies in place despite high water withdrawal and use intensity. Cathay will continue to monitor policy developments in this sector to mitigate potential operational and environmental risks.

Risk Exposure - Water Policies



Risk Exposure - Industries with Water Policies



Note: The investment position covers Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Ventures, and Cathay SITE, and includes domestic and international listed equities and corporate/financial bonds as of December 2024. Data coverage is approximately 67%.



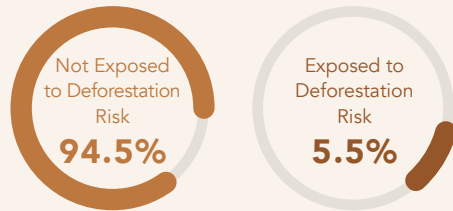
Forest Risk Indicators

The analysis used international databases to identify potential direct and indirect deforestation-related risks across industries in Cathay's investment portfolio. The assessment applied three key criteria: (1) whether the company produces or uses commodities associated with deforestation, (2) whether the company operates in a high-risk sector at the forest frontier, and (3) whether the company has been involved in deforestation-related controversies. A company is considered potentially exposed to deforestation risk if it meets any of the above criteria.

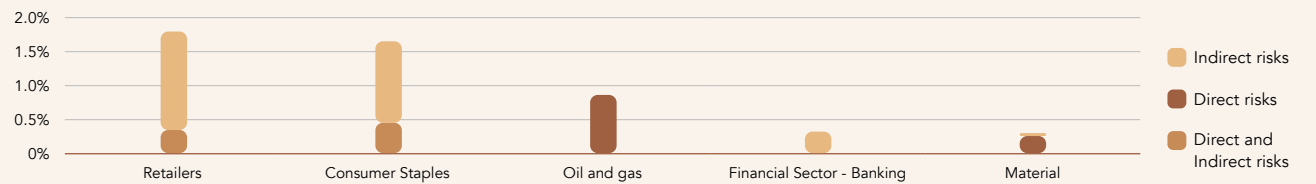
Deforestation risk

The analysis indicates that approximately 5.5% of the assessed investment portfolio is exposed to risks related to deforestation. These risks are primarily concentrated in the retail/wholesale and consumer staples sectors, reflecting significant dependency and impact on forest resources in raw material sourcing and supply chain operations. This dependency may result in direct or indirect exposure to natural capital risks.

Risk Exposure - Deforestation



Risk Exposure - Top 5 Sectors of Deforestation



Note 1: The investment position covers Cathay Life, CUB, Cathay Securities, Cathay Century Insurance, Cathay Ventures, and Cathay SITE, and includes domestic and international listed equities and corporate/financial bonds as of December 2024. Data coverage is approximately 88%.

Note 2: (1) Direct deforestation risk: refers to companies that produce commodities linked to deforestation (e.g., palm oil, soy, beef, and timber), operate in regions classified as high deforestation risk, and/or have been involved in deforestation-related controversies. (2) Indirect deforestation risk: refers to companies that rely/use at least one commodity associated with deforestation.

5.5 Insurance Risk Management

As climate regulations grow increasingly stringent, businesses are facing mounting transition pressures. This presents new challenges for insurers in terms of underwriting scope and product design, while also intensifying market competition and demand for transformation. In addition, the rising frequency of extreme weather events may directly damage insured assets, further increasing risks and claims pressure in the property insurance sector. Cathay FHC conducts risk identification and scenario analysis to assess the potential impacts of typhoons, floods, and other extreme weather events on property insurance, enabling precise evaluation of potential financial risks. In response, Cathay FHC proactively implements adaptation strategies, including optimizing underwriting and claims mechanisms and strengthening climate risk management, to ensure resilience and more comprehensive risk protection.

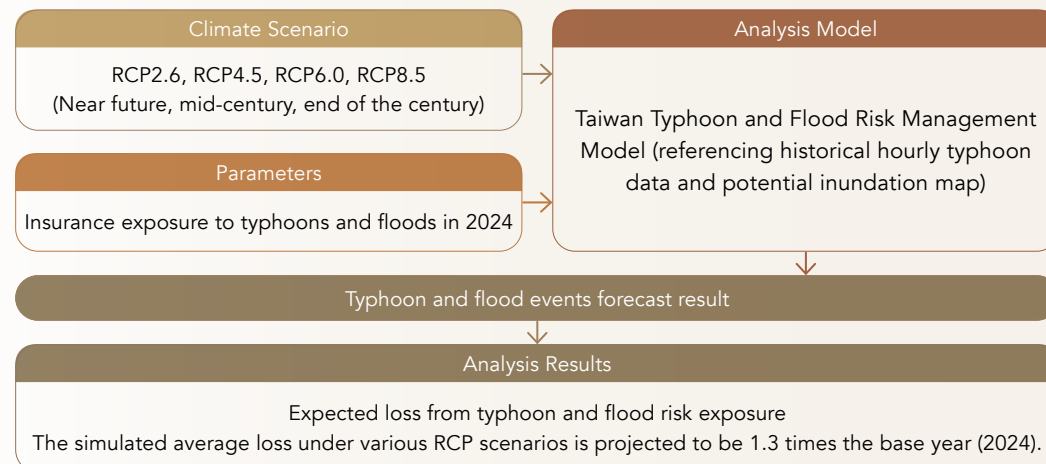
5.5.1 Insurance Scenario Analysis

■ 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 Taiwan NATCAT Model 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

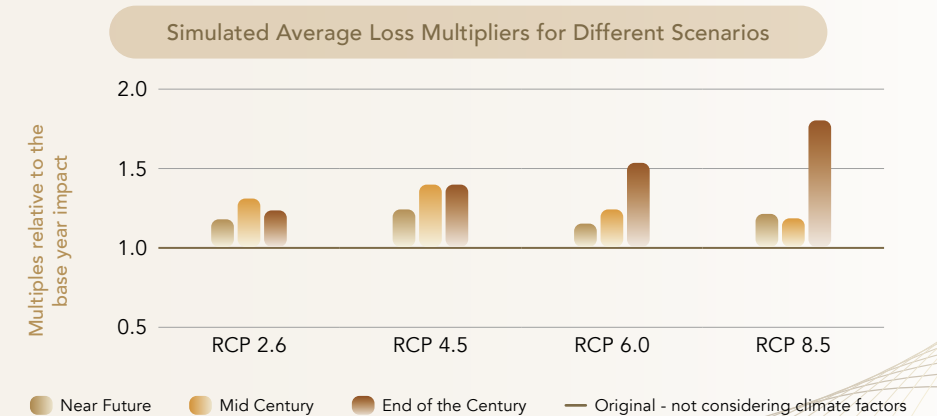


● Analysis Results

The simulated average loss under various scenarios is projected to be 1.3 times the base year (2024). Based on the stress test results, the impact of climate risk remains manageable.

● Risk Response Measures

Cathay Century Insurance 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.



5.5.2 Risk Management Process Across 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.

- Cathay Century Insurance regularly convenes climate change meetings for the product team and underwriting departments to promote the development of low-carbon, sustainable, and just transition products such as crop insurance, renewable energy-related insurance (solar and wind power), and public bicycle insurance to promote the transition towards green practices
- Conduct a carbon intensity assessment for auto and commercial insurance portfolios using the Partnership for Carbon Accounting Financials (PCAF) methodology

- 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

- 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



5.5.3 Industry Exclusion and Restriction Policy

	2024	2025	2030	2040
Insurance Underwriting (Notes 1-5)	Cathay Century Insurance has established management policies regarding the coal, unconventional oil, and gas industries	<p>► Coal mining, coal power generation, and coal infrastructure: No longer provide insurance coverage for related new projects of clients with more than 30% of revenue from coal</p> <p>► Tar sands extraction, shale oil and gas extraction, and liquefied natural gas (LNG) produced from unconventional oil and gas sources ^{Note 5}: No longer provide insurance coverage for related new projects of clients with more than 50% of revenue from these activities</p> <p>► Arctic oil and gas extraction, ultra-deep-water oil and gas extraction: Cease underwriting related projects.</p>	<p>► Coal mining, coal power generation, and coal infrastructure: No longer provide insurance coverage for related new projects of clients with more than 5% of revenue from coal</p> <p>► Tar sands extraction, shale oil and gas extraction, and liquefied natural gas (LNG) produced from unconventional oil and gas sources: No longer provide insurance coverage for related new projects of clients with more than 30% of revenue from these activities</p>	<p>► Tar sands extraction, shale oil and gas extraction, and liquefied natural gas (LNG) produced from unconventional oil and gas sources: No longer provide insurance coverage for related new projects of clients with more than 5% of revenue from these activities</p>

Note 1: The 5% revenue associated with coal/unconventional oil/ 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 businesses. Coverage will no longer be provided to customers for expansion projects related to coal, unconventional oil, and gas.

Note 3: 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 4: The management policy is applicable to operations related to reinsurance and treaty reinsurance.

Note 5: Refers to the production activities involved in the liquefaction of natural gas derived from unconventional oil and gas sources. In this context, unconventional oil and gas refers to petroleum and natural gas obtained from the following sources: Tar sands extraction, shale oil and gas extraction, Arctic oil and gas extraction, and ultra-deep-water oil and gas extraction.

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5.6 Operational Risk Management

Climate-related physical risks refer to the financial and operational impacts that extreme weather events can have on businesses. As climate change intensifies, the increasing frequency and severity of typhoons, floods, and other extreme weather events pose a growing challenge to business continuity. Cathay FHC conducts scenario analysis to evaluate potential financial impacts and has established operational management mechanisms to strengthen its resilience to physical climate risks. In addition, Cathay enhances supply chain resilience, formulates emergency response plans, and upgrades infrastructure to reduce the risk of business disruption caused by extreme weather events, thereby ensuring operational stability and sustainable development.

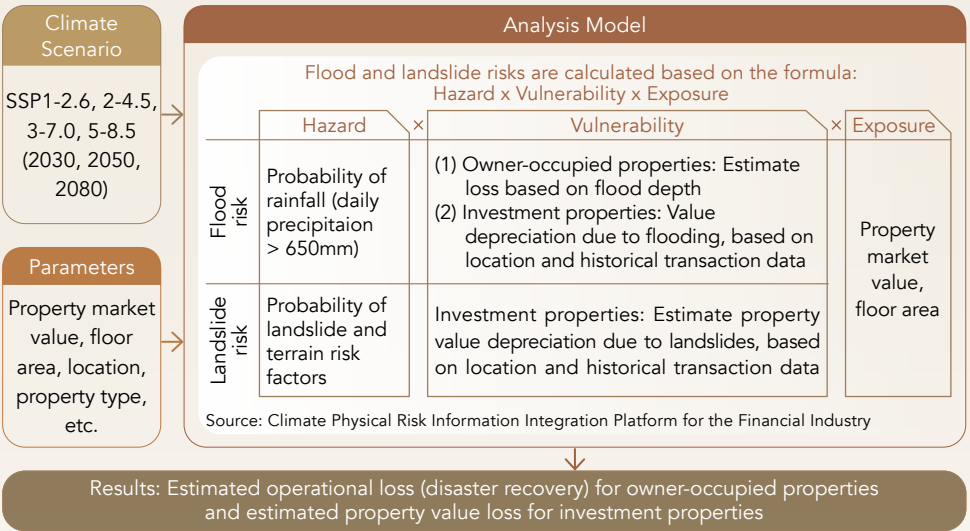
5.6.1 Real Estate Scenario Analysis

■ Impact of Flooding and Landslides on Owner-Occupied /Investment Properties under Climate Change

● Background

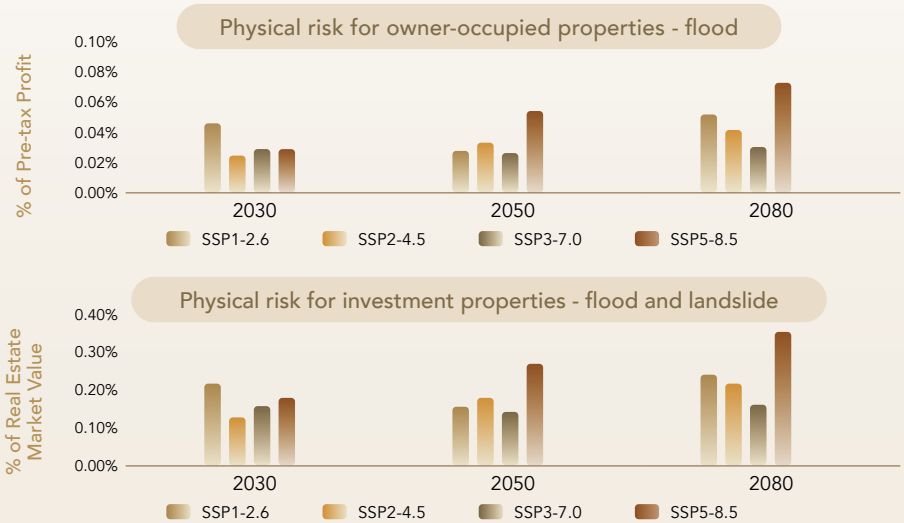
To assess the impact of climate change on real estate, Cathay Life conducted climate scenario analysis using the IPCC AR6 scenarios SSP1-2.6, SSP2-4.5, SSP3-7.0, and SSP5-8.5. The analysis leveraged hazard and vulnerability parameters from the Climate Physical Risk Information Integration Platform for the Financial Industry to estimate potential losses from flooding and landslides. Given the availability of relevant parameters, the scope of analysis focused primarily on real estate assets in Taiwan. Properties were categorized as either owner-occupied or investment-held. For owner-occupied properties, the analysis assessed flood risk only, with loss estimates based on the cost of post-disaster recovery. For investment properties, both flood and landslide risks were evaluated, with losses estimated based on the decline in property value caused by these two types of disasters.

● Analysis Procedure



● Analysis Results

Under the SSP5-8.5 scenario, flooding and landslides are expected to result in the greatest losses to real estate assets. For owner-occupied properties, the damage loss is estimated to account for 0.08% of pre-tax profit. For investment properties, the property value loss is estimated to account for 0.37% of total market value.



● Risk Response 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. We also regularly inspect our properties and step up safety inspections and repairs. Starting in 2020, Cathay FHC and its primary subsidiaries have implemented a Business Continuity Management system that covers all business continuity priorities. This system includes physical risk adaptation plans such as natural disaster scenarios, backup and recovery business continuity plans (BCPs), and regular drills. In the event that owner-occupied properties are affected by disaster events, the company will initiate prompt reporting and response measures, establish an emergency response team or activate business recovery procedures as needed, thereby enhancing resilience to climate change. In addition, insurance coverage is secured for high-value real estate assets to transfer risk and minimize potential losses.

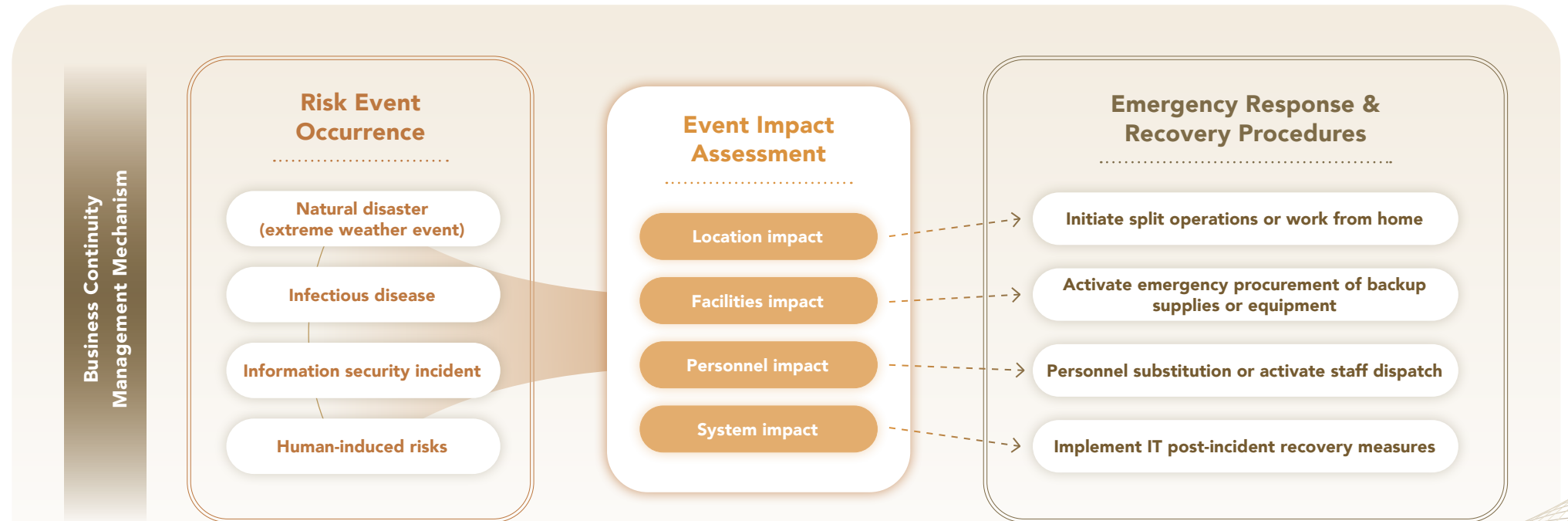
5.6.2 Business Continuity Management (BCM) Mechanism

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. 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) in 2022. We are committed to ensuring the effectiveness of our business continuity management mechanism and continue to strengthen the group's operational resilience.



5.7 Finance Innovation for Climate and Nature

Faced with the heightened uncertainty of climate change and the complexity of data, traditional management methods are often constrained by inefficiencies and limited data accuracy. To address these challenges, Cathay is leveraging advanced digital technologies—such as cloud computing, big data, and artificial intelligence—and fostering cross-sector collaboration with the Central Weather Administration and other public, private, academic, and research institutions. These efforts support the development of climate risk management tools across the group. Looking ahead, as the application of climate and nature-related data continues to evolve, Cathay will accelerate innovation in climate and nature data utilization to enhance predictive capabilities and risk assessment precision. These actions will also improve decision-making efficiency and strengthen operational resilience—setting a new standard for climate-resilient enterprise management.

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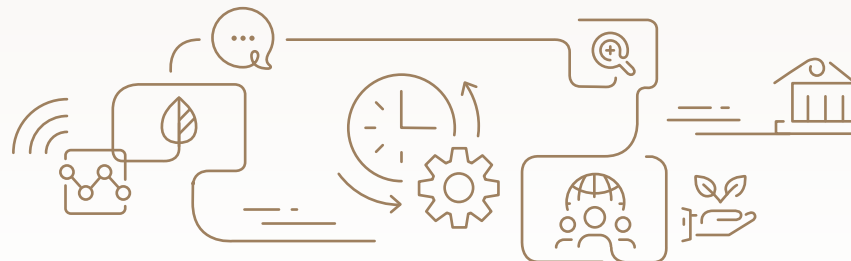
CASE STUDY

Application of Climate Data in the Financial Sector: Enhancing Insurance Claims Services

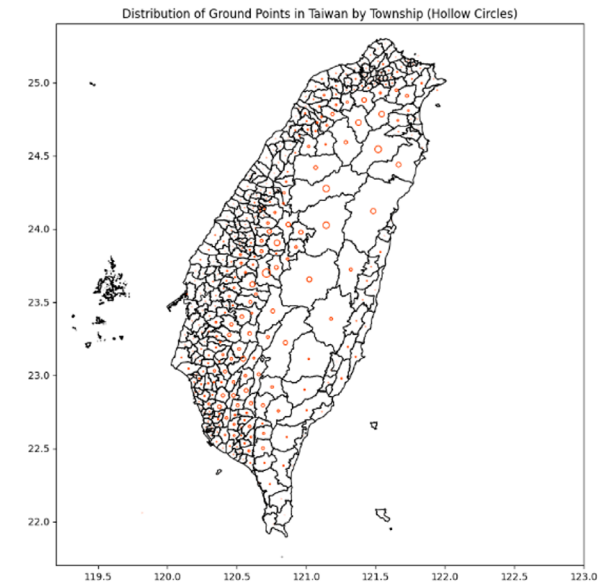
Cathay FHC is partnering with the Central Weather Administration to enhance its insurance claims services using meteorological data. Starting in 2024, Cathay Century Insurance pioneered an initiative that links real-time weather data with claims assessment parameters. Through an automated system, the insured customer's location is matched with relevant weather parameters to quickly identify eligible claims. This technology enables real-time, proactive engagement with affected customers and facilitates automated claims review processes, thereby improving efficiency, enhancing customer experience, and advancing the accuracy and convenience of insurance services.

■ Management Application

- Integrating insured asset data with meteorological information to proactively identify, notify, and engage with customers who meet claims criteria
- Automatically validating claims applications against predefined weather parameters to streamline processing and enhance operational efficiency



Residential Fire Insurance – Lightning and Thunderbolt Coverage



In residential fire insurance, lightning strike coverage refers to actual losses incurred when the insured property is directly struck by lightning, resulting in damage to buildings or movable assets. The insurer shall be liable for compensation within the policy's specified limits as stipulated in the insurance contract.

Bubble Chart of Cumulative Lightning Strike
Distribution by Township/City/District (2019–2023)

CHAPTER.

06

Future Outlook

- ▶ 6.1 Net Zero & Just Transition
- ▶ 6.2 Nature Positive

Sustainable finance is a critical driver to net zero emissions, just transition, and nature positive growth. By assessing climate and nature risks of investees and borrowers, the finance sector can help accelerate industries toward sustainable transformation, increase economic resilience, and lead businesses to adapt to global sustainability trends. At Cathay FHC, we leverage our three core businesses of insurance, banking, and asset management to align with international sustainable finance frameworks. We incorporate climate change, biodiversity, and natural capital management into our business decisions, and exert our financial influence to direct capital toward sustainable development. Cathay is also committed to identifying risks and capitalizing on opportunities associated with climate, just transition, and nature while promoting green financing and investment, innovative insurance solutions, and responsible lending and investment policies. Our vision is to create a tri-win outcome of profitability, social equity, and environmental sustainability—building a resilient and sustainable future.

6.1 Net Zero & Just Transition

Achieving net-zero emissions by 2050 will require more than existing technologies and policies. It demands a greater transformation of our energy structure, increased investment in innovative industries, and broader changes in policy and lifestyle. 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. During the net-zero transition, industries will inevitably face several challenges and difficulties. To address these challenges, the finance sector and industries will have to communicate and coordinate effectively and uncover solutions together through public-private partnerships.

At Cathay FHC, we've taken on the role of an enabler within the value chain. We continue to actively serve as a sustainable finance pioneer as we stay abreast of development trends in transition finance and adaptation finance. Cathay FHC integrates resources from subsidiaries to provide businesses with financial solutions that can help them mitigate the impacts of climate change, strengthen their transitional competitiveness, and gradually expand the scale of their adaptation funding. Ultimately, we hope to increase businesses' resilience against natural disasters and risks.

At the same time, Cathay FHC is deeply aware of the critical importance of a just transition, and we urge businesses to consider underprivileged communities and human rights in the transitional process. When it comes to labor and indigenous rights, Cathay FHC strictly adheres to the Equator Principles to ensure that all projects associated with Cathay have no negative impacts on local communities, especially the underprivileged or indigenous peoples. In the future, Cathay FHC hopes to lead society toward a more just, orderly, and equitable transition. We aim to jointly shape a green economic future that balances environmental sustainability and social equity. This is not only our proactive effort to address the environmental crisis, but also a commitment to labor rights, indigenous rights, and social justice - ensuring that every member of society can reap the benefits of green transition.



CASE STUDY

Promoting Climate Resilience & Social Equity: Cathay Century Insurance's Crop Insurances

Cathay Century Insurance has long recognized the risks that climate change poses to agricultural production, particularly its disproportionate impact on more vulnerable farming communities. As such, Cathay Century Insurance launched Taiwan's first crop insurance, including the 2016 Mango Crop Insurance (government disaster relief-linked) and the 2019 Parametric Guava Crop Insurance (for wind speed of typhoon and rainfall). These products help farmers mitigate financial losses caused by natural disasters, offering necessary economic protection. As awareness of just transition continues to deepen, crop insurance is a real-life initiative performed by Cathay Century Insurance that addresses climate risk management and cares for our society's underprivileged. By working with the government, Cathay Century Insurance continues to strengthen risk management and resilience in the agricultural sector, demonstrating the proactive role that the insurance industry plays in a just transition.



Cathay Century Insurance hosted a seminar for farmers

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6.2 Nature Positive

The World Wildlife Fund's Living Planet Report 2024 details an average 73% decline in wildlife populations from 1970 to 2020, highlighting the severity of biodiversity loss. The Report further points out that freshwater populations have suffered the heaviest declines, falling by 85%. At a regional level, the fastest declines have been seen in the southern hemisphere, specifically Latin America and the Caribbean, at a concerning 95% decline. These alarming declines are largely attributed to human activities, including habitat destruction, overexploitation of resources, climate change, invasive species, and environmental pollution. Without immediate action, the planet risks crossing nature's thresholds, potentially triggering ecosystem collapse and threatening both human survival and economic stability. In today's environmental crisis, biodiversity loss - alongside climate change - has emerged as one of the greatest threats to natural ecosystems, with profound implications for the global economy, especially for sensitive industries highly dependent on nature's resources. To address these challenges, the international community is working together to advance efforts in climate mitigation and biodiversity conservation.

Cathay FHC is deeply aware of the importance of natural capital to sustainable development. To align with global trends and address industry risks, we are actively engaging in research on nature-related issues, including water management, forest policies, etc., with a specific focus on sensitive industries and their dependencies and impact on natural resources. In the future, Cathay FHC will continue to advance the identification of nature-related risks and opportunities, explore how to effectively integrate nature and biodiversity into risk assessment and sustainable strategies, and gradually develop specific commitments, targets, and transition plans. We also hope to engage our supply chain and partners to uncover feasible conservation and adaptation solutions. Cathay FHC hopes to establish a leadership position in biodiversity conservation and climate resilience, promoting transition in our business model and long-term value growth to create a sustainable future where man and nature co-exist in harmony.



CASE STUDY

Partnering with the Taiwan Cetacean Society: Launching the "Nature Care from Us" Conservation Initiative

In 2024 Q4, Cathay SITE officially launched the "Nature Care from Us" project, working with the Taiwan Cetacean Society to adopt the society's turtle rehabilitation pools and rescue or assist stranded turtles rehabilitating at the society. In addition to providing funding, Cathay SITE intends to engage more stakeholders to participate in conservation, release efforts, and volunteer training activities, injecting new momentum into ecological sustainability. The initiative will be rolled out in several phases. The first step is an internal naming campaign for the rescued turtles, followed by inviting the Secretary General of the Taiwan Cetacean Society to speak at a sustainability sharing event, sharing knowledge about sea turtle rescue and inspiring employees to support and identify with the program. We hope to channel that energy into volunteer activities where we can galvanize internal and external forces.



Project Video
of "Nature
Care from Us"



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Appendix

- ▶ 7.1 Summary of Subject Matter Assured
- ▶ 7.2 TCFD Index
- ▶ 7.3 IFRS S2 Index
- ▶ 7.4 TPT (Transition Plan Taskforce) Index
- ▶ 7.5 TNFD Index
- ▶ 7.6 External Assurance

This appendix provides a cross-reference index aligning Cathay FHC's climate-related disclosures with major international frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD), International Financial Reporting Standards Sustainability Disclosure Standard S2 (IFRS S2), the Transition Plan Taskforce (TPT), and the Taskforce on Nature-related Financial Disclosures (TNFD). This aims to enhance transparency and ensure that disclosures related to climate and nature risks are aligned with global standards. In 2024, Cathay FHC commissioned an independent auditor to provide assurance regarding the disclosed data on Cathay's exposure concentration to industries sensitive to climate transition risk. This limited assurance was obtained to ensure the reliability and credibility of the data. Through these disclosures and external assurance mechanisms, Cathay FHC continues to strengthen its management of climate- and nature-related risks, thereby reinforcing investor and stakeholder confidence.

7.1 Summary of Subject Matter Assured

This report focuses on metrics related to climate transition risks and includes an external auditor's independent assurance to ensure the data's accuracy and credibility. For more information on sustainability, including green investment and financing, green products and services, and financial and operational emissions inventories, please refer to ► [Cathay FHC's Sustainability Report 2024](#).

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No.	Subject Matter	Applicable Criteria	Page
1	In 2024, concentrated exposure to industries sensitive to climate transition risks accounted for 7.07%.	<p>Cathay FHC calculates and discloses the 2024 concentrated exposure to industries sensitive to climate transition risks ^{Note 1} based on the "Cathay Financial Holdings Management Regulations for Industry Risks" (hereafter referred to as the "Management Regulations for Industry Risks").</p> <p>Concentrated exposure to industries sensitive to climate transition risk refers to the ratio of Cathay FHC and its subsidiaries' ^{Note 2} total investment and lending balances in such industries ^{Note 3} to their overall investment and lending portfolios.</p> <p>Note 1: Industries sensitive to climate transition risk are defined in accordance with the Management Regulations for Industry Risks. These industries are identified with reference to the SASB Climate Risk Technical Bulletin (Aug 2019) and Part B – Carbon-Related Assets of IFRS S2 Climate-related Disclosures. The industries include oil and gas, chemical manufacturing, construction materials (including cement), mining, fossil fuel-based power generation, coal-related industries, and aviation. The classification of these industries is based on the Bloomberg Industry Classification Standard (BICS) and the Directorate-General of Budget, Accounting and Statistics (DGBAS) industry codes.</p> <p>Note 2: Cathay FHC's subsidiaries refer to Cathay Life and its subsidiary Cathaylife Singapore Pte. Ltd., CUB and its overseas offices, Cathay Century Insurance, Cathay Securities, Cathay SITE, and Cathay Venture.</p> <p>Note 3: Definitions of investment and lending businesses are based on the Management Regulations for Industry Risks:</p> <div><p>Investment businesses</p><p>Cathay FHC and its subsidiaries' investment business as of December 31, 2024, includes investments in non-cash marketable securities such as domestic and overseas listed equities and corporate bonds, sovereign bonds, unlisted equities and short-term notes. These investments are calculated based on their book values. This calculation excludes asset-backed securities, funds, venture capital investments, equity method investments, positions in investee companies, strategic trading positions, repurchase agreements, and long-term equity investments made in accordance with government policies.</p></div> <div><p>Lending businesses</p><p>Refers to corporate lending, guarantees and sovereign debt provided by CUB and Cathay Life as of December 31, 2024. The calculation is based on the outstanding credit balance.</p></div>	P.38

7.2 TCFD Index

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Aspect	TCFD Recommended Disclosures	Reference	Page
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	▶ 4.1 Governance Structure and Responsibilities	P.27
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	▶ 4.2 Corporate Culture & Competency Training	P.29
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short-, mid-, and long- term.	▶ 1.2 Opportunities and Risks	P.8
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	▶ 1.1 Vision ▶ 1.2 Opportunities and Risks ▶ 1.3 Transition Plan ▶ 2.1 Implementation Approach and Scope ▶ 3.1 Engagement Method & Strategy ▶ 3.2 International Organizations & Initiatives	P.7 P.8 P.10 P.16 P.20 P.24
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	▶ 5.3 Risk Assessment and Management Overview ▶ 5.4 Investment and Financing Risk Management ▶ 5.5 Insurance Risk Management ▶ 5.6 Operational Risk Management	P.35 P.37 P.45 P.47

Aspect	TCFD Recommended Disclosures	Reference	Page
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	▶ 1.2 Opportunities and Risks ▶ 5.2 Concentration Risk Identification ▶ 5.3 Risk Assessment and Management Overview	P.8 P.33 P.35
	b. Describe the organization's processes for managing climate-related risks.	▶ 5.1 Risk Management Framework and Policy	P.31
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	▶ 5.4 Investment and Financing Risk Management ▶ 5.5 Insurance Risk Management ▶ 5.6 Operational Risk Management	P.37 P.45 P.47
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	▶ 1.3 Transition Plan ▶ 1.4 Metrics & Targets	P.10 P.13
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	▶ 1.2 Opportunities and Risks ▶ 1.3 Transition Plan ▶ 1.4 Metrics & Targets ▶ 5.2 Concentration Risk Identification	P.8 P.10 P.13 P.33
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	▶ 1.3 Transition Plan ▶ 1.4 Metrics & Targets	P.10 P.13

7.3 IFRS S2 Index

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Aspect	S2 Recommended Disclosures	Reference	Page
Objective	Articles 1-2	Applicable to all	-
Scope	Article 3-4		
Governance	Articles 5-7	<ul style="list-style-type: none"> ▶ 4.1 Governance Structure and Responsibilities ▶ 4.2 Corporate Culture & Competency Training 	P.27 P.29
Strategy	Articles 8-9	<ul style="list-style-type: none"> ▶ 1.1 Vision ▶ 1.2 Opportunities and Risks ▶ 1.3 Transition Plan 	P.7 P.8 P.10
	Articles 10-12	<ul style="list-style-type: none"> ▶ 1.2 Opportunities and Risks ▶ 5.2 Concentration Risk Identification 	P.8 P.33
	Article 13	<ul style="list-style-type: none"> ▶ 1.2 Opportunities and Risks ▶ 5.2 Concentration Risk Identification 	P.8 P.33
	Article 14	<ul style="list-style-type: none"> ▶ 1.3 Transition Plan ▶ 2.1 Implementation Approach and Scope ▶ 3.1 Engagement Method & Strategy ▶ 3.2 International Organizations & Initiatives 	P.10 P.16 P.20 P.24
	Article 15-21	<ul style="list-style-type: none"> ▶ 1.2 Opportunities and Risks ▶ 2.1 Implementation Approach and Scope ▶ 5.4 Investment and Financing Risk Management ▶ 5.5 Insurance Risk Management ▶ 5.6 Operational Risk Management 	P.8 P.16 P.37 P.45 P.47
	Article 22-23	<ul style="list-style-type: none"> ▶ 5.4 Investment and Financing Risk Management ▶ 5.5 Insurance Risk Management ▶ 5.6 Operational Risk Management 	P.37 P.45 P.47

Aspect	S2 Recommended Disclosures	Reference	Page
Risk Management	Articles 24-26	<ul style="list-style-type: none"> ▶ 5.1 Risk Management Framework and Policy ▶ 5.2 Concentration Risk Identification ▶ 5.3 Risk Assessment and Management Overview ▶ 5.4 Investment and Financing Risk Management ▶ 5.5 Insurance Risk Management ▶ 5.6 Operational Risk Management 	P.31 P.33 P.35 P.37 P.45 P.47
Metrics and Targets	Articles 27-28	<ul style="list-style-type: none"> ▶ 1.3 Transition Plan ▶ 1.4 Metrics & Targets ▶ 2.1 Implementation Approach and Scope 	P.10 P.13 P.16
	Articles 29-32	<ul style="list-style-type: none"> ▶ 1.3 Transition Plan ▶ 1.4 Metrics & Targets 	P.10 P.13
	Articles 33-37	<ul style="list-style-type: none"> ▶ 1.3 Transition Plan ▶ 1.4 Metrics & Targets ▶ 2.1 Implementation Approach and Scope 	P.10 P.13 P.16

Note: For detailed provisions, please refer to the ISSB IFRS S2 Climate-related Disclosures (June 2023) and the [Draft] IFRS S2 Climate-related Disclosures published by the Accounting Research and Development Foundation of Taiwan.

7.4 TPT (Transition Plan Taskforce) Index

Principles	Disclosure Elements	Disclosure Sub-elements	Reference	Page
Ambition	① Foundations	1.1 Strategic ambition	▶ 1.1 Vision ▶ 1.2 Opportunities and Risks ▶ 1.3 Transition Plan	P.7
		1.2 Business model and value chain		P.8
		1.3 Key assumptions and external factors		P.10
Action	② Implementation strategy	2.1 Business operations	▶ 2.1 Implementation Approach and Scope	P.16
		2.2 Products and services		
		2.3 Policies and conditions		
		2.4. Financial planning		
	③ Engagement strategy	3.1 Engagement with value chain	▶ 3.1 Engagement Method & Strategy ▶ 3.2 International Organizations & Initiatives	P.20 P.24
		3.2 Engagement with industry		
		3.3 Engagement with government, public sector, communities, and civil society		
Accountability	④ Metrics & Targets	4.1 Governance, engagement, business and operational metrics and targets	▶ 1.4 Metrics & Targets	P.13
		4.2 Financial metrics and targets		
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		4.4 Carbon credits		
	⑤ Governance	5.1 Board oversight and reporting	▶ 4.1 Governance Structure and Responsibilities ▶ 4.2 Corporate Culture & Competency Training	P.27 P.29
		5.2 Management roles, responsibility and accountability		
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7.5 TNFD Index

Aspect	TNFD Recommended Disclosures	Reference	Page
Governance	a. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	▶ 3.1 Engagement Method & Strategy ▶ 4.1 Governance Structure and Responsibilities ▶ 6.1 Net Zero & Just Transition	P.20 P.27 P.51
	b. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.		
	c. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.		
Strategy	a. Describe the nature-related dependencies, impacts, risks and opportunities the organization has identified over the short, medium and long term.	▶ 1.2 Opportunities and Risks ▶ 6.2 Nature Positive	P.8 P.52
	b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.		
	c. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	▶ 5.3 Risk Assessment and Management Overview	P.35
	d. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	▶ 5.2 Concentration Risk Identification	P.33
Risk and Impact Management	a. (i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	▶ 1.2 Opportunities and Risks ▶ 5.2 Risk Concentration Identification ▶ 5.4 Investment and Financing Risk Management	P.8 P.33 P.37
	a. (ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).		
	b. Describe the organization's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in light of these processes.	▶ 5.3 Risk Assessment and Management Overview ▶ 5.4 Investment and Financing Risk Management	P.35 P.37
	c. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	▶ 5.1 Risk Management Framework and Policy	P.31
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.	▶ 1.4 Metrics & Targets ▶ 5.4 Investment and Financing Risk Management	P.13 P.37
	b. Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature.		
	c. Describe the targets and goals used by the organization to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	▶ 1.3 Transition Plan ▶ 1.4 Metrics & Targets	P.10 P.13

Note: The index references the Recommendations of the Taskforce on Nature-Related Financial Disclosures.

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7.6 External Assurance

Independent Limited Assurance Report

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Independent Limited Assurance Report

PWCM24000763

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 2024 Climate and Nature Report (hereinafter 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” of the 2024 Climate and Nature Report. The scope of the aforementioned Identified Key Performance Indicators is set out in the “About this Report” of the 2024 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 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.

Inherent Limitation

Certain subject matter information assured involves non-financial data which is subject to more inherent limitations than financial information. Qualitative interpretations of the relevance, materiality and the accuracy of data are more dependent on individual assumptions and judgments.

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.

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T: +886 (2) 2729 6666, F: +886 (2) 2729 6686, www.pwc.tw



Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Key Performance Indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Standard on Assurance Engagements 3000, “Assurance Engagements other than Audits or Reviews of Historical Financial Information” of the Republic of China. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Identified Key Performance 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 misstatement 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:

- 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 accordance with the respective applicable criteria.



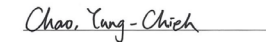
We also do not provide any assurance on the Climate and Nature Report as a whole or on the design or operating effectiveness of the relevant internal controls. Furthermore, our assurance does not extend to information disclosed in the Climate and Nature Report for the period ended December 31, 2023 or 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 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 procedures 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
26 August, 2025



國泰金控
Cathay Financial Holdings