

2.1 Low-Carbon Economy

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 an influential benchmark corporation that can usher in stability and happiness for society.

2.1.1 Net Zero Emissions in Financial Assets by 2050

Using science-based quantification, Cathay FHC has developed a carbon reduction pathway for investment and lending portfolios with emission-based and impact-based approaches. Cathay FHC has committed to achieving long-term goals for net zero emissions in financial assets by 2050 as well as the short- and mid-term goals. Cathay FHC will adjust carbon reduction goals every five years to ensure that the company's goals are in line with 2050 financial assets net zero pathway. The short- and mid-term carbon reduction goals set forth by Cathay FHC have been approved by the Science Based Targets initiative (SBTi) in 2022.

■ Cathay FHC's carbon reduction goals for financial assets

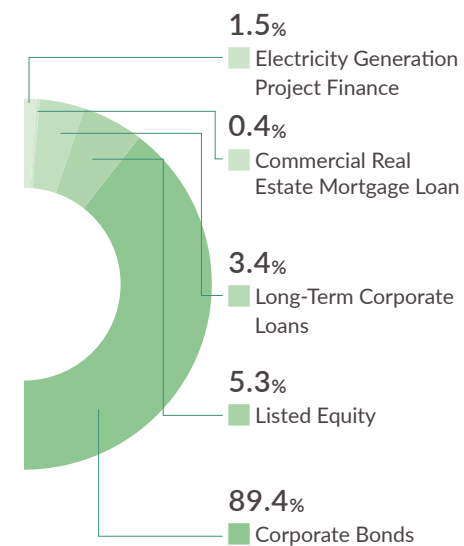
Short- and mid-term goals (SBTi-approved)		Long-Term Targets
Asset type	Goal	
Listed equity & bonds (Proprietary investments)	● Align investment portfolio temperature score by invested value to 2.68° C (Scope 1+2) by 2026	Net zero emissions from financial assets by 2050
	● Align investment portfolio temperature score by invested value to 2.79° C (Scope 1+2+3) by 2026	
Listed equity & bonds (Asset management)	● Align investment portfolio temperature score by invested value to 2.72° C (Scope 1+2) by 2026	
	● Align investment portfolio temperature score by invested value to 2.81° C (Scope 1+2+3) by 2026	
Electricity Generation Project Finance	Reduce GHG emission per MWh 33% by 2026 from a 2019 base year	
Corporate loans — commercial real estate	Reduce GHG emission per square meter 39% by 2026 from a 2019 base year	
Corporate loans — electricity generation industry	Reduce GHG emission per MWh 69% by 2035 from a 2019 base year	
Corporate loans — other long-term loans	● Reduce GHG emissions per square meter by 73% from the finance industry, retail industry, service industry, F&B industry, hospitality industry, and real estate sectors within its other long-term corporate loan portfolio by 2035 from a 2019 base year.	
	● 33% of its other long-term corporate loan portfolio by loan value within the fossil fuel, electrical and electronic equipment, general manufacturing, and semiconductor sectors setting SBTi validated targets by 2026.	

■ Monitor Carbon Emissions of Investment & Lending Portfolios

To achieve the long-term goal of net zero emissions in financial assets by 2050, Cathay FHC has been continuously calculating the Weighted Average Carbon Intensity (WACI) of investment portfolios based on the Task Force on Climate-Related Financial Disclosures' (TCFD) methodology since 2018, and total carbon emissions and intensity from financial assets based on the Partnership for Carbon Accounting Financial (PCAF) methodology since 2020. For lending, Cathay FHC has been calculating carbon footprint of lending portfolios using SBTi and PCAF methodologies since 2021. Carbon footprint calculation was conducted for the following assets: listed equity, corporate bonds, electricity generation project finance, commercial real estate mortgage loan, and long-term corporate loans. In cases for some companies lack carbon emissions data, Cathay FHC estimated their carbon emissions using the PCAF methodology.

In 2022, Cathay FHC's investment and lending portfolio reached 10.3 million metric tons of CO₂-equivalent (tCO₂e). More than 70% of carbon emissions are concentrated in the energy sector and utilities sector. To accelerate low-carbon transitions in carbon-intensive industries and mitigate climate risks in assets, Cathay FHC has adopted more aggressive approaches to manage investments and loans and undertook engagements with the investees and borrowers. For more information on the carbon footprint of Cathay FHC's investment and lending portfolio, please refer to Table 6 in the Appendix.

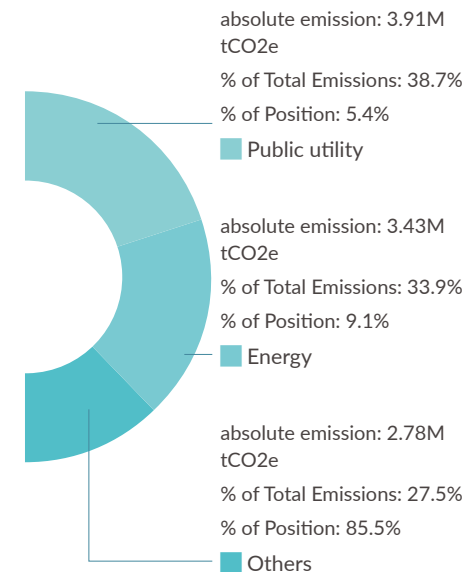
Carbon Footprints of Investment & Lending Portfolios in 2022



Total Carbon Emissions 10.34M tCO₂e

Note: Includes proprietary investment from Cathay Life, CUB, Cathay Century, and Cathay Securities as well as loan assets from CUB

Carbon Emissions of Investments & Loans by Industry



Note: Includes proprietary investment from Cathay Life, CUB, Cathay Century, and Cathay Securities as well as long-term corporate loans from CUB

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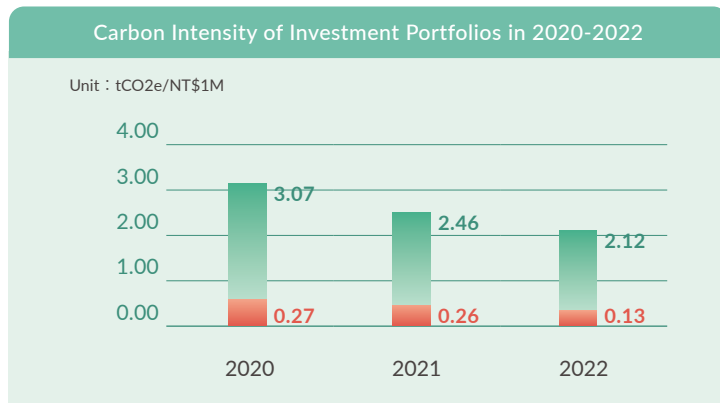
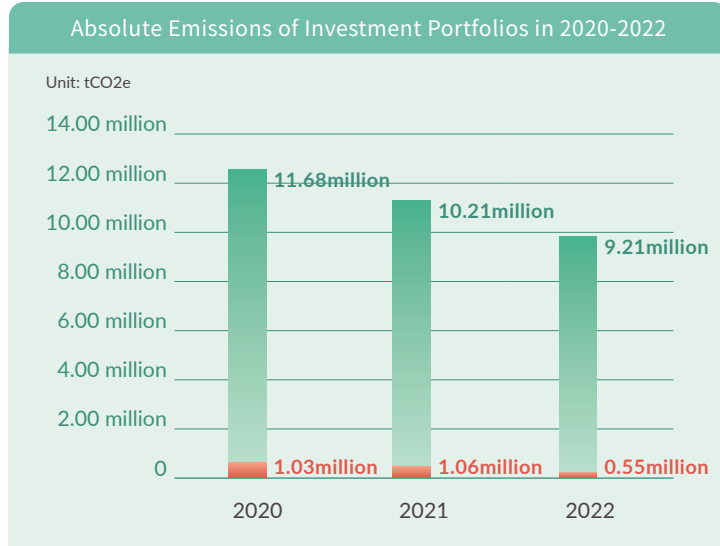
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Carbon Emissions of Investment Portfolios

In 2022, Cathay FHC's investment portfolio reached 9,759,033 tCO₂e, a 13% reduction from 2021, with a data quality score of 2.52. Carbon intensity decreased by 17% from 2021. In the past three years, the carbon emissions of Cathay FHC's investment portfolio have exhibited a stable decline. For more information on the carbon footprint of Cathay FHC's investment and lending portfolio, please refer to [Table 6](#) in the Appendix.

Note: Includes proprietary investment from Cathay Life, CUB, Cathay Century, and Cathay Securities



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■ Listed Equity ■ Corporate Bonds

Carbon Emissions of Investment Portfolios by Region

The Americas Absolute Emissions: 5.61M tCO₂e
Carbon Intensity: 1.29 tCO₂e/NT\$1M

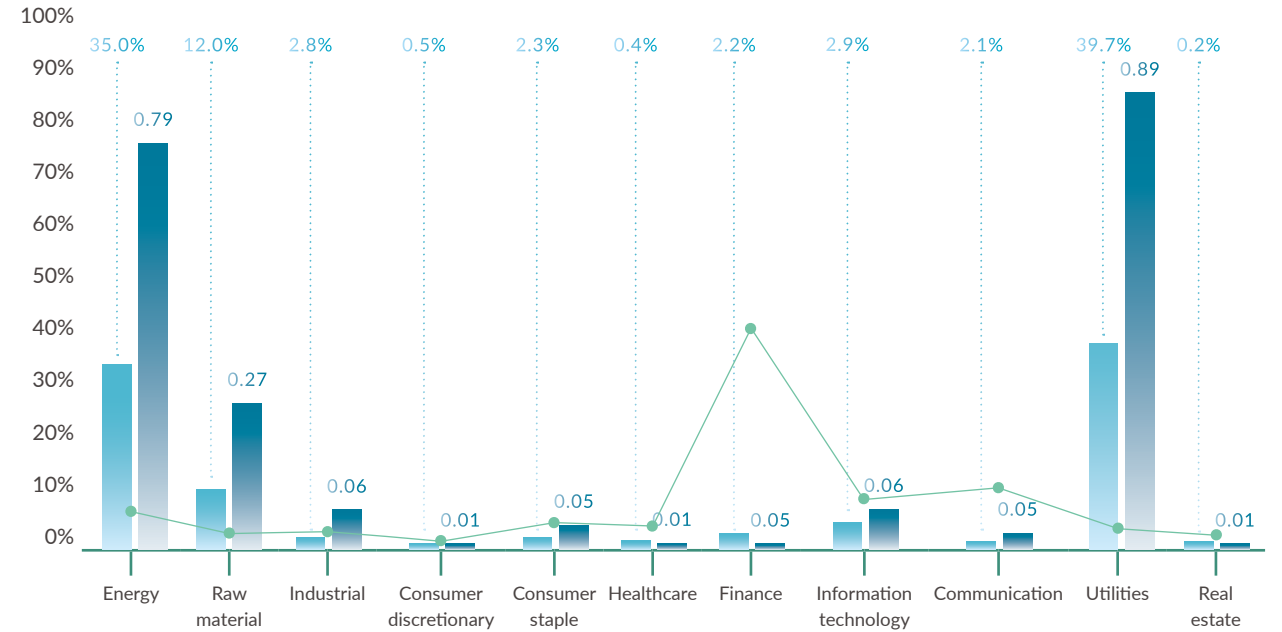
Europe Absolute Emissions: 0.87M tCO₂e
Carbon Intensity: 0.20 tCO₂e/NT\$1M

Asia Pacific Absolute Emissions: 2.10M tCO₂e
Carbon Intensity: 0.48 tCO₂e/NT\$1M

Taiwan Absolute Emissions: 0.72M tCO₂e
Carbon Intensity: 0.17 tCO₂e/NT\$1M

Others Absolute Emissions: 0.45M tCO₂e
Carbon Intensity: 0.10 tCO₂e/NT\$1M

Carbon Emissions of Investment Portfolios by Industry



● % of Position ■ % of Total Emissions (%) ■ Economic carbon intensity (tCO₂e/NT\$1M)

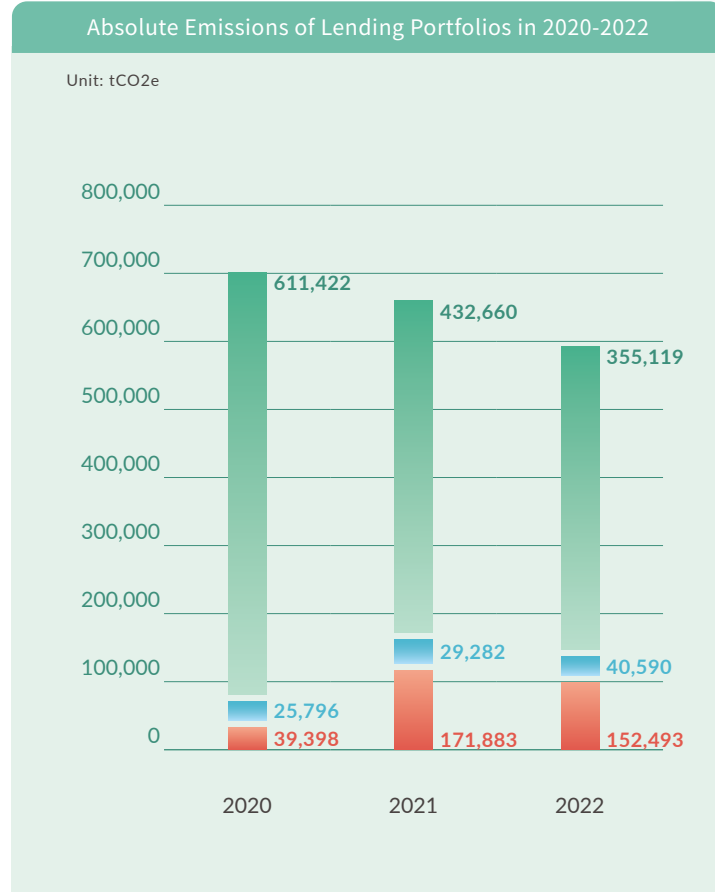
Note: Includes proprietary investment from Cathay Life, CUB, Cathay Century, and Cathay Securities

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Carbon Emissions of Lending Portfolios

In 2022, Cathay FHC's lending portfolio produced 548,203 tCO₂e, a 14% reduction from 2021, with a data quality score of 3.73. In the past three years, the carbon emissions of Cathay FHC's lending portfolio have exhibited a stable decline. For more information on the carbon footprint of Cathay FHC's investment and lending portfolio, please refer to [Table 6](#) in the Appendix.

Note: Includes CUB's loan assets



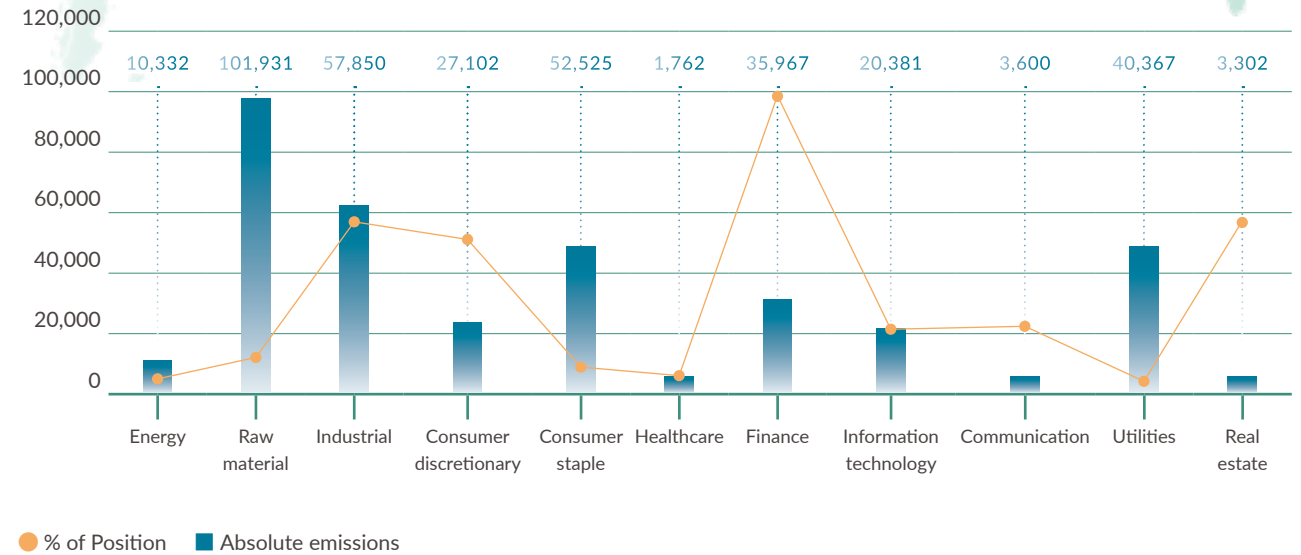
- Electricity Generation Project Finance
- Commercial Real Estate Mortgage Loan
- Long-Term Corporate Loans

Carbon Emissions of Lending Portfolios in 2022 by Region

Asia Pacific Absolute Emissions: 166,369 tCO₂e

Taiwan Absolute Emissions: 188,750 tCO₂e

Absolute Emissions of Long-term Corporate Loans in 2022 by Industry



Note: Includes CUB's loan assets