



CTBC BANK
中國信託銀行

2022

**Principles for Responsible Banking (PRB)
Reporting and Self-Assessment**



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About this Report

United Nations Environment Programme Finance Initiative (UNEP FI) officially launched the Principles for Responsible Banking (PRB) in 2019. These principles have now been signed by over 300 banks worldwide. Signatory banks commit themselves to aligning their core strategies and operating activities with the UN Sustainable Development Goals (SDGs) and international sustainability initiatives such as the Paris Agreement. CTBC Bank (hereinafter referred to as “CTBC”) is actively committed to ensuring conformity of its operations with this global sustainable banking framework. On December 26, 2019, we declared our voluntary compliance with these principles. Limited assurance has been given for this report based on the requirements for the 4th year PRB reporting issued to signatory banks by UNEP FI.

This 2022 PRB Report was published by CTBC in 2023. It presents our self-assessment results in the field of compliance with the disclosure framework composed of six PRB principles. The reporting period covered by this report is January 1 to December 31, 2022 (certain contents include the latest developments in 2023). Taiwan, which is one of our core operating locations, represents the geographical scope of the disclosures in this report with “Consumer Banking” and “Mix of Business and Corporate Banking” as the core business scope. After a cross-comparison of corresponding banking products and services with CTBC business items based on the banking business classification table released by UNEP FI, it was determined that our Retail Banking Services belong to the Consumer Banking category, while our Institutional Banking Services can be classified as “Mix of Business and Corporate Banking.”

During the self-assessment process, we rigorously applied the most recent version (V.3) of the impact analysis tool released by UNEP FI in November 2022 for our analysis of major challenges and high-priority issues facing Taiwan in the field of sustainable development and CTBC Retail and Institutional Banking service items and data. With reference to the UNEP FI impact area indicators and opinions of our internal stakeholders, the following two significant impact areas were selected for this report: “Climate Change” and “Financial Inclusion.” With regard to the identified high-priority impact areas, we have set Impact Targets in conformity to the SMART principles (Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound)

The Impact Targets included in this report reflect the sustainability strategies of CTBC and its parent company CTBC Financial Holding Co., Ltd. (hereinafter referred to as “CTBC Holding”). Responses have been provided in the form of concrete actions adopted in the fields of impact analysis process and target setting and implementation arising from the identified two high-priority impact areas in line with the six PRB principles. We will continue to assess and monitor the implementation status of the six PRB principles and the current progress of action plans adopted with respect to the aforementioned impact targets. This information is publicly disclosed on an ongoing basis to demonstrate our determination to intensify our efforts in the field of sustainable impact management.



Principle 1 Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model

Established in 1966, CTBC has evolved into a regional bank firmly committed to providing comprehensive financial services. As of the end of 2022, CTBC had a workforce of 13,386 employees and its consolidated assets amounted to NT\$ 5.54 trillion. It has a comprehensive overseas network made up of service outlets across 14 countries and regions and 152 branches in Taiwan, which is the primary operating location. The bank's overseas deployment focuses on Greater China, Japan, North America, and South-east Asia, which is reflected in the establishment of 218 service outlets. CTBC is the most internationalized bank in Taiwan that provides international enterprises with comprehensive cross-border financial services.

We will persist in our efforts to refine our core business models with a strong emphasis on the demands of diversified customer groups encompassing individual consumers, SMEs, Taiwanese entrepreneurs, and overseas and local enterprises. Retail banking, institutional banking, and capital markets represent our main business scopes. In 2022, institutional banking and capital markets accounted for 44%, retail banking constituted 52%, and other business comprised 4% of our business revenue. Since institutional banking and retail banking represent our primary business scope, we will provide an overview of relevant business items below.

Institutional banking

- (1) In Taiwan, we provide our customers with loan, trade finance, cash management, and corporate trust services.
- (2) As for our international business in recent years, we provide Taiwanese entrepreneurs with comprehensive cross-border services. In addition, we actively expand into other customer segments to meet their demands for cross-border financial services. We are also steadfastly committed to strengthening the infrastructure of our overseas branches and subsidiaries and perfecting our product lines.

Retail banking

- (1) In the field of wealth management, we offer personal NTD and foreign currency deposit, financial planning, asset allocation planning, and advisory services as well as assistance in the acquisition of a variety of financial products.
- (2) In the loan services, we provide individuals with diverse loan services, including unsecured/secured loan products and services.
- (3) In the payment business dimension, we offer credit and debit card services, including card issuing and merchant acquiring and actively develop mobile payment, third-party payment mechanism, bill payment, and cross-border transaction platform services.
- (4) In our overseas business operations, we prioritize the ongoing development of personal deposit, loan, payment, and wealth management services in line with market development stages and target customer demands.

1.2 Strategy alignment

As a leading financial institution in Asia, we honor our self-commitment to responsible banking by incorporating sustainability concepts into our business strategies and fulfilling the UN SDGs through concerted efforts with our stakeholders. Following the sustainability strategy of CTBC Holding, the bank adopted sustainability actions are based on the three core dimensions of “Responsible Operations”, “Sustainable Growth”, and “Connected Society” defined by CTBC Holding. We rely on low-carbon transition and sustainable transformation to promote a low-carbon economy and financial inclusion and respond to the UN SDGs in a proactive manner.

Climate-related Strategy

In 2022, the CTBC Holding Board of Directors approved a proposal to incorporate the goal of net-zero emissions in 2050 into the group’s long-term sustainable development blueprint in line with the core spirit of international climate initiatives such as the Paris Agreement and the 2050 net-zero emissions pathway, which represents the guiding principle of Taiwan’s national sustainability policy. CTBC Holding has participated in international climate initiatives on an ongoing basis for many years which is reflected in the following achievement: joining of the Task Force on Climate-related Financial Disclosures (TCFD) and release of climate-related risk reports for three consecutive years and the 2022 TCFD report in 2023. It officially submitted the group’s carbon reduction targets to Science Based Targets initiative (SBTi) in December 2022 and has officially passed the review in December 2023.

As a key subsidiary of CTBC Holding, we fully support the group’s commitment to the goal of net-zero emissions in 2050 and incorporate the concept of sustainability into our business plan such as the provision of financing loans for green energy technologies, circular economy projects, and renewable energy industries.

Equator Principles

CTBC Bank officially signed the Equator Principles (EPs) in January 2019 and adopted the Guideline for Corporate Loans Applicable to the Equator Principles, which serves as the guiding principle for the CTBC Head Office, overseas branches, and other relevant units. The goal lies in the effective management of potential environmental and social risks of loan cases through the clear definition of authorities and responsibilities, stipulation of lending and credit investigation procedures and criteria, and information disclosure and management. We took the initiative in adopting the Equator Principles 4th edition(EP4) as early as July 2020. In addition, we expanded the applicable scope of our risk assessments to include the fields of climate change, human rights, and biodiversity in order to ensure better understanding of the expected environmental and social impacts of our projects.



Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes No

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or relevant implementation policies?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD, TNFD
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery
- None of the above

References:

1. 2022 Annual Report of CTBC Bank: Company Overview p.5-11; Business Contents p. 129-130
2. 2022 Sustainability Report of CTBC Holding p.9-10, p.14-15, p. 18-19, p. 42, and p. 45-46
3. Human rights policy of CTBC Financial Holding Co., Ltd.



Principle 2 Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis

a) Scope

Retail banking, institutional banking, and capital markets represent our main business items.

We have adopted the Portfolio Impact Analysis Tool released by UNEP FIs to analyze the potential impact of our primary business operations. Furthermore, we have utilized the Directorate General of Budget, Accounting and Statistics (DGBAS) for cross-comparison with the International Standard Industrial Classification of All Economic Activities (ISIC). Taiwan accounts for the largest share (over 60%) of the combined revenues of all CTBC operating regions. Overseas regions make up the remainder. As for the shares of different business areas, retail banking accounted for 52%, institutional banking and capital markets constituted 44%, and other business comprised 4% of our business revenue. This clearly indicates that institutional banking and retail banking are our main business items. Based on a comprehensive analysis of the revenue shares of operating regions and business areas, we have defined the scope of impact analysis to encompass institutional/corporate loans and personal deposits and loans in Taiwan.

b) Portfolio composition:

We have adopted the UNEP FIs Portfolio Impact Analysis Tool and Identification Module for the identification of potential impacts of our banking business. Upon confirmation of the scope, we have incorporated the following institutional and retail banking business data into our analysis:

Taiwan institutional banking business: In 2022, loan amounts in Taiwan constituted over 60% of the aggregate loan amounts of all operating regions. Borrowers are diversified, spanning over 400 industries. Each of the following industries respectively accounted for over 5% of the total loan amount: Government Agencies, Other Financial Service Activities Not Elsewhere Classified, Real Estate Development and Electricity Supply. The share of each remaining loan categories doesn't exceed 3%¹.

Taiwan retail banking business: In 2022, loan amounts in Taiwan constituted over 80% of the aggregate loan amount of all operating regions. Principal products and services include mortgages, consumer loans and overdraft and credit cards. Other loan products include loans for low-income groups and young, middle-aged, and senior customers. In 2022, deposit amounts in Taiwan accounted for almost 80% of the aggregate deposit amounts of all operating regions. Principal products and services include demand and time deposits.

c) Context

We have adopted the Context Module of UNEP FIs Portfolio Impact Analysis Tool to identify sustainability demands in Taiwan. UNEP FI has listed 12 impact areas in direct response to the UN SDGS. We have determined that the following impact areas conform to the key society's needs in Taiwan: climate stability, availability, accessibility, affordability, quality of resources & services, biodiversity & healthy ecosystems, and circularity.

We further utilized the Identification Module of UNEP FIs Portfolio Impact Analysis Tool to analyze potential positive and negative impacts of our portfolio. It has been determined that "Availability, accessibility, affordability, quality of resources & services" is one of the two significant impact areas. Positive impacts include the provision of customers with numerous financial products and capital acquisition channels, which in turn results in improvement of personal well-being and stimulation of the overall economy. A potential negative impact is the risk of excessive customer debt. The other impact area is "Climate Change". The potential negative impacts of this impact area significantly outweigh the positive impacts. Potential positive impacts include the enhanced carbon capture capacity of the environment, while environmental impacts generated by bank loan portfolios represent the main potential negative impact.

1. Our internal operations have been classified based on the codes of the Directorate General of Budget, Accounting and Statistics. We applied the UNEP FIs Portfolio Impact Analysis Tool for impact analysis by matching the DGBAS codes to the corresponding ISIC codes. We also utilized the DGBAS codes and common financial product terms and descriptions in Taiwan for the disclosure of product and service information.



Based on the application results of the impact analysis tool and the opinions of our internal stakeholders, “Climate Change” and “Financial Inclusion”² were selected as high-priority impact areas. We have taken concrete actions in response to climate change issues. Moreover, we have linked our finance business and product development to carbon reduction goals and make all-out efforts to boost carbon reduction through engagement with our customers and give impetus to climate initiatives. Consequently, “Climate Change” has been selected as the first high-priority issue. As for “Financial Inclusion” which is the second high-priority impact area, we fully comply with relevant policies of the competent authority and are deeply aware of our role and impact. We have made a long-term commitment to giving all members of society an opportunity to enjoy excellent financial services.

d) Performance measurement

We have engaged in cross-unit collaboration and have conducted an inventory of performance data associated with potential positive and negative impacts of “Climate Change” and “Financial Inclusion” to facilitate the setting of targets based on the two identified high-priority impact areas and the formulation of action plans. Our current performance in all areas and adopted measurement methods can be described as follows:

Climate Change

CTBC Bank has conducted a financed emission inventory which includes the bank and all its overseas branches and sub-branches through CTBC Holding in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry released by PCAF. Inventoried asset categories in 2022 include corporate loans, listed & unlisted equity and corporate bonds, power plant project finance, domestic personal mortgages, commercial real estate and sovereign debt. Financed emissions totaled 10,271,394(tCO₂e). Corporate loans granted to carbon-intensive sectors³ accounted for 12.2 % of the corporate loan asset portfolio in 2022. The electric power generation industry represents the main emission source followed by the petrochemical and cement industries. Our data in the fields of Financed Emissions Associated With Investment and Financing Portfolios Presented By Asset Category and Loan Amounts, Financed Emissions, and Carbon Footprint by Industry Category in 2022 is shown in the table below.

2. “Climate Change” has been defined in accordance with the “Guidelines for Climate Target Setting for Banks” issued by UNEP FI with “Climate Stability” as the corresponding impact area. The definition of “Financial Inclusion” is based on the “Guidance for banks: Financial Inclusion and Financial Health Target Setting” released by UNEP FI. “Financial Inclusion” echoes the two impact areas of “Availability, accessibility, affordability, quality of resources & services” and “Equality & Justice”.
3. The list of carbon-intensive sectors includes the electric power supply industry, the sea and air transportation industry, the steel and smelting industry, the cement industry, the petrochemical industry, the fossil fuel extraction industry, and other enterprises which are registered on the National GHG Registration Platform of the Environmental Protection Administration, Executive Yuan, R.O.C. but don't belong to the carbon-intensive sectors listed above.



Asset category	Financed emissions (tCO ₂ e)	Share (in percent) of the selected asset category in total financed emissions
Corporate loans	6,897,389	67.15%
Listed & unlisted equity and corporate bonds	224,328	2.18%
Power plant project finance	355,204	3.46%
Domestic personal mortgages	226,673	2.21%
Commercial real estate	83,985	0.82%
Sovereign debt	2,483,815	24.18%
Total	10,271,394	100.00%

Industry category	Share of the total loan amount	Financed emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/TWD MM)	
Carbon-intensive industries	Power generation	4.5%	3,100,820	60.0
	Maritime shipping and airlines	2.7%	237,419	7.5
	Iron and steel/smelting	1.4%	294,042	17.9
	Cement	0.5%	408,756	76.6
	Petrochemicals	2.6%	630,884	20.5
	Fossil fuel mining	0.1%	60,085	80.2
	Other carbon-intensive companies in Taiwan	0.4%	62,020	13.7
	Sum of carbon-intensive industries	12.2%	4,794,026	34
Non-carbon-intensive industries	87.8%	2,103,363	2.1	
Total	100.00%	6,897,389	5.9	

Our Guideline for Sustainable Finance in Institutional Banking clearly stipulates that no cases may be undertaken in ESG Exclusion List (such as the armament and pornography industries). In addition, ESG limit monitoring is implemented for ESG Sensitive Sector (Thermal coal power generation and thermal coal extraction, etc.) and High ESG Risk Company. We also committed to completely end financing in thermal coal extraction, thermal coal power generation and unconventional oil & gas extraction industries by 2035. As for customers in carbon-intensive sectors, we request inspection of GHG emission conditions and potential risks and opportunities of the enterprise generated by climate change. We also strive to gain a clear understanding of adopted contingency actions and plans. For more detailed information, please refer to 5.3 Policies and Due Diligence Procedures.

In addition to the implementation of monitoring and engagement with ESG Sensitive, ESG High-Risk, and Carbon-intensive sector clients, we actively promote green finance including green loans, sustainability-linked loans, green deposits, green transportation rebate credit cards, personal green loans, renewable energy investments and financing, and consultation services for renewable energy project financing. We are steadfastly committed to encouraging business activities conducive to environmental sustainability through provision of preferential terms and conditions or rewards programs. Data pertaining to green financing loan balance and sustainable development bonds underwriting and issuance in the most recent three years:

Item (unit: million NTD)	2022	2021	2020
Green energy technologies/circular economy/green power and renewable energy industry loan balance (A)	193,737	142,019	139,072
Green loan balance(CPS Noted Joint Collection of Green Expenditures) (B)	19,372	N/A	N/A
Sustainability-linked loan balance (C)	19,925	N/A	N/A
Total green financing loan balance (A+B+C)	233,034	142,019	139,072
Institutional banking loan balance (D)	1,018,322	699,935	615,474
Proportion of green financing(A+B+C) / (D)	23%	21%	23%

Note 1: Excluding duplication with green loan balance (B) and sustainability-linked loan balance (C).

Note 2: The figure covers loan for green funds as defined by the Joint Credit Information Center

Note 3: Excluding duplication with green loan balance (B).

Item (unit: million NTD)	2022	2021	2020
Green bond underwriting and issuance	764	1,135	5,182

Financial Inclusion

We are actively committed to investing resources in the development of financial inclusion with the goal of providing all sectors of society with affordable, friendly financial services and resources and offering all members of society an opportunity to obtain financial services. The main target beneficiaries of our efforts to implement financial inclusion are young people, students, seniors, underprivileged groups, and SMEs. Our products including youth loans, wealth management for small amounts, and personal or SME financing services aim to satisfy the financial needs of individuals or SMEs. In 2022, student abroad loans, preferential and reverse mortgages balances exceeded NT\$ 3.2 billion. In addition, newly approved "CTBC Poverty Alleviation Program" loans in support of entrepreneurship amounted to NT\$ 25.5 million and over NT\$207.4 million in loans since the program's inception. Finally, we provided guidance for 967 entrepreneurship programs and organized 63 financial planning classes for disadvantaged people. We partner with international financial institutions for the development of international microcredit services that echoes UN SDG 1 (No Poverty) and SDG 17 (Partnerships for the Goals - Joint Promotion of the Sustainable Development Vision). In 2022, a total of 189 relevant projects were launched in cooperation with our subsidiaries in the Philippines and the US and our branches in New Delhi, India and Ho Chi Minh City, Vietnam. The aggregate loan amount reached 2.956 billion.

In addition to our diversified financial inclusion products, we are actively committed to enhancing our friendly financial services which includes the expanded deployment of obstacle-free and visually impaired-friendly ATMs, installation of obstacle-free counters at our branches, provision of sign language services for hearing-impaired customers, increase of the percentage of bilingual branches, and optimization of online banking and mobile banking design. We further solicit customer opinions and feedback through customer satisfaction surveys and refine our services in the fields of fair treatment of customers and friendly finance. We regularly track the implementation status of financial inclusion and disclose our annual achievements in our sustainability reports and the ESG section of our official website

2.2 Target setting

a) Alignment

We are following the sustainability strategy of CTBC Holding, namely “Sustainable Growth”, “Responsible Operations”, and “Connected Society” as its three core concepts. “Sustainable Growth” is directly related to “Climate Change” and “Financial Inclusion”, the two identified impact areas. The sustainability actions adopted by CTBC Holding are directly linked to the following UN SDGs: SDG 1 No Poverty, SDG 3 Good Health and Well-Being, SDG 4 Quality Education, SDG 7 Affordable and Clean Energy, SFG 8 Decent Work and Economic Growth, SDG 9 Industry, Innovation, and Infrastructure, SDG 11 Sustainable Cities and Communities, SDG 12 Responsible Consumption and Production, SDG 13 Climate Action, and SDG 17 Partnerships for the Goals. We uphold the targets of the Paris Agreement in the field of climate change. Financial Supervisory Commission, which is the competent authority in Taiwan, has defined the main direction for promotion and implementation of financial inclusion in accordance with UNSGA (UN Secretary-General’s Special Advocate for Inclusive Finance for Development) framework and the G20 Financial Inclusion Indicators. We adopt financial inclusion-related actions pursuant to the policies of the competent authority. A detailed description is given below.

Climate Change

CTBC Holding has voluntarily endorsed the TCFD (Task Force on Climate-related Financial Disclosures) in 2020, and establish a climate governance framework. Additionally, climate risk strategies and working groups have been formed. In 2022, we were invited by the Financial Supervisory Commission to join the Coalition of Movers and Shakers on Sustainable Finance, serve as the chair of the coalition in the first year and thereby harness our influence in the financial world to propel industries and society toward the goal of sustainable development. Simultaneously, we submitted the Science Based Targets (SBT) commitment letter in 2022 and has officially passed the review in December 2023. In addition, the goal of net-zero emissions in 2050 has been incorporated into the Climate Change Response Act, which was passed by the Legislative Yuan after three readings in January 2023. The Board of Directors of CTBC Holding approved the inclusion of the 2050 net-zero goal into the long-term sustainable development blueprint of the group in 2022. We also actively participate or support organizations and initiatives whose goals are consistent with the Paris Agreement.

We have integrated our policies and sustainability goals with our portfolio composition, customer engagement actions, and internal operations based on the two major climate strategy dimensions (green finance and green operations) propagated by CTBC Holding. We rely on concrete actions such as paperless operations, green procurement, reduction of refrigerant fugitive emissions, efficient utilization of energy and use of renewable energy to reduce greenhouse gas emissions caused by bank operations. Meanwhile, we have continuously enhanced our climate-related risk management capability. Following CTBC Holding’s participation of the Partnership for Carbon Accounting Financials (PCAF), calculation of financed emissions associated with our investment and financing portfolio, and submission of the SBTi carbon reduction targets, we have implemented green finance in a comprehensive manner through the development of green products and services and engagement with our customers proactively.

Financial Inclusion

We actively develop a wide range of financial inclusion products (please refer to chapter 2.1.d Performance measurement). With a view to enhancing our service quality in the field of financial inclusion, we have divided this impact area into two topics, namely “Treat Customers Fairly and Service Quality” and “Friendly Financial Services” and have formulated the following goals and action plans:

Treat customers fairly and service quality: In response to the G20/OECD High-Level Principles on Financial Consumer Protection, the Financial Supervisory Commission (FSC) has formulated Principles on Financial Services and Treat Customers Fairly and related policies with the goal of building core corporate cultures that promote the Treat Customers Fairly for financial services. We are firmly committed to following the principle in line with official announcements of the Financial Supervisory Commission for financial consumer protection through the formation of a Committee for the Promotion of Treat Customers Fairly (TCF Committee), the formulation of the Treat Customers Fairly Strategy and Policy (TCF Strategy and Policy), and the establishment of relevant mechanisms and management procedures. The ultimate goal is to enhance customer experiences and raise customer satisfaction.

Friendly financial services: The Financial Supervisory Commission has defined Financial Inclusion Measurement Indicators with reference to the G20 Financial Inclusion Indicators. So as to fulfill the UN Convention on the Rights of Persons with Disabilities, we have taken the initiative in developing accessible and bilingual services at our branches. We are also fully committed to installing accessible ATMs and various online and mobile banking systems.

2. Baseline

Climate Change

CTBC has made a firm pledge to adopt the SBTi in line with the overarching plan of our parent company (CTBC Holding) for the group. Carbon reduction targets were officially submitted to SBTi at the end of 2022 (2021 was set as the base year) and passed review in December 2023. We have set carbon reduction targets for different asset classes based on the Sectoral Decarbonization Approach (SDA) and Temperature Rating (TR) methodology (for more detailed information please refer to 2.2 c. SMART targets):

Asset class	Target setting method	2021 (base year) data	2022 data
Corporate loan: commercial real estate (CRE)	Sectoral Decarbonization Approach (SDA)	247.62 (kgCO ₂ /m ²)	153.63 (kgCO ₂ /m ²)
Electricity generation project finance	Sectoral Decarbonization Approach (SDA)	0.221 (tCO ₂ /MWh)	0.59 (tCO ₂ /MWh)
Corporate loan (electricity generation)	Sectoral Decarbonization Approach (SDA)	0.49 (tCO ₂ /MWh)	0.39 (tCO ₂ /MWh)
Long-term corporate loans (more than one year, excluding SME)	Temperature Rating (TR)	S1+S2 : 3.19°C S1+S2+S3 : 3.2°C	S1+S2 : 3.18°C S1+S2+S3 : 3.18°C
Listed equity and bond (including ETF and mutual funds)	Temperature Rating (TR)	S1+S2 : 2.8°C S1+S2+S3 : 2.93°C	S1+S2 : 2.87°C S1+S2+S3 : 2.87°C

Financial Inclusion

Treat customers fairly and service quality: Customer satisfaction and customer complaint handling have been adopted as the measurement indicators for “Treat Customers Fairly and Service Quality” with 2022 as the base year.

Item	Customer satisfaction	7-day closure rate(%)	Question appropriateness(%)
Base year data	Second-ranked NPS (Net Promoter Score) ⁴	93.2%	93.4%

4. Second ranking in the competitive product dimension in Taiwan

Friendly financial services: Different customer service items have been adopted as measurement indicators for “Friendly Financial Services” with 2022 as the base year.

Item	Base year data
Coverage rate of accessible ATMs at physical branches in Taiwan	100%
Coverage rate of sign language services for hearing-impaired individuals at physical branches in Taiwan	100%
Percentage of branches with bilingual services	38.8%
Number of accessible ATMs	7,115
Total ATMs for people with a visual impairment	415
Accessible service functions and interfaces for mobile banking, online banking, and online ATMs	Already available

c) SMART targets

Climate Change

CTBC Holding submitted its carbon reduction targets to SBTi in 2022. Carbon reduction targets for Scope 3 investment and financing portfolios by asset category are listed in the table below⁵ :

Asset category	Target setting method	Target year	Carbon reduction target	Scope of target coverage
Corporate loan: commercial real estate (CRE)	Sectoral Decarbonization Approach (SDA)	2035	S1+S2 emission intensity (kCO ₂ /m ²) reduction by 82.8%	69% of the total area (m ²) in the baseline year
Electricity generation project finance	Sectoral Decarbonization Approach (SDA)	2035	S1+S2 emission intensity (kCO ₂ /m ²) reduction by 85.6%	100% of the total electricity consumption (kWh) in the baseline year
Corporate loan (electricity generation)	Sectoral Decarbonization Approach (SDA)	2035	S1+S2 emission intensity (kCO ₂ /m ²) reduction by 85.7%	100% of the total electricity consumption (kWh) in the baseline year
Long-term corporate loans (more than one year, excluding SME)	Temperature Rating (TR)	2027	S1+S2 : 3.19°C decreased to 2.74°C S1+S2+S3 : 3.2°C decreased to 2.82°C	Fossil fuel industry: 100% of the loan amount in the baseline year All other industries: 81.7% of the loan amount in the baseline year
Listed equity and bond (including ETF and mutual funds)	Temperature Rating (TR)	2027	S1+S2 : 2.8°C decreased to 2.47°C S1+S2+S3 : 2.93°C decreased to 2.64°C	Common stock, preferred stock, corporate bonds, ETF and mutual funds: 100%

5. In December 2022, CTBC Holding internally approved and officially submitted carbon reduction targets to SBTi for review and has officially passed the review in December 2023.

We will observe the targets set by our parent company CTBC Holding and will persist in our efforts to reinforce the management mechanism for climate change risks and thereby minimize the environmental risks generated by our banking business. In addition, we have made an ongoing commitment to develop green finance products and services and expand engagement actions with the goal of maximizing our positive “green” impact in close cooperation with our customers.

Financial Inclusion

Treatment customers fairly and service quality: With the aim of achieving treat customers fairly, we have adopted customer satisfaction and closure rates (within 7 days) and with 2022 as the base year. The preset target for 2025 is a customer satisfaction of Top-ranked NPS(Net Promoter Score) and a customer complaint closure rate (within 7 days) and of 90%.

Item	2025 (base year) data
Customer satisfaction rate	Top-ranked NPS (Net Promoter Score) ⁶
Customer complaint closure rate (within 7 days)	Maintenance at a level above 90%
Rate of adequate handling of customer complaints	Maintenance at a level above 90%

Friendly financial services: In line with the requirements and expectations of the competent authority and the demands of different customer segments, we strive to provide accessible, friendly services on all service channels. We have therefore set the target of a friendly financial service rate above 90% on all channels in 2025 with 2022 as the base year with the ultimate goal of raising the accessibility of financial services for all customer segments.

Item	2025 (base year) data
Coverage rate of accessible ATMs at physical branches in Taiwan	Maintenance of the coverage rate at all existing and newly added branches at a level of 100%
Coverage rate of sign language services for hearing-impaired individuals at physical branches in Taiwan	Maintenance of the coverage rate at all existing and newly added branches at a level of 100%
Percentage of branches with bilingual services	100%
Number of accessible ATMs	7,460
Total ATMs for people with visual-impairment	466
Accessible service functions and interfaces for mobile banking, online banking, and online ATMs	Ongoing optimization

d) Action plan

Climate Change

CTBC Holding’s Board of Directors approves the inclusion of net-zero emissions into the company’s long-term sustainability planning roadmap. In addition to the implementation of SBTi carbon reduction targets that passed review, we will persist in our efforts to adjust our investment and financing asset portfolios, provide top-quality financial products, and engage with our customers. In addition, CTBC Holding compiles TCFD report on an annual basis and conduct regular reviews of climate-related risks and opportunities and the actual contents of governance practices, strategies, risk management, indicators, metrics and targets adopted

6. Top ranking in the competitive product dimension in Taiwan



in response to climate change. We are also committed to fulfilling the pledge of CTBC Holding to exit the coal and unconventional oil and gas industries made in June 2023. This pledge encompasses the all-out withdrawal from financing, project finance, and underwriting for fixed-income products in thermal coal extraction and thermal coal power generation industries and active and passive investments in the thermal coal extraction by 2035. It also involves the all-out withdrawal from financing, project finance, and underwriting for fixed-income products in the unconventional oil and gas extraction industries by 2035. From now on, we will no longer underwrite new active and passive investments in the thermal coal extraction industry and financing or project finance for new customers in ESG-sensitive sector, unless the customer is a state-owned enterprise or has more than 50% of its shares held by local governments and it provides a sustainable transformation plan, or unless the funds will be used only for sustainable development.

We also spare no effort to promote green finance and encourage our customers to implement low-carbon transition through the launch of various ESG-related financial products and services, which includes the increase of opportunities for financing and cooperation with the renewable energy power generation industry, provision of preferential loans for renewable energy power plants, and participation in syndicated loans granted to such plants. If customers' cases conform to Sustainability-linked Loan (SLL) criteria, we offer preferential terms and conditions to encourage business activities conducive to environmental sustainability.

In addition, we actively engage with our customers through individual meetings with corporate clients and ESG workshops covering a wide range of topics including GHG inventories and setting reduction goals, international ESG trends and sustainable transition strategies, practices and case studies of using science-based data to realize a circular economy, and sustainability-related financial solutions. The goal is to give customers a better understanding of the requirements and importance of carbon reduction.

In the future, we will maintain our efforts in the fields of engagement with internal and external stakeholders and adjustment and review of relevant targets and action plans to ensure target achievement in the identified high-priority impact areas within the predetermined timelines. We will also monitor and disclose whether or not negative impacts have been generated in the target achievement process and which mitigation and remedial measures have been adopted in response to such impacts.

Financial Inclusion

Treat customers fairly and service quality: With a view to maintain and enhance the rights and interests of CTBC Bank's customers, we have established a TCF Committee as a dedicated unit also regular reports on implementation of the TCF Principles to our senior executives and the Board of Directors. Effective control and implementation of treat customers fairly is achieved through the adoption of the TCF Strategy and Policy and by setting up various internal audit, compliance management and reporting mechanisms as well as follow-up monitoring procedures for important resolutions. We constantly review our service quality, internal and external customer feedback, and customer care programs in all business areas based on the decisions adopted in committee meetings. We also constantly optimize our customer complaint channels and handling procedures. Annual education and training is organized by business management units to strength employees' awareness regarding the rights and interests of customers and ensure application of relevant principles in our daily operations.

Regarding retail banking, the Bank maintains a customer experience center, an intelligent customer service, intelligent conversational voice service, pioneering AI store database, and a customer experience operating mechanism. Customer feedback is solicited through diversified channels including customer satisfaction surveys that consist of 30 types. We further utilize AI technology to optimize the financial service experiences of our customers.

Friendly financial services: Our friendly service offerings are divided into the following three categories: physical branches, ATM, and digital services. Target achievement and implementation plans are formulated separately for each of these categories.

Physical branches: with a view to creating a friendly service environment and providing convenient and accessible financial services to customers with physical and mental disabilities at all our branches, we have installed service bells and accessible counters and offer sign language translation services and simultaneous dictation services. We are also firmly committed to raising the number of bilingual branches. Every branch features service personnel with English communication skills and bilingual signage to satisfy customer demands for services in different languages.

ATM: We have set up ATMs that support multiple languages and meet the needs of senior users. ATM design has also been optimized. In addition to the provision of vertical tablet ATMs to account for contemporary smartphone user habits and effectively enhance user experiences, we have widely installed ATMs that meet the needs of physically disabled users. Our ultimate goal is to satisfy the demands of different customer segments. With a view to bridging the urban-rural gap in financial service availability, we have taken the initiative in offering VTM services in remote townships. Multifunctional video counters enable local residents to open deposit accounts, collect bank cards, or activate mobile banking.

Digital services: we have comprehensive digital services including online and mobile banking and online banking ATMs in place to realize the goal of financial friendliness. We also make determined efforts to optimize our accessible service functions and interfaces.

2.3 Target Implementation and Monitoring

Climate Change

CTBC Holding conducts annual financed emission inventories in accordance with PCAF principles and has built a solid carbon reduction foundation to measure the progress in the promotion of climate-related targets and facilitate adjustments to relevant actions. CTBC Holding officially submitted carbon reduction targets to SBTi at the end of 2022 based on the adopted SBTi methodology and has officially passed the review in December 2023. The current state of industry financing and target achievement progress in 2022 are described in 2.1 d. Performance measurement, 2.2 b. Baseline, 2.2 c. SMART targets. We executed 7 green finance projects in 2022 and continue to expand our influence in the field of sustainable finance.

Project categories	Achievements in 2022
Green energy technology/circular economy/green power and renewable energy industry loans balance	Loan balance of NT\$ 193,737 million
Green loan balance	Loan balance of NT\$ 19,372 million (SMEs account for NT\$ 45 million)
Sustainability-linked loans(SLLs) balance	Loan balance of NT\$ 19,925 million
Renewable energy project financing	Arrangement of syndicated loans for four renewable energy projects, CTBC Bank itself lent approximately NT\$3.5 billion and served as the lead arranger (with financing totaling approximately NT\$ 19.9 billion) resulting in a total capacity of approximately 235MW
Sustainability bond issuance and underwriting	Underwriting of five domestic and foreign sustainable bonds, totaling approx. NT\$ 1.46 billion
Sustainability bond investments	As of the end of the year, we held 39 sustainable bond investment with a cumulative sum of approx. NT\$ 42.1 billion
Project hedging and consultation services related to sustainability	Provision of interest rate hedging for five project financing cases

In 2022, we engaged with 145 enterprises (119 of them were located in Taiwan) on topics spanning “GHG Inventories and Setting Reduction Goals”, “International ESG Trends and Sustainable Transition Strategies”, “Practices and Cases studies of Using Scientific-Based Data to Realize a Circular Economy”, “Commercial Implications of ESG Information Disclosure”, and “Sustainability-Related Financial Solutions”. 53 enterprises have already learned of the domestic and international carbon reduction requirements and have stated that they will continue to focus on relevant issues and evaluate the actions that need to be taken. 9 enterprises have improved their ESG ratings from external ESG rating institutions due to our engagements.

Financial Inclusion

Treat customers fairly and service quality: Our TCF Committee maintains a firm grasp of customer care data through monthly observations of dashboard light status. A customer satisfaction survey conducted over 30 types in 2022. Over 660,000 responses were received. The average satisfaction rate reached 89%. The NPS score was 25, up 5 points from 2021. The customer complaint closure rate (within 7 days) and rate of adequate handling of customer complaints reached 93.2% and 93.4%, respectively. In addition, a total of 10,643 employees attended financial customer right-related training courses. Consequently, we prevented members of the public from falling victim to scammers on 1,733 occasions, saving them a total of NT\$810,004,641.

Friendly financial services:

Physical branches: As of 2022, accessible counters, sign language translation services, and simultaneous dictation services are in place in all branches. A total of 59 bilingual branches account for 38.8% of all branches. We engage in ongoing tracking and investments with the goal of raising the number of bilingual branches and achieving the goal of a coverage rate of 100% in 2025.

ATM: As of 2022, our ATMs feature service interfaces in Chinese, English, Indonesian, Vietnamese, and Thai for holders of Taiwanese IC ATM Cards. Foreign nationals who hold cards issued by foreign countries have access to ATM services in 12 different languages. The number of accessible ATMs all over Taiwan had reached 7,115 by 2022 and is still increasing. In the same year, we pioneered deposit services for visual-impairment, enabling such users to operate keypads and complete deposit or other transactions independently with the aid of headphones and voice instructions. We also heed the recommendation of the competent authority and visual-impairment associations to set up ATMs in hospitals, schools, and other public areas. By the end of the year, a total of 415 visual-impairment-friendly ATMs had been set up. With a view to ensuring ongoing ATM quality enhancements, we have made an inventory of items pending improvement at all ATM sites. Improvement plans and schedules which have been made public on the official website serve as the basis for tracking of implementation progress.

Digital services: we have launched friendly online banking, online ATM, and mobile banking services. We also provide preferential withdrawal services for individuals with impaired mobility. Finally, we have made an ongoing commitment to improve interfaces and develop friendly, accessible service functions based on user feedback provided by customers.

We will review implementation conditions of treat customers fairly and friendly financial services on an ongoing basis and propose corresponding improvement measures to ensure target achievement. All our staff members work in unison to honor our commitment to realization of financial inclusion.

References:

1. 2022 Annual Report of CTBC Bank: Company Overview p.5-11; Business Contents p. 129-130, Appendix 2 p.145
2. 2022 Sustainability Report of CTBC Financial Holding p.9-10, p.19, p.36, p.41-42, p.45, p.49-52, p.61-63, and p.158
3. 2022 TCFD Report of CTBC Financial Holding p.20-25, p.49-51, p.55-63, and p.69-71
4. CTBC - Fair treatment of customers: CTBC Bank (ctbcbank.com)
5. CTBC - Friendly financial services: CTBC Bank (ctbcbank.com)



Principle 3 Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Customer Engagement

In addition to the formulation of relevant financing and carbon reduction plans, we take the initiative in conducting engagement actions for sustainable financing stewardship to assist our customers in the implementation and execution of low-carbon transition processes and offer suggestions for improvement tailored to the individual needs of customers at different stages of this transition process. Education on the latest international trends is provided in the context of ESG workshops. In 2022, we engaged with 145 enterprises (119 of them were located in Taiwan) on a wide range of topics such as "GHG Inventories and Setting Reduction Goals", "International ESG Trends and Sustainable Transition Strategies", "Practices and Case Studies of Using Scientific-Based Data to Realize a Circular Economy", "Commercial Implications of ESG Information Disclosure", and "Sustainability-related Financial Solutions". These clients spanned a wide array of industries including electronics parts and components manufacturing, metals, machinery manufacturing, plastic products manufacturing, automobiles, footwear and apparel manufacturing, transportation equipment manufacturing, textiles, semiconductors, and wholesale/retail of other commercial products. 53 enterprises learned of the carbon reduction requirements at home and abroad and will continue to focus on relevant issues and evaluate the actions that need to be taken. Through these engagement actions, we have further enabled 9 enterprises to improve their ESG ratings from external rating institutions. In 2022, CTBC Holding were invited by the Financial Supervisory Commission to join the Coalition of Movers and Shakers on Sustainable Finance and serves as the chair of the coalition in the first year. We harness our expertise in the banking industry for the adoption of concrete carbon reduction actions and prudent responses to physical and transition risks in the field of climate change. We also provide our customers with guidance and strive to maximize peer effects. For instance, "Engaging with a majority of high carbon-intensive enterprises of our main investment and financing positions in Taiwan and prompted them to formulate pre-2050 net-zero emission targets by the end of 2025" with the ultimate goal of propelling industries and society toward the goal of sustainable development.

With respect to implementation of financial inclusion, we share sustainability trends and associated wealth management concepts with our customers in the context of diversified lectures and seminars to maximize our influence. We also uphold our core values of "integrity, innovation, professionalism, teamwork, and care". We provide customer care on an ongoing basis through customer engagement on the foundation of treat customers fairly and in line with our TCF Strategy and Policy. Customers provide us with regular feedback via our Retail Banking Experience Center, diverse customer service systems, and a sound customer complaint mechanism. Based on this feedback and suggestions provided by external experts and stakeholders, we make all-our efforts to enhance the quality of our financial products and friendly financial services, satisfy the financial demands of different customer segments, and deepen our sustainability influence.

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

3.2 Business Opportunities

We are actively committed to constantly enhancing our sustainability actions and harnessing our influence by relying on our expertise and experience. A wide range of financial products and services have been launched to assist our corporate clients in the implementation and execution of low-carbon transition processes. This includes green energy technology/circular economy/green power and renewable energy industry loans, green expenditures loans, sustainability-linked loans, renewable energy project financing, sustainable bond issuance, underwriting, and investments, and sustainability project hedging and consultation services (for more details please refer to chapter 2.3 Target Implementation and Monitoring).

With respect to our individual clients, we have launched various sustainable financial products and services to encourage them to team up with us in maximizing our sustainability influence.

Product categories	Achievements in the field of sustainability influence in 2022
ESG financial products	Listed 85 ESG funds, bonds, and ETFs in 2022 and investment trading totaling nearly NT\$ 9 billion.
ESG financing advocacy	Increased customers' awareness of ESG and started ESG investment; provided relevant services that may be needed for corporate sustainability during enterprises' ESG transformations.
ESG credit cards	Issuance of 250,000 charity cards with rebates cumulatively donated approximately NT\$ 20 million; issuance of 570,000 green transportation rebate cards.
Retail O2O payment integration platform	Eliminated the use of 825 card machines.
Green mortgages and lending	2 green building mortgages balance of NT\$ 4 million; 1 green lending balance of NT\$ 100,000.
Personalized ATM X LINE services	Over 3 million users.
Online personal loan applications	99% of all applications for personal loans were made online by a total of 550,301 applicants; 75% of all applications for housing loans were made online by a total of 51,252 applicants.
Phygital Banking with Apple Messages for Business	152 branches have adopted these services which are used by 70% of all in-branch customers, resulting in effective paper conservation.
Financial Inclusion	Provision of various financial inclusion products (please refer to the chapter titles Principle 2).

In addition, we constantly observe the FSC Principles on Financial Services and Treat Customers Fairly and Financial Inclusion Measurement Indicators in our ongoing efforts to raise customer satisfaction and enhance the coverage rate and quality of friendly financial services. Achievements in these areas are disclosed on the page titled "Friendly Financial Services" in the ESG section of our official website to ensure the gradual achievement of targets set for the aforementioned impact areas and strengthen our performance in the field of financial inclusion.

References:

- 2022 Sustainability Report of CTBC Holding p.36, p. 38-39, p. 49-50, p. 52
- CTBC - Friendly financial services: CTBC Bank (ctbcbank.com)



Principle 4 Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder Identification and Consultation

We have identified "Customers", "Investors", "Government", "Community", "Suppliers", and "Employees" as our stakeholders based on the six major stakeholder categories determined by CTBC Holding. With a view to gathering and analyzing issues of concern to stakeholders and engaging in communication with them, we have established various communication channels. This not only facilitates our constant efforts for improvement with the goal of meeting the expectations of our stakeholders. We rely on these communication channels to give stakeholders a better understanding of how we put corporate sustainability into practice. For more details on our main engagement actions in 2022, please refer to the chapter titled "Stakeholder Communication and Materiality Analysis" in the CTBC Holding Sustainability Report.

Furthermore, the Presidents of CTBC Holding and its subsidiaries have formed an ESG Taskforce whose main responsibility is the implementation of sustainable operations at CTBC Holding and its subsidiaries. Upon organization and integration, the identified issues of concern to stakeholders were incorporated into annual corporate sustainability programs and daily operation items. Ongoing tracking and review of achievements has been implemented. Annual actions with regard to material issues and results of stakeholder communication are disclosed in annual sustainability reports released by CTBC Holding (For more details on the ESG Implementation Committee, please refer to 5.1 Governance Framework for Implementation Principles).

With regard to the two selected high-priority impact areas "Climate Change" and "Financial Inclusion", we identify stakeholders relevant to impact analysis and the target setting process (e.g., corporate clients we engaged with for the purpose of carbon reduction and consumers who use our friendly financial services). In the process of action plan execution, we constantly communicate with all stakeholder groups and solicit their feedback and improve implementation contents on an ongoing basis.

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

References:

- 1. 2022 Sustainability Report of CTBC Holding p.21-28



Principle 5 Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance Framework for Implementation Principles

CTBC Holding has established a three-tier sustainability management structure to facilitate the overall planning of the group’s ESG operations. The Corporate Sustainability Committee, acts as the highest supervisory unit. A brief description of the functions and organization of this three-tier management structure is provided below.

1. Corporate Sustainability Committee

This committee which is comprised of all independent directors of CTBC Holding convenes at least twice a year and is responsible for reviewing and approving the annual corporate sustainability plan and strategic direction, monitor different sustainability implementation plans, and assess their results. The committee also delivers regular reports to the board of directors on sustainability strategies and annual results. In the climate change dimension, the committee reviews and deliberates sustainability promotion programs associated with climate-related issues of the group at least twice a year.

2. ESG Taskforce

The President of CTBC Holding is the ESG Taskforce’s chairperson and leads the management teams of the group’s subsidiaries in this field. Project teams have been established in the six core dimensions of “Corporate Governance”, “Environmental Sustainability”, “Employee welfare”, “Sustainable Finance”, “Community Engagement”, and “Customer Care”. As of 2022, we have 14 project teams (including responsible banking) in place. The ESG Task Force convenes for quarterly meetings with the CTBC Holding President serving as chairperson. The Taskforce, which is composed of the functional heads of CTBC Holding and the Presidents of its subsidiaries, oversees the progress and targets of all project teams.

The PRB Team, which has been classified under the “Sustainable Finance” dimension, reflects our sustainable development vision, provides support in the sustainability transition process, closely monitors climate-related risks, and regularly engages in stakeholder communication with the goal of maximizing the sustainability influence of financial institutions. The PRB Team has formulated long- and medium-term goals and adopted action plans, quantitative indicators, and projected achievement timelines for the short-term goals of the respective year. Implementation progress is tracked on a quarterly basis in line with overall planning by the ESG Taskforce.

3. Corporate Sustainability Department

The Chief of Staff, who is directly subordinate to the CTBC Holding President, is responsible for coordinating and driving the Company’s sustainability strategy. This includes participating domestic and international initiatives and bringing action plans of all subsidiaries and business units in focus. The department brings together resources and fosters collaborative development of sustainability projects within the group.

Does your bank have a governance system in place that incorporates the PRB?

Yes

In progress

No

5.2 Promotion of a Responsible Banking Culture

As a leading financial institution in Asia, we embrace the five pillars of CTBC Holding's "TRUST" sustainability strategy (corporate governance (Transparency), environmental sustainability (Responsibility), employee welfare (Understanding), customer service (Satisfaction), community engagement (Together) as our sustainability commitment. In addition to actively responding to the SDGs, we implement sustainable operation by promoting a low-carbon economy and inclusive finance through action plans in the fields of low-carbon transition and sustainability transformation. In addition, we have stipulated norms and regulations for all business areas (please refer to chapter 5.3 Policies and Due Diligence Procedures) to ensure the seamless integration of our sustainability commitment into the daily operations of employees and the management level and thereby fulfill our responsibility as a bank and maximize our positive influence.

Employee empowerment is an indispensable link for the ongoing launch of new sustainable finance products and enhancement of our sustainability performance. We regularly organize education courses and information security advocacy campaigns and provide e-papers on environmental and energy management on an annual basis based on sustainability issues we are facing. The goal is to provide employees with sustainability knowledge and information on the latest trends and thereby give them a clear understanding of their role in the promotion of sustainable development inside the company. Courses offered in 2022 spanned a wide range of sustainability topics including Treat Customers Fairly, Carbon Governance for Financial Services, UN Sustainable Development Goals, Human Rights, Ethical Corporate Management, Anti-Money Laundering and Counter-Terrorism Financing, Risk Management, and Information Security.

5.3 Policies and Due Diligence Procedures

With a view to ensuring effective identification and management of environmental and social risks present in our business, we conduct due diligence before undertaking financing loan business in accordance with applicable policies to ensure consistency with our sustainable development approaches. Relevant policies include the following: Sustainability Management Policy, Guidelines for Sustainable Finance in Institutional Banking, Principles for Responsible Investment, Guidelines for Corporate Loans Applicable to the Equator Principles, Credit Risk Management Policy, and Investment Risk Management Policy.

Equator principles: With a view to mitigating negative impacts of a financial and non-financial nature of loan cases, we formally joined the Equator Principles (EPs) in January 2019. The goal lies in the effective management of potential environmental and social risks of loan cases. We have further stipulated Guidelines for Corporate Loans Applicable to the Equator Principles and rely on cross-departmental division of duties between business units, credit analysis units, and risk management units for environmental and social risk management of credit analysis cases to ensure full implementation of EP. We adopted the 4th version of the Equator Principles on July 1, 2020. The scope of applicability has been expanded to include risk assessments in the fields of climate change, human rights, and biodiversity in order to ensure better understanding of the expected environmental and social impacts of projects and to distinguish different project management requirements according to the degree of impact. For instance, initiation of internal credit assessment process for offshore wind power project financing is mainly based on environmental and social due diligence reports issued by third-party consulting agencies. Cases are judged and classified pursuant to relevant norms and regulations. Relevant documentation is requested for environmental and social risk inspections depending on actual circumstances. Covenants are stipulated in contracts to facilitate follow-up monitoring and information disclosure.

Sustainable financing: We adopted the Guidelines for Sustainable Finance in Institutional Banking in 2021 to explicitly prohibit undertaking of loan business in industries that pose a threat to public and social security such as the armament and pornography industries and criminal and terrorist activities. In addition, a firm pledge has been given to no longer grant loans to new customers in ESG Sensitive Sector in the environmental and social dimensions (e.g., thermal coal power generation, thermal coal extraction, tobacco, and unconventional oil and gas extraction industries) unless conditions of exceptional acceptance. Furthermore, we utilize external databases for ESG analysis. If analyzed enterprises are classified into high-risk company, they are subject to ESG exposure



Principle 6 Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

limit controls. With respect to borrowers in carbon intensive sector, we request relevant documentation for risk scenario simulations and engage with borrowers that have no low-carbon transition plans in place regarding carbon emission reduction actions.

Responsible investment: In compliance with our Principles for Responsible Investment, we strictly prohibit investments in criminal and terrorist activities, the armament and pornography industries. As to ESG Sensitive Sector, we will no longer take the new investment deal for thermal coal extraction industries, for others sensitive sector, in principle the investment/application is not allowed and if such investment projects must be carried out for business considerations, the issuer or guarantor of the investment subject must be a state-owned enterprise or the government must hold a stake of more than 50% provided that supporting evidence for sustainability transition processes has been submitted. Other subject matters must meet the scoring standards of third-party organizations and the criteria of internal ESG evaluations. Follow-up actions are subject to approval by the respective business unit/department and supervisor. In addition, we actively engage with investees. In 2022, communication and engagement were conducted in form of personal visits, online meetings, and exercise of Shareholders' meeting voting rights.

References:

1. 2022 Sustainability Report of CTBC Financial Holding p. 18, p.42-47, p. 52, 88, 90, 118-119, 120-121, 123, 125
2. 2022 TCFD Report of CTBC Financial Holding p. 10-12, p.69-70
3. CTBC Bank Equator Principles (ctbcbank.com)

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes In progress No

6.2 Adoption of Other Reporting Frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

GRI SASB CDP TCFD
 IFRS Sustainability Disclosure Standards (to be published) Other

6.3 Outlook

Climate Change

CTBC Holding officially submitted its carbon reduction targets to SBTi and has officially passed the review in December 2023. In the future, we will persist in our efforts to execute carbon reduction actions associated with our portfolio composition and company operations and fulfill our commitment to sustainable finance through ongoing enhancement of our information disclosure quality.

Financial Inclusion

Treatment customers fairly and service quality: In 2023, we will maintain our unwavering commitment to treat customers fairly in accordance with relevant policies of the competent authority, directions of the TCF Committee, and related promotion strategies. In addition, we track data pertaining to customer satisfaction and customer complaint closure rate on an ongoing basis to realize the goal of treat customers fairly.

Friendly financial services: We have already set short-term goals for each friendly financial service category. Responsible units track implementation progress via internal meetings on a regular basis and constantly update friendly service information on our official website.

6.4 Challenges

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| | <input type="checkbox"/> Prioritizing actions internally |
| | <input type="checkbox"/> Other |

If desired, you can elaborate on challenges and how you are tackling these:

We sincerely hope that international organizations and institutions will develop and adopt more consistent impact reporting guidelines and more clearly defined data collection standards to facilitate more effective implementation of impact measurement and target setting by financial institutions with a view to maximizing positive influence on an ongoing basis.



Appendix 1 Self-assessment summary

2.1 Impact Analysis

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- | | | | |
|--------------------------|---|--------------------------------------|-----------------------------|
| Scope: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

1. Climate change

2. Financial inclusion

How recent is the data used for and disclosed in the impact analysis?

- | | |
|--|---|
| <input type="checkbox"/> Up to 6 months prior to publication | <input type="checkbox"/> Up to 18 months prior to publication |
| <input checked="" type="checkbox"/> Up to 12 months prior to publication | <input type="checkbox"/> Longer than 18 months prior to publication |

2.2 Target setting

	Climate change			Financial inclusion		
Alignment	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Principle 5: Governance and Culture

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

- Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

- Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

- Yes No



Appendix 2 Assurance Report



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English Translation of a Report Originally Issued in Chinese

Independent Accountant's Limited Assurance Report

To CTBC Bank Co., Ltd

We have been engaged by CTBC Bank Co., Ltd ("CTBC Bank") to perform a limited assurance engagement, to report on CTBC Bank's selected performance information ("the Subject Matter") for the 2022 Principles of Responsible Banking Report ("the Report").

Selected Information and the Applicable Criteria

Regarding the Subject Matter and the applicable criteria ("Criteria"), please refer to appendix A.

Management's Responsibility

The CTBC Bank management's responsible for preparation of the Report according to the Principles of Responsible Banking issued by United Nations Environment Programme Finance Initiative (UNEP FI). The CTBC Bank management is responsible for selecting the Criteria, and for presenting the Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with Standards of Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the Accounting Research and Development Foundation in Taiwan. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a limited assurance report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.



Our Independence and Quality Control

We are in conformity with related independence and other ethics requirements in the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, which basic principles are integrity, objectivity, professional competence and due care and professional behavior.

We are in conformity with Standard on Quality Control 1 "Quality Control for Public Accounting Firms" to establish and maintain a sound system of quality control, including code of professional ethics, professional standards and those written policies and procedures in applicable regulations.

Description of procedures performed

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 a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with CTBC Bank's key personnel to understand the process for collecting, collating and reporting the subject matter during the reporting period;
- Executing analytical procedures for selected information; Collecting and assessing other supporting documentation and obtaining management representation letter; When necessary, testing documentation on a sample basis;
- Tested, on a sample basis, underlying source information to check the accuracy of the data; and
- Reading CTBC Bank's PRB Report to confirm with the consistency of the indicators in PRB Report which contribute to the selected information.



Limitations

Non-financial information contained within the PRB Report are subject to measurement uncertainties. The selection of different measurement techniques can result in materially different measurement. Also assurance engagements are based on selective testing of information being examined. Any internal control is subjected to limitations. Consequently, it is not possible to detect all existing material misstatements whether resulting from fraud or error.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the subject matter, in order for it to be in accordance with the Criteria.

[Signature]
Ernst & Young
December 27, 2023
Taipei, Taiwan, Republic of China

Notice to Readers:
The reader is advised that the assurance report has been prepared originally in Chinese. In the event of a conflict between the assurance report and the original Chinese version or difference in interpretation between the two versions, the Chinese language assurance report shall prevail.



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Appendix A:

No.	Chapter	Content Title	Selected Information	Applicable Criteria								
1	2.1 Impact Analysis	b) Portfolio composition	The following industries accounted for over 5% of the total loan amount: Government Agencies, Other Financial Service Activities Not Elsewhere Classified, Real Estate Development and Electricity Supply. The shares of the remaining loan categories doesn't exceed 3%.	CTBC Bank institutional banking's annual loan proportion list for 2022.								
2	2.2 Target Setting	a) Alignment Climate Change	The Board of Directors of CTBC Holding approved the inclusion of the 2050 net-zero goal into the long-term sustainable development blueprint of the group in 2022. We also actively participate or support organizations and initiatives whose goals are consistent with the Paris Agreement.	CTBC Holdings Board of Directors meeting minutes in 2022.								
3	2.2 Target Setting	b) Baseline Climate Change	CTBC has made a firm pledge to adopt the SBTi in line with the overarching plan of our parent company (CTBC Holding) for the group. Carbon reduction targets were officially submitted to SBTi at the end of 2022 (2021 was set as the base year) and passed review in December 2023.	The submission form and target setting form submitted by CTBC Bank to SBTi in 2022.								
4	2.2 Target Setting	b) Baseline Financial Inclusion	Friendly financial services: Different customer service items have been adopted as measurement indicators for "Friendly Financial Services" with 2022 as the base year. <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Item</th> <th>Base year data</th> </tr> </thead> <tbody> <tr> <td>Coverage rate of accessible ATMs at physical branches in Taiwan.</td> <td>100%</td> </tr> <tr> <td>Percentage of branches with bill services</td> <td>38.8%</td> </tr> <tr> <td>Numbers of accessible ATMs</td> <td>7,115</td> </tr> </tbody> </table>	Item	Base year data	Coverage rate of accessible ATMs at physical branches in Taiwan.	100%	Percentage of branches with bill services	38.8%	Numbers of accessible ATMs	7,115	The number and percentage of ATMs and branches providing friendly financial services from CTBC Bank in 2022.
Item	Base year data											
Coverage rate of accessible ATMs at physical branches in Taiwan.	100%											
Percentage of branches with bill services	38.8%											
Numbers of accessible ATMs	7,115											



No.	Chapter	Content Title	Selected Information	Applicable Criteria
5	2.3 Target Implementation and Monitoring	1. Climate change	In 2022, we engaged with 145 enterprises (119 of them were located in Taiwan) on topics spanning "GHG Inventories and Setting Reduction Goals", "International ESG Trends and Sustainable Transition Strategies", "Practices and Cases studies of Using Scientific-Based Data to Realize a Circular Economy", "Commercial Implications of ESG Information Disclosure", and "Sustainability-Related Financial Solutions"	The number of Taiwan enterprises engaged with CTBC Bank on ESG topics in 2022.
6	5.1 Governance Framework for Implementation Principles	1. Corporate Sustainability Committee	The committee also delivers regular reports to the board of directors on sustainability strategies and annual results. In the climate change discussion, the committee reviews and deliberates sustainability promotion programs associated with climate-related issues of the group at least twice a year.	The CTBC Holding Sustainability Committee meeting minutes in 2022.



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