Appendix 1

Credit Limit Management Regulations for Net-Zero Emission of Chang Hwa Commercial Bank

Enacted by Letter Chang-Feng-Hsin-Yung-Tzi No. 1130000182 dated 10 July 2024

Article 1 (Purpose of the Regulation)

In order to leverage our financial influence, the Bank collaborates with our customers to reach a balance between climate change and environment, and to promote net-zero transition to reduce greenhouse gas emissions and achieve the Bank's target of 2050 net-zero emissions. We have formulated this regulation in accordance with Chang Hwa Commercial Bank Sustainable Finance Policy, Climate Risk Management Policy of Chang Hwa Commercial Bank, and the science based targets of the Bank.

Article 2 (Scope of Application)

This regulation applies to the Bank's domestic, overseas branches and Offshore Banking Unit; the applicable targets are corporates; and the applicable scope can be divided into lending and project financing, contains the loans, overdrafts, discounts, guarantee, acceptances, exchange bills negotiated, letters of credit, without recourse factoring, and other business approved by the Head Office.

Article 3 (Noun Definitions Relation to Net-zero Emission)

The terms used in this regulation in relation to net-zero emission industries or assets are defined as follows:

I. Industries related to thermal coal: Enterprises listed in the "Global Coal Exit List (GCEL)"[1], covering:

(I) Coal mining: The "Coal Industry Sector" includes "Mining".

(II) Coal-fired power generation: The "Coal Industry Sector" includes "Power".

(III) Coal-related infrastructure: The "Coal Industry Sector" includes "Services".

The state-owned enterprises that have provided a transition plan, or the enterprises have over 50% government ownership are excluded.

II. Unconventional oil and gas industry: Enterprises listed in the "Global Oil & Gas Exit List (GOGEL)"[2] and belong to upstream suppliers. The state-owned enterprises

[1] Global Coal Exit List (GCEL) is the list published by Urgewald, an international non-governmental organization. Please refer to the GCEL criteria https://www.coalexit.org/methodology for details.

[2] Global Oil & Gas Exit List (GOGEL) is the list published by Urgewald, an international non-governmental organization. Please refer to the GOGEL criteria https://gogel.org/about-data for details.

that have provided a transition plan, or the enterprises have over 50% government ownership are excluded.

III. Carbon-intensive industries: According to “Regulations for Industrial Credit and Investment Limit Management of Chang Hwa Bank”.

IV. Other asset categories related to "Science Based Targets (SBT)"[3] are as follows:

(I) Electricity generation project finance: Within these project finance for only renewable energy generation.

(II) Commercial real estate loans: Secured loans for commercial real estate such as department stores, hotels, factories, office buildings, warehousing, etc.

(III) Service industry loans: Loans to enterprises not belonging to carbon-intensive industries, electricity generation project finance, and commercial real estate loans.

Article 4 (Organization and Responsibilities)

To effectively implement the managements of this regulation, the responsibilities at the head office are as follows:

I. Risk Management Division

(I) Regularly report the execution status of control mechanisms to the Risk Management Committee.

(II) Regularly update the "Global Coal Exit List" and "Global Oil & Gas Exit List" to assist business units in evaluating whether customers are on the control list.

(III) Regularly track and disclose the progress of the Science Based Targets of the Bank.

II. Strategic Management Division

Considering the climate change opportunities, exploring and developing new products, such as green credit and circular economy, to create diversified sources of green capital and assist our customers in their low-carbon transition.

III. Credit Management Division

(I) Assist business units in conducting climate checks on credit cases and, in line with the execution of Science Based Targets, collect and record relevant data for different loan types, using approval criteria and credit conditions to help the Bank achieve targets of carbon emissions reduction.

---

[3] The Science Based Targets initiative (SBTi) is a partnership between Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Through scientific tools and methods to jointly achieve the vision of controlling global warming well below 1.5℃.

(II) Track the effectiveness of engagement, carbon emissions reduction, or transition plans of borrowers, ensuring that these plans' targets should not be worse than the Bank's net-zero target.

IV. Domestic Banking Division

(I) In line with the net-zero emission target, encourage borrowers to increase financing of low-carbon transition or sustainable development, guiding funds to the low-carbon emissions market.

(II) Promote the net-zero emission target to regional centers and business units, encouraging business units to engage with customers and actively increase their financing for green lending or sustainability-linked loans.

V. International Banking Division

Assist in promoting the net-zero emission target and encourage overseas branches to expand green credit or sustainability-linked loans.

VI. IT Division

Assist in managing and maintaining related systems and monitoring report data.

Article 5 (Management of Net-Zero Emissions Target)

To achieve the Bank's 2050 net-zero emissions target, based on outstanding balances and loan commitments at the end of 2023, monitoring with the following phased schedule and methods[4]:

I. Gradual phase-out of financing for thermal coal and unconventional oil and gas industries:

(I) Completely phase out the following financing by 2030.

1. Lending and project financing for coal mining companies.
2. Project financing for coal-fired power generation companies.
3. Lending and project financing for coal-fired infrastructure companies.
4. Project financing for unconventional oil and gas companies.

(II) Completely phase out the following financing by 2035.

1. Lending and project financing for coal-fired power generation companies.
2. Lending and project financing for unconventional oil and gas companies.

(III) By 2040, completely eliminate lending and project financing for thermal coal and unconventional oil and gas related industries.

II. Gradually reduce non-green credit for carbon-intensive industries:

[4] Based on outstanding balances and loan commitments at the end of 2023.

(I) Reduce the non-green credit by 4% by 2025.

(II) Reduce the non-green credit by 15% by 2030.

(III) Reduce the non-green credit by 30% by 2035.

(IV) Reduce the non-green credit by 50% by 2040.

(V) Reduce the non-green credit by 75% by 2045.

(VI) Achieve full green credit for carbon-intensive industries by 2050.

The term "green credit" includes green lending and project financing that are used for transition or sustainable development, or all lending and project financing that are granted to recipients of specific carbon emissions reduction or transition plans that are align with the goals of the Paris Agreement, and if necessary, adjustments to the aforementioned targets based on the achievement of the targets.

Article 6 (Management of Science Based Targets)

To achieve the Bank's Science Based Targets, in addition to the aforementioned net-zero emissions target, we will monitor and manage assets such as commercial real estate loans and loans to service industry sector enterprises. We will engagement with corporates to provide financial assistance for their transition efforts, such as upgrading to energy-efficient equipment and updating process machinery, to reduce carbon emissions.

The Bank will review progress of Science Based Targets per year and adjust them in accordance with SBTi requirements.

Article 7 (Enforcement and amendment)

This regulation shall be effective after being approved by the president, and the same shall apply to amendments.