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2.2 Implementation and Engagement Strategies

2.2.1 Financial Assets

As a pioneer in sustainable finance, Cathay United Bank (CUB) is dedicated to maximizing the impact of every investment through responsible stewardship. By actively managing the carbon emissions of our financial assets and engaging proactively with investment and lending targets, CUB aims to guide them towards a low-carbon economy and a zero-carbon society, striving to be an influential and responsible bank.

2.2.1.1 Net Zero Emissions in Financial Assets by 2050

Climate Strategy and Targets

CUB has rolled out low-carbon transition plans for financial assets using science-based and quantitative decarbonization targets and a goal for zero coal financing, working steadily towards the ultimate goal of net zero emissions in financial assets by 2050.

◆ **Set Science-Based Targets (SBTs)**

Asset	Methodology	Base Year	Climate Target – Cathay FHC's SBT	Annual Emissions Reduction Target
Listed Equities & Bonds (Proprietary Investments)	Temperature Rating	2020	By 2026, decrease Scope 1+2 investment portfolio temperature from 3.08° C to 2.68° C	2.16%
			By 2026, decrease Scope 1+2+3 investment portfolio temperature from 3.13° C to 2.79° C	1.80%
Electricity Generation Project Finance	Sectoral Decarbonization Approach	2019	By 2026, decrease emissions intensity (tCO_2e/MWh) by 33% from base year	4.73%
Commercial Real Estate Loans			By 2026, decrease emissions intensity ($kgCO_2e/m^2$) by 39% from base year	5.56%
Long-Term Corporate Loans (Electricity Generation Industry)			By 2035, decrease emissions intensity (tCO_2e/MWh) by 69% from base year	4.30%
Long-Term Corporate Loans (Commercial Buildings)			By 2035, decrease emissions intensity ($kgCO_2e/m^2$) by 73% from base year	4.57%
Long-Term Corporate Loans (Fossil Fuel, Electrical and Electronic Equipment, Semiconductor, General Manufacturing Sectors)	SBT Portfolio Coverage Approach	-	By 2026, 33% of loan portfolio by loan value setting SBTi validated targets	4.76%

Note 1: Cathay FHC passed SBTi verification in September 2022, setting an overall target to limit global warming well below 2° C and achieve net zero across the Group by 2050. The SBT baseline calculation and target setting for Cathay FHC include all subsidiaries.
Note 2: (1) Electricity generation project finance: Evaluates the generated capacity and carbon emissions of each power plant based on their installed capacity, using carbon intensity of electricity generation as an indicator.
(2) Commercial real estate loans: Targets leased collaterals and evaluates their total floor area and building use for GHG emissions, using carbon intensity per square meter unit as an indicator.
(3) Long-term corporate loans (excl. SMEs): GHG information primarily derived from GHG emissions data disclosed by the companies themselves or, if company does not disclose GHG emissions, estimations according to their business data.
Industries/sectors are categorized into electricity generation, commercial buildings, SBT Portfolio Coverage, etc., and managed according to their characteristics.
Note 3: Annual emissions reduction targets refer to linear reduction rates required each year after the base year and target is set.

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Divestment from Coal Industries

Target

"Zero Coal Financing"

By end of 2027 Q1, reduce coal value chain credit balance to zero.

Strategy

- Cathay United Bank has ceased to extend credit facilities for coal-related loans since April 2021. This policy covers the upstream, midstream, and downstream coal industry chains, including upstream, midstream, and downstream sectors such as coal mining, products, wholesale, and retail, all of which are added to our exclusionary screening.
- All revolving facilities expired at the end of 2022, the designated transition period, and will not be renewed. Mid-to-long-term facilities will not be renewed upon expiration.

Monitoring

Quarterly

Climate Actions and Progress

Monitoring SBTs

In alignment with Cathay FHC's policy, the Bank sets decarbonization pathways and targets for its investment and lending portfolios using scientific and quantitative methods. The following outlines the Bank's specific measures and strategies:

1 Reference Standards and Guidelines

- Based on the Financial Sector Science-based Targets Guidance (SBT).
- Referenced the ISO 14064-1: Greenhouse Gases.
- Utilize the framework of the Partnership for Carbon Accounting Financials (PCAF).

2 Carbon Inventory and Emission Reduction Targets for Investment and Lending

Investment Carbon Inventory:

- Scope includes listed equity and corporate bonds.
- Use the temperature rating to assess the potential warming impact of investment assets, aiming to achieve the Science Based Targets (SBT) portfolio temperature goal.

Lending Carbon Inventory:

- Scope primarily includes electricity generation project financing, commercial real estate mortgage loans, and long-term corporate loans.
- Progress is monitored based on sectoral decarbonization approaches and legally binding SBT targets.

3 Carbon Reduction Strategy

- **Emission-based and Impact-based Approaches:** Establish carbon reduction pathways using scientifically quantified methods.
- **SBT Scope 3 Financed Emissions Inventory Mechanism:** Develop and implement a carbon inventory mechanism for financed assets.

4 Ongoing Monitoring and Evaluation

- Conduct annual analysis of investment and lending portfolios, as well as the carbon emission distribution of companies or industries with high emission intensity.
- The results of this analysis serve as a reference for future adjustments to investment and lending strategies and portfolios.

5 Action Plan

- Develop carbon reduction strategies and action plans based on analysis results to achieve emission targets.

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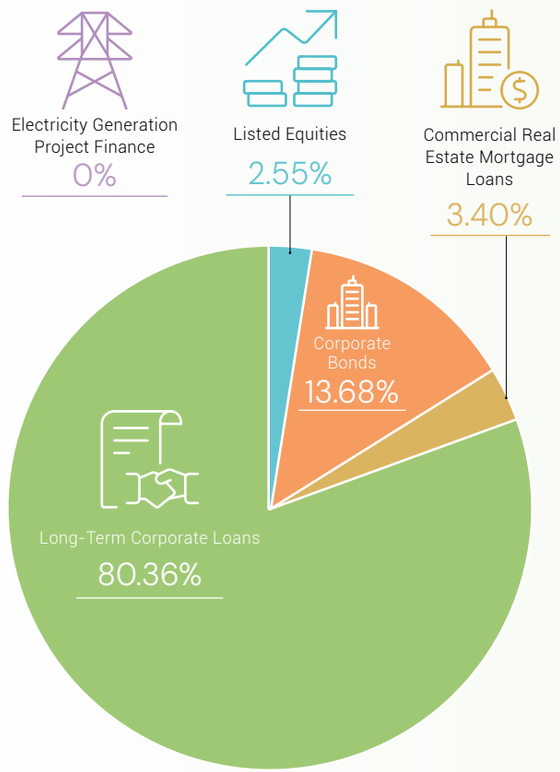
◆ **Results from the 2025 SBT Scope 3 carbon inventory for financial assets are as follows:**



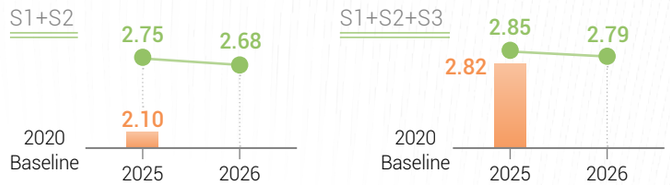
SBT scope 3 carbon inventory for financial assets

1,039,061 tCO_2e

◆ **2025 progress towards SBT Scope 3 emissions reduction targets for all financial assets are as follows:**

Temperature Rating

Listed Equities and Corporate Bonds (Proprietary Investment Portfolio)

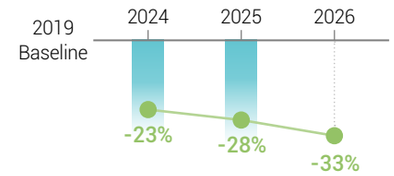


Target Value: SBT-aligned temperature pathway (° C)

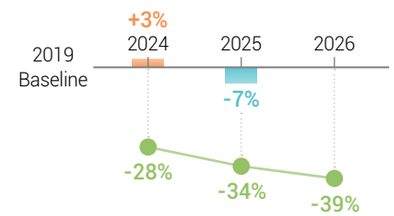
Actual Value: Actual temperature changes (° C)

Sectoral Decarbonization Approach

Electricity Generation Project Finance ☑ Ahead of Target



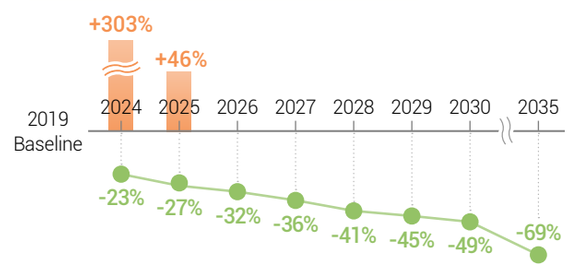
Commercial Real Estate Mortgage Loans



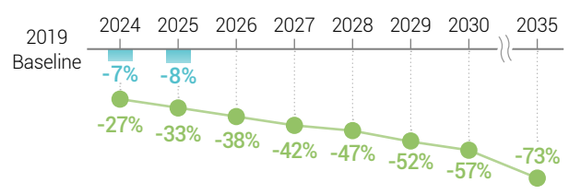
Target Value: Reach required reduction rate from baseline value to meet Cathay FHC' SBT target.

Actual Value: CUB's actual reduction rate from baseline value.

Long-term Corporate Loans (Electricity Generation Sector)

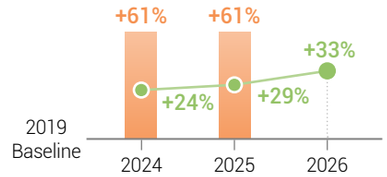


Long-term Corporate Loans (Commercial Buildings)



SBT Portfolio Coverage Approach

Long-Term Corporate Loans (Fossil Fuel, Electrical and Electronic Equipment, Semiconductors, General Manufacturing Sectors)



Target Value: Engagement outcomes required to meet Cathay FHC's SBT target.

Actual Value: CUB's actual engagement outcomes.

Note: The emission intensity of long-term corporate loans (electricity generation sector) has shown short-term fluctuations, mainly because most electricity generation companies are not publicly listed, making it difficult to collect power generation data. The Bank will continue to improve data collection from business counterparties in the future

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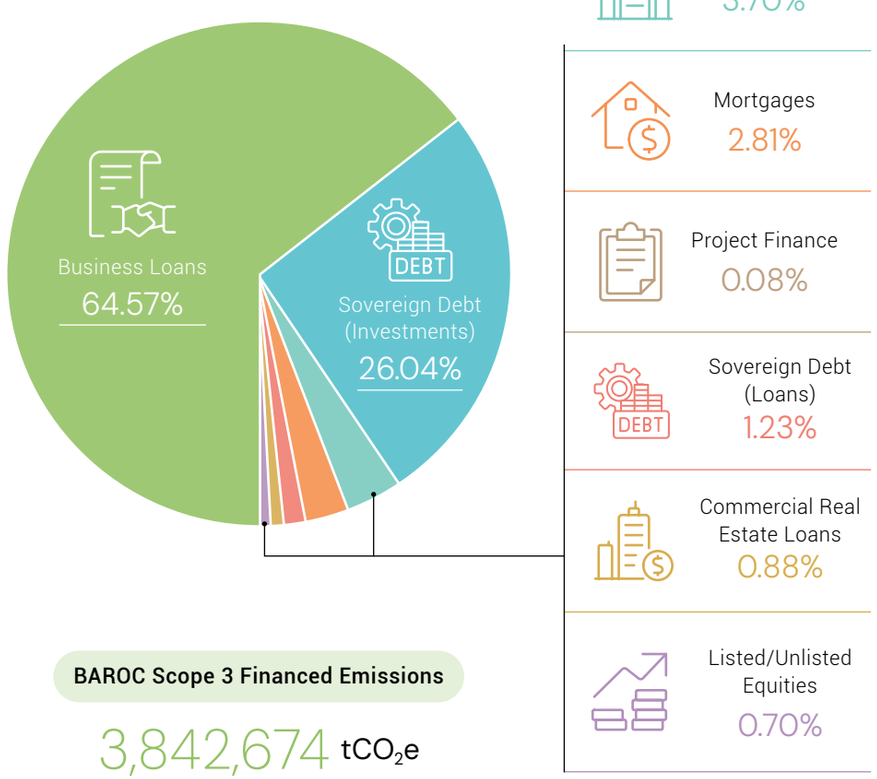
Scope 3 carbon inventory for financial assets in compliance with BAROC guidelines

CUB also complied with the Bankers Association of the Republic of China's (BAROC) "Practical Handbook for Financed Emissions (Scope 3) in Investment and Lending Portfolios of Domestic Banks" to develop a Scope 3 carbon inventory mechanism for financial assets in compliance with BAROC guidelines. The inventory scope is larger and more comprehensive than the Scope 3 carbon inventory for SBT. In the future, CUB will leverage BAROC Scope 3 carbon inventory results to develop and establish our emissions reduction strategies and targets. CUB's inventory task force conducted a carbon inventory of its investment and lending portfolios as of the end of 2025 in accordance with the second edition of "The Global GHG Accounting and Reporting Standard", published by PCAF in November 2022. The inventory scope covers listed and unlisted equity investments, corporate bonds investments, sovereign debt, business loans, project investments/finance, commercial real estate loans and investment, and mortgages. CUB's in-house verification team cross-checked the inventory results to verify the accuracy and reasonableness of the underlying data, corrected any identified errors, and the results were further subject to external third-party assurance.

Results from the 2025 carbon inventory for financial asset categories within the BAROC's scope are as follows (For details, please refer to 7.1 ESG Performance Data)

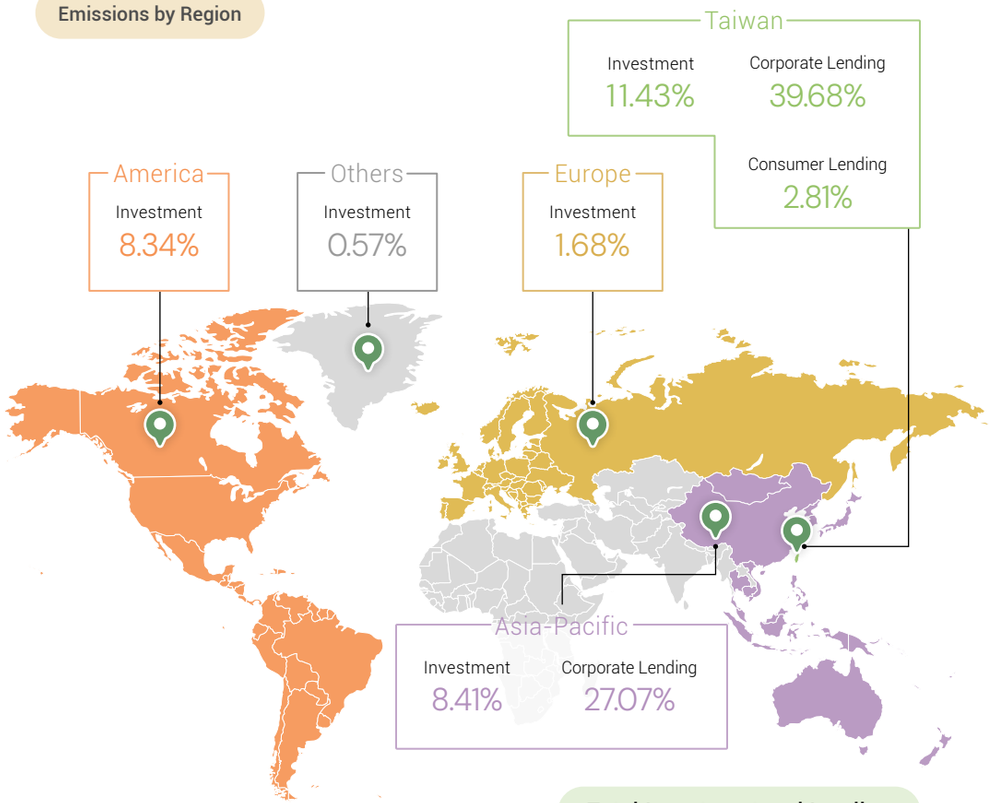
Emissions by Assets



BAROC Scope 3 Financed Emissions

3,842,674 tCO_2e

Emissions by Region



Note: The summary results of the Scope 3 financed emissions presented here exclude LULUCF (Land Use, Land-Use Change, and Forestry).

Total Investment and Lending

3,842,674 tCO_2e

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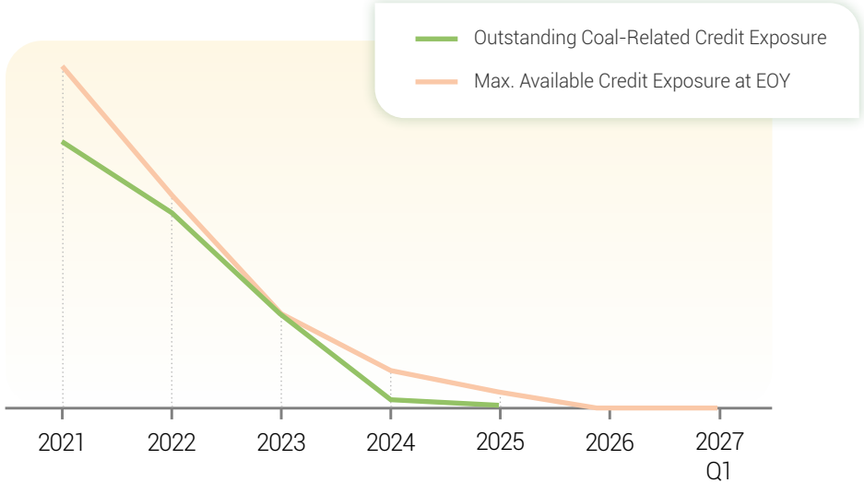
Zero Coal Financing Strategy

The goal of CUB's zero coal financing strategy is to reduce coal value chain credit facilities to zero by 2027 Q1 through regularly monitoring outstanding balance to coal-related businesses to track current progress toward zero coal financing goals. The following details how CUB verifies strategy resilience:





Next Steps

CUB will continue to comply with PCAF and SBTi methodologies to gradually expand the scope of carbon inventory for investment and lending portfolios to thereby strengthen carbon management of financial assets.

Low-Carbon Transition Plans for Financial Assets

Investment Assets

(1) Conduct comprehensive evaluations of investees in sensitive industries by reviewing their disclosures on carbon emissions data, emission reduction targets, potential warming temperature under SBT, water usage, and whether companies have policies on emission reduction, water resource management, and biodiversity. Also assess participation in initiatives such as SBTi and net-zero commitments.

(2) Conduct in-depth engagement with investees (e.g., setting SBT targets or joining net-zero initiatives) and thematic engagement (e.g., establishing policies on emission reduction, water resource management, and biodiversity).

Loan Assets

(1) Establish decarbonization pathways and set emission reduction targets for the lending portfolio. Conduct annual analysis of the carbon emission distribution of lending portfolio or carbon-intensive industries/companies to inform future adjustments to lending strategies and portfolio, and develop corresponding carbon reduction strategies and action plans.

(2) Continue promoting the low-carbon transition of financial assets based on SBT targets and the zero coal financing goal, steadily advancing toward net-zero emissions for financial assets by 2050.