

2.2.3 Net Zero Emissions for Financial Assets by 2050

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.

2.2.3.1 Science-Based Target (SBT) for Carbon Reduction

| Asset | Methodology | Base Year | Climate Target - Group'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 | | | By 2026, decrease emissions intensity (tCO ₂ e/MWh) by 33% from base year | 4.73% |
| Commercial Real Estate Loans | Sectoral Decarbonization Approach | 2019 | By 2026, decrease emissions intensity (tCO ₂ e/MWh) by 39% from base year | 5.56% |
| Long-Term Corporate Loans (Electricity Generation Industry) | | | By 2035, decrease emissions intensity (tCO ₂ e/MWh) by 69% from base year | 4.30% |
| Long-Term Corporate Loans (Commercial Buildings) | | | By 2035, decrease emissions intensity (tCO ₂ e/MWh) 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:

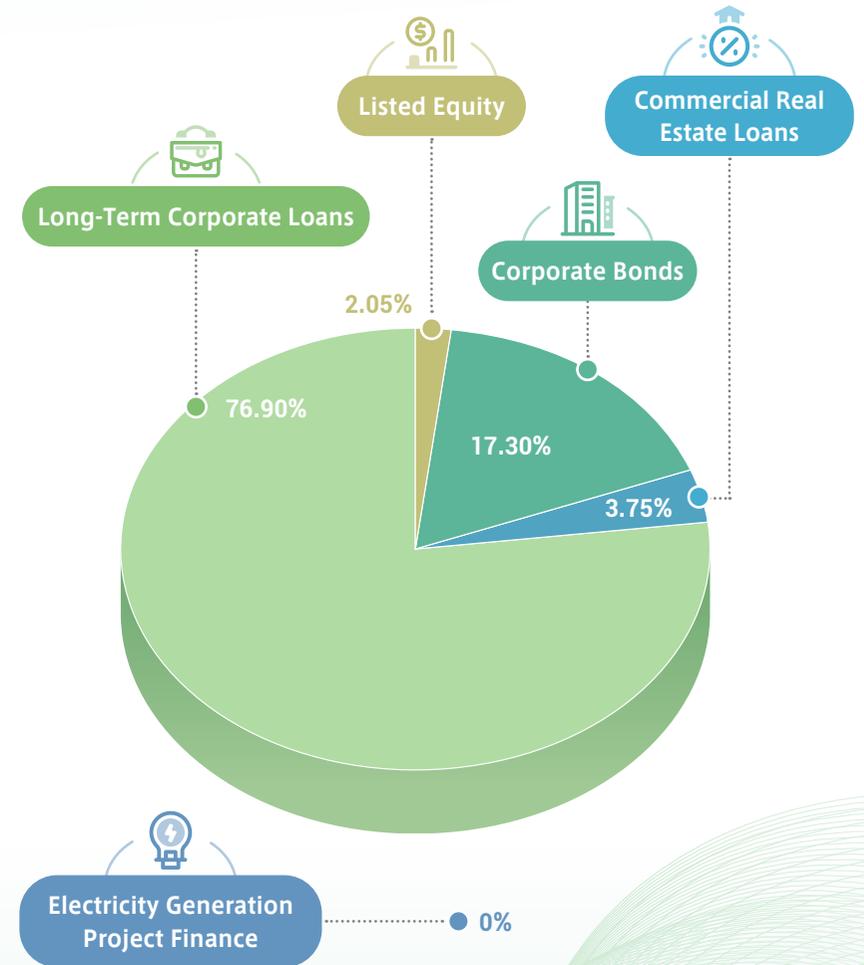
- Cathay FHC passed SBTi verification in September 2022, setting an overall target to control warming well below 2° C achieve net zero group-wide by 2050. The SBT baseline calculation and target setting for the group include all subsidiaries.
- (1) Electricity generation project finance: Evaluates the 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.
- Annual emissions reduction targets refer to linear reduction rates required each year after the base year and target is set.

In alignment with Cathay FHC's group-wide policies, the Bank has adopted a science-based approach to set decarbonization pathways and targets for investment and lending portfolios. The Bank's key measures and strategies are as follows:

| | |
|--|--|
|  Reference Standards and Guidelines | <ul style="list-style-type: none"> • Based on the Financial Sector Science-based Targets Guidance (SBT). • Referenced the ISO 14064-1: Greenhouse Gases. • Utilizing the framework of the Partnership for Carbon Accounting Financials (PCAF). |
|  Carbon Inventory and Emission Reduction Targets for Investment and Financing | <p>Investment Carbon Inventory:</p> <ul style="list-style-type: none"> • Scope includes listed equity and corporate bonds. • Uses the temperature rating to assess the potential warming impact of investment assets, aiming to achieve the Science Based Targets (SBT) portfolio temperature goal. <p>Credit Carbon Inventory:</p> <ul style="list-style-type: none"> • Scope primarily includes project financing for power generation, commercial real estate loans, and long-term corporate loans. • Progress is monitored based on sectoral decarbonization approaches and legally binding SBT targets. |
|  Decarbonization Strategies | <p>Emission-Based & Impact-Based Approaches:</p> <ul style="list-style-type: none"> • Establish carbon reduction pathways using scientific quantification approaches. <p>SBT Scope 3 Financed Emissions Inventory Mechanism:</p> <ul style="list-style-type: none"> • Develop and implement a carbon inventory mechanism for financed assets. |
|  Ongoing Monitoring and Evaluation | <ul style="list-style-type: none"> • Conduct annual analysis of investment and financing positions, 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 financing strategies and positions. |
|  Action Plans | <ul style="list-style-type: none"> • Develop carbon reduction strategies and action plans based on analysis results to achieve emission targets. |

 Distribution of Carbon Emission

SBT scope 3 carbon inventory for financial assets
837,093 tCO₂e



2024 progress towards SBT Scope 3 emissions reduction targets for all financial assets are as follows:

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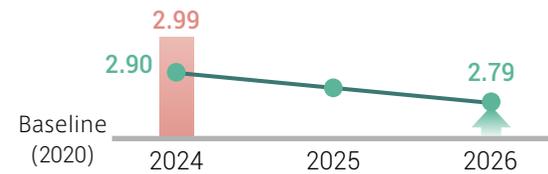
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Appendix

Temperature Rating

► Listed Equities and Corporate Bonds (Proprietary Investment Portfolio)



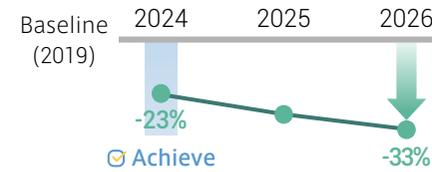
S1+S2+S3



● Target Value: SBT-aligned temperature pathway (°C)
■ Actual Value: Actual temperature changes (°C)

Sectoral Decarbonization Approach

► Electricity Generation Project Finance



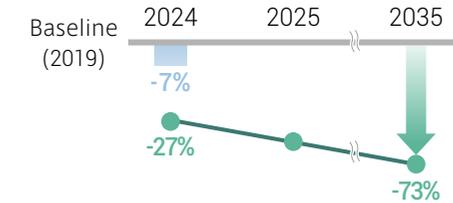
► Commercial Real Estate Loans



► Long-Term Corporate Loans (Electricity Generation)



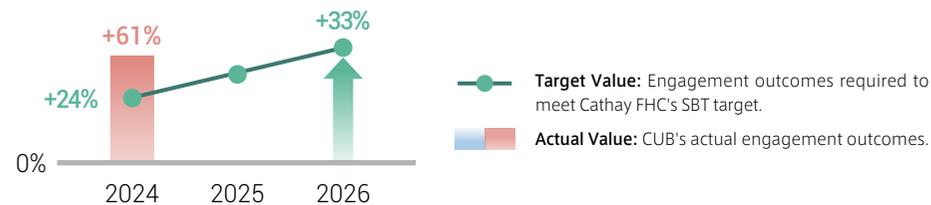
► Long-Term Corporate Loans (Commercial Buildings)



● 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.

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:

- 1 The emission intensity of commercial real estate loans has increased year by year due to the difficulty of estimating building carbon emissions. Currently, estimations are based on building area, property category, and local Energy Use Intensity (EUI).
- 2 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.

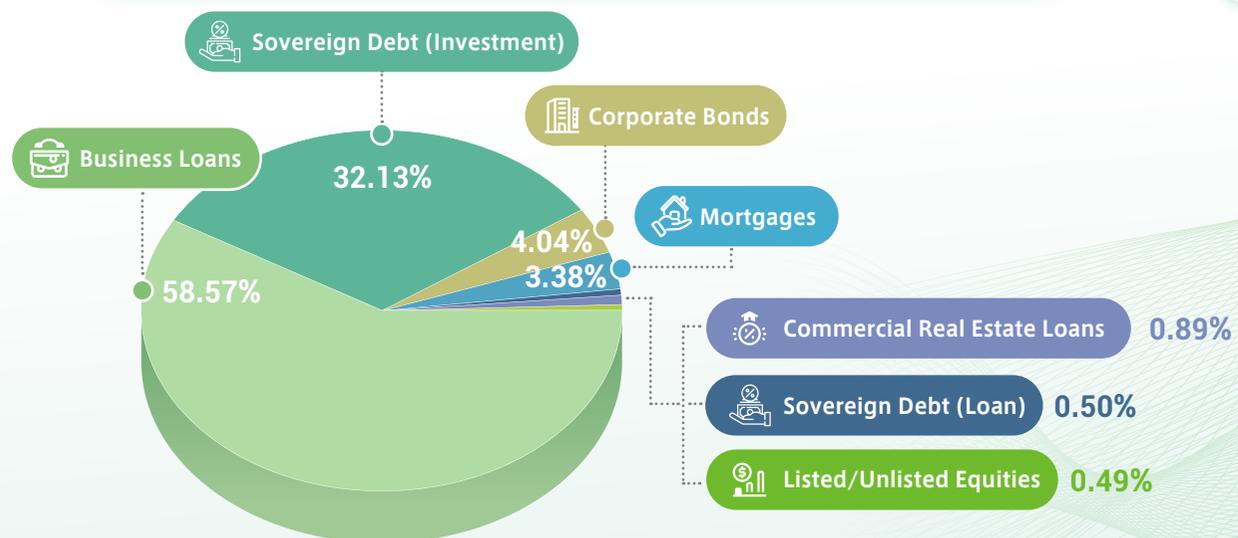
2.2.3.2 Scope 3 Inventory Mechanism for Financial Assets in Compliance with BAROC Guidelines

CUB 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 inventory mechanism for financial assets in compliance with BAROC guidelines. The inventory scope is larger and more comprehensive than the Scope 3 inventory for SBT. CUB will leverage BAROC Scope 3 inventory results to develop and establish our emissions reduction strategies and targets. Using the PCAF methodology, CUB's inventory task force conducted carbon inventory for investment and lending positions as of December 31, 2024. The inventory scope covers listed and unlisted equity investments, corporate bonds investments, sovereign debt, business loans, project investments/finance, commercial real estate investments/finance, and mortgages. The inventory is then verified by our in-house verification team for accuracy and reasonableness through cross-checking inventory results, corrected, and then verified and assured by an independent third party. CUB will submit the final version in compliance with guidelines from competent authorities or BAROC.

The results of the carbon assessment for the three financial asset categories within the banking association's scope in 2024 are as follows. For detailed information, please refer to [CUB Climate and Nature Report 2024](#).

■ Distribution of Carbon Emission

BAROC Scope 3 Financed Emissions Total 3,580,626 tCO₂e



2.2.3.3 The 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 remaining credit lines to coal-related businesses to track current progress toward zero coal financing goals. The following details how CUB verifies strategy resilience:

Resilience Verification of Zero-Coal Financing Strategy

