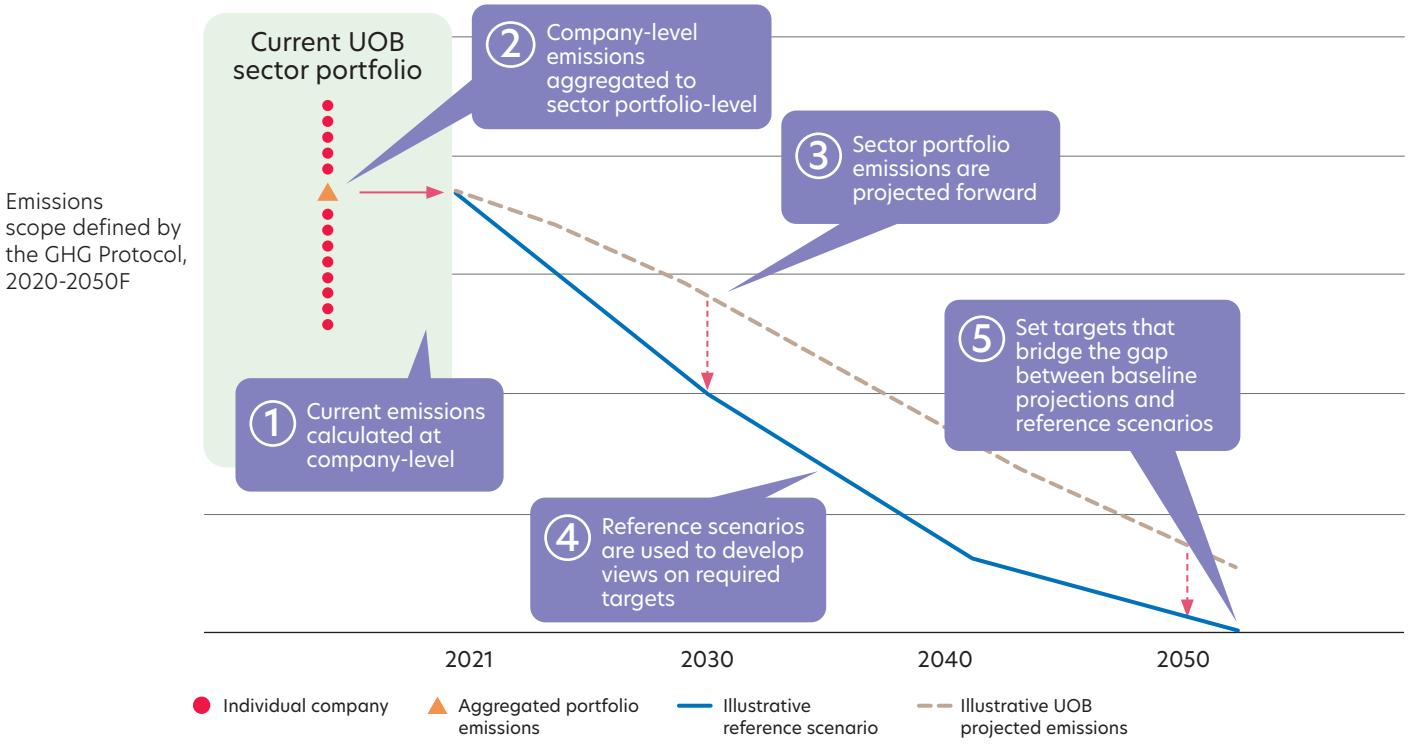
Target-setting methodology

Our five-step approach to setting targets and baselines



1. Calculate emissions at the company level for each client in the six focus sectors

We rely heavily on having relevant data, when setting a baseline and tracking our progress based on measuring and estimating our clients' emissions and emissions intensities. The availability and quality of emissions data are a challenge for banks globally, given this is still a nascent area for many companies and in many parts of the world.

The challenge is especially apparent for SMEs, which are an important part of our portfolio. Many of these clients are unlisted companies and have yet to report emissions publicly. In addition, the nature of our clients' operations creates greater complexity. Many operate across multiple markets and business lines, and we often support their businesses at both the headquarters level, where emissions reporting is more common, and in specific markets or specific activities, where granular data is less common. Such complications can lead to emissions accounting that may not materially represent the activity we are financing.

We used both PCAF and Paris Agreement Capital Transition Assessment (PACTA) approaches in our methodology for emissions calculations, tailored to specific portfolios and adjusted for data availability.

To calculate emissions intensity for each client, we have taken guidance from the PCAF approach when prioritising which data to use. In general, we have prioritised use of reported emissions data, before falling back on bottom-up calculation or use of proxies (aligned with how PCAF defines its data quality scores).

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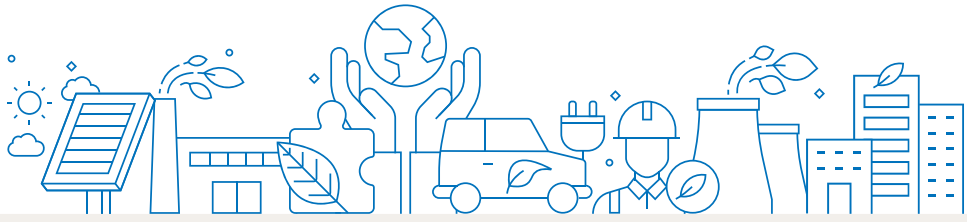
2. Aggregate our client emissions to create a UOB sector-level average, which was weighted based on our exposure to each client

We calculate our portfolio's sector emissions intensities by first finding the emissions intensity of each individual client, and then weight-averaging them based on the client's contribution to the total sector portfolio exposure.

We have taken this approach because as a bank, we are able to control the weight of each client's exposure in our portfolio, and we believe this should be reflected in each of our sector's average emissions intensity.



$$\text{Emissions intensity} = \Sigma_i \frac{\text{Exposure}_i}{\text{Total sector portfolio exposure}} \times \text{Emissions intensity}_i$$

Where i = borrower or investee company

3. Project future emissions taking into consideration company-specific plans, national commitments and potential technological developments

A number of inputs were used to project a momentum pathway for our portfolio. These fall into three groups:

1. **Company-specific plans:** We took into account instances in which our clients had their own transition plans and forecasts. Our ability to meet our targets is linked to these clients fully following their own decarbonisation commitments and strategies;

2. **National commitments:** We have considered governmental plans and targets where they pertain to relevant industries. For example, some countries in Southeast Asia have advocated the adoption of EVs and are phasing out fossil-fuel engines in the automotive sector or are seeking to increase renewable energy capacity to cut emissions in the power and oil, gas and coal sectors; and

3. **Technological developments:** We have also assessed the potential impact of technological innovation for each sector, for example the deployment of energy storage technologies for the power sector and the availability of electric equipment in the construction sector.

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4. Establish reference scenarios with a science-based pathway to net zero by 2050

We have selected reference pathways grounded on science-based assumptions and have taken into account market- and sector-level specificities.

Three factors were especially important in selecting promising pathways:

1. **Data availability:** We ensured the pathways have appropriate data available for our sectors and selected metrics.
2. **Global credibility:** We selected science-based and 1.5°C-aligned methodologies, such as the Integrated Assessment Models (IAMs)[35], which are climate models that predict the factors and variables needed globally to reach net zero by 2050.
3. **Geographic relevance:** We selected regional pathways where relevant and available.

5. Set targets for 2030 and 2050 that bridge the gap between our projections and the reference scenarios

Aligned with GFANZ requirements, we have set interim emissions intensity targets for 2030 for each sector, as well as 2050 targets. Our aspiration is to meet these interim targets and create a credible decarbonisation path to the final 2050 targets.

To support this commitment, we focus on core levers that drive decarbonisation within each sector, directing more financing towards greener projects and activities and away from those that emit more carbon.

In ensuring that we support our clients through the transition, over the last year we have developed granular sectoral plans identifying opportunities for green and transition finance within each sector. These sectoral plans have been aligned with our broader business strategy.

35 IAMs are used extensively and trusted by the climate science community. They are typically maintained by research institutions, such as the Joint Global Change Research Institute and the Potsdam Institute for Climate Impact Research, or by global industry organisations, such as the IEA and MPP.