



2024 TCFD&TNFD Report

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About The Report

KGI Bank Co.,Ltd.has prepared this report to fully communicate with stakeholders regarding its actions in response to climate and nature-related risks and opportunities. The report is compiled in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) framework established by the Financial Stability Board (FSB), and with reference to the recommendations of the Task Force on Nature-Related Financial Disclosures (TNFD). The report focuses on the Bank as a reporting entity and sets out practical measures in four key areas: Governance, Strategy, Risk Management/Risk and Impact Management, and Metrics and Targets.

Scope of Disclosure

This report focuses on the operational activities of KGI Bank Co., Ltd. in Taiwan as its core scope of disclosure. References to "KGI Bank," "the Bank," or similar terms throughout this report, unless otherwise specified, refer to the aforementioned scope of disclosure.

Reporting Period

The reporting period for this report is from **January 1, 2024**, to **December 31, 2024**.

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1.1 Overview

Facing the increasingly severe global challenges of climate change and the natural environment, the Bank deeply recognizes that environmental shifts will have significant and far-reaching impacts on its operating strategy, business model, and resource allocation. Therefore, the Bank has adopted a forward-looking approach, actively promoting the identification, assessment, and management of climate and nature-related risks and opportunities to build a resilient operating model. Concurrently, the Bank is collaborating with environmentally conscious enterprises, uniting cross-sectoral sustainability efforts to collectively advance towards a low-carbon and Nature Positive future.

In line with KGI Financial Holding Co., Ltd. (“KGI Financial” or “the Group”) public commitment of net-zero carbon emissions for its total portfolio by 2045, the Bank signed on to the Partnership for Carbon Accounting Financials (PCAF) in February 2022. This proactive step involves integrating international standards for measuring and managing financed emissions, establishing a robust climate change risk management mechanism, and utilizing the Bank's core operations to assist corporate clients in their low-carbon transition. Since 2023, the Bank has continued to implement the PCAF methodology alongside KGI Financial to manage climate change risks associated with its investments and lending.

The Climate- and Nature-related Financial Disclosure Report outlines the Bank’s practical actions across four key areas: Governance, Strategy, Risk Management/ Risk and Impact Management, and Metrics and Targets.

Governance	Strategy	Risk Management/Risk and Impact Management	Metrics and Targets
Governance Structure	Strategy 1 - Responsible Investment:	<ol style="list-style-type: none">Established the "Climate Risk Management Guidelines" to manage climate risks. These guidelines stipulate that management steps such as climate risk identification, risk assessment, and risk control should be executed.Identify key industries for investment and lending based on exposure amounts and climate/nature-related risks. This will serve as the foundation for progressively enhancing the Bank's adaptability to climate change and natural environmental shifts, while mitigating potential financial impacts.Conduct climate scenario analysis in accordance with the supervisory authority's scenario analysis operational plan. This is to measure the expected changes in losses to investment and financing assets caused by climate risks, and to assess the degree of impact and corresponding management measures.Perform scenario analysis on the Bank's operational sites, investment properties, and real estate collateral for climate risks (flooding) and nature risks (hillside hazards), and quantify the results to understand the financial impact of climate change on business operations and asset values, and develop response strategies accordingly.	Establish climate management metrics and targets across four key areas: greenhouse gas emissions, green operational management, green investment and financing strategies, and corporate governance, actively planning a low-carbon transition pathway.
The Bank has established the "Climate Risk Management Guidelines," with the Board of Directors serving as the highest supervisory body. The Board is responsible for approving climate risk management-related policies and strategies. Climate risk is managed through a three lines of defense framework.	Establish pre-investment evaluation and post-investment management procedures, and avoid investing in industries or companies that violate ESG principles.		
	Strategy 2 - Sustainable Lending:		
	Consider the ESG-related impacts of loan clients' business activities, leveraging the banking industry's influence to support sustainable social development.		
	Strategy 3 - Stewardship and Engagement:		
	Through engagement with investee companies, the Bank leverages its influence to help them achieve their sustainability goals and identify potential business opportunities.		
	Strategy 4 - Promoting Green Deposit:		
	Adhering to the spirit of sustainable development and environmental conservation, while developing its business, the Bank also fulfills its corporate social responsibility by allocating accepted deposit to loans within the Green Deposit program or related lending needs, guiding corporate funds towards sustainable development initiatives.		

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1.2 Summary of Achievements in 2024

 <p>Greenhouse Gas Emissions</p>	<p>Comply with the standards and requirements of the ISO 14064-1 greenhouse gas inventory, pass the third-party verification (SGS), and achieve near-term carbon reduction targets.</p>
 <p>Green Operation Management</p>	<ol style="list-style-type: none"> 1. Credit card e-statement usage rate: 60% 2. Renewable energy consumption: 1.33 million kwh 3. Energy conservation action plan expenditure: NT\$350 million, an increase of approximately 133.33% from the previous year.
 <p>Green Investment and Financing</p>	<ol style="list-style-type: none"> 1. The proportion of high-carbon emission industries in total investment and loans is 13.72%, which is well below the 24.5% limit set by KGI Bank. 2. Growth rate of green loans: Increased by 84.75% compared to the 2022 baseline year. 3. Continuous growth of green deposits: Since inception, the size of green deposits has reached NT\$39.6 billion.
 <p>Governance Achievements</p>	<ol style="list-style-type: none"> 1. Plan ESG-related educational training based on job function, including board members, senior management, and staff. Incorporate topics such as sustainable finance into the training, with an average of 3 hours of training per person. 2. Actively encouraging colleagues to obtain professional certifications related to sustainability and climate, continuously enhancing climate-related intelligence. To date, several colleagues have acquired certifications such as Enterprise Sustainability Manager, and foundational and advanced capabilities in sustainable development. 3. Implement responsible investment objectives and actively participate in engagement activities with investee companies.

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To ensure the Board of Directors' and senior management's commitment to climate change and natural environment issues, and their resolve in driving policy, the Bank continuously refines its governance framework to embody the core values of sustainable governance. In 2022, in accordance with the Financial Supervisory Commission's "Guidelines for Domestic Banks' Climate Risk Financial Disclosure," the Bank established its "Climate Risk Management Guidelines." The Board of Directors serves as the highest supervisory governance unit, responsible for approving policies and strategies related to climate risk management and managing climate risks through a three-line defense structure. In addition to the proper management of climate risks, achieving nature-positive growth and enhancing operational resilience will remain a key focus for the Bank. We will concentrate on assessing dependencies and impacts related to overall nature-related risks and optimizing operational strategies to achieve sustainable operations.

The Bank's Sustainability Committee, a functional committee under the Board of Directors, formulates the Bank's annual sustainability plan, strategic direction, and action plans in accordance with the Group's sustainability development strategy, and tracks and reviews their effectiveness. The Sustainability Committee has established six Work Groups based on their nature of tasks: the Corporate Governance WG, Responsible Finance WG, Client Relations WG, Employee Wellbeing WG, Environmental Sustainability WG, and Social Philanthropy WG. The Board of Directors appoints an independent director to serve as the chairperson, and selects one person from the Bank's business-related management team to concurrently serve as the leader for each group, coordinating the execution of group tasks and developing and tracking sustainability-related plans. Among these, the "Environmental Sustainability WG" is responsible for continuously strengthening the Bank's governance capabilities in response to climate change, establishing concrete goals and practices for environmental protection and energy conservation, and actively promoting and co-creating a sustainable living environment. The "Responsible Finance WG" is in charge of the United Nations Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB), and is progressively promoting and supporting sustainable economic activities. The Risk Management Committee under the Board of Directors is responsible for reviewing the appropriateness of the Bank's climate risk management mechanism and risk management framework, assisting the Board of Directors in overseeing the Bank's climate governance, and balancing risks and opportunities to adjust the Bank's overall response strategies.

The Bank's senior management and climate risk management-related departments are responsible for establishing various climate risk governance mechanisms and procedures. They also handle the communication and coordination of climate risk management matters and regularly report climate risk-related information to the Risk Management Committee and the Board of Directors.

The Bank also adheres to the climate governance mechanisms of KGI Financial Sustainability Committee and Risk Management Committee, as well as the climate targets and development strategies promoted by the Climate and Nature Management Council. Within the Group, there's a collaborative effort to collect and set indicators and targets for climate-related risks and opportunities. This involves establishing climate mitigation and adaptation measures, and actively integrating climate change assessments into current business and risk management processes, all while aligning with KGI Financial TCFD strategic direction to advance relevant operations.



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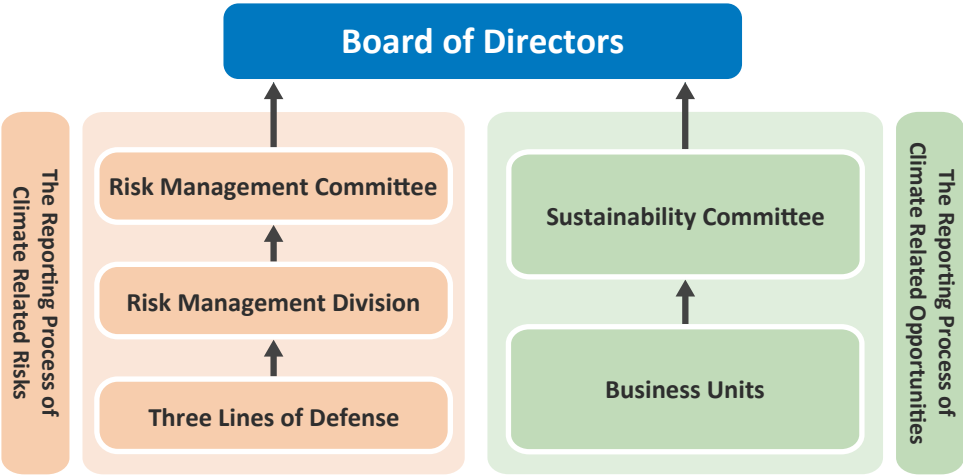
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2.1 Governance Structure



Explanation of Governance and Management Responsibilities

Board of Directors

The Board of Directors serves as the Bank's highest supervisory governance unit for establishing effective risk management mechanisms. It bears the ultimate responsibility for ensuring the establishment and maintenance of an appropriate and effective climate risk management system. The Board is responsible for approving climate risk management-related policies and strategies, and for overseeing management's implementation of effective climate risk and opportunity management.

Sustainability Committee

The Sustainability Committee, authorized by the Board of Directors, exercises the following powers to ensure the integration of climate and nature factors into overall business considerations:

- (1)Based on the Group's sustainability development, the Bank formulates its annual sustainability development plan, strategic direction, and action plans, ensuring the integration of climate risk factors into its strategies and operational plans.
- (2)Tracking and review of the effectiveness of the above implementation.
- (3)Regularly reviewing the Sustainability Report, Greenhouse Gas, or Climate and Nature-related Reports.
- (4)Decision-making on matters related to sustainable development and public affairs engagement.

The Sustainability Committee convenes at least twice annually to discuss and make resolutions on the aforementioned powers delegated by the Board of Directors. The minutes of these meetings are then reported to the Board.

Risk Management Committee or Senior Management

- (1) Responsible for overseeing the establishment of climate risk management mechanisms.
- (2) Review climate risk management report.
- (3) Review climate risk management policies, risk appetite, and significant climate-related risk issues.

Organization	Chairperson	Members	Meeting Frequency	Climate Risk Responsibilities
Board of Directors	Chairperson of the Board	6 Directors and 3 Independent Directors	At least once per quarter	Serves as the highest supervisory governance unit for climate risk management-related issues.
Sustainability Committee	Independent Director	2 Independent Directors and 1 Director	At least twice a year	Establishes six task-based working groups according to their nature of work: Corporate Governance, Social Philanthropy, Environmental Sustainability, Responsible Finance, Client Relations, and Employee Well-being. The committee is responsible for formulating, tracking, and reviewing the Bank's annual sustainability development plan, strategic direction, projects, and activity plans, and reporting these to the Board of Directors.
Risk Management Committee	Independent Director	2 Independent Directors and 1 Director	At least once per quarter	Oversees the establishment of climate risk management mechanisms; reviews climate risk management reports; and examines climate risk management-related policies, risk appetite, and significant climate risk issues.

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▮ Risk Management Unit

As the second line of defense, the Risk Management Unit is responsible for regularly compiling and submitting climate risk management reports to the Bank's Risk Management Committee and Board of Directors. It also reports to senior management on the review of climate management efforts. For a detailed explanation of its responsibilities within the three lines of defense framework, please refer to the "Three Lines of Defense Framework" section that follows.

▮ Three Lines of Defense Framework



2.2 Risk Reporting Mechanism

To assist the Board of Directors and senior management in overseeing the Bank's climate governance, the Bank established its "Climate Risk Management Guidelines" in 2022. These guidelines set up a climate information reporting mechanism to balance risks and opportunities. If significant anomalies or special circumstances are identified, measures are immediately taken in accordance with internal regulations to adjust the Bank's overall response strategies.

1. Reporting Responsibility Units

The Risk Management Department regularly compiles climate risk management reports and presents them to relevant functional committees and the Board of Directors regarding climate governance-related matters. They also report on climate management efforts to senior management, aiming to ensure the robust operation of the Bank's climate risk management.

2. Reporting Frequency

- (1) The Risk Management Committee and the Board of Directors: Annually review the implementation status of climate governance-related policies and response strategies, the achievement of key climate risk indicators and targets, and potential climate opportunities.
- (2) Sustainability Committee: Annually review the TCFD reports.
- (3) Senior Management: Annually review the status of climate management.

3. Irregular Information Reporting Mechanism

- (1) When significant domestic or international climate policies or regulations are issued or updated, the Bank will assess their impact on its business and operations and respond in a timely manner. If there's a material impact, or if key climate risk indicators and targets aren't meeting expected progress, the situation will be reported to the General Manager, who will then determine whether to immediately report to the Board of Directors.
- (2) If significant unexpected events or major risk events occur due to changes in climate and the natural environment that could impact the financial institution's normal operations, the Bank will follow its existing internal reporting procedures to report them in a timely manner.

To ensure the proper management of sustainability information, enhance reporting quality, and prevent greenwashing, the Bank established internal controls for sustainability information management. In 2024, the Bank formulated and the Board of Directors approved the "Sustainability Information Management Guidelines." The reporting and disclosure of climate-related information also adhere to the stipulations of these guidelines, ensuring the completeness, reliability, and effectiveness of relevant information governance and utilization.


2.3 The Enhancement of Governance Ability and Knowledge

Enhance governance and risk management capabilities:

To address the increasing diversity and rapid changes in governance and risk management issues, KGI Financial has held numerous training and guidance sessions. The Bank also encourages its management and relevant personnel to participate in training courses or obtain professional certifications related to sustainability and net-zero transition industry trends, aiming to enhance and cultivate their ability to grasp climate and nature-related issues.

Director Participation in Training:

Directors are arranged to attend courses on net-zero transition, impact investing, and ESG-related topics offered by the Chung-Hua Institution for Economic Research (CIER), the Taiwan Academy of Banking and Finance (TABF), and internally within the Bank.

 Participation of the Board of Directors	Course Content	Course hours	Number of Participants
	Charting a Net-Zero Transition Path with a Climate Risk Mindset	3 hours	9
	Impact Investing and the Practice of SDGs	3 hours	1

Education and Training Program for All Employees:

To address the increasing influence of ESG on the Bank's operations, we allocate sufficient human resources to manage climate and nature-related risks and opportunities. We also provide appropriate training, arranging for business-relevant personnel to attend climate-related risk management courses for domestic banks offered by KGI Financial, the Taiwan Academy of Banking and Finance (TABF), and the Securities and Futures Institute. To ensure all Bank personnel have a foundational knowledge of climate and nature risks, facilitating the promotion of our climate strategies and goals, and enhancing overall operational resilience, we also commission external consultants to conduct online courses for all employees.



Course content	Course hours	Training Unit
2024 KGI Bank Environmental Sustainability Lecture Series	1.5 hours	All Employees
Building ESG Services – The Development Experience of Taiwan Depository & Clearing Corporation (TDCC)	1.5 hours	Investment Department
Carbon Assets and Carbon Credit Development Investment and Financing	1.5 hours	Corporate Banking Department
Analysis of Climate Governance and Domestic/International Carbon Emission Regulatory Systems	2 hours	Corporate Banking Department
International Standards and Case Studies for Sustainable Financial Products	2 hours	All Employees
Sustainable Development Pathway and Joint Credit Information Center (JCIC) Sustainability Questionnaire Completion Guide	1.5 hours	Corporate Banking Department
KGI Bank Directors and Senior Management ESG Courses	3 hours	Department Head Level and Above
Practical analysis of the TCFD	1 hours	All Employees
TNFD basic cognitive establishment	1 hours	All Employees
Sustainable Economic Activities and the Practice of Climate and Nature Finance	1 hours	All Employees
Global Climate and Nature Regulatory Trends and Response Recommendations	1 hours	All Employees



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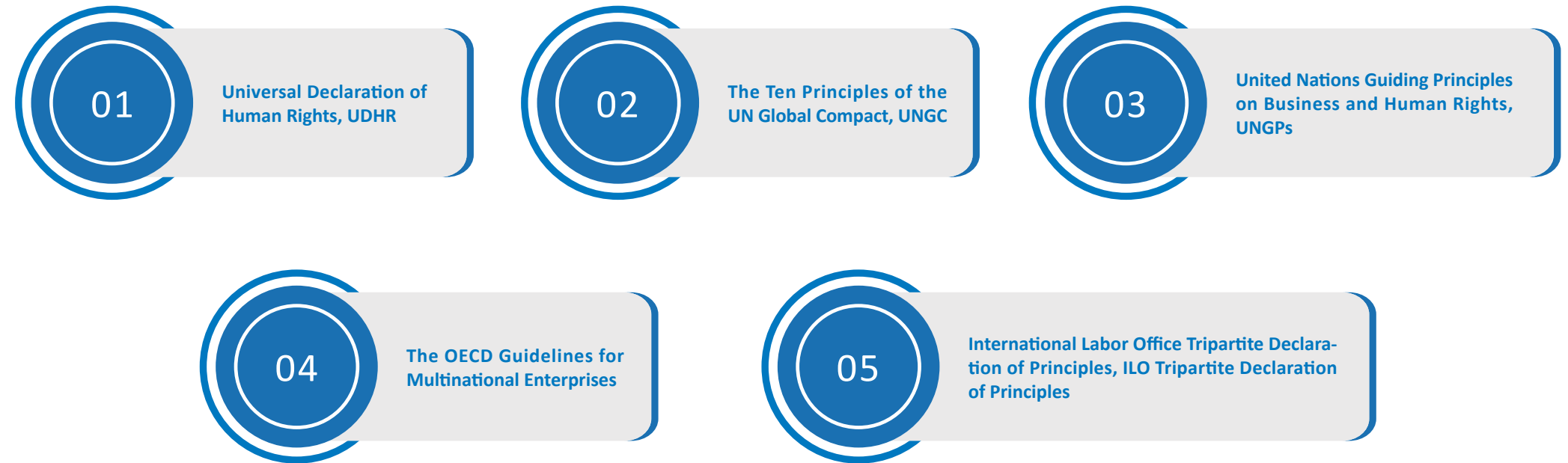
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2.4 Natural Environment and Human Rights Governance

Based on the TNFD's official framework and the additional sector guidance for financial institutions (Version 2.0), we assess and respond to nature-related dependencies, impacts, and the resulting risks and opportunities. This is done by following the four core pillars: governance, strategy, risk and impact management, and metrics and targets. We also consider the close connection between Indigenous Peoples and local communities and the natural environment, respecting the rights of Indigenous Peoples, local communities, affected parties, and other stakeholders, in line with our human rights policy.

The Bank has established a "Human Rights Policy" to uphold the principles articulated in international human rights conventions. These include the Universal Declaration of Human Rights (UDHR), The Ten Principles of the UN Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights (UNGPs), The OECD Guidelines for Multinational Enterprises, and the International Labor Office Tripartite Declaration of Principles (ILO Tripartite Declaration of Principles). This policy aims to eliminate any acts that violate or infringe upon human rights, fully embodying our responsibility to respect, support, and protect human rights. Furthermore, in accordance with our "Human Rights Policy," the Bank has developed a "Supplier Sustainability Responsibility Commitment Letter." This letter requires our partners to adhere to the same standards, prohibiting any human rights violations or infringements. Together, we focus on and prioritize human rights risk management, regularly conducting training to enhance awareness of human rights issues and improve the identification and management of related risks.



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To promptly grasp the impacts of climate change, enterprises should regularly review policies and operational strategies related to climate change and the natural environment. In addition to assessing their appropriateness, they should simultaneously develop forward-looking and feasible response measures. If enterprises can keenly observe environmental and market changes and make rolling adjustments to their operational directions, it will help reduce potential operational risks and seize potential market opportunities, thereby promoting the integration of corporate behavior with the concept of sustainable finance.

The Bank incorporates climate and nature risks and opportunities into its operational strategy. We regularly review the impacts of climate change on the Bank and have established four key strategies as the main pillars of our sustainable development: Responsible Investment, Sustainable Lending, Stewardship and Engagement, and Promoting of Green Deposit.

Details regarding the Bank's climate and nature-related risk management framework and processes, along with the identified impacts of climate and nature-related risks on the Bank's operations and corresponding response strategies, will be elaborated in Chapter 4: Risk Management.



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3.1 The Identification of Climate and Natural Opportunity

Climate and Natural Opportunity

In promoting climate change adaptation and natural environmental protection initiatives, the Bank actively identifies and assesses potential opportunities related to climate and nature, referencing the IFRS S1/S2 Sustainability Disclosure Standards. We also continuously develop sustainable financial products and innovative solutions with strong growth potential.



1.Opportunity Identification

We actively identify and assess potential climate and nature-related opportunities by referencing the IFRS S1/S2 Sustainability Disclosure Standards, TCFD and TNFD guidance, peer reports, investor concerns, external ratings, and industry research reports.



2.Measurement and Evaluation

The Bank has established a standardized process. It convenes relevant departments to use questionnaires to evaluate potential opportunities related to operations and business. This involves assessing and prioritizing the potential financial impact and likelihood of occurrence of these opportunities in the current and future periods, based on relevant issues. The Bank regularly measures the impact of climate and nature-related opportunities on its operations.



3.Strategy Integration

Based on the results of our measurements and evaluations, relevant departments are asked to formulate climate and nature opportunity strategies. These strategies include developing new products or services, adjusting business models, and collaborating with other organizations.



4.Target Execution

After formulating strategies, goals and concrete action plans are set, and the Bank continues to monitor for developing business opportunities.

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Opportunity Types	Description of Significant Opportunities	Impacts and Effects	Affected Value Chain	Financial Impact Level	Probability of Occurrence	Impact Period	Issue Domains
Material Opportunities							
 Efficient Energy Use	Benefits of Enhanced Resource and Energy Efficiency for the Bank	By replacing older equipment and adopting energy-efficient technologies, the Bank can improve energy efficiency, leading to reduced operational costs and supporting its 2040 net-zero operational emissions target.	Own Operations	Low	High	Short term	Climate
 Market Opportunities	Benefits of Green Investment and Financing for the Bank	The growing market emphasis on green initiatives and the increased demand for investment and financing in related industries create high-potential growth opportunities for the Bank. By supporting green industries such as solar power, wind power, "fishery-electricity symbiosis," and water resource recycling, the Bank can not only enhance its reputation and image but also promote local green employment and effectively leverage its financial influence to drive industrial upgrading.	Investment Business	Medium	Medium	Medium term	Climate
 Products and Services	Benefits for the Bank from Engaging with Investee and Loan Recipients on Climate Issues and Actions	Through engagement actions, the Bank can drive the transition of high-carbon industry investees, thereby reducing climate risk and safeguarding investment and financing income like dividends and interest. As international investment and financing engagement activities increase, the demand for transformation will stimulate the capital needs of investees and loan recipients, thus boosting revenue from investment, financing, and underwriting businesses, leading to high-potential growth opportunities.	Investment Business Financial Products and Services	Medium	Medium	Short term	Climate

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Opportunity Types	Description of Significant Opportunities	Impacts and Effects	Affected Value Chain	Financial Impact Level	Probability of Occurrence	Impact Period	Issue Domains
Other Opportunities							
 Products and Services	Benefits for the Bank from Nature and Biodiversity-Related Investment, Financing, Products, and Services	Investing in and financing nature and biodiversity-related projects and offering corresponding products helps to enhance the Bank's brand value and competitiveness. This is increasingly crucial as international trends place greater emphasis on these issues, leading to increased attention from investee companies. Consequently, this creates potential new revenue streams and growth momentum for the Bank.	Investment Business Financial Products and Services	Medium	Medium	Long term	Nature
	Benefits for the Bank from Promoting Green Procurement and Supply Chain Management	Promoting green procurement and supply chain management helps to conserve resources and enhance the corporate image, while also meeting regulatory expectations.	Supply Chain Own Operations	Low	Low	Short term	Climate
	Benefits for the Bank from Offering Green and Sustainable Financial Products and Services	Actively engaging in green financial products and low-carbon economy value services helps attract specific potential clients. This is expected to generate significant underwriting fee income and promote sustainable operations.	Financial Products and Services	Medium	Medium	Short term	Climate

Notes: 1. Probability of Occurrence: Low: Unlikely to occur; Medium: Possible to occur; High: Very likely to occur.
2. Financial Impact Level: Low: Less than 1% of the average consolidated net profit after tax for the past three years; Medium: Between 1% and 2.5% of the average consolidated net profit after tax for the past three years; High: Greater than 2.5% of the average consolidated net profit after tax for the past three years.
3. Impact Period: Short-term: May occur within 3 years (inclusive); Medium-term: May occur within 3 to 10 years; Long-term: May occur after 10 years.

Our final analysis reveals three material climate and nature-related opportunities: efficient energy use, market opportunities, and products and services. The Bank has developed response strategies and management measures for each of these and continues to monitor developing business opportunities.

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3.2 Transformation Strategy

As one of the important commercial banks in Taiwan, the Bank wields significant influence across various personal financial services—including deposits, lending, diverse payment solutions, credit cards, and wealth management—as well as in providing optimized financial solutions for domestic and international enterprises. While the direct impact of climate and natural environmental changes on the banking industry may be less severe than on high-carbon emission industries, financial activities are closely intertwined with the lives of stakeholders. Therefore, the Bank believes it is essential to formulate comprehensive management strategies and response mechanisms for the risks posed by climate change and natural capital loss. This will allow us to effectively uphold the spirit of responsible investment and maximize sustainability benefits.

To address this, the Bank conducted cross-departmental discussions and a strategic feasibility study. As a result, we've formulated strategies around Responsible Investment, Sustainable Lending, Stewardship and Engagement, and Promoting of Green Deposit, all of which will be executed by the relevant responsible units.

The aforementioned transition strategies are not only aimed at adapting to the potential risks within our own operations but also at leveraging our influence in the capital market. This is to ensure participants progressively recognize the importance of sustainability issues and, in turn, identify opportunities for developing sustainable businesses.

Additionally, starting in 2024, the Bank has been providing clients with an "Enterprise ESG Information and Sustainable Economic Activities Self-Assessment Questionnaire." This initiative not only helps clients with preliminary carbon emission estimations but also guides them in self-classifying their activities according to the "Reference Guidelines for the Recognition of Sustainable Economic Activities." Through this, the Bank aims to promote the transformation of enterprises towards a sustainable economic model and foster carbon reduction efforts. The Bank plans to continuously expand the scope of assessment using these guidelines to more comprehensively drive corporate sustainable transformation.

3.2.1 Strategy 1: Responsible Investment

The Bank has an internal "Policy for Responsible Investment" which governs the target items for its investments in equity securities measured at fair value through other comprehensive income (FVOCI) and banking book securities. Based on this policy, the Bank conducts pre-investment evaluations and post-investment management.

Establishing an Exclusion List

Specifically, when evaluating potential investment targets, the Bank considers key Environmental, Social, and Governance (ESG) factors. The Bank avoids investing in entities whose primary business activities are demonstrably involved in significant environmental pollution, social controversies, or poor corporate governance, and where there is concrete evidence of involvement in the following areas, and where they have been penalized by regulatory authorities or international organizations with no visible improvement:

1. Environmental Aspect: Coal mining industry
2. Social Aspect: Industries with concrete evidence of significant involvement in pornography, illegal drugs, money laundering, financing terrorism, slave labor, child labor, or human rights violations.
3. Corporate Governance Aspect: Industries where there is concrete evidence of the board of directors' execution of duties violating laws, articles of incorporation, or resolutions of the shareholders' meeting, thereby having a significant impact on the rights and interests of shareholders or investors.

If an investment target is involved in high-carbon emission industries such as coal mining, coal-fired power generation, or thermal power generation, and has been penalized by a regulatory authority for environmental pollution within the last year, the Bank will review whether the target has developed a relevant improvement plan and evaluate whether to continue holding the investment.



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Investment Target Evaluation Procedures

The Bank also continues to monitor, analyze, and evaluate relevant information regarding its investment targets post-investment. Should an investment target meet the aforementioned exclusion criteria during the investment period, the Bank will immediately review and assess whether the target has relevant improvements or plans in place. This assessment will then detail whether the Bank's investment strategy will be altered in the evaluation report. The assessment and management process is as follows:



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3.2.2 Strategy 2: Sustainable Lending

The Bank creates positive sustainable impact through its funding and financial services, voluntarily adhering to the Principles for Responsible Banking. We integrate environmental, social, and governance (ESG) factors into our risk assessment and lending decision-making processes to achieve sustainable development goals and mitigate credit risks arising from climate change. To embed our sustainable development philosophy into our lending business, the Bank has established "Lending Policies" and "Sustainable Lending Guidelines." These policies stipulate that when processing loan applications, our sales, credit investigation, and review personnel must consider the relevant impacts of the borrower's business activities on environmental, social, and governance aspects. This is done in conjunction with the 5 P's of Lending principle, allowing for a comprehensive judgment to prevent potential credit risks and effectively leverage the banking industry's influence to support societal sustainable development.

Sustainable Lending Management Process

To align with international sustainable development trends and KGI Financial's "Sustainable Finance Commitment," the Bank has adopted the following lending strategies and corresponding measures for relevant industries:

1. For industries and activities deemed highly controversial—including tropical rainforest logging, tobacco, PCBs (polychlorinated biphenyls), illegal gambling, pornography, illegal drugs, nuclear weapons, money laundering, financing terrorism, slave labor, child labor, or human rights violations—the Bank will not engage in any new business. For existing exposures, relationships will be terminated within a specified period.
2. For industries identified as highly sensitive—including energy, mining, forestry, transportation, agriculture, and animal husbandry—the Bank will conduct a prudent evaluation before engagement. Following engagement, the Bank will continuously monitor the management of ESG-related issues.
3. The Bank will cease support for project financing of new extraction projects and the continued expansion of existing projects in fuel coal-related industries and unconventional oil and gas-related industries.
4. For other high-carbon emission industries, the Bank should gradually reduce its lending exposure in accordance with decarbonization principles. Furthermore, the borrower's plans for energy conservation and carbon reduction should be incorporated into the lending considerations.

Furthermore, if significant and notable ESG risks or severe negative information are identified, their impact should be assessed during the credit investigation and lending approval process. These findings must be documented in the credit investigation report or credit risk review report, and corresponding approval conditions may be set based on the individual case.

When a loan application is submitted, the Bank, in accordance with the Joint Credit Information Center's "Guidelines for Reporting Loan Data by Financial Institutions," discloses relevant information in the credit risk assessment report. This includes details on green loans, sustainability-linked loans, ESG ratings, corporate carbon emissions and carbon intensity, and avoided carbon emissions from renewable energy project financing. Furthermore, the Bank utilizes a "Sustainability Risk Assessment Checklist" to aid in the review. If any of the situations listed in the checklist occur concerning the counterparty or a group member, the Bank will request the borrower to explain whether they have an improvement or transformation plan.

1. Industries identified by KGI Financial as high-carbon emission industries.
2. Has been involved in highly sensitive industries and climate change-related issues within the past three years.
3. Within the past three years, there have been negative incidents related to environmental protection, corporate social responsibility, and corporate governance.

Concurrently, the Bank references the "Reference Guidelines for the Recognition of Sustainable Economic Activities" to evaluate the sustainability of loan applications. This aligns with regulatory policy to channel funds towards sustainable economic activities, thereby driving corporate sustainable development and carbon reduction transformation.

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Become The Best Partner of High-quality Green Enterprises

When evaluating loan applications, the Bank will assess whether the borrower is diligently fulfilling its environmental protection, social responsibility, and corporate integrity commitments. We will then provide appropriate preferential terms and incentives to well-performing enterprises. Our specific measures are as follows:

1. In our lending business, we prioritize supporting green energy industries such as alternative energy, water resources, and environmental pollution control. For forward-looking enterprises committed to reducing energy consumption, minimizing pollution, or introducing environmentally friendly facilities, the Bank will provide appropriate financing assistance and preferential terms. Regarding general enterprises outside the green energy sector, we also encourage loan applicants to dedicate efforts towards environmentally friendly products or equipment, energy-saving or energy-storage equipment, green production mechanisms, and pollution reduction. We will extend appropriate assistance and incentives for these endeavors as well.
2. For land and buildings pledged as loan collateral, we encourage borrowers to offer collateral that has a positive impact on the environment or resource utilization, such as green buildings. Conversely, if the collateral has a potential negative impact on the ecological environment, we will carefully evaluate and avoid accepting it.
3. For enterprises that fail to meet environmental regulations, are involved in labor disputes, or have corporate governance issues, and lack a concrete improvement plan, the Bank will generally not approve new lending. For existing clients, we will require the enterprise to make improvements. If a non-cooperative enterprise is assessed to have a significant impact on the Bank's operations and its loan exposure, we will not provide additional loans or will gradually recall existing loans, thereby assisting and encouraging enterprises to strengthen their commitment to environmental protection and corporate social responsibility.

Specific Project Loan

For large credit cases exceeding USD 10 million to industries identified as high water consumption and high pollution.

All credit investigation reports must include a feasibility analysis of environmental regulations.

For project financing cases involving mining, infrastructure, oil and gas, and energy sectors, with a lending exposure of USD 50 million or more.

If our assessment identifies environmental and social risks, the Bank will proceed in accordance with the Equator Principles 4.0 (as announced by the Bankers Association). This approach aligns with our green finance and industry sustainable development goals, actively encouraging industries to pursue sustainable development and achieve

In response to the government's energy policy goals and in alignment with the Financial Supervisory Commission's "Green Finance Action Plan 3.0" and the National Development Council's 12 key strategies outlined in the "2050 Net-Zero Emissions Pathway," the Bank has actively participated in financing renewable energy power plant projects, including solar and offshore wind power, since 2016. The Bank has been involved in landmark large-scale renewable energy power plant financing initiatives, actively investing in products, technologies, and processes that embody eco-efficiency and circular economy adaptation. This commitment aims to foster the sustainable operation of Taiwan's green energy industry.

In 2024, the Bank's cumulative green lending balance for industries aligned with the "12 Key Strategies" outlined in the "2050 Net-Zero Emissions Pathway" reached NT\$29.67 billion. The largest portion of this lending, totaling 60 credit cases with a balance of approximately NT\$21.284 billion, was allocated to wind and solar power-related applications. Additionally, credit cases related to Net-Zero Green Living accounted for 14 cases, with a lending balance of roughly NT\$4.44 billion. Lending for power system and energy storage applications amounted to approximately NT\$1.749 billion, and credit cases for energy-saving applications also reached around NT\$1.57 billion.

Sustainable Lending Policy Implementation Status

1

The Bank's green lending balance reached NT\$29.67 billion in December 2024, representing a significant 73.78% increase compared to December 2023.

2

The Bank's syndicated loan exposure to coal-fired power plants has matured, and the Bank does not intend to renew its participation in these facilities.

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3.2.3 Strategy 3: Stewardship and Engagement

Before engaging in any investment or lending activities, having a comprehensive evaluation mechanism is crucial for accurately screening potential targets. This not only maximizes the Bank's and its shareholders' interests but also ensures capital is provided to enterprises that prioritize environmental protection and eco-friendliness, creating a win-win situation. Both the Bank's Responsible Investment Strategy and Sustainable Lending Strategy place significant emphasis on these pre-investment and pre-lending assessment procedures. This approach effectively enhances the resilience of the Bank's investment and lending portfolios while simultaneously helping high-quality enterprises secure necessary funding.

As awareness of sustainable finance and responsible investment continues to grow, stewardship has increasingly become a key focus for financial institutions and investors. The Bank is actively committed to this by engaging with investee companies post-investment, helping them move towards sustainable development goals. This approach allows the Bank to exert its influence within the financial system.

Stewardship Principles

The Bank adheres to the "Stewardship Principles for Institutional Investors" and has outlined six key principles for its implementation. Here's a summary of the main points:

Stewardship Principles		Summary of Key Implementation Points
Principle 1	Establish and Disclose a Stewardship Policy	The Bank publicly affirms its adherence to the "Stewardship Principles for Institutional Investors." Our comprehensive stewardship policies are transparently disclosed on our official website, specifically within the Corporate Governance section under "Institutional Investor Stewardship." (https://www.kgibank.com.tw/zh-tw/about-us/corporate-governance)
Principle 2	Establish and Disclose a Conflict of Interest Management Policy	The Bank publicly affirms its adherence to the "Stewardship Principles for Institutional Investors." To ensure that the Bank conducts its operations solely in the best interest of shareholders and to prevent conflicts of interest, its relevant conflict of interest management policy is disclosed on its official website, specifically within the Corporate Governance section under "Institutional Investor Stewardship." For example, this policy stipulates that, unless otherwise provided by law, the Bank shall not acquire for its own account any securities that it underwrites or distributes during the underwriting period. Regarding conflict of interest management for employees, the Bank's personnel are prohibited from engaging in any activities in their own name or on behalf of others that create a conflict of interest. This includes actions such as lending funds, significant asset transactions, providing guarantees, or other transactional dealings that could lead to such conflicts.
Principle 3	Continuously Monitor Investee Companies	To ensure that the Bank obtains sufficient and effective information for assessing the nature, timing, and extent of conversation and interaction with invested businesses, and to establish a solid foundation for the Bank's investment decisions, we focus on invested businesses includes various aspects such as relevant news, financial performance, industry overview, operational strategies, environmental conservation efforts, social responsibility and labor rights, as well as corporate governance issues.

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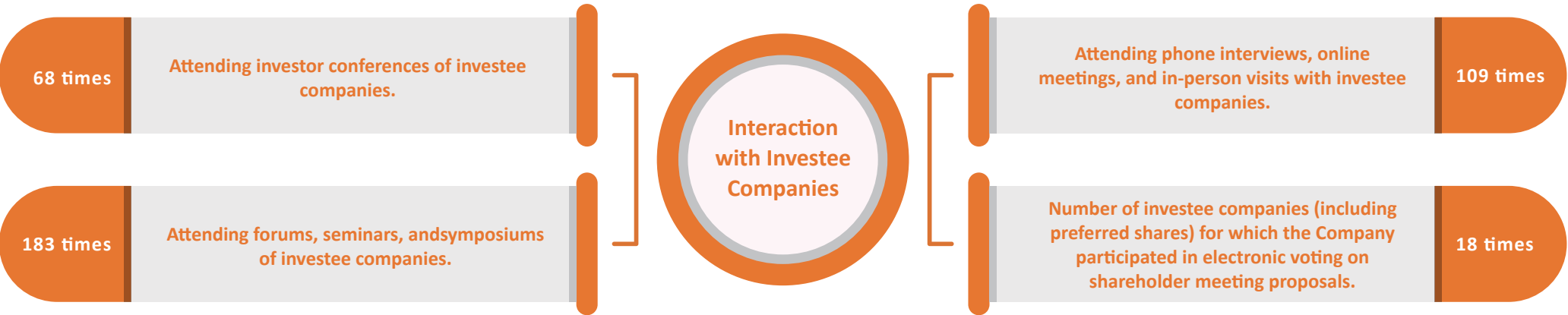
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Stewardship Principles		Summary of Key Implementation Points
Principle 4	Engage and Interact Appropriately with Investee Companies	Through appropriate conversation and interaction with the invested companies, the Bank is able to further understand and communicate the risks and strategies the management faces in the industry as well as to commit to achieving a consensus with the invested companies. Every year, the Bank communicates with the management of the invested company through phone conferences, face-to-face meetings, participation in investor conferences, or sending staff to participate in shareholders' regular meetings or important extraordinary shareholders' meetings.
Principle 5	Establish and Disclose a Clear Voting Policy and Voting Records	To best serve the interests of our capital providers, the Bank has established a clear voting policy. We actively participate in voting on proposals at shareholder meetings and do not automatically support those put forward by management. The detailed regulations have been publicly disclosed in the Corporate Governance section of the Bank's official website.
Principle 6	Periodically Disclose the Execution of Stewardship Responsibilities	The Bank discloses the performance of stewardship governance on its website or annual report, which is updated at least once a year.

The Compliance Target of Stewardship Governance

In order to utilize stewardship governance resources effectively, the Bank invests with its own funds or acts as a trustee with the right to exercise decision-making power over trust assets. It also invests in securities of domestic companies (including but not limited to listed companies, OTC companies, emerging OTC companies, or public offering companies), holding more than 5% (including 5%) of issued shares; it also holds invested stocks of financial assets at fair value through other comprehensive income (FVOCI) for more than one year and the amount of which reaches NTD\$300 million and should perform stewardship governance actions.

The Stewardship Governance Performance of the Bank in 2024:



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3.2.4 Strategy 4: Promoting Green Deposit

The Bank upholds the spirit of sustainable development and environmental protection. While expanding our business, we also aim to fulfill our corporate social responsibility. Therefore, we've launched a Green Deposit program. All funds from these deposits are fully allocated to loans or related lending needs within the scope of the Green Deposit program, guiding corporate capital towards sustainable development.

Green Deposit Program and Projected Use of Funds

The Bank will utilize the funds from green deposits for various projects worldwide that align with the Green Bond Principles, or for financing services that meet the criteria for "Green Loans" as recognized and reported by the Joint Credit Information Center (JCIC). In accordance with the Green Bond Principles (GBP) established by the International Capital Market Association (ICMA) and the regulations for "Green Loan" notations by the JCIC, we have developed the "KGI Bank Green Deposit Plan". This program outlines the use of green deposit funds, criteria for selecting financing recipients, and the scope of eligible projects. This program has also been independently assured and reviewed by a third-party accounting firm.

The following table outlines the loan categories, projects, and planned environmental benefits of green deposit allocations:

Category	Project Items	Expected Generated Benefits to the Environment	Actual Investment Ratio	Amount of Investment (NT\$ 100 Million)
 Renewable energy and energy technology development	Renewable energy site financing	The Bank aligns with the government's energy policy by investing in financing cases for renewable energy projects that comply with Taiwan's Renewable Energy Development Act. By greening Taiwan's power grid through renewable energy generation, the Bank aims to achieve the green benefit of reducing carbon emissions. The funds raised this time have been lent to 38 renewable energy power generation projects, resulting in an estimated carbon reduction of approximately 190,000 metric tons of CO ₂ e.	87.88%	36.42
 Pollution prevention and control	Sewage treatment equipment financing	The Bank invests capital in financing projects that enhance wastewater treatment and recycling capabilities and reduce wastewater discharge, aiming for the green benefit of minimizing water resource waste. The primary use of these funds is for the construction of sewage treatment plants, reclaimed water plants, and water transmission and distribution pipelines.	12.12%	5.02
Total			100%	41.44

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As a financial institution primarily engaged in deposit-taking, lending, and investment activities, the Bank’s risk management practices have traditionally focused on the identification, assessment, and management of established risk categories, including credit risk, market risk, operational risk, and interest rate risk. However, the intensifying impacts of climate change, increasing frequency of natural disasters, and heightened geopolitical tensions are introducing new categories of emerging risks. These risks are characterized by high volatility, limited historical data, and significant uncertainty, which complicates traditional risk quantification methods. Such emerging risks may pose substantial adverse impacts on the Bank’s financial performance, operational resilience, and strategic positioning. In response, and in alignment with the risk governance framework of KGI Financial, the Bank conducts periodic assessments of emerging risks that are deemed to be material. These assessments aim to proactively identify and evaluate the potential impact of evolving environmental, social, and geopolitical factors on the Bank’s overall risk profile. To strengthen our management of climate-related risks, the Bank has established a Climate Risk Management Guidelines in accordance with the Financial Supervisory Commission’s Guidelines for Domestic Banks Climate Risk Financial Disclosure, and with reference to the Bankers Association’s Domestic Banks’ Climate-Related Risk Management Practice Handbook. This Guideline provides a structured approach for managing climate risks, encompassing: risk identification, risk assessment, risk control and mitigation. Through this integrated framework, the Bank seeks to enhance its ability to anticipate and respond to climate and nature-related risks, thereby ensuring prudent risk governance, long-term stability, and sustainable growth.

The Bank has adopted the Three Lines of Defense principle as the foundational framework for managing climate-related risks. Each line of defense plays a defined role in identifying, assessing, mitigating, and monitoring climate and nature-related risks to ensure the effectiveness and integrity of the overall risk management framework.

The Three Lines of Defense Risk Management Responsibilities

	First Line of Defense Business Unit	<ul style="list-style-type: none">• Business units involved in the Bank’s operational activities—including corporate banking, retail banking, financial markets and investment trading.• Identifying, assessing, managing, and mitigating climate and nature-related risks arising from their operations.• Aligning operational activities with the Bank’s climate and nature risk management objectives. Implementing relevant policies	1
	Second Line of Defense Management Unit	<ul style="list-style-type: none">• Comprising departments such as risk management, operations management, compliance, finance, credit/investment management, human resources, and other functional management units.• Integrating climate and nature-related risks into the Bank’s internal risk management policies, procedures, and governance frameworks within their respective areas of oversight.• Facilitating internal coordination and communication on climate and nature risk management issues.• Closely collaborating with business units to monitor and ensure the effective execution of climate and nature-related risk controls.	2
	Third Line of Defense Audit Unit	<ul style="list-style-type: none">• Auditing and evaluating the effectiveness of the risk management and internal control systems, and offers improvement recommendations where necessary.	3

The Board of Directors and senior management retain ultimate accountability for the effectiveness of the three-lines principle. They are responsible for ensuring that the organizational structure supports this principle and for overseeing its proper implementation and continual enhancement.

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Climate and Nature Risk Identification Process

According to the TCFD and TNFD frameworks, climate- and nature-related risks are broadly categorized into two types: physical risks, which arise from the impacts of climate change and alterations in the natural environment such as extreme weather events that may cause damage to physical assets or disrupt business operations; transition risks, which relate to the shift toward a low-carbon economy and nature-positive outcomes, refer to risks arising from changes in policy, regulatory obligations, technologies, and market shifts associated with efforts to mitigate climate change and reduce alterations in the natural environment. The Bank identifies potential climate- and nature-related risks and aligns them with existing risk categories. These risks are progressively embedded into the Bank’s risk management processes through a comprehensive framework covering identification, assessment, and control. While pursuing profitability, the Bank remains committed to minimizing environmental impacts and advancing sustainable economic development and environmental stewardship.



1.Risk Identification

Starting from physical risks, transition risks, and regulatory/policy risks, the Bank focuses on its own operations, investment and financing activities, supply chain management, and financial product business. By referencing the IFRS S1/S2 sustainability disclosure standards, TCFD and TNFD guidance, investor concerns reflected in peer disclosures, external evaluations, and industry research reports, the Bank identifies potential exposures and assesses climate- and nature-related risks.



2.Measurement and Evaluation

The Bank has established standardized processes and assessment criteria, convening relevant departments to evaluate potential operational and business risks through questionnaires. Based on material topics, the Bank assesses and prioritizes the potential financial impacts and likelihood of occurrence in both the short and long term, and regularly evaluates the effects of climate- and nature-related risks on its operations. Scenario analyses of physical and transition risks are conducted to assess the potential impact of climate- and nature-related risks on the Bank’s business.



3.Risk Control

Based on the results of measurement and evaluation, relevant departments are instructed to adopt appropriate strategies to avoid, mitigate, transfer, or control identified risks through differentiated risk management measures, including:

1. Formulate response strategies and management measures.
2. Implement and monitor business continuity management.
3. Apply avoidance, mitigation, transfer, or control strategies to identified risk factors.



4.Information Disclosure

Regularly reports the results of climate- and nature-related risk management to the Risk Management Committee and the Board of Directors. Through external disclosures, the Bank enables stakeholders to gain a comprehensive understanding of its strategies for identifying, assessing, and managing these risks.

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Risk Types	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Financial Impact Level	Probability of Occurrence	Impact Period	Responses	Issue Domains
Material Risk								
Policy Regulatory	Impacts of regulatory requirements on carbon emissions and other climate-related disclosures on the Bank 's own operations	Anticipated climate regulations—such as renewable energy mandates and emissions targets—are likely to impose compliance obligations and potential penalties. The Bank is monitoring these developments and proactively aligning internal policies to ensure compliance. No financial losses have been incurred to date, though such regulatory risks remain material going forward.	Own operations	Medium	High	Short, medium and long -term	In response to increasing regulatory pressure and compliance risks related to climate policy, the Bank is closely monitoring policy trends and enhancing internal processes and governance. Efforts focus on aligning with expected requirements for renewable electricity use and carbon management to maintain operational stability and cost efficiency, while mitigating future financial risks.	Climate
	Impacts of climate-related regulations, market preferences, and low-carbon technology transition on the Bank's investment, lending, and financial products and services	Failure to respond effectively to climate regulations and market shifts—such as carbon pricing and green finance—may lead to penalties, higher costs, reduced investor confidence, and weakened competitiveness, impacting profitability and financial stability.	Investment business Financial products and services	Medium	Low	Short, medium and long -term	The Bank is adjusting product and client strategies to align with low-carbon market expectations, while closely monitoring policy developments to ensure timely compliance and mitigate financial and reputational risks.	Climate

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Risk Types	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Financial Impact Level	Probability of Occurrence	Impact Period	Responses	Issue Domains
Other Risk								
Acute physical risks Chronic physical risks	Impacts of increased frequency and severity of extreme weather events on the Bank’s investment and financing activities	The increasing frequency and severity of extreme weather events may disrupt the supply chains of investees and borrowers, leading to higher operating costs or even business interruption. These disruptions can put downward pressure on stock prices, trigger credit risk and liquidity challenges, and ultimately impact the Bank’s investment and financing portfolios and overall financial performance, increasing the risk of financial losses.	Investment business	Low	Low	Short-term	The Bank is strengthening climate risk assessment and monitoring of counterparties to better understand potential impacts and continuously adjust risk management strategies based on their resilience.	Climate
	Impacts of extreme weather events on the Bank’s operational sites	Extreme weather events may cause short-term disruptions at certain locations. However, due to the Bank’s regional diversification and disaster response plans, such impacts are considered limited with low financial materiality.	Own operations	Low	Low	Short-term	To strengthen crisis preparedness, the Bank has established emergency response frameworks, including the Business Crisis Response Measures and the Operational Continuity Management and Major Disaster Response Guideline. These serve as the primary protocols for emergency response execution. In addition, the Bank has formed both a Business Crisis Management Team and Operational Continuity Management and Major Disaster Response Team to ensure coordinated communication and response mechanisms. Disaster resilience is continuously enhanced through training, timely deployment of backup systems across all sites, and annual crisis simulation exercises to ensure swift recovery, protect customer interests, and minimize financial losses.	Climate

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Other Risk								
Acute physical risks Chronic physical risks	Impacts of climate-related disruptions to supply chains on the Bank	The Bank's IT vendors have contingency measures in place to address equipment damage from extreme weather. Key information service providers have been prioritized for assessment, and current data suggests low exposure to climate-related risks.	Supply chains	Low	Low	Short-term	Based on existing risk assessments, the Bank has identified critical IT suppliers and determined that climate risks are relatively manageable. Efforts will continue to strengthen supplier partnerships and backup plans to ensure service continuity and minimize supply chain disruptions.	Climate
Nature-related physical/transition risks	Impacts of investees' and borrowers' exposure to nature-related physical and transition risks on the Bank's investment and financing activities	Nature-related physical and transition risks may disrupt the operations of investees or their value chains, or reduce profitability due to transition costs, leading to stock price declines and investment losses. Although awareness of biodiversity is growing among institutional investors and issuers, regulatory disclosure requirements remain limited, and methodologies for assessing nature-related financial impacts in the local financial sector are still evolving. As such, these risks have not yet had a material impact.	Investment business	Low	Low	Long-term	The Bank continues to monitor developments in nature-related risks and integrates relevant considerations into engagement with investees and borrowers to strengthen risk management and sustainability resilience.	Nature

Notes: 1. Probability of Occurrence: Low: Unlikely to occur; Medium: Possible to occur; High: Very likely to occur.
2. Financial Impact Level: Low: Less than 1% of the average consolidated net profit after tax for the past three years; Medium: Between 1% and 2.5% of the average consolidated net profit after tax for the past three years; High: Greater than 2.5% of the average consolidated net profit after tax for the past three years.
3. Impact Period: Short-term: May occur within 3 years (inclusive); Medium-term: May occur within 3 to 10 years; Long-term: May occur after 10 years.

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Major Climate Disaster Response Measures and Business Continuity Mechanisms

To reduce the impact of extreme weather and major disasters, the Bank has established the Business Crisis Response Measures and Operational Continuity Management and Major Disaster Response Guidelines, ensuring a comprehensive response and business continuity system for swift action and operational stability.

Annual Business Impact Analysis (BIA) and Risk Assessment (RA) evaluate disruption impacts and mitigation plans. Regular training and on-site drills—scheduled for the second half of 2024 with senior management oversight—enhance staff readiness and inform improvements. The Bank will continue strengthening its response capabilities to improve resilience and support sustainable development.

Clear protocols for pre-disaster prevention, emergency response, damage assessment, reporting, and recovery minimize facility damage and operational disruptions, maintaining stable operations.



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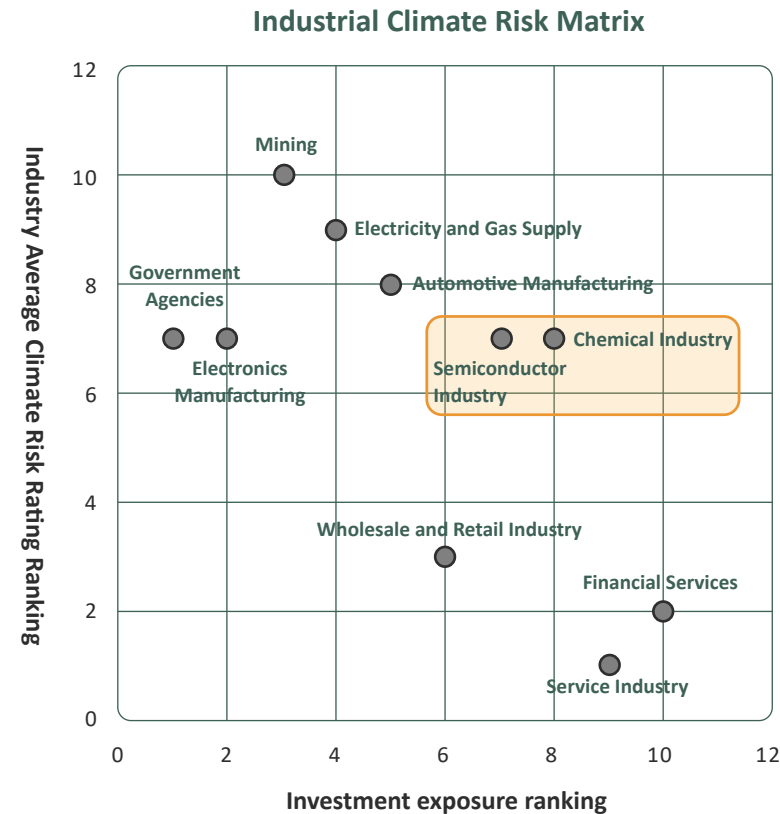
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4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure

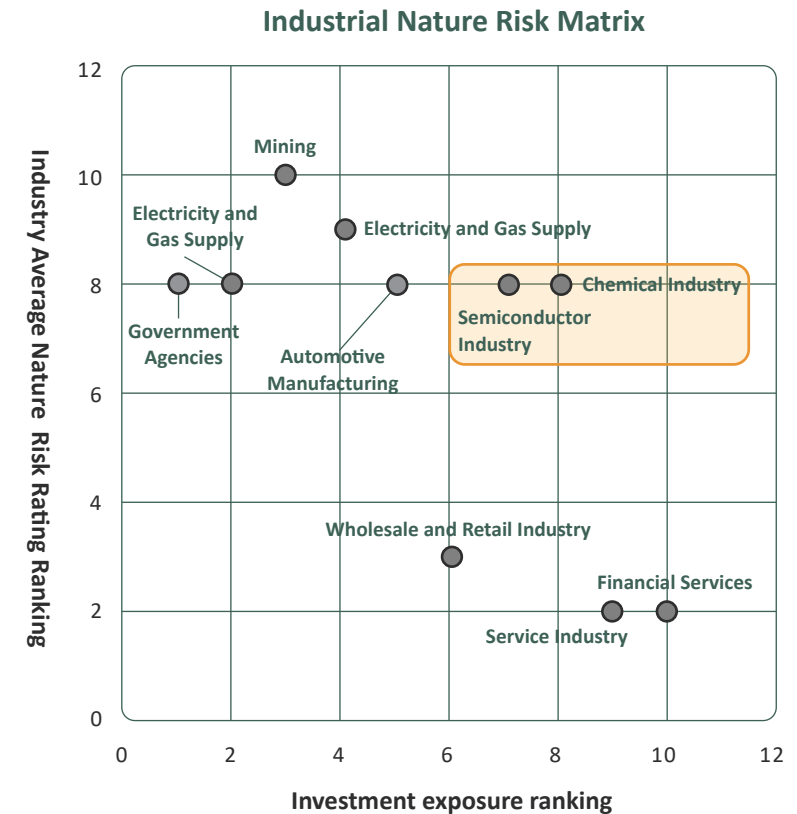
The Bank draws on Moody's environmental risk assessments to map the sectoral distribution of its investment and financing portfolios. By analyzing exposure levels and climate- and nature-related risk ratings, high-risk sectors are identified. Based on risk sensitivity, the Bank is developing sector-specific risk indicators to enhance climate and nature adaptation capacity and reduce potential financial impacts.

Investment Business Matrix

Key Climate Risk Focus Sectors – Chemical and Semiconductor Industries

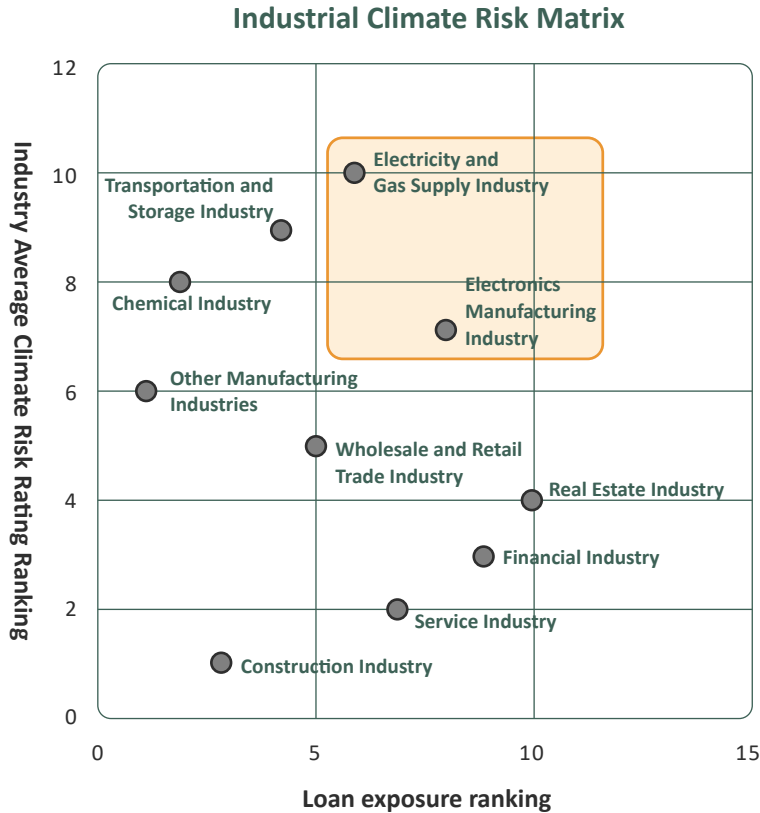


Key Nature Risk Focus Sectors – Chemical and Semiconductor Industries



Lending Business Matrix

Key Climate Risk Focus Sectors – Electricity and Gas Supply Industry and Electronics Manufacturing Industry



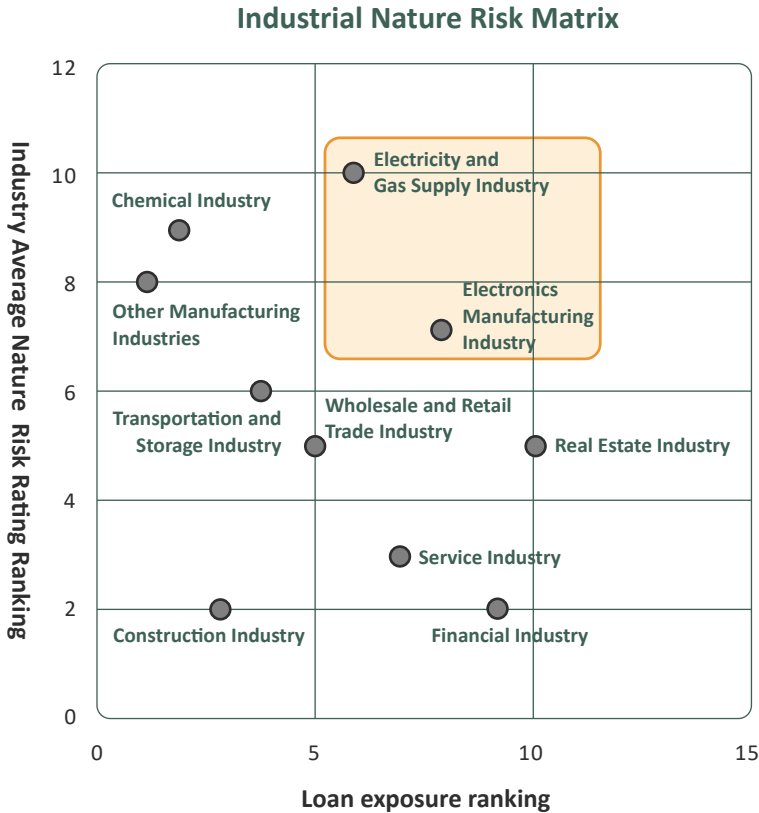
Management Mechanism for Priority Sectors

Based on the risk materiality matrix, the Bank has identified climate- and nature-sensitive sectors: in investments, the chemical and semiconductor industries; in lending, the electricity and gas supply and electronic manufacturing industries. Sector-specific management mechanisms and exposure limits are currently in place.

Among these, the chemical and electricity and gas supply industries are also classified by the KGI Financial as high carbon-emitting industries. Credit applications in these sectors must include a sustainability risk assessment checklist and carbon emission estimates. If ESG concerns are identified, applicants must submit a sustainability transition plan, with relevant disclosures incorporated into the credit risk review report to support lending decisions and portfolio adjustments.

For financed companies in the semiconductor and electronic manufacturing sectors, the Bank conducts enhanced risk assessments, considering ESG impacts. Priority is given to firms aligned with transition pathways or nature-positive objectives.

Key Nature Risk Focus Sectors – Electricity and Gas Supply Industry and Electronics Manufacturing Industry



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4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio

(1) Purpose of Analysis:

To assess the potential impact of climate change on the Bank’s asset exposures, a climate scenario analysis has been conducted in accordance with the Domestic Bank’s Climate Change Scenario Analysis Conduction Plan (hereinafter referred to as the “Scenario Analysis Conduction Plan”) issued by the regulatory authority. The analysis considers both domestic transition dynamics and the degree of climate risk, applying two distinct timeframes: a long-term scenario and a short-term scenario, each designed to evaluate the potential financial stress from climate-related events. The long-term scenario reflects the time horizon of climate change and aligns with banking business cycles, focusing on the years 2030 and 2050. The short-term scenario focuses on acute climate events that may occur within the next year.

(2) Long-Term Scenario:

The analysis covers four key asset categories, including domestic corporate lending, domestic consumer lending, foreign lending, and banking book investments. Each category is assessed under long-term stress scenarios using scenario assumptions and numerical factors to estimate the potential impact of climate change on individual exposures.

Climate Scenarios	Orderly	Disorderly	Too Little, Too Late
NGFS Scenario	Net Zero 2050	Delay Transition	Fragmented World
IPCC AR6 Scenario	SSP 1-1.9	SSP 1-2.6	SSP 2-4.5
The Description of Scenario Assumption	Implementing timely and gradual transition policies now to achieve net-zero emissions by 2050.	Continuing current policies with more stringent climate actions only starting around 2030. The transition is delayed or faces greater implementation challenges, though it still seeks to limit global warming to below 2°C by the end of the century.	Significant delays in climate action lead to heightened transition and physical risks. Due to the late start, emissions targets are not met, resulting in more severe global warming outcomes.
Expected Temperature Rise by the End of This Century	1.4°C	1.7°C	2.3°C
Transition Risk ^[Note]	Medium Risk	High Risk ^[Note]	High Risk ^[Note]
Physical Risk ^[Note]	Low Risk	Medium Risk	High Risk ^[Note]

Source: The Bank compiled the information according to Domestic Bank’s Climate Change Scenario Analysis Conduction Plan, NGFS Scenarios for central banks and supervisors.

Notes: This analysis is based on climate scenario data provided by the NGFS and assesses the relative levels of physical and transition risks under three climate scenarios. The disorderly transition scenario reflects high transition risk due to delayed early action, requiring rapid policy shifts that disrupt industrial structures and financial markets, increasing uncertainty around economic adaptation. The Too Little, Too Late scenario is also high risk, driven by postponed and fragmented policy implementation, which amplifies transition pressures across sectors and regions. Continued emissions growth further elevates physical risks, making overall risk exposure more complex and less predictable.

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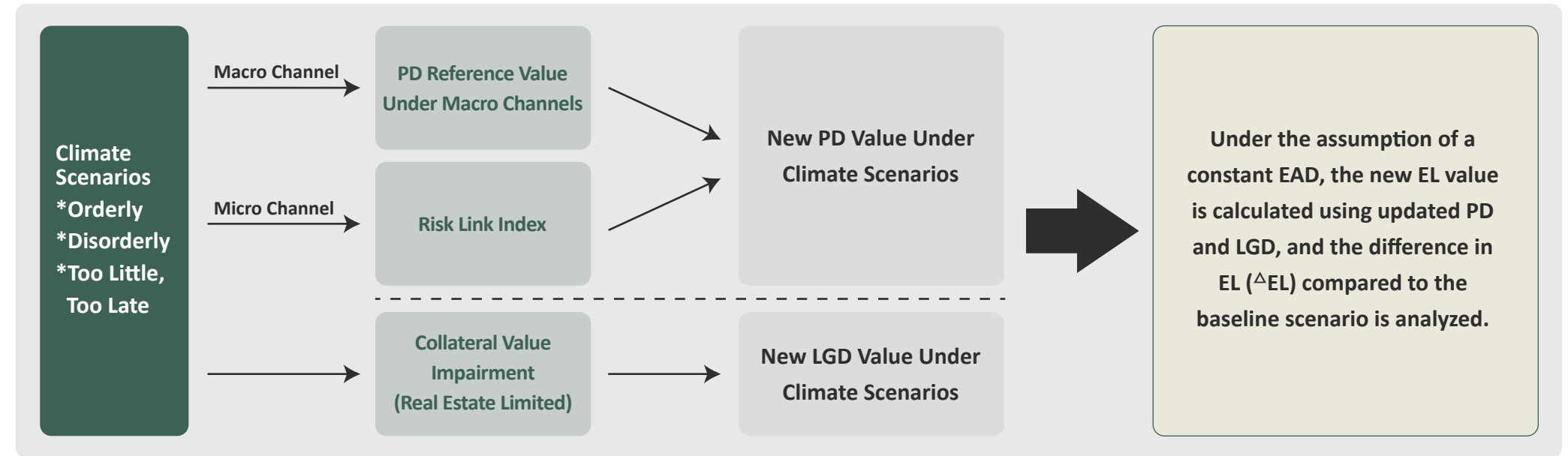
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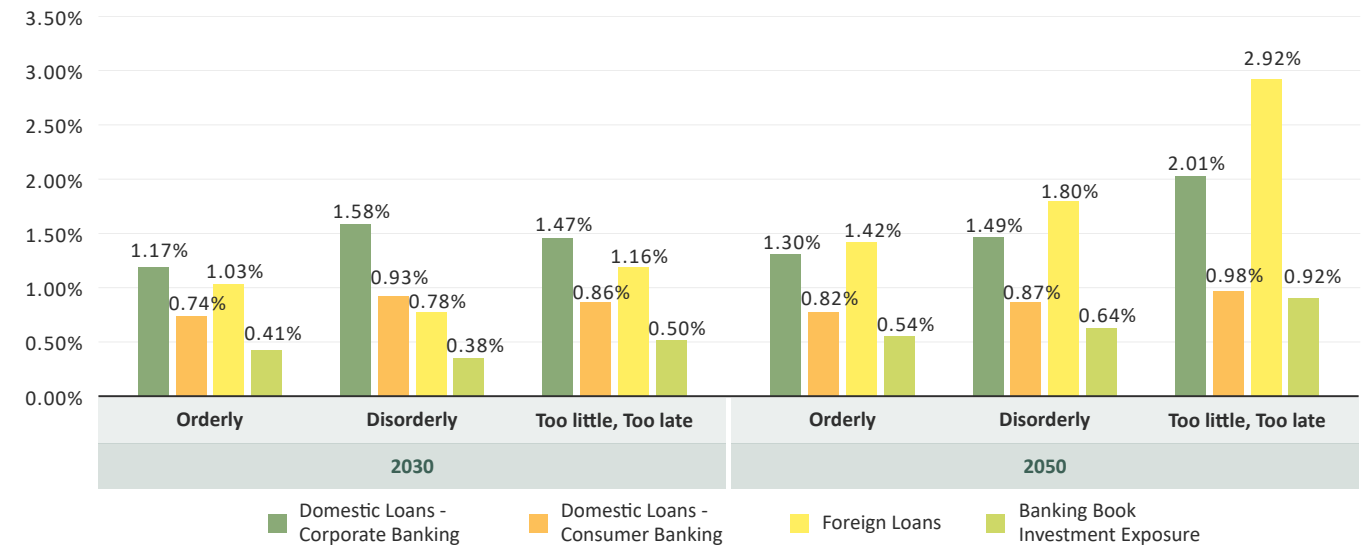
Process Analysis



Financial Quantitative Analysis

The analysis indicates that, across various scenarios in 2030, domestic credit exposures (including both corporate and individual lending) show the highest expected loss-to-exposure ratio, highlighting them as priority areas for mid-term climate risk management. As time progresses and transition scenarios become more stringent, asset loss risks driven by climate change are projected to increase. By 2050, under the too little, too late scenario, the Expected Loss-to-Exposure Ratio will be most significant for overseas credit exposures, followed by domestic credit exposures. Overall, a failure or significant delay in global transition efforts would elevate risk levels and financial loss pressures across the Bank's asset portfolios. To mitigate long-term impacts, the Bank will continue to monitor high-risk exposures under various climate scenarios, integrate climate risk considerations into investment and lending decision-making processes, and actively manage asset portfolios that may be affected by climate-related impacts.

Expected Loss-to-Exposure Ratio Under Each Scenario



Notes: Due to methodological assumptions and parameter settings based on different risk scenarios, the projected values are subject to uncertainty—especially for long-term scenarios, which cover extended time horizons. As such, the estimated expected losses under each scenario may not reflect actual future outcomes. Caution should be exercised when using or interpreting the analysis results, with full consideration of their limitations.

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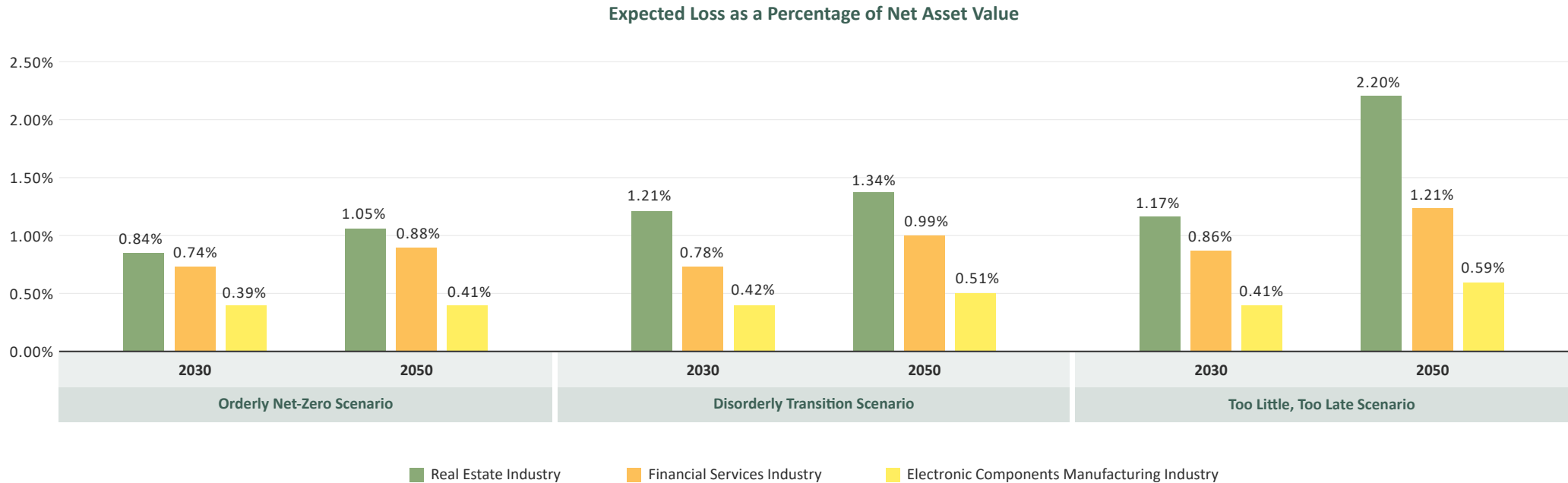
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Analysis of Industries with High Credit Concentration

Based on industry classifications announced by the Directorate-General of Budget, Accounting and Statistics, the Bank identified the top three industries with credit concentrations exceeding 8%: Real Estate, Financial Services, and Electronic Components Manufacturing. The Bank assesses the impacts of physical and transition risks on these high concentration sectors, calculating the expected loss (EL) as a proportion of net worth under various climate scenarios as detailed below:



Notes: The analysis methodology involves assumptions and parameters estimated under different risk scenarios. Due to the long-time horizons assessed in the long-term scenarios, the expected loss estimates carry inherent uncertainties and do not represent actual future outcomes. Users should be aware of these limitations when interpreting and using the results. Additionally, the Scenario Analysis Operational Plan applies higher stress intensities to account for climate impacts on real estate collateral and the construction industry, resulting in relatively higher EL for the real estate sector.

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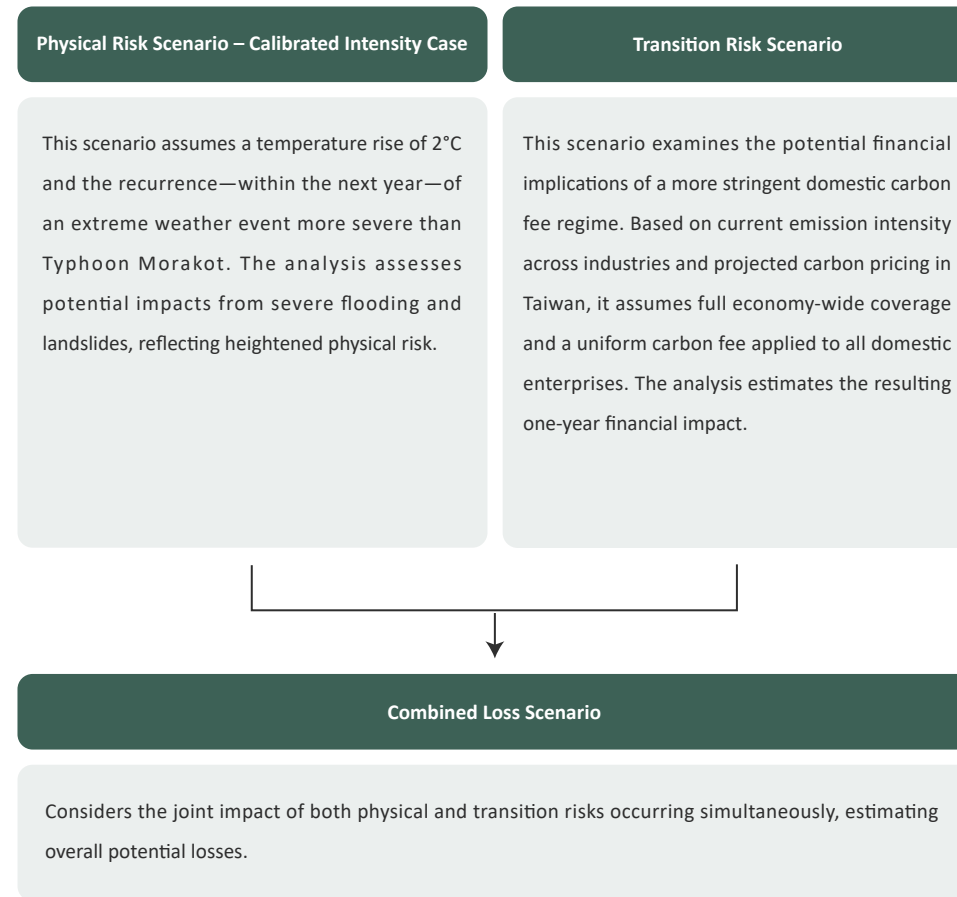
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(3) Short-Term Scenario Analysis

The short-term analysis focuses on domestic credit and investment exposures, evaluating the potential financial impacts from climate-related physical and transition risk events within the near future.



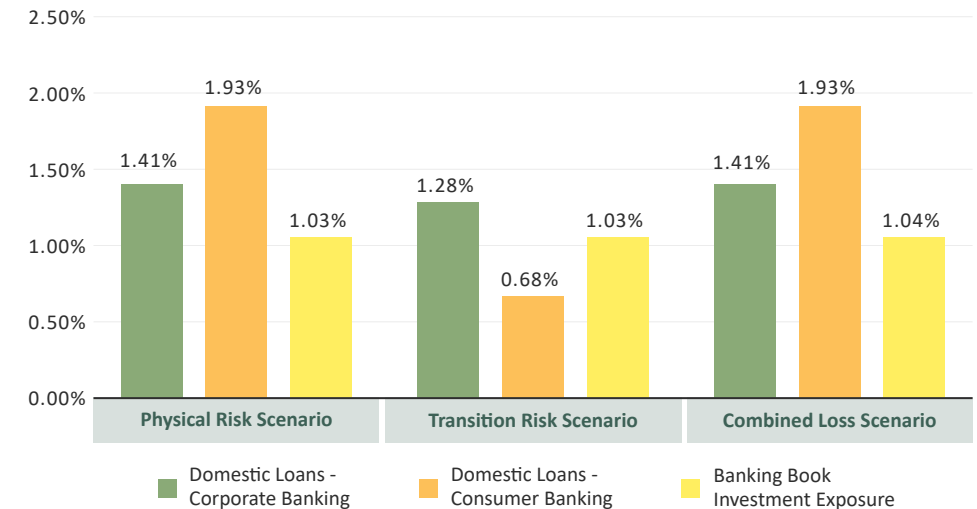
Financial Quantitative Analysis

Under the physical risk scenario, domestic personal lending shows the highest expected loss-to-exposure ratio. Flooding or landslides affecting collateral (e.g., residential real estate) may reduce asset value, weaken borrowers' repayment capacity, and increase default risk—making this a key short-term risk area.

In the transition risk scenario, domestic corporate loans are more vulnerable to energy price volatility from sudden policy changes or rising carbon costs.

Overall, considering both physical and transition climate impacts within the next year, Domestic Loans – Consumer Banking and Domestic Loans – Corporate Banking portfolios still face potential risks. The Bank will continue to strengthen its short-term climate risk early warning systems and rollingly review high-exposure assets to enhance asset quality and risk management capabilities.

Expected Loss-to-Exposure Ratio Under Each Scenario



Notes: Due to methodological assumptions and parameter settings based on different risk scenarios, the projected values are subject to uncertainty—especially for long-term scenarios, which cover extended time horizons. As such, the estimated expected losses under each scenario may not reflect actual future outcomes. Caution should be exercised when using or interpreting the analysis results, with full consideration of their limitations.

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Resilience Verification and Response Strategies




To ensure the Bank’s business strategy is well-prepared for various climate scenarios, we conducted climate risk quantification in line with the Scenario Analysis Implementation Plan. Risk indicators were developed across asset classes to assess portfolio resilience and monitor financial impact under different climate conditions.

For instance, expected losses (EL) under each scenario were compared with existing loan loss provisions to evaluate potential financial impact. The 2024 results showed all asset classes within the “Good Resilience” range, indicating no material financial stress and affirming the Bank’s strategy and asset allocation as climate-resilient.

The Bank will continue to monitor climate risks, enhance early-warning systems, and adjust risk management practices to strengthen preparedness for future climate challenges.

Resilience Verification Mechanism and Differentiated Management Measures

The Bank has developed tailored resilience assessment indicators based on asset characteristics. Resilience levels are categorized into three tiers: Good Resilience, Moderate Resilience, and Weak Resilience, with corresponding management responses defined for each level.

KGI Bank Climate Resilience Rating	Corresponding Management Action
<div> <div> <div>KGI BANK</div> <div>▶</div> <div>  <div> Good Resilience </div> </div> </div> </div>	Maintain current business strategy while continuing routine monitoring and management.
<div> <div>  <div> Moderate Resilience </div> </div> </div>	Asset-holding units are required to assess and explain the underlying risk drivers to relevant supervisors or risk management teams. If risks are identified as increasing, appropriate mitigation plans should be proposed.
<div> <div>  <div> Weak Resilience </div> </div> </div>	Immediate improvements required. Suspend additional lending or consider restructuring for high-loss clients or sectors.



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4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending

4.4.1 Climate Physical Risk Scenario Analysis

In response to the increasing frequency of extreme weather events, the Bank conducted a climate-related flood risk scenario analysis targeting its operational sites, investment properties, and real estate collateral to assess the potential financial impacts of physical climate risks on business operations and asset value. The analysis also quantifies potential losses to enhance climate risk preparedness.

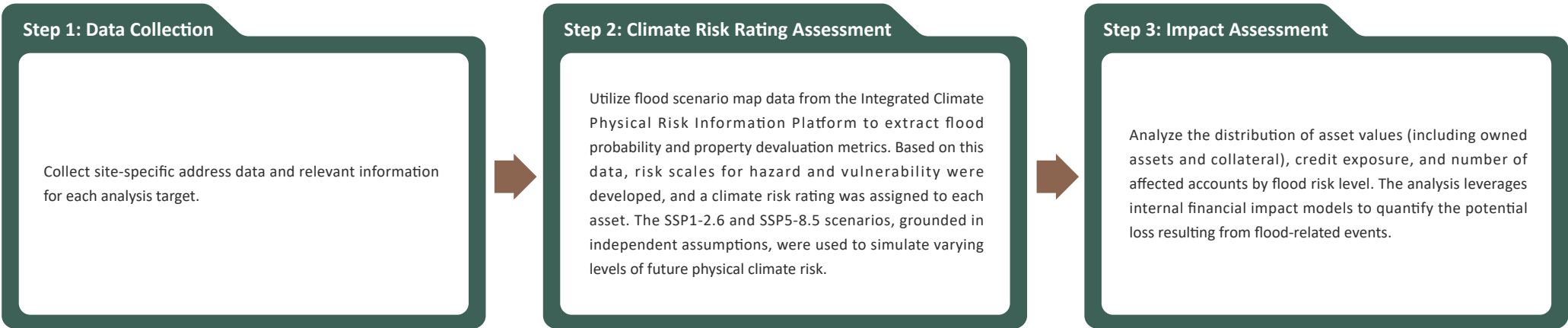
Analysis Items and Methodology:

(1) Assessment Scope:
Operational Sites, Investment Properties, Real Estate Collaterals of Corporate Banking, Real Estate Collaterals of Consumer Banking.

(2) Scenario Selection:
This assessment applies climate scenarios SSP1-2.6 and SSP5-8.5, as defined in the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6, 2021). Scenario-based geographic flood risk data was obtained from the Integrated Climate Physical Risk Information Platform for Financial Institutions (see table below for definitions).

(3) Risk Classification:
According to the risk classification method disclosed in the briefing session of the Integrated Climate Physical Risk Information Platform for Financial Institutions, hosted by the Joint Credit Information Center (JCIC), both hazard and vulnerability are categorized into five levels. A matrix is then used to determine five levels of flood-induced Collateral Devaluation (% of Property Value). Level 1 represents the relatively lowest risk, while Level 5 represents the highest. Level 5 is defined by the Group as a high-risk zone, and Level 4 as an area of concern.

(4) Analytical Process:



Risk Factor	Flood Hazard (Climate Risk)
Hazard	Probability of flood hazards under varying climate severity and geographic conditions.
Vulnerability	Potential impact of flooding across municipalities and building types.

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Financial Quantitative Analysis:

(1) Operational Sites:

The Bank conducted an assessment of its operational sites, incorporating factors such as building floor elevation and existing adaptation measures. Under both the SSP1-2.6 and SSP5-8.5 scenarios, no site fell within the highest risk category (Level 5). Approximately 69.23% of sites were classified as Level 3; however, the potential devaluation represented only 0.71% of the total property value, indicating a relatively low overall risk. To enhance resilience and manage business continuity risks, the Bank has implemented several response frameworks, including the Business Crisis Response Measures, Natural Disaster Prevention and Rescue Guidelines, and the Operational Continuity Management and Major Disaster Response Operational Guidelines.

Flooding Scenario Risk Level	SSP1-2.6		SSP5-8.5	
	Property Devaluation (% of Total Property Value)	Site Proportion (%)	Property Devaluation (% of Total Property Value)	Site Proportion (%)
Level 1	0.06%	23.08%	0.06%	23.08%
Level 2	0.03%	7.69%	0.03%	7.69%
Level 3	0.71%	69.23%	0.71%	69.23%
Level 4	-	-	-	-
Level 5	-	-	-	-

(2) Investment Properties

The Bank also assessed its investment properties under the same methodology. Across both scenarios, no property was classified under the highest risk level (Level 5). The results indicate that climate risk exposure remains within a manageable range. Adaptation measures have been applied consistently across investment properties, similar to those adopted for operational sites and collateral.

Flooding Scenario Risk Level	SSP1-2.6		SSP5-8.5	
	Property Devaluation (% of Total Property Value)	Proportion of Investment Properties (%)	Property Devaluation (% of Total Property Value)	Proportion of Investment Properties (%)
Level 1	0.05%	28.57%	0.05%	28.57%
Level 2	0.02%	7.14%	0.02%	7.14%
Level 3	0.58%	64.29%	0.58%	64.29%
Level 4	-	-	-	-
Level 5	-	-	-	-

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(3) Real Estate Collateral for Loans:

The financial impact estimates from this scenario analysis reflect the potential reduction in collateral value under specific climate-related disaster conditions. In practice, the Bank’s actual loan exposure typically constitutes only a portion of the collateral value. For example, the average loan-to-value ratio for consumer banking ranges between 70% and 75%, while for corporate banking—due to the diversity of collateral types—the ratio varies between 30% and 80%. While a decline in collateral value may occur under the modeled scenarios, this does not directly equate to a corresponding credit loss for the Bank.

▪ Corporate Banking

The Bank conducted an assessment of corporate real estate collateral, taking into account property location, building type, and floor elevation. Results under SSP1-2.6 and SSP5-8.5 scenarios indicate that the overall physical climate risk remains within a manageable range. In response to the identified risks, the Bank will develop appropriate management measures to enhance the identification and mitigation of physical climate risks related to collateral assets.

Flooding Scenario Risk Level	SSP1-2.6		SSP5-8.5	
	Collateral Devaluation (% of Property Value)	Collateral Count (%)	Collateral Devaluation (% of Property Value)	Collateral Count (%)
Level 1	0.03%	20.73%	0.03%	20.74%
Level 2	0.35%	27.48%	0.40%	32.34%
Level 3	0.72%	27.68%	0.72%	23.81%
Level 4	2.55%	15.38%	2.19%	14.48%
Level 5	2.42%	8.73%	2.40%	8.63%

▪ Consumer Banking

The Bank assessed residential collateral considering floor elevation and flood exposure under SSP1-2.6 and SSP5-8.5 scenarios. Approximately 5.74% and 6.08% of the collaterals fall under the highest risk level (Level 5), with potential value losses accounting for 1.25% and 1.36% of total property value, respectively. Overall, the risk is deemed to be within acceptable and manageable limits. The Bank will continue refining its management mechanisms to strengthen the identification and response capabilities related to physical risks in retail mortgage portfolios.

Flooding Scenario Risk Level	SSP1-2.6		SSP5-8.5	
	Collateral Devaluation (% of Property Value)	Collateral Count (%)	Collateral Devaluation (% of Property Value)	Collateral Count (%)
Level 1	0.02%	11.22%	0.02%	11.22%
Level 2	0.12%	24.66%	0.11%	24.58%
Level 3	0.33%	47.70%	0.31%	46.53%
Level 4	0.66%	10.68%	0.75%	11.59%
Level 5	1.25%	5.74%	1.36%	6.08%

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4.4.2 Nature Physical Risk Scenario Analysis

As the impacts of climate change become increasingly evident, the Bank continues to monitor the potential effects of natural hazards on operational resilience and asset security. A scenario-based risk analysis focused on slope-land disasters was conducted for operational sites, investment properties, and real estate collateral. The analysis results were quantified to evaluate the potential financial impacts of nature-related physical risks on business operations and asset values.

Analysis Items and Methodology:

(1) Assessment Scope:

This assessment covers the Bank’s operational sites, investment properties, and corporate and consumer real estate collateral with loan maturities extending to 2030.

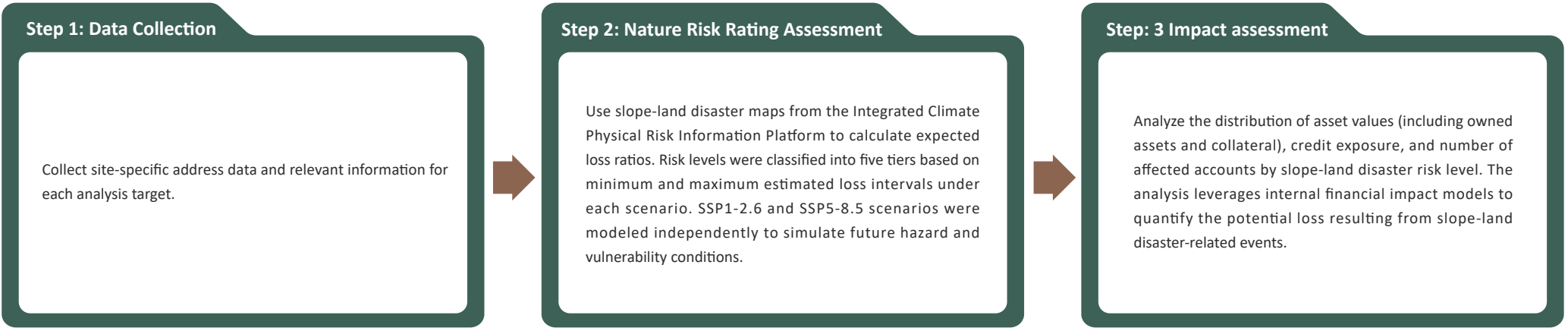
(2) Scenario Selection:

This assessment applies climate scenarios SSP1-2.6 and SSP5-8.5, as defined in the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6, 2021). Scenario-based geographic flood risk data was obtained from the Integrated Climate Physical Risk Information Platform for Financial Institutions (see table below for definitions).

(3) Risk Classification:

For each real estate collateral, the Collateral Devaluation (% of Property Value) is calculated. The maximum and minimum values among these ratios are used to define the range, which is then evenly divided into five levels to determine the risk classification. Level 1 represents the relatively lowest risk, while Level 5 represents the highest risk level.

(4)Analytical Process:



Risk Factor	Slope-land Disaster Risk (Nature-related Scenario)
Hazard	Probability of slope failure driven by precipitation intensity under normal conditions
Vulnerability	Estimated exposure of municipalities and townships to slope-land hazards

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Financial Quantitative Analysis:

(1) Operational Sites:

The Bank conducted a slope-land disaster scenario analysis on its operational sites. Under both SSP1-2.6 and SSP5-8.5 scenarios, no operational sites were located in the highest risk category (Level 5). To enhance resilience and mitigate business disruption risks, the Bank has implemented a range of risk management mechanisms, including the Business Crisis Response Measures, Natural Disaster Prevention and Rescue Guidelines, and Operational Continuity Management and Major Disaster Response Operational Guidelines.

Slope-Land Risk Level	SSP1-2.6		SSP5-8.5	
	Property Devaluation (% of Total Property Value)	Site Proportion (%)	Property Devaluation (% of Total Property Value)	Site Proportion (%)
Level 1	4.07%	92.31	3.51%	92.31%
Level 2	0.98%	7.69%	0.99%	7.69%
Level 3	-	-	-	-
Level 4	-	-	-	-
Level 5	-	-	-	-

(2) Investment Properties:

A slope-land disaster scenario analysis was conducted for the Bank’s investment properties. Results indicate that none of the assets fall within the highest risk category (Level 5), and overall risk remains within manageable thresholds. The Bank has adopted adaptation measures for investment properties, aligned with those in place for collaterals and operational sites.

Slope-Land Risk Level	SSP1-2.6		SSP5-8.5	
	Property Devaluation (% of Total Property Value)	Proportion of Investment Properties (%)	Property Devaluation (% of Total Property Value)	Proportion of Investment Properties (%)
Level 1	4.34%	92.86%	3.49%	92.86%
Level 2	0.54%	7.14%	0.55%	7.14%
Level 3	-	-	-	-
Level 4	-	-	-	-
Level 5	-	-	-	-

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(3) Real Estate Collateral for Loans:

The estimated financial impact under the slope-land disaster scenarios reflects the potential property value losses of real estate collateral in the event of such natural hazards. In practice, the Bank’s credit exposure typically represents only a portion of the collateral value. For consumer banking, the average loan-to-value (LTV) ratio generally ranges from 70% to 75%. For corporate banking, LTV ratios vary more widely, typically between 30% and 80%, depending on the nature of the collateral. While collateral may be subject to value impairment under these scenarios, such devaluation does not directly equate to the Bank’s actual credit risk exposure.

▪ Corporate Banking

The Bank conducted a landslide risk scenario analysis on corporate real estate collateral. Taking into account the remaining loan maturity, the results under both SSP1-2.6 and SSP5-8.5 scenarios indicate that over 90% of the collateral is classified as risk-free by 2030. Overall, physical risk exposure remains within a manageable range. The Bank will formulate appropriate management strategies to further strengthen the identification and management of physical risks related to credit collateral.

Landslide Scenario Risk Level	SSP1-2.6		SSP5-8.5	
	Collateral Devaluation (% of Property Value)	Collateral Count (%)	Collateral Devaluation (% of Property Value)	Collateral Count (%)
Level 1	0.32%	6.25%	0.26%	6.05%
Level 2	0.01%	0.10%	0.01%	0.30%
Level 3	-	-	-	-
Level 4	0.16%	0.40%	0.13%	0.40%
Level 5	-	-	-	-
Risk-Free ^{Note}	-	93.25%	-	93.25%

Notes: "Risk-free" refers to short-term loans with maturity dates prior to December 31, 2030.

▪ Consumer Banking

The Bank conducted a landslide risk scenario analysis on real estate collateral in the consumer banking. After factoring in the remaining maturity of outstanding loans, the evaluation showed that under both SSP1-2.6 and SSP5-8.5 scenarios, over 90% of collateral is either risk-free or categorized under the lowest risk level (Level 1) by 2030. The overall risk remains within a reasonable and manageable range. The Bank will develop appropriate management measures and continue to enhance the identification and management of physical risks related to credit collateral.

Landslide Scenario Risk Level	SSP1-2.6		SSP5-8.5	
	Collateral Devaluation (% of Property Value)	Collateral Count (%)	Collateral Devaluation (% of Property Value)	Collateral Count (%)
Level 1	3.32%	68.63%	2.71%	67.06%
Level 2	0.62%	7.11%	0.77%	8.69%
Level 3	-	-	0.19%	0.71%
Level 4	0.62%	1.40%	0.39%	0.79%
Level 5	0.07%	0.11%	-	-
Risk-Free ^{Note}	-	22.75%	-	22.75%

Notes: "Risk-free" refers to short-term loans with maturity dates prior to December 31, 2030.

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4.5 Nature Risk Overlay Analysis

Analysis Items and Methodology

1. Assessment Scope:

The analysis covers the Bank’s domestic operational sites, investment properties, key domestic suppliers, and material investment and credit counterparties identified based on the High-Sensitivity Sector Matrix.

2. Methodology:






The Bank collected location data of the aforementioned entities and applied QGIS for geospatial overlay analysis using ecological geospatial datasets. The objective was to identify whether any sites are located within or in proximity to (within 2 km) ecologically sensitive areas. For sites within or adjacent to protected areas, further assessment was conducted to evaluate the potential impacts of operational activities on local ecosystems.

3. Selected Geospatial Datasets:

To ensure scientific robustness and local relevance, the Bank utilized representative spatial data including: Key Biodiversity Areas (KBA), World Database on Protected Areas(WDPA), Taiwan National Ecological Green Network’s Biodiversity Hotspots, Taiwan Important Bird Areas and Drinking Water Source Water Quality and Quantity Protection Zones.

Natural Risk Map Analysis

(1) Domestic Operational Sites and Investment Properties

	KBA	WDPA	Biodiversity Hotspots	Important Bird Areas	Water Protection Zones
Proportion					
Within Protection Areas	2%	0%	0%	2%	7%
Near Protection Areas	12%	7%	0%	12%	2%
Not near Protected Area	86%	93%	100%	86%	91%

Some of the Bank’s domestic operational sites overlap with ecologically sensitive areas such as KBAs, WDPA zones, and Important Bird Areas. Field verification showed these locations are mostly in highly urbanized areas like commercial districts or residential zones. Given the Bank’s focus on financial services, its direct environmental impact is relatively limited.

Some sites also fall within drinking water protection zones, particularly in Hsinchu Science Park and Industrial Park, which overlap with the Touqian River protection area. As these zones are strictly regulated—covering discharge permits, wastewater treatment, and water source protection—associated environmental risks are considered well-managed.

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(2) Significant Suppliers

Proportion	KBA	WDPA	Biodiversity Hotspots	Important Bird Areas	Water Protection Zones
Within Protection Areas	0%	0%	0%	0%	10%
Near Protection Areas	17%	15%	0%	17%	0%
Not near Protected	83%	85%	100%	83%	90%

Analysis of supplier site locations indicated that some branches are located near the Huajiang Bridge Protected Area, which is designated as a KBA, WDPA, and an Important Bird Area, reflecting high ecological sensitivity. However, these sites are primarily commercial offices or service-oriented premises, and thus, their environmental impact is assessed to be minimal.

To strengthen the management of nature-related risks in the supply chain, the Bank has established the Supplier Sustainability Management Guidelines, requiring suppliers to prioritize environmental protection and energy conservation, avoid causing significant environmental harm, and comply with environmental regulations. Depending on the business relationship, the Bank may request suppliers to sign a Sustainable Procurement Commitment Letter, pledging adherence to core principles such as labor rights, environmental protection, and ethical business practices. If a supplier breaches the commitment and causes material environmental or social harm (including but not limited to violations concerning labor rights, environmental protection, or consumer safety), the Bank reserves the right to terminate the partnership. To date, no major environmental risks or regulatory violations have been identified among key suppliers.

(3) Key Investment and Credit Counterparties

Proportion	KBA	WDPA
Within Protection Areas	2%	6%
Near Protection Areas	6%	13%
Not near Protected Area	92%	81%

The Bank’s key investment and credit clients are mostly large multinational enterprises with operations across multiple countries. Overlay analysis found that some facilities are located within or near ecologically sensitive areas, such as protected zones or critical habitats. As many of these are manufacturing sites, they may carry higher environmental risks.

In response, the Bank reviewed any environmental penalties imposed on these companies over the past three years and assessed related remediation efforts. The Bank maintains ongoing engagement to promote improved environmental performance and corporate social responsibility, with a focus on compliance with air, land, and water pollution regulations. Based on the evaluation, and in light of effective regulatory enforcement and established environmental frameworks in relevant jurisdictions, the overall nature-related risks posed by these counterparties are deemed manageable, and the residual risk is considered acceptable.



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In alignment with KGI Financial’s sustainability vision and strategy of fostering a “Low-Carbon and Sustainable Environment,” the Bank recognizes the escalating risks associated with climate change. In response, we are actively planning to reduce greenhouse gas (GHG) emissions from our own operations, while identifying and supporting low-carbon industries and enterprises with high growth potential. These efforts reflect our commitment to facilitating the low-carbon transition and progressively establishing climate- and nature-related metrics and targets to support the transition toward a low-carbon and nature-positive future.

In March 2025, KGI Financial received validation of its science-based targets (SBT) from the Science Based Targets initiative (SBTi), setting GHG reduction targets for its own operations (Scope 1 and 2) and its financed emissions (Scope 3). In response to global warming and climate-related risks, KGI Financial has committed to near-term science-based targets, including a 42% reduction in Scope 1 and Scope 2 emissions by 2030 compared to the 2022 baseline. The Bank is fully aligned with the Group’s decarbonization roadmap and continues to strengthen its emission reduction measures accordingly.

5.1 Greenhouse Gas Emissions Metrics and Targets

Carbon Emission Target Setting	Baseline Year	Short-term Target	Mid-term Target	Long-term Target
Scope 1 and Scope 2 GHG Emissions	2022	Group-wide reduction of 5.25% annually starting from 2025	42% reduction by 2030 in line with SBTi targets	Net-zero across the full portfolio by 2045
Scope 3 Financial Carbon Emissions	2022	Limit the share of high-carbon sector financing to below 24.5%		

Operational Carbon Emissions Inventory

The Bank’s operational GHG emissions mainly stem from electricity use. Following ISO 14064-1 standards, the Bank systematically inventories its emissions, which are verified by a third party (SGS) through the “GHG Verification Statement for KGI Bank.” This serves as the basis for emission reduction planning. The Bank remains committed to green initiatives such as energy conservation and low-carbon greening as part of its global responsibility.

Using 2022 as the baseline year, the Bank set reduction targets for Scope 1 and 2 emissions and achieved a 20% reduction by 2024.

Greenhouse Gas Emissions		2022 (Baseline Year)	2023	2024
Category 1 (Scope 1)	GHG Emissions (tons CO ₂ e)	245.47	238.29	208.45
	Emission Intensity (tons CO ₂ e/million)	0.02	0.02	0.01
Category 2 (Scope 2)	GHG Emissions (tons CO ₂ e)	6,397.13	5,759.06	5,130.10
	Emission Intensity (tons CO ₂ e/million)	0.48	0.42	0.32
Category 3–6 (Scope 3)	GHG Emissions (tons CO ₂ e)	2,032.81	2,210.35	1,842.20

- Notes: 1. Inventory Methodology: Based on ISO 14064-1:2018, the GHG Protocol – Corporate Accounting and Reporting Standard, and Taiwan EPA’s GHG Inventory and Registration Guidelines. Global Warming Potential (GWP) values are derived from the 2021 IPCC Sixth Assessment Report (AR6), and emission factors follow official announcements by Taiwan’s Ministry of Environment.
2. GHG Types Covered: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃.
3. Electricity Emission Factors: 0.509 (2022), 0.495 (2023), and 0.494 (2024) kg CO₂e/kWh.
4. Organizational Boundary: Defined by operational control and includes the following sites under KGI Bank: Zhonghe Building, KGI Financial Headquarters, Nangang Building, 51 branches across Taiwan, and two wholly owned subsidiaries – CDIB Management Consulting Corporation and KGI Finance & Leasing Corporation. Exclusions: 1F of Chengtung Branch and tenant of Chihkan Branch. Emissions from CDIB Management Consulting Corporation are included in KGI Financial total footprint due to shared facilities with KGI Bank and KGI Finance & Leasing Corporation.
5. Scope 2 Emissions: Reported using the market-based method, all related to electricity usage from office buildings and business premises.
6. Scope 3–6 Coverage: Does not include indirect emissions from financed activities.

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Financed Emissions Inventory of Investment and Lending Portfolios

In alignment with the TCFD disclosure recommendations and based on the Global GHG Accounting and Reporting Standard for the Financial Industry (2nd Edition) issued by the Partnership for Carbon Accounting Financials (PCAF), the Bank conducted a comprehensive inventory of absolute GHG emissions and emissions intensity across its investment and lending portfolios.

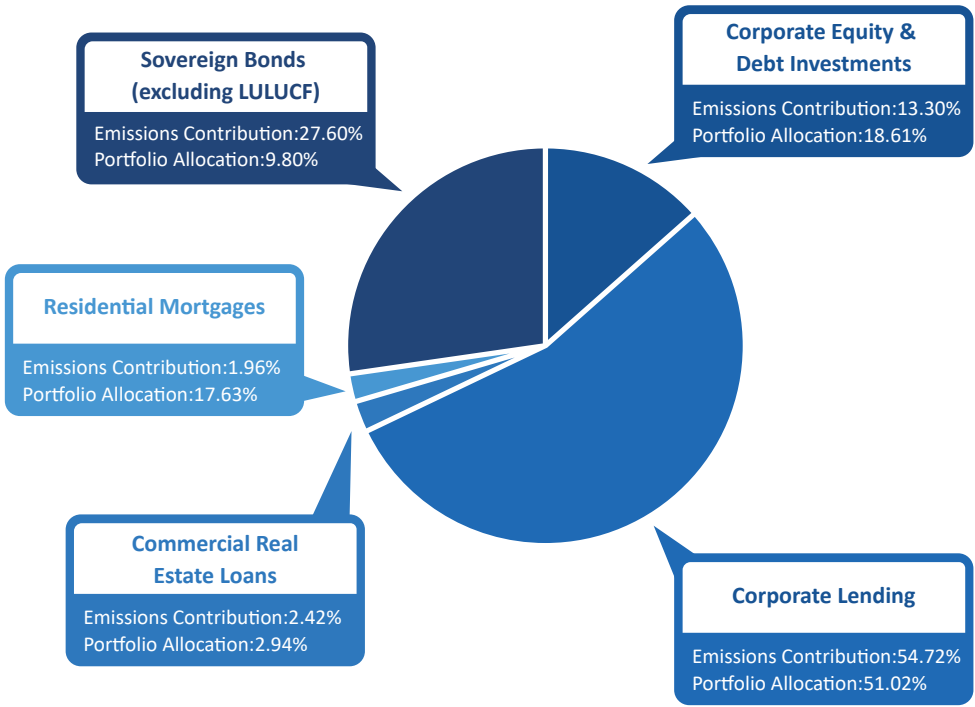
To enhance data completeness, the 2024 inventory scope was expanded beyond equity, bond investments, commercial loans, project finance, and commercial real estate mortgages to also include residential mortgages and sovereign bonds. As a result, the Bank’s total financed emissions for 2024 amounted to 1,287,604 tCO₂e, with a carbon footprint of 2.31 tCO₂e per NT\$1 million in financed assets. The Bank will continue to monitor its financed emissions to assess progress toward its decarbonization targets and strengthen carbon management strategies.

Financed GHG Emissions	2022 (Baseline Year)	2023	2024
Emissions (tCO ₂ e)	1,307,273	1,130,606	1,287,604
Emissions Intensity (tCO ₂ e/million) (Carbon footprint)	3.68	3.07	2.31

Notes: 1. Financed emissions intensity (carbon footprint) = Total emissions / Assets in scope (tCO₂e per million of financing).
 2. Reported emissions exclude avoided emissions.
 3. The increase in 2024 emissions compared to 2023 reflects the expansion of the inventory boundary to include residential mortgages and sovereign bonds (excluding LULUCF). Despite the higher total emissions, intensity declined year over year. Under a consistent scope with 2023 (excluding mortgages and sovereign bonds), 2024 emissions would be 906,924 tCO₂e with an intensity of 2.21 tCO₂e/million, both lower than 2023 levels. This indicates a continued downward trend in emissions and intensity under comparable boundaries, demonstrating the Bank’s sustained decarbonization efforts. However, given the ongoing enhancement of inventory methodologies and scope, this comparison is for reference only. The Bank will continue to refine its carbon management practices to support progress toward its emission reduction targets.

The Bank’s financed emissions inventory by asset class indicates that corporate lending accounted for the largest share at 54.72%, followed by sovereign bonds (excluding LULUCF) at 27.60%. The remaining contributions came from equity and corporate bond investments (13.30%), commercial real estate loans (2.42%), and residential mortgages (1.96%).

2024 GHG Emissions Allocation by Asset Class



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5.2 Green Operation Management Metrics and Targets

In alignment with the Group’s low-carbon operational strategy, the Bank continued to enhance green operations in 2024. Together with KGI Financial, the Bank jointly procured approximately 1.29 million kWh of renewable electricity through a Renewable Energy Wheeling Agreement, allocating the green power used in the KGI Financial Headquarters building accordingly. This procurement adopted the bundled mechanism of electricity and renewable energy certificates. In addition, solar panels installed at the Beimen Branch generated around 40,000 kWh, bringing the total renewable energy consumption for 2024 to approximately 1.33 million kWh.

The Bank has also maintained its focus on energy conservation. In 2024, electricity consumption was reduced by approximately 3.8% compared to the 2023 baseline year, while copy paper procurement decreased by 17% relative to the 2020 baseline. It has set short-, mid-, and long-term targets for paper use and e-statement adoption to boost resource efficiency and sustainability.

Resource Usage Metrics	2023 Usage	2024 Usage
Copy paper consumption (10,000 sheets)	1,424	1,397
Credit card e-statement adoption rate (%)	55%	60%
Renewable energy consumption (kWh)	680,000	1,330,000
Green Action Expenditures	2023 Expenditure (NTD)	2024 Expenditure (NTD)
Renewable electricity procurement	\$3,763,310	\$7,680,994
Green procurement ^{Note}	\$146,521,180	\$337,824,867
Energy-efficient equipment replacement	\$661,501	\$1,819,408
Renewable energy certificate purchase	\$0	\$144,559

Notes : The 2024 figure includes NT 136 million for a three-year software license awarded to a vendor certified under ISO 14001.

Resource Use Targets	Baseline Year	Short-Term Target / Year	Mid-Term Target / Year	Long-Term Target / Year
Reduction in copy paper use (%)	2020	10%/2025	15% / 2026	20% / 2030
Credit card e-statement adoption rate (%)	-	63%/2025	66% / 2026	73% / 2030

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5.3 Green Investment and Financing Strategy Metrics and Targets

The Bank has integrated climate- and nature-related risks and opportunities into its strategic planning by establishing quantitative indicators and aligning its business direction with low-carbon transition objectives. In line with the parent group’s net-zero commitment, the Bank aims to keep the share of high-carbon industries in total investment and lending exposure below 24.5%, while actively expanding green lending by at least 5% annually.

The 2024 performance against these key indicators is summarized below:

Green Financing Indicator	2024 Performance
High-carbon industries as a % of total investment and lending	13.72%
Green credit annual growth rate	84.75%
Green credit as a % of total corporate credit balance	9.15%
Sustainability-linked loans as a % of total corporate credit	6.04%

In addition, the KGI Financial has committed to a full phase-out of involvement in coal-fired and unconventional fossil fuel-related sectors by the end of 2040. This commitment applies to all business lines, including project finance and investment, credit lines and loans, fixed-income products, underwriting services, and both active and passive investments—whether directly managed or through third-party mandates.

The phase-out timeline is as follows:

- By 2025** : Cease new direct project financing and investment related to thermal coal and unconventional oil and gas extraction, including new development projects or expansions of existing projects. This also applies to companies whose revenue from such activities is expected to increase.^(Note 1&2)
- By 2030** : Exit most direct financing and investment exposure to coal and unconventional fossil fuel sectors in industrialized countries, including the EU and OECD member states.^(Note 3&4)
- By 2040** : Fully withdraw from all global financing and investment in thermal coal and unconventional fossil fuel industries where companies derive over 5% of revenue or power generation from such activities and lack Paris-aligned transition strategies.^(Note 5)

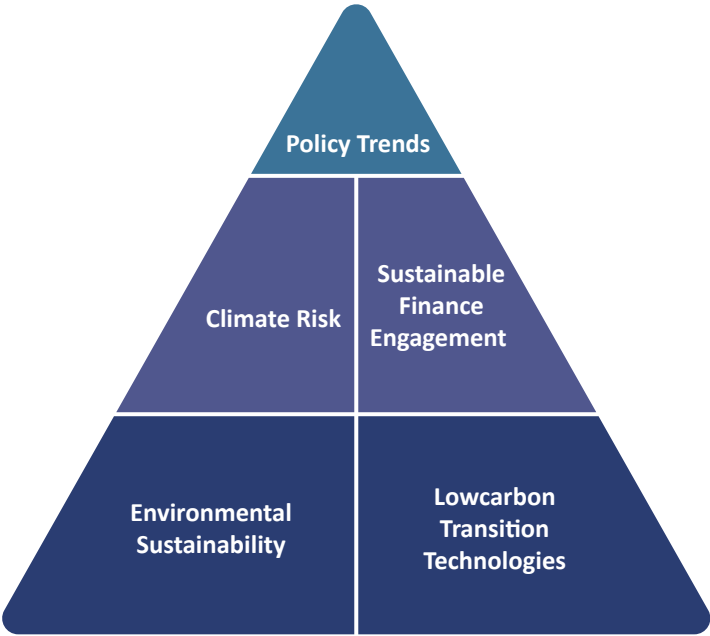
- Notes: 1. Starting January 1, 2025, no new project financing or investment positions shall be added for the covered sectors.
2. Applies to companies with revenue share from related activities expected to grow.
3. Applies to targets deriving >30% of revenue or power generation from covered sectors without credible low-carbon transition plans.
4. "Direct investment" refers to holdings with ≥10% equity stake; "direct financing" refers to loans or bond purchases exceeding 10% of a single issuance.
5. Applies to companies deriving >5% of revenue or power generation from covered sectors without Paris Agreement-aligned transition plans.

5.4 Corporate Governance Metrics and Targets

Board and Employee Climate Risk Governance

The Board, as the ultimate oversight body, closely monitors management’s sustainability strategy. The Bank provides directors with diverse continuing-education programs and regularly reviews Board and senior management engagement on climate issues to enhance decision-making quality and supervisory effectiveness. In 2024, each director completed at least three hours of ESG training, and employees averaged approximately three hours of ESG instruction each.

Recognizing the evolving nature of sustainability, the Bank will develop targeted training for employees on sustainability transformation topics. Planned modules include policy trends, climate risk, environmental sustainability, sustainable finance engagement, and low-carbon transition technologies, all linked to sector-specific sustainability issues to drive meaningful financial impact.



Engagement Activities

To uphold its responsible-investment objectives, the Bank engages with investee companies via meetings, conference calls, and email correspondence. 2024 engagement Indicators are as follows:

Engagement Indicator	2024 Performance
Attendance at investee companies’ investor presentations	68 meetings
Attendance at investee companies’ forums, seminars, and roundtables	183 events
Participation in conference calls, virtual meetings, and site visits with investee companies	109 interactions
Number of investee companies using electronic voting on shareholder resolutions (including preferred shares)	18 companies



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01 Overview and Summary of Achievements

As a key member of Taiwan's sustainable finance system, KGI Bank recognizes that the escalating frequency of global natural disasters and extreme weather events means the tangible impact of climate change on daily life can no longer be ignored. As a part of the global community, the Bank is committed to actively strengthening risk management and resilience planning. We proactively address the challenges posed by climate and natural risks and strive to prevent the further expansion of related risks. In addition to regularly tracking the progress of climate and nature-related indicators and targets, the Bank continuously communicates its sustainability philosophy to stakeholders in daily operations. We also enhance all employees' understanding and professional capabilities regarding climate and nature issues through various educational training mechanisms. While effectively controlling risks, the Bank actively identifies and develops climate and nature-related transformation and growth opportunities, hoping to create diverse positive impacts while promoting sustainable finance.

02 Governance

While pursuing corporate growth, we'll continue to deepen our commitment to sustainable development, with a particular focus on maintaining the health and sustainable use of terrestrial ecosystems, actively responding to the challenges posed by biodiversity loss. In 2024, KGI Bank employees visited Dalin, Chiayi, to assist local farmers promoting eco-friendly farming practices. They helped harvest gardenias, assisted with farm work, and built habitats for the Taipei Tree Frog (*Rhacophorus arvalis*), a Taiwanese endemic species classified as a Class II protected animal. We also encouraged clients to purchase and support these eco-friendly small farmers, hoping to use the Bank's influence to raise public awareness of biodiversity. Concurrently, KGI Bank plans to invest in a tree frog conservation project in 2025 and intends to fund a habitat survey report. Through these concrete actions, we aim to protect critical habitats, striving to halt species extinction and maintain the stability and balance of ecosystems. We firmly believe that nature conservation requires collective participation and continuous effort. This project marks a significant starting point in our journey toward nature sustainability and demonstrates our determination to respond to environmental issues with practical action. In the future, we will continue to expand partnerships and encourage clients and the public to participate, gathering more strength to jointly protect ecological resources and create a long-term positive impact for environmental sustainability.

04 Risk Management

To shape a sustainable future, the Bank is focused on two key areas. In terms of business strategy, we'll continue to use sustainable performance indicators as a basis for engaging with clients, while simultaneously directing capital towards industries that strengthen overall societal climate and nature resilience. In terms of corporate governance, the Bank is continually improving its sustainable management framework and accountability mechanisms, and enhancing its climate risk assessment and management tools. Through this internal-to-external governance optimization, we aim to exert a proactive and positive influence on society and the natural environment. Furthermore, under the guidance of the Group, the Bank will follow the signed Science Based Targets initiative (SBTi) to promote scientifically-driven carbon reduction actions. We aspire to achieve net-zero carbon emissions across the entire Group's asset portfolio by 2045, leveraging our financial influence as a capital provider. In addition to actively aligning with the government's vision for a "2050 Net-Zero Emissions Pathway," the Bank will continue to monitor global sustainability trends, collaborating with business partners and stakeholders to collectively advance the nation's long-term net-zero carbon emission vision.

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Appendix I. TCFD Index Comparison Table

Level	Recommended Disclosures for All Sectors	Corresponding Chapter
Governance	a) Describe the board’s oversight of climate-related risks and opportunities.	2.1 Governance Structure
	b) Describe management’s role in assessing and managing climate-related risks and opportunities.	2.1 Governance Structure
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process
	b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process
	c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
Risk Management	a) Describe the organization’s processes for identifying and assessing climate-related risks.	4.1 Climate and Nature Risk Management Structure and Process
	b) Describe the organization’s processes for managing climate-related risks.	4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s over-all risk management.	4.1 Climate and Nature Risk Management Structure and Process
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Chapter 5 Metrics and Targets and Carbon Emission Management Results
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	5.1 Greenhouse Gas Emissions Metrics and Targets
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Chapter 5 Metrics and Targets and Carbon Emission Management Results

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VI. Greenhouse Gas Verification Opinion

Level	Recommended Disclosures for All Sectors	Corresponding Chapter
Strategy	<p>Banks should describe significant concentrations of credit exposure to carbon-related assets.</p> <p>Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.</p>	<p>4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure</p> <p>4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio</p> <p>4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending</p>
Risk Management	<p>Banks should consider characterizing their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk.</p>	<p>4.1 Climate and Nature Risk Management Structure and Process</p>
Metrics and Targets	<p>Banks should provide the metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities in the short, medium, and long term. Banks should also provide the amount and percentage of carbon-related assets relative to total assets as well as the amount of lending and other financing connected with climate-related opportunities.</p>	<p>5.1 Greenhouse Gas Emissions Metrics and Targets</p> <p>5.2 Green Operation Management Metrics and Targets</p> <p>5.3 Green Investment and Financing Strategy Metrics and Targets</p>

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Appendix II. IFRS S2 Guidance Index Table

Level	IFRS S2 Climate-related Disclosures	Corresponding Chapter
Objective	Article 1 ~ Article 2	Applicable to the entire report
Scope	Article 3 ~ Article 4	Applicable to the entire report
Governance	Article 5 ~ Article 7	2.1 Governance Structure
Strategy	Article 8 ~ Article 9	3.1 The Identification of Climate and Natural Opportunity 3.2 Transformation Strategy 4.1 Climate and Nature Risk Management Structure and Process
	Article 10 ~ Article 12	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process
	Article 13	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process
	Article 14	3.2 Transformation Strategy
	Article 15 ~ Article 21	4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
	Article 22 ~ Article 23	4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending

Level	IFRS S2 Climate-related Disclosures	Corresponding Chapter
Risk Management	Article 24 ~ Article 26	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
Metrics and Targets	Article 27 ~ Article 28	Chapter 5 Metrics and Targets and Carbon Emission Management Results
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Appendix III. TNFD Index Comparison Table

Level	Recommended Disclosures for All Sectors	Corresponding Chapter
Governance	Describe the board’s oversight of nature-related dependencies, impacts, risks and opportunities.	2.1 Governance Structure
	Describe management’s role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	2.1 Governance Structure
	Describe the organization’s human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation’s assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	2.4 Natural Environment and Human Rights Governance
Strategy	Describe the nature-related dependencies, impacts, risks and opportunities the organization has identified over the short, medium and long term.	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process
	Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organization’s business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	3.1 The Identification of Climate and Natural Opportunity 3.2 Transformation Strategy 4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure
	Describe the resilience of the organization’s strategy to nature-related risks and opportunities, taking into consideration different scenarios.	4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio
	Disclose the locations of assets and/or activities in the organization’s direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending 4.5 Nature Risk Overlay Analysis
Risk and Impact Management	(i) Describe the organization’s processes for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its direct operations.	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.5 Nature Risk Overlay Analysis
	(ii) Describe the organization’s processes for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	
	Describe the organization’s processes for managing nature-related dependencies, impacts, risks and opportunities.	
	Describe how process for identifying, assessing, prioritizing and monitoring nature-related risks are integrated into and inform the organisation’s overall risk management process.	
Metrics and Targets	Disclose the metrics used by the organization to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending 4.5 Nature Risk Overlay Analysis Chapter 5 Metrics and Targets and Carbon Emission Management Results
	Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature.	
	Describe the targets and goals used by the organization to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	

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Appendix IV. Comparison of Guidelines for Domestic Banks’ Climate Risk Financial Disclosure

Comparison of Guidelines for Domestic Banks’ Climate Risk Financial Disclosure	Corresponding Chapter
Governance	
(1) The Board of Directors and senior management should include climate risk factors in the bank’s risk items, strategies, and business plans, including identifying and assessing climate-related risks and opportunities, and their impact on the bank’s strategies and plans. Continuously monitor goals of relevant international agreements and timelines to effectively review the bank’s management and disclosure of climate risks.	2.1 Governance Structure
(2) The Board of Directors should approve a climate risk management policy, and use it to guide, supervise, and manage the bank’s exposure to climate risk to ensure that the qualitative and quantitative measures formulated by the bank align with risks. The Board of Directors should be aware of the potential impact of climate risks on the bank’s finances, and bear the ultimate responsibility for ensuring the establishment and maintenance of an appropriate and effective climate risk management system.	2.1 Governance Structure
(3) Senior management should formulate policies, management systems, and monitoring metrics for climate risk management, and regularly review their effectiveness and implementation. They should continuously monitor the bank’s climate risk exposure, and examine whether the bank’s response strategies under different climate scenarios are resilient. They should also allocate adequate human resources to provide pertinent training.	2.1 Governance Structure 2.2 Climate Risk Reporting Mechanism 2.3 The Enhancement of Climate Governance Ability and Climate Knowledge
(4) Banks should regularly report climate risk-related information to the Board of Directors so that the board and senior management can factor in such information when formulating strategic plans and monitoring business operations. Major irregularities or special circumstances detected when monitoring climate risks should be addressed immediately in accordance with internal regulations and reported to the Board of Directors.	2.2 Climate Risk Reporting Mechanism
Strategy	
(1) When assessing the impact of climate risks, banks should describe the impact of climate-related risks on the organization as identified in each time frame (short-, medium-, and long-term) in terms of the business, strategy, products, and financial planning. In particular, the current status and impact of carbon-related assets (including exposure to the risk of carbon intensive industries and industries that are vulnerable to climate change) should be described in detail. Banks should at least assess impacts over the short-term (the impact occurs within the timeframe of the bank’s business planning) and long-term (beyond the useful life of the bank’s current asset portfolio and into the next few decades).	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
(2) Banks should consider the extent of the impact and frequency of climate risks during business, strategy, and financial planning, and formulate response strategies and actions accordingly.	3.2 Transformation Strategy 4.1 Climate and Nature Risk Management Structure and Process
(3) Banks may determine the resilience and adaptation capability of their climate risk-related strategy by testing different climate change scenarios, and adjust the strategy according to the results.	4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending

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Comparison of Guidelines for Domestic Banks’ Climate Risk Financial Disclosure	Corresponding Chapter
Risk Management	
<p>(1) Banks shall follow the three lines of defense in internal controls to clearly allocate climate risk management responsibilities at each stage:</p> <p>The first line of defense should assess the climate risks of industries, particularly those that are materially impacted by climate risks, when conducting business activities.</p> <p>The second line of defense, which is the risk management and compliance units, should effectively monitor the implementation of climate risk management by the first line of defense and ensure that the operation of each unit complies with laws and regulations.</p> <p>The third line of defense should assess the effectiveness of climate risk monitoring by the first and second lines of defense, and suggest improvements in a timely manner.</p>	4.1 Climate and Nature Risk Management Structure and Process
<p>(2) Banks may establish climate risk assessment methods and procedures based on their customer base or asset portfolios to identify and assess the level of climate risks, and rank the risks and define material climate risks. Climate risk assessment methods should factor in applicable laws and regulations (such as the Greenhouse Gas Reduction and Management Act) and internationally recognized standards.</p>	4.1 Climate and Nature Risk Management Structure and Process
<p>(3) Banks should identify climate risks and other associated risks, such as credit risks, market risks, liquidity risks, and operational risks.</p>	4.1 Climate and Nature Risk Management Structure and Process
<p>(4) Banks should adopt differentiated risk management measures based on the level or rank of climate risks identified or assessed. Businesses or transactions with high climate risks should be reported to senior management for approval, and relevant records should be kept for future reference.</p>	3.2 Transformation Strategy 4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
<p>(5) When banks establish management measures for customers with high climate risks, the factors to consider should at least include the materiality of the climate risk, customer willingness and ability to improve their own climate risks, and whether there are alternative risk mitigation methods for the bank. Banks may take actions in response to customers who fail to effectively manage their climate risks, such as reflecting additional risk costs in risk pricing, setting exposure limits for high risk loans, and reassessing the relationship with the customer.</p>	3.2 Transformation Strategy 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending

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Comparison of Guidelines for Domestic Banks’ Climate Risk Financial Disclosure	Corresponding Chapter
(6) When banks establish management measures for assets with high climate risks, factors to consider should at least include the materiality of the climate risk, the bank’s ability to manage such assets, and whether there are alternative risk mitigation methods for the bank. Banks may action in response to asset portfolios with climate risks that bank fail to be effectively managed, such as transferring climate risk losses borne by banks, setting investment limits for high climate risk assets, and controlling the concentration of high-risk areas or industries.	3.2 Transformation Strategy 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
(7) Banks should conduct scenario analysis and stress testing on physical risks and transition risks to assess the impact of climate risks on their business and explore their resilience to climate risks in different climate scenarios. Banks should select reasonable scenarios that are relevant to the bank and explain how climate risks are transferred and affect their financial risks. They should consider the uncertainty and long-term outlook of climate change, and selected scenarios should include forward-looking information, avoiding relying solely on historical information which can result in underestimated future potential risks.	4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
(8) When regularly reviewing climate risk management policies and practices, banks should refer to the results of scenario analysis and stress testing. Banks should also retain documents relevant to key assumptions or variables of the scenario analysis and stress testing for at least five years, including scenario selection, reasonable assumptions, evaluation results, consideration of actions to be taken, and actual actions taken to tackle risks.	4.1 Climate and Nature Risk Management Structure and Process 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 Scenario Analysis for Own Operations and Real Estate Secured Lending
Metrics and Targets	
(1) Banks should use representative historical data to analyze, measure, and manage key metrics of climate risk, which should be set separately, taking into consideration the timeframe (such as short-, medium-, and long-term) of the impact of the climate risk and impact of differences in industry, geographical location, and credit scores, among other factors.	Chapter 5 Metrics and Targets and Carbon Emission Management Results
(2) Banks should first follow the greenhouse gas emissions calculation method required by applicable regulations of Taiwan to disclose relevant information, and then adopt internationally accepted greenhouse gas emission calculation methods for relevant disclosure. If the greenhouse gas calculation method adopted by the bank is none of the above, the reason and difference should be explained.	5.1 Greenhouse Gas Emissions Metrics and Targets
(3) Banks should set targets for established key metrics separately, and regularly monitor target achievement status to properly evaluate the implementation and progress of each metric. If progress is behind schedule, explanations and improvement measures should be provided.	Chapter 5 Metrics and Targets and Carbon Emission Management Results

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Appendix V. Ratios of Expected Credit Risk Loss to Net Value and Pre-Tax Profit of Base Year Under Various Scenarios

Long-term Scenarios

Ratio	Orderly Transition		Disorderly Transition		Too Little, Too Late	
	2030	2050	2030	2050	2030	2050
Ratio of Expected Loss to Pre-tax Profit of Base Year (2024)	85.03%	100.09%	100.30%	115.33%	102.08%	157.10%
Ratio of Expected Loss to Net Value	7.10%	8.35%	8.37%	9.63%	8.52%	13.11%

Short-term Scenarios

Ratio	Short-term - Physical Risk Scenario	Transition Risk Scenario	Combined Loss Scenario
	Stress-Adjusted Scenario		
Ratio of Expected Loss to Pre-tax Profit of Base Year (2024)	112.01%	66.93%	112.08%
Ratio of Expected Loss to Net Value	9.35%	5.59%	9.36%

Notes: 1. The Bank's analysis is based on the relevant requirements and parameter analysis results from the "Domestic Bank's Climate Change Scenario Analysis Conduction Plan" (2024).
2. Due to the inherent assumptions in the analysis methodology and the fact that the relevant parameters are estimations under different risk scenarios, particularly for long-term scenarios where the assessment period is more distant, the projected losses calculated for each scenario have a degree of uncertainty. These figures do not represent actual future impacts. Therefore, caution should be exercised regarding the limitations when using and interpreting the analysis results.

Appendix VI. Greenhouse Gas Verification Opinion





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