凱基銀行

KGI BANK

TCFD Report

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

2022

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01

Overview of the TCFD Report and Summary of Achievements

1.1 Overview
1.2 Summary of Achievements in 2022

1.1 Overview

Extreme climate and climate change have become major challenges facing countries globally nowadays, the influence of which on the economy, society, and environment are also increasing over time. KGI Bank (the "Bank") is aware of the impact of climate change on business operations as well as investments and financing decisions. Therefore, it has established climate governance and management measures to strengthen the climate resilience of the Bank. The Bank also exerts its influence over the investment and credit business, cooperating with other companies that recognize the importance of sustainability, and committing to the transition towards low-carbon and sustainable operations.

To achieve the net-zero emission goal of parent company China Development Financial Holding Corporation ("CDF Holding INC.") by 2045, the Bank has introduced Net Zero Carbon Emission international standards for investment and financing. Moreover, in February 2022, the Bank signed and joined the Partnership for Carbon Accounting Financials (PCAF) and has been promoting greenhouse gas emissions inventory in investment and financing portfolios.

Furthermore, to ensure Effective communications with stakeholders regarding actions in response to climate-related risks and opportunities, the Bank has compiled the TCFD report in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD). The Bank is the main subject in the report to elucidate the actual action taken by the Bank from the four aspects of “Climate Governance”, “Climate Strategy”, “Climate Risk Management”, and “Climate Metrics and Targets”.

Climate Governance	**Governance Structure:** The Bank has formulated《Climate Risk Management Guidelines》. The Board of Directors is the highest governance body, which is responsible for approving policies and strategies related to climate risk management, and managing climate risks in compliance with the three lines of defense.
Climate Strategy	**First Strategy – Responsible Investment:** Establish pre-investment evaluation and post-investment management procedures; avoid investing in industries or companies that violate ESG concepts. **Second Strategy – Sustainable Lending:** Consider the impact of Lending for customers’ operating activities on ESG; leverage the influence that the banking industry has to assist with the sustainable development of society. **Third Strategy – Stewardship and Engagement:** Through engagement with invested companies, exert influence to assist invested companies to achieve sustainable goals and grasp potential business opportunities. **Fourth Strategy – Promoting Green Deposit:** Adhere to the spirit of sustainable development and environmental protection; fulfil corporate social responsibility while developing the business; invest deposit money received in loans or loan-related needs within the scope of green deposit plans so corporate funds flow into sustainable development.
Climate Risk Management	1. Formulate and manage climate risks in compliance with the《Climate Risk Management Guidelines》, which specify the management steps of climate risk identification, risk assessment, and risk control to be executed. 2.Identify key-focused industries related to climate risk in investment and lending businesses based on the amount of risk exposure and climate risk levels, which is also the basis for improving climate change responses and reduce potential financial impacts. 3.Plan and execute climate scenario analyses in accordance with the scenario analysis guidelines of the regulator to evaluate the expected losses and changes to investments and financing assets caused by climate risks to propose response strategies. 4.Conduct scenario analyses to review the operating location, investment property, and real estate collateral of the Bank and quantify the results to grasp the financial impact of climate change on business and asset value to formulate response strategies.
Climate Metrics and Targets	Set Climate Metrics and Targets from the four aspects of greenhouse gas emissions, low-carbon operation management, green investment and financing strategies, and corporate governance, and draft a low-carbon transition plan.

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1.2 Summary of Achievements in 2022

Greenhouse Gas Emissions

Comply with the standards and requirements of ISO 14064-1 greenhouse gas inventory, pass the third-party inspection (SGS), and achieve short-term carbon reduction goals.

Low-carbon Operation Management Achievements

1. Usage rate of credit card e-state ment: 51%.
2. Consumption of renewable energy: 107,000 kWh.
3. Expenditure of the energy conservation action plan: NT$166 million.

Green Investment and Financing Achievements

The proportion of high-carbon emission industries in overall investment and lending businesses is 19.62%, which is far lower than the 26% limit set by CDF Holding INC.

Climate Governance Achievements

1. The percentage of employees participating in ESG-related educational training has reached 100%.
2. Implement responsible investment goals and actively participate in engagement activities of invested companies.

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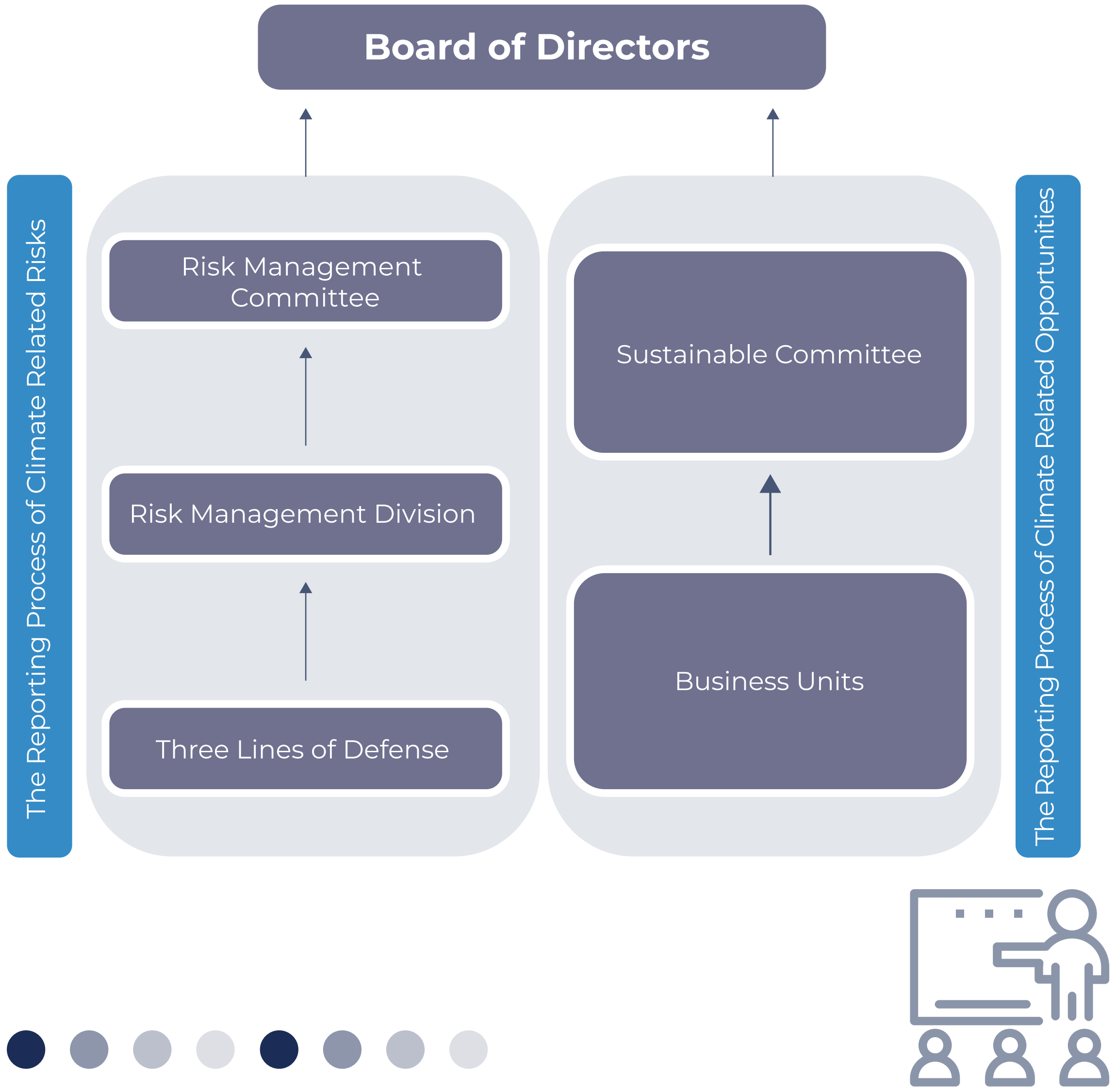
Sustainable Climate Governance

2.1 Climate Governance Structure
2.2 Climate Risk Reporting Mechanism
2.3 The Enhancement of Climate Governance Ability and Climate Knowledge
2.4 The Governance of Climate Metrics and Targets

To strengthen operational resilience in the face of climate change and achieve sustainable finance goals, we work with the Board of Directors and senior management to recognize the importance of the promotion of climate-related policies, which is critical to achieving goals. Therefore, the Bank shall continue to optimize the climate governance structure, and launched the TCFD project in 2022 in compliance with the 《Guidelines for Domestic Banks' Climate Risk Financial Disclosure》 of the Financial Supervisory Commission Taiwan. The Bank formulated 《Climate Risk Management Guidelines》 and assign the Board of Directors as the highest governance body to approve policies and strategies relevant to climate risk management, and manage climate risk with three lines of defense.

In 2022, climate governance was led by a Work Group in charge of climate risk management under the Sustainability Committee of CDF Holding INC., which not only oversees the implementation of climate adaptation actions of the Bank and subsidiaries of CDF Holding INC., but also sets the climate change performance index of subsidiaries, so the Bank can follow and establish climate adaptation mechanisms. In 2023, the Bank established a Sustainability Committee subordinated to the Board of Directors and formulated the 《Organizational Charter of the Sustainability Committee》. The Sustainability Committee formulates an annual plan, strategy, projects, and activities of the Bank that are relevant to sustainable management according to the sustainable development visions of CDF Holding INC. in addition to tracking and reviewing the effects of formulated plans and projects. The Sustainability Committee has established six Work Groups according to tasks, including the Corporate Governance WG, Responsible Finance WG, Client Relations WG, Employee Wellbeing WG, Environmental Sustainability WG, and Social Philanthropy WG. A leader of the six Work Groups is selected from management level of the various business units of the Bank by the chairperson designated by the Board of Directors to organize the execution of Work Group missions as well as to conduct and track sustainable development plans. Among them, the Environmental Sustainability WG is responsible for continuously strengthening the Bank's governance capabilities in response to climate change as well as establishing specific goals and methods on environmental protection, energy conservation, and carbon reduction to actively promote and co-create a sustainable living environment. The Responsible Finance WG is responsible for the Principles for Responsible Investment (PRI) and the Principles for Responsible Banking (PRB) of the United Nations to promote and support sustainable economic activity development.

2.1 Climate Governance Structure



Summary of Climate Governance and Management Responsibility

◆ The Responsibility of the Board of Directors

The Board of Directors is the highest governance body that establishes an effective risk management mechanism for the Bank. It is responsible for approving policies and strategies related to climate risk management as well as demanding management to adopt effective management methods regarding climate risk and opportunity.

◆ The Sustainability Committee

The Sustainability Committee exercises the following functions and duties with the authorization of the Board of Directors:

(1) Formulate the Bank's annual sustainable development plan, strategic direction, projects, and activities according to the sustainable development visions of the parent company.
(2) Track and review execution results of the above-mentioned tasks.
(3) Review sustainability reports, and greenhouse gas or climate change related reports regularly.
(4) Pass resolutions on issues regarding sustainable development and participation in public affairs.

The Sustainability Committee should hold meetings at least twice a year, discussing and making resolutions on the above-mentioned functions and duties authorized by the Board of Directors, and report the meeting minutes to the Board of Directors.

◆ Risk Management Committee or Senior Management

(1) Responsible for supervising the establishment of the climate risk management mechanism.
(2) Review climate risk management report.
(3) Review climate risk management related policies, the degree of risk tolerance, and major climate risk issues.

◆ The Risk Management Unit

The Risk Management Unit is the second line of defense. The unit is responsible for submitting climate risk management reports to the Risk Management Committee and the Board of Directors of the Bank as well as reporting climate management progress inspections to senior management. For more details on the responsibilities of the Three Lines of Defense structure in the risk management model, please refer to the next paragraph, "The Three Lines of Defense Structure".

The Three Lines of Defense Structure

The First Line of Defense:	The first line of defense involves all business units of the Bank in the continuous identification, evaluation, control, and reduction of various risks that climate risk may cause to operational activities. In addition, units should follow the climate risk management goals of the Bank and execute business decisions in compliance with the climate risk management related policies, norms, and procedures of the Bank.
The Second Line of Defense:	The second line of defense is the climate risk management unit, which is responsible for incorporating climate risk into the internal risk management related policies, norms, and procedures of the Bank. It also ensures that the risks of business units are properly managed, and effectively monitors the execution of the first line of defense on climate risk management.
The Third Line of Defense:	The third line of defense is the audit unit, which executes audit tasks with an independent, mutual spirit, and assists the Board of Directors and senior management in examining and evaluating whether the risk management and internal control system are effectively operating.

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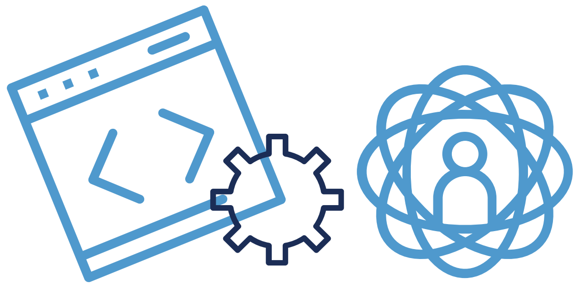
2.2 Climate Risk Reporting Mechanism

To assist the Board of Directors and Senior Management in supervising the climate governance progress of the Bank, the Bank formulated the 《Climate Risk Management Guidelines》 in 2022, and established the Sustainability Committee in 2023 and a climate information reporting mechanism to balance the risks and opportunities for the Bank in adjusting to the overall response strategy.

Climate Risk Reporting Mechanism

1. Reporting Unit

The Risk Management Division submits climate risk management reports regularly and reports climate governance related issues to the relevant functional committees and the Board of Directors. The unit is also responsible for reporting climate management progress to Senior Management to strengthen the climate risk management operations of the Bank.



2. Reporting Frequency

(1) The Risk Management Committee and Board of Directors:
Required to report once a year, both of which are responsible for reviewing the progress of climate governance related policies, the execution progress of response strategies, the achievement progress of climate risk key metrics and targets, and potential opportunities of climate change.

(2) Sustainability Committee:
Required to report to the Sustainability Committee once a year to review the contents of climate-related financial disclosure reports.

(3) Senior Management:
Required to report to Senior Management at least once every six months as it is responsible for reviewing climate management progress.

3. Irregular Information Reporting Mechanism

(1) When major domestic and foreign climate policies or laws and regulations are announced or renewed, the Bank evaluates the potential impact on business operations and responds in a timely manner. If a major impact occurs or the default climate metrics and targets do not achieve the expected results, the Bank reports to the President and determines whether the situation requires reporting to the Board of Directors.

(2) When there are material contingency events or material risk events that affect the normal operations of financial institutions due to climate change, the Bank complies with existing internal reporting processes and reports issues in a timely manner.

2.3 The Enhancement of Climate Governance Ability and Climate Knowledge

Improving the Climate Governance and Risk Management Ability of Management and Risk Management Staff

In light of the rapid advancement of climate governance and risk management knowledge, CDF Holding INC. provides several educational training sessions. The Bank also encourages the management team and relevant staff to participate in training programs related to the trends in sustainable and net-zero transition industries to enhance staff's ability to respond to climate issues.

The participation of the Board of Directors in educational training:

The Board of Directors have been arranged to take climate change, global net-zero emissions, and ESG related courses held by the Hong Kong Stock Exchanges and Clearing Limited, the Securities and Futures Institute (SFI), and others, which includes TCFD 101: Getting started with climate-related financial reporting (two hours), TCFD 102: Building experience in climate-related financial reporting (two hours), and Global net-zero emissions response & corporate ESG actions (three hours).

The participation of Bank staff in educational training:

Relevant staff are arranged to take climate risk management related courses for domestic banks held by CDF Holding INC., the Taiwan Academy of Banking and Finance, the Securities and Futures Institute, and others, which includes the Introduction Session to Domestic Banks' Climate-Related Risk Management Practice Handbook (four hours), the Introduction Session to the Domestic Banks' Climate-Related Risk Management Practice Project (three hours), and the Board of Directors and Supervisors (including Independent Directors) and Corporate Governance Executives Practice Advanced Seminar - Risks and Opportunities Generated by Climate Change and Energy Policy Trends for Enterprise Operations (three hours).

Basic climate risk knowledge for all Bank employees

The Bank held two climate risk online sessions organized by external consultants in 2023 for all employees of the Bank. Such training can establish solid basic climate risk related knowledge, and help promote the climate strategies and targets of the Bank and strengthen the overall climate resilience of the Bank. The participation results are as follows:

Course Name	Organizer	Training completion rate of the staff
Climate finance facilitates the transition of net-zero emissions	PwC Taiwan	100%
TCFD and Climate Risk Management Practical Education and Training	PwC Taiwan	100%

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2.4 The Governance of Climate Metrics and Targets

The Bank is cooperating with consultants in 2023 to establish climate metrics and targets. The relevant committees and the Board of Directors will also review the achievement of climate risk metrics and targets every year with the aim of managing business development and sustainable operations through sufficient inter-departmental communications.

03

Climate Strategy and Finance Transition

3.1 The Types of Climate Risk and Climate Opportunity
3.2 The Identification and Material Topics of Climate Risk and Opportunity
3.3 Climate Transition Strategy

With the drastic change of global climate, all the governments and enterprises are required to consider the impact of climate change that will make on their policies and measures. It's also required to consider how to integrate the impacts of climate change into response strategy. If enterprises can successfully respond to the impact of climate change, not only new business opportunities will be found in the progress of reducing business risk, but it'll also bring benefits for the society and environment to fulfill the philosophy of sustainable finance.

The Bank takes climate risk and climate opportunity into consideration when formulating business strategy. Moreover, it reviews the impact of climate change made on the Bank regularly. It also formulates 4 major strategies, "Responsible Investment", "Sustainable Lending", "Stewardship and Engagement", and "Promoting Green Deposit" as the main themes of the Bank's development.

Regarding the climate risk response strategy and resilience verification of the investment and financing portfolios, self-operation, and real estate credit generated by operation, which will be stated in" Chapter 4: Climate Risk Management".

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3.1 The Types of Climate Risk and Climate Opportunity

Climate Risk

According to the classification of Climate-Related Financial Disclosures Report (Task Force on Climate-Related Financial Disclosures, TCFD) published by the Financial Stability Board (FSB), climate-related risks can be divided into two types: "Physical Risks" which are related to climate change and "Transition Risks" which are related to low-carbon economy (that is, the policies, laws and regulations, technologies, and market changes generated in order to mitigate or to adapt to the risks caused by climate change).

	Risk Types	Description	Evaluate the Potential Impact Made on the Bank	The Relation with Existing Risks
Physical Risks	Acute Risks	Acute risks are the impact caused by a single extreme weather incident. For example, the interruption of business operation or equipment damage in the event of extreme intense rainfall.	The operation of operating locations or branches is interrupted due to the damage of power supply equipment.	Operational Risk
Physical Risks	Chronic Risks	Chronic risks are the longer-term shifts in climate patterns. For example: the rising of sea level forces the operation of operating locations in flooded areas to be interrupted.	1. Moving operating location to a new place will increase operational costs. 2. The value of collateral will be decreased.	Operational Risk, Credit Risk
Transition Risks	Policy and Legal Risks	Policy and legal risks are the impact of the implementation of carbon reduction policies made on enterprises during global low-carbon transition progress. For example, the levy of carbon tax or the fine imposed on high carbon emission industries.	If the Bank doesn' t adjust the investment and financing portfolios and manage procedures to comply with regulations in a timely manner, it would probably increase regulatory risk.	Operational Risk, Credit Risk, Market Risk
Transition Risks	Change in consumer behavior and preference / The imbalance risk of market demand and supply	With the gradual increase of consumers' recognition towards climate issues, their preferences regarding certain products or services may change. For enterprises that cannot adapt will have transition risk. For example, consumers' preference towards high carbon footprint product is decreasing, and those enterprises that are not transformed properly may have to face the problem of decreasing sales.	Without enough promotion or grasping consumers' preference towards green product, the Bank is likely to face the risk of product transition failure due to consumers' lack of acknowledgement on green products. If the loan clients manufacture higher carbon footprint products, when consumers' preference for the product is low, the revenue will decrease, and the client' s solvency will be low. When the demand of higher carbon footprint commodities the Bank invests in is reduced, it' ll not only cause the uncertainty in profit and loss, but will also affect the price of Marketable Securities.	Reputational Risk, Credit Risk, Market Risk
Transition Risks	Reputational Risk	Reputational risk is about the degree stakeholders concern regarding the low-carbon transition of enterprises, and whether enterprises can achieve the climate commitment they make or not. If enterprises cannot respond to stakeholders' expectations properly, the company may have to face reputational risks	If the Bank continues to grant loan to high carbon emission industries without proper control, which may result in the opposition from certain investors and negative perception of the public, and therefore affects the Bank's reputation.	Reputational Risk

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Climate Opportunity

Climate opportunity refers to new opportunities developed by the Bank in the process of adapting to climate change. According to FSB TCDF report, climate opportunity is developed from five aspects: resource utilization efficiency, renewable energy industry businesses, innovative products and services, market, and operational resilience.

Resource Utilization Efficiency

Description

The Bank reduces the use of paper and other materials through digitalization in addition to the reduction of energy consumption in buildings and equipment. For example: promoting clients to fill out forms online so as to reduce paper consumption and energy consumed by clients when visiting the Bank for banking services.

Assessing the potential benefits to the Bank

Increase the clients' convenience of using bank services. When customer satisfaction is improved, the carbon footprint of clients visiting the Bank for banking services will be reduced as well.

Renewable Energy Industry Businesses

Description

The Bank supports the construction and operation of renewable energy infrastructure through investment and loan granting.

Assessing the potential benefits to the Bank

The construction of renewable energy industry infrastructure requires a lot of funds; the Bank can look for business opportunities from it.

Innovative Products and Services

Description

The Bank introduces and promotes investment products related to sustainability, such as green bonds, renewable energy funds, etc. to support Sustainable Development Goals (SDGs) of the United Nations and green energy development, which will not only increase the Bank's stable income, but will also help the Bank to achieve climate targets.

Assessing the potential benefits to the Bank

When clients' inclination to purchase sustainable finance products increases, the Bank will be able to introduce or promote good green products to clients with its professional financial knowledge and experience.

New market or New Types of Assets

Description

With the growing attention on carbon emission issues, more and more countries and businesses are looking for or switching to renewable energy. The Bank also invests in new types of assets such as green bond to increase the source of profit.

Assessing the potential benefits to the Bank

Conduct and analyze new financial products actively, such as green bonds. Furthermore, invest in relevant financial products at an ideal time to acquire investment benefits.

Operational Resilience

Description

The Bank aims to strengthen the risk management of climate change in order to deal with the impact of climate change made on its business.
For example: the Bank formulates contingency plans for extreme weather events so as to help the Bank reduce the risks caused by climate change as well as to improve its operational resilience in more complete way.

Assessing the potential benefits to the Bank

Strengthen the Bank's management ability for climate issues, which will not only help reduce the impact of climate risks, but will also increase the chances of discovering climate opportunities.

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3.2 The Identification and Material Topics of Climate Risk and Opportunity

The Bank conducts a comprehensive analysis on its own climate risk and opportunity to assess the impact degree, the possibility of occurrence, and the time span of its climate risk or opportunity. After the assessment is completed, the Bank will rank the identified risks or opportunities in order of the importance. Regarding the management framework, management procedures, and countermeasures for climate risk, which will be described in detail in "Chapter 4: Climate Risk Management".

The material topics of climate risks

<table>
<tr><th>Ranking</th><th>Code</th><th>Climate Risk Identified by the Bank</th><th>Risk Category</th><th>Financial Impact Degree</th><th>Possibility of Occurrence</th><th>Time Span of the Impact (Note)</th><th>Impact Level</th><th>Potential Financial Impact</th></tr>
<tr><td>1</td><td>A</td><td>The loss of investment target value in highly climate-sensitive risk exposure industries</td><td>Transition risk
- Policy and Legal Risks</td><td>High</td><td>Medium</td><td>Medium, and long term</td><td>Downstream: investment business</td><td>Highly climate-sensitive risk exposure industries are highly regulated by laws and policies, which leads to the generation of additional legal compliance costs and causes an income decrease in the industry investment.</td></tr>
<tr><td>2</td><td>B</td><td>The impact due to the fine or penalty made on highly energy-consuming and highly polluting industry clients by the government made on the Bank's investment and financing decisions</td><td>Transition risk
-Policy and Legal Risks
-Reputational risk</td><td>Medium to high</td><td>Medium</td><td>Short, medium, long term</td><td>Downstream:
1. Credit business
2. Investment business</td><td>1. If the credit granted enterprise or investment target is fined or penalized by the government, the profitability of which will also be affected. Furthermore, it'll affect the solvency of the enterprise or the stock price of the investment target and causes the Bank a loss.
2. Investing in or lending to highly energy-consuming or highly polluting industries that are fined could have an adverse impact on the Bank's reputation.</td></tr>
<tr><td>3</td><td>C</td><td>The loss of collateral value</td><td>Physical risk
- Chronic risk</td><td>Medium</td><td>Low</td><td>Long term</td><td>Downstream: Collateral</td><td>The collateral that is located in flood prone areas with higher risk of damage, which value may be reduced.</td></tr>
<tr><td rowspan="3">4</td><td rowspan="3">D</td><td rowspan="3">Hardware and software equipment damaged by extreme weather</td><td rowspan="3">Physical risk
- Acute risk</td><td rowspan="3">Low</td><td rowspan="3">Low</td><td rowspan="3">Long term</td><td>Upstream: Suppliers</td><td>If the supplier's equipment is damaged due to extreme weather, the commodity price it provides to the Bank may increase and cause an increase in the Bank's procurement costs.</td></tr>
<tr><td>Self- operation</td><td>Most of the Bank's operating locations in Taiwan are located on the 1st floor, thus, the hardware and software equipment as well as the decoration are easily affected by extreme weather. If the hardware and software are damaged and require to be repaired or renewed, the operating expenses will increase accordingly.</td></tr>
<tr><td>Downstream:
1. Credit business
2. Investment business</td><td>If the investment target or credit-granted enterprise is hit by heavy rainfall or flooding disaster, and therefore causes its hardware and software equipment to be damaged, the profitability or solvency of which will also be affected, and thereby causes the Bank financial loss.</td></tr>
</table>

Note: Short-term refers to items with Acute impact; medium-term refers to items that will have an impact within 3 to 10 years; long-term refers to items that will have an impact after 10 years.

The material topics of climate opportunity

Ranking	Code	Climate Opportunity Identified by the Bank	Opportunity Category	Financial Impact Degree	Possibility of Occurrence	Time Span of the Impact (Note)	Impact Level	Potential Financial Opportunity
1	A	Investment: Implement responsible investment; evaluate the investment opportunities in ESG concept stocks actively; support the concepts of sustainability with practical actions	Renewable energy business opportunities	High	High	Short, medium and long-term	Downstream: Investment business	Facing climate change, companies that recognize the importance of ESG usually have better resilience and lower risk. While ESG concepts gradually become mainstream, investors are more inclined to hold stocks. Evaluating the investment opportunities in ESG concept stocks proactively will help the Bank acquire better investment income.
2	B	Credit : Start providing credit service to new energy, renewable energy industries, or industries that contribute to reducing greenhouse gas emissions; provide them with required funds to upgrade equipment or develop new technologies	Renewable energy business opportunities	Medium to high	Medium to high	Medium term	Downstream: Credit business	New energy and renewable energy industries are on the rise and require lots of funds to upgrade technology and equipment. If the Bank can discover high-quality clients from the industries, which will be helpful with the development of credit business.
3	C	Project Deposit: develop and promote green deposit project; introduce funds to support the development of green industries	Innovative products and services	Medium	High	Short and medium-term	Upstream: Deposit business Downstream: Credit business	Green deposit project helps to create a positive image of the Bank as well as for the Bank to establish a relationship with depositors and credit clients, which is in favor of the Bank to promote the potential business opportunities of sustainability.
4	D	Investment and credit granting: Engaging with the invested or credit granted companies to understand the company's policies relevant to sustainability. Moreover, communicate with the company at an appropriate timing to urge the company to pay attention on sustainability issues	Innovative products and services	Medium	Medium	Medium and long-term	Downstream: 1. Credit business 2. Investment business	Make the company clients pay attention to sustainability-related issues through engagement, which will not only help increase the long-term interests of the Bank, but will also be likely for the Bank to find potential opportunities of cooperation with other companies.
5	E	Self-operation: Assess and respond to the impact caused by climate change in advance; strengthen backup mechanisms and equipment; increase operational resilience	Operational resilience	Medium	Medium low	Medium and long-term	Self-operation	The damage caused by climate change would be substantial. Therefore, responding to the impacts that climate change may cause in advance will not only enable the Bank to adapt to climate change faster than other enterprises, but the Bank will also be able to provide stable and high-quality financial services.

Note: Short-term refers to those that have achieved certain results or have already implemented; medium-term refers to those that will continue to make influences within 3 to 10 years; long-term refers to those that will still make influences after 10 years.

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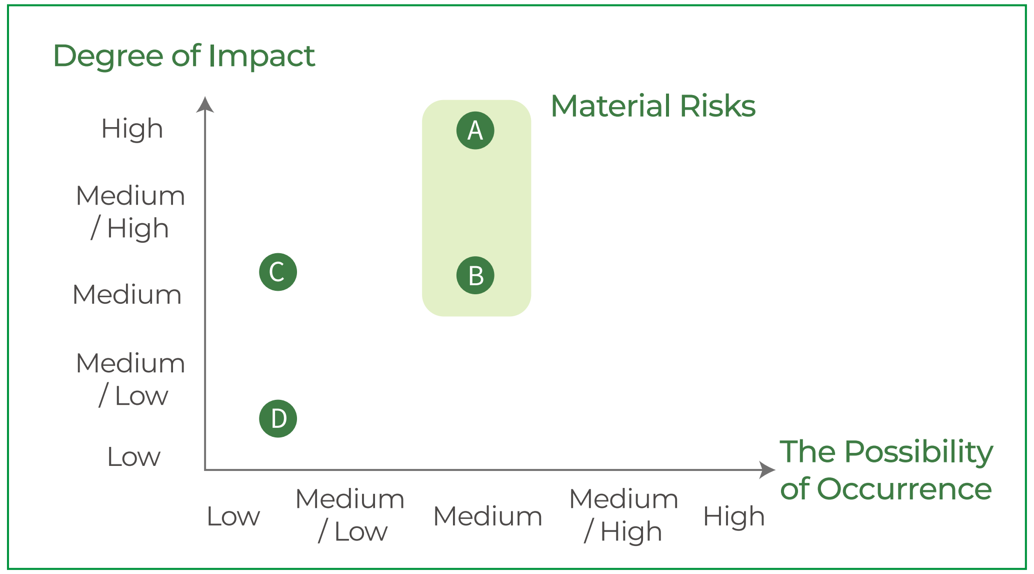
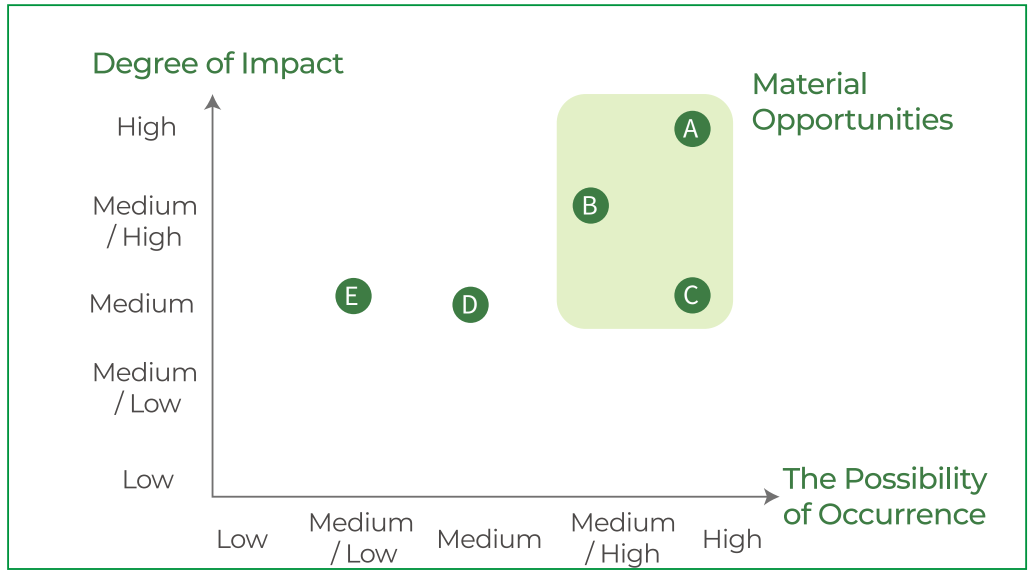
Climate-related Risk Matrix



Climate-related Opportunity Matrix



Risk: The loss of investment target value in highly climate-sensitive risk exposure industries.

Risk: The impact due to the fine or penalty made on highly energy-consuming and highly polluting industry clients by the government made on the Bank’ s investment and financing decisions.

Strategy 1 : Responsible Investment

Opportunity: Investment: Implement responsible investment; evaluate the investment opportunities in ESG concept stocks actively; support the concepts of sustainability with practical actions.

Strategy 2 : Sustainable Lending

Opportunity: Credit granting: Start providing credit granting service to new energy, renewable energy industries, or industries that contribute to reducing greenhouse gas emissions; provide them with required funds to upgrade equipment or develop new technologies.

Strategy 3 : Stewardship and Engagement

Opportunity: Investment and credit granting: Engaging with the invested or credit granted companies to understand the company’ s policies relevant to sustainability. Moreover, communicate with the company at an appropriate timing to urge the company to pay attention on sustainability issues.

Strategy 4 : Promoting Green Deposit

Opportunity: Project deposit: develop and promote green deposit project; introduce funds to support the development of green industries.

3.3 Climate Transition Strategy

KGI Bank is one of the important commercial banks in Taiwan. It has a profound influence on providing personal financial services including deposit, loans, multi-payment, credit card, and wealth management as well as tailor-made financial solutions for domestic and foreign legal entities . Although the direct impact of climate change on banking industry is not as serious as that on other high-carbon emission industries, considering the large number of stakeholders the Bank has connection with in daily business activities, the Bank regards it necessary to formulate corresponding management strategies for climate change.

Thus, the Bank conducted cross-functional communications and strategic feasibility studies, in addition to formulating strategies including “Responsible Investment”, “Sustainable Lending”, “Stewardship and Engagement”, and “Promoting Green Deposit”, executed by regulator.
The above-mentioned transition strategies are made to not only adapt to the potential risks of self-operation, but to also exert its influence on capital market, so the participants will gradually realize the importance of sustainability issues and look for the opportunities of sustainable business development.

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3.3.1 Strategy 1: Responsible Investment

There is an internal policy, 《Policy for Responsible Investment》, formulated by the Bank to regulate the Bank's other at fair value through other comprehensive income (FVOCI) stock investment and banking book security investment business. The Bank also conducts pre-investment evaluation and post-investment management according to this policy.

The Creation of Exclusion List

Specifically speaking, when assessing potential investment targets, the Bank has taken important ESG issues, such as environment, society, and corporate governance into consideration. If the main business items of which involve in environmental pollution, social disputes, or poor corporate governance with specific evidence, and the circumstances are proved to be serious; however, no improvement hasn't been made after being penalized or fined by the regulator or an international organization, the Bank should avoid the investment in the following targets:

(1) Environmental Aspect: Coal mining industry.
(2) Social Aspect: Industries that involve in pornography, drugs, money laundering, financing terrorist activities, slave labor, child labor, or violating human rights with specific evidence.
(3) Corporate Governance Aspect: There is specific evidence proving that the Board of Directors violates laws, regulations, or resolutions of the shareholders' meeting in the execution of business, which makes a significant impact on the shareholders or investors' rights.

The Evaluation Procedures of Investment Target

After making the investment, the Bank will also continue to pay attention to, analyze, and assess the relevant information of the investment target. If an investment target involves the above-mentioned exclusion rules during the investment period, the Bank will immediately inspect and assess whether the investment target has made an improvement or had plans for improvement, and will describe in the assessment report whether the investment strategy of the Bank can be modified. The assessment management process is as follows:

Screening

- Comply with international sustainable frameworks, such as: PRI, PSI, PRB.
- ESG negative exclusion list: Exclude potential targets involving high ESG risks or in controversial industries / activities.
- The inspection and evaluation of specific industry conditions: Conduct prudent evaluation of targets involving in ESG highly sensitive industries / activities.

Reviewing

- Review indicators include financial and ESG sustainable assessment factors.
- Conduct ESG due diligence investigation on controversial companies.
- The business decision-making unit is responsible for approving the terms and conditions of the investment.

Management

- Gap analysis / review during the investment period.
- Pay attention to proposals that hinder sustainable development or have a negative impact on ESG principles.
- Regarding the investment targets, perform voting rights and disclose the voting situation of the shareholders' meeting.

Engagement

- Through the communication with the target, guiding it to reduce the negative impact it will make on the environment and society, furthermore, exploring the opportunities for sustainable development.

3.3.2 Strategy 2: Sustainable Lending

The Bank makes positive and sustainable influences through funding and financial services. It's willing to comply with the Principles for Responsible Banking (PRB) and incorporate environmental, social, and corporate governance aspects into risk assessment and decision-making process of credit business so as to achieve the concept of sustainable development and to reduce lending risks caused by climate change. In order to implement the concept of sustainable development into credit business, when the 《Credit Policy》 and《Procedures for Sustainable Financing》 were revised in 2022, the Bank regulated that when inspecting the application of credit cases, the staff should take the impact of the client's business activities makes on environment, society, and corporate governance into consideration. In addition, combining the Five Ps of Lending Principles, making a comprehensive judgment to prevent the generation of possible lending risks, and making good use of the influence of banking industry to assist the sustainable development of the society.

The Management Process of Sustainable Lending

In response to international trend of sustainable development and in line with "Sustainable Finance Commitment" of CDF Holding INC., the lending strategies and corresponding measures of the Bank towards related industries are as follows:

(1) Regarding highly controversial industries and activities (including rainforest logging industry, tobacco industry, Polychlorinated biphenyls, illegal gaming, pornography, drugs, nuclear weapons, money laundering, terrorist financing , labor slaving, child labor, or human rights violations): cease to undertake new loanst; terminate the cooperative relationship within a time frame for cases already undertaken.

(2) Regarding highly sensitive industries (including energy industry, mining industry, forest industry, transportation industry, agriculture, and livestock farming): conduct careful evaluations before undertaking each business and follow up on the management of ESG issues after undertaking.

(3) Regarding thermal coal related industries, , unconventional oil and gas related industries: cease project financing (including new projects or expansion of existing projects.)

(4) Other high-carbon-emission industries: gradually reduce the lending position in accordance with the decarbonization principle, and take into consideration of the energy conservation and carbon reduction related plans of the borrower; if a significant ESG risk or ESG related serious, negative information is found, the impact should be assessed during the process of credit checking and reviewing, as well as stated and explained in credit investigation report or credit risk reviewing report; depending on the situation of the case, the corresponding conditions for credit approval can be added.

Regarding credit application, the Bank, according to the definitions of green loan and sustainability performance linked credit granting described in "Guidelines for Monthly Reporting of Loan Balance" formulated by JCIC to disclose information including green loan, sustainability performance linked lending, ESG rating, corporate carbon emission quantity and intensity, the avoided carbon emission for renewable energy project loan in credit report. The "Sustainability Risk Assessment Inspection List" is another required auxiliary tool used for inspection. If any of the circumstances listed in the inspection items are made by cooperate business partners or group members and found, the applicant will be requested to explain whether there is an improvement or transition plan.

(1) It is a high-carbon emission industry recognized by CDF Holding INC.

(2) It has been involved in highly sensitive industries and climate change related issues within three years.

(3) There have been negative incidents occurred on environmental protection, corporate social responsibility, and corporate governance within three years.

Become The Best Partner of High-quality Green Enterprises

When inspecting credit cases, the Bank will inspect whether the credit applicant has implemented environmental protection, social responsibility, and corporate integrity management completely. It will also grant suitable conditions and incentives to companies that are well-performed. The specific measures are as follows:

1. The credit business mainly supports green energy industries that implement alternative energy or water resources and environmental pollution control. To those forward-looking enterprises that are committed to reducing energy consumption, pollution, or introducing environmental protection facilities, the Bank will provide suitable financing assistance and preferred conditions. For enterprises other than green energy industry, the Bank also encourages the companies applying loan granting to invest in environmental protection products or equipment, energy-saving or energy storage equipment, green production mechanism, and pollution reduction methods with the provision of suitable assistance and incentives.
2. Regarding the land and building collaterals for loans, clients are encouraged to provide collateral that has positive effects on the environment or resource utilization, such as green buildings; if there is a potential negative impact on the environment and ecology, the Bank should evaluate the collateral prudently and not to accept it.
3. In principle, companies that do not comply with environmental protection regulations, are involved in labor disputes, or have corporate governance problems without specific improvement plans, the credit application will not be accepted; for those companies that the Bank has had a business relationship with will be requested to improve. The company that refuses to cooperate, once is evaluated to have a significant impact on the operation or on the rights of claim of the Bank, the incremental loan of which will not be approved or the loan will be gradually recovered so as to help and encourage enterprises to strengthen the implementation of environmental protection and to fulfill corporate social responsibility completely.

CONTENT

Specific Project Loan

Regarding the processing of large-amount credit cases for high water consuming and high pollution industries, which is more than USD$10 million.

◆ Its rquired to conduct feasibility analysis connecting with environmental protection regulations in credit checking report.

Regarding the processing of project credit cases for mining industry, infrastructure, fossil fuel and natural gas industry, energy industry, the credit granting unit of which is more than USD$50 million.

◆ After assessing, if the company is considered to be involved in environmental and social risks, on the basis of green finance and industry sustainable development goal, the Bank will process the case based on "Equator Principles 4.0" announced by the Bankers Association to encourage these industries to pursue sustainable development and achieve carbon reduction goal.

The Execution of Sustainable Lending Policy

1. The balance of green loan in December, 2022 reached NTD$16.06 billion, an increase of 40% comparing with that in December 2021.

2. In the past year, the Bank once refused to approve the syndicated loan application of a high-carbon emission coal mine transportation company.

3. The coal-burning power plant syndicated loan (the loan was due in March, 2023), the Bank didn't paticipate after the maturity date.

3.3.3 Strategy 3: Stewardship and Engagement

The completion of evaluation procedures prior to the investment is always considered to be the most important part affecting investment performance. Selecting only those companies worth investing in can bring investors good income. Both of the responsible investment strategy and sustainable lending strategy of the Bank extremely emphasize the evaluation procedures prior to the investment and financing, which can ensure that the funds will inflow into enterprises recognizing the importance of environmental friendliness and sustainability issues. When the Bank assists high-quality enterprises to acquire capital injection, it can also effectively strengthen the climate resilience of the investment and financing portfolios of the Bank.

However, with the trend of stewardship becoming popular, the Bank realizes that post-investment stewardship is as important as pre-investment evaluation. Through the engagement with the invested company, the Bank can not only exert its own influence to assist the invested company in achieving sustainability goal but also can discover potential business opportunities from the investment.

Stewardship Principles

The Bank declare statement in 2022 to follow the 6 principles of the “Stewardship Principles for Institutional Investors” as follows:

Stewardship Principles	Key Implementation Summary
Principle I. Formulate and disclose stewardship policies	The Bank hereby declares to comply with the “Stewardship Principles for Institutional Investors”, which are disclosed with stewardship related policies on the Institutional Investors Stewardship Page of the Bank’s official website: (https: // www.kgibank.com.tw / zh-tw / about-us / corporate-governance)
Principle II. Formulate and disclose policies to manage conflicts of interest	The Bank hereby declares to comply with the “Stewardship Principles for Institutional Investors”,which are disclosed with a conflict of interest management policies on the Institutional Investors Stewardship Page of the Bank’s official website to ensure that the Bank executes relevant business based on the shareholders’ rights as well as to avoid the circumstances of a conflict of interest. For example, it states in the policy that, unless otherwise stipulated by laws and regulations, the Bank shall not have the securities it underwrites during the securities underwriting period. In terms of the employee management of the conflict of interest, the employees of the Bank are not allowed to engage in any fund loaning, major asset transactions, provision of guarantees, or other business transactions that have conflict with interests in the name of his / her or others.
Principle III. Continue to monitor investees	To ensure that the Bank obtains sufficient and effective information to evaluate the nature, time, and degree of the dialogue and interaction with the invested companies, in addition to establishing a good foundation for the Bank's investment decisions, the items of the invested companies that the Bank pays attention to includes the relevant news, financial performance, industry overview, business strategy, the practical actions for environmental protection, social responsibility, labor rights, and corporate governance.
Principle IV. Conduct appropriate conversation and interaction with investees	Through appropriate conversation and interaction with the invested companies, the Bank is able to further understand and communicate the risks and strategies the management of which face 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, the participation in investor conference, or sending staff to participate in shareholders' regular meeting or important extraordinary shareholders' meetings.
Principle V. Formulate and disclose specific voting policies and voting results	In order to seek the best interests for fund providers, the Bank formulates clear voting policies and proceed proposal voting on shareholders' meeting proactively. Furthermore, it doesn’t absolutely support the proposals proposed by management. The regulation details have been announced in the Corporate Governance of the Bank’s official website.
Principle VI. Regularly disclose execution of stewardship	The Bank discloses the performance of stewardship on its website or annual report, which is updated at least once a year.

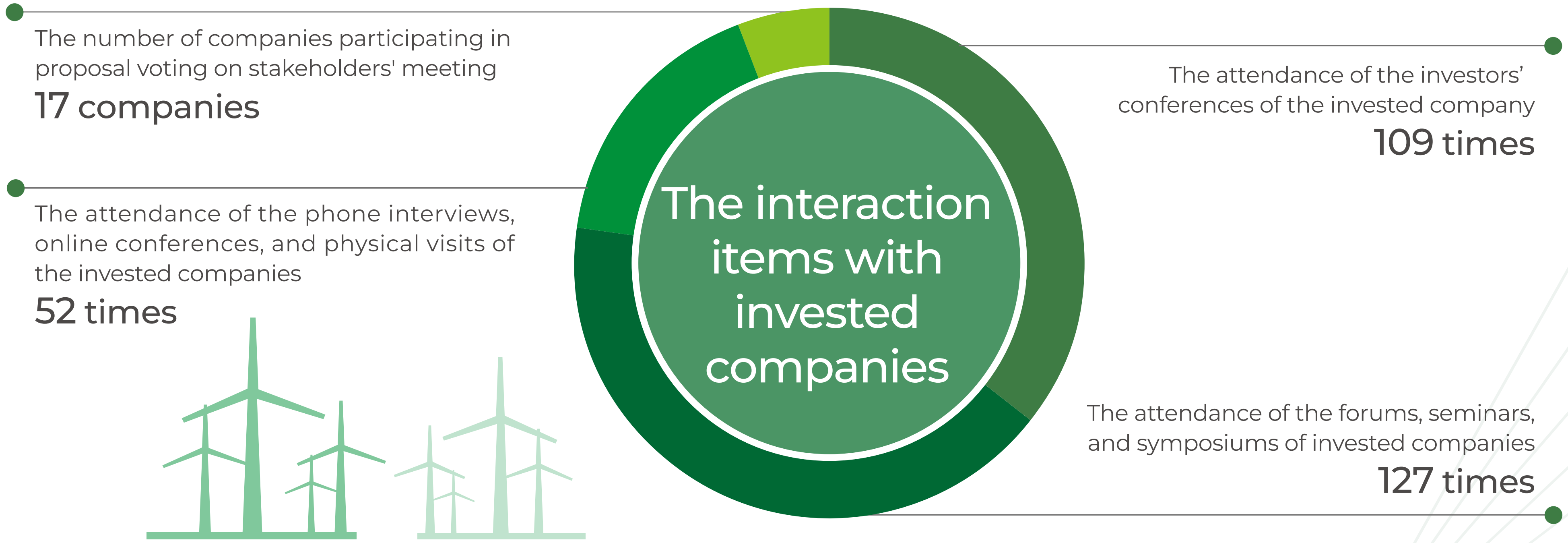
CONTENT

The Compliance Target of Stewardship Governance

In order to utilize stewardship governance resources effectively, the Bank make investments 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% (5% included) of issued shares; it also holds invested stocks of financial assets at fair value through other comprehensive income (FVOCI) 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 2022:

The stewardship governance performance of the Bank in 2022



3.3.4 Strategy 4: Promoting Green Deposit

Adhering to the spirit of sustainable development and environmental protection, the Bank hopes to fulfill corporate social responsibilities completely while developing business. Therefore, it has launched green deposit plan, investing all the deposit money the Bank received in the loan or loan-related needs within the scope of green deposit plan so the corporate funds can be inflowed into the field of sustainable development.

Green Deposit Plan and the Estimated Fund Use

The Bank will use the funds received from green deposit plan in various items in the globe that comply with the Green Bond Principles (GBP) or financing services with “green loan” approval remark that is recognized by the Financial Joint Credit Reference Center. The Bank does the evaluation in accordance with the Green Bond Principles (GBP) standard of the International Capital Market Association (ICMA), and complies with the regulations of “Green loan” remark of the Financial Joint Credit Reference Center to formulate green deposit plan, which has been confirmed by an independent third-party accounting firm and has passed the inspection.

The types of loans , items, and the expected benefits to the environment of green deposit plan are shown as follows:

Type	Project Items	Expected Generated Benefits to the Environment
Renewable energy and development of energy technology	Loans for renewable energy site	Grant loan for manufacturers to build renewable energy site; then make the domestic electrical grid go green by using renewable energy to generate electricity so as to achieve the green benefits of carbon emission reduction.
Improve energy efficiency and save energy	Energy-saving equipment loans	Assist manufacturers in purchasing equipment that can reduce energy consumption by 20% or more comparing with current operating or manufacturing equipment so as to save energy or improve energy efficiency.
	Loan for green building	Grant loans to buildings that are estimated to apply for domestic and foreign green building labels.
Pollution prevention and control	Exhaust gas pollution prevention equipment loans	Assist manufacturers in building equipment that can improve exhaust gas pollution or prevention so as to reduce the data of exhaust gas that is discharged into the atmosphere and harmful to the environment.
	Sewage treatment equipment loans	Assist manufacturers to build sewage treatment equipment so as to reduce the chemical substances in discharged waste water as well as the impact on the environment.
Water resource conservation, purification, and recycling for reuse	Loans for waste water treatment plants and infrastructure construction	Grant loan for the construction of waste water treatment plants or recycled water treatment plants so as to reduce the consumption of water resources and to prevent its impact on the environment.

Plan Effects

Year 2022

Deposit Balance at the Year-end
NTD$ 5.36 billion

CONTENT

04

Climate Risk Management

4.1 Climate Risk Management Structure and Process
4.2 The Identification and Management Mechanism of Highly Climate-sensitive Risk Management
4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio
4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals

CONTENT

The primary business of the banking industry is deposits, loans, and investments. Therefore, when implementing risk management, bank staff focus more on the identification, assessment, and management of existing risks including credit risk, market risk, operational risk, and interest rate risk. However, with the drastic impact of climate change, geopolitical risks are on the rise, which are new risks causing great fluctuation and are not easy to assess and measure. Considering the major losses or negative impacts on the bank, the Bank abides by the planning of CDF Holding INC., the parent company, to regularly execute emerging risk impact assessments on important emerging risks. Furthermore, to strengthen the Bank's climate risk management, it follows the 《Guidelines for Domestic Banks Climate Risk Financial Disclosure》 published by the Financial Supervisory Commission, and also refers to the advice in the 《Domestic Banks' Climate-Related Risk Management Practice Handbook 》published by the Bankers Association, formulating the 《Climate Risk Management Guidelines》 to manage climate risks. It stipulates that management steps, including climate risk identification, risk assessment, and risk control, should be implemented; the scenario analysis of physical risks and transition risks should be processed; according to the degree of identified or assessed climate risks, measures should be taken of risk differentiation management and a mechanism established to adapt to the impact of climate change to ensure the stable operation and development of the Bank.

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4.1 Climate Risk Management Structure and Process

The Core Elements of Climate Risk Management

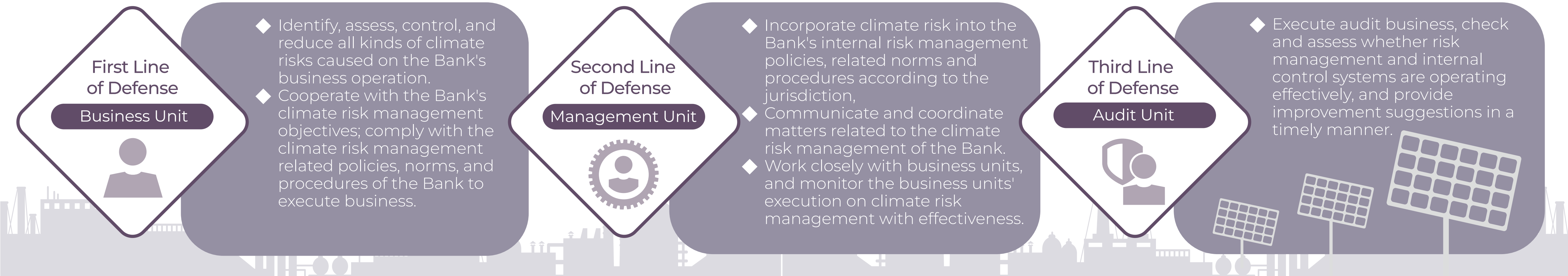
The climate risk management of the Bank follows the 《Guidelines for Domestic Banks' Climate Risk Financial Disclosure》 across the four aspects of governance, strategy, risk management, and metrics and targets. It connects climate risk with existing risk types (for example, credit risk, market risk, operational risk, liquidity risk, and reputational risk, etc.), gradually integrating climate risk into existing procedures.

Identify the Bank’s own major climate risks and connect them with other existing risks

Climate risks identified by the Bank	Climate risk types	The connection with existing risks and their explanation
The investment target value loss of highly climate-sensitive risk exposure industries	Transition risk - Policy and legal risks	Market risk: The fluctuation of market risk factor (stock price) results in a possible loss of balance sheet items of the Bank.
The impact due to the fines or penalties on highly energy-consuming and highly polluting industry clients by the government on the Bank’s investment and financing decisions	Transition risk - Policy and legal risk - Reputational risk	Market risk: The fluctuation of market risk factor (stock price) results in a possible loss of balance sheet items of the Bank. Credit risk: Borrowers, issuers, or counterparties due to the deterioration in financial conditions may fail to meet its obligations in accordance with agreed terms, resulting in losses.
The loss of collateral value	Physical risk - Chronic risk	Credit risk: The loss due to the failure of recovery caused by the default on the collateral related loans.
Hardware and software equipment is damaged due to extreme weather	Physical risk - Acute risk	Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Three Lines of Defense in Climate Risk Management

The Bank employs a "Three Lines of Defense" principle. Each line of defense implements risk control according to its role and responsibilities to ensure a sound risk management mechanism.



The Board of Directors and senior management will continue to ensure that the organizational structure complies with the principles of the three lines of defense, oversee the effectiveness of implementation, and take ultimate responsibility for its effectiveness.

CONTENT

Climate risk management process

Starting from identifying the connection between major climate risks and other existing risks, the Bank gradually integrates climate risks into existing procedures to establish a complete climate risk management process, which includes major management steps such as risk identification, risk assessment, and risk control. The details are described below:

Risk Identification

- Starting from the aspects of climate physical risk and climate transition risk, focusing on self- operation, deposit & transfer, investment and loan granting, and wealth management business, etc. to identify the potential climate risks that the Bank may face.

Risk Assessment

- After figuring out risk source and distinguishing the relevant information regarding the degree of the risk according to identification results, follow the results to make an inventory of the corresponding amount of risk exposure and assess the degree of risk exposure/financial impact.
- By conducting the scenario analysis on physical risks and transition risks, assess the impact of climate risk on its business.

Risk Control

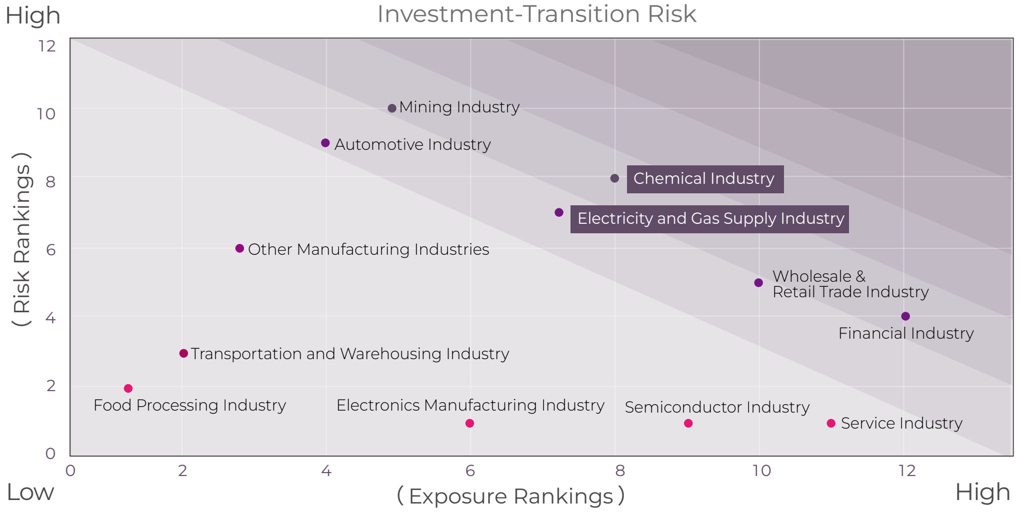
- Adopt risk differentiation management measures according to the identified or assessed degree of the climate risks, including:
  (1) Formulate coping strategies and management measures.
  (2) Continue operational management.
  (3) Regular monitoring.

4.2 The Identification and Management Mechanism of Highly Climate- sensitive Risk Management

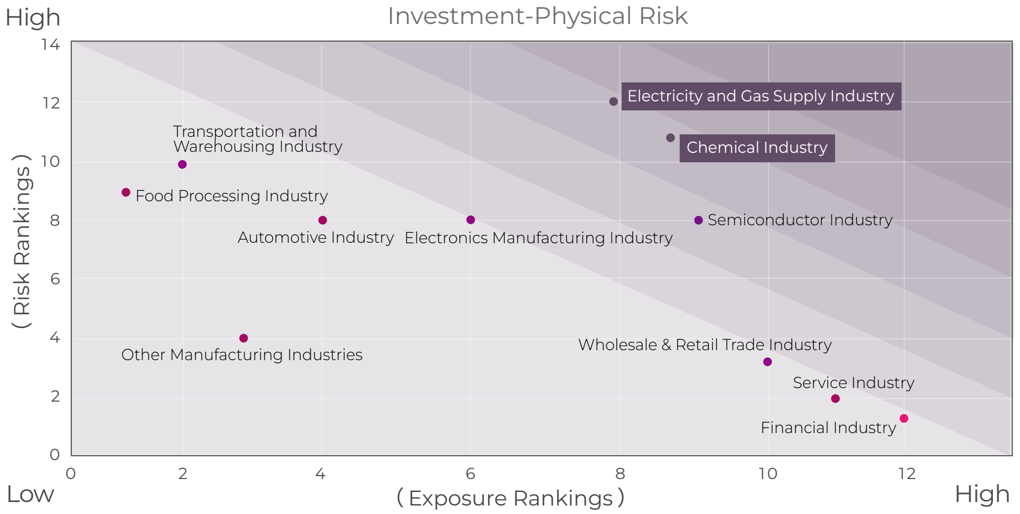
The Bank refers to the industry climate risk analysis report released by Moody's to make an inventory of the industries for credit and investment business, identify the key-focused climate risk related industries from risk exposure amount and the climate risk grade. Based on which, the Bank proposes the investing and lending risk indexes of various industries according to climate sensitive risk exposure degree to enhance the Bank's ability to respond to climate change and to reduce potential financial impacts.

◆ High Climate Sensitive Risk Exposure Industry Matrix - Investment Business ◆

Transition Risk Key- focused Industries- Chemical Industry, Electricity and Gas Supply Industry

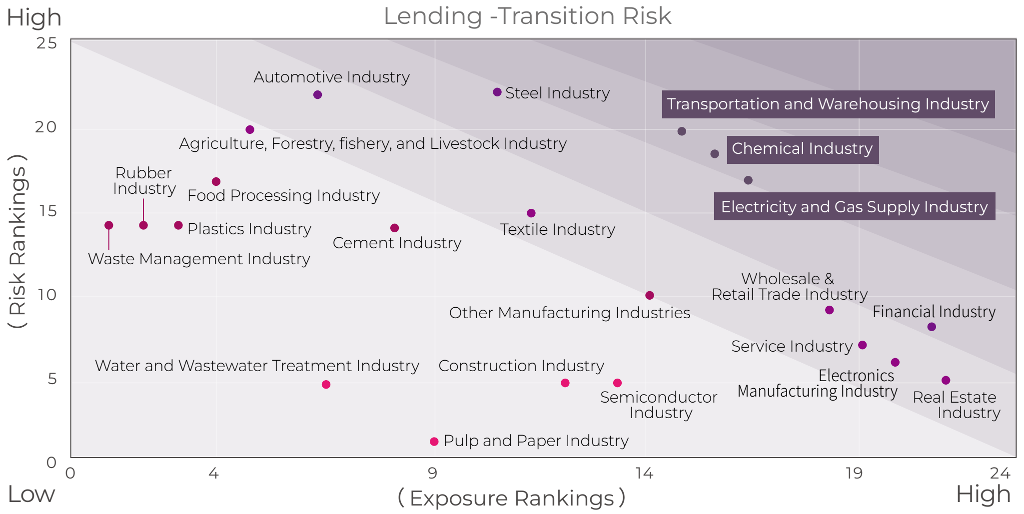


Physical Risk Key- focused Industries- Electricity and Gas Supply Industry, Chemical Industry

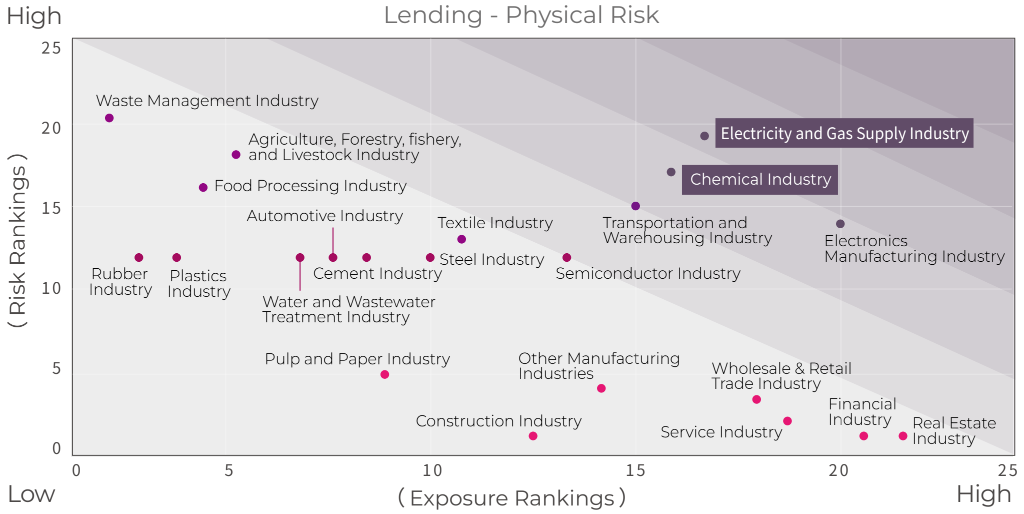


◆ High Climate Sensitive Risk Exposure Industry Matrix - Credit Business ◆

Transition Risk Key- focused Industries- Transportation and Warehousing Industry, Chemical Industry, Electricity and Gas Supply Industry



Physical Risk Key- focused Industries- Electricity and Gas Supply Industry, Chemical Industry



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The Management Mechanism of the Key-focused Industries

According to the analysis results of the matrix, the key- focused climate risk related industries identified by the Bank are Chemical Industry as well as Electricity and Gas Supply Industry in the investment business, and which are Transportation and Warehousing Industry, Chemical Industry as well as Electricity and Gas Supply Industry in credit business. Currently, there are management mechanism and quota control principles set according to industry category.

The 3 industries, Electricity and Gas Supply Industry, Transportation and Warehousing Industry, and Chemical Industry that were screened out this year actually identified as high-carbon-emission industry by CDF Holding INC. It is stipulated that sustainability risk assessment checklist should be filled in upon the application of credit . It's also required to calculate carbon emission. If the borrower involves in ESG-related issues, it's necessary to further explain the company's sustainability transition plan and disclose the relevant information in the credit risk inspection report as a reference for the supervisor in charge of loan approval as well as for the Bank to adjust the existing positions of the above-mentioned industries in a timely manner.

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

Analysis Items and Methodology Description:

In order to grasp the possible impact of climate change will make on the asset positions of the Bank, climate scenario analysis is required to be conducted in accordance with the requirements of the regulator "Domestic Bank's Climate Change Scenario Analysis Conduction Plan" (hereinafter referred to as "Scenario Analysis Conduction Plan").

(1) Scope of analysis: The expected losses and changes caused by climate risks to the four investment and financing assets of the Bank: domestic loans-corporate, domestic loans-personal, foreign loans, and banking book investment.

(2) Analyze scenarios:

Climate Scenarios	Orderly	Disorderly	No Policy
NGFS Scenario	Net Zero 2050	Delay Transition	Current Policies
The Description of Scenario Assumption	Through stringent climate policies and innovative actions at present time, limit warming to 1.5°C to achieve global net-zero emissions by 2050.	Continue the implementation of current policies; implement stringent climate policy from 2030, and limit warming below 1.8°C by 2050.	Continue the implementation of current policies without any adjustments; the temperature increase may exceed 3°C, which will result in irreversible high physical risks.
Policy Transition Time	Immediately	2030	None
The end of the century is expected to heat up	1.4℃	1.6℃	3°C +
Transition risk [Note]	Medium risk	High risk	Low risk
Physical risk [Note]	Low risk	Medium risk	High risk

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

Note: The Bank judges the relative physical and transition risk level of the 3 climate scenarios on its own based on the climate scenario information provided by NGFS.

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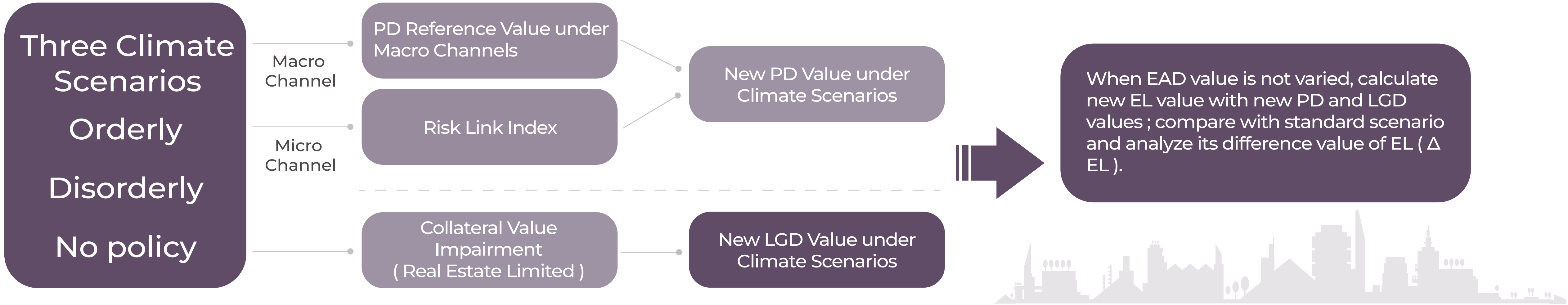
(3) Analysis process:



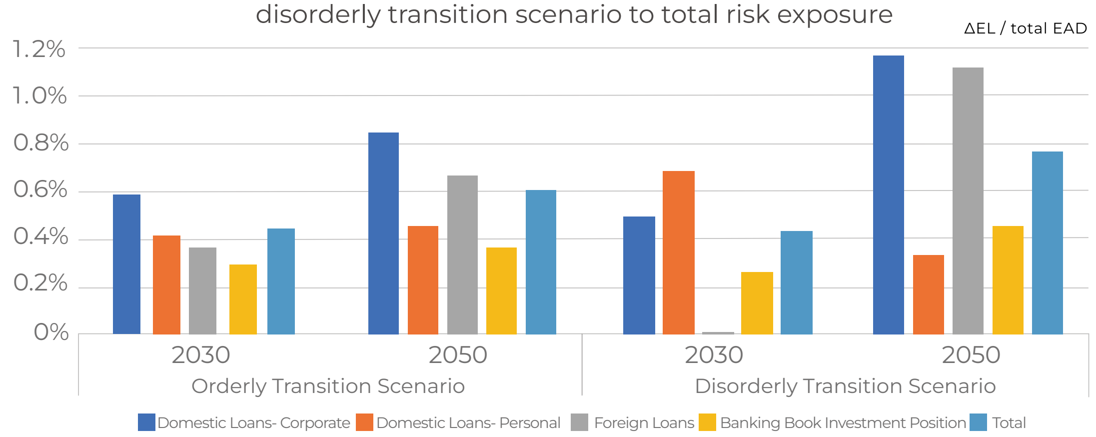
Financial Quantitative Analysis

In order to compare the differences of the impact of similar climate scenarios on asset portfolios to formulate the optimal response strategies for specific climate scenarios, therefore, transition scenario (orderly transition scenario and disorderly transition scenario) and no transition scenario (no policy scenario) are discussed separately. The relevant analysis results are described as follows:

(1) Orderly Transition Scenario and Disorderly Transition Scenario:

Orderly transition scenario assumes an immediate and gradual transition across the globe to achieve specific carbon reduction goal. Disorderly transition scenario, comparing to orderly transition scenario, makes the transition later, but it still requires to achieve specific carbon reduction goal. Hence, the expected transition risk of which will be relatively large. Moreover, these two scenarios may occur along with physical risks at the same time. Generally speaking, the expected loss (ΔEL) of domestic loans- corporate and personal accounts for the large proportion of the total risk exposure (EAD), which will still be the mid-term emphasis for the Bank in the future. In addition, in the year 2050, the ratio of expected losses and change of domestic loans- corporate and foreign loans in the overall disorderly transition scenario increases sharply comparing to 2030. If the transition scenario in the future is more in line with disorderly transition, the Bank should manage asset portfolios which climate may impact more proactively.

The Proportion of increased expected loss in orderly transition scenario and disorderly transition scenario to total risk exposure



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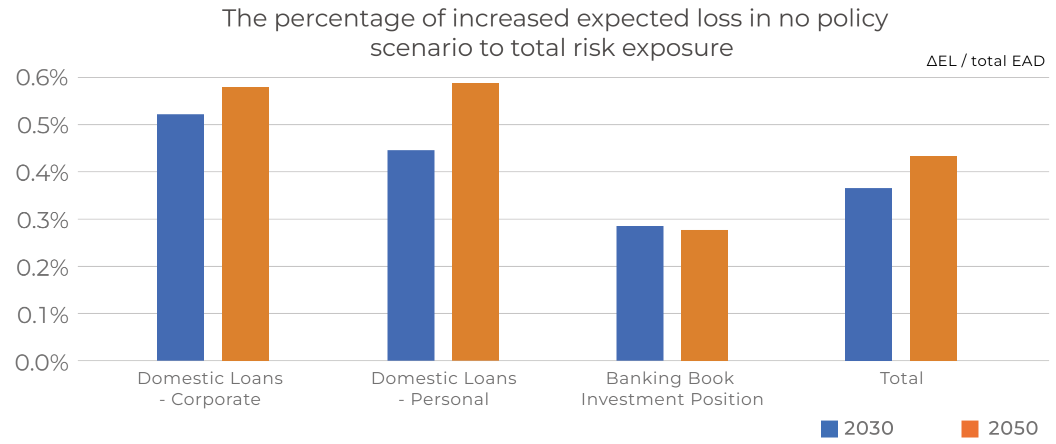
(2) No Policy scenario:

No Policy scenario is the fact that under the promotion of no policy transition in the globe, the physical risks generated may lead to more serious economic results in medium and long term (after the year 2040). However, since there are no relevant policy requirements, no transition risks will occur then. In the analysis, domestic loans-corporate and personal are still the main affected position. Generally speaking, the expected losses and changes ratio in the year 2050 is higher than those in 2030, indicating that if the Bank fails to pay attention to and manage the asset portfolio impacted by physical risks early, the impact will gradually accelerate with time.



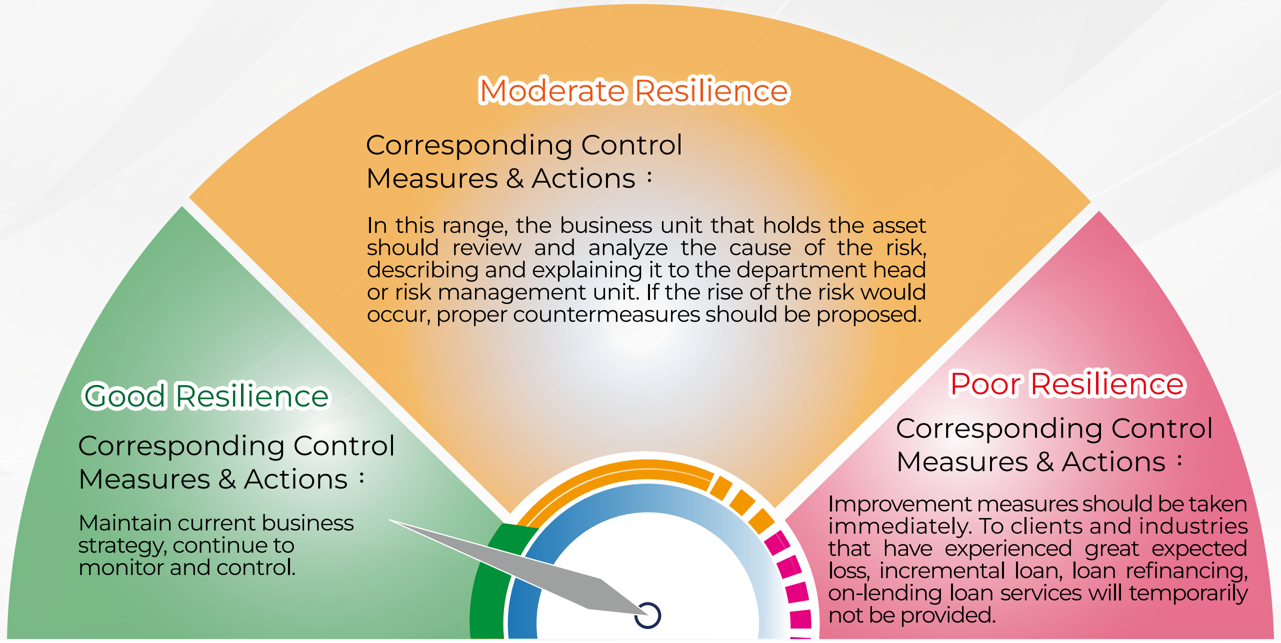
Resilience Verification and Coping Strategies

In order to make sure that the proposed business strategies of the Bank are properly prepared for various possible climate scenario impacts, the Bank has conducted quantitative analysis of climate risks according to scenario analysis plan and established risk metrics for all the assets to evaluate the climate resilience of the current asset portfolios in addition to ensuring the effectiveness of financial impact controllability of the asset portfolios under various climate scenarios through this regulatory mechanism. After reviewing the scenario analysis results of the Bank in 2022, the risk metric of each asset is within "good resilience" range, indicating that the current business strategy and asset portfolio of Bank have sufficient climate resilience. According to resilience verification results, although the Bank's current asset portfolio is not significantly impacted by climate risks, considering the uncertainty of climate risks, the Bank will continue to improve risk management related measures.

CONTENT

Resilience Verification Mechanism and Differentiated Management Measures

Considering the characteristics of each asset, the Bank has developed corresponding climate resilience verification metrics, which are divided into 3 ranges: good resilience, moderate resilience, and weak resilience according to the setting point results. Moreover, the corresponding management actions for the status of each range are also defined.



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4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals

Analysis Items and Methodology Description:

Extreme weather events have occurred frequently in recent years, therefore, physical risk issues such as flooding and rainstorms are getting more important. In order to reduce the impact of climate disasters on operation and business, the Bank has conducted scenario analysis on operating locations, investment property, and real estate collateral as well as quantified the results so as to grasp the financial impact of climate change on business aspect and asset value.

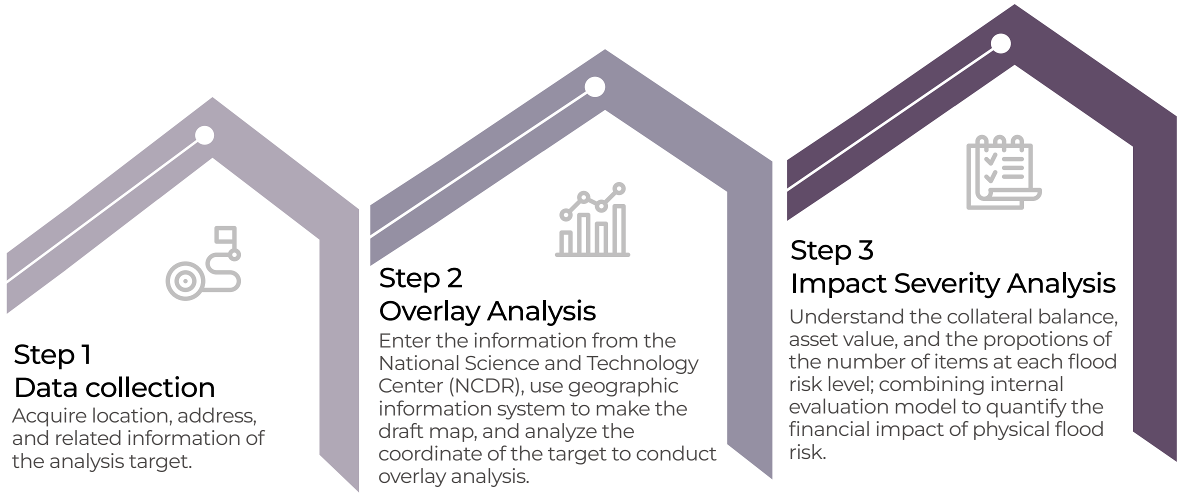
(1) **Analysis Targets:** The operating locations, investment property, real estate collateral of corporate banking, and real estate collateral of consumer banking of the Bank.

(2) **Analyzing Scenarios:** Use the scenario map and data of regular global warming rise to 1.5°C and 4°C scenario to conduct the scenario analysis of physical risks. The source of the map and data are from the hazard-vulnerability map of National Science and Technology Center (please refer to the table below for definition).

Risk Factors	Factor Definitions
Hazard	The Probability of Extreme Rainfall- It mainly presents the extent of natural hazards caused by extreme rainfall under the climate scenarios, which are potentially dangerous events that may cause actual, substantial damage.
Vulnerability	The Susceptibility to Flooding- It means the possibility of an area susceptible to adverse impacts (including real economy and social economy).

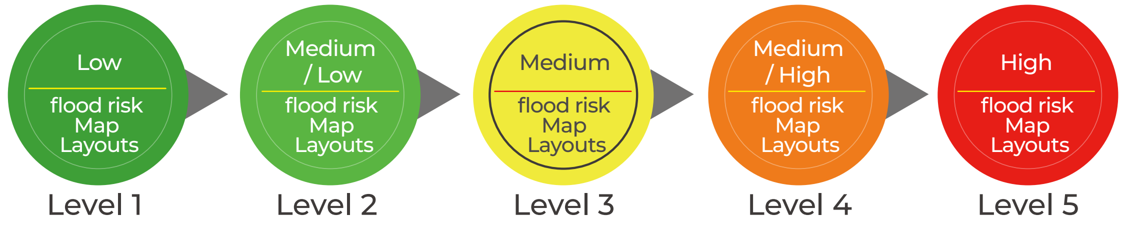
Regular Warming Rise	IPCC AR 6 Scenario
1.5° C	SSP1-1.9
4° C	SSP5-8.5

(3) Analysis Process:



(4) The Definition of Risk Levels:

The "Hazard Maps of Taiwan" released by NCDR divides the risk into five levels. Level 1 (dark green) indicates that flood risk is relatively the lowest; Level 5 (red) indicates that flood risk is the highest. Among them, Level 5 belongs to the high climate risk area defined by the Bank; Level 4 belongs to the area that requires attention defined by the Bank.



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Financial Quantitative Analysis

(1) Operating Locations:

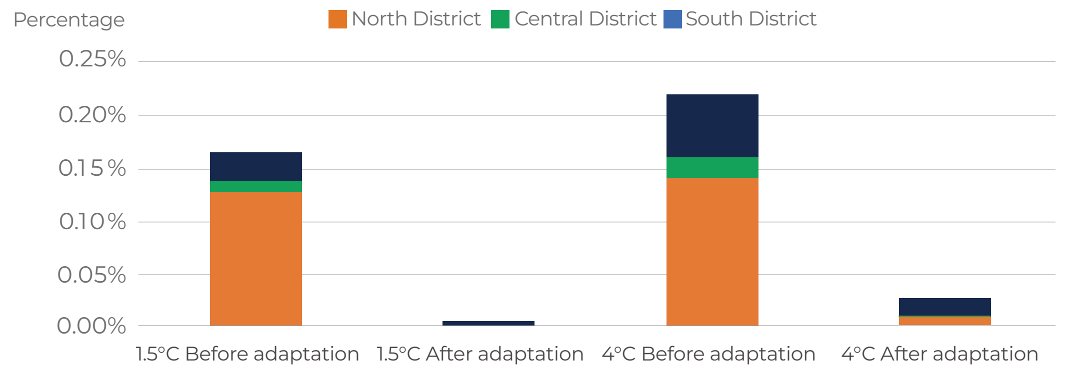
The Bank has checked the operating locations and conducted scenario analysis. After considering the factor of floor height and taking relevant adaptation measures, it identifies that under the scenarios of warming rise 1.5°C and 4°C, there are 1 and 9 spots placed at Level 4, which belongs to the area requires attention defined by the Bank. Since each branch has taken relevant adaptation measures, after preliminary assessment, it would have low impact on the business operation of the operating locations.

Scenario / Level	1.5°C		4°C		1.5°C	4°C
	Numbers	Percentage (%)	Numbers	Percentage (%)		
Level 5	-	-	-	-		
Level 4	1	1.6	9	14.1		
Level 3	2	3.1	-	-		
Level 2	2	3.1	-	-		
Level 1	59	92.2	55	85.9		
Total	64	100	64	100		

Since most of the operating locations of the Bank are located on the first floor of the building, if a flood event occurs in the future, the operation may be affected due to the suspension of business. Therefore, based on the annual income analysis of each branch, assuming that the branches affected by flood risk at Level 4 and 5 in the future will have to suspend business for 2 and 3 days respectively to analyze the proportion of related business suspension losses to annual revenue, and compare the changes in losses of branches in each district before and after considering the adaptation measures. By processing the analysis, the Bank can establish a list of branches that require primary attention. Please refer to the figure right for relevant analysis.

In terms of the ratio of business suspension loss to total annual revenue, the proportion of loss before the consideration of taking adaptation measures in 1.5°C scenario accounts for about 0.17%, and it drops to below 0.01% after the adaptation measures are taken under consideration; the loss before the consideration of taking adaptation measures in 4°C scenario accounts for about 0.22%, and it drops to 0.02% after the adaptation measures are taken under consideration. In general, after considering and taking appropriate adaptation measures, the relevant financial impact has been reduced to less than 0.02% of the total revenue, which belongs to low-impact range. In the future, we will continue to improve climate change adaptation and related software and hardware equipment to ensure that the functions and operations of disaster prevention equipment won't be interrupted.

The percentage of business suspension loss to that of total annual revenue



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(2) Investment Property:

The Bank has conducted scenario analysis on the investment property held by the Bank. After considering the factors of floor height, remaining number of days of loan period as well as taking relevant adaptation measures, the assessment results shows that under the scenario of warming rise 4°C, there are 3 areas that placed at the level requiring attention (Level 4), the response measures in line with those of collateral or operating locations have been taken [Note]. After preliminary assessment, the degree of impact is not insignificant.

Scenario / Level	1.5°C			4°C			1.5°C	4°C
	Numbers	Percentage (%)	Risk Exposure Percentage (%)	Numbers	Percentage (%)	Risk Exposure Percentage (%)		
Level 5	-	-	-	-	-	-		
Level 4	-	-	-	3	23.1	21.5		
Level 3	-	-	-	-	-	-		
Level 2	-	-	-	-	-	-		
Level 1	13	100	100	10	76.9	78.5		
Total	13	100	100	13	100	100		

Note: According to Article 75 of The Banking Act of The Republic of China, "A Commercial Bank shall not invest in real estate other than for self-use." Therefore, the investment property of the Bank is mainly the collateral accepted from guaranteed loans and the lease of self-owned warehouses. Regarding the adaptation measures taken by the Bank, the accepted collateral part is consistent with the collateral of consumer banking and cooperate banking; the lease of self-owned warehouses is consistent with the operating locations.

(3) Real Estate Collaterals of Cooperate Banking:

The Bank has conducted scenario analysis on real estate collaterals of cooperate banking. After considering the factors of floor height and remaining number of days of loan period, since the loan maturity year of most collaterals are earlier than the occurrence time of the physical risk scenario (the year 2036), after preliminary assessment, there is no significant physical risk impact on real estate collateral.

Scenario / Level	1.5°C		4°C		1.5°C	4°C
	Number Percentage (%)	Risk Exposure Percentage (%)	Number Percentage (%)	Risk Exposure Percentage (%)		
Level 5	-	-	-	-		
Level 4	-	-	-	-		
Level 3	-	-	-	-		
Level 2	-	-	-	-		
Level 1	100	100	100	100		
Total	100	100	100	100		

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(4) Real Estate Collaterals of Consumer Banking:

The Bank has conducted scenario analysis on real estate collaterals of consumer banking. After considering the factors of floor height and remaining number of days of loan period, the Bank identifies that, under the scenarios of warming rise 1.5°C and 4°C, 7% and 12% of the risk exposure are placed in high climate risk areas (Level 5), and another 2% of the risk exposure is placed in areas requiring attention (Level 4). The Bank will request relevant units to assess and formulate relevant response measures to reduce the impact of climate risks on the Bank.

Scenario / Level	1.5℃		4℃		1.5℃	4℃
	Number Percentage (%)	Risk Exposure Percentage (%)	Number Percentage (%)	Risk Exposure Percentage (%)		
Level 5	6	7	10	12		
Level 4	1	2	2	2		
Level 3	2	2	-	-		
Level 2	2	2	1	1		
Level 1	89	87	87	85		
Total	100	100	100	100		

Calculating according to the data of the bank at the end of the year 2022, analyze the possible financial impacts of personal financial and real estate collateral at high climate risk area (Level 5) at 1.5°C and 4°C respectively, and set the average expected loss rate and For the expected loss rate of collateral located in a high climate risk area, based on the comprehensive analysis of the increased value of the loss rate and the risk amount of high climate risk collateral, the calculated increase in expected loss accounted for 0.6% and 1% of the risk exposure amount, respectively. Belongs to the controllable range.

Resilience Verification and Coping Strategy

In order to confirm the effectiveness of various adaptation measures for the Bank to deal with physical risks, the Bank sets relevant management metrics and resilience levels based on floor height, the remaining number of days of loan period, and the physical risk level after the adaptation measures have been taken. It also closely monitors the fluctuations of the metrics so as to execute climate resilience verification and thereby monitors the impact of physical risks. After reviewing the scenario analysis results of the Bank in the year 2022, all the assets' relevant management metrics are in "good resilience" level, indicating that the Bank's current business strategy and asset portfolio have sufficient climate resilience. According to the results of resilience verification, although the Bank's operations and assets are not significantly affected by physical risks, considering the uncertainty of climate risk, the Bank will continue to study and plan relevant response measures.

1. Collateral:

- Scope: Collateral of consumer banking, collateral of cooperate banking.
- Disclose the climate risk level of the real estate collateral and the degree of soil liquefaction potential in real estate valuation report case-by-case.
- When the real estate collateral is located in high climate risk area, if the area is also a frequently flood prone area, the Bank will do a comprehensive evaluation on the borrower's repayment ability, collateral location, and individual characteristics as the judgement basis of credit granting.
- All new cases and old cases with increased credit risk must conduct collateral site visit case-by-case.

Regarding collateral aspect, in the future, depending on the impact degree of physical risk events, the Bank will evaluate or do site visit to inspect the current situation of real estate collateral in high flood risk areas. If necessary, the asset value will be revaluated, and the borrower will be asked to provide supplemental collateral or adjust credit amount.

2. Operational Aspect:

- Scope: operating locations, investment property.
- The Bank has set up “Business Continuity Management and Major Disaster Response WG” to execute daily maintenance and disaster response operations.
- In the future, flooding disaster will be taken into consideration when acquiring a new operating location. If the operating location is judged to have flooding risk, relevant flood prevention measures will be taken.
- The Bank regularly reviews the performance results of disaster prevention educational training and drills every year to ensure the suitability and effectiveness of the operational continuity management system and the existing response mechanism.
- Regularly review and adjust management strategies related to disaster prevention.

Regarding operational aspect, considering that physical risk events will accelerate with time, the Bank will continue to strengthen the awareness of disaster prevention of the branches to ensure the availability and defense force of disaster prevention equipment in branches; if necessary, it will also purchase property insurance to facilitate the transfer of climate risks.

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Metrics and Targets, and Carbon Emission Management Results

CONTENT

The Bank adheres to the principle of a "low-carbon sustainable environment", which is the sustainable vision and strategy of CDF Holding INC. Faced with the accelerating risks of climate change, it not only proactively plans to reduce greenhouse gas emissions in operations, but is also discovering low-carbon industries and enterprises with development potential to promote the transition to low-carbon. CDF Holding INC. promises to " achieve net-zero carbon emissions in operations by 2023", and implement five environmental commitments, including energy saving and carbon reduction, and full participation of all employees. The Bank also sets goals in response to the strategy of the parent company. We are aiming for carbon neutrality in greenhouse gas emissions in operations by 2030, and net-zero carbon emissions by 2045. We are also committed to the greenhouse gas emission transition in investment and financing portfolios, the target of which is to reduce CO_2 emissions progressively every year. In addition, the Bank started cooperating with external experts in 2023 to introduce the framework of climate change risk management and is proactively planning the transition pathway to reduce carbon.

5.1 Greenhouse Gas Emission Metrics and Targets

Target Setting of Carbon Emission Metrics	Base Year	Short-term Goal / Year	Mid-term Goal / Year	Long-term Goal / Year
The decreased percentage of carbon emissions from its self-operation comparing to that of the base year (%)	2020	10% / 2022	Carbon neutrality / 2030	Net zero carbon emission / 2045
The decreased percentage of greenhouse gas emission of the investment and financing portfolio comparing to that of the base year (%)	2021	To be gradually reduced every year		

Scope 1 and 2

Greenhouse gas(GHG) emissions from the Bank's own operations are mainly from the use of electricity. The Bank follows the standards and requirements of ISO 14064-1 International Standard for GHG Emissions to conduct systematic and consistent inventory. Through statistics and inventory, in addition to passing inspections of a third-party organization (SGS), the "Greenhouse Gas Inspection Statement of KGI Commercial Bank Co., Ltd." is certified. The Bank uses the statement as a reference to propose improvement plans. It will also continue to implement green measures, such as energy conservation and low-carbon greening, to fulfill its responsibilities as a citizen of the earth.

In 2022, the Bank set Scope 1 and Scope 2 greenhouse gas emission targets using 2020 as the base year. The short-term goal has been achieved, and the greenhouse gas emissions of operations was reduced by 10% in 2022.

Carbon Emission Metric Item	2020 (base year)	2021	2022	Improvement Range	The Achievement of Short-term goal
(Scope 1+2) Greenhouse gas emissions (tCO_2 e)	7,645.543	5,439.430	6,642.593	13%	V

Note：
1. Inventory methods used are ISO14064-1:2018 and the Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard; the GWP value adopts the 2021 IPCC Sixth Assessment Report, AR6; emission factors refer to the GHGs Factors Management Table, Version 6.0.4 released by the Environmental Protection Administration.
2. The emission factors of electricity use are 0.509 (2020), 0.502 (2021), and 0.509 (2022) kg CO_2 / kWh.
3. The scope of the inventory in 2020 and 2021 included CDF Headquarters, the Zhonghe Building, and 51 KGI Bank branches.
4. The scope of the inventory in 2022 included CDF Headquarters, the Zhonghe Building, 51 KGI Bank branches, and subsidiary of the parent company CDC FINANCE & LEASING CORPORATION, as well as the Taichung and Kaohsiung branches.
5. The emission factors and global warming potential (GWP) adopt the Greenhouse Gas Inventory Registration Form, Version 3.0 as well as the GHGs Factors Management Table, Version 6.0.4 of the Environmental Protection Administration of the Executive Yuan.
6. Category 2 carbon emissions are location-based, and are all generated from electricity use in office buildings and business units.

Scope 3

The Bank used 2021 as the base year to calculate greenhouse gas emissions of the investment and financing portfolio. The total emissions set annually will be gradually reduced every year compared to those of the base year. Actual carbon emissions in 2022 have already reached the set target.

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5.2 Low-carbon Operations Management Metrics and Targets

In terms of low-carbon operations management, in 2022 the Bank and CDF Holding INC. co-purchased Green Power and the Bank shared about 67,000 kWh of the green power of CDF Headquarters. It purchases green power through a renewable energy wheeling contract and adopts Bundled RECs. Furthermore, the electricity generated by the solar panels of the Bei Men branch was about 40,000 kWh, so renewable energy consumption was about 107,000 kWh.

In terms of the use of other resources, the Bank also promotes carbon reduction and energy conservation. It has also set short-term, medium-term, and long-term energy conservation goals regarding the overall usage of photocopying paper and the usage rate of credit card e-statements, which not only saves resources and costs, but also fulfills environmental protection and green energy goals.

Resource Usage Metric	Usage Amount in 2022
The Usage Amount of Photocopying Paper (10,000 sheets)	1,820
The Usage Rate of Credit Card E-statement (%)	51%
The Usage of Renewable Energy Usage in Operating Locations (kWh)	107,000 kWh

The Expenditure of Energy Conservation Action Plan	Implementation Results in 2022
Green power procurement (NTD)	$393,726
Green procurement (NTD)	$163,425,043
The replacement of energy conservation equipment (NTD)	$1,823,487

The Target Setting of Resource Usage Metrics	Base Year	Short-term Goal / Year	Medium-term Goal / Year	Long-term Goal / Year
The percentage of reduction in photocopying paper consumption comparing to that of the base year (%)	2020	2% / 2023	3% / 2025	4% / 2030
The usage rate of credit Card e-statement (%)	—	53% / 2023	55% / 2025	58% / 2030

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5.3 Green Investment and Financing Strategy Metrics and Targets

The Bank formulated metric items according to its own climate related risks and opportunities and incorporates them into business strategies. It is also taking active action in the transition to low carbon. Furthermore, to abide by the net-zero carbon emission target set by CDF Holding INC., the proportion of high-carbon-emission industries in the overall investment and credit business is restricted to below 26%. In the meantime, the proportion of green financing is continuously increasing. The results of relevant metrics in 2022 are shown in the table below:

Green Investment and Financing Metrics	Metric	The Implementation Results in 2022
	The Proportion of high-carbon emission industries in overall investment and credit business (%)	19.62%
	The ratio of green credit to the total of credit amount (%)	3.72%

5.4 Cooperate Governance Metrics and Targets

The Board of Directors and Staff Climate Risk Governance

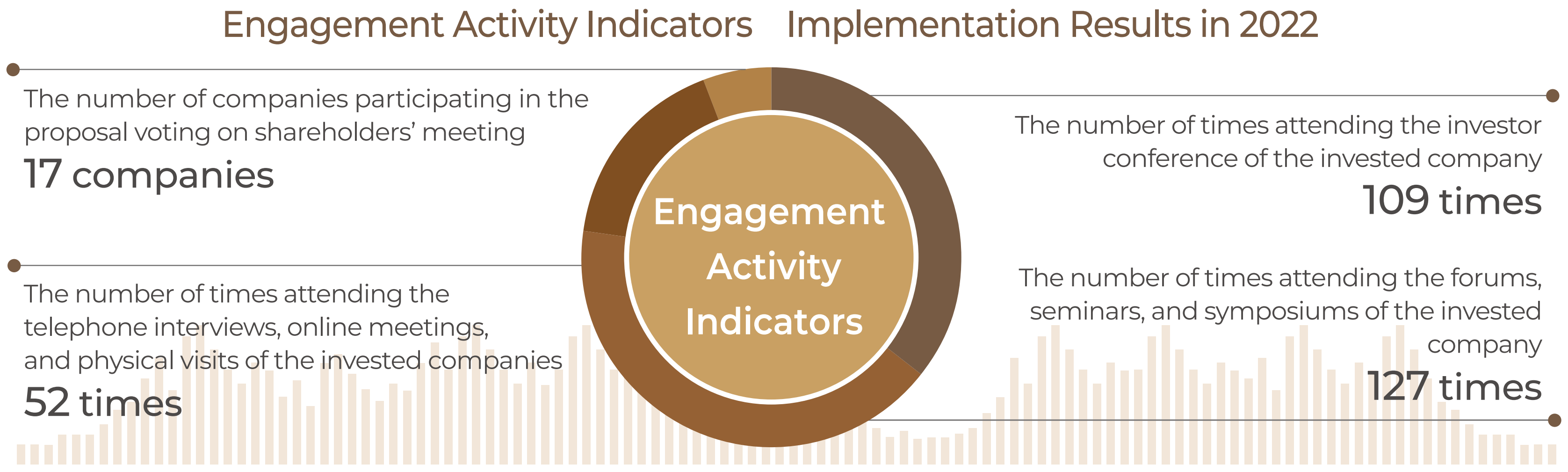
The Board of Directors, as the highest governance body, closely monitors the sustainable development strategy at management level. The Bank continues to arrange multiple training courses for directors to improve their decision-making skills and fulfill their supervisory responsibilities, as well as to review the degree of participation of the Board of Directors and senior management in climate issues in a timely manner. Regarding training performance in 2022, each director participated in at least one hour of ESG-related educational training, and the proportion of employees participating in ESG-related educational training reached 100%.

To enhance the sustainable knowledge of directors and employees, the Bank has set short-term, medium-term, and long-term goals for directors and employees to participate in ESG-related courses, and the meeting frequency, which is shown in the table below:

Corporate Governance Indicators and Goal Setting	2025 Short-term Goal	2030 Medium-term Goal	2050 Long-term Goal
The hours that the Board of Directors participating in ESG-related educational training (including climate issues)	1 hour / year	2 hour / year	3 hour / year
ESG-related (including climate issues) functional committee is set under the Board of Directors; the hours that committee members (directors) participate in the meetings of the aforementioned functional committees			
The proportion of employees participating in ESG-related educational training (including climate issues)	95%	95%	95%

Engagement Activities

The Bank proactively implements responsible investment goals. It participates in engagement activities of domestic invested companies through meetings, telephone conferences, and email communication to communicate with management. The results of relevant indicators are shown in the following table:



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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 Climate Governance Structure
	b Describe management's role in assessing and managing climate-related risks and opportunities	2.1 Climate Governance Structure
Strategy	a Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	3.2 The Identification and Material Topics of Climate Risk and Opportunity
	b Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	3.2 The Identification and Material Topics of Climate Risk and Opportunity
	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 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
Risk Management	a Describe the organization's processes for identifying and assessing climate-related risks	4.1 Climate Risk Management Structure and Process
	b Describe the organization's processes for managing climate-related risks	4.1 Climate Risk Management Structure and Process 4.2 The Identification and Management Mechanism of Highly Climate- sensitive Risk Management
	c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	4.1 Climate 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	5.1 Greenhouse Gas Emission Metrics and Targets 5.2 Low-carbon Operations Management Metrics and Targets 5.3 Green Investment and Financing Strategy Metrics and Targets 5.4 Cooperate Governance Metrics and Targets
	b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	4.2 The Identification and Management Mechanism of Highly Climate- sensitive Risk Management 5.1 Greenhouse Gas Emission Metrics and Targets
	c Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	5.1 Greenhouse Gas Emission Metrics and Targets 5.2 Low-carbon Operations Management Metrics and Targets 5.3 Green Investment and Financing Strategy Metrics and Targets 5.4 Cooperate Governance Metrics and Targets
Level	**Supplemental Recommended Disclosures for Banks**	**Corresponding Chapter**
Strategy	a Banks should describe significant concentrations of credit exposure to carbon-related assets. Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities	4.2 The Identification and Management Mechanism of Highly Climate- sensitive Risk Management 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
Risk Management	a 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	3.1 The Types of Climate Risk and Climate Opportunity 4.1 Climate Risk Management Structure and Process
Metrics and Targets	a 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	5.2 Low-carbon Operations Management Metrics and Targets 5.3 Green Investment and Financing Strategy Metrics and Targets

Appendix II.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 Climate 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 Climate 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 Climate 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 Types of Climate Risk and Climate Opportunity 3.2 The Identification and Material Topics of Climate Risk and Opportunity
(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 The Identification and Material Topics of Climate Risk and Opportunity 3.3 Climate Transition Strategy
(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 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
Risk management	
(1) Banks shall follow the three lines of defense in internal controls to clearly allocate climate risk management responsibilities at each stage: 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. 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. 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.	4.1 Climate Risk Management Structure and Process
(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.	3.2 The Identification and Material Topics of Climate Risk and Opportunity 4.1 Climate Risk Management Structure and Process
(3) Banks should identify climate risks and other associated risks, such as credit risks, market risks, liquidity risks, and operational risks.	3.1 The Types of Climate Risk and Climate Opportunity 4.1 Climate Risk Management Structure and Process

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Comparison of Guidelines for Domestic Banks' Climate Risk Financial Disclosure	Corresponding Chapter
(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.	3.3 Climate Transition Strategy 4.1 Climate Risk Management Structure and Process 4.2 The Identification and Management Mechanism of Highly Climate-sensitive Risk Management 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
(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.	3.3 Climate Transition Strategy 4.2 The Identification and Management Mechanism of Highly Climate-sensitive Risk Management 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
(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.	3.3 Climate Transition Strategy 4.2 The Identification and Management Mechanism of Highly Climate-sensitive Risk Management 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
(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 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
(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 Risk Management Structure and Process
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.	5.1 Greenhouse Gas Emission Metrics and Targets 5.2 Low-carbon Operations Management Metrics and Targets 5.3 Green Investment and Financing Strategy Metrics and Targets 5.4 Cooperate Governance Metrics and Targets
(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 Emission 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.	5.1 Greenhouse Gas Emission Metrics and Targets 5.2 Low-carbon Operations Management Metrics and Targets 5.3 Green Investment and Financing Strategy Metrics and Targets 5.4 Cooperate Governance Metrics and Targets

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Appendix III. Ratios of expected credit risk loss to net value and pre-tax profit of base year under various scenarios

Types of Asset Classes	Orderly Transition		Disorderly Transition		No Policy	
	2030	2050	2030	2050	2030	2050
Ratio of expected loss to pre-tax profit of base year (2022)	83.48%	96.13%	82.85%	108.59%	78.47%	82.82%
Ratio of expected loss to net value	8.98%	10.35%	8.92%	11.69%	8.45%	8.91%

Note: Based on the requirements and parameters of the "Domestic Bank's Climate Change Scenario Analysis Conduction Plan" in 2023.

Appendix IV. Greenhouse Gas Verification Statement

SGS

Statement TW23/00116GG

Greenhouse Gas Verification Statement

The inventory of Greenhouse Gas emissions in year 2022 of

KGI Bank

No. 135, Dunhua N. Rd., Songshan Dist.,
Taipei City 105 , Taiwan

has been verified in accordance with ISO 14064-3:2006 as meeting the requirements of

ISO 14064-1:2018

Direct emissions
245.4663 tonnes of CO_2e
Indirect emissions
8,429.9433 tonnes of CO_2e
Direct emissions and indirect emissions
8,675.410 tonnes of CO_2e

Authorized by

Stephen Pao
Knowledge Deputy General Manager
Date: 28 April 2023
Version 1

TGP56A-15-6 2207
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This Statement is not valid without the full verification scope, objectives, criteria and findings available on the Statement.

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凱基銀行
KGI BANK

2022 TCFD Report

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES