凱基銀行
KGI BANK

2023 TCFD&TNFD Report

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Overview of Climate and Nature-Related Financial Disclosures Report

1.1 Overview

The global challenges of climate change and the degradation of natural capital have become major economic, social, and environmental issues. KGI Bank ("the Bank") recognizes the significant impact of environmental change on its operations and decision-making processes. The Bank is committed to actively managing climate- and nature-related risks and opportunities, building resilience to make a positive impact, and collaborating with other companies concerned with environmental issues to advance low-carbon and nature-positive growth collectively.

In line with the public commitment of the parent company, China Development Financial Holding Corporation ("CDF Holding INC."), to achieve net-zero emissions for the entire portfolio by 2045, the Bank has proactively implemented the management of its Investment and Financing portfolio. In February 2022, the Bank joined the Partnership for Carbon Accounting Financials (PCAF) and began calculating the greenhouse gas emissions generated by its investment and financing assets.

In addition, in order to communicate effectively with stakeholders on the actions taken to address climate- and nature-related risks and opportunities, this report provides information on our efforts to implement the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures (TCFD) framework. It refers to the Task Force on Nature-Related Financial Disclosures (TNFD). The report focuses on the Bank as a reporting entity and sets out practical measures in four key areas: Governance, Strategy, Risk Management/Risk and Impact Management, and Metrics and Targets.

Governance

Governance Structure: The Bank has formulated the "Climate Risk Management Guidelines". The Board of Directors is the highest governance body responsible for approving policies and strategies related to climate risk management. Climate risks are managed through a three-line defense framework.

Strategy

Strategy 1 - Responsible Investment:
Implement pre-investment screening and post-investment management procedures to avoid investing in industries or companies that violate ESG principles.
Strategy 2 - Sustainable Lending:
Consider the impact of lending activities on ESG factors and leverage the influence of the banking industry to support sustainable development in society.
Strategy 3 - Stewardship and Engagement:
Leverage the Bank's influence through engagement with investee companies to help them achieve sustainability goals and identify potential business opportunities.
Strategy 4 - Promoting Green Deposit:
In line with the principles of sustainable development and environmental protection, the Bank ensures that the green deposit funds are used within the framework of Green Lending Programs or related loan requirements, thereby directing corporate funds to sustainable development sectors.

Risk Management/ Risk and Impact Management

1. Adopt the "Climate Risk Management Guidelines" to manage climate risks, specifying the management steps for risk identification, assessment, and control.
2. Identify key focus industries for investment and lending based on exposure levels and climate- and nature-related risks. This approach aims to enhance the Bank's resilience to climate change and natural environmental changes while mitigating potential financial impacts.
3. Conduct climate scenario analysis in accordance with regulatory guidelines to measure expected losses from climate risks to investment and financing assets, and to assess the impact and appropriate management actions.
4. Perform scenario analysis on the Bank's operational sites, investment properties, and real estate collateral for flood and hillside scenarios, and quantify the results to understand the financial impact of climate change on business operations and asset values and develop response strategies accordingly.

Metrics and Targets

Set climate management metrics and targets across four key areas-greenhouse gas emissions, green operations management, green investment and financing strategies, and corporate governance while actively planning a low-carbon transition path.

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1.2 Summary of Achievements in 2023

Greenhouse Gas Emissions	Comply with the standards and requirements of the ISO 14064-1 greenhouse gas inventory, pass the third-party verification (SGS), and achieve near-term carbon reduction targets.
Green Operation Management	1. Credit card e-statement usage rate: 54.82% 2. Renewable energy consumption: 680 thousand kwh 3. Energy conservation action plan expenditure: NT$150 million
Green Investment and Financing	1. The proportion of high-carbon emission industries in total investment and loans is 19.89%, which is well below the 26% limit set by CDF Holding INC. 2. Growth rate of green loans: 6.31% 3. Continuous growth of green deposits: Since inception, the size of green deposits has reached NT$26.8 billion, winning the Taiwan Sustainability Action Awards (TSAA) Bronze Award in 2023.
Climate Governance	1. Plan ESG-related educational training based on job function, including board members, senior management, and staff. Incorporate topics such as climate risk, climate policy, carbon management and carbon credits, and carbon reduction technologies into the training, with an average of 3 hours of training per person. 2. Implement responsible investment objectives and actively participate in engagement activities with investee companies.

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02 Governance

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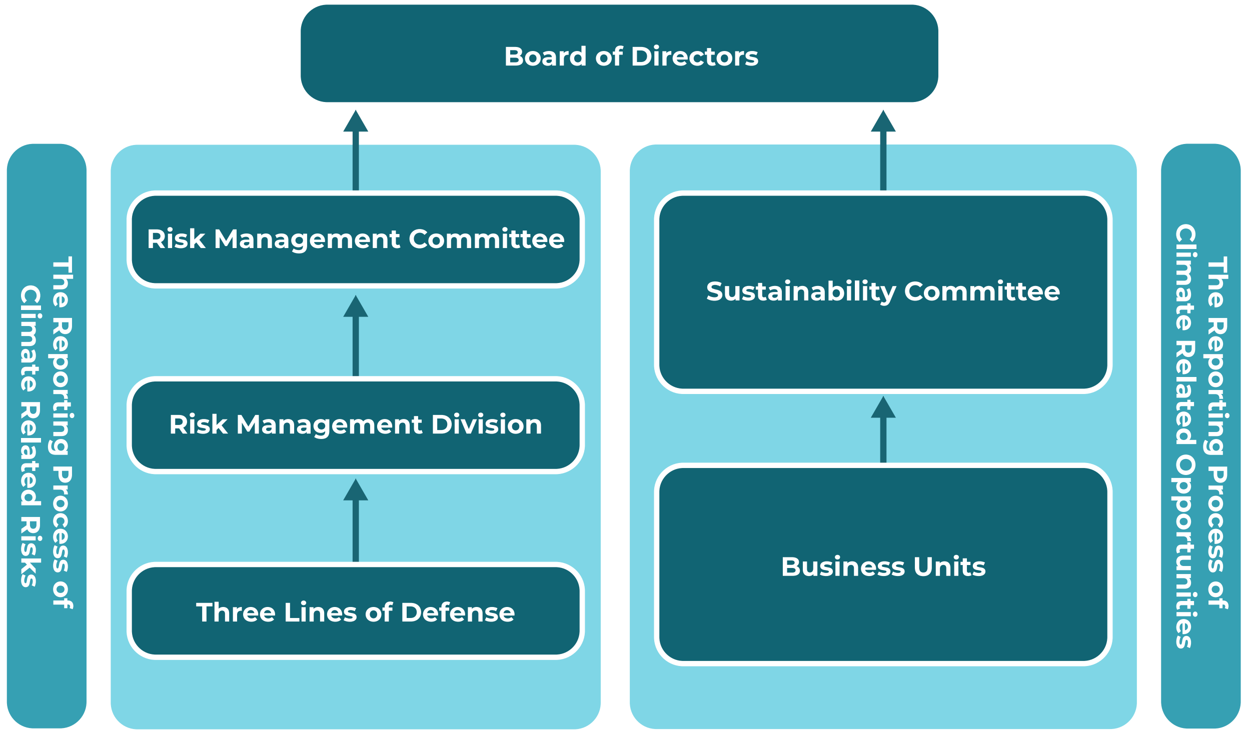
To enhance the Bank's operational resilience in the face of environmental changes, and in response to the Board of Directors and senior management's emphasis on promoting climate and nature-related and senior management's emphasis on promoting climate and nature-related policies and systems, we continue to optimize our governance framework to achieve the goal of sustainable governance. In accordance with the Financial Supervisory Commission's "Guidelines for Domestic Banks' Climate Risk Financial Disclosure", the Bank has established the "Climate Risk Management Guidelines" in 2022, with the Board of Directors as the highest supervisory body responsible for approving policies and strategies related to climate risk management and managing climate risks through a three-line defense structure. In addition to the proper management of climate risks, achieving nature-positive growth and enhancing operational resilience will remain a key focus for the Bank. We will concentrate on assessing dependencies and impacts related to nature-related risks and optimizing operational strategies to achieve sustainable operations.

The Bank's climate governance is supervised by the Climate Task Force under the Sustainability Committee of the parent financial holding company, which oversees the Bank's and its subsidiaries' climate adaptation actions and sets climate performance indicators for subsidiaries to help the Bank gradually establish a climate adaptation mechanism. The Bank's Sustainability Committee, a functional committee under the Board of Directors, follows the "Sustainability Committee Charter" to formulate the Bank's annual sustainability plan, strategic direction, and action plans in accordance with the parent company's sustainability development strategy, and tracks and reviews their effectiveness. The Sustainability Committee has established six Work Groups including the Corporate Governance WG, Responsible Finance WG, Client Relations WG, Employee Wellbeing WG, Environmental Sustainability WG, and Social Philanthropy WG. Each Work Group is led by a selected member of the Bank's management team, who coordinates the execution of tasks and develops and tracks sustainability-related plans. Among these, the "Environmental Sustainability WG" is responsible for continuously strengthening the Bank's governance capabilities in response to climate change, setting concrete goals and practices for environmental protection and energy conservation, and actively promoting a sustainable living environment. The "Responsible Finance WG" is in charge of the United Nations Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB), and is progressively promoting and supporting sustainable economic activities.

2.1 Governance Structure



Summary of Climate Governance and Management Responsibility

- **The Responsibility of the Board of Directors**

The Board of Directors, as the ultimate supervisory body, is responsible for establishing an effective risk management mechanism for the Bank. It is tasked with approving policies and strategies related to climate risk management and overseeing management's adoption of effective methods for managing climate risks and opportunities.

- **The Sustainability Committee**

The Sustainability Committee, authorized by the Board, exercises the following authority to ensure climate and environmental factors are integrated into overall business considerations:

(1) Formulate the Bank's annual sustainable development plan, strategic direction, projects and activities in accordance with the parent company's sustainable development visions.

(2) Track and review the results of the implementation of the above tasks.

(3) Regularly review sustainability reports and greenhouse gas or TCFD&TNFD reports.

(4) Pass resolutions on issues related to sustainable development and participation in public affairs.

The Sustainability Committee shall hold meetings at least twice a year, discuss and make decisions on the above functions and duties authorized by the Board of Directors, and report the minutes of the meetings 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 to senior management on the progress of climate management. For more details on the responsibilities of the Three Lines of Defense structure in the risk management model, please refer to the next section, The Three Lines of Defense Structure.

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2.2 Risk Reporting Mechanism

- **The Three Lines of Defense Structure**

(1) The First Line of Defense: The first line of defense includes all the Bank's business units, which are responsible for continuously identifying, assessing, controlling, and mitigating the various risks that climate factors pose to operational activities. In addition, units should adhere to the Bank's climate risk management objectives and implement business decisions in accordance with the Bank's climate risk management policies, standards and procedures.

(2) The Second Line of Defense: The second line of defense is the Climate Risk Management Unit, which is responsible for integrating climate risks into the Bank's internal risk management policies, standards, and procedures. This unit ensures the proper management of risks within the business units and effectively monitors the implementation of climate risk management by the first line of defense.

(3) The Third Line of Defense: The third line of defense is the Audit unit, which independently performs audit functions and assists the Board of Directors and senior management in reviewing and evaluating the effectiveness of the risk management and internal control systems.

To assist the Board of Directors and senior management in overseeing the Bank's climate governance, the Bank has established the "Climate Risk Management Guidelines" in 2022. These guidelines include the establishment of a climate information reporting mechanism to balance risks and opportunities. In the event of significant anomalies or special circumstances, immediate action will be taken in accordance with internal regulations to adjust the Bank's overall response strategies.

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 on climate management progress to Senior Management in order to strengthen the Bank's climate risk management.

2. Reporting Frequency

(1) Risk Management Committee and Board of Directors: Annually review the implementation of climate management policies and strategies, achievement of key climate risk metrics and targets, and potential climate opportunities.

(2) Sustainability Committee: Annually review the TCFD reports.

(3) Senior Management: Annually review the status of climate management.

3. Irregular Information Reporting Mechanism

(1) When significant climate-related policies or regulations are announced or renewed, whether domestically or internally, the Bank will measure the impact on our operations and respond promptly. If any climate-related metrics and targets that do not meet our expectations, or if there is a major impact, the responsible unit shall report to the President, who will determine whether the situation requires reporting to the Board of Directors.

(2) In the event of material contingencies or material risk incidents impacting our operations due to climate and nature change, follow existing internal reporting processes and communicate issues promptly.

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2.3 The Enhancement of Governance Ability and Knowledge

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

Given the rapid evolution of knowledge in governance and risk management, CDF Holding INC. has held several education and training sessions. The Bank also encourages the management team and relevant staff to participate in training sessions related to sustainability and net-zero transition industry trends to enhance their ability to address climate and nature issues.

Training for Directors

The Board of Directors has been arranged to take climate change, global net-zero emissions, and ESG-related courses held by the Hong Kong Exchanges and Clearing Limited (HKEX), Securities and Futures Institute (SFI), Chung-Hua Institution for Economic Research (CIER), and others.

	Course content	Course hours
Participation of the Board of Directors	Climate and Nature: Financial Risks and Transition Opportunities	1hour
	The key point of the COP28 and the promotion of Taiwan's net-zero development policy	1hour
	Low-carbon Transition: Engineering Carbon Reduction Technologies and Practices	1hour

Education and Training Program for All Employees

The Bank should allocate sufficient staff to manage climate- and nature-related risks and opportunities and provide them with appropriate and adequate training offered by CDF Holding INC., Taiwan Academy of Banking and Finance, and Securities and Futures Institute. In order to establish a basic knowledge of climate risks among all staff, facilitate the promotion of the Bank's various climate policies and objectives, and enhance overall climate resilience, the Bank shall also engage external consultants to conduct online courses for all staff.

	Course content	Course hours
Physical courses	Overview of climate governance and carbon inventory in the financial industry	2hours
	Analysis of the basic of carbon credits	2hours
	Blueprint for Climate Transition Risks and Corporate Tools (for Senior Management)	1.5hours
	Identification of carbon emission tools and sustainable economic activities	1.5hours
	The policy direction of net zero green living and the reduction practice of the housing and commercial sector	1.5hours
	Transformation of high-carbon and high-pollution industries	1.5hours
	Enterprise risk response and financial industry positioning in the context of net-zero (for Senior Management)	1.5hours
Online courses	Climate finance driving the net-zero transition	1hour
	TCFD and Climate Risk Management Practical Education and Training	1hour
	Practical analysis of the TCFD	1hour
	TNFD basic cognitive establishment	1hour

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2.4 Natural Environment and Human Rights Governance

With reference to the formal framework issued by the TNFD and the supplementary "Sector Guidance: Additional Guidance for Financial Institutions Version 1.0", the Bank assesses and responds to nature-related dependencies, impacts, and the resulting risks and opportunities through four dimensions: governance, strategy, risk and impact management, and metrics and targets. In addition, the Bank considers the relationship of stakeholders, such as indigenous peoples and local communities, with the natural environment and respects the rights of indigenous peoples, local communities, affected individuals, and other stakeholders in accordance with its Human Rights Policy.

The Bank has established the "Human Rights Policy" that supports the principles enshrined in international human rights conventions, including the Universal Declaration of Human Rights (UDHR), The Ten Principles of the UN Global Compact (UNGC), United Nations Guiding Principles on Business and Human Rights (UNGPs), The OECD Guidelines for Multinational Enterprises, and International Labor Office Tripartite Declaration of Principles (ILO Tripartite Declaration of Principles). These international conventions aim to prevent all human rights abuses and violations and fully embody the responsibility to respect, support, and protect human rights. In addition, the Bank has formulated the Supplier Sustainability Responsibility Commitment, which requires partners to adhere to the same standards and prohibits any actions that violate or infringe upon human rights in accordance with the Human Rights Policy. The Bank also focuses on human rights risk management by conducting regular training to raise awareness of human rights issues and improve the identification and management of related risks.

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Strategy and Finance Transition

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As the severity of environmental change increases, governments and businesses around the world urgently need to assess the challenges that climate change and natural environmental variability pose to their policies and operational guidelines. They must also consider how to effectively integrate these impacts into their strategic planning. Companies that adapt their strategies in response to environmental and market changes not only mitigate risks but also uncover new business opportunities. Such proactive measures can bring tangible benefits to society and the environment, thereby implementing the principles of sustainable finance.

The Bank integrates climate- and nature-related risks and opportunities into its operational strategy and regularly reviews the impact of climate change on the Bank. It has formulated four main strategies as the pillars of its sustainable development: Responsible Investment, Sustainable Lending, Stewardship and Engagement, and Promoting Green Deposit.

Details of the Bank's climate and environmental risk management framework and processes, as well as the identified impacts of these risks on the Bank's operations and the corresponding response strategies, are provided in "Chapter 4: Risk Management".

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3.1 The Identification of Climate and Natural Opportunity

Climate and Natural Opportunity

Climate and natural opportunities are new opportunities that the Bank has developed in the process of responding to climate change and protecting the natural environment. According to the TCFD and TNFD guidelines, climate and natural opportunities are categorized into seven areas of development opportunities: business opportunities of renewable energy, innovative products and services, new markets or new asset types, operational resilience, resource utilization efficiency, climate advocacy, and digital financial transformation.

Opportunity Identification

STEP 01

According to the TCFD & TNFD guidelines, developing climate opportunities from seven aspects: resource utilization efficiency, business opportunities of renewable energy, innovative products and services, operational resilience, etc. At the same time, consider the organization's dependence on ecosystem services and positive impacts on nature to further develop nature-related opportunities.

Measurement and Evaluation

STEP 02

The Bank has established standardized processes and criteria to assess the financial impact, the affected value chain, the impact period, and the likelihood of occurrence. We regularly measure the impact of climate and nature-related opportunities on the Bank.

Strategy Integration

STEP 03

Based on the results of measurement and evaluation, relevant departments are encouraged to formulate strategies for climate and nature opportunities, including developing new products or services, adapting business models to meet new market demands, and collaborating with other institutions.

Target Execution

STEP 04

After formulating strategies, we set specific goals and action plans and monitor continuously to take advantage of development opportunities.

Opportunity Types	Description of Significant Opportunities	Impacts and Effects	Affected Value Chain	Impact Period	Financial Impact Level	Probability of Occurrence	Issues Domains
Business opportunities of renewable energy	Implement responsible investment policies, actively evaluate ESG investment opportunities, and support the concept of sustainability through practical actions.	Companies that prioritize ESG tend to be more resilient to climate change and have lower climate risks. As the concept of ESG becomes more mainstream, investors are increasingly willing to hold stocks and actively evaluate investment opportunities in ESG stocks. This approach will help the Bank achieve better investment returns, increase the diversity of financial assets, and achieve a low-carbon transition in its operations.	· Downstream activities · Investment business	Short, medium and long term	High	Medium	Climate, Nature
	Initiate lending services focused on the new energy and renewable energy industries, or other sectors beneficial to the reduction of greenhouse gas emissions, by providing the necessary capital for equipment upgrades or the development of new technologies.	The new energy and renewable energy industries are in a growth phase, requiring significant capital to upgrade technologies and equipment. Identifying high-quality clients in these industries can contribute to the development of the Bank's lending business.	· Downstream activities · Investment and financing business	Medium term	Medium	Medium	Climate
Innovative products and services	Develop and promote Green Deposit to channel funds to support the growth of green industries.	The Green Deposits and the Mastercard's Priceless Planet Coalition contribute to establishing a positive image for our bank. They also foster relationships with deposit and lending customers, facilitating the promotion of potential sustainable opportunities. This enhances the market perception of our brand and aims to increase the Group's revenues within the trend of a low-carbon economy, ultimately achieving a more sustainable business model.	· Downstream activities · Deposit and loan cases · Credit card business	Short and medium term	Medium	High	Climate, Nature
New markets or new asset types	Develop green lending initiatives as an additional source of revenue.	In line with CDF Holding INC.'s net-zero carbon emission targets, we aim to manage and reduce the proportion of loans to high-carbon industries while continuously increasing the proportion of green loans. Through initiatives such as green project financing and actively promoting green lending, we aim to advance green finance and facilitate the transformation and sustainable development of Taiwan's renewable energy industry.	· Downstream activities · Clients	Short, medium and long term	Medium	High	Climate, Nature

Opportunity Types	Description of Significant Opportunities	Impacts and Effects	Affected Value Chain	Impact Period	Financial Impact Level	Probability of Occurrence	Issues Domains
Operational resilience	Assess and respond to the impacts of climate change by improving backup mechanisms and equipment to increase operational resilience.	As the impact of climate-related disasters increases, proactively addressing the potential effects of climate change will enable our institution to adapt earlier than other companies. This proactive stance will enable us to provide more stable and higher-quality financial services, thereby increasing our resilience to the impacts of climate change.	· Own operations	Medium and long term	Low	High	Climate
Resource utilization efficiency	Transform operational models by improving the efficiency of resource use.	By implementing digital transformation initiatives such as paperless operations, electronic billing, upgrading to energy-efficient equipment and lighting, and practicing green procurement, we are effectively reducing unnecessary waste of resources and lowering operating costs.	· Own operations · Credit card business	Short, medium and long term	Medium	High	Climate, Nature
Climate advocacy	Commit to sustainability and international initiatives and guidelines, such as the TCFD, to accelerate the design of sustainable development.	By complying with international sustainability initiatives, environmental frameworks, and climate change policies, we can raise our company's profile on climate issues, demonstrate our commitment to sustainable development, improve customer brand perception, and capitalize on climate change opportunities to increase revenue.	· Downstream activities · Investment and financing business	Short, medium and long term	Medium	Medium	Climate, Nature
Digital financial transformation	Develop digital financial services to streamline processes, reduce carbon emissions, improve service efficiency and reduce costs.	Promote digital application services for products to reduce unnecessary carbon emissions. Internally, digital transformation includes reducing internal paper consumption and moving operational processes online. Externally, strengthen digital services and promote paperless operations to improve work efficiency and service effectiveness, enhance customers' digital banking experience, and meet market expectations.	· Own operations · Downstream activities · Deposit and loan cases	Short, medium and long term	Medium	High	Climate, Nature

The final analysis identified five major climate and nature-related opportunities: business opportunities of renewable energy, innovative products and services, new markets or new asset types, resource utilization efficiency, and digital financial transformation. The Bank has developed response strategies and management actions for each opportunity and continues to monitor and explore business development opportunities.

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3.2 Transformation Strategy

The Bank is one of the important commercial banks in Taiwan. It is deeply influential in providing consumer financial services such as deposits, loan, multiple payments, credit cards, and wealth management, as well as providing optimal financial solutions to domestic and foreign enterprises. Although the banking sector may not be as directly affected by climate change and natural disasters as other high-carbon industries, our extensive interactions with stakeholders in our daily operations make us aware of the need to formulate appropriate climate change and natural disasters management strategies.

To address this, the Bank has conducted cross-departmental discussions and feasibility studies on strategies, resulting in the formulation and implementation of strategies such as "Responsible Investment," "Sustainable Lending," "Stewardship and Engagement," and "Promoting Green Deposit" by relevant departments.

These transformative strategies aim not only to adapt to potential risks in our operations, but also to leverage our influence in the capital markets. Through these strategies, we aim to gradually raise participants' awareness of the importance of sustainability issues and identify opportunities to develop sustainable businesses.

3.2.1 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 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.

For investment targets involved in high-carbon industries such as coal mining, coal-fired power generation, or thermal power generation that have been penalized by regulatory authorities for environmental pollution within the past year, the Bank will review whether the target has formulated relevant remediation plans and assess whether the investment should continue to be held.

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The Evaluation Procedures of Investment Target

The Bank continuously monitors, analyzes, and evaluates information related to investment targets after the investment is made. If an investment target is found to meet the above exclusion criteria, the Bank will promptly review and assess whether there are any relevant improvement measures or plans with respect to the investment target. The Bank will describe in the assessment report whether the investment strategy of the Bank can be modified. The assessment management process is as follows:

1 Screening

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

2 Reviewing

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

3 Management

- Gap analysis/ review during the investment period.
- Be aware of proposals that hinder sustainable development or have a negative impact on ESG principles.
- Regarding the investment objectives, exercise of voting rights and disclosure of the voting situation of the shareholders' meeting.

4 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.

3.2.2 Strategy 2: Sustainable Lending

The Bank creates positive, sustainable impact through financing and financial services, and voluntarily adheres to the Principles for Responsible Banking (PRB). We integrate environmental, social, and corporate governance issues into our risk assessment and credit decision-making processes to achieve sustainable development goals and mitigate lending risks associated with climate change. In order to implement the concept of sustainable development in our lending business, we established the《Credit Policy》and the《Procedures for Sustainable Financing》. These documents stipulate that during the loan application process, business, credit investigation, and review staff should consider the relevant environmental, social, and corporate governance impacts of the client's business activities. Together with the 5P of Lending Principles, a comprehensive assessment is made to prevent potential lending risks and leverage the influence of the banking industry to support the sustainable development of the society.

The Management Process of Sustainable Lending

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

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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 underwrite new loans; terminate the cooperative relationship within a time frame for cases already unwritten.

2. Regarding highly sensitive industries (including energy industry, mining industry, forest industry, transportation industry, agriculture, and livestock farming): conduct due diligence 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, its impact should be assessed during the credit investigation and review process and should be disclosed and explained in the credit investigation report or credit risk review report; depending on the situation of the case, the corresponding conditions for credit approval may be added.

Regarding loan 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.

In addition, we refer to the "Guidelines for Identifying Sustainable Economic Activities" to assess the sustainability of loan applications. This is in line with the policy of regulators to channel funds to sustainable economic activities and promote the sustainable development of enterprises and carbon reduction transformation.

Become The Best Partner of High-quality Green Enterprises

When reviewing loan applications, we assess whether the companies we approve are fulfilling their responsibilities in the areas of environmental protection, social responsibility, and corporate integrity. We provide appropriate incentives and favorable terms to well-performing companies. Specific measures include:

1. The lending business mainly supports green energy industries that implement alternative energy or water resources and environmental pollution control. We offer appropriate financing support and favorable terms to forward-looking companies that are committed to reducing energy consumption, minimizing pollution, or introducing environmental protection facilities. For general enterprises outside the green energy industry, we also encourage loan applicants to invest in environmental products or equipment, energy saving or energy storage devices, green production mechanisms, and pollution reduction, and provide them with appropriate support 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 environmental ecosystem, we conduct careful evaluations and avoid accepting such collateral.

3. Companies that do not comply with environmental regulations, are involved in labor disputes, or have corporate governance issues without specific remediation plans are generally not accepted. For existing clients, we require improvements. 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.

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Specific Project Loan

In response to the government's energy policy goals, and in line with the Financial Supervisory Commission's "Green Finance Action Plan 3.0" and the National Development Council's announcement of the 12 key strategies set out in the "Taiwan's Pathway to Net-Zero Emissions in 2050". Since 2016, we have been actively involved in financing projects for renewable energy power plants, such as solar and offshore wind power. We have participated in landmark large-scale financing projects for renewable energy power plants, and have actively invested in products, technologies or processes that promote ecological efficiency and circular economy adaptation, thus promoting the sustainable operation of Taiwan's green energy industry.

In 2023, the Bank undertook a total of 50 loan cases related to the production, transmission and use of renewable energy, with a total loan balance of approximately NT$13.62 billion. In addition, there were 3 loan cases for newly constructed or renovated energy-efficient buildings, energy storage and related applications, with a total loan balance of approximately NT$1.35 billion. In addition, there were 2 loan cases for the construction of sustainable clean water sources, wastewater treatment and related applications, with a total loan balance of approximately NT$1.33 billion. The total green loan balance for the year 2023 was approximately NT$17.07 billion.

Regarding the processing of large-amount loan cases worth more than US$10 million for industries with high water consumption and high pollution.

It is required to conduct a feasibility analysis based on environmental protection regulations in credit checking report.

Regarding the processing of project financing cases in the mining, infrastructure, oil and natural gas industry, energy industry, etc. with credit facilities exceeding US$50 million.

When assessing environmental and social risks, based on the goals of green finance and sustainable industrial development, we will refer to the "Equator Principles 4.0" principles announced by the Bankers Association to encourage industries to pursue sustainable development and achieve carbon reduction goals.

The Execution of Sustainable Lending Policy

1. The exposure of Green Loan in December 2023 reached NTD$17.07 billion, an increase of 6.31% compared with that in December 2022.
2. The coal-burning power plant syndicated loan (the loan was due in March 2023), the Bank didn't participate after the maturity date.

3.2.3 Strategy 3: Stewardship and Engagement

The enhancement of the pre-assessment process for investment and financing activities is considered crucial for maximizing business effectiveness. Selecting high-quality enterprises can bring the best benefits to the Bank and create maximum shareholder value. Both in our responsible investment and sustainable Lending strategies, the Bank emphasizes the assessment process before investment and credit approval. We strive to ensure that funds flow to companies that prioritize environmental friendliness and sustainability. 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 growing prevalence of stewardship governance, the Bank recognizes that post-investment stewardship is equally important as pre-investment assessment. By engaging with investee companies, we can leverage our influence to assist them achieve their sustainability goals, while also identifying potential business opportunities.

Stewardship Principles

The Bank adheres to the six principles outlined in the "Stewardship Principles for Institutional Investors," with the following key execution highlights:

Stewardship Principles		Key Implementation Summary
Principle I.	**Formulate and disclose stewardship policies**	The Bank declares its adherence to the "Stewardship Principles for Institutional Investors," with related stewardship governance policies disclosed on the corporate governance section of its 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 declares its adherence to the "Stewardship Principles for Institutional Investors" and the related conflict of interest prevention policies disclosed in the corporate governance section of our official website, ensuring that the Bank conducts its business based on shareholder rights and avoids conflicts of interest. For example, this policy stipulates that, unless otherwise provided by law, the Bank shall not acquire the underwritten or consigned securities for itself during the securities underwriting period. Regarding the management of conflicts of interest among employees, bank personnel are prohibited from engaging in any transactions such as fund lending, significant asset transactions, providing guarantees, or other transactions that conflict with their interests, whether in their own name or on behalf of others.
Principle III.	**Continue to monitor investees**	To ensure that the Bank obtains sufficient and effective information for assessing the nature, timing, and extent of conversation and interaction with invested businesses, and to establish a solid foundation for the Bank's investment decisions, we focus on invested businesses includes various aspects such as relevant news, financial performance, industry overview, operational strategies, environmental conservation efforts, social responsibility and labor rights, as well as corporate governance issues.
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 faces in the industry as well as to commit to achieving a consensus with the invested companies. Every year, the Bank communicates with the management of the invested company through phone conferences, face-to-face meetings, participation in investor conferences, or sending staff to participate in shareholders' regular meetings or important extraordinary shareholders' meetings.
Principle V.	**Formulate and disclose specific voting policies and voting results**	In order to seek the best interests of fund providers, the Bank formulates clear voting policies and proceeds proposal voting at shareholders' meetings proactively. Furthermore, we don'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 governance on its website or annual report, which is updated at least once a year.

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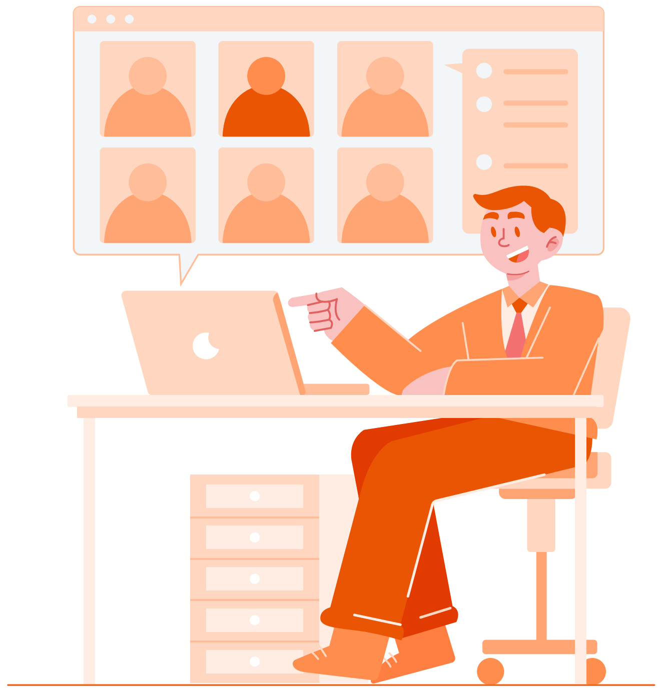

The Compliance Target of Stewardship Governance

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

The Stewardship Governance Performance of the Bank in 2023:

The Interaction Items with Invested Companies

124 times The number of investor conferences attended by the investee company.

180 times The number of times attending the telephone interviews, online meetings, and physical visits of the invested companies.

189 times The number of participations in forums, seminars, and symposiums of the invested company.

15 companies The number of companies participating in the vote on the proposal at the stakeholders' meeting (including special shares).

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3.2.4 Strategy 4: Promoting Green Deposit

In line with the spirit of sustainable development and environmental conservation, the Bank endeavors to fulfill corporate social responsibility while conducting business activities. Therefore, we have initiated a Green Deposit Plan, wherein the entire amount of deposits received will be utilized exclusively for loans within the scope of the Green Deposit Plan or related lending needs, thus guiding corporate funds into sustainable development areas.

Green Deposit Plan and the Estimated Fund Use

The Bank will utilize the funds from green deposits for financing services that align with projects meeting the principles of green bonds globally or those recognized by the Financial Joint Credit Information Center (JCIC) as "green loan." In accordance with the Green Bond Principles (GBP) set forth by the International Capital Market Association (ICMA) and the guidelines for "green loan" specified by JCIC, the Bank has formulated the "KGI Green Deposit Plan," which outlines the use of green deposit funds, selection of financing recipients, and related matters. This program has undergone assurance procedures conducted by an independent third-party accounting firm and has been approved following the review.

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	Actual Investment Ratio	Amount of Investment (NT$ 100 Million)
Renewable energy and development of energy technology	Renewable energy site financing	In line with the government's energy policy, the Bank invests funds in financing projects that comply with our country's Renewable Energy Act. By financing projects related to renewable energy generation, we aim to green our country's power grid and thereby achieve the environmental benefit of reducing carbon emissions. In this fundraising round, funds were allocated to finance 42 projects related to renewable energy generation projects, resulting in an estimated reduction of approximately 190,000 metric tons of CO_2 emissions.	87.88%	35.74
Pollution prevention and control	Sewage treatment equipment financing	To support in the development of the recycled water resources industry, the Bank invests funds to finance projects that improve wastewater treatment and recycling capabilities, reduce wastewater discharges, and achieve environmental benefits by minimizing the waste of water resources. The primary use of funds is for the construction of wastewater treatment plants, recycled water facilities, and water distribution pipelines.	12.12%	4.93
Total			**100%**	**40.67**

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Combining Local Culture to Foster Sustainable Impact

As awareness of sustainability grows, industries across the board are considering how to integrate sustainable development into their business models. Apart from leveraging the influence of financial institutions to promote sustainable development through engagement and investment, the Bank has pioneered an initiative that combines sustainability with local culture.

In a groundbreaking move, we have invited traditional Taiwanese temples to join the ranks of sustainable transformation. Religious groups such as Taiwan's First Temple of Heaven, Xiluo Temple in Tainan, Renshou Temple in Gui Ren, and Jiuhua Mountain Dizang Temple in Chiayi have participated in the "Green Deposits" plan. This initiative encourages religious groups not only to take autonomous measures to reduce carbon emissions, such as reducing the number of incense burners, minimizing incense burning, using environmentally friendly joss paper money burners, switching to electronic firecrackers, and installing energy-saving equipment, but also to adapt to international ESG trends. By harnessing the power of financial products, the project ensures that the offerings and donations of the faithful are used effectively. The deposited funds will be used for green financing projects such as renewable energy and energy technology development, energy efficiency and conservation improvement, pollution prevention and control, and water resource conservation, purification or recycling.

Temples and religious beliefs play an important role in Taiwanese society and culture. By integrating local culture with sustainable finance, the Bank aims to expand the positive influence of religious beliefs, catalyze the participation of religious groups in green finance and contribute to a sustainable Taiwan.

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Risk Management

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The banking industry is primarily engaged in deposit-taking, investment and financing activities. Therefore, the implementation of risk management focuses more on the identification, assessment and management of existing risks such as credit risk, market risk, operational risk and interest rate risk. However, with the drastic effects of climate change, geopolitical risks are on the rise, which are new risks causing great fluctuations and are not easy to assess and measure. In view of the major losses or negative impact on the Bank, the Bank abides by the planning of CDF Holding INC., the parent company, to regularly conduct emerging risk impact assessments on important emerging risks. In addition, to strengthen the Bank's climate risk management, the Bank 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, assessment, and 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, risk differentiation management measures should be taken; and a mechanism for adapting to the impact of climate change should be established to ensure the stable operation and development of the Bank.

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4.1 Climate and Nature Risk Management Structure and Process

Climate and Nature Risk Identification Process

According to the TCFD and TNFD frameworks, climate- and nature-related risks can be divided into two main categories: "physical risks," which are associated with the impacts of climate change and changes in the natural environment (such as the threats posed by extreme events that cause damage to physical assets or operational disruptions), and "transition risks," which are related to the transition to a low-carbon economy and the achievement of nature conservation goals (such as the risks arising from policies, responsibilities, technological changes, and market shifts aimed at mitigating climate change and reducing alterations in natural states).

We identify the types of climate- and nature-related risks we may face and link them to other existing risks. We are progressively integrating climate and natural risks into our existing procedures, establishing a comprehensive risk management process that includes key management steps such as identification, assessment, and control. In the pursuit of profit, we aim to minimize the negative impact of environmental change on our operations, and to achieve the goal of coexisting economic development and environmental sustainability.

Risk Identification

STEP 01

Starting with physical risks and transition risks, we focus on our own operations, deposit and foreign exchange business, investment and financing business, and asset management business to identify potential climate risks that we may face.

At the same time, we refer to domestic and foreign trends in climate change and natural environment change, analyze benchmark companies in the industry, and consider internal communication on the issue to identify climate and natural risks.

Measurement and Evaluation

STEP 02

- The Bank has established standardized processes and metrics for assessing the magnitude of financial impact, the value chain of impact, the timing of impact, and the likelihood of occurrence, and regularly measures the impact of climate and natural risks on the Bank.
- Assess the impact of climate risks on its business through scenario analysis of physical risks and transition risks.

Risk Control

STEP 03

Based on the results of measurement and evaluation, relevant departments are required to adopt avoidance, mitigation, transfer, or control strategies and adopt differentiated risk management measures, including:

1. Formulating response strategies and management measures
2. Business continuity management
3. Conduct monitoring
4. Take action to avoid, mitigate, transfer or control the identified risk factors

Information Disclosure

STEP 04

Report the results of climate and natural risk management to the Risk Management Committee and the Board of Directors, and publicly disclose climate and natural risk identification, assessment, and management results so that stakeholders can understand the Bank's response to risks.

Risk Types	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Impact Period	Financial Impact Level	Probability of Occurrence	Responses	Corresponding Existing Risks	Issue Domains
Risk Aspect- Physical Risk									
 Immediate risk of extreme climate events	Impact on business continuity and the value of owned real estate.	Assets such as software, hardware, equipment, and decoration in operating locations and company-owned properties are damaged by heavy rain or flooding, which may even cause business interruptions and result in additional operational costs such as repairs or upgrades.	• Own operations • Downstream activities	Short term	Low	Medium	To enhance the Bank's ability to respond to various major crises and disasters, we have formulated "Business Crisis Response Measures" and "Operational Continuity Management and Major Disaster Response Guidelines" as the basis for handling emergency measures. We have established a "Business Crisis Management Team" and "Operational Continuity Management and Major Disaster Response Team," and assigned roles to build a crisis management and disaster emergency response notification network. In addition, we are strengthening disaster prevention and conducting hands-on training, and timely initiating and completing backup installations at all existing and new business sites to reduce the risk of business interruption. Regular disaster or business crisis scenario drills are conducted on an annual basis to ensure the effective execution of post-disaster recovery measures and to minimize customer losses and financial losses for the Bank in the event of an actual disaster.	• Credit risk • Market risk	Climate
	Extreme weather conditions may adversely affect investment and financing operations, or the value of collateral may be impaired.	The operational facilities of investment and financing targets may suffer damage to their hardware and software equipment due to heavy rains or flooding disasters, resulting in asset impairment or operational disruptions. This could affect their profitability or ability to repay debt, resulting in financial losses to the Bank.	• Investment and financing business	Short term	Medium	Medium	Collateral is evaluated for extreme weather risk considerations by assessing the level of flood risk in the area where the collateral is located during the underwriting process.	• Credit risk • Market risk	Climate

Risk Types	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Impact Period	Financial Impact Level	Probability of Occurrence	Responses	Corresponding Existing Risks	Issue Domains
Risk Aspect- Physical Risk									
Immediate nature-related risks	Inadequate management capacity of investment and financing targets to address natural risks and opportunities.	In the short term, certain events, such as forest fires or pest infestations during the harvest season, can alter the state of natural ecosystems, which can affect the profitability or debt repayment capacity of the target companies, resulting in financial losses for the Bank.	· Downstream activities · Investment and financing business	Short term	Medium	Medium	Continuously monitoring trends related to natural issues, considering incorporating recommendations for natural risk management into collaborative actions between the Bank and investment/financing targets.	· Credit risk · Market risk	Nature
The long-term risk of rising sea levels caused by global warming	Impact on business continuity and the value of owned real estate.	If buildings or land owned by the Bank are located in areas affected by future sea level rise, we may be forced to relocate its operations within a limited timeframe or face a reduction in the value of its collateral.	· Own operations	Long term	Low	Low	Climate change-related sea level rise factors will be taken into account when selecting locations for new operations and when purchasing real estate.	· Credit risk · Market risk	Climate
	Inadequate management capacity of investment and financing targets to address natural risks and opportunities.	If a company's operations or collateral are located in areas affected by future sea level rise, it may be forced to relocate its operations or suffer a decline in the value of its collateral within a limited period of time. This could result in losses to the Bank, particularly in cases involving long investment and loan maturities.	· Downstream activities · Investment and financing business	Long term	Medium	Low	Enhance the assessment and monitoring of climate-related risks for investment and financing targets to ensure a thorough understanding of the impact of climate risks. Promptly adjust risk management strategies and continuously monitor risk management capabilities.	· Credit risk · Market risk	Climate
Nature-related long-term risks	Loss of species and degradation of the natural environment through land, water and marine pollution.	The Bank's reputation may be negatively affected if it invests in or provides financing to companies that cause serious pollution or works with suppliers that harm the environment.	· Upstream supplier · Downstream activities · Investment and financing business	Long term	Medium	Medium	Implement responsible investment through pre-investment screening and post-investment management. When reviewing loan cases, consider whether the borrowers comply with environmental protection, social responsibility, and integrity in operations to avoid potential risks. The Bank requires suppliers to sign the Supplier Sustainability Commitment. In the event of significant environmental or social impacts, or serious dishonesty, we may terminate or revoke the relationship.	· Reputation Risk	Nature

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Risk types	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Impact Period	Financial Impact Level	Probability of Occurrence	Responses	Corresponding Existing Risks	Issue Domains
Risk Aspect- Transition Risk									
Recent/ emerging policies	Emerging regulations and policies, such as increasing carbon fee rates.	For borrowers or investees subject to such regulations, their profitability may be adversely affected by having to pay carbon fees or make changes to comply with regulatory requirements. This may subsequently affect their ability to service debt or the share prices of the targets, resulting in losses for the Bank.	· Downstream activities · Investment and financing business	Short, medium and long term	High	Medium	The Bank continues to monitor international trends in carbon taxation and regulation, and is strengthening its commitment to high-carbon investment and financing targets.	· Market Risk · Liquidity Risk	Climate
	Changes in nature-related policies, such as stricter environmental assessment requirements.	Inadequate ability of investee companies to manage natural risks and opportunities may result in their inability to adapt to policy changes. This could affect their profitability, which in turn could affect their ability to service their debt or the share prices of the targets, resulting in losses for the Bank.	· Downstream activities · Investment and financing business				The Bank continuously monitors trends related to natural issues and considers incorporating natural risk management recommendations into its investment and financing engagements.	· Credit Risk	Nature
Technology	Investment and financing targets may incur additional costs in developing new technologies for transformation or suffer from reduced operational capacity due to untimely transformation.	The profitability of investment and financing targets may be affected, resulting in a decline in share prices or increased credit risk.	· Downstream activities · Investment and financing business	Medium and long term	High	Medium	Continually monitor market demand for low-carbon transformation and help clients transition to low-carbon practices.	· Credit risk · Market risk	Climate

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Risk types	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Impact Period	Financial Impact Level	Probability of Occurrence	Responses	Corresponding Existing Risks	Issue Domains
Risk Aspect- Transition Risk									
Market	Consumer behavior changes, leading to decreased interest in investing in high-carbon emission industries.	Investment losses incurred by the Bank due to market changes affecting high carbon emission investment targets.	· Downstream activities · Investment business	Medium and long term	High	Low	Control the portfolio of high-carbon emission industries in total investments.	· Market Risk	Climate
Reputation & litigation	Failure to proactively mitigate climate risks may result in shareholder or public interest lawsuits.	Investing in or financing clients in energy-intensive or polluting industries that have been sanctioned could damage the Bank's reputation.	· Downstream Activities · Investment and financing business	Short and medium term	High	Medium	Strengthen commitment to high-carbon investment and financing targets.	· Reputation Risk	Climate

The final analysis identified three main climate- and nature-related risks: Recent/Emerging policy risks, Technological, and Reputation and Litigation. We are formulating response strategies and management measures for various risks, continuing to pay attention to market demand for a low-carbon transformation, and strengthening discussions and collaborations to mitigate impacts and risks.

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The Three Lines of Defense Risk Management Responsibilities

The Bank applies 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.

1 First Line of Defense — Business Unit

- Identify, assess, control, and reduce all kinds of risks caused on the Bank's business operation.
- Cooperate with the Bank's climate and natural risk management objectives and conduct business in accordance with the Bank's climate risk management policies, standards and procedures.

2 Second Line of Defense — Management Unit

- Include climate risks in the Bank's internal risk management policies and related standards and procedures.
- Communicate and coordinate matters related to the Bank's climate risk management.
- Work closely with business units to effectively monitor the implementation of risk and climate management by business units.

3 Third Line of Defense — Audit Unit

- Perform audit work, review and evaluate the effectiveness of the risk management and internal control systems, and provide timely recommendations for improvement.

The Board of Directors and senior management will continue to ensure that the organizational structure aligns with the three lines of defense principle. They will oversee the effective operation of this structure and bear ultimate responsibility for its effectiveness.

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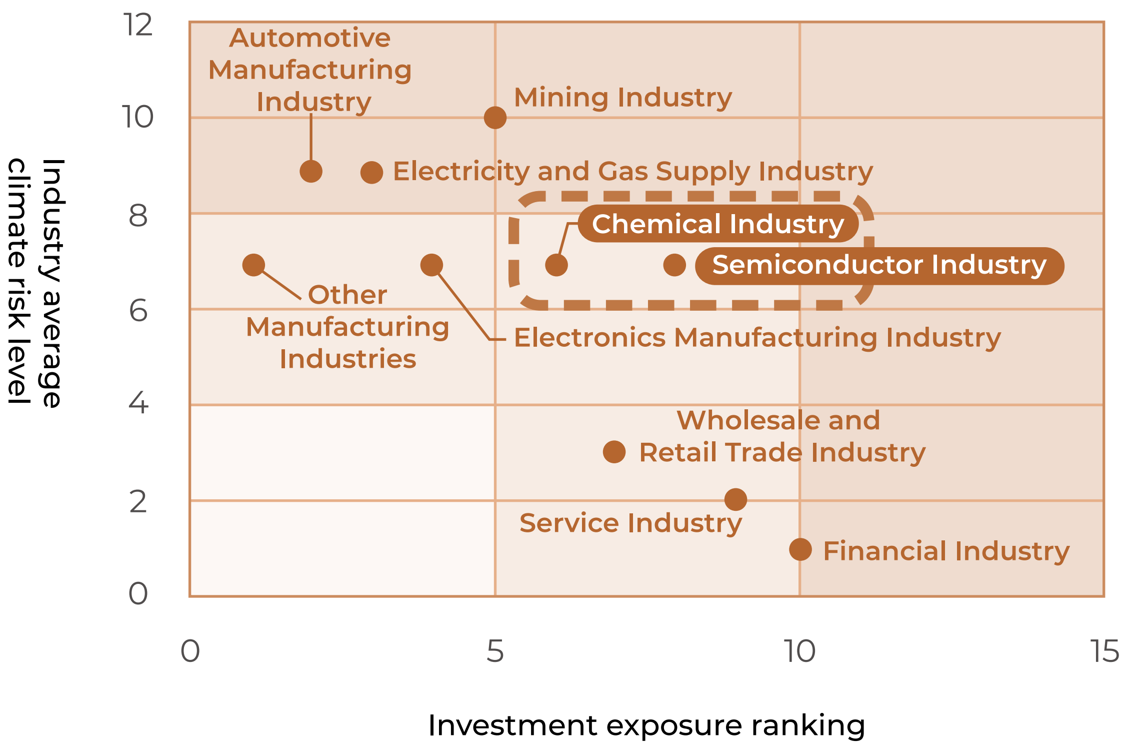
4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure

The Bank references the industry environmental risk analysis report published by Moody's to assess the industry distribution of our investment and lending activities. We identify high-risk industries based on exposure amounts and climate and nature risk levels. Using this as a foundation, we progressively develop investment and lending risk indicators according to the sensitivity of each industry to climate and natural risks. This approach aims to enhance the Bank's ability to adapt to climate change and environmental variations while mitigating potential financial impacts.

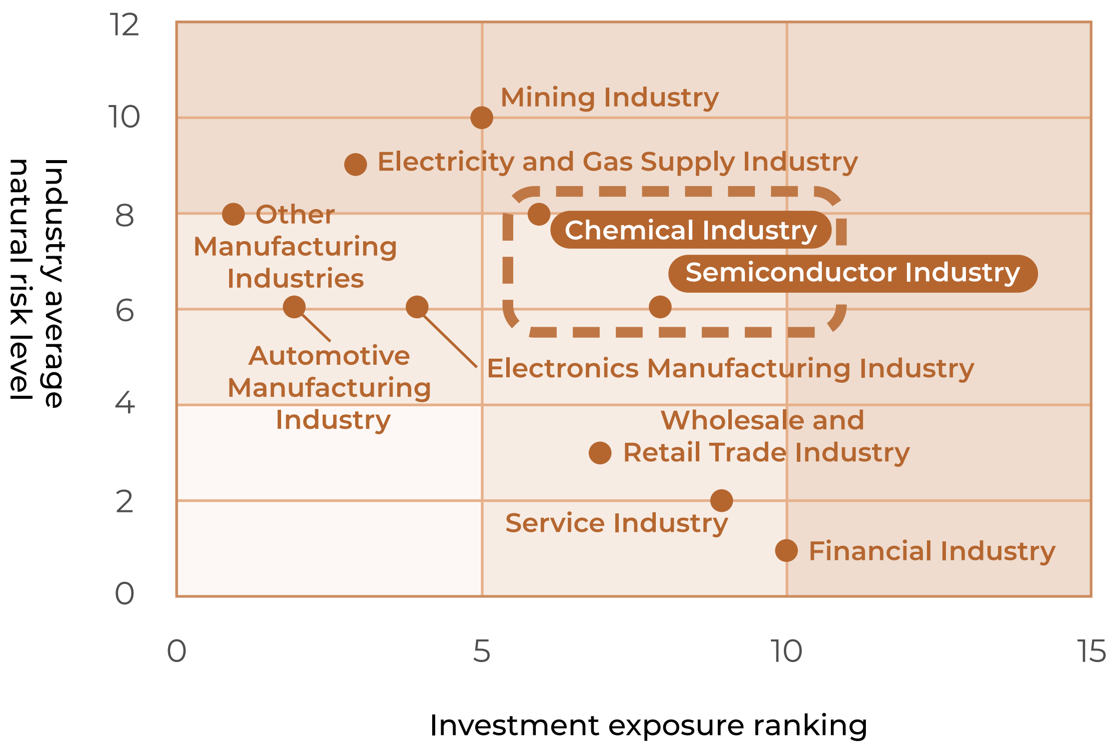
Investment Business Matrix

Industrial Climate Risk Matrix



➡ **Climate Risk Key-Focused Industries: Chemical Industry and Semiconductor Industry**

Industrial Natural Risk Matrix



➡ **Nature Risk Key-Focused Industries: Chemical Industry and Semiconductor Industry**

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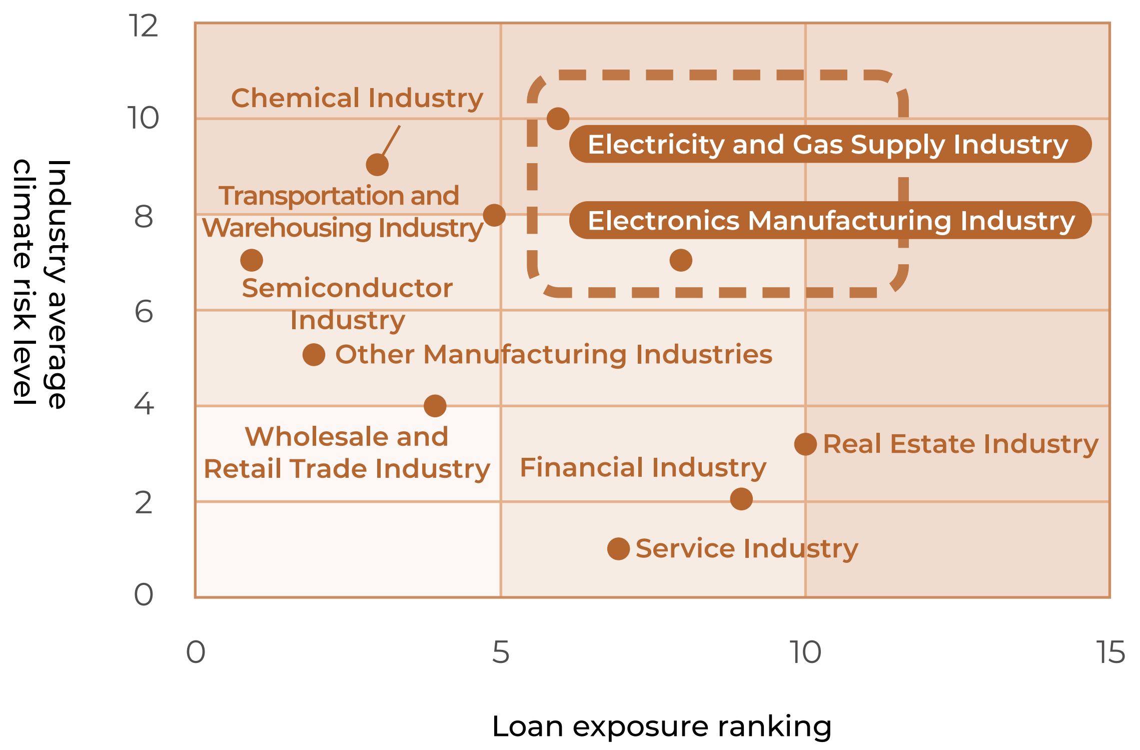
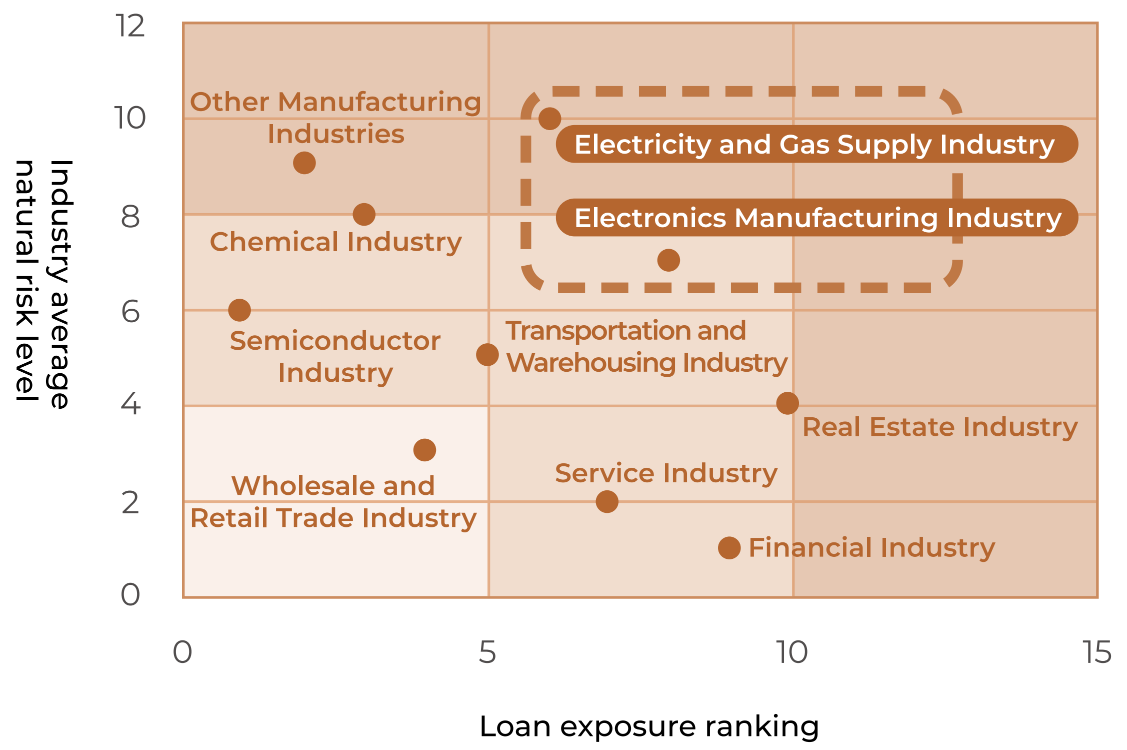
Lending Business Matrix

Industrial Climate Risk Matrix



➡ **Climate Risk Key-Focused Industries:**
Electricity and Gas Supply Industry and Electronics Manufacturing Industry

Industrial Natural Risk Matrix



➡ **Nature Risk Key-Focused Industries:**
Electricity and Gas Supply Industry and Electronics Manufacturing Industry

The Management Mechanism of the Key-focused Industries

Based on the analysis results of the matrix chart, the Bank has identified the key industries for climate and natural risks, which are the chemical industry and the semiconductor industry for investment business, and the electricity and gas supply industry and electronic manufacturing industry for lending business. For each industry, there are existing management mechanisms and quota control principles.

For the current year, four industries have been selected: the chemical industry, semiconductor industry, electricity and gas supply industry, and electronics manufacturing industry. Among them, the chemical industry and electricity and gas supply industry are also classified as high carbon emission industries by CDF Holding INC. Currently, for loan applications related to high carbon emission industries, sustainability risk assessment checklists must be completed as required, and carbon emissions must be calculated. If the credit applicant is involved in ESG-related issues, they must provide detailed explanations of their corporate sustainability transformation plans and disclose relevant information in the credit risk assessment report. This information serves as a reference for credit risk approval authorities when reviewing cases, and adjustments to existing positions in the aforementioned industries are made accordingly. Rigorous risk assessments have been conducted for semiconductor and electronics manufacturing targets financed by the Bank, taking into account their impact on environmental, social, and governance aspects, and prioritizing cooperation with outstanding companies that are on the path of transformation or nature conservation.

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

Analysis Items and Methodology

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) **Analysis Scope:** The expected changes in potential losses caused by climate risks to the four types of investment assets, including domestic corporate lending, domestic consumer lending, foreign lending, and banking book investments.

(2) **Analysis 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
Expected Temperature Rise by the End of This Century	1.4°C	1.6°C	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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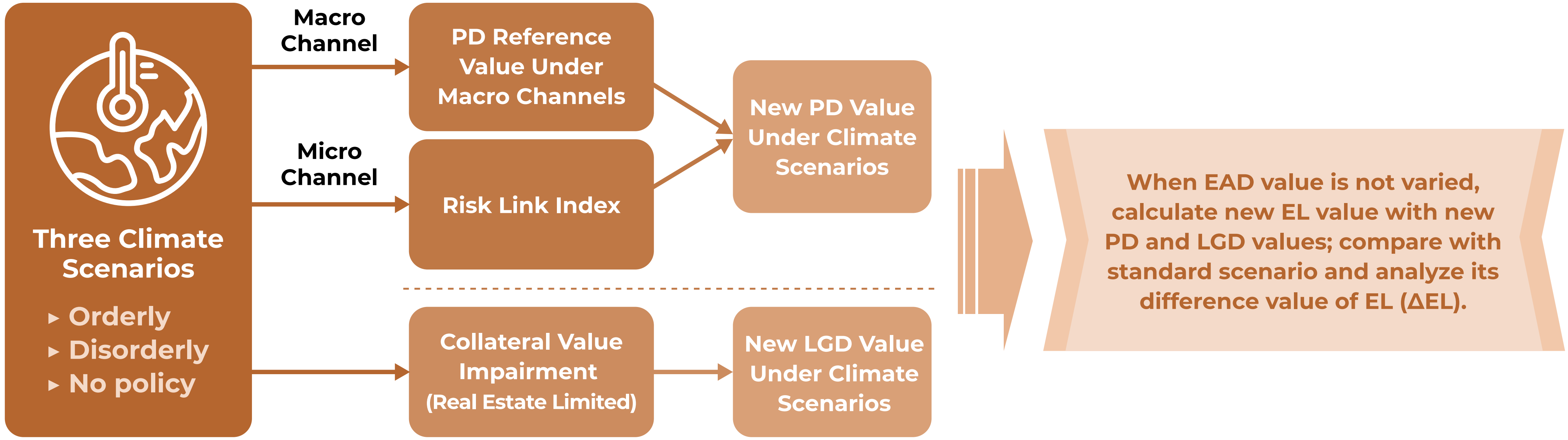
(3) **Analysis Process:**



Financial Quantitative Analysis

In order to compare the different impacts of different climate scenarios on our asset portfolio and to formulate optimal response strategies under specific climate scenarios, we will discuss separately the transition scenarios (Orderly Transition Scenario and Disorderly Transition Scenario) and the No Policy Scenario. The corresponding analysis results are explained below:

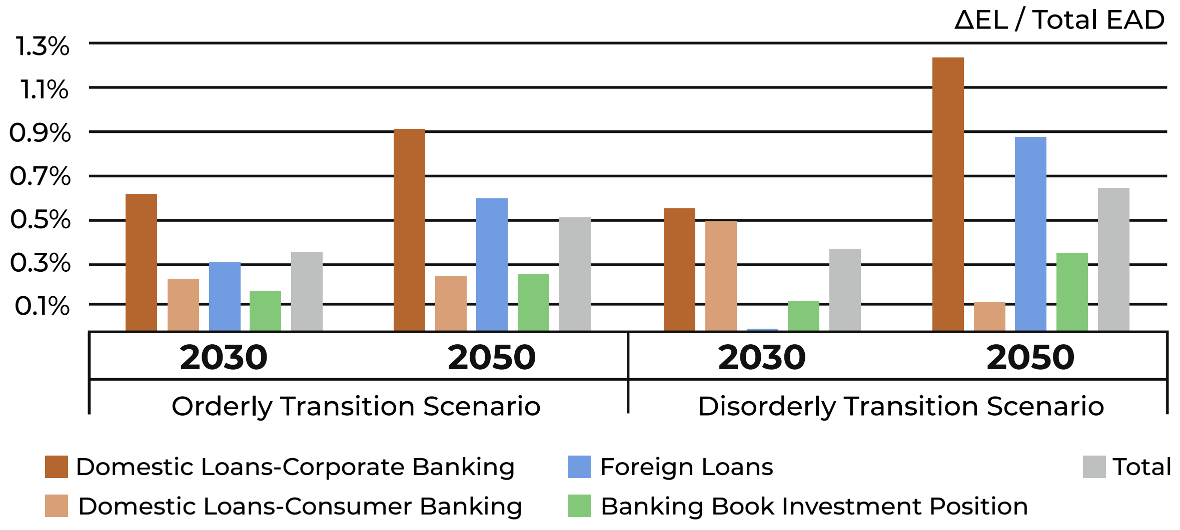
(1) Orderly Transition Scenario and Disorderly Transition Scenario:

The Orderly Transition Scenario assumes that the world adopts specific carbon reduction targets immediately and takes action gradually. The Disorderly Transition Scenario assumes a later start than compared to the Orderly Transition Scenario but still aims to achieve specific carbon reduction targets and therefore faces greater transition risks. Both scenarios may also involve by physical risks. Overall, the expected loss increase (ΔEL) as a percentage of total exposure (EAD) by 2030 is larger for domestic loans (including corporate banking and consumer banking), which will be a key area of focus for us in the medium term. Furthermore, the expected loss change for domestic loans - corporate and foreign loans under the Disorderly Transition Scenario in 2050 significantly increases compared to 2030, indicating that if future transition scenarios align more closely with the Disorderly Transition, we should more proactively manage our asset portfolios that may be affected by climate impacts.

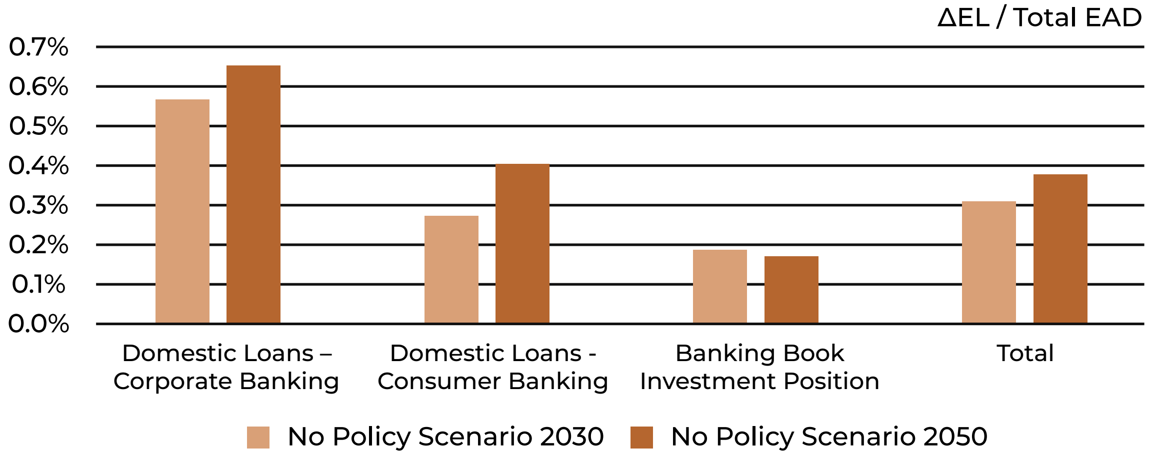
(2) No Policy Scenario:

The No Policy Scenario refers to a situation where no global transition policies are implemented, leading to physical risks that may result in more severe economic outcomes in the medium to long term (after 2040). However, due to the absence of related policy requirements, there will be no accompanying transition risks. In this analysis, domestic loans (including corporate banking and consumer banking) are the primary area affected. Overall, the expected loss change in 2050 is higher compared to 2030, indicating that if we do not focus on and manage the impact of physical risks on our asset portfolio early on, the effects will gradually intensify over time.

The Proportion of Increased Expected Loss in Orderly Transition Scenario and Disorderly Transition Scenario to Total Risk Exposure



The Percentage of Increased Expected Loss in No Policy Scenario to Total Risk Exposure



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Resilience Verification and Response Strategies

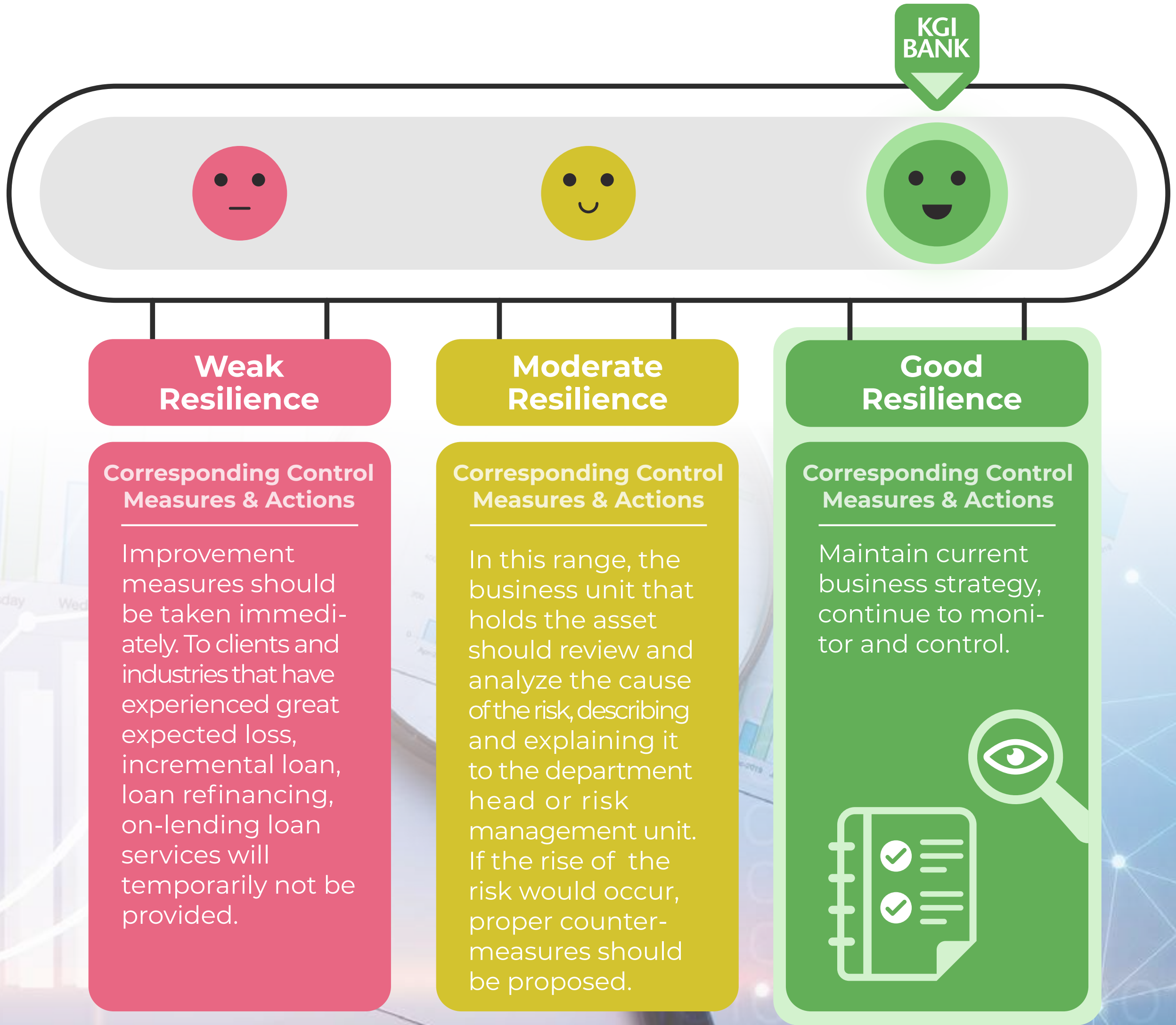
To ensure that the business strategies formulated by the Bank are adequately prepared for the impact of various possible climate scenarios, we conduct climate risk quantification analyses based on the Scenario Analysis Operational Plan. We establish risk indicators for each asset to assess the climate resilience of the current asset portfolio. This regulatory mechanism effectively ensures the controllability of the financial impact on the asset portfolio under different climate scenarios. For example, climate scenario analyses are conducted in accordance with the Scenario Analysis Operational Plan set by the regulators to estimate expected losses under different climate scenarios. These expected losses are compared with the Bank's allowance for bad debt to further analyze whether they have a significant financial impact on the Bank.

After reviewing the results of the Bank's 2023 scenario analysis, the risk indicators for all assets fall within the "good resilience" range, indicating that our current business strategies and asset portfolio have sufficient climate resilience. Based on the resilience verification results, although the current asset portfolio is not significantly affected by climate risks, given the uncertainty of climate risks, the Bank will continue to strengthen related risk management measures.

Resilience Verification Mechanism and Differentiated Management Measures

The Bank develops appropriate climate resilience verification indicators by considering the characteristics of each asset. Based on the results, the indicators are categorized into three ranges: Good Resilience, Moderate Resilience, and Weak Resilience. Management actions are then determined for each category.

KGI Climate Resilience



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

Analysis Items and Methodology

In recent years, the frequency of extreme weather events has increased, making physical risk issues such as flooding, heavy rainfall and landslides particularly important. To mitigate the impact of climate-related catastrophes on operations and business, we conduct scenario analyses for floods and landslides that target operational sites, investment properties, and real estate collateral. The results are then quantified to understand the financial impact of climate change on business operations and asset values.

(1) Analysis Targets: Operational Sites, Investment Properties, Real Estate Collaterals of Corporate Banking, Real Estate Collaterals of Consumer Banking

(2) Analysis Scenarios: Scenario analysis of physical risks is conducted using global fixed temperature increase scenarios of 1.5°C and 4°C. The data used for these scenarios is based on the Hazard-Vulnerability Maps from the National Science and Technology Center for Disaster Reduction (NCDR). Definitions are detailed in the table below.

Risk Factors	Flood Disaster Risk	Slope Hazard Risk
Hazard Level	Represents the magnitude of natural hazards caused by extreme precipitation under climate scenarios. It indicates the potentially hazardous events that could cause significant damage.	Extreme rainfall is one of the main causes of slope failures, especially in mountainous areas where rainfall is heavier than in flat terrain and the effects are more pronounced. Intense rainfall often triggers slope failures. It mainly shows the extent of natural hazards caused by extreme rainfall under climate scenarios and potentially hazardous events that can cause significant damage.
Vulnerability	Refers to the likelihood that an area will be adversely affected (including physical and socioeconomic impacts).	Slope vulnerability levels are analyzed based on geologic hazard potential and exposed land area.

(3) Analysis Process:

STEP 1 — Data Collection
Obtain the location address and related information of the analysis target.

STEP 2 — Overlay Analysis
Input the information from NCDR, then use the geographic information system to create a base map and analyze the coordinates of the objects for overlaying onto the map.

STEP 3 — Impact Severity Analysis
Understand the collateral exposure, asset value, and ratio of the number of positions at each flood and landslide risk level; combine internal rating model to quantify the financial impact of flood and landslide risks.

(4) The Definition of Risk Levels:

The "Disaster Risk Map of Taiwan" published by the Climate Change Disaster Risk Adaptation Platform Dr. A [Note] of the National Science and Technology Center for Disaster Reduction (NCDR) is divided into five risk levels. Level 1 (deep green) indicates relatively low risk, while Level 5 (red) represents the highest risk level. Level 5 is classified as a high-risk area according to the Bank's definition, and Level 4 is classified as an area of concern.

Key
- Level 5
- Level 4
- Level 3
- Level 2
- Level 1

Note: Climate Change Disaster Risk Adaptation Platform Dr.A: https://dra.ncdr.nat.gov.tw/

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Financial Quantitative Analysis

(1) **Operational Sites:**

The Bank conducted a survey of its operational sites for flood scenario analysis. After considering factors such as floor height and the implementation of relevant adaptation measures, it was determined that all business locations are outside of high-risk areas and require attention. To ensure the adaptability of each branch to climate change risks, the Bank has also established "Business Crisis Response Measures," "Natural Disaster Prevention and Rescue Guidelines," and "Operational Continuity Management and Major Disaster Response Operational Guidelines," making appropriate preparations in advance to mitigate potential losses from business disruptions in the event of unforeseen events.

Flooding Scenario Risk Level	1.5°C	4°C	1.5°C	4°C
	Quantity Ratio(%)	Quantity Ratio(%)		
Level 5	0%	0%		
Level 4	0%	0%		
Level 3	0%	0%		
Level 2	0%	0%		
Level 1	100%	100%		
Total	**100%**	**100%**		

The Bank conducted a slope hazard scenario analysis at operational sites. All operational sites were found to be outside the high climate risk and concern areas. In addition, the Bank has put in place contingency measures. The preliminary assessment indicates that the impact on the Bank is minimal.

Slope Scenario Risk Level	1.5°C	4°C	1.5°C	4°C
	Quantity Ratio(%)	Quantity Ratio(%)		
Level 5	0%	0%		
Level 4	0%	0%		
Level 3	0%	0%		
Level 2	0%	0%		
Level 1	100%	100%		
Total	**100%**	**100%**		

Contents

(2) **Investment Properties:**

The Bank has conducted a flood scenario analysis for its investment properties. Consistent response measures have been implemented, similar to those for collateral and operational sites [Note]. After considering factors such as floor height and implementing appropriate adaptation measures, it was determined that all sites are outside of high-risk areas and require attention. A preliminary assessment indicates a lower level of impact on the Bank.

Flooding Scenario Risk Level	1.5°C		4°C		1.5°C	4°C
	Quantity Ratio (%)	Risk Exposure Ratio (%)	Quantity Ratio (%)	Risk Exposure Ratio (%)		
Level 5	0%	0%	0%	0%		
Level 4	0%	0%	0%	0%		
Level 3	0%	0%	0%	0%		
Level 2	0%	0%	0%	0%		
Level 1	100%	100%	100%	100%		
Total	**100%**	**100%**	**100%**	**100%**		

Note: In accordance with Article 75 of The Banking Act of The Republic of China, commercial banks are not permitted to actively invest in non-self-use real estate. 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.

The Bank conducted a slope hazard scenario analysis on the investment properties it holds. All investment properties were found to be outside the high climate risk and areas of concern. Additionally, the Bank has established contingency measures. The preliminary assessment indicates that the impact on the Bank is minimal.

Slope Scenario Risk Level	1.5°C		4°C		1.5°C	4°C
	Quantity Ratio (%)	Risk Exposure Ratio (%)	Quantity Ratio (%)	Risk Exposure Ratio (%)		
Level 5	0%	0%	0%	0%		
Level 4	0%	0%	0%	0%		
Level 3	0%	0%	0%	0%		
Level 2	0%	0%	0%	0%		
Level 1	100%	100%	100%	100%		
Total	**100%**	**100%**	**100%**	**100%**		

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(3) **Real Estate Collaterals of Corporate Banking:**

The Bank conducted a flood scenario analysis for real estate collateral of corporate banking. After taking into account factors such as building height and loan maturity, it was determined that 1% of the collateral was located in high-risk (Level 5) areas under 1.5°C and 4°C temperature rise scenarios [Note].

Flooding Scenario Risk Level	1.5°C		4°C		1.5°C	4°C
	Quantity Ratio (%)	Risk Exposure Ratio (%)	Quantity Ratio (%)	Risk Exposure Ratio (%)		
Level 5	1%	1%	1%	1%		
Level 4	0%	0%	0%	0%		
Level 3	0%	0%	0%	0%		
Level 2	0%	0%	0%	0%		
Level 1	98%	99%	98%	99%		
Not Included [Note]	1%	0%	1%	0%		
Total	**100%**	**100%**	**100%**	**100%**		

Note:

1. There are a total of 4 loan cases in the adjusted risk level 5 category of corporate customer credit risk. Of these, one case has fully repaid its loan and collateral at the beginning of 2024, significantly reducing the risk exposure. The exposure to extreme risk of the remaining 3 cases is less than 1% of the total exposure and therefore has a minimal impact.
2. The areas "Not Included" in the analysis are those for which risk assessment data is not currently available on the Climate Change Disaster Risk Adaptation Platform. This does not mean that there is no disaster risk in these areas, but rather that the risk assessment information is not currently available.

The Bank conducted a slope hazard scenario analysis for real estate collaterals of corporate banking. After consideration of factors such as loan maturity, all real estate collaterals of corporate banking was found to be outside the high climate risk and concern areas. The preliminary assessment indicates that the impact on the Bank is minimal.

Slope Scenario Risk Level	1.5°C		4°C		1.5°C	4°C
	Quantity Ratio (%)	Risk Exposure Ratio (%)	Quantity Ratio (%)	Risk Exposure Ratio (%)		
Level 5	0%	0%	0%	0%		
Level 4	0%	0%	0%	0%		
Level 3	0%	0%	0%	0%		
Level 2	1%	0%	1%	0%		
Level 1	79%	88%	79%	88%		
Not Included [Note]	20%	12%	20%	12%		
Total	**100%**	**100%**	**100%**	**100%**		

Note: The areas "Not Included" in the analysis are those for which risk assessment data is not currently available on the Climate Change Disaster Risk Adaptation Platform. This does not mean that there is no disaster risk in these areas, but rather that the risk assessment information is not currently available.

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(4) **Real Estate Collaterals of Consumer Banking:**

The Bank conducted a flood scenario analysis for real estate collateral of consumer banking. After considering factors such as floor height and loan maturity, it was determined that under 1.5℃ and 4℃ temperature increase scenarios, 7% and 12% of the exposure respectively are in areas of high risk (Level 5). In addition, 2% and 5% of the exposures are in areas of concern (level 4). The relevant departments are assessing these and developing appropriate measures to mitigate the impact of climate risks on the Bank.

Flooding Scenario Risk Level	1.5°C		4°C	
	Quantity Ratio (%)	Risk Exposure Ratio (%)	Quantity Ratio (%)	Risk Exposure Ratio (%)
Level 5	7%	7%	12%	12%
Level 4	2%	2%	5%	5%
Level 3	0%	0%	0%	0%
Level 2	4%	4%	1%	2%
Level 1	87%	87%	82%	81%
Not Included [Note]	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**

1.5°C

4°C

Note: The areas "Not Included" in the analysis are those for which risk assessment data is not currently available on the Climate Change Disaster Risk Adaptation Platform. This does not mean that there is no disaster risk in these areas, but rather that the risk assessment information is not currently available.

The Bank conducted a slope hazard scenario analysis for real estate collateral of consumer banking. After considering factors such as loan maturity, all real estate collateral of consumer banking was found to be outside the high climate risk and concern areas. The preliminary assessment indicates that the impact on the Bank is minimal.

Slope Scenario Risk Level	1.5°C		4°C	
	Quantity Ratio (%)	Risk Exposure Ratio (%)	Quantity Ratio (%)	Risk Exposure Ratio (%)
Level 5	0%	0%	0%	0%
Level 4	0%	0%	0%	0%
Level 3	0%	0%	6%	7%
Level 2	23%	26%	26%	27%
Level 1	58%	58%	49%	50%
Not Included [Note]	19%	16%	19%	16%
Total	**100%**	**100%**	**100%**	**100%**

1.5°C

4°C

Note: The areas "Not Included" in the analysis are those for which risk assessment data is not currently available on the Climate Change Disaster Risk Adaptation Platform. This does not mean that there is no disaster risk in these areas, but rather that the risk assessment information is not currently available.

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Resilience Verification and Response Strategies

To ensure the effectiveness of various adaptation measures in addressing physical risks, the Bank has established relevant management indicators and resilience levels based on factors such as floor height, loan maturity, and adaptation measures implemented. The Bank closely monitors fluctuations in these indicators to review climate resilience and manage the impact of physical risks. A review of the results of the Bank's 2023 scenario analysis showed that the management indicators for all assets fall within the Good Resilience category, indicating that the current business strategy and asset portfolio have sufficient climate resilience. Based on the results of the resilience review, while the Bank's operations and assets are not significantly impacted by physical risks, the Bank continues to study and plan relevant responses given the uncertainty of climate risks.

1. Operations

- Scope: Operational Sites, Investment Properties.
- The Bank has established an "Operational Continuity Management and Major Disaster Response Team" to execute daily operations and emergency response during disasters.
- In order to prevent operational disruptions or asset depreciation due to flooding, all of the Bank's operational sites and investment properties are equipped with sandbags to enhance flood risk adaptation capabilities.
- Flood and landslide risks are considered in the acquisition of new sites. Where there is a potential risk of flooding or landslides, appropriate flood prevention measures are implemented.
- The Bank conducts regular annual reviews of disaster prevention education, training and drills to ensure the adequacy and effectiveness of the business continuity management system and existing emergency response mechanisms.
- Disaster management strategies are regularly reviewed and adjusted as necessary.

At the operational level, given that physical risk events will intensify over time, the Bank will continue to strengthen disaster awareness in branches, ensure the availability and effectiveness of disaster preparedness equipment, and, where appropriate, purchase property insurance to transfer climate risk.

2. Real Estate Collaterals

- Scope: Real Estate Collaterals of Corporate Banking, Real Estate Collaterals of Consumer Banking.
- The climate risk level and soil liquefaction potential of real estate collateral will be disclosed in real estate valuation reports on a case-by-case basis.
- Where real estate collateral is located in climate-risk areas that are also prone to recurrent severe flooding, the borrower's ability to repay, the location of the collateral, and individual characteristics are fully evaluated as a basis for lending decisions.
- All new cases and legacy cases with increased credit risk must undergo on-site collateral reviews on a case-by-case basis.

Regarding the collateral aspect, in the future, depending on the degree of impact of physical risk events, the Bank will evaluate or conduct a site visit to inspect the current situation of real estate collateral in high flood risk areas. If necessary, the asset value will be reassessed and the borrower will be required to provide additional collateral or adjust the loan amount.

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4.5 The Natural Risk Overlay Analysis for Suppliers and Key Investment and Financing Targets

Analysis Items and Methodology

Based on the identification of industries with high exposure to climate and natural vulnerability, the Bank conducted a comparative analysis of the addresses of the top ten domestic suppliers, key lending customers, and major investment targets' operational sites/collateral against ecological protection zones and water quality and quantity protection areas.

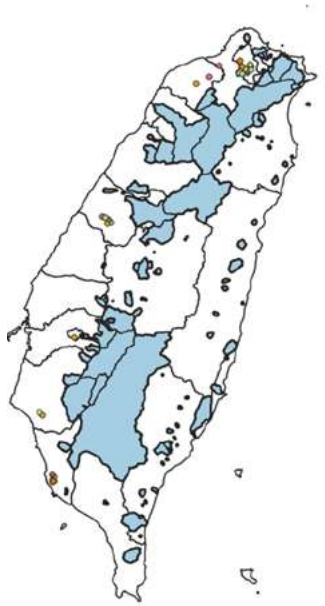
(1) Analysis Targets: The Bank's top ten domestic suppliers, operational sites of 32 key investment targets, and 38 key lending customers, collected based on the high-sensitivity industry matrix.

(2) Analysis Methods and Scenarios Selected: The World Database on Protected Areas (WDPA) was used to collect information on ecological protected areas, such as forest reserves, wildlife habitats, national parks, nature reserves, and wildlife reserves. In addition, data from the Water Quality and Quantity Protection Area Profile published by the Water Resources Agency was used. This information was overlaid with the coordinates of operational sites disclosed by the top ten domestic suppliers and key investment and lending targets.

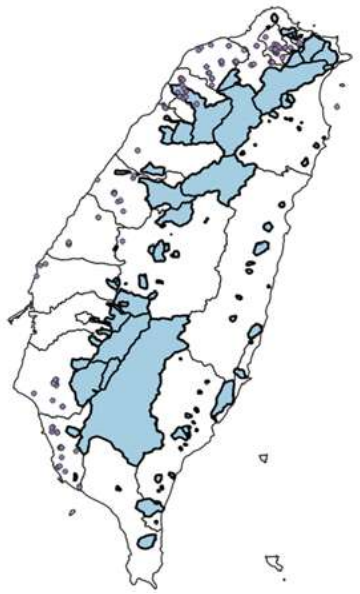
Contents

Natural Risk Map Analysis

(1) **Significant Suppliers**

Total Number of Sites	**Ecological Protection Areas**	**Water Quality and Quantity Protection Areas**	**Ecological Protection Areas**	**Water Quality and Quantity Protection Areas**
	Quantity ratio (%)	Quantity ratio (%)		
Number of Sites Near Protection Areas	5.13%	0%		
Number of Sites Within Protection Areas	0%	0%		
Total	**5.13%**	**0%**		

(2) **Significant Loan Cases**

Total Number of Sites	**Ecological Protection Areas**	**Water Quality and Quantity Protection Areas**	**Ecological Protection Areas**	**Water Quality and Quantity Protection Areas**
	Quantity Ratio (%)	Quantity Ratio (%)		
Number of Sites Near Protection Areas	0.58%	1.74%		
Number of Sites Within Protection Areas	0%	11.05%		
Total	**0.58%**	**12.79%**		

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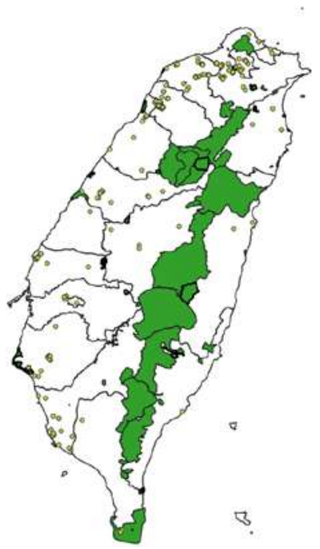
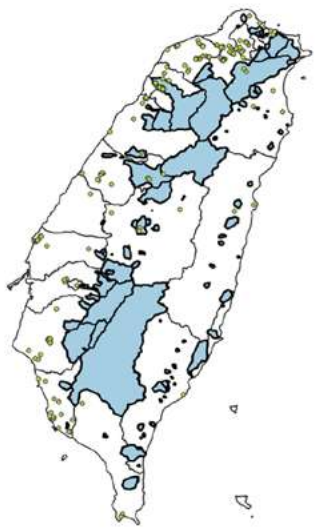
(3) **Significant Investment Objects**

Total Number of Sites	Ecological Protection Areas	Water Quality and Quantity Protection Areas	Ecological Protection Areas	Water Quality and Quantity Protection Areas
	Quantity Ratio (%)	Quantity Ratio (%)		
Number of Sites Near Protection Areas	1.64%	2.05%		
Number of Sites Within Protection Areas	1.23%	24.59%		
Total	**2.87%**	**26.64%**		

Natural Risk Analysis Results

The Bank conducted a natural risk overlay analysis based on the top ten domestic suppliers, major loan cases, and major investment targets. There are a total of 6 companies with 10 operational sites that intersect ecological protection areas within 1 kilometer. In addition, 23 companies with 87 operational sites intersect with water quality and quantity protection areas. In addition, the Bank used the Integrated Biodiversity Assessment Tool (IBAT) to analyze terrestrial protected areas, marine protected areas, and critical biodiversity areas for overseas sites for significant investment targets or loan cases that are foreign enterprises. There are a total of 2 company operational sites adjacent to critical areas. As environmental awareness increases and methodologies evolve, the Bank will continue to refine its natural physical risk assessment methodologies to optimize risk management.

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Metrics and Targets and Carbon Emission Management Results

Contents

The Bank adheres to the sustainable vision and strategy of CDF Holding INC. with a focus on "Low Carbon Sustainable Environment". It recognizes the increasing risks of climate change and actively plans to reduce its own operational greenhouse gas emissions. In addition, it seeks to identify low-carbon industries and enterprises with development potential and promote joint efforts for low-carbon transformation. The Bank is gradually formulating metrics and targets related to climate and nature, with the aim of moving toward low-carbon and "Nature Positive" growth. In response to CDF Holding INC.'s goals, the Bank aims to achieve carbon neutrality for its headquarters building by 2024 and to reduce Scope 1 and Scope 2 greenhouse gas emissions by 42% by 2030 according to the international SBTi standards. It also aims to achieve net-zero carbon emissions for its entire asset portfolio by 2045, demonstrating its commitment to reducing greenhouse gas emissions.

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5.1 Greenhouse Gas Emissions Metrics and Targets

Carbon Emissions Metrics and Targets

Carbon Emission Target Setting	Base Year	Short-Term Goal	Medium-Term Goal	Long-Term Goal
Scope 1 & Scope 2	2022	Achieve carbon neutrality of CDF Holding INC.'s headquarters building by 2024.	Reduce Scope 1 and 2 emissions by 42% by 2030 in line with SBTi international standards.	Net zero carbon emissions across the portfolio by 2045.
Scope 3 Financial Carbon Emissions	2022	Achieve net-zero carbon emissions across our portfolio by 2045 in line with the introduction of SBTi.		

Self-operation Carbon Emission Inventory

The Bank's GHG emissions are mainly from electricity consumption, and the Bank adheres to the ISO 14064-1 standard and GHG inventory requirements to conduct a systematic and consistent inventory. By statistically analyzing and summarizing the inventory results and undergoing verification by a third-party organization (SGS), the "Greenhouse Gas Verification Opinion of KGI Commercial Bank Co., Ltd." is certified. This opinion serves as a reference for formulating improvement plans, and the Bank will continue to implement environmental measures such as energy conservation and carbon reduction to fulfill its responsibility as a global citizen.

For fiscal 2023, the Bank has set targets for the reduction of greenhouse gas emissions from Scope 1 and Scope 2 based on the base year of 2022. It has already achieved its short-term target, with a 10% reduction in operational greenhouse gas emissions in 2023 compared to 2022.

Greenhouse Gas Emissions		2022 (Base Year)	2023
Category 1 (Scope 1)	Greenhouse Gas Emissions (tCO_2e)	245.47	238.29
	Greenhouse Gas Emissions Intensity (tCO_2e/million)	0.02	0.02
Category 2 (Scope 2)	Greenhouse Gas Emissions (tCO_2e)	6,397.13	5,759.06
	Greenhouse Gas Emissions Intensity (tCO_2e/million)	0.48	0.42
Category 3 to Category 6 (Scope 3)	Greenhouse Gas Emissions (tCO_2e)	2,032.81	2,210.35

Note:

1. The inventory method uses ISO 14064-1:2018, the Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard, and the Greenhouse Gas Inventory Registration Operation Guidelines; emission factors and Global Warming Potential (GWP) values are adopted from the Environmental Protection Administration's Greenhouse Gas Inventory Registration Form version 3.0.0 and the Emission Factor Management Table version 6.0.4.
2. The emission coefficient for electricity usage is 0.509 (2022) and 0.495 (2023) kilograms of carbon dioxide equivalent per kilowatt-hour.
3. In 2022 and 2023, the audit scope includes the headquarters building, Zhonghe building, 51 branches of KGI Bank, and subsidiary of the parent company CDC FINANCE & LEASING CORPORATION, as well as the Taichung and Kaohsiung branches.
4. Category 2 carbon emissions are location-based, generated from electricity usage in office buildings and operational units.
5. The audit scope for Categories 3 to 6 does not include indirect emissions generated from investment and financing activities.

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Financial Carbon Emission Inventory of Investment and Financing Portfolios

The Bank refers to PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry and TCFD's disclosure recommendations to conduct a comprehensive inventory of absolute greenhouse gas emissions and emission intensity for its investment and financing portfolio. In 2023, the Bank inventoried the carbon emissions attributable to equity investments, debt investments, commercial loans, project finance, and commercial real estate mortgage loans. The total carbon emissions from investment and financing activities amounted to 1,130,606 metric tons of CO_2 equivalent, with a carbon footprint of 3.07 metric tons of CO_2 equivalent per million dollars invested or financed. Going forward, the Bank will continue to conduct carbon inventories for its investment and lending portfolios, review decarbonization targets and strategies, and implement effective carbon management practices.

Greenhouse Gas Emissions from Investment and Financing Portfolios	2022 (Base Year)	2023
Greenhouse Gas Emissions (tCO_2e)	1,307,273	1,130,606
Greenhouse Gas Emissions Intensity (tCO_2e/million) (Carbon footprint)	3.68	3.07

Note:

1. The Bank's investment and financing portfolio emission intensity (carbon footprint) is calculated as total emissions divided by audited assets (in metric tons of carbon dioxide equivalent per million NTD of investment and financing amount).
2. Greenhouse gas emissions do not include carbon offset amounts.

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5.2 Green Operation Management Metrics and Targets

In terms of green operations management, in 2023, the Bank jointly procured green energy with CDF Holding INC. and shared approximately 640,000 kWh of green energy for the entire headquarters building of CDF Holding INC. This was procured through a renewable energy supply contract model and the Bank adopted a Bundled REC System. In addition, approximately 37,000 kWh of electricity was generated by solar panels at the Beimen Branch, bringing the total renewable energy usage to approximately 680,000 kWh. The Bank will continue to promote energy reduction and conservation, saving approximately 2.8% of electricity in 2023 and reducing the purchase of photocopy paper by 15% compared to the base year of 2020.

In other aspects of resource use, the Bank actively promoted carbon reduction and energy conservation initiatives. Short-, medium-, and long-term energy savings targets were set for total photocopy paper usage and the adoption rate of electronic credit card statements. These initiatives not only saved resource costs, but also contributed to the achievement of environmental sustainability goals.

Resource Usage Metric	2022	2023 Usage Amount
The Usage Amount of Photocopying Paper (10,000 sheets)	1,820	**1,424**
The Usage Rate of Credit Card E-statement (%)	51%	**54.82%**
The Usage of Renewable Energy in Operating Locations (kWh)	107,000	**680,000**

Expenses for Energy Conservation Action Plans	2022	2023 Implementation Results
Green Power Procurement (NTD)	$393,726	**$3,763,310**
Green Procurement (NTD)	$163,425,043	**$146,521,180**
Replacement of Energy-Saving Equipment (Ntd)	$1,823,487	**$661,501**

The Target Setting of Resource Usage Metric	Base Year	Short-term Goals/ Year	Medium-term Goals/ Year	Long-term Goals/ Year
The percentage of reduction in photocopying paper consumption comparing to that of the base year (%)	2020	10% | 2024	15% | 2026	20% | 2030
The usage rate of credit card e-statement (%)		60% | 2024	66% | 2026	73% | 2030

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5.3 Green Investment and Financing Strategy Metrics and Targets

The Bank has incorporated metrics into its business strategy based on its climate and natural risks and opportunities, and has taken proactive measures to transition to a low-carbon economy. In line with CDF Holding INC.'s net-zero carbon emission goal, efforts have been made to ensure that the proportion of investments and loans in high-carbon industries remains consistently below 26%. In addition, green lending services have been continuously improved, with an annual increase of at least 5% in this sector. The performance of these related metrics for the year 2023 is detailed in the table below:

2023 Implementation Results

Green Investment and Financing Metrics

The Proportion of High-Carbon Emission Industries in Overall Investment and Credit Business (%)	19.89%
The Growth Rate of Green Credit (%)	6.31%
The Ratio of Green Lending to the Total Corporate Credit Exposure (%)	6.22%
The Ratio of Sustainable Performance-Linked Credit Amount to the Total Corporate Credit Exposure (%)	3.81%

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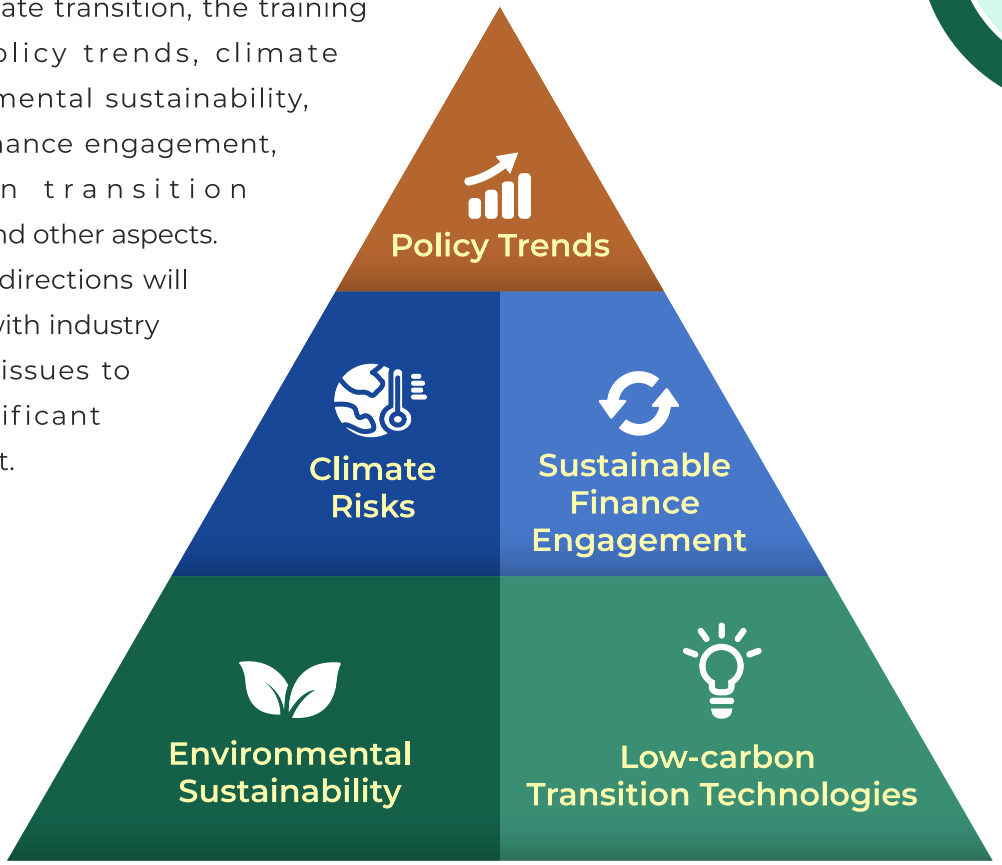
5.4 Corporate Governance Metrics and Targets

Board of Directors and Employee Climate Risk Governance

As the highest supervisory body, the Board of Directors closely monitors management's sustainable development strategies. The Bank will continue to organize various training courses for directors to improve their decision-making skills and fulfill their supervisory responsibilities, and will timely review the level of involvement of the Board of Directors and senior management in climate issues to improve their decision-making quality and fulfill their supervisory responsibilities. Looking ahead to 2023, each director and employee will have received at least 3 hours of ESG-related education and training.

In light of the evolving landscape of sustainability issues, the Bank will plan training directions for employees related to sustainable transformation to enhance their ESG awareness. With respect to climate transition, the training will cover policy trends, climate risks, environmental sustainability, sustainable finance engagement, low-carbon transition technologies, and other aspects. These training directions will be integrated with industry sustainability issues to leverage significant financial impact.



Engagement Activities Metrics

The Bank proactively implements responsible investment objectives. It participates in the engagement activities of domestic investee companies through meetings, conference calls, and e-mail communications to communicate with management. The results of the relevant metrics are shown in the following table:

Engagement Activities Metric	2023 Implementation Results
The number of investor conferences attended by the investee company.	124 times
The number of participations in forums, seminars, and symposiums of the invested company.	189 times
The number of companies participating in the vote on the proposal at the stakeholders' meeting (including special shares).	15 companies
The number of times attending the telephone interviews, online meetings, and physical visits of the invested companies	180 times

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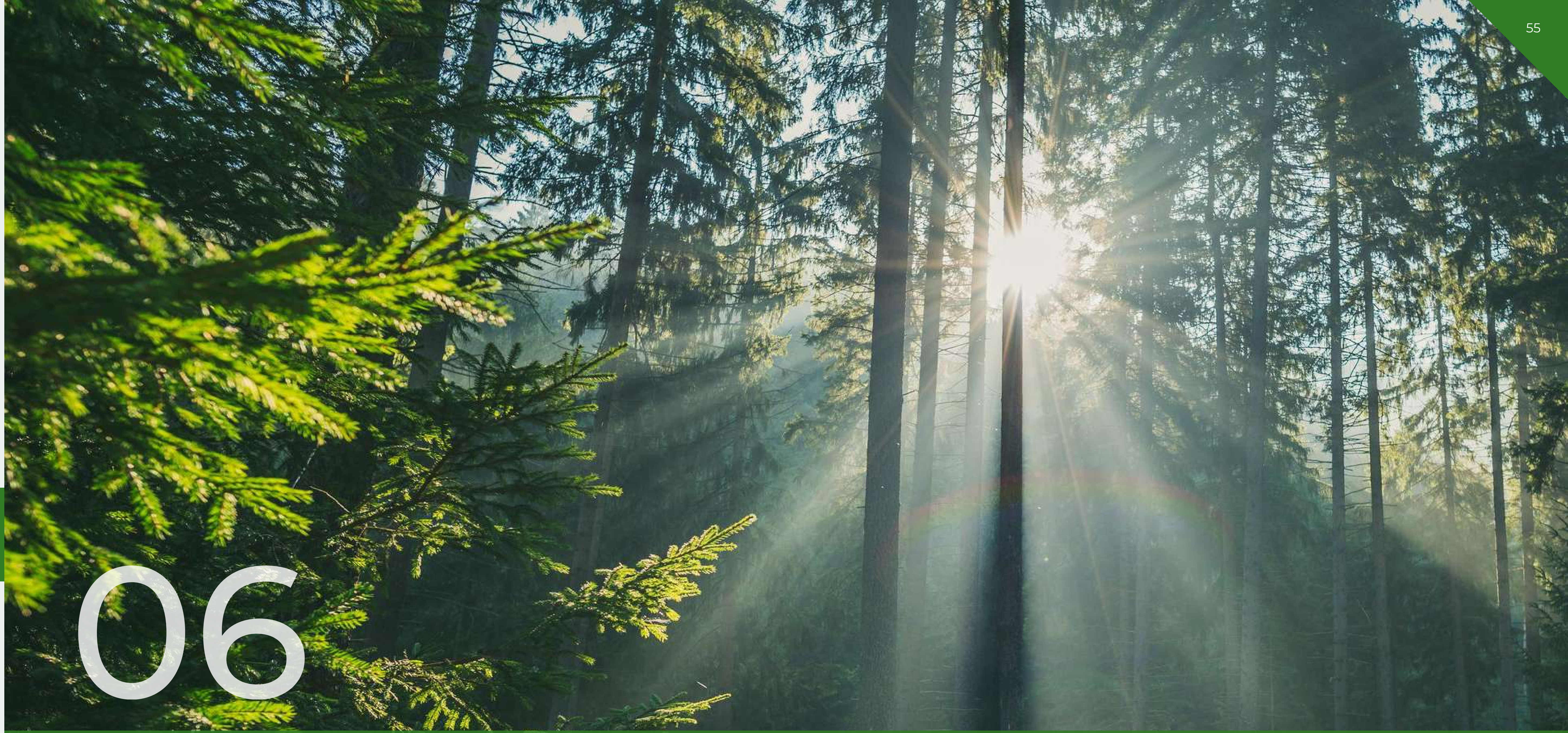

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Future Outlook

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KGI Bank is actively addressing the challenges posed by climate change and natural environmental changes. Through cross-departmental communication and discussion, as well as collaboration with professional advisors, we are gradually establishing ways to identify climate and natural risks and opportunities, and to set corresponding indicators and targets. Responding to climate and natural hazards is considered a key execution strategy, with relevant committees and the Board of Directors reviewing the achievement of these indicators and targets on an annual basis. We also focus on developing sustainable finance talent and enhancing professional skills by inviting external experts to conduct several ESG training courses. These courses are designed to educate directors, senior management, and business colleagues on how to plan strategies for sustainable financial products and services. By placing a high priority on climate and natural risk management and professional development, the Bank ensures that it can effectively manage climate and natural-related risks while taking full advantage of related opportunities. By proactively developing sustainable business, the Bank aims to leverage the positive impact of the financial industry on society as it expands its operations.

While pursuing corporate development, the Bank aims to fulfill its social responsibility by adhering to the principles of sustainable development and environmental protection. We pay attention to climate change and environmental issues by participating in initiatives such as the National Development Council's "Net Zero City Exhibition" and the WWF's "Earth Hour" event. It also responds to policies aimed at mitigating global warming and reducing the environmental impact of economic activities. In 2022, the Bank officially launched green deposit services, channeling the funds raised into green financing projects to channel corporate funds into sustainable development areas. In addition, the Bank is actively promoting the renewable energy financing business, providing project financing for initiatives such as solar power plants and wind farms, and developing new types of green financial products such as energy storage financing, green power, and environmental protection. The Bank will continue to use its core business to promote industrial transformation toward net-zero emissions, strengthen investment and financing control, reduce the proportion of high-carbon industries, and actively provide corporate transformation credit products to help industries modernize and achieve low-carbon sustainable business goals.

Going forward, KGI Bank will continue to promote the Green Finance Action Plan in its business strategy. We will leverage the expertise of academia and research institutions to build a sustainable ecosystem platform and provide services covering climate policy insights, sustainable finance knowledge training, green financial products, energy management, pollution prevention, and more, both domestically and internationally. We will also strengthen industry linkages to support domestic enterprises in enhancing their net-zero transformation capabilities to comprehensively achieve net-zero goals. In terms of risk management, the Bank is committed to establishing a comprehensive, transparent, and efficient risk management system. We will align ourselves with the SBTi signed by CDF Holding INC. and incorporate targets and implementation strategies into the characteristics of the financial industry. The goal is to achieve net-zero carbon emissions for the Group's entire asset portfolio by 2045, while continuously improving the depth and breadth of climate and natural risk management. Internationally, the Bank will align itself with future development trends and adhere to relevant international sustainability initiatives, principles, guidelines and commitments. We will also respond to the growing global concern about environmental issues by developing analytical and management methodologies that are closely linked to the Bank's operational strategy. The aim is to effectively understand the impact of climate and environmental change on the Bank, to build capacity to respond to risks and opportunities, and to continue to develop innovative sustainable products and services, thus making steady progress towards the goals of sustainable development.

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Appendix

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Appendix I. TCFD Index Comparison Table

Level	Recommended Disclosures for All Sectors	Corresponding Chapter
Governance	Describe the board's oversight of climate-related risks and opportunities.	2.1 Governance Structure
	Describe management's role in assessing and managing climate-related risks and opportunities.	2.1 Governance Structure
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process
	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	Describe the organization's processes for identifying and assessing climate-related risks.	4.1 Climate and Nature Risk Management Structure and Process
	Describe the organization's processes for managing climate-related risks.	4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	4.1 Climate and Nature Risk Management Structure and Process
Metrics and Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Chapter 5 Metrics and Targets and Carbon Emission Management Results
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	5.1 Greenhouse Gas Emissions Metrics and Targets
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Chapter 5 Metrics and Targets and Carbon Emission Management Results

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Level	Supplemental Recommended Disclosures for Banks	Corresponding Chapter
Strategy	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 for Industries with High Climate and Nature Sensitivity Exposure 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	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.	4.1 Climate and Nature Risk Management Structure and Process
Metrics and Targets	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.	5.1 Greenhouse Gas Emissions Metrics and Targets 5.2 Green Operation Management Metrics and Targets 5.3 Green Investment and Financing Strategy Metrics and Targets

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Appendix II. IFRS S2 Guidance Index Table

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

Level	IFRS S2 Climate-related Disclosures	Corresponding Chapter
Risk Management	Article 24~ Article 26	3.1 The Identification of Climate and Natural Opportunity 4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals
Metrics and Targets	Article 27~ Article 28	Chapter 5 Metrics and Targets and Carbon Emission Management Results
	Article 29~ Article 32	4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals 5.1 Greenhouse Gas Emissions Metrics and Targets
	Article 33~ Article 37	Chapter 5 Metrics and Targets and Carbon Emission Management Results

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Appendix III. TNFD Index Comparison Table

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

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

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

Comparison of Guidelines for Domestic Banks' Climate Risk Financial Disclosure	Corresponding Chapter
Risk Management	
(1) Banks shall follow the three lines of defense in internal controls to clearly allocate climate risk management responsibilities at each stage:	4.1 Climate and Nature Risk Management Structure and Process
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.	
(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.	4.1 Climate and Nature 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.	4.1 Climate and Nature Risk Management Structure and Process
(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.	3.2 Transformation Strategy 4.1 Climate and Nature Risk Management Structure and Process 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 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.	3.2 Transformation Strategy 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 The Physical Risk Scenario Analysis of Self Operation and Real Estate Collaterals

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Comparison of Guidelines for Domestic Banks' Climate Risk Financial Disclosure	Corresponding Chapter
(6) When banks establish management measures for assets with high climate risks, factors to consider should at least include the materiality of the climate risk, the bank's ability to manage such assets, and whether there are alternative risk mitigation methods for the bank. Banks may action in response to asset portfolios with climate risks that bank fail to be effectively managed, such as transferring climate risk losses borne by banks, setting investment limits for high climate risk assets, and controlling the concentration of high-risk areas or industries.	3.2 Transformation Strategy 4.2 The Identification and Management Mechanism for Industries with High Climate and Nature Sensitivity Exposure 4.3 The Climate Risk Scenario Analysis of the Investment and Financing Portfolio 4.4 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 and Nature Risk Management Structure and Process 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
Metrics and Targets	
(1) Banks should use representative historical data to analyze, measure, and manage key metrics of climate risk, which should be set separately, taking into consideration the timeframe (such as short-, medium-, and long-term) of the impact of the climate risk and impact of differences in industry, geographical location, and credit scores, among other factors.	Chapter 5 Metrics and Targets and Carbon Emission Management Results
(2) Banks should first follow the greenhouse gas emissions calculation method required by applicable regulations of Taiwan to disclose relevant information, and then adopt internationally accepted greenhouse gas emission calculation methods for relevant disclosure. If the greenhouse gas calculation method adopted by the bank is none of the above, the reason and difference should be explained.	5.1 Greenhouse Gas Emissions Metrics and Targets
(3) Banks should set targets for established key metrics separately, and regularly monitor target achievement status to properly evaluate the implementation and progress of each metric. If progress is behind schedule, explanations and improvement measures should be provided.	Chapter 5 Metrics and Targets and Carbon Emission Management Results

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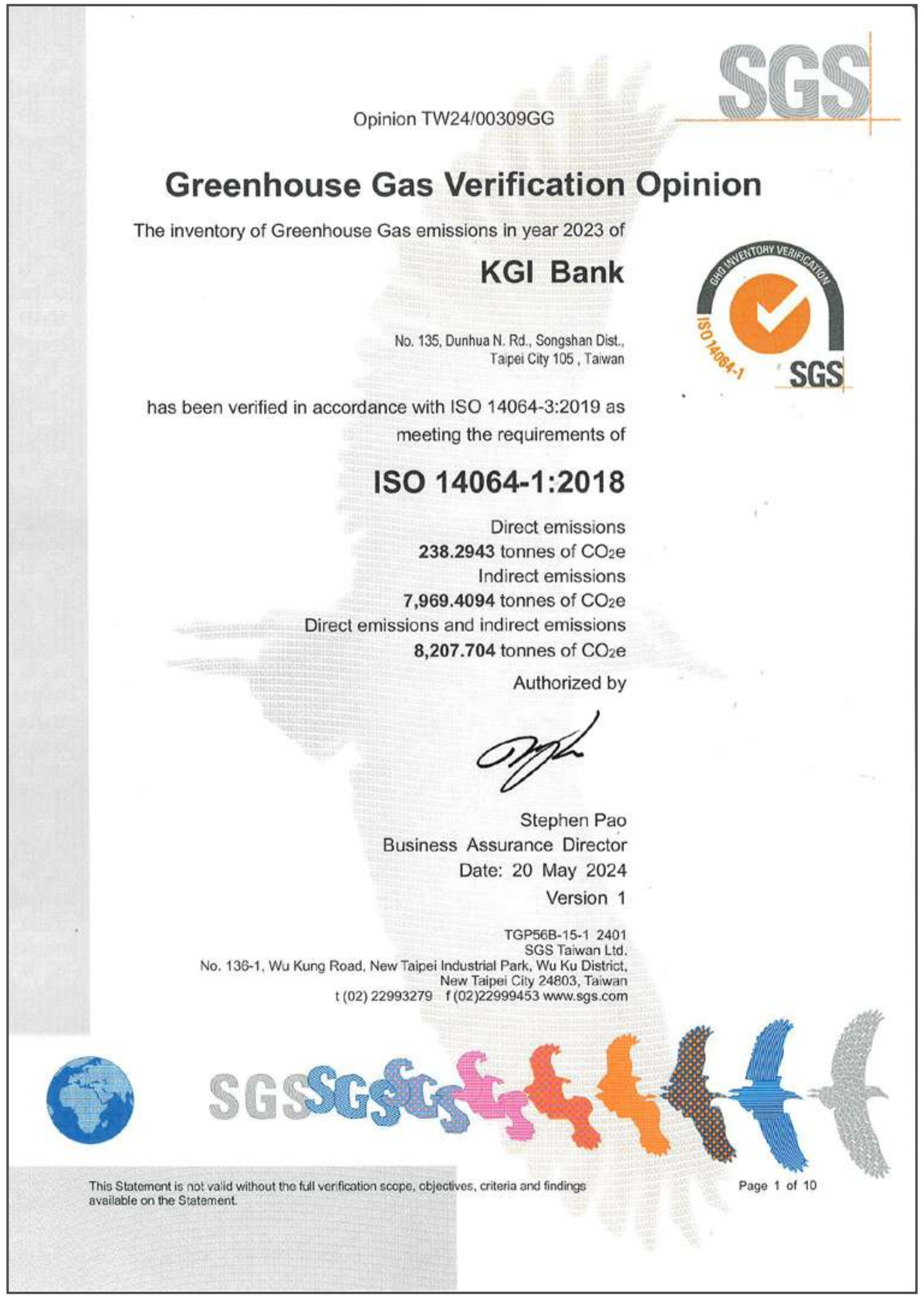
Appendix V. Ratios of Expected Credit Risk Loss to Net Value and Pre-Tax Profit of Base Year Under Various Scenarios

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 (2023)	92.10%	105.66%	93.11%	116.69%	87.71%	93.43%
Ratio of Expected Loss to Net Value	8.20%	9.41%	8.29%	10.39%	7.81%	8.32%

Note: Based on the requirements and parameters of the "Domestic Bank's Climate Change Scenario Analysis Conduction Plan" in 2024.

Appendix VI. Greenhouse Gas Verification Opinion



SGS

Opinion TW24/00309GG

Greenhouse Gas Verification Opinion

The inventory of Greenhouse Gas emissions in year 2023 of

KGI Bank

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

has been verified in accordance with ISO 14064-3:2019 as meeting the requirements of

ISO 14064-1:2018

Direct emissions
238.2943 tonnes of CO_2e
Indirect emissions
7,969.4094 tonnes of CO_2e
Direct emissions and indirect emissions
8,207.704 tonnes of CO_2e

Authorized by

Stephen Pao
Business Assurance Director
Date: 20 May 2024
Version 1

TGP56B-15-1 2401
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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