

## Shin Kong Financial Holdings Co., Ltd. Climate Risk Management Policy

Formulated on 06.28.2024

### Article 1 Purpose of Formulation

To implement climate risk management in response to climate change and natural environmental variations, and in line with our corporate citizenship responsibility, SKFH and its subsidiaries (hereinafter referred to as "the Company") respond to international initiatives and address the challenges of climate change by establishing climate risk management measures to minimize our impact on the climate in order to advance towards the goal of mitigating climate change.

### Article 2 Scope of Application

This Policy applies to all operational activities of the Company.

### Article 3 Policy Highlights

- (I) Responding to the Paris Agreement and international climate initiatives and commitment to net zero emissions by 2050:

The Company upholds the spirits of sustainable finance and responds to the objectives of the Paris Agreement to contain the global temperature rise within 2°C, with a proactive target of limiting it to 1.5°C. Following the "Taiwan 2050 Net Zero Emissions Roadmap" published by the National Development Council, we pledge to implement measures to reduce GHG emissions in our operational activities, gradually moving towards achieving net zero emissions by 2050.

- (II) Formulation of the Sustainable Finance Policy, establishment of Group low carbon transition goals, and implementation of corporate climate governance:

1. The formulation of the Shin Kong Financial Holdings Co., Ltd. Sustainable Finance Policy (hereinafter referred to as the "SKFH Sustainable Finance Policy") integrates Environmental (including climate risk), Social, Governance factors, and the United Nations Sustainable Development Goals (SDGs) into the decision-making processes regarding investment, lending, and insurance. This integration aims to decrease potential risks and achieve sustainable development for the Company, society, and the environment.
2. In order to mitigate global climate change, SKFH has officially signed a commitment to develop Science Based Targets initiative (SBTi) for carbon reduction. Upon successful target verification, we actively establish climate governance, promote measures to reduce operational GHG emissions and energy consumption, and have established an internal carbon pricing system to accelerate the low carbon transition of the Group.



3. According to the Financial Supervisory Commission's blueprint for aligning Taiwan's financial reporting standards with International Financial Reporting Standards (IFRS), companies should follow IFRS S2 "Climate-related Disclosures" principle to analyze the potential impact of climate change on their operations and value chain. They should gradually strengthen their climate risk management system and enhance their climate resilience.

(III) Actively leveraging financial influence to drive corporate low carbon transition and decarbonization:

1. In accordance with the SKFH Sustainable Finance Policy, we have established the Financed Emissions Management Guidelines, Carbon-Intensive Industries Management Measures, and Asset Class Specific Guidelines / Sector Specific Guidelines to assist each subsidiary in effectively managing climate risks in investment, lending, and life insurance. This applies to all new and existing investment, lending, and project financing activities. We commit to gradually phasing out businesses related to thermal coal and unconventional oil and gas, setting phased targets to lead corporate low carbon transition and decarbonization so as to effectively achieve sustainable finance goals.
  - (1) Investment: Adhering to the Principles for Responsible Investment (PRI), we integrate ESG factors (including climate change) into investment analysis and decision-making processes. We fulfill our duty of sustainable stewardship as an institutional investor, actively take engagement actions, and exercise voting rights to leverage financial influence and motivate low carbon transition.
  - (2) Lending: Following the Principles for Responsible Banking (PRB) and the Equator Principles (EPs), we prudently evaluate the ESG risks (including climate change) of borrower companies. If the lending is used to promote sustainable development goals, preferential loan terms may be offered. For borrower companies in controversial or high carbon industries, engagement actions should be prioritized to guide improvement.
  - (3) Life insurance: We follow the Principles for Sustainable Insurance (PSI) and incorporate ESG factors (including climate change) into daily operations such as life insurance decision-making, claims management, risk management, product and service development, sales and promotion, and underwriting policies. It is also important to increase awareness among customers and business partners regarding ESG issues, risk management, and solution development.
2. Supplier management: We have formulated the "Supplier Management Regulations" and "Supplier ESG Commitment Letter" to assist in ensuring that suppliers collectively implement environmental protection and sustainable development. In the event of a



violation of the Supplier Management Regulations, corrective action shall be requested.

If there is no improvement or the situation worsens, the contract may be cancelled or terminated where necessary.

#### Article 4 Measurement and Disclosure

To effectively review and track the results of climate risk management, the Company has established climate risk-related performance tracking indicators. These indicators are set under the supervision of the Corporate Sustainability Committee annually and are disclosed regularly in the sustainability report.

#### Article 5 Implementation

This Policy shall be implemented after approval by the President. The same applies to all subsequent amendments.