

## Shin Kong Financial Holding Co., Ltd. Physical Climate Risk Adaptation Plan

Background
<p>The Company use RCP2.6 and RCP8.5 scenarios to simulate the risk of self-owned building assets and investment activities to real estates in all operations for the short-term (2024-2026), medium-term (2027-2030), and long-term (after 2030) life cycle, including the maximum value at climate risk under various types of physical risks, such as surface flooding, ground subsidence, river overflow, coastal flooding, forest wildfire, extreme high temperature, and extreme wind. According to the results of the analysis, the climate risk with the highest VaR (Value at Risk) is ground subsidence, followed by coastal flooding, river overflow, and surface flooding.<sup>1</sup></p> <p>However, since most of the ground subsidence in Taiwan is caused by earthquakes and overdevelopment, the related response plans do not fall under the scope of climate adaptation. Therefore, the Company considers other three major climate risks: coastal flooding, river flooding, and surface flooding, and conducts climate risk adaptation plans.</p>
Range of Analysis
<p>Taiwan is an island country with small land, dense population and rivers all around. Therefore, the three climate risks of coastal flooding, river flooding, and surface flooding can affect and bring flood to coastal areas, river banks, and low-lying urban areas. Thus, the Company conducted a flood risk assessment for all self-owned building assets and investment activities to real estates in Taiwan, including all existing operations and new buildings under construction.</p>
Analysis Method
<p>To precisely assess all existing and new operations, the Company uses IPCC CMIP5 and CMIP6 of the general circulation model and regional climate model to conduct scenario analysis of specific physical risk disasters, and assess the climate physical risk loss value (climate VaR%) based on the location of the building, the economic durability, the year of construction and the type of building.</p> <p>Using this analysis method, we found 6 buildings with high flooding risk from the 129 self-owned buildings in Taiwan. Most of these 6 buildings are located near streams or in low-lying areas, including the Taichung Dajia Building (near the Wayao River), Taichung Qingshui Building (near the Taichung Port), Kaohsiung Gangshan Building (near Agongdian River), Taitung Taitung Building and Guanshan Building (near Beinan River and Taiping River) and Yilan Suao Building (near Suao River and the estuary).</p>

<sup>1</sup> For details of the analysis, please refer 2023 SKFH Sustainability Report – 4.3 Climate Action

Adaptation Plan	
<p>In response to the frequent flooding during the rainy season and the typhoon season in Taiwan, the Company has planned its own adaptation plan for the existing high-flooding-risk buildings and new buildings. The Company expects to complete all the measures in the adaptation plan within five years as follows.</p>	
Existing Operation	New Operation
<p>The Adaptation Plan we adopted refers to the height of the flood level in the past 200 years, or the height of the waterproof gate of the MRT system, to add or strengthen the following measures;</p> <p>[Physical Measures]</p> <ol style="list-style-type: none"> <li>1. A flood gate will be added if not installed. If the level of the gate is not tall enough, the height will be increased.</li> <li>2. A new water gate will be added at openings on the 1st floor of the buildings.</li> <li>3. A submerged pump automatic control system will be added in the basement of the buildings</li> <li>4. In case of extreme weather and heavy rain, a mobile water pump is required. Therefore, a mobile water pump will be added.</li> </ol> <p>[Non-physical Measures]</p> <ol style="list-style-type: none"> <li>1. The process of flood emergency relief will be built.</li> <li>2. On-site management personnel will regularly check that the drainage system is unobstructed.</li> <li>3. The buildings will purchase commercial fire insurance every year. (Including typhoon and flood insurance, water damage insurance)</li> </ol>	<p>The flood prevention measures for the new buildings include the installation of floodgates at the entrances, vehicle entrances and ventilation ducts on the first floor, with the height of the floodgates set according to Taiwan's historical flood levels in the recent 200 years and the regulations outlined in "Architecture Technology Regulations, Design and Construction, Article 4-1" of the Construction and Planning Agency, Ministry of the Interior, Taiwan, with the flood prevention height set at 90 centimeters. Furthermore, a liquid smart level control alarm system and water pump will be installed. In the event of abnormal liquid levels, the pump will be activated automatically to ensure water level stability.</p> <p>During construction, regular site inspections will be conducted during flood season, and mobile water pumps will be readily available to address any emergency situations.</p>