

2023

SKFH

Climate and Nature-related
Financial Disclosures Report



CONTENTS



01

Preface

1-1 Climate and Nature Mindset	02
1-2 Goals	03

02

Governance

2-1 Climate and Nature Governance Structure	04
2-2 Climate-related Management Rewards and Incentive Mechanism	05

03

Strategy

3-1 Climate-related Risk Transmission Pathways	07
3-2 Identify the Sources of Climate-related Risks and Opportunities	07
3-3 Assessment of Natural Dependencies and Impacts	11
3-4 Identifying Nature-related Risks and Opportunities	13
3-5 Climate Strategy and Actions	14
3-6 Scenario Analysis and Financial Impact	18

04

Risk Management

4-1 Enterprise Risk Management Process and Policy for Climate Change and Nature-related Issues	33
4-2 Investment and Lending Risk Management	35
4-3 Insurance Product Risk Management	39
4-4 Operational Risk Management	40

05

Metrics and Targets

5-1 Climate Metrics and Targets	41
5-2 The Exposure of High Carbon-intensive Industries	43
5-3 Financed Emissions of Investment and Lending Portfolios	43
5-4 Natural Metrics and Targets	45

06

Conclusion

07

Appendix

7-1 IFRS S2 Recommended Disclosures Index Comparison Table	49
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01 Preface

1-1 Climate and Nature Mindset

According to the World Economic Forum's "Global Risks Report 2024," half of the top ten risks in the next decade are related to climate and the environment. It is evident that the impact of climate change and nature issues on the planet has become a global risk tied to the flow of capital in financial markets.

In response to the trend of net-zero and decarbonization, Taiwan's National Development Council officially published "Taiwan's Pathway to Net-Zero Emissions in 2050", which based on the four major transition strategies of "Energy Transition", "Industrial Transition", "Lifestyle Transition", and "Social Transition". Transition requires technological R&D and economic growth, and both require sufficient financial support. Therefore, financial institutions have an important responsibility on the road to achieve net-zero society by 2050. It is the corporate responsibility of Shin Kong Financial Holding (hereinafter referred to as "SKFH") to make good use the power of capital to drive the industry towards a net-zero transition.

In order to enhance climate resilience, strengthen adaptability in the face of extreme climates, and reduce the operational impact caused by disasters, SKFH has introduced the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and further integrated with international standards, IFRS S2, to disclose the financial impact of climate change on companies. In response to the trend of net zero decarbonization of countries around the world after COP26 and effectively achieve the goal of financial decarbonization, SKFH also inventoried the GHG emissions and intensity of investment

and lending portfolios to understand the indirect carbon emissions we financed, and established high carbon-intensive industry management guidelines and monitoring mechanism to help the investment and lending department of the subsidiaries to manage climate risks.

The time has come for a global climate risk-accelerated decarbonization strategy. SKFH's carbon reduction targets, formally approved earlier this year by the Science Based Targets Initiative (SBTi), signify international recognition of our commitment to mitigating climate change. In addition to implementing various internal energy-saving and carbon reduction measures, we are accelerating our transition to low carbon operations. Externally, we are continuously expanding our green investment and lending activities, fulfilling our duty of sustainable stewardship as an institutional investor. Through engagement actions and an accelerated coal phase-out process, we leverage our financial influence to drive customer transition towards low carbon solutions. Furthermore, in response to the growing international attention on issues of nature and biodiversity, Shin Kong has voluntarily positioned ourselves as an early adopter. Actively engaging with leading global enterprises, we explore global natural capital issues and future solutions, thereby enhancing transparency in corporate risk resilience and opportunity management through the development of natural risk management measures.

SKFH Sustainable Finance Milestone

- 2016**
 - SKL signed the "Stewardship Principles for Institutional Investors" compliance statement.

- 2017**
 - SKIT signed the "Stewardship Principles for Institutional Investors" compliance statement.

- 2018**
 - SKFH officially signed in support of the Task Force on Climate-related Financial Disclosures (TCFD).
 - SKB signed the "Stewardship Principles for Institutional Investors" compliance statement.
 - MLS signed the "Stewardship Principles for Institutional Investors" compliance statement.

- 2020**
 - Rated in the management level B by the Carbon Disclosure Project(CDP).
 - Self-compliance with PRI, PRB and PSI.


- 2021**
 - Selected as a DJSI world index's stock component.
 - Rated in the management level B by the CDP
 - SKB signed the Equator Principles.
 - Joined the Asia Investor Group on Climate Change(AIGCC).
 - Founding Member and supporting organization of the Taiwan Alliance for Net Zero Emission

- 2022**
 - Rated in the leadership level A- by the CDP
 - SKFH officially signed the Science Based Targets initiative commitment letter to set science-based targets.
 - MLS, the first company in Taiwan, has developed ESG-related stock research reports.
 - First-ever publication of climate-related financial disclosure report.

- 2023**
 - Included in the DJSI World Index and DJSI Emerging Markets Index components
 - Scientific-based reduction targets were approved
 - Became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, declared as one of the Early Adopters among financial institutions

1-2 Goals

Fully exit thermal coa-related businesses by 2030 and unconventional oil and gas-related business by 2040, and net zero emissions by 2050.



Sustainable Issue	Goals
Climate Actionnote	<ul style="list-style-type: none"> • Headquarters and main office locations to achieve net zero by 2030 • By 2030, Scope 1 and Scope 2 emissions to decrease by 42% compared to 2022 (SBT), • By 2030, the reduction target for Scope 3 emissions is 42%, with a specific focus on reducing emissions from fuel and energy-related activities by 20%.
	<p>In 2027,</p> <ul style="list-style-type: none"> • Percentage of listed stocks and bonds achieving SBTs reaches 50.3%. • Percentage of fossil fuel, service/commercial building, and other long-term loans achieving SBTs reaches 31.6% <p>In 2030,</p> <ul style="list-style-type: none"> • Emission intensity (kg CO2e/MWh) decreased by 40.8% for power generation industry corporate loans. • Emission intensity (kg CO2e/MWh) decreased by 52.1% for power plant project financing • Emission intensity (kg CO2e/m2) decreased by 49.8% for commercial real estate loans
Low-Carbon Operation	<ul style="list-style-type: none"> • Scopes 2 carbon emissions by 42% compared to the baseline year of 2022 by 2030 • By 2025, total water consumption and per capita waste generation to decrease by 12% compared to 2019 • Continuously acquire green building certifications

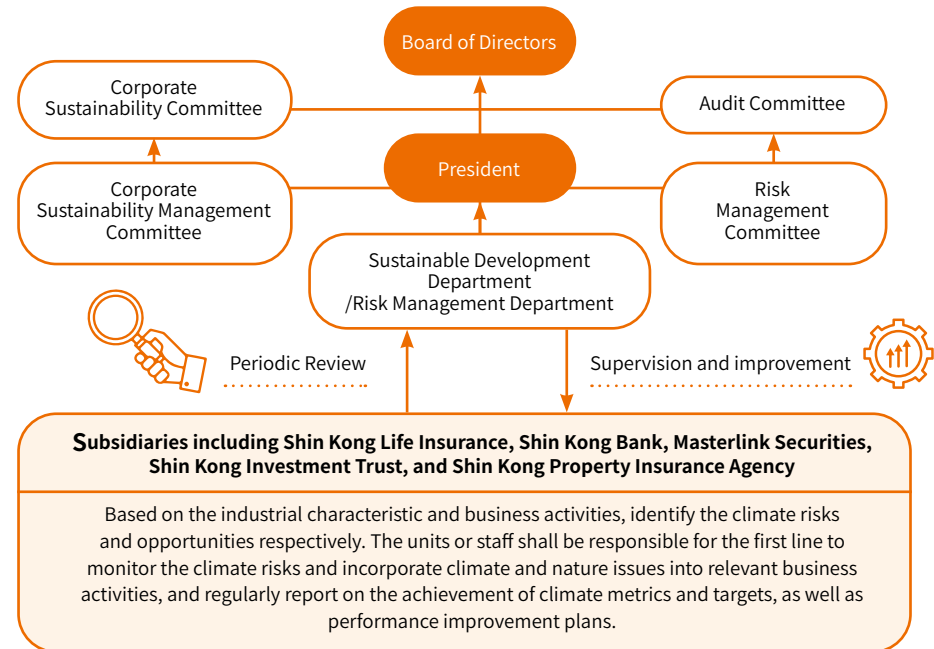
02 Governance



2-1 Climate and Nature Governance Structure

SKFH has established a comprehensive climate and nature governance framework, with the Board of Directors serving as the highest decision-making body for climate risk governance within SKFH. A board level functional committee, the Corporate Sustainability Committee, is set up under the Board of Directors to oversee the implementation of SKFH's climate- and nature-related strategies, risks and opportunities. The Corporate Sustainability Committee is composed of all directors.

To implement climate risk and nature risk management, SKFH founded the Corporate Sustainability Management Committee and the Risk Management Committee to jointly assess climate- and nature-related risks and opportunities, and formulate the overall climate risk and nature risk management of the group. And the Sustainable Development Department and Risk Management Department jointly develop the SKFH's climate risk and nature risk management and promote the management of climate risks and nature risk with the active participation across all subsidiaries. Regular assessments are conducted to control potential impacts and protect shareholder values. The structure is as follows:



Organizations	Chair/Convener	Frequency of meetings	Role in climate and nature governance
Board Meeting	Chairman	At least once every six months	Highest decision-making body for climate and nature governance, bearing ultimate responsibility for climate and nature governance
Corporate Sustainability Committee	Directors or independent directors appointed by the Board of Directors after being nominated by the chairman.	At least once every six months, and as necessary based on practical considerations.	Subordinate to the Board of Directors, responsible for formulating core strategies for company sustainability, climate, and nature issues, overseeing the implementation of climate change mitigation and adaptation, as well as natural capital conservation and restoration targets.
Audit Committee	Directors or independent directors appointed by the Board of Directors after being nominated by the chairman.	Quarterly	Subordinate to the Board of Directors, overseeing the effectiveness of the Company's overall risk management.
Corporate Sustainability Management Committee	SKFH President	At least once every six months, and as necessary based on practical considerations.	Core unit for promoting and managing corporate sustainability management strategies, reporting to the Corporate Sustainability Committee and the Board of Directors.
Risk Management Committee	SKFH President	Quarterly	Core unit for promoting and managing climate and nature-related risk management, reviewing the implementation results of climate risk and natural risk assessment and analysis projects, reporting to the Audit Committee and the Board of Directors, and formulating comprehensive risk management measures for SKFH.

2-2 Climate-related Management Rewards and Incentive Mechanism

SKFH implements various management rewards and incentive mechanisms for different levels of management to effectively implement climate risk governance and manage climate-related risks and opportunities. These mechanisms target the President, senior executives, business unit managers and general employees to foster a company-wide climate management culture from top to bottom.

•President, senior executives, business unit managers, and employees

To effectively achieve SKFH's net-zero emissions goals, we have incorporated the climate-related indicator, setting SKFH's SBT target validated by SBTi, into SKFH's key performance indicators in 2023. This indicator is cascaded from top to bottom, linking to individual key performance indicators for the President, senior executives, relevant department supervisors with responsibilities, and employees in their respective departments. Relevant business departments include investment, lending, general administration, and risk management, with different weights assigned to departmental employees based on their job responsibilities.

This indicator was measured on a five-level scale based on achievement, ranging from 0% to 130%. In 2023, this indicator was surpassed ahead of schedule, achieving a rate of 130%. The achievement and assessment results are reflected in individual annual performance bonuses and serve as the basis for long-term incentive bonuses for salary adjustments in the following year during the annual settlement.

•General employees

To incentivize general employees to actively propose ESG actions that contribute to SKFH's climate management goals and enhance our sustainability performance, SKFH has established the "Incentive Program for Sustainable Action Proposals." This program encourages all employees to propose innovative ideas that integrate with daily business operations. Specifically targeting climate management, proposals centered around climate actions that contribute to mitigating and adapting to climate change are incentivized based on their specific benefits. This program aims to motivate and cultivate a workforce that remains consistently pay attention on climate and sustainability issues.

Energy and Electricity-saving competition held by MasterLink Securities (MLS)

MLS organized an intra-branch energy and electricity-saving competition from March to December 2023. Based on the electricity bills of each branch and the percentage reduction in electricity consumption compared to the same period last year, the top three branches with the highest reduction were awarded group bonuses ranging from NT\$5,000 to 10,000 as an incentive.

The winner achieved a reduction of 10.8%. Overall, MLS's branches collectively saved **83,844 kWh** of electricity in 2023 compared to the previous year, resulting in a reduction of **2.7%**.

03 Strategy



The Green Swan report published by the Bank for International Settlements (BIS) also pointed out that climate shocks will create the next systemic financial risk; the International Monetary Fund (IMF) even stated that climate change poses a serious threat to the stability of the financial system, and the climate crisis will definitely trigger a financial crisis. Therefore, predicting the impact and risks of climate change on the financial industry as a whole, and effectively gaining insight into possible financial risks, are very important for SKFH Group to adjust its risk control and operation strategies.

According to documents released by the International Financial Stability Board (FSB), climate-related risks are classified as “physical risks” related to the impacts of climate change. “Transition risks” associated with a transition to low-carbon economy, and list potential climate-related “opportunities” for mitigating and adapting to climate change.



Physical Risks :

Physical risks are those associated with the impacts of climate change. These risks can be event driven (acute) or associated with longer-term shifts in climate patterns (chronic)



Transition Risks :

Transition risks are business-related risks that follow societal and economic shifts toward a low-carbon and more climate-friendly future. These risks can include policy and legal risks (current regulation, emerging regulation, legal), technology risks, market risks, and reputational risks.



Opportunities :

Efforts to mitigate and adapt to climate change may bring potential opportunities such as reducing operating costs through improved resource use efficiency, adopting low-carbon energy sources, developing new products and services, entering new markets, and improving operational resilience.

3-1 Climate-related Risk Transmission Pathways

SKFH regularly considers climate-related risk factors, including acute extreme weather events, chronic changes in climate patterns, new policies and regulations, technological innovation, market preference, and reputational damage, etc. and apply for expert method, which is according to "occurrence " and "severity ", to rank the SKFH Group's materiality issues. Based on the result, we made a climate risks matrix to assess the financial impact of the company's businesses further formulated climate response management countermeasures.

Type of Climate Risks	<ul style="list-style-type: none"> Physical Risks Transition Risks
Impact Factors	<p>Macro impact: Impact on overall economic performance</p> <ul style="list-style-type: none"> Socioeconomic changes Changes in investor preferences Adjustment to international standards or interest rates/pricing Labor market changes <p>Micro impact: Impact on households or companies</p> <ul style="list-style-type: none"> Low-carbon policies affect asset valuations Increase in stranded assets and capital expenditures Changes in supply and demand affect cost of income or return on investment Loss of company assets and operating interruption
Shocked asset classes	<ul style="list-style-type: none"> Investment Lending Operation Real estate
Financial Risk Association	<p>Credit Risk Management</p> <ul style="list-style-type: none"> Corporate and individual credit default rates rise Decreased value of <p>Market Risk Management</p> <ul style="list-style-type: none"> Repricing of assets/investments <p>Operating Risk Management</p> <ul style="list-style-type: none"> Operational Disruption and System Downtime Increased workplace asset damage and equipment repairs <p>Liquidity Risk Management</p> <ul style="list-style-type: none"> It is difficult for the company to raise sufficient funds Prepayment /Refinancing <p>Reputation Management</p>
Management	<ul style="list-style-type: none"> Building consensus on the impact of group' climate risks and opportunities Collection and research of domestic and foreign climate-related risks and opportunities literature report. Make climate risk and opportunity questionnaires and rank them by significance

3-2 Identify the Sources of Climate-related Risks and Opportunities

To effectively identify, evaluate and manage the potential impact of climate-related risks and opportunities on SKFH's operations, strategies, and financial performance, SKFH considers various factors related to climate risks and opportunities in its own operations and investment and lending business. This comprehensive factors include different types of climate risks and opportunities, different value chains, and different time frames to allow SKFH to effectively identify and evaluate climate-related risks and opportunities and subsequently develop climate strategies.

Climate-Related Identification Factors/Operational Activities			Investment and Lending Business	Own Operations	
Time Frame			Short-, medium- and long-term	Short-, medium- and long-term	
Impact on Value Chain			Downstream activities and customers	Own operations	Upstream supply chain
Climate-related Risks	Transition Risks	Current Regulations	✓	✓	
		Emerging Regulations	✓	✓	✓
		Technology	✓	✓	✓
		Legal	✓	✓	
		Market	✓	✓	
		Reputation	✓	✓	
	Physical Risks	Acute	✓	✓	✓
		Chronic	✓	✓	✓
Climate-related Opportunities	Products and Services		✓	✓	
	Markets		✓	✓	
	Resource Efficiency			✓	
	Resilience		✓	✓	✓
	Energy Source			✓	

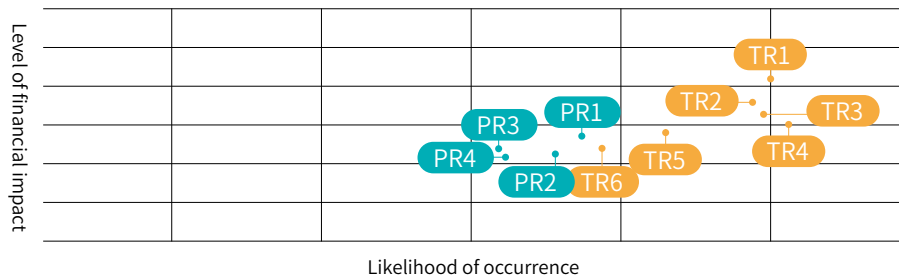
To formulate and periodically review SKFH climate strategy, SKFH and its subsidiaries have reached a consensus on the short-, medium-, and long-term impact timelines, and conduct annual assessments to identify climate-related risks and opportunities. This process involves researching domestic and international climate-related literature and reports and integrating them with the business model of SKFH to establish a climate issue database. The risk dimension encompasses transition risks (policy and regulation (current policies, emerging regulations, legal), technology, market, reputation) and physical risks (acute, chronic), totaling 14 climate risk items; the opportunity dimension includes product and service, market opportunities, resource efficiency, resilience, and energy sources, totaling 9 climate opportunity items.

Through climate-related risk and opportunity questionnaires, SKFH conducts internal expert surveys involving departments related to sustainability development, risk management, resource management, investment, and customer relations in both the corporation and its subsidiaries. Based on the survey results, a quantitative analysis and ranking are conducted according to the "likelihood of occurrence" and "financial impact." This process yields ten climate risk issues (four physical risks and six transition risks) and five climate opportunity issues.

Subsequently, each material issue undergoes a sequence of business activity connections to identify the impact and level of influence of each climate factor on the Company's operations so that response strategies can be formulated accordingly. The related qualitative and response measures are described as follows:

Phase	Short term	Middle term	Long term
Time	One to two years	Three to five years	More than five years

Climate-related Risks Metrix

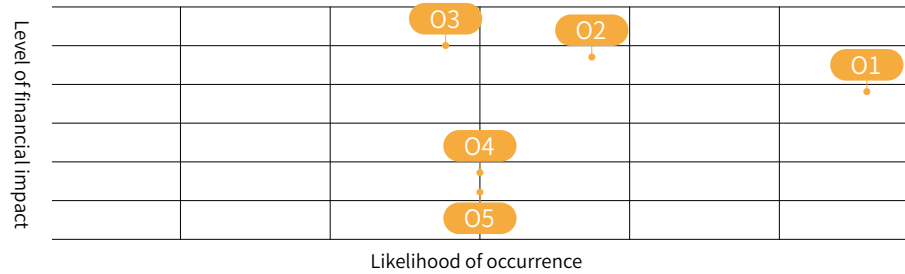


- TR1** If SKFH fails to actively pursue sustainability, its own value and revenue will be impacted.
- TR2** Due to the Clean Competition Act (CCA) in the United States in 2024, the Climate Change Response Act in Taiwan in 2025, and the carbon taxation and fees required by the EU's CBAM in 2026, the impact on the profitability of SKFH's invested and financed clients in carbon-intensive industries will indirectly affect the investment and lending returns of the Company.
- TR3** Rapid increase in Taiwan's electricity demand may lead to unexpected power outages due to power overload, resulting in increased operational costs and capital expenditure for SKFH.
- TR4** Compliance with Taiwan's current regulations, the Renewable Energy Development Act, requires users with a contract capacity exceeding 5,000 kW to install 10% renewable energy within five years. In addition, to achieve the "carbon neutrality of headquarters and major office locations by 2030" carbon reduction goal, SKFH needs to increase the proportion of renewable energy consumption, which leads to increased operational costs.
- TR5** SKFH's profitability and reputation may be affected if it holds or underwrites stocks of companies with poor sustainability performance or lends to such companies.
- TR6** To enhance corporate climate resilience and transparency, the competent authorities have enacted various climate regulations, including requirements for companies to set greenhouse gas reduction targets and implementation methods and disclose them in annual reports. SKFH may face penalties and increased operating costs if it fails to comply with regulatory requirements set by the competent authorities.
- PR1** SKFH is impacted by extreme weather events such as typhoons, heavy rain, and flooding, leading to operational disruptions or asset impairments for its investment and lending clients. This indirectly exposes SKFH to investment and lending losses. The probability of injuries or fatalities among insurance customers also increases, leading to higher insurance claim amounts and directly affecting the Company's profitability.
- PR2** SKFH's business locations may experience disruptions or employees may sustain injuries due to the increased frequency and severity of extreme weather events such as typhoons, heavy rain, and flooding. This indirectly exposes SKFH to financial losses and asset impairments.
- PR3** Global warming leads to a rise in sea levels, resulting in asset impairments for SKFH's investment and lending clients whose corporate locations or real estate collateral are in low-lying areas. This indirectly exposes SKFH to investment and lending losses.
- PR4** Rising global temperatures due to global warming increase the risk of heat-related injuries or heatstroke. This leads to increased electricity consumption for air conditioning, power outages disrupting SKFH's operations, or an increase in mortality or morbidity rates, resulting in higher life insurance claim payouts.

Description of Climate-related Risks

Ranking of Risk	Type of Risk	Time of Occurrence	Financial Impact	Response Strategy
Transition Risks				
TR1	Reputational risks	Medium term	Decreased funding injection Reduced revenue and profit	<ul style="list-style-type: none"> Follow the global sustainability trend, actively participating in sustainable actions by incorporating climate risk management into existing risk policies and revising regulations on investment, lending and real estate. Actively participate in international sustainability initiatives and alliances and international/domestic sustainability ratings to enhance stakeholder trust.
TR2	Emerging regulations	Short term	Decreased revenue	<ul style="list-style-type: none"> Utilize parameter models released by the NGFS for periodic scenario analysis of transition risks. Assess credit and market risks of asset portfolios and adjust investment and lending strategies accordingly. Establish investment quotas for high-carbon industries and gradually reduce investments in such industries. Actively engage with high carbon emitting suppliers and investment targets, and urge them to make a low-carbon transition. For companies that have not taken any action to improve, we will moderately adjust our suppliers and make decisions to reduce or withdraw investments in the investee and lending targets.
TR3	Technology risk	Short term	Increased operating costs Increased capital expenditures	<ul style="list-style-type: none"> Install uninterrupted power supply (UPS) systems in the computer rooms to ensure normal operation of important information systems and data center files. Install rooftop solar panels on business premises to increase the proportion of self-generated electricity. Inspect and replace high-energy-consuming assets at each business locations, including the adoption of energy-saving LED lighting and improving the electricity efficiency of air conditioning equipment.
TR4	Current regulations	Medium term	Increased operating costs	<ul style="list-style-type: none"> Fully implement the "ISO 14064:2018" GHG inventory standard and obtain certification to gain a comprehensive understanding of GHG emissions in our own operations and upstream/downstream activities, and formulate SBT carbon reduction targets. Subsidiaries such as SKL, SKB, and MLS have adopted the "ISO 50001 Energy Management System" and obtained certification. They have also implemented the "ISO14001 Environmental Management System," with SKB and MLS obtaining certification, to improve energy resource utilization efficiency. Actively invest in renewable energy power plants and purchase green power and green power certificates to support the development of renewable energy.
TR5	Market risks	Medium term	Decreased revenue	<ul style="list-style-type: none"> The subsidiaries follow the SKFH's "Sustainable Finance Policy" in drafting ESG investment and lending guidelines. Formulate industry-specific guidelines, conduct ESG risk due diligence and careful assessments for controversial industries and high-carbon sectors, and adjust asset allocation as appropriate.
TR6	Legal risks	Medium term	Increased operating costs	<ul style="list-style-type: none"> Establish a climate governance structure with a dedicated team responsible for addressing climate regulations set by the competent authorities to ensure compliance with relevant standards.
Physical risk				
PR1	Acute risks	Medium term	Decreased revenue	<ul style="list-style-type: none"> Subsidiary SKL has established a "Typhoon/Disaster Five Protection" mechanism to assist policyholders in coping with major accidents and climate change disasters. Adjust investment portfolios for industries with high climate risks to mitigate investment and lending uncertainty caused by extreme weather. Establish a database of own real estate, investment property and mortgage loan for assessing potential climatic physical risks to control possible loss.
PR2	Acute risks	Medium term	Increased operating costs Decreased asset value	<ul style="list-style-type: none"> Subsidiaries SKL, SKB and MLS have implemented the "ISO 22301 Business Continuity Management" system, with SKL obtaining certification, to strengthen the company's operational resilience. Convert equipment susceptible to damage from extreme weather events to leasing models to transfer financial loss risks.
PR3	Chronic risks	Long term	Decreased revenue	<ul style="list-style-type: none"> Conduct scenario analysis for physical risks RCP2.6 and RCP8.5 to assess potential damage to company business locations and assets and adjust investment and lending strategies. Analyze changes in heat injury insurance claim expenditures in the future using daily temperature data from the Central Weather Bureau from 2014 to 2023 and AR5 climate scenario analysis data available on the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP).
PR4	Chronic risks	Long term	Increased operating costs	<ul style="list-style-type: none"> Subsidiary SKL plans to conduct a claims research project to evaluate the development of new types of financial products to mitigate the high fluctuation of claims due to weather factors. Install rooftop solar panels at business locations and gradually increase self-generated electricity sources to reduce reliance on external power sources.

Climate-related Opportunities Metrix



O1 SKFH actively develops digital financial services, continuously promoting electronic account opening, transactions, and account management services to reduce the use of paper and energy, effectively reducing operating costs.

O2 SKFH responds to sustainability trends by formulating sustainable investment and lending policies, actively guiding funds into sustainable enterprises. Positive media coverage and recognition from sustainability rating agencies for its sustainable performance enhance the corporate image, attracting investment and customer favor.

O3 SKFH evaluates investment opportunities in the growing sustainable investment market at home and abroad, investing in suitable targets while reducing asset allocation risks.

O4 Customer demand for climate-related and green financial products is increasing. SKFH continues to develop products and services related to environmental protection, climate change, green finance, and sustainability, leading to increased revenue and profits.

O5 SKFH increases the number of green building certifications at its operational locations to reduce electricity and water consumption, achieve energy efficiency and carbon reduction, thereby increasing the value of fixed assets and environmental external benefits.

Description of Climate-related Opportunities

Ranking of Opportunity	Type of Opportunity	Time of Occurrence	Financial Impact	Development Strategies
Opportunities				
O1	Products and services	Short term	Decreased operating costs	<ul style="list-style-type: none"> Actively align with digital finance, utilizing "mobilization, cloudification, process electronicization, and digitalization" as tools and applications to reduce energy and resource consumption. Update equipment at owned business sites to improve resource utilization efficiency in operational activities.
O2	Market opportunities	Short term	Increased revenue and profits Increased funding	<ul style="list-style-type: none"> Actively respond to the United Nations Sustainable Development Goals (UN SDGs) in investment actions, continuously seek sustainable investment targets, grasp ESG opportunity themes, and invest in sustainable development industries. Continuously participate in internal and external organizational initiatives to enhance the Company's image.
O3	Market opportunities, resilience	Medium term	Increased revenue Decreased operating costs	<ul style="list-style-type: none"> Continue to observe the sustainability trends, and increase the investment in green finance and renewable energy industries. Establish management norms for high-carbon industries, dynamically adjust trading strategies to effectively achieve the goal of sustainable finance decarbonization, and enhance market resilience.
O4	Products and services	Short term	Increased revenue	<ul style="list-style-type: none"> Subsidiary SKL has launched the "Air Pollution Policy" for diseases of the respiratory and circulatory system and will continue to develop related products to seize market opportunities. Subsidiary SKB promotes sustainable-linked loans and green credit, encouraging credit customers to undergo low-carbon transition and offering moderate interest rate preferential conditions. Subsidiary MLS actively advises and underwrites green enterprises, assisting market funds flow into green enterprises.
O5	Resources Efficiency	Medium term	Increased asset value Decreased operating costs	<ul style="list-style-type: none"> Replace all lighting fixtures with LED by 2030, gradually improve the energy efficiency of air conditioning equipment throughout Taiwan's business sites. Promote environmental sustainability training to encourage employees to change their habits of resource utilization. Achieve silver-level or higher Green Building Labels for all future new projects to enhance the environmental sustainability performance of buildings. Continuously revitalize old buildings and equipment, introduce various energy-saving measures, and improve energy efficiency in existing buildings.

3-3 Assessment of Natural Dependencies and Impacts

SKFH operates multiple branches across Taiwan and offers a diverse range of financial services and products. According to the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) assessment of the "dependency" and "impact" between various industries (or products) and ecosystem services, financial institutions exhibit low dependency and moderate impact on natural ecosystems.

The "Sector guidance: Additional guidance for financial institutions" released by TNFD in September 2023, hereinafter shortened as the "TNFD Financial Sector Guidance," suggests that financial institutions should pay closer attention to situations where their investments and lending are highly sensitive to natural dependency and impact. This guidance recommends that financial institutions should focus on at least 16 sensitive industries (as listed below).

In addition to reviewing the vulnerability of investment and lending portfolios, SKFH also compares ENCORE assessments and consults relevant literature, categorizing the "dependency" and "impact" levels into five grades: very low, low, moderate, high, and very high, for each industry, aiming to understand the relationship between these industries and ecosystem services. This information serves as a reference for external disclosure and subsequent internal decision-making.

The Dependency Heatmap for Industries Sensitive to Nature

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Nature-Related Sensitive Industries	Animal-based energy	Bio-remediation	Buffering and attenuation of mass flows	Climate regulation	Dilution by atmosphere and ecosystems	Disease control	Fibers and other materials	Filtration	Flood and storm protection	Genetic materials	Ground water	Maintain nursery habitats	Mass stabilization and erosion control	Mediation of sensory impacts	Pest control	Pollination	Soil quality	Surface water	Ventilation	Water flow maintenance	Water quality	2023 Share (%)
Oil, gas and consumable fuels		●		●				●	●		●		●					●		●	●	3.5%
Chemical		●		●	●			●	●		●		●	●				●	●	●	●	0.9%
Construction materials					●						●			●				●			●	0.3%
Containers and packaging		●			●																	0.1%
Metals and mining				●							●		●					●		●		1.7%
Paper and forest products	●	●		●		●	●	●	●		●		●		●	●	●	●		●		0.0%
Construction services (including manufacture of metal products)		●		●	●			●	●		●		●	●	●		●	●	●	●	●	0.1%
Sewerage, waste collection, treatment and disposal		●						●			●		●					●				0.1%
Transport and associated services (including passenger airlines)				●					●		●		●		●			●	●		●	0.3%
Automobiles				●	●			●	●		●		●	●				●	●	●	●	0.4%
Textiles, apparel and luxury goods		●			●		●	●	●		●		●					●		●	●	0.1%
Beverages and food products (including agriculture)	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	1.3%
Personal care products		●			●		●	●	●		●		●				●	●		●	●	0.1%
Pharmaceuticals		●			●			●			●		●					●		●	●	0.6%
Semiconductor and semiconductor equipment		●		●	●			●			●							●				6.4%
Utilities (including electric utilities, gas utilities, independent power and renewable electricity producers, and water utilities)		●	●	●			●	●	●		●		●	●	●		●	●		●	●	0.4%
Non-Nature-Related Sensitive Industries																					83.8%	
Total																					100%	

The Impact Heatmap for Industries Sensitive to Nature

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Nature-Related Sensitive Industries (Note 1)	Impact											2023 Share (%)	
	Climate change	Terrestrial use change	Freshwater use change	Marine use change	Air pollutants	Soil pollutants	Waste pollution	Waste water pollution	Water consumption	State of nature (disturbance)	Invasive species and others		
Oil, gas and consumable fuels	●	●	●	●	●	●	●	●	●	●	●	●	3.5%
Chemical	●	●	-	-	●	●	●	●	●	●	-	-	0.9%
Construction materials	●	●	●	●	●	-	●	●	●	●	●	-	0.3%
Containers and packaging	-	-	-	-	●	●	-	●	●	-	-	-	0.1%
Metals and mining	●	●	●	-	●	●	●	●	●	●	●	●	1.7%
Paper and forest products	●	●	-	-	●	●	●	●	●	-	-	-	0.0%
Construction services (including manufacture of metal products)	●	●	●	●	●	●	●	●	●	●	●	●	0.1%
Sewerage, waste collection, treatment and disposal	-	-	-	-	●	●	●	●	●	-	-	-	0.1%
Transport and associated services (including passenger airlines)	●	●	●	●	●	●	●	●	●	●	●	●	0.3%
Automobiles	●	-	-	-	●	●	●	●	●	●	-	-	0.4%
Textiles, apparel and luxury goods	-	●	-	-	●	●	●	●	●	-	-	-	0.1%
Beverages and food products (including agriculture)	●	●	●	●	-	●	●	●	●	-	●	●	1.3%
Personal care products	●	-	-	-	●	●	●	●	●	-	-	-	0.1%
Pharmaceuticals	-	-	-	-	●	●	●	●	●	-	●	●	0.6%
Semiconductor and semiconductor equipment	●	-	-	-	-	●	-	●	●	-	-	-	6.4%
Utilities (including electric utilities, gas utilities, independent power and renewable electricity producers, and water utilities)	●	●	●	●	●	●	●	●	●	●	-	-	0.4%
Non-Nature-Related Sensitive Industries												83.8%	
Total												100%	

Note 1: Reference is made to the TNFD's "Sector guidance: Additional guidance for financial institutions," which suggests that financial institutions should pay attention to high-risk scenarios of natural dependency and impact sensitivity among at least 16 nature-related sensitive industries.

3-4 Identifying Nature-related Risks and Opportunities

Potential Nature-related Risks at Operational Sites and Investment Portfolios

Practically, utilizing biodiversity hotspot analysis tools can effectively help companies identify the impact of their operations on local ecosystems. The definition of biodiversity hotspots internationally is primarily assessed from three different perspectives:

- 1 Areas with higher species diversity or richness.
- 2 Areas with high endemism, with some considering biological rarity
- 3 Determined by the extent of threats to species.

For financial institutions, according to the ENCORE database, the impact of operational activities on natural ecosystems falls under moderate impact. Financial institutions should pay more attention to the impact of investment and lending activities on nature. Therefore, following TNFD recommendations, SKFH has conducted preliminary assessments of biodiversity hotspots around its operational sites and the share of investments in high-nature-sensitive industries. This facilitates further comprehensive inventorying and development of responsive management measures.

Operational sites

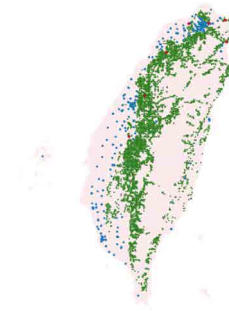
SKFH evaluates its operational sites based on their geographical locations. Through spatial overlay analysis, whether there is any intersection within 1 kilometer of animal biodiversity hotspots is assessed. If located within these areas, there may be nature-related transition risks such as regulatory risks and reputational risks. The identification results show that out of SKFH's 548 domestic assets and operational sites, 2 bank office buildings and 5 life insurance regional sales office are situated within 1 kilometer of animal biodiversity hotspots. Since these sites are located in urban areas, the preliminary assessment suggests a lower level of impact and risk.

Investment portfolios

Regarding share of investments, SKFH has focused on inventorying high-nature-sensitive industries and assessed the distribution of biodiversity hotspots among the 139 domestic operational locations of the top five companies in the top three exposed industries (semiconductors and semiconductor equipment, oil, gas and consumable fuels, and metals and mining). The identification results show that four companies have production sites located within 1 kilometer of biodiversity hotspots. Among them, Company A's production site is located in the Tongluo Science Park in Tongluo Township, Miaoli County, which is an important habitat for the nationally first-level protected species, the Leopard Cat.

Further understanding by SKFH reveals that, to uphold its commitment to biodiversity and environmental balance, Company A has implemented various management measures during the construction process to reduce the impact on the environmental ecology during construction. During the construction and development process, Company A has executed various leopard cat conservation measures, cooperating with the competent authority to implement comprehensive leopard cat conservation actions in the Tongluo base. These actions include creating animal-friendly environmental facilities such as noise equipment to increase wildlife awareness by adding noise, creating ecological corridors to connect habitat areas within the base, and continuously tracking relevant ecological monitoring to ensure the maintenance of the surrounding environmental ecology and reduce its impact and risk level.

Analysis scope | 548 domestic assets and operational locations of SKFH and its subsidiaries



Analysis scope | 139 operational locations of the top five companies in the top three exposed industries sensitive to nature (semiconductors and semiconductor equipment, oil, gas and consumable fuels, and metals and mining)



Red spots: Higher impact (Nearby hotspots) Blue spots: Lower Impact (Not adjacent to hotspots)

Note 1: The green grid on the map represents biodiversity hotspots

Note 2: Biodiversity hotspot data is sourced from public information provided on the Nature Conservation website by the Forestry and Nature Conservation Agency

3-5 Climate Strategy and Actions

SKFH has long advocated and invested in environmental sustainability actions. We value environmental and climatic impacts in operating activities and respond to the United Nations Sustainable Development Goals (SDGs). We harness our core competencies and take real actions to reduce negative impact on the environment and promote sustainable development for the society.

By 2050, achieving net zero emissions has become a global consensus. SKFH's climate strategy focuses on low-carbon operations and sustainable finance, and are committed to implementing various decarbonization measures and renewable energy procurement projects. Through low-carbon operations, we aim to promote the reuse of water resources, waste recycling, and financial decarbonization efforts, all in pursuit of creating a sustainable future for the next generation.

SKFH's carbon reduction targets, formally approved earlier this year by the Science-Based Targets Initiative (SBTi), and develop net-zero emission plans following SBTi carbon reduction targets to lower operational carbon emissions and engage with investee targets to promote financial decarbonization, reducing the carbon intensity of financed emissions.

Low-Carbon Operations

SKFH and its subsidiaries reduce the consumption of energy resources and overall corporate carbon emissions in daily operations through well-established environmental management measures and mechanisms, bringing positive benefits to environmental sustainability. We aim to reduce greenhouse gas emissions and implement low-carbon operations through energy resource management and carbon reduction initiatives.

In response to the SBT review approval, we set a net-zero target for 2050 with a 1.5° C reduction scenario, using absolute reduction methods and promise to reduce the total emissions of Scope 1 and Scope 2 by 42% compared to the baseline year of 2022 by 2030, with a goal of reducing carbon emission by at least 4.2% annually in Scope 2. In 2023, the total greenhouse gas emissions of SKFH and its subsidiaries in Scope 1 and Scope 2 amounted to 28,663.11 tCO₂e, a decrease of 2,828.15 tCO₂e compared to 2022, representing a reduction of 8.98%. In recent years, we have gradually replaced fuel-powered vehicles with hybrid vehicles, accelerated the replacement of old lighting and air conditioning equipment, utilize renewable energy, and promote changes in daily behaviors among employees to achieve long-term decarbonization goals.

In 2023, due to the increasing adoption of hybrid vehicles, there has been a downward trend in the use of fuel and electricity resources. However, during the replacement process of air conditioning equipment, there has been an upward trend in refrigerant leakage in recent years.

Carbon Reduction Action

To mitigate the impact of business development and fulfill its corporate social responsibility, SKFH has been actively creating a green workplace to promote environmental sustainability. Since 2015, it has begun conducting greenhouse gas inventories and developing energy resource conservation strategies via identification, analysis, and evaluation processes. Through systematic management and replacement with energy-saving equipment, SKFH has implemented comprehensive energy-saving actions to effectively reduce electricity consumption and improve the energy efficiency of its office buildings. Our primary measures will focus on "changing employee behavior" and "improving energy efficiency," with "the use of renewable energy" as a supplementary measure to achieve carbon reduction goals.

· Internal Carbon Pricing

To enhance employees' energy-saving awareness and improve energy efficiency, and further effectively manage carbon emission risks, SKFH introduced the "Internal Carbon Pricing (ICP)" mechanism in 2021. Set an internal carbon price using a shadow pricing model and established the "Measures for the Administration of Greenhouse Gas Reduction and Carbon Pricing", actively implementing the pricing actions that "internalizes external costs".

The measure focuses on Scope 1 and Scope 2 GHG emissions as the main inspection targets. In 2023, following the signing of the SBT, the carbon pricing baseline year was adjusted from the originally set 2019 to 2022. SKFH encourage its subsidiaries to identify emission hotspots, implementing energy-saving projects, using green energy and gradually transition towards becoming a low-carbon enterprise through the measures.

Promoting Energy Efficiency in The Server Room

Shin Kong Life

As the space of the original computer room is almost full, SKL adopts energy-saving and carbon missions reduction as its highest goal. It builds new computer rooms necessary for operations in the next ten years based on annual business growth. After continuous adjustments, the PUE of Shin Kong Life's the great Taipei gas building computer room in 2023 was steadily maintained at between 1.36 and 1.66, reaching the silver level benchmark specified by LEED note International.

Note: LEED (Leadership in Energy and Environmental Design) Green Data Center Bronze Benchmark PUE: 1.43-1.67

Shin Kong Bank

Shin Kong Bank has finished the "New Green Energy Information Computer Room" construction plan in 2013 to implement energy-saving measures in the computer room and reduce the operating costs of the computer room. In addition, we continued to expand information infrastructure to cope with the electricity requirements for mainframe computers derived from massive information services. We have currently set up 960 virtual servers with a coverage rate of 81.4%. The establishment of virtual servers reduced cabinet spaces by 1,920U (approximately 43 cabinets), reduced nominal power consumption by 1,924,733 kWh, and reduced emissions by approximately 953 tCO₂e.

· Utilizing Renewable Energy

To enhance the use of renewable energy, SKFH and its subsidiaries has signed green energy transfer agreement with renewable energy electricity suppliers to procure green energy with "bundled renewable energy certificates" to substantially reduce carbon emissions and supply green electricity to Shin Kong Life Tower, Nanjing Technology Building, and Shin Kong Xinyi Financial Tower, totaling 941,000 kWh of green electricity. This is equivalent to reducing 465.7 tonCO₂e. We aim to gradually increase the proportion of renewable energy usage in the future to achieve the SBTi.

Installation of solar rooftops

Following the installation of solar panels for self-use on the rooftops of six branches of SKB in 2022, MLS has collaborated with SKFH's "ESG Net Zero Carbon Reduction" plan. In October 2022, solar panels were installed on the rooftop of the Dayu branch building, with a capacity of 82.325 kWp. The solar panels were connected and tested in April 2023. Due to the favorable climate and ample sunlight in the Taichung area, they generated 68,250 kWh of electricity in 2023, resulting in an annual reduction of approximately 33.78 tCO₂e.



• Creating Green Offices

To achieve deep decarbonization, SKFH and its subsidiaries are taking concrete actions to reduce carbon emissions. Action include creating green offices, promoting energy-efficient green buildings, offering green products and services, and expand environmental initiatives to minimize workplace carbon footprints.

• Headquarters and main offices locations to achieve Net Zero by 2030

In line with UN and international 2030 carbon reduction goals, SKFH joined the Taiwan Alliance for Net Zero Emission in 2021, aiming to achieve Net Zero at headquarters and main offices locations by 2030 under the "Taiwan Net Zero 2030/2050 Initiative."

To improve air quality in the office region, SKFH replaced five copiers with non-heating models in 2022, reducing carbon emissions by an estimated 1.0 ton annually. Moreover, in 2023, SKFH received the "Green Level Label" from the Taiwan Net Zero Emission Association



• Low-carbon Transportation

In the process of providing financial products and services, business travel leads to the consumption of petrochemical fuels (mainly petroleum) of vehicles. Therefore, SKFH takes action to reduce vehicle fuel consumption and makes gradual plans to replace the old, fuel-inefficient vehicles with more energy-efficient models to reduce greenhouse gas emissions from the use of fuel. As of 2023, SKFH and its subsidiaries have replaced 14 company vehicles with hybrid cars, resulting in approximately 80 tons of carbon emission reductions.

• Paper Reduction Actions

In response to the trend of digital finance, we have greatly improved administrative efficiency through innovation and process digitization. We have also implemented a paper usage management plan to reduce the carbon emission generated by business activities through paper reduction actions.

Year	Buildings	Achievements	Green effect
			CO ₂ Absorption Capacity (tons)
2017	Xinban Financial Building	<ul style="list-style-type: none"> Diamond-class green building certificate Gold certification of LEED NC 	587.78
2020	Shin Kong Nangang Software Park Building	Gold-class green building certificate	690.31
2021	Shin Kong Jasper Villa Shuiyang	Gold-class green building certificate	644.33
	Shin Kong Jasper Villa Jiantan	Gold-class green building certificate	352.47
2022	Shin Kong Jasper Villa Xinban C	Silver-class green building certificate	745.92
	Shin Kong President Jasper Villa	Silver-class green building certificate	1,477.03
2023	Hangzhou North Road Land Use Right Project	Silver-class green building certificate	357.88
	Superficies in Qianjin District, Kaohsiung	Silver-Level Green Building Candidate Certificat	0.66
	B.O.T. case of Taipei Nangang Bus Station	Gold-Level Green Building Candidate Certificat	1.04

■ Offering Green Products and Services

·Zero-carbon Credit Cards

To demonstrate our commitment to carbon reduction, SKB's ESG bank card is made from PETG eco-friendly material, significantly reducing its environmental impact. After verification by the British Standards Institution (BSI), we obtained the ISO 14067:2018 Product Carbon Footprint Verification Statement in September 2022 and the Product Carbon Footprint Label issued by the Environmental Protection Administration in January 2023. Each bank card has created a carbon emission of 1,045 grams. We further obtained the PAS2060:2014 Carbon Neutral Verification Statement by purchasing carbon credits from the Gold Standard carbon trading platform, officially implementing zero-carbon credit cards.



·Carbon Footprint of New Taipei Customer Service Counters

Incorporating the low-carbon concept into our daily operations, SKL's New Taipei City Branches completed the digitization of customer service counters in 2023, promoting digital documents, electronic communication, and electronic policies, significantly reducing paper consumption and waste generation. They received the BSI ISO 14067 certification for their carbon footprint of counter services. Throughout the life cycle of life insurance services, each counter service emits only 786 grams of carbon dioxide equivalent per service, making it the operating location with the lowest carbon footprint emission in the insurance industry. We also applied for a carbon footprint label, hoping to work with policyholders to promote green finance, continue to respond to global climate action, and collectively protect our planet.



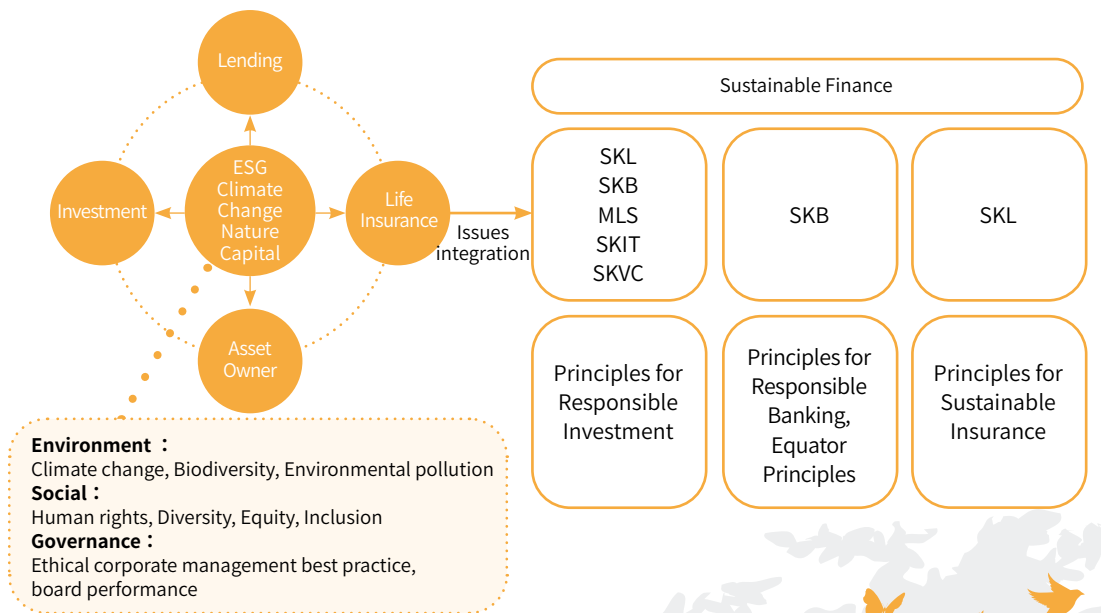
■ Expand Environmental Initiatives

SKFH and its subsidiaries actively promote various environmental initiatives, such as Light Shirt in Summer, Shin Kong Earth Day, and Lights Out for an Hour, encouraging employees to participate in energy-saving and carbon reduction activities through practical actions to contribute to environmental sustainability.

3-5-2 Sustainable Finance

SKFH is committed to promoting sustainable development, actively supporting to the United Nations Sustainable Development Goals(SDGs) and the Taiwanese government's target of net-zero emissions. We encourage our subsidiaries and outsourced investment institutions to integrate environment, social, corporate governance, climate change and nature capital considerations into financial activities such as investments, lending, life insurance, and asset management. SKFH and its subsidiaries voluntarily adhere to internationally advocated principles, including the Principles for Responsible Investment(PRI), Principles for Responsible Banking(PRB), Equator Principles(EPs), and Principles for Sustainable Insurance(PSI). SKFH has developed group-wise guidelines based on international standards and regularly discloses progress and achievements. We aspire to work with stakeholders to promote sustainable financial products and services, fulfill corporate social responsibility, and lead industry transition toward balanced development between corporations, society, and environment.

Sustainable finance policy



SKFH has formulated the "SKFH Sustainable Finance Policy" adhering to the United Nations PRI, PRB, PSI, and EPs. The policy regulates SKFH and its subsidiaries' lending activities such as investment, lending, and life insurance integrating environment, social and corporate governance (ESG) factors. Before making decisions, ESG risks due diligence must be conducted and evaluated prudently. Those included in the exclusion lists should avoid dealing with each other. In addition, we also formulate asset class specific guidelines for investment, lending, and life insurance activities and sector specific guidelines for controversial and carbon-intensive industries. After inspection, those who belong to the above activities and industries shall follow the guidelines as the basis for decision-making on whether to deal with or not, and only those who meet the guidelines can deal with.

In addition, in order to safeguard shareholders, employees and customers' long-term value, reduce sustainability-related risks, and seize opportunities, SKFH upholds the function of pooling market funds for investment as a financial institution and fulfills the spirit of stewardship for institutional investors to formulate engagement policies and voting policies as the stewardship behavior standards for each subsidiary. Subsidiaries should not only focus on the financial performance of counterparties, but also pay attention to their sustainability performance, and take engagement actions based on the engagement issues that SKFH is concerned about, properly dialogue and interact with the management of the counterparty, and actively attend annual general meeting, exercise voting rights. If the counterparty does not make improvements, no new transactions are allowed. If the deterioration of counterparties continue, divestment actions should be taken.

The sustainable finance policy covers 100% of the total managed assets of all applicable responsible investment and responsible lending, which is totaling about NT\$4.3 trillion, with merely excluding assets such as certificate of deposit, foreign exchange hedging, and policy loan. The policy also applies to outsourced investment institutions. We require outsourced investment institutions to follow the PRI principles, abide by SKFH sustainable finance policy, and incorporate the spirit of responsible investment into 100% of external management assets.

Phase-out commitment for thermal coal and unconventional oil and gas-related industries

We commit to fully exit thermal coal (Note 1) related businesses by 2030 and unconventional oil and gas (Note 2) related business by 2040. This includes publicly traded equity and debt, project financing, credit lines and loans, fixed income underwriting business, as well as all active, passive, and third-party managed investment positions. Our phased commitments are:

1. Effective immediately, we will cease funding for new and existing thermal coal and unconventional oil and gas projects, including expansion plans, as well as direct investment to companies engaged in the continuous expansion of coal and unconventional oil and gas-related businesses.
2. By 2030, we will completely phase out all investment and lending to thermal coal-related industries.
3. By 2040, we will completely phase out all investment and lending to global unconventional oil and gas-related industries.

Related industries that demonstrate specific decarbonization actions or clear transition plans consistent with the Paris Agreement goals may be subject to individual assessment. These actions may include setting Science-Based Targets (SBT), utilizing carbon capture technology for moving carbon, or other carbon reduction actions verified by third-party organizations.

In addition, companies owned by state-owned enterprises or local governments with a stake greater than 50%, and where the local government has announced net-zero pathways and targets consistent with the Paris Agreement, may undergo case-by-case evaluations. Authorization for such cases will be granted only after responsibilities and duties are confirmed by respective subsidiary businesses.

Note 1: Thermal coal-related businesses refer to industries involved in coal mining, coal infrastructure, coal trading and coal-fired power generation, as well as coal transportation and logistics, with revenue or generated power from thermal coal accounting for more than 5%

Note 2: Unconventional oil and gas-related businesses refer to industries involved in tar sands, shale oil and gas, Arctic oil and gas, ultra-deep-water drilling oil and gas, liquefied natural gas derived by unconventional extractions, and other industries covering the whole production cycle, whose revenue account for more than 5%.

Upon reviewing SKFH's investment and lending portfolios, as of the end of 2023, SKFH's exposure to tar sands and shale oil and gas-related businesses accounted for approximately 0.33% and 0.001% of total assets respectively. SKFH had no exposure to arctic oil and gas, ultra-deep-water oil & gas, and liquefied natural gas derived by unconventional extractions. To implement the goal of phasing out thermal coal and unconventional oil and gas-related industries, SKFH and its subsidiaries shall prioritize engagement actions to guide these industries to develop climate transition plans and set SBT aligned with the goals of the Paris Agreement.

3-6 Scenario Analysis and Financial Impact

Global climate and environmental risks have become increasingly apparent in recent years. A UBS research report pointed out that if financial institutions cannot effectively manage climate risks, climate change may cause a loss of more than 17% of its asset value. As the risks of climate change increase rapidly, financial supervisory authorities in various countries have also conducted overall stress tests for the financial industry or issued guidelines to require financial institutions to assess potential losses under different climate change scenarios.

In 1998, the United Nations Environment Programme and the World Meteorological Organization jointly established the Intergovernmental Panel on Climate Changes (IPCC) to assist policymakers in various countries in formulating response strategies for climate change, and publish a comprehensive assessment report on changes related to science and technology, socio-economic cognition, climate change causes, potential impacts, and coping strategies irregularly. In 2014, IPCC proposed four representative concentration pathways (RCPs) in the Fifth Assessment Report (AR5) as future climate scenarios analysis, including RCP2.6, RCP4.5, RCP6.0 and RCP8.5. On the other hands, IPCC also proposed five Shared Socioeconomic Pathways (SSP) in the Sixth Assessment Report (AR6) in 2022. The difference between AR5 and AR6 is added two scenarios, RCP1.9 and RCP7.0, as the basis for comprehensive scenarios analysis. In June 2021, The Network for Greening the Financial System (NGFS), established by central banks and financial regulators around the world, also released the latest climate change scenarios and provided consistent scenarios across countries.

In June 2021, the Network for Greening the Financial System (NGFS), established by central banks and financial regulatory authorities worldwide, released the latest climate change scenarios. These scenarios reflect global commitments to net-zero emissions and expand to include national-level macroeconomic variables. Built upon SSP2, they propose six climate change scenarios based on different degrees of low-carbon transition and implementation efficiency for consistent scenario settings to various countries.

3-6-1 Scenario Analysis Setting Instructions

SKFH has followed the climate change stress test framework and the methodology of the International Sustainability Initiative announced by the supervisory authorities in various countries, and refer to the IPCC Fifth Assessment Report, Sixth Assessment Report and NGFS and other climate change reports to conduct a systematic assessment process of climate physical risks and transition risk scenarios for strengthening our strategic planning and response actions.

Considering recent international climate policy trends and domestic low-carbon transition goals, SKFH selected four Representative Concentration Pathways, namely

RCP 2.6, RCP 4.5, RCP 6.0, and RCP 8.5, as future climate estimation scenarios for physical risk scenario analysis. Additionally, for transition risk scenario analysis, three different climate change scenarios were selected for analysis and stress testing, aiming to assess climate impacts. Each individual scenario represents varying levels of transition risks. Carbon pricing (or carbon tax) was chosen as the primary climate risk parameter for this assessment.

Summary of scenario analysis application positions

In order to further understand the impact of the physical and transition risks of climate change on the company, climate scenario analyses were carried out for the company operating locations, investment property, upstream suppliers, and downstream products and services, such as domestic borrowers and investees, securities underwriting companies, real estate collaterals, and investment and lending portfolios. It is hoped that by understanding the exposure to different climate scenarios and actively carrying out relevant management actions and countermeasures, SKFH can enhance the climate resilience. The scenarios analyses were summarized as follows:

Type of Risk	Scope of Analysis	Value Chain	Scenarios
Physical risk – Acute risk and Chronic risks	SKL	Organization: Operational sites Downstream: Investment properties, real estate collateral, life insurance products	RCP 2.6 \ RCP 8.5
	SKB	Organization: Operational sites Downstream: Borrowers, investees, real estate collateral	
	MLS	Organization: Operational sites Downstream: Companies given guidance on underwriting services, investees	
	SKFH and its subsidiaries	Upstream: Suppliers	RCP4.5 \ RCP 6.0 \ RCP 8.5
Transition risks - Policy and legal risks	SKL	Downstream: Investment and lending portfolios	NGFS- Current Policies \ Delayed transition \ NDCs \ Net Zero 2050
	SKB	Downstream: Investment and lending portfolios	
	MLS	Downstream: Companies given guidance on underwriting services, investees	
	SKFH and its subsidiaries	Upstream: Suppliers	

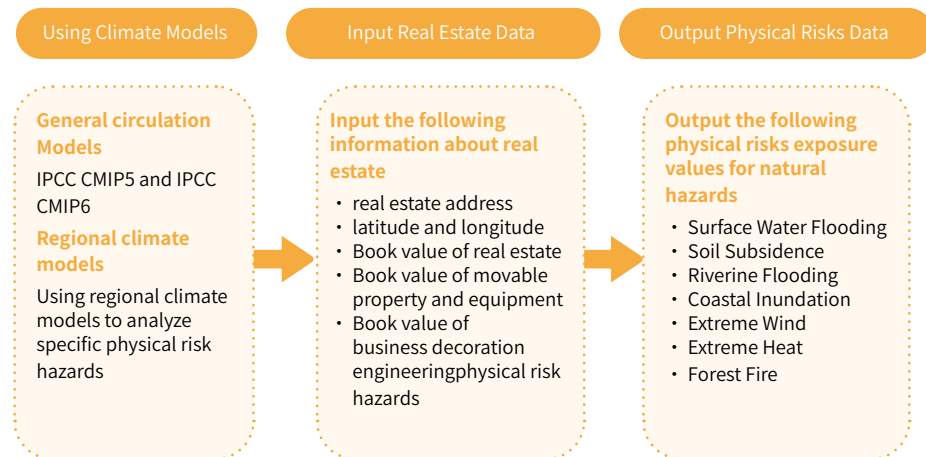
3-6-2 Scenario analysis of physical risks Disaster potential analysis

As Taiwan is an island nation in a subtropical monsoon region with complex terrain, weather changes occur frequently in different areas, and natural disasters occur from time to time. During typhoon season, Taiwan often suffers from heavy rainfall and flooding in low-lying and urban areas. Bridges and embankments can be destroyed by rising river waters. In order to understand potential operational impacts under different climate scenarios, we used two scenarios, RCP2.6 and RCP8.5, and conducted simulation analysis with international climate models. We require all subsidiaries to immediately implement physical risk adaptation plans in all existing and new operations within five years based on the analysis results and use them as a reference for future operational planning.

Note 1: RCP2.6: A low emissions scenario aiming to halve emissions by 2050, limiting temperature rise to 2° C in line the goals of the Paris Agreement to limit global warming to 2° C or even 1.5° C.

Note 2: RCP8.5: A high emissions scenario, signifying business as usual (BAU) where emissions continue to rise. By 2100, this scenario projects a global temperature increase approaching 4° C.

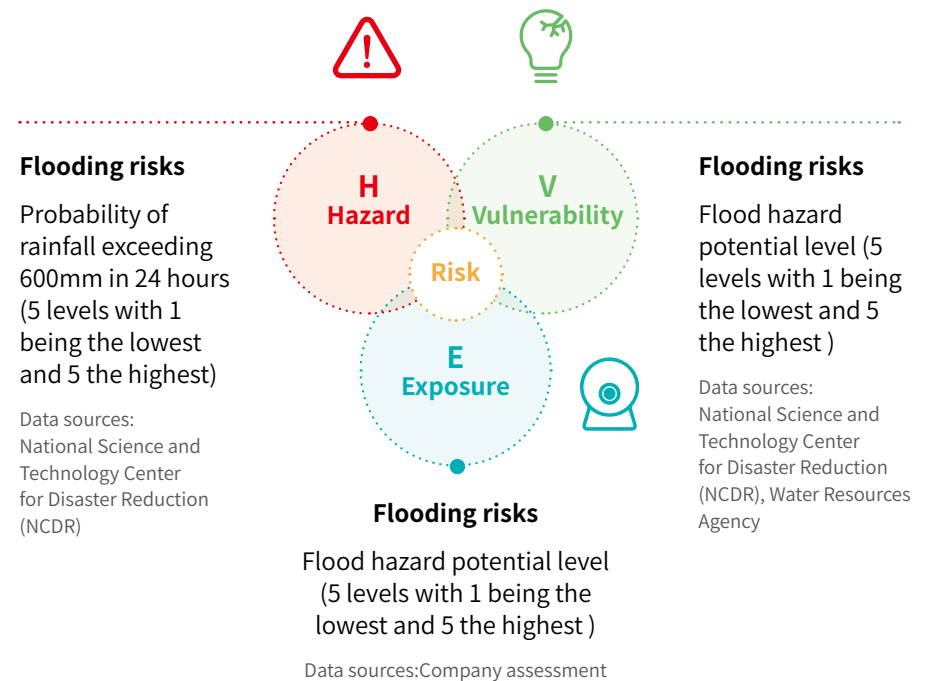
Physical Risk Scenario Analysis Process Model Approach 1 (SKL/SKB)



Note: Data sourced from XDI database, with climate risk parameters referencing the IPCC Fifth Assessment Report (AR5).

Model Approach 2 (MLS)

Taking the Intergovernmental Panel on Climate Change (IPCC) definition of climate change physical risk impact based on three factors: hazard, exposure, and vulnerability, we performed flood potential physical risk scenario analysis with NCDR's flood potential map of Taiwan's non-urban areas under RCP8.5 scenarios published on the Climate Change Disaster Risk Adaptation Platform. This helped us understand potential damage levels due to climate change impacts by the end of this century (2075-2099).



SKL

Scope of analysis | Operational sites, investment properties, real estate collateral

Analysis and results |

A. Operational sites and investment properties

In 2023, SKL owned a total of 200 real estate assets across Taiwan. We utilized two scenarios, RCP2.6 and RCP8.5, to simulate the Max climate values at risk (MVar%) faced by operational sites, investment properties, and real estate collateral from 2020 to 2100 under various climate risk disasters. These risks included surface flooding, subsidence, river flooding, coastal flooding, forest wildfires, extreme high temperatures, and extreme winds. We also referenced construction cost tables and construction engineering price index annual growth rates to estimate the reconstruction costs of real estate, serving as the basis for formulating risk response measures.

The analysis results show that

1. Under RCP2.6 and RCP8.5 by 2030-2050, financial impact ranges from NT\$260 to 340 million
2. For RCP8.5 by 2100, the MVar% is 0.55%, equating to a financial impact of NT\$400 million
3. Under both RCP2.6 and RCP8.5, drought-induced subsidence is SKL's most significant climate risk.
4. Through observation, by 2100, six~seven operational sites of SKL may face higher climate risks (MVar% greater than 1%), and be considered high-risk areas, notably in Hualien, Taitung, Kaohsiung, Taichung, and Yilan, due to river and surface flooding.

MVar% under RCP 2.6 and RCP 8.5 Scenarios (Max Climate Value at Risk%)



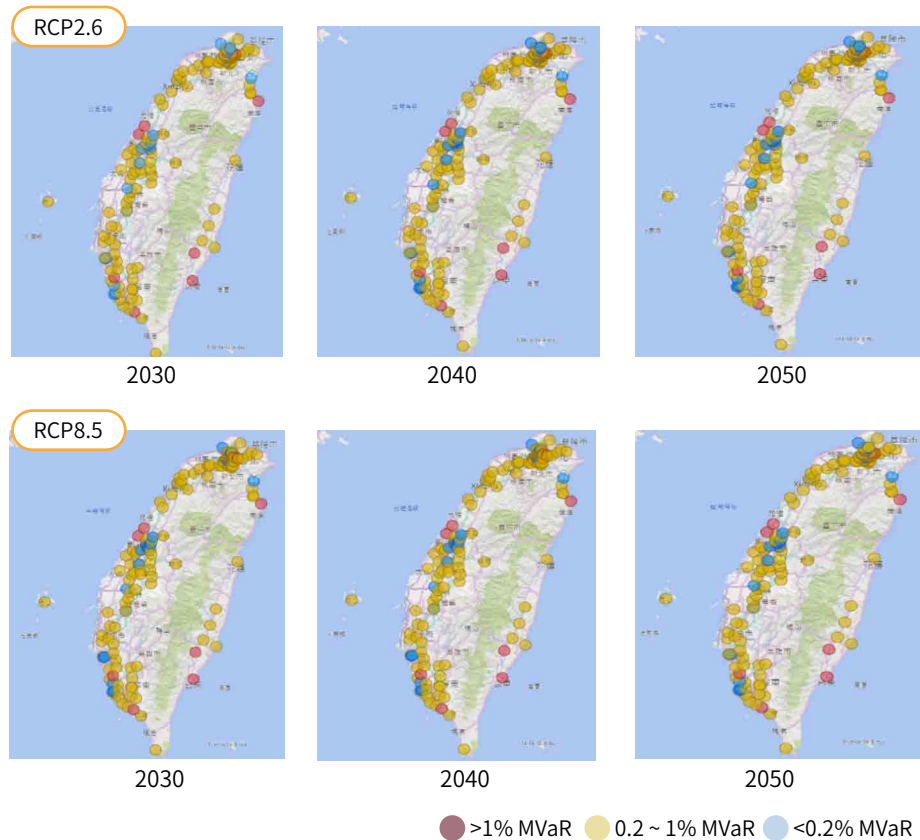
*** Risk Distribution of Operational Sites under RCP 2.6 and RCP 8.5 Scenarios**

Scenario / Year	2030	2040	2050
RCP 2.6	0.36%	0.38%	0.42%
RCP 8.5	0.38%	0.41%	0.48%

Note 1: Climate Value at Risk, VaR%: The percentage of repair costs to asset reconstruction costs for the real estate in a single year after being damaged by climate disasters.

Note 2: Note 2: Max Climate Value at Risk% means the maximum loss value caused by the type of climate disaster in that year.

Risk Distribution of Operational Sites under RCP 2.6 and RCP 8.5 Scenarios

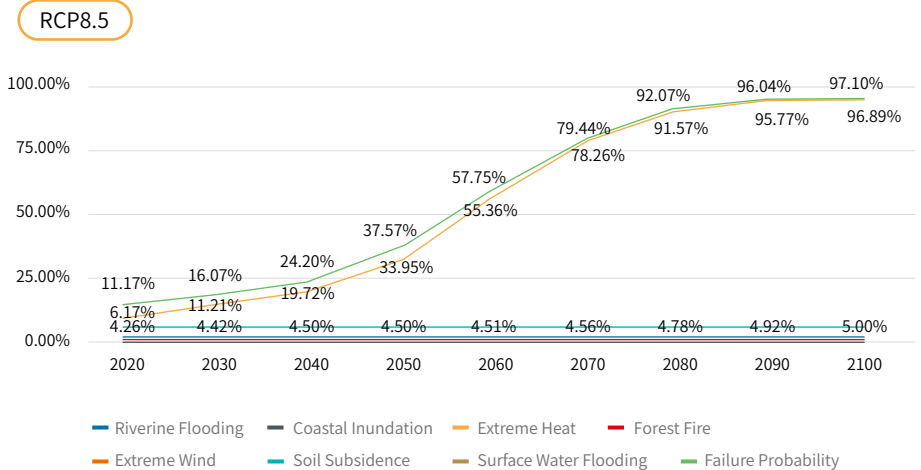
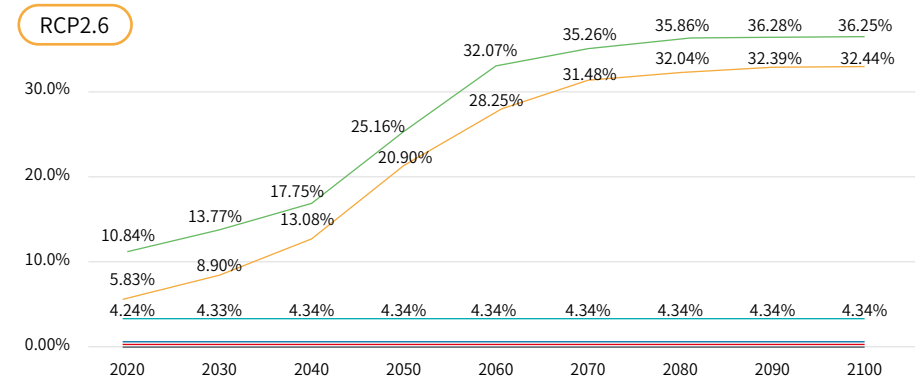


Probability of operational disruption (FP%)

FP% represents the probability of operational disruption of buildings due to climate disasters in a given year, evaluated with the concept of productivity loss. The underlying climate risk factors are "heat-related working hour loss" and "heat-related excess mortality."

Based on the analysis results, "extreme heat" is the major factor causing operational interruptions in both RCP2.6 and RCP8.5 scenarios. Especially under RCP8.5, extreme heat is expected to have a 97.1% probability of operational disruptions by 2100, which makes SKL pay close attention to accelerating low-carbon transition efforts.

Failure Probability (FP%) under RCP 2.6 and RCP 8.5 Scenarios



Climate Risk Stress Tests

Based on the simulated scenario parameters from the aforementioned scenario analysis, SKL estimates the expected operational risk losses based on the number of operational risk events and their impact due to extreme weather. The results suggest that the operational risk losses caused by operational disruptions, even under the severe RCP 8.5 scenario, are not expected to exceed NT\$7 million by 2050.

Asset Category	Climate Scenarios	Traditional Risks	Financial Impact		
			2030	2040	2050
Operational sites and investment properties	RCP 2.6	Operational risks	NT\$2.4 million	NT\$3.89 million	NT\$6.12 million
	RCP 8.5		NT\$2.37 million	NT\$4.09 million	NT\$6.51 million

• Response measures

Based on the above risk assessment results, the impact on SKL as a whole appears to be minimal, with the related risks still within an acceptable range. In the future, we will closely monitor the subsidence situation of where the properties are located through the ground subsidence monitoring information system of the Water Resources Agency of the Ministry of Economic Affairs so that corresponding measures can be proposed in a timely manner to ensure uninterrupted operations. To address the challenges posed by coastal flooding due to sea-level rise and surface flooding caused by acute rainfall, we will enhance flood prevention measures in real estate construction based on the flood risk analysis reports from the National Science and Technology Center for Disaster Reduction. This includes implementing physical climate risk adaptation plans such as regular drills, backup systems, and recovery measures as part of our risk response strategy.

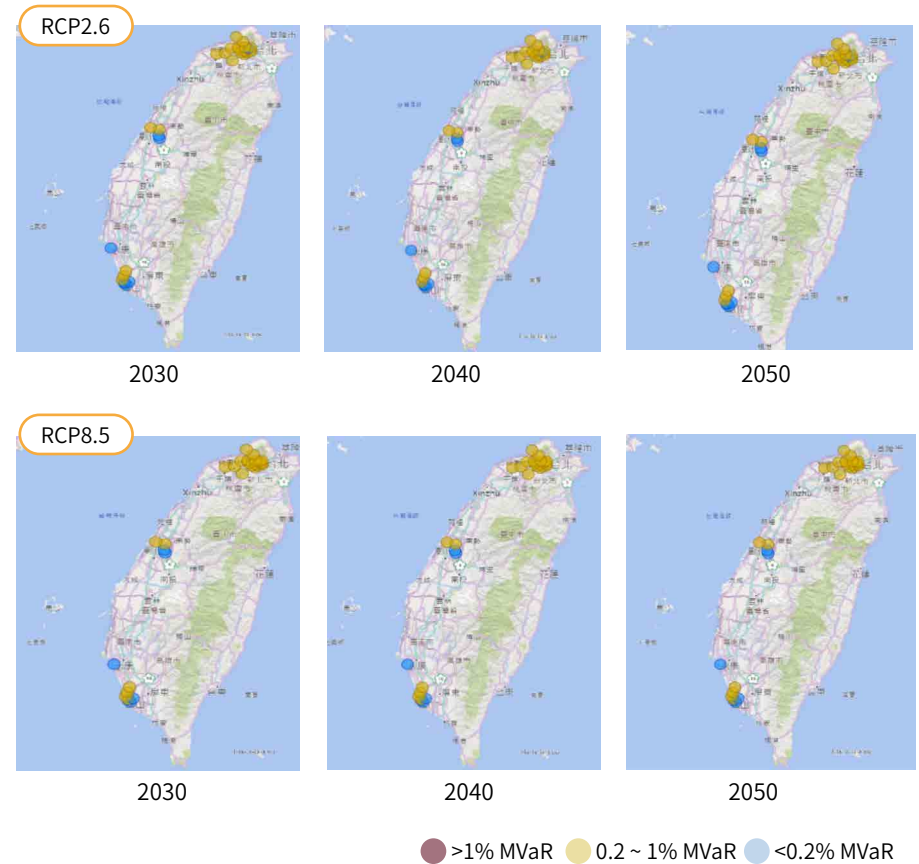
In response to potential operational disruptions, SKL has established a Business Continuity Management System (BCMS) to minimize the likelihood or extent of operational disruptions, strengthen our ability to respond to material events and facilitate rapid recovery to safeguard the interests of customers and all stakeholders.

Furthermore, in reference to the IPCC Sixth Assessment Report, SKL has estimated that under RCP 2.6 and 8.5 scenarios, there may be a temperature increase ranging from 1.3 °C to 5.7 °C at the end of the 21st century, which will increase the probability of employee heat-related injuries (such as heatstroke). Therefore, we will pay closer attention to the occupational safety and health of employees and provide more protective measures to prevent related injuries during extreme weather.

B. Real estate collateral

SKL conducted a physical risk analysis on its financed real estate collateral under the RCP 2.6 and RCP 8.5 scenarios. The analysis revealed that in the most severe scenario, RCP 8.5, only 3 out of all collateralized properties faced a climate change risk value (VaR%) exceeding 1% by the year 2100. Considering the short-term nature of the loans, it was determined that the climate change risk faced by the collateralized properties does not pose a significant threat in the short term.

Risk Distribution of Real Estate Collateral under RCP 2.6 and RCP 8.5 Scenarios



In the future, when evaluating the value of collateralized real estate for new loans, SKL will enhance the assessment of the physical risks associated with the collateralized properties to mitigate the impact of climate change on the loans.

■ SKB

Scope of analysis | Operational sites, domestic borrowers, domestic investees, and domestic real estate collateral

Analysis and results |

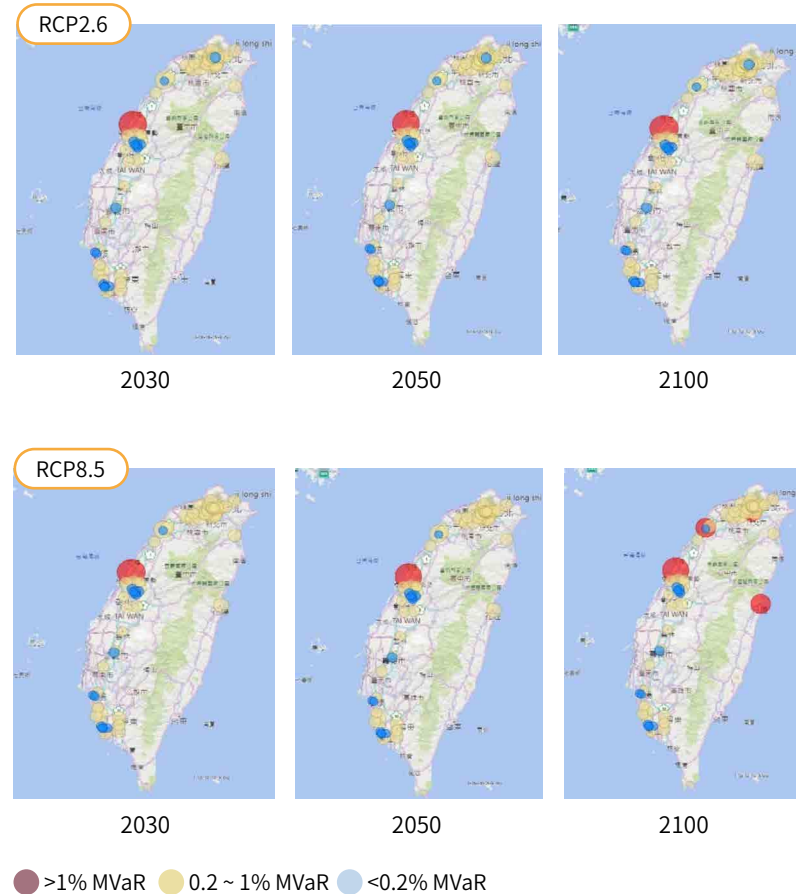
A. Operational sites

As of 2023, SKB has a total of 106 locations located in 68 towns and cities across Taiwan (including 103 branches, as well as the head office of SKFH, overseas department, and trust department), and one physical branch in Hong Kong. We consider areas where the maximum climate risk value (MVaR%) of real estate exceeds 1% to be high climate risk areas (at high risk). The analysis results are as follows:

Analysis and results

1. Under RCP2.6 by 2030, 2050, and 2100, one branch in Taichung City is at high risk, with estimated financial impacts of NT\$17 million to NT\$18 million.
2. Under RCP8.5, by 2030 and 2050, one branch in Taichung City is at high risk. By 2100, six branches in New Taipei City, Hsinchu City, Taichung City, and Hualien County are at high risk, with financial impacts estimated at NT\$19 million to NT\$23 million. The Hong Kong branch is not located in a high-risk area.

Risk Distribution of Operational Sites under RCP 2.6 and RCP 8.5 Scenarios



• Response measures

To reduce climate risk at our operational locations, SKB will include branches in high-risk areas on the watch list. Over the next decade, we will continue to strengthen flood prevention and disaster mitigation measures. We will also develop adaptation plans, including regular drills, backup systems, and recovery procedures, to respond to risks effectively. In the future, before selecting operational locations, climate-related risk factors will be assessed to minimize potential impacts and disruptions.



B.Domestic borrowers, Domestic investees, and Domestic real estate collateral

SKB carried out the climate change scenario analysis planned and handled by the Financial Regulatory Commission, and carried out the physical risk assessment of domestic borrower and investment companies' registration places, as well as the location of domestic real estate collaterals. The analysis results under each scenario_year combination are as follows:

Under different scenarios_year, distribution of physical risk levels of domestic borrower and investee companies' registration places

Physical risk level scenario_year	Low	Middle and Low	Middle	High and Middle*	High
RCP2.6_2030	78.9%	2.6%	8.9%	7.5%	2.1%
RCP2.6_2050	75.8%	5.5%	5.6%	11.0%	2.1%
RCP8.5_2030	77.8%	3.7%	8.8%	9.4%	0.3%
RCP8.5_2050	77.1%	3.6%	6.6%	12.4%	0.3%

Note 1: Contains OBU borrowers whose risk-immigrated country is Taiwan.

The RCP2.6 scenarios and the RCP8.5 scenarios respectively correspond to the orderly/disorderly

Note 2: transition scenario and the current policies scenario in the "Domestic Bank Conducting Climate Change Scenario Analysis Operation Plan" issued by the FSC.

Under different scenarios_year, distribution of physical risk levels of real estate collaterals locations

Physical risk level scenario_year	Low	Middle and Low	Middle	High and Middle*	High*
RCP2.6_2030	18.5%	46.7%	9.5%	11.8%	13.5%
RCP2.6_2050	11.1%	50.2%	11.5%	12.0%	15.2%
RCP8.5_2030	17.0%	44.1%	10.3%	14.1%	14.5%
RCP8.5_2050	11.3%	49.7%	11.8%	13.6%	13.6%

Note 1: Including Taoyuan District and Guishan District of Taoyuan City, Tamsui District and Linkou District of New Taipei City.

Note 2: The RCP2.6 scenarios and the RCP8.5 scenarios respectively correspond to the orderly/disorderly transition scenario and the current policies scenario in the "Domestic Bank Conducting Climate Change Scenario Analysis Operation Plan" issued by the FSC.

Real Estate Collateral for the Hong Kong Branch

The Hong Kong branch follows the "Real Estate Climate Risk Assessment Guidelines" established by the head office to evaluate the climate risks associated with the branch' s real estate collateral. This assessment primarily examines the impact of future climate change on the value of the real estate collateral. By the end of 2023, the branch had four pieces of real estate collateral located across Hong Kong. The branch used the RCP8.5 climate scenario and international climate models to simulate and calculate the potential loss ratios under various types of climate-related disasters. The results of the physical risk stress test for the collateral are as follows:

Collateral Type	Currency	Collateral Amount	Location (Address)	VaR% 2050	VaR% 2100
Real Estate	HKD	7,885,000	X Yau Cheung Road, Yau Ma Tei, Kowloon, Hong Kong	0.30%	0.27%
Real Estate	HKD	21,300,000	X Tung Lo Wan Hill Road, Sha Tin, Hong Kong	0.30%	0.27%
Real Estate	HKD	555,000,000	XX Floor, XX Center, 9X Queen' s Road Central, Central, Hong Kong	0.29%	0.32%
Real Estate	HKD	18,900,000	Room XXX, X Floor, Tower X, XX Center, 1X Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	0.30%	0.28%
Real Estate	TWD	3,600,000	4F., No. 42, Aly. 8, Ln. 552, Sec. 2, Zhongqing Rd., Beitun Dist., Taichung City, Taiwan	0.09%	0.14%

For real estate collateral deemed to have high physical risks based on the scenario analysis, the Hong Kong branch will follow the head office' s procedures to list related loans as high physical risk and continuously monitor and implement necessary response measures.

• Response measures

To sum up, under different scenarios_years, the physical risks faced by SKB borrower and investment companies, and the real estate collateral have limited impact on profit and value impairment. The overall financial impact on SKB is controllable.

■ **MLS**

Scope of analysis | Operation sites and companies given guidance on underwriting services and investees

Analysis and results |

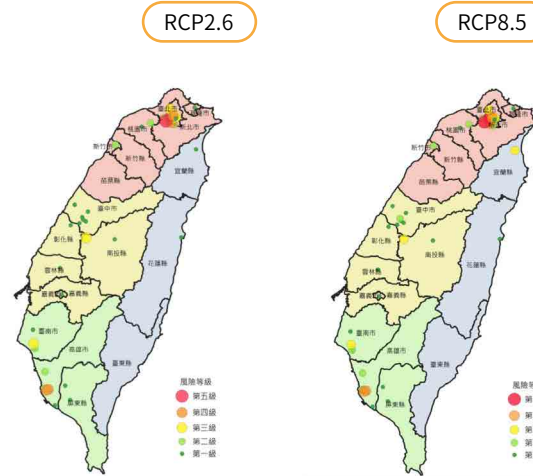
A.Operation sites

For the physical risk scenario analysis, MLS' s 44 operating locations across Taiwan were assessed the evaluations of flood and drought risks by the end of 2023. The results indicate that two operating locations are situated in areas with a high risk of flooding. However, both of these locations are in well-protected flood zones within urban areas (Taipei City and New Taipei City) and are not company-owned assets. Moreover, one of these locations is positioned on a higher floor, resulting in a minor financial impact on MLS and thus having an insignificant effect. The RCP8.5 scenario results indicated that none of the operational sites are located in areas of high or medium-high drought risk. As a result, droughts do not pose a financial risk to the Company.

• **因應措施**

1. When selecting future operating locations, security and potential impact of climate physical risk on assets will be taken into account. Physical risks are regularly evaluated using climate-related scenarios to assess the expected exposure to future climate changes on the Company' s operation, providing references for climate-related risk management strategies or response measures.
2. To enhance operational resilience and maintain uninterrupted operations, ISO 22301 Business Continuity Management Standard has been initiated in 2023. This aims to reduce the likelihood or extent of operational disruptions, strengthen responses to major incidents, and enhance rapid recovery capabilities, ultimately increasing climate operational resilience.
3. In addition, to mitigate the physical risk impact of operating locations due to climate change, regular reviews and updates of crisis management procedures will be undertaken. These include management procedures on scenarios involving various types of natural disasters, responsible personnel, and relevant disaster prevention information, sufficient to cope with and mitigate potential negative impacts from floods.

Flooding scenario (by 2100)



drought scenario (by 2100)

RCP8.5



Risk Level	Flooding scenario : Operational sites(by 2100)			
	RCP 2.6		RCP 8.5	
	No. of Targets	Percentage of Sites	No. of Targets	Percentage of Sites
Low	21	47.73%	19	43.18%
Medium-low	12	27.27%	13	29.55%
Medium	5	11.36%	6	13.64%
Medium-high	4	9.09%	4	9.09%
High	2	4.55%	2	4.55%
Total	44	100.0%	44	100.0%

Risk Level	droughts scenario : Operational sites(by 2100)	
	RCP 8.5	
	No. of Targets	Percentage of Sites
Low	32	72.73%
Medium-low	12	27.27%
Medium	0	0.00%
Medium-high	0	0.00%
High	0	0.00%
Total	44	100.0%

B. Investees

MLS conducted a physical risk scenario analysis on self-owned investment targets as of the end of 2023, including domestic stocks listed on TWSE/TPE, emerging stocks, unlisted stocks, domestic corporate bonds, bills, and risk-offset positions for convertible bonds, as well as companies given guidance on underwriting services, and assess the evaluations of flood and drought risks. The analysis revealed that only one investment target is situated in a high-risk flood area. The estimated maximum possible loss at the end of 2023 is 0.33% of the net value, with financial impacts not exceeding NT\$100 million, posing minimal financial repercussions on MLS. The RCP8.5 scenario results indicated that none of the operational sites are located in areas of high or medium-high drought risk. As a result, droughts do not pose a financial risk to the Company.

Listed equities
Flooding scenario

RCP2.6



RCP8.5



Non-listed equities
Flooding scenario

RCP2.6



RCP8.5



Domestic bonds
Flooding scenario

RCP2.6



RCP8.5



Drought scenario

RCP8.5

Listed equities



Non-listed equities



Domestic bonds



Flooding scenario

Risk Level	RCP 2.6		RCP 8.5	
	Number of investees	Percentage of portfolio by market value	Number of investees	Percentage of portfolio by market value
Listed equities				
Low	298	71.11%	294	69.50%
Medium-low	27	18.37%	31	19.98%
Middle	1	4.33%	1	4.33%
Medium-high	1	6.19%	1	6.19%
High	0	0.00%	0	0.00%
Total	327	100.0%	327	100.0%
Non-listed equities				
Low	43	36.35%	43	36.35%
Medium-low	5	0.08%	5	0.08%
Middle	2	63.56%	2	63.56%
Medium-high	0	0.00%	0	0.00%
High	0	0.00%	0	0.00%
Total	50	100.0%	50	100.0%
Domestic coupons and bonds				
Low	70	68.17%	69	67.74%
Medium-low	6	10.16%	7	10.60%
Middle	2	21.66%	2	21.66%
Medium-high	0	0.00%	0	0.00%
High	0	0.00%	0	0.00%
Total	78	100.0%	78	100.0%

Drought scenario

Risk Level	RCP 8.5	
	Number of investees	Percentage of portfolio by market value
Listed equities		
Low	327	100%
Medium-low	0	0
Middle	0	0
Medium-high	0	0
High	0	0
Total	327	100.0%
Non-listed equities		
Low	47	2.10%
Medium-low	3	97.90%
Middle	0	0.00%
Medium-high	0	0.00%
High	0	0.00%
Total	50	100.0%
Domestic coupons and bonds		
Low	77	97.62%
Medium-low	1	2.38%
Middle	2	0.00%
Medium-high	0	0.00%
High	0	0.00%
Total	78	100.0%

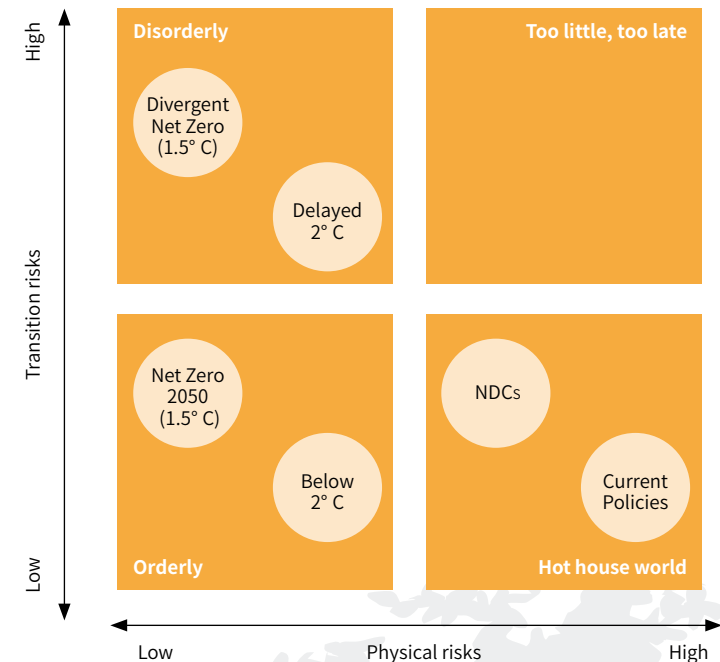
• Response measures

Physical risks of our positions are regularly assessed using climate-related scenarios to reflect the expected impact of future climate changes on investee companies' operational exposure, and potential loss analysis was performed, providing references for climate-related risk management strategies or response measures.

**3-6-3 Transition Risk Scenario Analysis
Description of Scenarios**

The Network for Greening the Financial System (NGFS) was established by central banks and financial regulatory authorities around the world. Based on the climate change scenario framework and parameters released by NGFS, SKFH selected three scenarios to conduct the company's climate transition risk scenario analysis and stress test to assess the potential impact.

NGFS scenarios framework



Scenario background	Scenario	Scenario description
Global warming	Current Policies	In the absence of any new carbon reduction pathways, including all relevant promised policies, even if they have not yet been implemented, the uncertainty and physical risks associated with climate change are relatively high for countries that respond to climate change based on their own conditions and measures.
Disorderly transition	Delayed transition	If no emissions reduction measures are taken globally before 2030, stringent policies will need to be implemented thereafter to limit global warming to below 2° C.
	Nationally Determined Contributions(NDCs)	Countries are required to set and track their climate goals annually under the framework of the Conference of the Parties (COP).
Orderly transition	Net Zero 2050	Relative orderly pathway that achieves net-zero emissions by 2050, limiting temperature rise to below 1.5° C. However, deviations from industry-issued policies and acceleration in phasing out fossil fuels result in higher costs for achieving net-zero emissions.

■ SKL

Scope of analysis | Bonds, equities and long-term corporate loan

Scenario assumptions and parameters

Scenario	Affected Asset Scope	Geographical area	Forecast Period and Interval	Input Parameters		Output
				Scenario Parameters	Financial Parameters	
Current Policies	Bonds and stocks investments, as well as long-term corporate loans in industries highly vulnerable to climate risks	Americas, Asia, Europe, Oceania	2022-2050(annually)	<ul style="list-style-type: none"> • Energy Consumption • Energy Prices • Carbon Dioxide Emissions • Carbon Prices 	<ul style="list-style-type: none"> • Balance Sheet • Income Statement • Cash Flow Statement 	<ul style="list-style-type: none"> • Financial Impact • Financial risks (market risks, credit risks)
Nationally Determined Contributions (NDCs)						
Delayed transition						
Net Zero 2050						

Analysis results

After an overall evaluation of transition risks, it was found that there is minimal impact on the SKL 's operations in terms of credit rating changes and financial effects. However, to proactively address transition risks, SKL has incorporated climate risk factors into its investment and lending regulations to continue monitoring the impact of these risks on company operations. Before making investment decisions, careful evaluations of the climate change risks associated with the trading partners will be conducted. Post-transaction, continuous monitoring and management will be implemented.

Changes in credit ratings by climate scenarios

Asset Class	Scenario	Short Term (2030)	Middle Term (2040)	Long Term (2050)
Bonds	Current Policies	The average downgrade is 0 to 1 credit ratings.	The average downgrade is 0 to 1 credit ratings.	The average downgrade is 1 to 2 credit ratings.
	NDCs	The average downgrade is 0 to 1 credit ratings.	The average downgrade is 0 to 1 credit ratings.	The average downgrade is 1 to 2 credit ratings.
	Delayed transition	The average downgrade is 0 to 1 credit ratings.	The average downgrade is 2 credit ratings.	The average downgrade is 2 to 3 credit ratings.
	Net Zero 2050	The average downgrade is 0 to 1 credit ratings.	The average downgrade is 1 to 2 credit ratings.	The average downgrade is 1 to 2 credit ratings.
Equities	Current Policies	<ul style="list-style-type: none"> Financial Impact Indicator: : EBITDA Margin Compared with 2023, the largest drop of EBITDA Margin of investment targets will be 6.64%. 		
	NDCs	<ul style="list-style-type: none"> Financial Impact Indicator: : EBITDA Margin Compared with 2023, the largest drop of EBITDA Margin of investment targets will be 4.71%. 		
	Delayed transition	<ul style="list-style-type: none"> Financial Impact Indicator: : EBITDA Margin Compared with 2023, the largest drop of EBITDA Margin of investment targets will be 27.21%. 		
	Net Zero 2050	<ul style="list-style-type: none"> Financial Impact Indicator: : EBITDA Margin Compared with 2023, the largest drop of EBITDA Margin of investment targets will be 19.37%. 		
Long-term corporate loans	Current Policies	<ul style="list-style-type: none"> No rating change Compared to 2023, the average increase in net profit for lending targets during the observation period was 0.89%. 		
	NDCs	<ul style="list-style-type: none"> No rating change Compared to 2023, the average decrease in net profit for lending targets during the observation period was 22.63%. 		
	Delayed transition	<ul style="list-style-type: none"> No rating change Compared to 2023, the average decrease in net profit for lending targets during the observation period was 47.21%. 		
	Net Zero 2050	<ul style="list-style-type: none"> No rating change Compared to 2023, the average decrease in net profit for lending targets during the observation period was 14.69%. 		

Climate Risk Stress Tests

Based on the simulated scenario parameters from the above analysis, Shin Kong Life Insurance has classified its existing risk positions according to credit risk and market risk. Through stress tests, the impact of expected credit losses and market risk limits on such risk exposure has been calculated as follows:



Through evaluating the transition risk of industries affected by high climate change risk in the NGFS scenario, the expected credit losses under stress scenarios have been estimated by measuring changes in credit ratings, Probability of Default (PD), and Loss Given Default (LGD) of collateral positions affected by physical risks.



Based on the impact of specific transition risk in climate stress scenarios on the operations of stock and bond issuing companies, the execution method of the stress tests has estimated the extent to which the valuation results of stock and bond positions are affected under the stress scenario.

Asset Class	Scenario	Financial Impact Estimated by Stress Tests on SKL	
Bonds	Current Policies	Credit risk	Credit losses expected to increase by 0.64% compared to the end of 2023
		Market risk	Financial impact losses representing approximately 0.16% of the total value of bonds at the end of 2023
	NDCs	Credit risk	Credit losses expected to increase by 0.63% compared to the end of 2023
		Market risk	Financial impact losses representing approximately 0.13% of the total value of bonds at the end of 2023
	Delayed transition	Credit risk	Credit losses expected to increase by 0.64% compared to the end of 2023
		Market risk	Financial impact losses representing approximately 0.16% of the total value of bonds at the end of 2023
	Net Zero 2050	Credit risk	Credit losses expected to increase by 1.88% compared to the end of 2023
		Market risk	Financial impact losses representing approximately 0.22% of the total value of bonds at the end of 2023
Equities	Current Policies	Market risk	Financial impact losses representing approximately 0.23% of the total value of equities at the end of 2023
	NDCs	Market risk	Financial impact losses representing approximately 0.22% of the total value of equities at the end of 2023
	Delayed transition	Market risk	Financial impact losses representing approximately 0.22% of the total value of equities at the end of 2023
	Net Zero 2050	Market risk	Financial impact losses representing approximately 0.48% of the total value of equities at the end of 2023

Note: In the scenario analysis of long-term corporate lending, as the loan tenure as of the baseline date is restricted by the benchmark data and the financial condition of the lending target, an increase in default rates among lending targets due to the potential impact of transition risks has not been observed.

• Response measures

Overall, the stress test results indicate that the financial impact of climate transition risk is limited and falls within acceptable levels for SKL. Nevertheless, to effectively manage and mitigate the impact of climate risks, SKL will undertake corresponding measures, such as adjusting selection criteria for establishing new positions and moderately adjusting existing position portfolios. Moreover, through climate-related policies and regulations, climate change-related risks will be incorporated into risk appetite statements, and regular climate stress tests will be conducted to assess both positive and negative impacts on various business aspects. Regular reporting to the board will be carried out to maintain a robust climate governance framework.

■ SKB

Scope of analysis | Investment and lending portfolios

Analysis and results

Based on the portfolios at the end of 2023, SKB performed FSC's climate change scenario analyses by counterparties. The results are as follow:

Distribution of transition risk levels for domestic and overseas investment and lending portfolios

Transition risk levels Position	Low	Medium-low	Medium	Medium-high	High
Domestic and overseas investment and lending portfolios	56.6%	23.0%	6.2%	6.3%	7.9%

The table above displays that SKB's borrowers and investee companies face limited impact on revenue loss due to transition risks. The financial impact on SKB remains manageable.

Analysis of borrowers in carbon-intensive industries

SKB identified 52 borrowers at the end of 2023 who are large carbon emitters regulated by the Environmental Protection Administration. We plan to use the Global Change Analysis Model (GCAM5.3) to estimate their carbon emissions at various points in time and calculate the carbon cost in different scenarios. The carbon cost will be entered into the bank's internal credit rating model to observe changes in credit ratings, calculate expected credit risk loss rates, and determine the loss amount. The main scenarios are as follows:

Climate Scenarios	Financial Impact under Climate Scenarios in 2050
Current Policies	Among the large carbon emitter borrowers, there were 2 downgraded by one level, resulting in an expected credit risk loss of about NT\$349,000
Net Zero 2050	Among the large carbon emitter borrowers, there were 5 downgraded by one level, 2 downgraded by two levels, 4 downgraded by three levels, and 3 downgraded by four levels, resulting in an expected credit risk loss of about NT\$3,976,000

Note: Carbon-intensive enterprises managed by the Ministry of Environment were identified based on the list of high-carbon emitting companies announced by the ministry in 2022.

From the above table, it can be observed that for SKB, the increase in expected credit risk losses due to carbon pricing pressure on nationally managed high-carbon enterprises is limited. This demonstrates its ability to withstand the challenges of climate change and successfully implement transition measures.



Carbon-Intensive Industries Identified by the Hong Kong Branch

Given the absence of a public data platform providing relevant corporate carbon emissions information in Hong Kong, the Hong Kong branch identified two credit clients classified under carbon-intensive industries by the end of 2023. Through external data providers, carbon emission data from listed companies in China and Hong Kong were selected as samples to estimate the average carbon intensity for each carbon-intensive industry. The Hong Kong branch assessed the transition risks faced by clients classified as carbon-intensive industries as of the end of 2023. By integrating revenue data from counterparties, the branch calculated the carbon emissions at the counterparty level. These figures were then input into the head office’s carbon pricing pressure model to calculate the expected changes in credit ratings, credit risk loss rates, and associated loss amounts at both the counterparty and industry levels for 2030 and 2050. Based on the analysis results, the financial impacts on the two credit clients classified under the head office’s carbon-intensive industries are outlined as follows under the Nationally Determined Contributions (NDCs) and Net Zero 2050 climate scenarios for 2030 and 2050:

Climate Scenarios	Financial Impact under Climate Scenarios in 2030
NDCs	The two credit clients classified under the head office’s carbon-intensive industries maintained their credit ratings
Net Zero 2050	The two credit clients classified under the head office’s carbon-intensive industries saw their credit ratings downgraded by two and three levels, respectively, with an expected increase in credit risk loss of approx. NT\$ 2,676,000

Climate Scenarios	Financial Impact under Climate Scenarios in 2050
NDCs	The two credit clients classified under the head office’s carbon-intensive industries maintained their credit ratings
Net Zero 2050	The two credit clients classified under the head office’s carbon-intensive industries saw their credit ratings downgraded by three and four levels, respectively, with an expected increase in credit risk loss of approx. NT\$ 2,713,000

Based on the abovementioned, the branch has incorporated relevant climate risks into its internal climate risk management framework. Climate risks associated with investees and borrowers are carefully evaluated before transactions, with continuous risk monitoring conducted post-loan. Relevant data will be regularly reported to the head office.

■ MLS

Scope of analysis | Companies given guidance on underwriting services and investees

Analysis and results | Selected assessment targets and scenarios

For MLS, the assessment targets included self-owned investment targets as of the end of 2023, including domestic stocks listed on TWSE/TPE, emerging stocks, overseas stocks, domestic corporate bonds, bills, and risk-offset positions for convertible bonds, as well as companies given guidance on underwriting services. Based on the climate change scenario framework REMIND-MAgPIE published by the NGFS, three scenarios: Current Policies, Delayed Transition, and Net Zero 2050, were considered with parameters such as carbon pricing and decarbonization rates to estimate the transition impact on investee companies.

Asset Category	Climate Scenarios	Financial impacts by climate scenarios
Investment portfolios	Current Policies	By 2030, expected potential losses are around 0.01% of the MLS's net worth as of the end of 2023
		By 2050, expected potential losses are around 0.03% of the MLS's net worth as of the end of 2023
	Delayed transition	By 2030, expected potential losses are around 0.32% of the MLS's net worth as of the end of 2023
		By 2050, expected potential losses are around 1.07% of the MLS's net worth as of the end of 2023
	Net Zero 2050	By 2030, expected potential losses are around 8.60% of the MLS's net worth as of the end of 2023
		By 2050, expected potential losses are around 8.80% of the MLS's net worth as of the end of 2023

Note: Starting from 2023, the scope, scenarios, and parameters for assessing transition risks are calculated in accordance with the definitions established by the Taiwan Securities Association.

• Response Strategy

Through the NGFS scenarios assessment above, the simulation analysis of the transition risks faced by investment positions in 2030 and 2050 reveals that the expected potential losses under the Current Policies, Delayed 2° C, and Net Zero 2050 scenarios amount to about 0.01% to 8.80% of the net worth of MLS at the end of 2023, indicating that the financial impact remains within manageable limits.

3-6-4 Supply Chain Risk Disaster Risk Analysis

• Analysis and results

In order to understand the operating impact of suppliers under climate change to help SKFH assess the impact on procurement management, we conduct flood and landslide disaster risk identification in RCP4.5, RCP6.0, and RCP8.5 scenarios for upstream suppliers. The analysis results show as follows:

1. Under the scenarios of RCP4.5 and RCP6.0, the number of suppliers located in high-climate risk areas is the minority, and the ratio of their purchase amount to the total purchase amount is only about 1.9%.
2. Under RCP8.5, the number of suppliers with a high risk of flooding and landslides increased, and the ratio of their purchase amount to the total purchase amount rose to 9.7%.
3. After assessment, most of the physical climate risks have no significant financial impacts on our company's upstream suppliers under the above three scenarios, and only the flooding risk under the RCP8.5 scenario has a slight impact on SKFH.

The ratio of the purchase amount of suppliers with high risk of flooding and landslides to the total purchase amount of SKFH under the scenario simulation.

Disaster Risks \ Scenario	RCP 4.5	RCP 6.0	RCP 8.5
Flooding	0%	1.5%	8.5%
Landslide	0%	0.4%	1.2%

Industrial Sector Emissions in 2021		Industrial Sector GDP in 2023 (NT\$ million)	SKFH Purchase Amount in 2023 (NT\$ million)		Carbon Fee Cost (NT\$ million)					
Industrial Sector	Emissions (million tCO ₂ e)		Purchase amount	Percentage of GDP	Scenario 1 Current Policies		Scenario 2 Delayed Transition		Scenario 3 Net Zero 2050	
					2030	2050	2030	2050	2030	2050
Agriculture/Forestry/Fishery/Animal husbandry	1.3	346,944	-	0%	-	-	-	-	-	-
Industry	239.9	8,571,285	4,259	0.050%	20.7	23.8	20.7	1,702.9	652.7	2,370.8
Service	41.9	14,364,180	2,127	0.015%	1.1	1.2	1.1	88.6	34.0	123.4
total	283.1	23,282,409	6,386	0.027%	21.7	25.0	21.7	1,791.6	686.6	2,494.2

Note 1: Exchange rate conversion based on SKB's USDTWD spot sell rate on December 29, 2023, at 30.775.

Note 2: Industrial sector emissions data sourced from the latest annual data on total emissions in 2021 revealed in the Ministry of Environment's "National GHG Emissions Inventory Report (2023 Edition)"; industrial sector GDP data from the Ministry of Economic Affairs' statistical database.

Note 3: Carbon fee cost model and parameters sourced from NGFS V4.1 [REMIND-MAGPIE 3.2-4.6] database.

Note 4: Carbon fee cost = Industrial sector emissions * (SKFH purchase amount / Industrial sector GDP) * Scenario carbon fee.

• Response measures

SKFH will conduct supplier on-site audits and supplier conferences to recommend suppliers with higher flooding risks to install flood control equipment, establish business continuity planning, etc., to avoid possible losses caused by climate risks.

Transition risk- carbon price

• Analysis and Result

In response to the international trend of promoting net zero emissions, many countries have successively indicated that they will implement a carbon pricing system in the future, and Taiwan is predicted to implement a carbon fee mechanism from 2024. In order to understand the financial impact of the suppliers that we cooperate with under the carbon tax or carbon fee collection policy in the future, and to evaluate the company's potential transition risks, we simulate the failure of major suppliers to develop new energy-saving and carbon-reduction technologies based on three scenarios of the Network of Central Banks and Greening the Financial System (NGFS). As the implementation of the policy leads to the increase of carbon costs and the increase of suppliers' operating expenses, we assume that suppliers will transfer all the carbon costs to Shin Kong Group's purchase expenses.

Scenario		Current Policies		Delayed Transition		Net Zero 2050	
Year		2030	2050	2030	2050	2030	2050
Financial Impact	Carbon Fee Parameter	173	199	173	14,288	5,476	19,891
	Potential increase in annual purchase costs (NT\$ million)	22.2	25.6	22.2	1,804.5	702.6	2,552.2
	Increase in purchase amount compared to 2023(%)	0.3%	0.4%	0.3%	28.3%	11.0%	40.0%

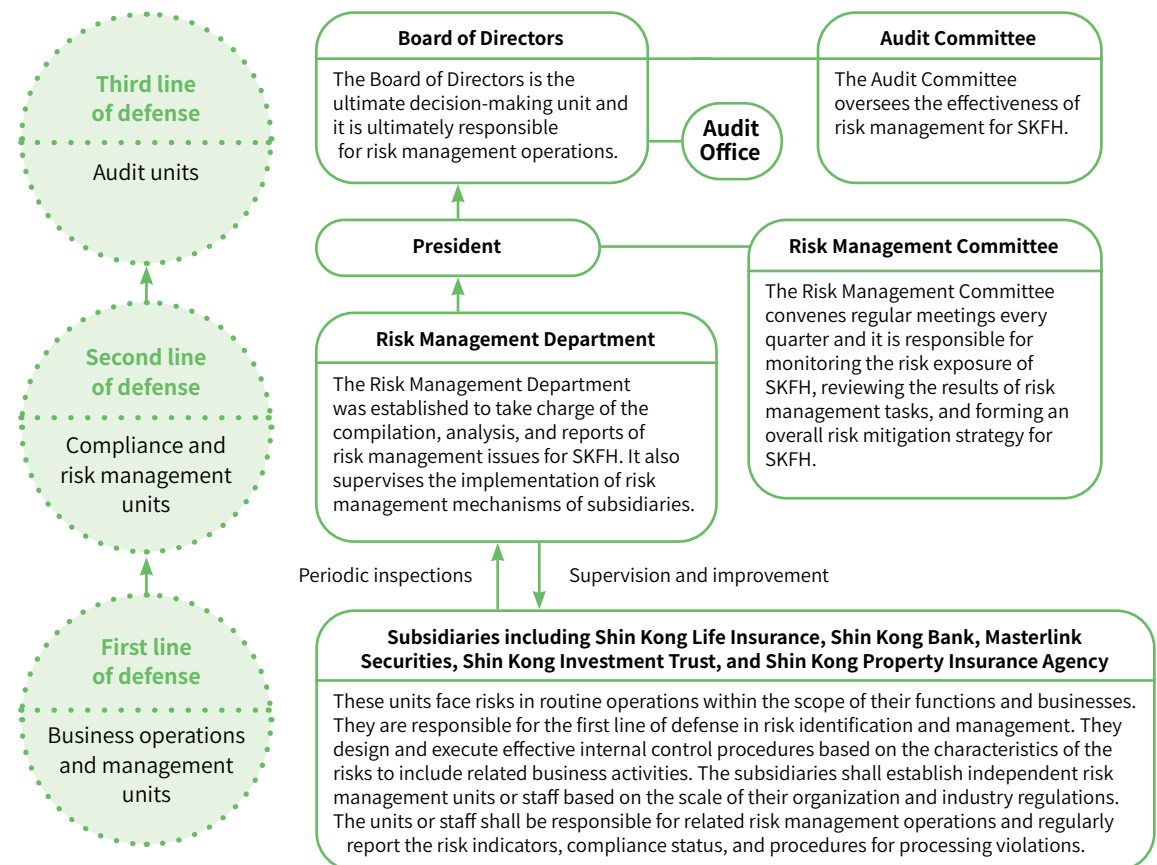
04 Risk Management

4-1 Enterprise Risk Management Process and Policy for Climate Change and Nature-Related Issues

4-1-1 Three Lines of Defense

SKFH has adopted strategic risk management concepts for evaluation and decision-making. In addition to compliance with related laws and regulations, we also established a comprehensive "Risk Management Policy," "Risk Management Regulations," and other integrated risk management rules. We aim to adopt a comprehensive risk management system, management organization, and control measures to keep the risks in operations within a tolerable range to protect assets of the Company and customers, increase value for shareholders, and maximize benefits for customers.

The highest decision-making unit for risk management in SKFH is the Board of Directors, which establishes an Audit Committee subordinate to the Board of Directors. The Audit Committee is composed of independent directors and is responsible for supervising the effectiveness of group-wide risk control. To implement risk control and management operations, SKFH has also established the Risk Management Committee and a dedicated risk management department responsible for risk management for SKFH as a whole. In addition, we have also adopted three lines of defense in our internal controls to ensure the effectiveness of our risk management mechanisms. The structure is as follows:



4-1-2 Climate Change and Nature-Related Risk Management Policy and Guidelines

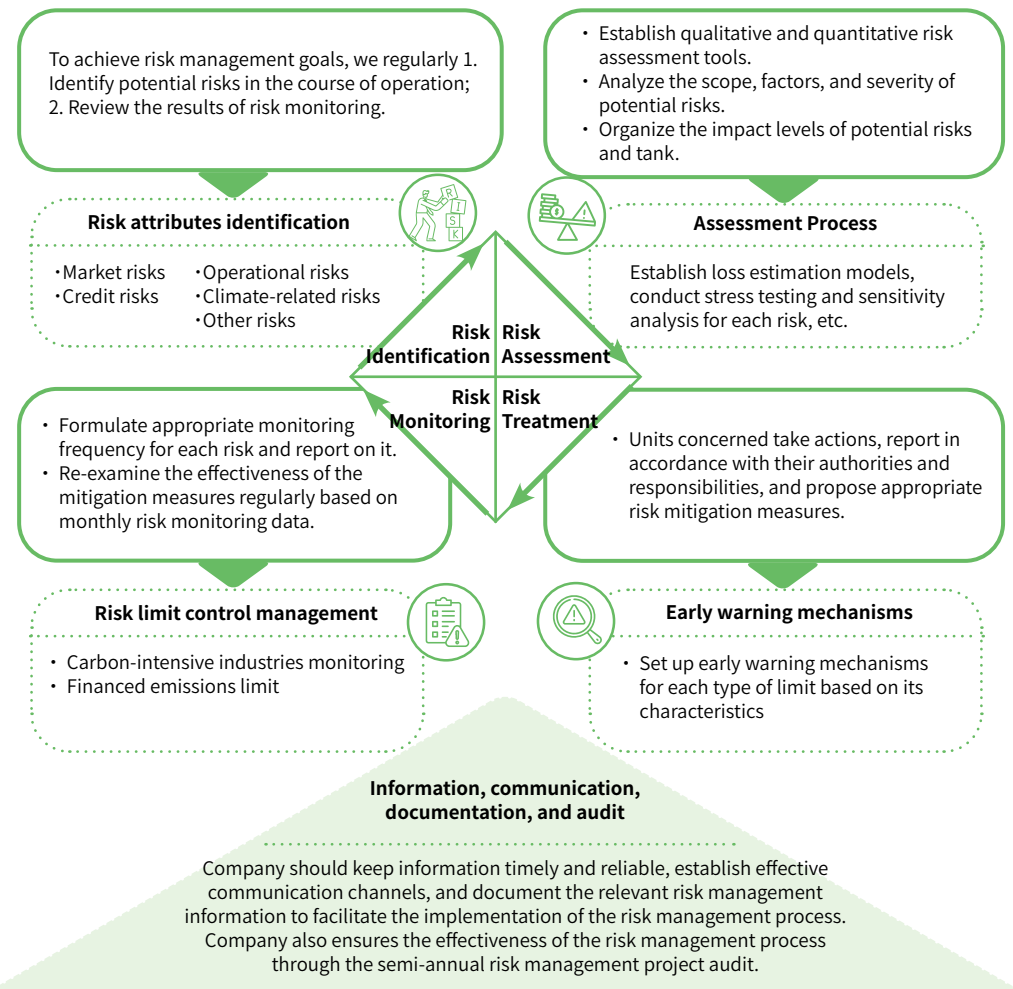
SKFH incorporates climate risk and nature risk management and implementation guidelines into the "Sustainable Financial Policy" and "Risk Management Policy", and we continue to improve the interaction between various risk management aspects of the financial industry and climate change risks, update and revise the Group's sustainable financial policies and various risk management methods, define power and responsibility units, risk identification, risk measurement and supervision and control mechanisms, to strengthen climate- and nature-related risk management.

Policy	Focus specification
Risk Management Policy	Incorporate climate-related risk and nature-related risks into SKFH risk management policy
Sustainable Finance Policy	<ul style="list-style-type: none"> In the investment, lending, and life insurance decision-making processes of SKFH and its subsidiaries, ESG factors should be included. Through the analysis of public and non-public information, careful evaluation of the comprehensive ESG performance of counterparties should be conducted as an important consideration for transactions. Environmental factors, particularly climate change, biodiversity, and environmental pollution issues, should be emphasized. For industries with high carbon emissions, such as thermal coal and unconventional oil and gas, the negative impact of climate change on counterparties should be carefully reviewed. For the above-mentioned industries, after inspection, those included in the exclusion list shall not be allowed to add new transactions without any improvement. A goal of zero coal investment and lending by 2045 has been established.

Guideline	Focus specification
Risk Management Guideline	<ul style="list-style-type: none"> State the definition of climate-related risks Identify, measure, monitor and control principles
Financed Emissions Management Guideline	<ul style="list-style-type: none"> Regularly review the counterparties of thermal coal and unconventional oil and gas transactions every year, and the related business revenue exceeding 50% of the total revenue will be prioritized for engagement.
Large Exposure Management Guideline for Single Country, Region and Industry	<ul style="list-style-type: none"> Set the exposure limits for investment and lending positions in high carbon-intensive industries, and monitor them monthly.
Greenhouse Gas Reduction and Carbon Pricing Management Measures	<ul style="list-style-type: none"> Set annual GHG emission reduction targets for Scope 1 and Scope 2 emissions within subsidiaries, and track reduction performance quarterly to encourage energy conservation and carbon reduction.
Business Continuity Management Measures	<ul style="list-style-type: none"> Conduct regular operational impact analyses and risk assessments Develop advance response measures and recovery plans

4-1-3 Risk Management Process and Identification Results

To ensure that SKFH attains the goal of "optimization of risks and returns", SKFH utilizes management procedures such as risk identification, risk measurement, risk response, and risk monitoring. Through these procedures, SKFH established integrated or individual risk measurement tools for main risk factors (e.g., market risks, credit risks, operational risks, and climate-related risk) in accordance with the requirements of adequate capital within the group, taking into consideration related laws and regulations as well as the nature of their businesses. We also established related risk control regulations, risk limits, early warning mechanisms, and other related regulations.



4-2 Investment and Lending Risk Management

Carbon-intensive Industries Management Measures

In order to effectively achieve the goal of financial decarbonization, apart from complying with the Principles for Responsible Investment and Equator Principles, SKFH has established high carbon-intensive industry management guidelines to help the investment and lending department of the subsidiaries to manage climate risks. The content defines the scope of high carbon-intensive industries and high climate-risk industries, investment and lending exposure limits, monitoring frequency, and early warning mechanisms. The applicable business scope includes all new and existing investments, corporate loans, and project finance.

The subsidiaries shall implement “Know Your Customer” through pre-investment and pre-loan due diligence, and assess the transaction according to the carbon emissions of the counterparty and industry. After the transaction, we also shall adjust the transaction strategy based on regularly monitoring the improvements of the investee and lending companies for effectively achieving the goal of financial decarbonization.

Management Scope and Mechanisms of high carbon-intensive industries

Restricted high carbon-intensive industries	<ol style="list-style-type: none"> 1. Thermal coal and Unconventional Oil and Gas industries. 2. Oil & Gas), Electric Utilities, Coal Power in the Majority, Steel, Chemical, Construction Materials, Transportation & Logistics, and Metal Manufacturing.
Management mechanisms	<ol style="list-style-type: none"> 1. Before the business unit conducts investment and lending activities, for high carbon-intensive industries, such as thermal coal, unconventional oil and gas, etc., the negative effects on climate change of the counterparties shall be carefully reviewed. The counterparties shall be encouraged to adopt related measures to reduce climate-related risks. 2. New transactions may decline for the high carbon-intensive industries in the exclusion lists until their improvements have been approved. In addition, the counterparties in thermal coal and unconventional oil and gas industries are reviewed every year. If the counterparty’s revenue from thermal coal or unconventional oil and gas exceeds 50% of its total revenue, then engagement shall be conducted following the SKFH’s Engagement Policy. 3. Set the exposure limits of investments and lending portfolios in high carbon-intensive industries, and monitor them monthly.

Note 1. Thermal coal and unconventional oil and gas industries include coal mining, coal-fired power plant, coal infrastructure; refining and marketing, exploration and production, and infrastructure of tar sands, shale oil and gas, Arctic oil and gas resources, unconventional liquefied natural gas, ultra-deep-water oil and gas.

Note 2. Electric Utilities include coal-fired power plant, and electric transmission & distribution.

Note 3. Construction Materials include cement and construction aggregate.

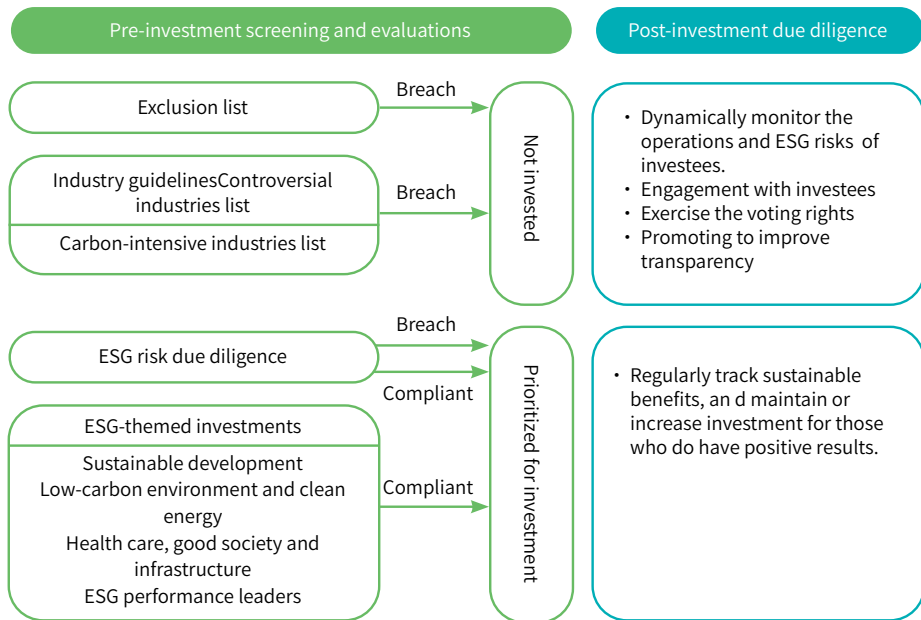
4-2-1 Responsible Investment and Lending 4-2-1-1 Responsible Investment and Lending

SKFH’s subsidiaries follow SKFH’s sustainable finance policy to formulate relevant sustainable investment policies to put responsible investment into practice. They integrate ESG factors into the existing investment evaluation and decision-making process.

Before investment, ESG risks and opportunities due diligence must be conducted and evaluated prudently for all targets. Any targets included in the exclusion list should be avoided. In addition, sector specific guidelines have been formulated for controversial and carbon-intensive industries. After check, we must use the sector specific guidelines as a basis for deciding whether to engage with the listed entities. Only those who comply with the guidelines are eligible for business transactions.

After the investment, in order to reduce climate-related risks and improve post-investment ESG management, we are actively involved in post-investment due diligence management, monitor the investee companies’ operating and financial performance as well as ESG risk events dynamically. Regarding high ESG risks and carbon-intensive companies, we proactively engage and encourage them to strive for transition and achieving net zero emission.

Responsible Investment Process



4-2-1-2 Responsible Lending

SKB has not only adhered to SKFH's "Sustainable Finance Policy," but also formulated its own "Sustainable Lending Policy" based on relevant international standards such as the United Nations SDGs, PRB, and the EPs. SKB conducts due diligence and Know Your Customer (KYC) procedures for borrower companies to fully assess the potential impact in every ESG aspect. In order to promote green finance, SKB sets the growth rate of lending in ESG-related companies as a key performance indicator. The Bank also commits to working with borrower companies, financial peers, and business partners to achieve sustainable financial development and fulfill corporate social responsibility.

Incorporation rate of ESG risk factors in for corporate lending assessment 100%

4-2-1-2-1 Signed of the Equator Principles

SKB signed the Equator Principles on October 1, 2021. In 2022, SKB established and implemented the "Equator Principles Lending Guidelines" in its internal lending procedures. For all new or renewed lending cases, the "Equator Principles and ESG Lending Checklist" must be filled out during the credit application process. By incorporating the Equator Principles into the lending review process, SKB can effectively manage the environmental and social risks in actual operations and promote green finance.

The SKB divides large project financing cases subject to the Equator Principles into the four categories:



The lending review team will evaluate 18 environmental and social risk factors individually and commission an independent third-party consulting firm to issue an environmental and social risk assessment report. Finally, risks will be classified as A, B, or C according to the total evaluation score, and subsequent corresponding review and post-loan management will be carried out according to each category.

Rating	Environmental and social risk level description	Approved	Declined
A	High-risk level with potential significant adverse impact on the environment and society or involvement in diverse, irreversible, or unprecedented impacts.	0	0
B	Medium-risk level with potential adverse impact on the environment and society that is limited or confined to specific locations, and can be reduced or negated through mitigation plans.	1	0
C	Low-risk level with minor or non-existent impact on society and the environment.	1	0

4-2-1-2-2

ESG factors are incorporated into the credit checking and lending approval process

SKB formulated the "Sustainable Lending Policy", incorporating ESG factors into the credit checking and lending approval process. SKB invested in building the "Green Lending," "Sustainability Performance-Linked Lending," and "Equator Principles Lending" sections in its e-loan system, allowing for regular tracking of sustainable lending performance and the submitting the information to the Joint Credit Information Center in Taiwan.

The Sustainable Lending Policy requires that ESG factors be incorporated into the credit checking and lending approval processes. About climate-related issues, the policy particularly targets carbon-intensive industries and other borrowers as follows:

1 For industries, businesses, or countries/regions with high ESG risks, exclusion lists are established. If a credit counterpart meets the following exclusion criteria, engagement should be avoided:

1. For industries involved in pornography, drug production, or controversial arms manufacturing
2. Countries or regions with serious deficiencies in anti-money laundering and counter-terrorism financing efforts.

2 For controversial industries or businesses, such as tobacco (excluding state-owned enterprises), gambling (excluding those with legal permits), fur trading, and tropical deforestation, due diligence investigation on ESG risks should be conducted and carefully evaluated for credit counterparties. Transaction decisions should be made based on their compliance with ESG guidelines. Only those who comply with the guidelines are eligible for business transactions.

Carbon-intensive industries or businesses include but not limited to steel manufacturing, cement manufacturing, coal, and unconventional oil and gas-related industries.

3

1. Coal-related industries: Including coal mining and equipment, coal trading and coal-fired power generation, and coal transportation.
2. Unconventional oil and gas-related industries: Including tar sands, shale oil and gas, Arctic oil and gas, ultra-deep-water oil and gas (depth exceeding 5,000 feet), and liquefied natural gas extraction from unconventional fossil fuels.
3. Investment in these high carbon industries or businesses should undergo ESG risk due diligence based on sector specific guidelines. Climate change risks and their negative impacts should be carefully examined for credit counterparties. Proactive engagement and encouragement of mitigation measures should be taken to reduce climate-related risks associated with credit counterparties.

4

For lending cases applicable for the Equator Principles, environmental and social risk assessments should be conducted in accordance with the "Equator Principles Lending Guidelines"

5

Sustainable economic activities with a positive ESG impact or contributions, or those that meet the criteria of Taiwan's "Reference Guide for Identifying Sustainable Economic Activities" may be prioritized for evaluation to promote borrowing enterprises' transition to carbon reduction and sustainable development. This includes green or renewable energy, circular economy, or pollution prevention industries.

6

Loans with significant ESG impact, such as green loans and sustainability performance-linked loans, may be prioritized for appropriate lending assistance and preferential terms to encourage borrowing companies to use funds for projects that create positive environmental or social benefits.

4-2-1-2-3 Post-loan management and tracking

SKB follows the "Management Regulations of Lending Review and Tracking" and the "Lending Review Procedures" in its routine and ad-hoc tracking and management activities to maintain a good credit asset quality.

1

Continuous monitoring of the operational activities of the borrower is necessary to identify any significant negative climate-related impact events. Any negative impacts found require investigation into the specific improvement plan and monitoring of the implementation by the enterprise. If there is no significant improvement, it may be necessary to adjust the dealing strategy with the loaner, including but not limited to changing lending terms, acceleration, or recalling the loan.

2

For lending cases applicable for the Equator Principles, the improvement on the environmental and social risks of the borrower should be continuously monitored and managed after loaning in accordance with the tracking items specified in the contract.

3

In the event of an anomaly that requires a "Borrower Anomaly Report Form," such as violation of environmental laws and other dishonest behaviors, the Form must be filled out as part of the reporting process to facilitate immediate and effective response.

4

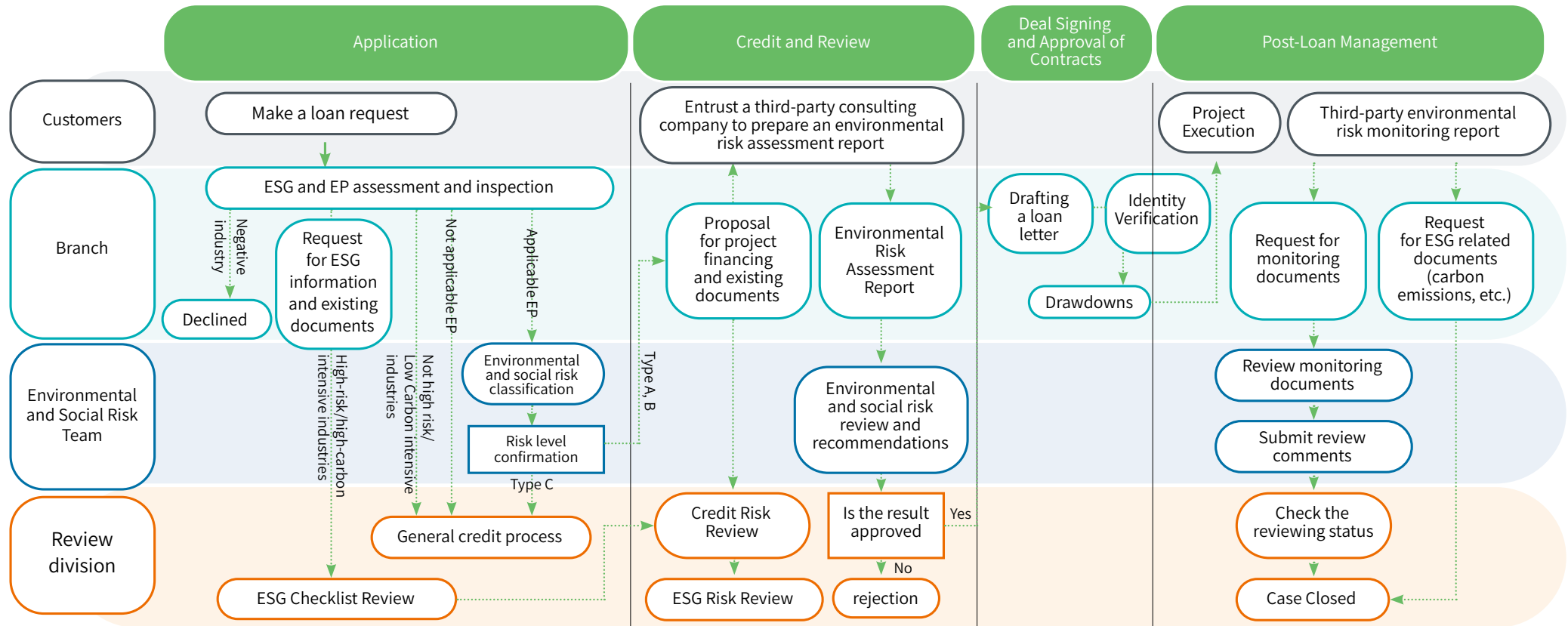
Anomalies with an evaluated borrower will be reported in a step-by-step manner. Depending on the severity of the situation, appropriate measures will be taken, which may include:

- (1) Temporary suspension of credit facilities until further discussions on the borrower's creditworthiness.
- (2) Suspension of credit facilities and request for principal and interest in full payment or in installments, or additional collaterals.
- (3) Continued usage of credit facilities with the requirement for the borrower to provide additional collaterals.

5

Inspections of significant disciplinary matters is included in the Corporate Banking Department's warning system for monitoring and processing.

Process for sustainable credit checking, lending and post-loan management



4-3 Insurance Product Risk Management

SKL is actively fulfilling its commitment to the United Nations Environment Programme Finance Initiative (UNEP FI) by adhering to the Principles for Sustainable Insurance (PSI). Following the TCFD guidelines, we integrate environmental, social, and governance issues into our insurance product decisions, proactively developing sustainable insurance solutions to help policyholders address environmental changes and other challenges.

Product Design

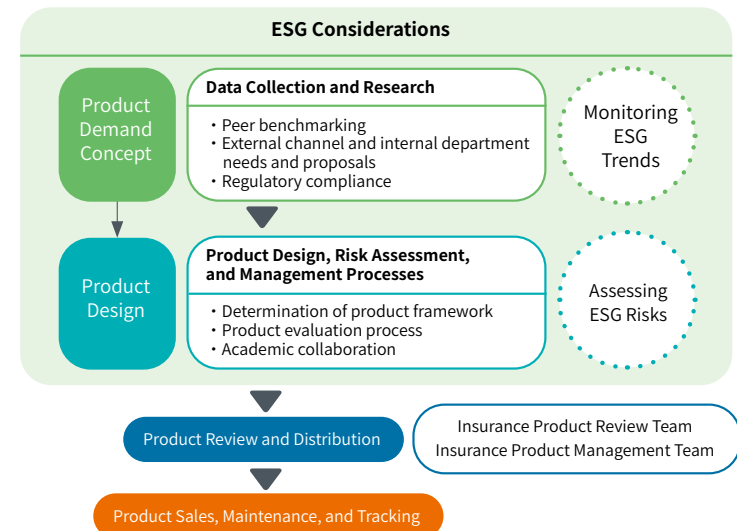
- We incorporate ESG considerations into the product development process, establishing inclusive product measurement mechanisms that offer insurance products tailored to meet the lifecycle needs of individuals.
- Through the "Insurance Product Management Team" and the "Insurance Product Review Team," we conduct sales reviews and post-sale follow-ups for products.

Sales and Promotion

- SKL ensures that the design, sales, and promotion of all products comply with legal requirements for information disclosure. Product terms are drafted based on the regulatory templates and undergo statutory review processes. We also design product brochures and videos to be highly readable.
- In line with the "Regulations Governing Public Disclosure of Information by Life Insurance Enterprises," we provide sample policy terms and conditions on our official website's information and product section.
- Our solicitation management follows the "Management Regulations for Product Sales and Promotional Materials" to ensure that all product descriptions are fully transparent, safeguarding consumer rights to information.
- With the established "Solicitation Handling System and Procedures," we have implemented internal regulations with strict oversight to ensure that business units and agents provide accurate and truthful advertising information to avoid compromising policyholder interests.
- The "Insurance Agent Anti-Fraud Risk Management Model" was launched to detect abnormal solicitation behavior, preventing misappropriation of premiums, improper marketing, and undue persuasion of policyholders.
- In 2023, three cases of non-compliance with marketing and communication regulations were identified. All were reviewed, with specific improvement measures implemented. SKL have strengthened the solicitation quality control system and publicly disclosed these cases under Information Disclosure - Other Matters Required to Be Disclosed.

Underwriting

- SKL's underwriting operations comply with the "Underwriting System and Procedures" and the "Underwriting System and Procedures for Offshore Insurance Units."
- We have established an "Underwriting Risk Classification Model," utilizing big data to manage underwriting risk. By combining historical claims data with underwriting experience and leveraging data mining techniques, we identify high-risk clients in practical operations and conduct random medical checks.
- For elderly policyholders, in alignment with the nature of insurance products and the principle of fair treatment, our underwriters take proactive care during the underwriting process. They conduct thorough assessments of the applicant's suitability for the policy and evaluate their ability to recognize any potential risks to their own interests. This approach positions our underwriters as guardians for elderly clients, helping to prevent instances of elder exploitation.
- In response to inclusive finance policies, we ensure there is no unfair treatment in underwriting based on specific applicants or if the insured individuals have physical or mental disabilities.



4-4 Operational Risk Management

SKFH has established the "Business Continuity Management Measures" to ensure the effective operation of our business continuity management system. These measures outline the planning, development, implementation, monitoring, review, maintenance and continuous improvement of the system. The goal is to pre-plan response and recovery measures so that, in the event of a significant operational disruption, the Company is prepared to respond, recover, and restore operations efficiently. This minimizes the likelihood or severity of operational disruptions and safeguards the interests of all stakeholders, ensuring business continuity of operations (BCM). Subsidiaries have also established relevant procedures. For example, SKL has developed operational continuity management guidelines and related regulations. It has obtained international certification from the British Standards Institution (BSI) for the ISO 22301 Business Continuity Management System (BCMS). Through operational impact and risk analysis, critical operational activities and the resources needed for recovery (e.g., personnel and equipment) are identified, and recovery strategies and business continuity plans (BCP) are formulated.

For uninterrupted information systems:

- ▶ An off-site backup environment and backup system are in place, ensuring a synchronization mechanism between the data files of the information center and the off-site backup center for critical information and files.

- ▶ The computer rooms are energy-efficient and equipped with redundancy measures to reduce the risk of service disruption due to environmental issues in the facility (such as failures in cooling systems or electrical circuits.)

- ▶ A Tier 5 off-site backup environment has been implemented.

- ▶ A dedicated disaster response team for information services has been established to create standard operating procedures for critical service systems, manage anomalies, and conduct biannual disaster prevention drills.

05 Metrics and Targets

5-1 Climate Metrics and Targets Net-Zero Carbon Emissions Commitment

SKFH has long advocated and invested in environmental sustainability actions. We value environmental and climatic impacts in operating activities and respond to the United Nations Sustainable Development Goals (SDGs). We harness our core competencies and take real actions to reduce negative impact on the environment and promote sustainable development for the society.

By 2050, achieving net zero emissions has become a global consensus. SKFH and its subsidiaries are committed to implementing various decarbonization measures and renewable energy procurement projects. Through low-carbon operations, we aim to promote the reuse of water resources, waste recycling, and financial decarbonization efforts, all in pursuit of creating a sustainable future for the next generation.

Sustainable Issue	2023 Indicators	2023 Achievement	Short-term Goals (2024)	Mid- and Long-term Goals (2027-)
Climate Action	<ul style="list-style-type: none"> Scope 1 and Scope 2 carbon emissions to decrease by 4.2% Scope 3 carbon emissions to decrease by 4.2% 	<ul style="list-style-type: none"> Scope 1 and Scope 2 carbon emissions reduced by 8.98% compared to 2022 Scope 3 carbon emissions reduced by 8.75% compared to 2022 	<p>Net Zero Plan</p> <ul style="list-style-type: none"> Scope 1 and Scope 2 emissions reduced by 8.4% totally 	<p>Net Zero Plan</p> <ul style="list-style-type: none"> Headquarters and main office locations to achieve net zero by 2030 By 2030, Scope 1 and Scope 2 emissions to decrease by 42% compared to 2022 (SBT), By 2030, the reduction target for Scope 3 emissions is 42%, with a specific focus on reducing emissions from fuel and energy-related activities by 20%.
	<ul style="list-style-type: none"> Joining SBTi (Financial Decarbonization) 	<ul style="list-style-type: none"> Established net-zero emissions and financial decarbonization goals, completed carbon reduction path plans for 15 investment and lending portfolios in SBT Scope 1, Scope 2, and Scope 3 categories and submitted them for review; related goals were reviewed and approved in February 2024. 	<p>Financial Decarbonization</p> <ul style="list-style-type: none"> To achieve a ratio of 30% of investment and lending engagement Emission intensity (kg CO₂e/MWh) for newly contracted power generation industry corporate loans lower than the 2030 emissions intensity target (314.7kgCO₂e/MWh) Emission intensity (kg CO₂e/MWh) for newly contracted power plant project loans lower than the 2030 emissions intensity target (178.9kgCO₂e/MWh) Emission intensity (kg CO₂e/m²) decreased by 13.8% for commercial real estate loans 	<p>Financial Decarbonization</p> <p>In 2027,</p> <ul style="list-style-type: none"> Percentage of listed stocks and bonds achieving SBTs reaches 50.3%. Percentage of fossil fuel, service/commercial building, and other long-term loans achieving SBTs reaches 31.6% <p>In 2030,</p> <ul style="list-style-type: none"> Emission intensity (kg CO₂e/MWh) decreased by 40.8% for power generation industry corporate loans. Emission intensity (kg CO₂e/MWh) decreased by 52.1% for power plant project financing Emission intensity (kg CO₂e/m²) decreased by 49.8% for commercial real estate loans
Low-Carbon Operation	<ul style="list-style-type: none"> Electricity decreased by 4.2% Total water consumption decreased by 8% Per capita waste generation decreased by 8% 	<ul style="list-style-type: none"> Overall electricity consumption (including purchased green energy of 940,900 kWh and self-generated 12,520 kWh) reduced by 6.45% Total water consumption increased by 9.0% compared to the baseline year Per capita waste generation decreased by 56.54% compared to the baseline year Has obtained 6 labels for green buildings and 1 pending labels for green buildings 	<ul style="list-style-type: none"> Cumulative reduction in general electricity consumption by 8.4%(including purchased green energy) Cumulative reduction in total water consumption and per capita waste generation by 10% 	<ul style="list-style-type: none"> Scopes 2 carbon emissions by 42% compared to the baseline year of 2022 by 2030 By 2025, total water consumption and per capita waste generation to decrease by 12% compared to 2019 Continuously acquire green building certifications

5-1-2 Decarbonization Strategy for Investment and Lending Portfolios

SBTi target setting

In response to the net-zero policy in Taiwan, SKFH has put the spirit of sustainable finance into practice. In 2022, we officially signed the Science Based Targets initiative (SBTi) commitment letter to join the international effort to reduce carbon emissions. Following the SBTi guidelines for financial institutions, we have developed decarbonization strategies and set the Science-Based Targets for our operations and lending and investment activities. The SBTs had submitted for validation in June 2023 and were approved by the end of February 2024.

In addition to reducing carbon emissions in our operations, SKFH has leveraged core functions to establish climate change mitigation and adaptation metrics and targets for investment and lending, with regularly tracking and implementing measures. The aim is to effectively manage climate risks and opportunities and support Taiwan's sustainable transition.

SKFH's SBTs and Achievements

	Target	Achievements in 2023
SBTs for Scope 1 and 2	<ul style="list-style-type: none"> Reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2022 base year. 	<ul style="list-style-type: none"> Scope 1: 3,479.89 tCO2e Scope 2 (Market-based): 25,183.23 tCO2e Total reduction 8.98 %

Target	Asset Class	Base year	Target year	Target	Achievements in 2023
SBTs for Scope 3 Investment	Electricity generation project finance	2022	2030	Reduce the electricity generation project finance portfolio GHG emissions 52.1% per MWh.	Decreased by 99.8%
	Corporate loan: Commercial real estate	2022	2030	Reduce the real estate loan portfolio GHG emissions 49.8% per square meter.	Decreased by 4.0%
	Corporate loan: Electricity generation	2022	2030	Reduce GHG emissions from the power sector within the corporate loan portfolio 40.8% per MWh.	Decreased by 13.7%
	Corporate loan: Other long-term debt	2022	2027	31.6% of the corporate loan portfolio by loan value set SBTi validated targets.	10.9% of the corporate loan portfolio by loan value set SBTi validated targets.
	Listed equity and corporate bonds (including ETFs and REITs)	2022	2027	50.3% of the listed equity and corporate bond portfolio by invested value set SBTi validated targets.	39.9% of the listed equity and corporate bond portfolio by invested value set SBTi validated targets.

5-2 The Exposure of High Carbon-intensive Industries

To avoid aggravating climate disasters, global warming must be controlled within 1.5 °C . "2050 Net Zero Emissions" has become a global target. The National Development Commission also announced the "2050 Net Zero Emissions Path" in 2022. Therefore, the market will transit to a low-carbon economy, and high GHG emitters will be gradually phased-out. The original investment and credit risk assessment methods will gradually become unsuitable for the low-carbon economy market, which may lead to the risk of loss of investment and lending income.

In view of this, SKFH examines the carbon emission situation of investment and lending portfolios in different asset classes and different industry categories, and further formulates management policies for high-carbon emission industries to assist investment and lending units of subsidiaries to control climate risks. The content covers the definition of high carbon emission industries and monitoring industries, investment and lending limits, monitoring frequency and early warning mechanism, etc. The applicable business scope includes all new and existing investments, financing and project financing, etc., which can be effectively achieved by monitoring high carbon emission industries. Sustainable Finance Decarbonization Goal.

The financed carbon emissions of investment and lending portfolios by industry

Industry	Percentage of investment and lending portfolios in 2023
Oil & Gas	3.5%
Electric Utilities (mainly coal-fired power generation)	2.7%
Steel	0.3%
Chemical	1.0%
Construction Materials	0.3%
Transportation and Logistics	1.1%
Metal Manufacturing	1.3%
Others	89.9%
Total	100.0%

5-3 Financed Emissions of Investment and Lending Portfolios

5-3-1 Financed carbon emissions and carbon intensity in the past four years

From 2021, SKFH has inventoried the financed emissions of its investment and lending portfolios across different asset and industry classes based on the calculation guidelines published by the Financial Stability Board, Science-based Targets initiative, Partnership for Carbon Accounting Financials and Category 15 Investment of GHG Protocol Scope 3. The total financed absolute emissions (in tCO₂e) and weighted average carbon intensity (tCO₂e/TWDMM, Revenue) are presented separately for each category, and the AA1000ASv3 Type 2 Moderate is used as the verification standard for related data.

SKFH's financed absolute emissions and financed emission intensity in the past four years				
Item	2020	2021	2022	2023
Coverage of portfolio inventory	99.4%	99.5%	99.5%	99.7%
Financed absolute emissions (tonnes CO ₂ equivalents)	2,502,233	2,948,148	2,442,865	2,228,128
Financed emission intensity (tonnes CO ₂ equivalents/TWDMM)	4.2	4.4	3.1	2.6

Note 1: The scope of the inventory is based on the required activities for setting SBT targets defined by the Science-Based Target Initiative (SBTi). In 2023, the inventory coverage of listed equity and bonds, fossil fuel loans, power supplier loans, power plant project financing (non-renewable energy) is 100%; long-term corporate loans (non-small and medium-sized enterprises) and the inventory coverage of commercial real estate building is more than 67%.

Note 2: Considering the financed emissions of commercial real estate is estimated by coefficients (converting electricity consumption and carbon emissions per unit floor area), so the above WACI calculation results do not include commercial real estate, but the calculated carbon footprint of commercial real estate is 0.64 tCO₂e/TWDMM

5-3-2 The financed carbon emissions by asset class and industries in 2023

SKFH reviews the financed carbon emissions by asset class and industries within the investment and lending portfolios, which are represented as total absolute carbon emissions (tCO₂e) and Weighted Average Carbon Intensity(WACI) (tCO₂e/TWDMM, Revenue).

Due to the nature of business of SKFH and its subsidiaries, bond investment has the highest financed absolute emissions among categories, but weighted average carbon intensity is the highest in corporate Loan. SKB has set a quota for financing projects that do not involve coal-fired power plants since 2022, and has established a goal of zero coal financing by 2030. The top three high carbon-intensive industries are the Oil & Gas industry, the electric utilities (mainly coal-fired power generation) industry, and chemical industry. We have also set management standards for high carbon-intensive industries and gradually reduced the position of related risk exposure.

The financed emissions of investment and lending portfolios by asset in 2023

Asset class	Proportion of investment and lending portfolios	Financed absolute emissions (ktCO ₂ -e)	Weighted average carbon intensity (tCO ₂ e/TWDMM, Revenue)
Equity	11.8%	250,138	3.0
Corporate bonds, financial bonds	85.8%	1,793,878	2.4
Corporate loans	2.4%	184,113	8.1
Total	100.0%	2,228,128	2.6

Note 1: The inventory scope of financed emissions of corporate loan is based on the standards of the SBTi Financial Sector Science-Based Targets Guidelines, and the coverage of fossil fuel loans, power supplier loans and power plant project loans is 100%.

Note 2: Considering the financed emissions of commercial real estate is estimated by coefficients (converting electricity consumption and carbon emissions per unit floor area), so the above WACI calculation results do not include commercial real estate, but the calculated carbon footprint of commercial real estate is 0.64 tCO₂e/TWDMM.

The financed emissions of investment and lending portfolios by industry in 2023

Industries	Percentage of total carbon emissions	Weighted average carbon intensity (tCO ₂ e/TWDMM, Revenue)	
Carbon-intensive industries	Oil & Gas	29.8%	12.8
	Electric Utilities (mainly coal-fired power generation)	15.6%	16.6
	Steel	5.2%	34.4
	Chemical	6.4%	14.5
	Construction Materials	5.0%	70.6
	Transportation and Logistics	3.7%	15.1
	Metal Manufacturing	1.6%	8.5
Total of non-high carbon emission industries	32.7%	1.1	
Overall	100%	2.6	

5-4 Natural Indicators and Targets

To enhance the disclosure transparency of nature-related issues, TNFD suggests categorizing indicators into "Dependencies and Impacts" on natural capital, and subsequent "Risks and Opportunities." For "Dependencies and Impacts," indicators are further divided based on different drivers of natural change, including climate change, terrestrial/freshwater/marine use changes, pollution/pollution removal, resource use/replenishment, and invasive species removal.

5-4-1 Ecological Metrics and Targets

•Climate change

SKFH assesses greenhouse gases as significant contributors to global climate change. Hence, indicators for Scopes 1, 2, and Scope 3 financial carbon emissions are set. A summary of the 2023 indicator achievements is as follows. For details, please refer to Chapter 5-1 Climate Metrics and Targets.

Metrics		2022	2023
Operational emissions (tCO2e)	Scope 1	3,279.6	3,479.89
	Scope 2	28,211.7	25,183.23
	Scope 1 and 2	31,491.3	28,663.11
Financed emissions (tCO2e)	Scope 3 (Category 15: Investments)	2,442,865	2,228,128

•Pollution/pollution removal

SKFH evaluates water discharge and waste disposal as factors driving natural freshwater/marine/terrestrial pollution. Hence, indicators for total water withdrawal and per capita waste production are set. The target is to achieve a 12% cumulative reduction in water usage and per capita waste production by 2025 compared to the baseline year of 2019. A summary of the 2023 indicator achievements is as follows.

Metrics	2022	2023
Total Water Withdrawal (cubic meters)	380,424	410,733
Per Capita Waste Production (tons)	0.12	0.09

5-4-2 Natural Risk and Opportunity Metrics

The primary nature-related risk and opportunities for financial institutions stem from investment and lending positions with high dependency on and impact on natural capital. Loss of natural capital can ultimately lead to increased risks in investment portfolios or asset devaluation.

In light of this, SKFH has thoroughly disclosed climate-related risks and opportunities in Chapter 3-1 and 3-2. As for other nature-related risk and opportunity indicators, we will refer to TNFD and other reports related to biodiversity to conduct a thorough review and analysis of industries sensitive to nature and of those with positive impacts on nature, in the hope of reducing investment in industries sensitive to nature while increasing investment in industries with positive impacts on nature.



• **Nature-Related Risk Metrics**
Exposure of nature-sensitive industries

Industry	Percentage of investment portfolio
Oil, gas and consumable fuels	3.5%
Chemical	0.9%
Construction materials	0.3%
Containers and packaging	0.1%
Metals and mining	1.7%
Paper and forest products	0.0%
Construction services (including manufacture of metal products)	0.1%
Sewerage, waste collection, treatment and disposal	0.1%
Transport and associated services (including passenger airlines)	0.3%
Automobiles	0.4%
Textiles, apparel and luxury goods	0.1%
Beverages and food products (including agriculture)	1.3%
Personal care products	0.1%
Pharmaceuticals	0.6%
Semiconductor and semiconductor equipment	6.4%
Utilities (including electric utilities, gas utilities, independent power and renewable electricity producers, and water utilities)	0.4%
Exposure of industries non-sensitive to nature	83.8%
Total	100%

• **Nature-related opportunities**
Investment in industries contributing positively to nature

Industry	Investment and lending portfolio (NT\$ 100millions)
Waste and Plastic Management	2.91

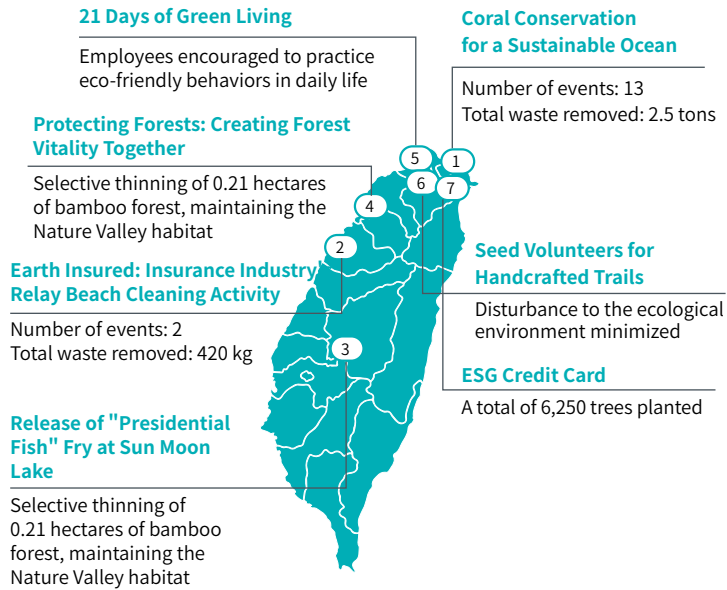
Note: The investment and lending balance in the Waste and Plastic Management Industry is calculated based on Standard Industrial Classification from the Directorate-General of Budget, Executive Yuan, references including Resource Recycling Industry, Wastewater and Sewage Treatment Industry, Pollution Control Industry, and Hazardous Waste Disposal Industry.

Nature and Biodiversity Conservation

Global biodiversity is rapidly declining, with species disappearing at a rate 100 to 1,000 times faster than normal due to factors such as population growth, resource consumption, pollution, global warming, and the introduction of invasive species.

SKFH supports global biodiversity conservation conventions and aims to promote sustainable ecological development and achieve United Nations Sustainable Development Goals (SDG13 - Climate Action, SDG14 - Marine Ecology, SDG15 - Terrestrial Ecology). Starting from within, we actively respond to international and domestic environmental sustainability advocacy, leverage corporate influence, and extend the assessment scope of sustainable financial services to a broader natural environment and biodiversity, hoping to contribute to Taiwan and the planet.





Item	Event Name	Results	Reduced carbon emissions/ Increased natural carbon sequestration	Restored natural capital <small>Note 1</small>	Enhanced ecosystem services <small>Note 2</small>	Waste reduction/ removal	Removal of invasive species/ Increase in native species	Environmental conservation advocacy and promotion
1	Coral Conservation for a Sustainable Ocean	Number of events: 13 Total waste removed: 2.5 tons						
2	Earth Insured: Insurance Industry's Relay Beach Cleaning Activity	Number of events: 2 Total waste removed: 420 kg						
3	Release of "Presidential Fish" Fry at Sun Moon Lake	Habitat restoration efforts, increasing the native species "Presidential Fish"						
4	Protecting Forests: Creating Forest Vitality Together	Selective thinning of 0.21 hectares of bamboo forest, maintaining the Nature Valley habitat						
5	21 Days of Green Living	Employees encouraged to practice eco-friendly behaviors in daily life						
6	Seed Volunteers for Handcrafted Trails	Disturbance to the ecological environment minimized						
7	ESG Credit Card	A total of 6,250 trees planted						
8	"Run for Sustainability" Shin Kong Life Tower Run Up	Taiwan's first sports event to be awarded the "ISO 20121 Sustainable Event Management System"						
9	Lights Out for an Hour on Mid-Autumn Festival	72 tCO2e reduced						

Note 1: Natural capital refers to the foundation of natural resources, including geology, soil, air, water, and various organisms.

Note 2: Ecosystem services refer to the benefits humans derive from ecosystems, primarily categorized into four types: supporting services, provisioning services, regulating services, and cultural services.



06 Conclusion

In recent years, the frequency and intensity of global extreme climate events has increased. The World Economic Forum (WEF) has listed climate action failure, extreme weather event risks and biodiversity loss as major global risks by severity. SKFH realized that climate change and nature issue are imminent risks to financial institutions, so we became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, declared as one of the Early Adopters among financial institutions in 2023. SKFH's carbon reduction targets, formally approved early 2024 by the Science-Based Targets Initiative (SBTi), and develop net-zero emission plans following SBTi carbon reduction targets to lower operational carbon emissions and engage with investee targets to promote financial decarbonization, reducing the carbon intensity of financed emissions.

"Low-carbon", "innovation", and "common good" are the sustainable values guarded by SKFH. On the pathway of low-carbon economic transition, SKFH will continue to practice and pursue progress, and join hands with the industries to move towards net-zero society, so as to achieve Paris The agreement aims to limit the long-term temperature rise to no more than 1.5 ° C, and at the same time actively negotiate with upstream and downstream stakeholders to develop diversified ESG products and become a leader company in sustainable finance.

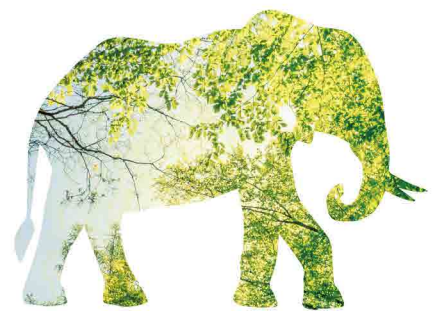
The assessment results of this report help SKFH establish a comprehensive measurement and outline for climate and nature risk, and prompt us to raise the level of governance on climate and nature issues. In the process of climate and nature risk and carbon emission assessment of investment and lending portfolios, SKFH also observed that the current carbon emission data disclosure is insufficient, and the general methodology still needs to be developed. We look forward to working with stakeholders to improve the data quality and methodological research of climate change and nature issues assessment, and bring more scientific and innovative thinking to the promotion of climate and nature action in the future.

07 Appendix

7-1 IFRS S2 Recommended Disclosures Index Comparison Table

Content	General Guidance	chapter	page
Governance	The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information	CH2-1、CH2-2	P.4-P.5
	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	CH2-1、CH2-2	P.4-P.5
Strategy	Describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	CH3-1、CH3-2	P.7-P.10
	Explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk	CH3-1、CH3-2	P.7-P.10
	Specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term—the effects of each climate-related risk and opportunity could reasonably be expected to occur	CH3-1、CH3-2	P.7-P.10
	Explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making	CH3-2	P.7-P.10
	A description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain	CH3-2	P.7-P.10
	A description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets)	CH3-2	P.7-P.10
	Information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation	CH3-2、CH3-5	P.7-P.10 P.14-P.17
	Information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with the above paragraph	CH3-2、CH3-5	P.7-P.10 P.14-P.17
	Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with the above paragraph	CH3-5	P.14-P.17
	How climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period	Disclosure after future assessment	
The climate-related risks and opportunities identified for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements	Disclosure after future assessment		

Content	General Guidance	chapter	page
Strategy	How the entity expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration	Disclosure after future assessment	
	How the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities	Disclosure after future assessment	
	The entity's assessment of its climate resilience as at the reporting date, which shall enable users of general purpose financial reports to understand: the implications, if any, of the entity's assessment for its strategy and business model, including how the entity would need to respond to the effects identified in the climate-related scenario analysis; the significant areas of uncertainty considered in the entity's assessment of its climate resilience; the entity's capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term	Ch3-6	P.18-P.32
	How and when the climate-related scenario analysis was carried out	Ch3-6	P.18-P.32
Risk management	The processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks	Ch3-2 \ Ch4-1	P.7-P.10 \ P.33-P.34
	The processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities	Ch3-2 \ Ch3-6	P.7-P.10 \ P.18-P.32
	The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process	Ch3-2 \ Ch4	P.7-P.10 \ P.33-P.40
Metrics and targets	Greenhouse gases—the entity shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO2 equivalent, classified as: Scope 1 \ Scope 2 and Scope 3	Ch5-1	P.42-P.43
	Climate-related physical risks—the amount and percentage of assets or business activities vulnerable to climate-related physical risks;	Ch3-6	P.27-P.31
	Climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities;	Ch3-6	P.19-P.27
	Capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	Disclosure after future assessment	
	Internal carbon prices—the entity shall disclose: an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions	Disclosure after future assessment	
	Remuneration—the entity shall disclose: a description of whether and how climate-related considerations are factored into executive remuneration; and the percentage of executive management remuneration recognised in the current period that is linked to climaterelated considerations.	CH2-1 \ CH2-2	P.4-P.5
	For each target, the entity shall disclose: (a) the metric used to set the target (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) any milestones and interim targets; (g) if the target is quantitative, whether it is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	Ch5-1 \ Ch5-3	P.42-P.45
	An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the entity's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions.	Ch5-1	P.41-P.43
	An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance.	Disclosure after future assessment	



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