中華開發金控
CHINA DEVELOPMENT FINANCIAL

TCFD REPORT

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

2022

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About the Report

01 About the Report

This Report discloses the business operation and activities of China Development Financial Holding Company (hereinafter referred to as "CDF") and its subsidiaries (KGI Bank, China Life Insurance, KGI Securities, and CDIB), during the disclosure period between January 1, 2022 and December 31, 2022 to present information integrity. This Report describes the adaptive measures taken by CDF towards climate change related issues, the promotion of sustainability related projects and future prospects. The Report also incorporates the climate factors in the governance framework of the Company and actively develops the sustainable operations to bring the positive influence of financial industries into society. Meanwhile, the communication and engagement with external stakeholders can jointly mitigate the phenomenon of global warming.

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Introduction

02 Introduction

In midst of severe challenges in climate changes faced by the world, climate change related issues are drawing increasing attention as countries worldwide are seeking for adaptive strategies. Climate changes not only affect the environment but also cause impact on all industries. For this reason, we adopted the Task Force on Climate-related Financial Disclosures (TCFD) released by the Financial Stability Board (FSB), in order to assure the Group's progress towards robust management and sustainable development. We comply with the four constructs, including governance, strategies, risk management, indicators and objectives to evaluate the influence brough by climate changes carefully and to promote the supervision and management of climate risks.

2.1 Net Zero Commitment

To fulfill the sustainability vision of the Group, CDF has dedicated efforts in its own operation, investment and financing operations, products and services, and all aspects to promote sustainable development in the environment and society. The Group was the first financial holding company in Taiwan to declare commitment in 2021 to achieve net zero carbon emission of total portfolio by 2045. Moreover, CDF aims to meet the net zero objectives in its own operations by 2030, with gradual reduction in the carbon emission of its investment and financing portfolio, in addition to reducing carbon emissions by 25% by 2025 and 50% by 2030.

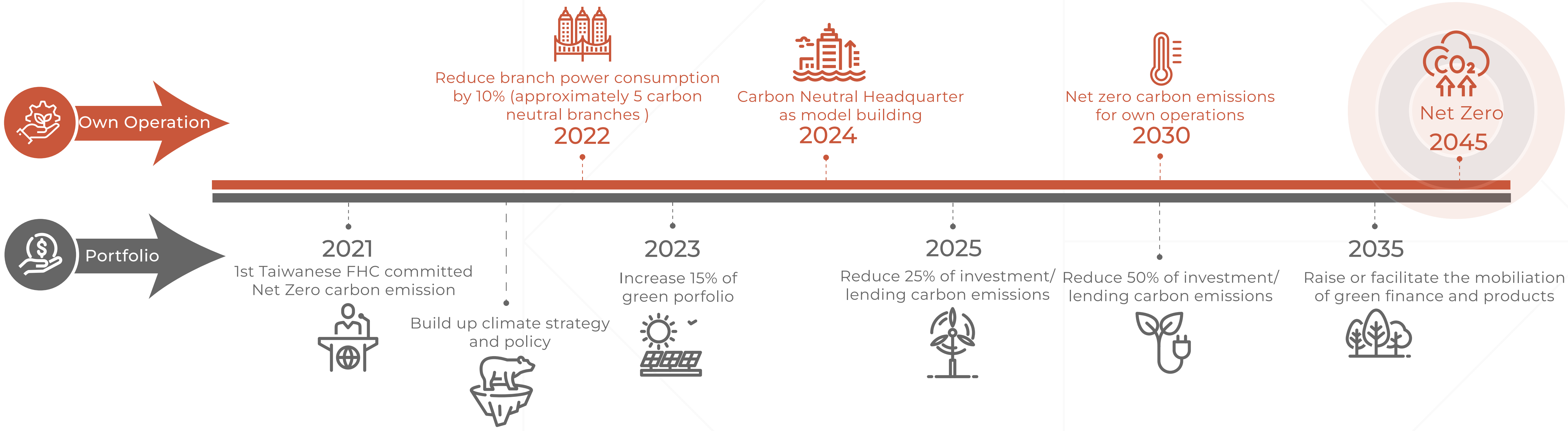
To promote low-carbon transformation in the Group's own operation and investment and financing operations, the Group has formulated the "2045 Net Zero Carbon Emission Roadmap," including the following four specific executions:

- Business Decision: Plan to include the climate risk factors in the negative exclusion list and conduct climate risk and opportunity evaluation/due diligence mechanism on target and customers.
- Communication with Target: Upgrade the climate and carbon related information transparency for target and customers, assisting the target and customers to establish climate governance and risk management mechanism.
- Product Development: Establish the climate adaptation and low-carbon transformation for product standards by launching climate adaptation and low-carbon transformation based financial products/services.
- Capacity Establishment and Incentive Mechanism: Communicate to reach internal consensus and capacity establishment, formulating corresponding performance incentive mechanism.

CDF is committed to the fulfillment of sustainable development through the aforementioned measures and brings its leadership actively into full play in terms of climate change related issues.

2.2 Climate Action Roadmap

The following carbon reduction pathway is designed to cope with the Company's proximate objectives for 2045 net zero total portfolio.



2.3 Five Net Zero Strategies

To meet the Group's net-zero commitment, CDF has adopted the five net-zero execution strategies suggested by the United National Environment Programme Finance Initiative (UNEP FI), and proposed compliance with UN regulations, customer engagement objectives, target industry goals, investment and financing portfolio objectives, and its own transition goals. CDF has devised a follow-up process that serves as a framework for implementation across all levels, allowing for specific quantitative objectives to be proposed and regularly monitored and reviewed.

The Sustainability Committee integrates and plans the five net zero strategies with full consideration of the organizational structure of the Group and the execution capacities carried out from the parent company to the subsidiary level. Meanwhile, CDF voluntarily complies with requirement from Net-Zero Asset Owner Alliance (NZAOA) to set up a standard TCFD execution system for the Group. CDF communicates and cooperates with relevant units in each subsidiary to assure the allocation ratio of execution by all subsidiaries and the specific strategic goals. The TCFD work group of CDF regularly tracks the implementation by the subsidiaries, and assists the subsidiaries in their fulfillment and promotion. Top-down target setting, bottom-up execution and feedback allow the Group's different business segments to align themselves with Group goals, while appealing in low-carbon transformation and meeting net zero for its total portfolios by 2045.

Five Net Zero Strategies and Related Goals Setting

Five Strategies		Description
Compliance with UN regulations		We observe the NZAOA principles for target setting and disclosure recommendations, with concurrent compliance with international standards relating to finance, including the Principles for Sustainable Insurance (PSI), the Principles for Responsible Banking (PRB) and the Principles for Responsible Investment (PRI).
Customer engagement objectives		We engage with investee companies through frequent participation in shareholders' meetings to gradually raise our engagement coverage and trace the subsequent processing from time to time, and provide financial services linked to sustainability in order to guide customers towards sustainability and net zero, and provide financial services linked to sustainability.
Target industry goals		After gaining an extensive knowledge of the carbon emissions and environmental impact in each industry and in line with compliance requirements, we defined the high carbon emission industries relevant to the Company and set investment and financing ratio targets for the industries to reduce CDF's carbon footprint and emissions from investment and financing activities.
Investment and financing portfolio objectives		Take 2020 as the baseline year, CDF aims to reduce the carbon emission from its investment and financing portfolios, CDF is committed to reduce its carbon emissions by 25% by 2025 and 50% by 2030; CDF aims to achieve net zero carbon emissions across its total portfolio by 2045. To keep all portfolios aligned with the Paris Agreement, we work in collaboration with our subsidiaries to map out a carbon reduction pathway to maximize the achievement of our goals.
Transition goals	Own-operation	Taking 2020 as the baseline year, CDF aims to reach net zero carbon emissions from its own operations by 2030.
	Financial	CDF aims to substantially raise the proportion of green credit and green investment in its business activities, targeting at 5% growth per year.

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Climate Governance

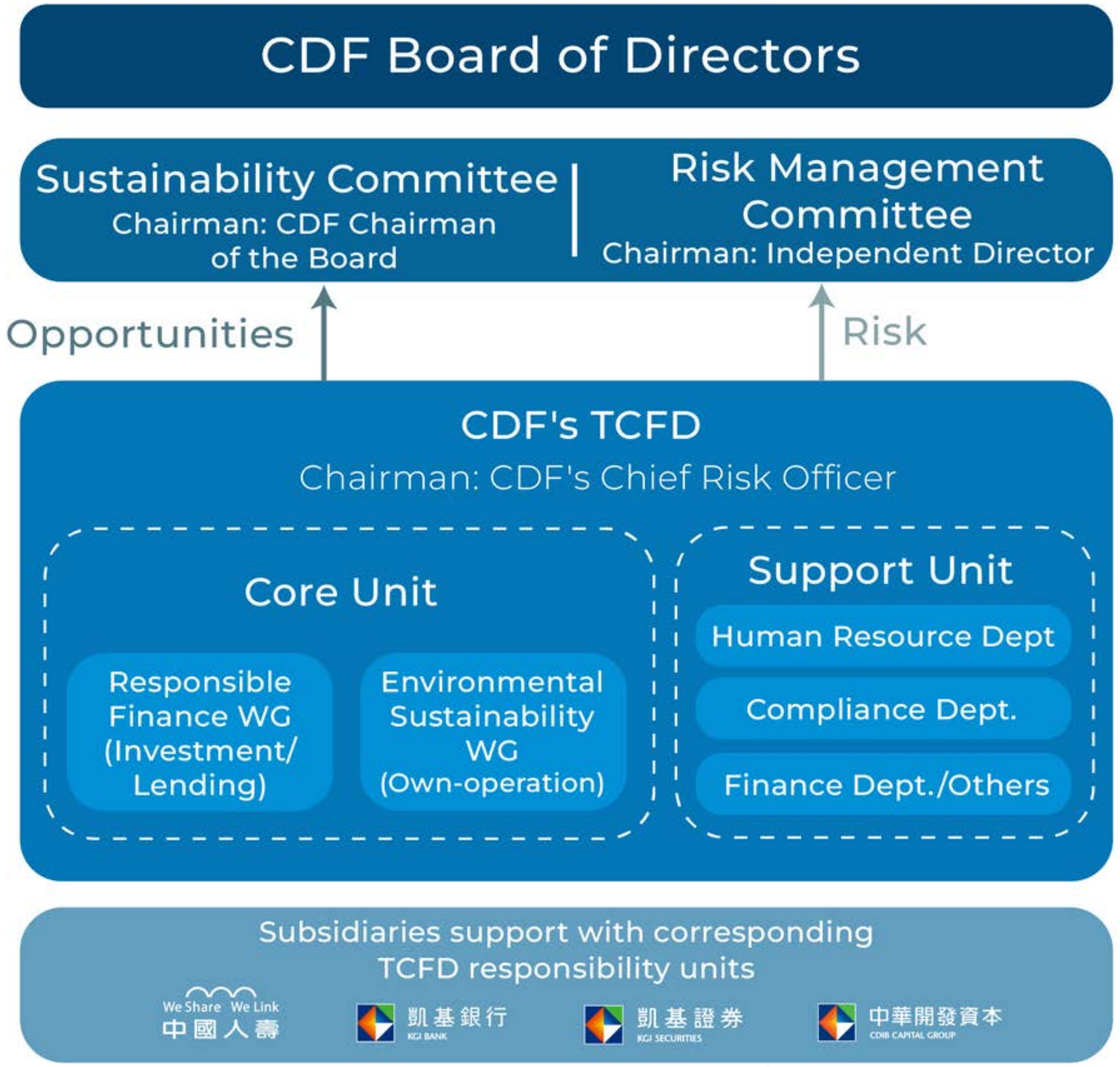
3.1 ORGANIZATIONAL STRUCTURE AND RESPONSIBILITIES FOR CLIMATE GOVERNANCE

CDF has established a good climate risk management system and adopted the "Climate Risk Management Guidelines" in 2023, as agreed by the Board of Directors, and developed corresponding climate risk management measures to mitigate and adapt to the impacts of climate change on the Company. Additionally, the Company's Board of Directors and senior management have taken into account the identified climate-related risks and have incorporated them into the development of the Company's strategy. The Group will continue to aim for sustainable development to ensure that going forward, the Company will be able to address the risks that climate change may pose and make a positive contribution to society and the environment.

The Group's climate governance framework includes supervising the climate governance status of its subsidiaries and incorporate the climate risk factors in the risk appetite, strategy formulation and management plan of the Company. These measures will help CDF maintain robust management model, face with climate change related problems, cope with the constantly changing environment and market conditions, implement the objectives in mitigating and adapting to the impacts resulted from climate change, and protect the company value and the rights and interests of stakeholders.

Aiming at a more comprehensive planning and implementation of sustainability-related strategies, the Group renamed the CSR Committee attached to the Board of Directors as the Sustainability Committee in 2022 and put it together with the Risk Management Committee under the Board of Directors. The Sustainability Committee is charged with setting guidelines and complying with internal and external climate governance standards, while the Risk Management Committee applies three lines of defense, ranging from business units, management units to audit units, to incorporate climate governance into the original risk process and enhance the Company's sustainability value through a structured risk management mechanism and culture.

With regards to execution, the Group set up the CDF TCFD working group while CDF president appoints CDF's Chief Risk Officer as the chairperson, who manages and coordinates the introduction of TCFD (Climate-Related Financial Disclosures) in each subsidiary at the quarterly meetings, and regularly tracks and manages the implementation status through climate strategies, climate opportunities and climate risk management. The execution results of the TCFD are also regularly reported to CDF's Risk Management Committee and Sustainability Committee.



Climate Governance Framework

CDF Board of Directors

- The Board of Directors is the highest decision-making body for climate risk management and is responsible for approving climate risk management policies, supervising the objectives endorsed by the functional committees and the effectiveness of risk management. The agenda in the Board of Directors' meeting in 2022 contained a total of five items on climate issues.

- The Board has mandated the Sustainability Committee to map out and monitor the effectiveness of the overall sustainability issues, climate opportunities and net-zero carbon emissions targets, with its subsidiaries incorporating climate change issues in their annual budgets, operating plans and risk management. The Board keeps an eye on the achievement of material climate issues and targets submitted by the Sustainability Committee at least once a year.

Sustainability Committee

- The Sustainability Committee, chaired by the chairman of CDF and comprising the chairmen, presidents and independent directors of the subsidiaries, is the steering body for the attainment of the financial sustainability goals.

- It is responsible for reviewing the sustainability goals as well as the action plans proposed by the TCFD WG steering CDF and regularly monitors the implementation on a semi-annual basis against TCFD's recommendations and key climate topics.

- The Sustainability Committee reports the Board of Directors on at least annually basis on the execution of climate strategies and opportunities and on important resolutions.

Risk Management Committee

- The Risk Management Committee applies three lines of defense, ranging from business units, management units to audit units, to incorporate climate governance into the original risk process and effectively manage climate related risks to boost the Company's sustainability value.

- The Risk Management Committee is responsible for the review on climate risk management related regulations and strategies, developing climate risk appetite, risk limits or indicators, and supervising subsidiaries with the establishment and execution of climate risk management mechanism and climate risk management.

- The Risk Management Committee reports the Board of Directors on at least annually basis about the performance of climate risk (investment and financing & own operations) and about important resolutions.

3.2 CDF TCFD WORKING GROUP

To face with the increasing trends of sustainability due to climate change, CDF has established complete governance framework and developed the specific promotional plan and measures. The CDF's TCFD WORKING GROUP was established under the Sustainability Committee and Risk Management Committee. Chaired by CDF's Chief Risk Officer appointed by the president, the WG promotes the climate goals and development strategies approved by the Board of Directors, assisting the Group in developing a methodology for quantifying climate risks and risk appetite indicators.

The WG comprises the Responsible Finance WG and the Environmental Sustainability attached to the CDF Sustainability Committee as the core, with other participating units including the CDF Risk Management Department and the Sustainability Development Department, sustainability/ESG departments, and TCFD WG representatives of all subsidiaries. Support units are responsible to assist the core units to promote related businesses in accordance with the strategic direction of TCFD which align with their business responsibilities. CDF Sustainability Development Department and Risk Management Department regulates the CDF's TCFD WG and holds at least one meeting per quarter. The topics of discussion include the conformance standards of Group for the management and disclosure of climate related issues, Group setting for climate metrics and review, progress and matters of coordination for CDF environment related project execution, domestic and international laws and regulations, trends development and discussion of coping strategies, and content shared by external experts. CDF's TCFD WG integrates the execution performance of climate strategies and opportunities, including but not limited to: results of climate opportunity identification, climate strategies and related business opportunities, low-carbon transformation plan and adaptation measures, results of green finance execution, climate related indicators and objectives achievement. In addition, the TCFD WG regularly reports the aforementioned climate opportunity related content to the Sustainability Committee quarterly, so as to help the Sustainability Committee with monitoring the validity and execution of climate strategies and opportunities related schemes. CDF's TCFD WG also compiles the execution performance of subsidiaries' climate risk management, including but not limited to: results of climate risk identification, climate risk appetite setting, amendment of regulations governing climate risk and management, execution of scenario analysis, climate risk indicators or limit monitoring, and climate related material issues. The WG regularly reports to the Risk Management Committee each quarter, so as to help the Risk Management Committee in monitoring the validity and execution of climate risk related schemes.

TCFD WG constantly observe the issues regarding climate related practices published by domestic/international supervisory authorities, international organizations, and financial industry peers, in order to acquire the latest related information and best practice. TCFD WG also tracks the progress of all subsidiaries in processing climate related risks and opportunities execution regularly, in order to assure the consistency in the Group's climate related risk and opportunity management, in addition to timely adjust its strategies and take corresponding actions to cope with constantly changing climate risks and opportunities, thereby making positive contributions to the sustainable development of the Group.

3.3 Climate-Related Education and Training

To effectively carry out the environmental management responsibilities, it is particularly important to consolidate the functions of the Board of Directors and senior management. CDF values the education and training for the management and employees by establishing the climate-related education and training programs to assure the appropriate understanding of climate change-related risks and opportunities, and thereby effectively cope and promote low-carbon economic development.

1. Training for Directors and Top Management: CDF has instituted a program to help directors and senior management gain an appropriate understanding of climate-related risks and opportunities, and to raise awareness of climate change governance and low carbon economic development trends and opportunities at the managerial level, thereby shaping a climate friendly corporate culture from the top down. CDF offers multiple forms of training, including the invitation for external consultants to provide in-depth course and share practical experience, inviting experts and scholars to hold seminars and workshops, and visiting green finance forums, seminars, and certification activities. These training activities aim to boost the management's acquaintance to climate related risks and opportunities so that they will be equipped with the capacity of sustainable development in leaders. Such activities also help the Company's management understand its responsibilities and response measures to be taken when faced with climate change and learn how to promote a low carbon economy, so that they are well-positioned to lead customers to develop sustainable benefits.

2. Education and Training Program for all employees: CDF arranges for employees of all levels to participate in climate issue related education and training programs and sets up internal training program to provide a diversity of learning channels. These programs will boost the knowledge for climate related risk and opportunity in employees of all levels in the Company, and thereby cope with the climate change and promote low-carbon economic development, and make positive contribution to the sustainable development. The programs are aimed to boost the awareness for climate risk in all employees, provide corresponding supervisory management and execution skills, implement the development of awareness for climate risk in all employees, and be equipped with the corresponding supervisory management and execution skills required by all levels.

3. Training Talents in Sustainability Management: CDF is dedicated to nurturing talent for sustainability management by encouraging our staff to obtain climate-related professional certifications. Several of the Group's staff have been acquired multiple related professional certifications, including ISO 14064 Lead Verifier, ISO 14067 Lead Verifier, PAS 2060 System Builder, GHG Inventory Verifier, ISO 50001 Internal Auditor, Corporate Sustainability Manager certification, and sustainability finance manager. By passing the examinations of these professional certifications, employees not only learn how to effectively manage the corporate environment and sustainable development but are also equipped with the capacity to solve related problems, thereby providing more professional support and guide to the Company in terms of sustainable development.

These education and training programs help us form a friendly corporate culture from the management level to all levels of employees, in addition to boost the Company's knowledge in climate change governance and the development trends of low-carbon economy, thereby fulfill the sustainability benefits and make positive contribution to the society and the environment.

3.4 Climate Linked Performance Evaluation Mechanism

One of the measures taken by CDF to achieve net zero goals is to incorporate the results of sustainability performance and validity of carbon-reduction strategy with the special indicators of variable bonus evaluation for the president and top managers. The reward evaluation indicators for the president is linked with the overall validity of the Group's ESG strategy, with special attention on the performance of reducing carbon emission. At the same time, the indicators of variable bonus evaluation for executives are also closely associated with the performance of carbon reduction, as the departments led by the head plays an important role in the planning, monitoring and implementation of climate change response plan.

Apart from the financial indicators related to the management performance of CDF, the other important management indicators such as the sustainable operation and management as well as the successor training program needed for the long-term development of the Company. Particularly, the special indicators account for 25% of the annual variable remuneration, including risk management, compliance, corporate sustainability, and information security fields. In the future, the Group plans to eventually adjust the evaluation indicators of incentives for the executive management to promote the low-carbon operation transformation of the groups, and thereby fulfilling the 2045 total portfolio net zero carbon emission goals.

Starting from 2018, ESG indicators such as energy saving ratio, energy use efficiency and other items have been incorporated into the annual performance assessment. All departments set up corresponding evaluation items according to their characteristics and integrate the climate factors into the daily operations and decision-making according. For example, the assessment of performance bonus for employees from the operation and management department will take consideration of energy saving ratio, energy use efficiency, waste management results and other factors; the employees of corporate credit department charged with green loan shall emphasize on the communication with the customers and the follow-up on the loans.

In the future, the Group will continue to review the appropriateness of organizational framework of climate governance, emphasize on education and training, and talent nurturing to boost the awareness of climate risk, optimize climate related performance evaluation mechanism, and encourage all levels of the Company to dedicate in the fulfillment of sustainable development.

04

Climate Strategy

4.1 Climate Strategy & Actions

When facing with the rigorous challenge from climate change, CDF develops low-carbon transformation to fulfill its responsibility in environmental protection. The Group values environmental issues and undertakes the corporate responsibility in climate change related issues with the creation of sustainable future net zero commitment. As the first financial holding company to make commitment in fulfilling total portfolio net zero carbon emission by 2045, CDF has adopted multiple concrete actions in attempt to reduce carbon emission from its operational activities, conserve energy, improve environment benefits and promote sustainable development to assure the achievement of this long-term goal.

1. Observed Equator Principles (EP): CDF has complied with the Observed Equator Principles to make sure the loans and financing cases to fulfill the evaluation review and post-loan monitoring of environmental and social sustainability.

2. Signed up TCFD Initiative: CDF voluntarily signed to become the supporter for TCFD in December, 2018 and has complied with the disclosure framework, including core elements in governance, strategy, risk management, indicators, and goals to upgrade its disclosure and management in climate related risks. The TCFD suggestions are adopted through information disclosure and prevention of climate risks, CDF takes over the mission as the citizen of the earth.

3. Reference on the Sustainability Accounting Standards Board (SASB) Guidelines: CDF takes the SASB guide in terms of the environmental capital and industry materiality to gradually improve the implementation depth of all disclosure matters and emphasize on the environmental issues of relevance from the report disclosure and risk assessment.

4. Signed up Science-based targets initiative (SBTi): CDF signed the SBTi in 2022 and takes actions in scientific-based net zero carbon emission to set up the control over global temperature rise of no more than 2°C (in response to "Paris Agreement") and even 1.5°C (in response to the IPCC "Special Report on Global Warming of 1.5 °C") as the objective of carbon reduction. CDF adopts SBTi provided means to formulate the carbon reduction pathway and assure the concept aligning with that of climate science.

5. Signed up Partnership for Carbon Accounting Financials (PCAF): CFD joined PCAF in June, 2023 and actively introduced the international standards for investment and financing carbon emission management to execute carbon inventory. All subsidiaries have complied with PCAF means to complete equity and bond investment, corporate credit, carbon inventory on commercial mortgage and power generation project investment and financing.

6. Five Net Zero Execution Strategies: CDF formulated the five net zero execution strategies and set up the short-term, intermediate-term and long-term objectives with plan to achieve the net zero emission in own operation by 2030. Meanwhile, CDF adopts year 2020 as the baseline year to set up the carbon emission reduction if investment and financing operations by 25% by 2025 and 50% by 2030. Moreover, the conditions for meeting these objectives are also listed in the internal evaluation and assessment, thereby to reduce the GHG mission through the improvement on the energy consumption in the own operations, and adjust asset portfolio to reduce the investment and financing in high-carbon emission industries.

CDF Responds to International Initiatives

2015	2016	2018	2020	2021	2022	2023
Observed Equator Principles (EP)	Signed up CDP Initiative	Signed up TCFD Initiative	Observed PRI/PRB/PSI	Observed UNEP FI commitment to 2045 net zero carbon emissions	Signed up SBTi initiative	Signed up PCAF

CDF Follows the UNEP FI Guidelines towards Net Zero Carbon Emission

Strategic Direction	UNEP FI's Recommendations for Credible Net-Zero Commitments	Actions Taken by CDF
Net Zero compliant scenarios	1.Align with science-based 1.5°C scenarios	Committed to net zero across assets by 2045, we have signed up SBTi, aiming to reach net zero by 2050 in the 1.5°C pathway under the initiative.
	2. Align with the assumptions and criteria of the scenarios	We have set a timetable for reducing investment and financing in high carbon emission industries and increasing the proportion of green finance, and ceasing the Company's further exposure to coal and unconventional oil-related industries and fully exiting the industries by 2025.
Complete carbon footprint inventory	3. Set near-term (ideally 5-year) targets	We have set a 5-year target to reduce carbon emissions from investment and financing by 25%.
	4. Commit to transparent reporting of GHG emissions	Each year, our report reveals specific GHG emissions and allocation results.
	5. Establish an appropriate emission scope, striving for full coverage as soon as possible	According to the current scope, we have completed a 100% investment and financing carbon inventory for 2022 for equity, bond investments, investment and financing for power plant projects, commercial real estate loan, and commercial loans.

CDF Follows the UNEP FI Guidelines towards Net Zero Carbon Emission

Strategic Direction	UNEP FI's Recommendations for Credible Net-Zero Commitments	Actions Taken by CDF
Specific implementation approach	6.Incentivize the real economy to achieve a low-carbon transition	We have instituted vetting criteria for our investment policy and have begun to conduct surveys and engagements, and will continue to devise effective schemes to stimulate low-carbon transition of our investment and financing targets.
	7.Neutralize remaining carbon emissions through investment cooperation	Through a direct investment channel, we continue to seek out companies with negative emissions technologies such as forestry, regenerative agriculture, etc., to achieve negative emission benefits through investment partnerships, which can be used to neutralize the final residual carbon emissions once the emission reduction goals are attained.
	8. Finance low-carbon transition	The Group's commitment to sustainable finance combines stewardship with a mechanism to leverage its financial influence to finance the transformation of businesses according to industry-specific strategies.
	9. Provide metrics to classify products as sustainable	We participate in the development of Taiwan's taxonomy for sustainable activities and will apply the taxonomy to our product categories and define green financial products in line with international standards once a complete taxonomy has been created.
	10. Identify specific products and services that have a unique transition purpose	We proactively identify companies with specific low carbon or negative emissions technologies, such as carbon capture and storage for fund investment.
Periodic public disclosure	11. Disclose transparently and comprehensively the metrics, targets and progress	We disclose full targets and progress on an ongoing basis in our reports.

4.2 Sustainable Finance

According to the TCFD directives proposed by FSB, climate opportunity refers to the new opportunity developed by enterprises in the process of responding to climate change. According to the directives, climate opportunity can be develop in five dimensions:

Opportunity Type	Description
Resource Utilization Efficiency	The transformation of operation model through the upgrade of resource utilization efficiency can effectively lower operational costs. For example, the launch of digitalization can reduce the use of paper and other supplies, replace energy-saving equipment and lighting fixture, and implement green procurement.
Business Opportunity of Renewable Energy	As the renewable energy industry gains draws increasing attention, fund providers can support the construction of renewable energy infrastructure through investment, loan supply, or underwriting counseling.
Innovative Product and Service	As the market preference for green products rises, the Group upgrades its own competitiveness through developing sustainability related products and services to support the development of UN SDGS.
New Market of New Asset Type	Searching for opportunities in new market or new assets and add source of profits through underwriting green finance instrument, and undertaking green deposit and developing green credit.
Operation Resilience	Strengthening the risk management of climate change to cope with the impact of climate change on business, strengthen the corporate awareness for climate, improve Group's adaptability to climate change, and easily respond to climate change and grasp opportunities.

Through developing climate opportunity, enterprises can expand new market, realize sustainable management and creating long-term value while coping with climate change. The Group can conduct comprehensive analysis and identification based on its climate opportunities. The likelihood of occurrence, related impact, and time in searching more profitability space is evaluated.

Sustainable development in recent years has become the key attention in global social care. For enterprises, the active promotion of related policies will be the key to fulfill corporate responsibility and mission. CDF has always valued corporate social responsibility and actively implements sustainable development to cope with the policy from competent authority and lunch the sustainable finance. A further step in strengthening the company's net zero carbon emission strategy improves the overall industry awareness for climate change. As the fund administrator, the Group invests funds in support of green industry development and launch a diversity and differentiated products and services based on different business models, thereby contributing to the low-carbon transformation.

CDF consolidated the four forces from China Life Insurance, KGI Bank, KGI Securities, venture capital/private equity to provide sustainable finance solutions for stakeholders. The disclosure, sustained follow-up and enhancement of visibility of sustainable finance can continue to bring the finance influence into full play. The position in green financing and investment will increase by 35% by the end of 2027, when compared with the baseline year of 2020. The sustainable finance performance of the Group in 2022 is compiled as shown in the following table:

CDF SustainableFinance Performance

Subsidary	Operations	Total Amount (NT$100 million)
KGI Bank	Green credit	160.6
	Develop financing for renewable energy program	8.1
	Green deposit account	53.6
China Life Insurance	Develop green bond investment	282.8
	Develop green project investment	15.9
	Invest in ESG related funds	9.1
KGI Securities	Launch sustainable development related bond underwriting (financial consultant) and counseling	82.8
	Assisting with the fundraising for equity related to sustainable development	290.4
CDIB	Private equity fundraising by issuing smart technology or green innovative topics	44
KGI SITE	ETF Issue ESG bonds	4.8
	Issue ESG active sustainability bond funds	39.9

4.2.1 Responsible Investment

CDF aligns with the UN Principals for Responsible Investment (UN PRI). All subsidiaries are signatories to the "Stewardship Principles" of the Taiwan Stock Exchange Corporation and further integrate ESG protocols and Stewardship Principles to establish the framework of CDF six responsible investment risk management, including the six responsible investment policies in "ESG Integration Principles," "Conflict of Interest Management," "Sector Specific RI Guidelines," "Exclusion Policy," "Engagement Policy" and "Voting Policy." Put simply, the factors of sustainability are implemented in investment decisions to expand corporate influence and build the investment portfolio of climate resilience and profitability potential.

CDF Principals for Responsibility Investment Policy		Listed Equity	Fixed Income	Private Equity	Derivatives and Alternatives	Property
ESG Incorporation Principles	Subsidiaries all formulate responsible investment policies, incorporating the investment-making decision procedures in ESG (environmental, social and corporate governance) sustainable management evaluation factors, and fulfill stewardship actions.	✓	✓	✓	✓	✓
Conflict of Interest Management	Establish mechanisms for information control, firewall design, segregation of duties, supervision and management, and reasonable remuneration to prevent conflicts of interest.	✓	✓	✓	✓	✓
Sector Specific RI Guidelines	Coal-mining or coal / thermal power plants that have been punished by competent authorities in the previous year for environmental pollution penalties should propose plans or improvement proofs.	✓		✓		
Exclusion Policy	1. There are specific evidences to prove that industries involving pornography, drugs, money laundering, financing of terrorist activities, slave labor, child labor, or human rights violations 2. Specific evidence to prove that the Board of Directors has violated laws, articles of association, resolutions of the shareholders' meeting and those who have a significant influence on the rights and interests of shareholders or investors.	✓	✓	✓		✓

CDF Principals for Responsibility Investment Policy		Listed Equity	Fixed Income	Private Equity	Derivatives and Alternatives	Property
Engagement Policy	1. Target companies/projects with better performance in the ESG appraisal are included in the "Encouragement List" and can be given priority for investment under the same financial evaluation. 2. Actively engage in ESG dialogues with investee companies, and through communication with them, guide them to reduce their negative environmental and social impacts and identify opportunities for sustainable development. Investment teams shall ask the portfolio companies or deals for the cause, development and handling of incidents, if any, where they breach laws, undermine the Company's ESG policy, or damage the Company's long-term investment value.	✓		✓		
Voting Policy	In-principle disapproval for the proposals that impede the portfolio companies' sustainable development or corporate governance or violate ESG standards.	✓		✓		

To implement responsible investment and green finance, CDF not only incorporates pool entry assessment procedure into ESG scores but also review the factory model quarterly according to the target of factor model entry; in addition to taking consideration of the due diligence scores provided by professional institutions to evaluate the business operations of investee companies that violate ESG or those with unfavorable sustainable operation risks. We use the ESG database to regularly review the disputed event scores and ESG issues of Taiwanese stocks. When the disputed event scores of Taiwanese stocks decrease or are lower than a certain standard, the related matters shall be tracked and monitored.

Moreover, in response to the government's green finance action plan 3.0 policy and in cooperation with the "six core strategic industries program" of National Development Council, the program is a Taiwan economic and industry structure transformation that catalyzes circular recyclable economic model, driving industry innovation power and fostering the key industries with sustainable development. CDF mainly invests in green industries with its two major subsidiaries, CDIB Capital and China Life, and actively responds to government policies. In response to the government policies, the total investment of CDF assets in the six core strategic industries amounted to NT$123.1 billion, of which nearly 60% of the investments are in green power and renewable energy.

CDF Investment Ratio in Six Core Strategic Industries

Six Core Strategic Industries	Ratio
Information and digital industries	23.9%
Cybersecurity industry	3.2%
Precision health industry	1.1%
Green and renewable energy industries	64.3%
National defense and strategic industries	0.4%
Strategic stockpile industries	7.1%
Total	100%

The Group actively develops sustainable bonds according to the provisions outlined in Taipei Exchange Operation Directions for Sustainable Bonds, the scope for sustainable bonds including the green bonds, social responsibility bonds and sustainable development bonds accredited by Taiwan Exchange. Subsidiary KGI Securities participated in 12 ESG-related underwriting cases in 2022 (including 8 green bonds, 2 social bonds, 1 sustainable development bond, and 1 sustainable development linked bond), with a total of NT$8.28 billion, up 124% compared with the NT$3.7 billion issued in 2021. China Life responded to the government's green finance action plan 3.0 policy to promote green financial product development and invested in green bonds around NT$2.3 billion issued by TSMC and Ørsted to support the development of clean energy in Taiwan, with an investment in international green bonds. A total of approximate NT$28.28 billion was invested in domestic and international green bonds, which is projected to reduce approximately 317,000 tons of GHG per year.

The Group has incorporated various climate factors in the investment decision-making and evaluation process, and includes ESG evaluation in the relevant investment decision-making research report. Moreover, most of the international funds held by the Group have signed PRI. Additionally, to strengthen sustainability investment management and establish profound engagement with investee companies, the Group regularly executes investment portfolio carbon inventory and formulates carbon reduction objectives, actively participate in the shareholders' meeting of publicly listing investee companies to establish ESG review on companies suspected of environmental contamination, thereby implement a responsibly investment and green finance in addition to drive industry low-carbon transformation and eventually implement the objectives of 2045 investment portfolio net zero carbon emission.

4.2.2 Green Products

CDF upholds to sustainable development and the philosophy of environmental conservation in attempt to develop business and fulfill corporate social responsibility. Hence, the launch of green deposit program applies all deposit amount underwritten to the loan or related loan requirement without the scope of green deposit program, introducing the corporate fund flow into sustainable development. In May, 2022, Subsidiary KGI Bank was the first domestic bank to apply the funds in financing services defined under the remarks of global projects in conformity with green bond principles or the "green credit" accreted by Join Credit Information Center. KGI Bank evaluates pursuant to the Green Bond Principles (GBP 2021) promulgated by the International Capital Market Association (ICMA) and in compliance with the regulations remarked by Taiwan Joint Credit Information Center in the "Green Credit" to formulate the green deposit proposal. The proposal underwent the audit and validation conducted by third and fair CPA firm in Taiwan. The program funds are used in upgrading the efficiency of energy use and development of energy conservation such as renewable energy and energy technology, pollution prevention, water resource conservation and cleaning or recycling, as well as other sustainable fields requiring green financing. The current amount undertaken reached NT$5.36 billion.

Subsidiarity KGI Securities held 34 cases in equity fundraising hosted in the capital market in 2022. The amount of fund was approximately ND$38 billion, hosting sustainable development related industry companies Note with a total of 18 cases in equity fundraising including the issuance of convertible bonds, exchangeable bonds, cash capital increase, and IPO. The total amount exceeded NTD29 billion and accounts for 77% of the total amount of funds raised during the year. The 2022 green equity fundraising cases and amount were up 12.5% compared with 2021, while the amount grew by 61%.

Subsidiary KGI SITE issued one ESG bond ETF and three active sustainability bond funds that passed the ESG review by competent authority, making KGI SITE the investment and trust companies having acquired the most certificates of ESG funds in 2022. In particular, KGI SITE issued the first ETF in Taiwan using Bloomberg MSCI ESG Bond Index – 15+year USD BBB-rated ESG sustainable bond ETF fund in May, 2021. As of the end of 2022, the scale of the funds reached 427 million. As of the end of 2022, the fund scale for other three active sustainability bond funds were approximately 3.99 billion. KGI SITE will continue to issue sustainability funds in the future to strengthen the promotion of ESG and sustainable development related products to investors, in order to drive the investment market towards sustainability.

Note: CDF determines the industry companies related to sustainable development according to the business nature of counseled company, including sustainability ETF composite shares company, company committed to energy-saving electric bicycles, and company committed to energy-saving green warehousing.

4.2.3 Sustainable Insurance

In view of the aggravating climate risks in recent years, China Life Insurance responds to the Sustainability Accounting Standards Board (SASB), which incorporates climate risks into company-level risks decisions. The climate risk management principles are also developed to strengthen the climate governance of China Life and thereby reduce the impact caused by future climate risks in addition to grasp the opportunity brought by climate opportunities. The expectation to external stakeholders against climate risk management will be responded accordingly.

Subsidiary China Life has long established the concept of corporate sustainability by responding to the UN's Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI) in daily operations. China Life also incorporates climate environment into strategic planning, product design, underwriting, investment and management, and after-sales services to strengthen the control of climate risks and opportunities. With regards to carbon reduction, China Life passed the ISO 14067 international standard insurance service footprint inventory verification to establish the baseline for carbon emission. In the future, China Life will execute insurance service carbon footprint management to promote carbon footprint reduction in response to green operation transformation and to cooperate with the Group's net zero carbon emission goals, thereby to achieve carbon neutrality in insurance services. In consideration of the characteristics of life insurance operation, subsidiary China Life also improves the responsible investment management mechanism by constantly launching the three climate action plans, namely "investment in renewable energy power plant," "green bond investment" and "high-carbon emission industry reconciliation" to cope with green financing and implement sustainability investment, encouraging target of investment to shift towards low-carbon transformation development.

4.2.4 Responsible Banking

We create positive and sustainable influence through funding and financial services. The Group voluntarily abides by the Principles for Responsible Banking (PRB) while its subsidiary KGI Bank has incorporated the dimensions related to the environmental, social and corporate governance in risk assessment and credit decision process, in order to attain the concept of sustainable development and reduce the credit risks derived from climate change. We also actively promote green finance through green project financing, green credit and green underwriting and other commodities, hoping to promote the transformation and sustainable development of Taiwan's green energy industry.

Subsidiary KGI Bank formulated the “Credit Policy” and “Guidelines for Sustainability Credit” in 2022, for salesperson, credit check and review personnel to take consideration of the relevant influence of the operation activities of applicants in environmental, social and corporate governance dimensions when applying for the case. The “Equator Principles” should also be considered to verify if the borrower has fulfilled environmental protection, social responsibility, and corporate ethical management, consolidated with the 5P principles of credit, to comprehensively determine and prevent any credit risks associated. The influence of banking industry should be utilized to assist the society with sustainable development.

1. Special Project Financing Cases: For special financing case applied for high water level consumption and highly polluted industries up to USD10 million or more, the credit report will need to conduct feasibility analysis, including the analysis on technology, market, finance, and environmental protection and shall list them in the standards of underwriting criteria depending on the cases to emphasize the operation responsibility. For special financing case applied for mining, infrastructure, petroleum and natural gas, and energy industries up to USD50 million or more, if the evaluation shows the involvement of environmental and social risks, the cases will be processed according to the “Equator Principles 4.0” announced by the Banker’s Association, on the basis of green financing and industry sustainability development goals. The industries are encouraged to pursue sustainable development and meet the carbon reduction goals.

2. Companies with hot-button issue: In principle, companies that do not comply with environmental protection standards, are involved in labor disputes or have corporate governance issues, and have no specific improvement plan will not undertake the contract. Those with significant influence on the operation and KGI Bank's creditor's rights will not increase the loan or withdraw the loan gradually, in order to assist and encourage the enterprise to strengthen the implementation of environmental protection and fulfill its corporate social responsibility.

3. Incorporate the concept of the Equator Principles into the "credit rating table" of the case. If there are disputes over environmental protection issues, labor disputes, etc., the operation and management factors under the business risk item in the case "credit rating table" include risk management, corporate governance, etc. Projects are deducted points to reflect the risks of their operation and management.

Subsidiary KGI Bank adopted the green credit standards of Joint Credit Information Center in 2022 and the green credit balance reached NT$16 billion, substantially up 40% compared with the previous year. Moreover, KGI Bank has declined the underwriting of syndicated loan case for high-carbon emission transporters while the case of syndicated loan for fuel-coal power plant with transacting credit shall not be renewed upon expiration.

In the future, the credit position exposed to ESG risk shall be constantly investigated for inventory and evaluation to establish the exclusion industry category. For high ESG risk industries, establish ESG review items and evaluate the promotion of relevant issues and communication with clients through ESG commitment statement to introduce the spirit of Equator Principles profoundly.

4.3 Outward Communications and Engagement Actions

Apart from participating in international initiatives, CDF also focuses on listening and responding to the demand of vast stakeholders. Through outward communication and engagement, CDF invites all fields to jointly respond to the support for climate actions. CDF has built up management principles of high-sensitivity industries and combined with outward communication strategy to ensure be responsible running operations to manage high controversy, high ESG sensitivities industries, as well as coal and high carbon industries. For investment target, CDF attends shareholders' meetings and engagement with investee companies to oppose the proposals in concern of violating the company's governance and the proposal with negative impact on the environment or society, by bringing the influence of financial sector on the investee company into full play. Through this communication and engagement process, CDF emphasizes and responds to support for climate action, implements the Group's values and commitment to sustainable finance.

4.3.1 Principles for High-Sensitivity Industries

The Group has established industrial management principles for highly controversial, highly ESG-sensitivity industries, coal and high-carbon emission industries as guidelines for outward communication. The principles include two categories: industry management principles and decarbonization principles to make sure our actions are align in these controversial industries.

Principles	Industry Management		Decarbonization
Industry Definition	Highly controversial industries and activities	Highly ESG sensitivity industries and activities	Thermal coal related industries, unconventional oil and gas related industries, and other high carbon emissions industries.
Industry Type	- Environmental and health consideration: Tropical rainforest lumbering, tobacco industry, polychlorinated biphenyl (PCB). - Economic and social consideration: Illegal gaming, pornography, drugs, nuclear weapons, money-laundering, financing terrorism activities, forced labor, child labor or violation of human rights.	Energy industry Mining Forestry Transportation Agriculture Livestock	- Thermal coal related industries: targets involved with coal mining, coal-fired power generation, and coal mining-related infrastructure. - Unconventional oil and gas related industries: targets involved with tar sands, shale oil and gas, arctic oil and gas, liquified natural gas(LNG) from unconventional fossil fuels extracted from the aforementioned sources, or ultra-deep-water(UDW) oil &gas , including the overall life cycle of exploitation, sales, and related infrastructure. - Other high carbon emissions industries: Including but not limited to agriculture, livestock, mining (petroleum, natural gas...etc.), manufacturing (coal products, semi-conductor/panel, wood/bamboo/paper pulp, chemical materials, plastic/rubber, metal/non-mental minerals...etc.), power and gas supply industries, passenger/transportation industries.
Action	Will cease to undertake new projects for highly controversial industries/activities and terminate the cooperative relationship within a time frame for cases already undertaken.	Commitment to take deliberate evaluation before undertaking the various businesses and continue to follow up the management of ESG issues involved after undertaking the projects.	Withdraw thoroughly from operations involving the related businesses before 2040, including: the infrastructure and project financing, credit line and loan, undertaking products with fixed yield, and all voluntary, passive investment positions and those designated to third party management.

Based on the principles of industry management, subsidiaries are required not o undertake industries with hot-button issues or new operations of activities. For such operations already taken, the Company will terminate the relation with relevant partiers withing specific period. For industries and activities of high ESG sensitivity, CDF is committed to take deliberate evaluation prior to accepting the operations and continue the monitoring of the management condition.

The decarbonization strategy is developed according to the decarbonization principles. The formulation of limited fuel coal and unconventional oil, unconventional natural gas industry related investment policies such as reducing the investment and loans to the overall product chain for coal mining, coal power generation and the infrastructure used in coal mining. CDF is committed to take full phase-out from the global fuel coal, unconventional oil/natural gas related industries by 2040, including infrastructure, special project financing, credit line and loan, underwriting business of fixed income product, and all active and passive investment positions, and the investment position commissioned to third-party management. The reduction and full phase-out from coal mineral, unconventional oil and gas related industry, and the phase objective and schedule of all investment and financing in high-carbon emission industries are by procedures for setup to reduce the company reliance on high-carbon emission industry and promote the enterprise transformation to cope with climate change.

Our commitments by phase:

• By 2025, cease direct project investment and financing of not only thermal coal as well as unconventional oil/gas projects (including new projects or expansion of existing projects) but also projects from companies which are still expanding related businesses (Note 1).

• By 2030, phase out most (Note 2) of our direct investment and financing from companies in the thermal coal and unconventional oil and gas industries in industrialized countries in the European Union and OECD Member States.

• By 2040, phase out globally from the investment and financing support (Note 3) of thermal coal related, unconventional oil and gas related industries.

Note 1: The percentage of revenue from relevant businesses is expected to continue to grow.

Note 2: A business deriving more than 30% of their revenue or generated power from thermal coal and unconventional oil and gas related industries, without putting forth a low-carbon transition project in alignment with the targets under the Paris Agreement.

Note 3: A business deriving more than 5% of their revenue or generated power from thermal coal and unconventional oil and gas related industries, without putting forth a low-carbon transition project in alignment with the targets under the Paris Agreement.

To further implement low-carbon conduct, the CDF Board of Directors formulated the "Sustainable Finance Commitment" voluntarily unfolds engagement and communication for target not in line with our decarbonization principles. High-carbon emission customers are encouraged to launch the carbon reduction transformation program and activate the withdrawal mechanism for those not making improvement by the program, in order to fulfill our commitment to reach total portfolio net zero emission by 2045. Additionally, for other high carbon emission industries of non-fuel coal, unconventional oil and unconventional natural gas, we are committed to prioritize communicating with the target since 2022 and reduce the intensity of investment and financing carbon emission eventually. The scope of this decarbonization strategy includes the entire life cycle of industry activity mentioned above, sales, and related infrastructure.

CDF actively promotes energy saving and carbon reduction, and feasible solutions for resource and energy management. CDF has been listed in the Dow Jones Sustainability Index (DJSI) and concurrently the DJSI Word and DJSI Emerging Markets three years in a row. There were over ten thousand enterprises participating in the 2022 corporate sustainability evaluation. The Group outperformed others and acquired full scores on "risk management," "policy/association participation and influence," "environmental report" "social report," "inclusive finance," and "customer relation management." In particular, CDF has outperformed exceptionally well in the environmental dimension and ranked first in Taiwan. In the future, we will continue to pursue the balance development with natural environmental and sustainability. We will not only implement our own carbon reduction objectives but collaborate with the industry and customers to move towards sustainability vision.

4.3.2 Outward Engagement Practice

All major subsidiaries of the Group have signed the “Stewardship Principles for Institutional Investors" with the Taiwan Stock Exchange, and formulated the relevant engagement and voting policies, actively communicating with investee companies over ESG topics, lead the reduction in negative impact on the environment through the communication with investee companies while discovering opportunities of sustainable development. Those managers holding investment position in ESG observation list shall engage with the company over the relevant controversies in addition to follow up the subsequent processing from time to time.

Over the past year, the Group’s subsidiaries continue to work on the path to engagement. Subsidiary KGI Securities have adopted a diversity of means to communicate with the management of investee company in order to further understand the communicate over the risks and strategies faced by management against the industries. In particular, phone conference and in-person meetings were held 5,088 times with 594 participations in institutional conference. 810 personnel have been appointed to participate in shareholders’ meeting or major shareholders’ provisional meetings. The participation rate of shareholders’ meetings in investee companies reached 100%. In 2022, there were 10 cases counseled and incorporated in sustainability transformation evaluation. In particular, 6 cases have registered for IPO and 4 cases under review.

The participation rate by Subsidiary KGI SITE in the shareholders’ meeting of listing companies listed reached 100%, where KGI SITE takes initiative to communicate with the management of investee companies. A total of 429 visits in 2022 were conducted to assure the valid communication and comprehension. Such practice of participation and communication facilitates the establishment of robust investment relation and assures the understanding and supervision on investee companies.

Subsidiary China Life Insurance further solidifies the cooperation with investment object through the participation in shareholders' meetings of investee listed companies.

The 2022 participation rate reached 100%. Meanwhile, the distribution of climate questionnaire survey helps understanding the carbon emission of investee objects, current carbon reduction measures, climate action and future carbon reduction objectives in different scale and industry category. In 2022, a total of 121 questionnaires were distributed. The questionnaire findings show that as high as 73.5% of investee objects participating in climate engagement have set up dedicated committee in charge of the climate change related management issues for the company, while as high as 82.4% of companies have conducted Scope 1 and Scope II GHG inventory. A total of 29.4% of investee objects have participated in science-based targets initiative (SBTi). The Subsidiary China Life exhibits its valuation of management in the investment portfolio through climate engagement activities, regularly conducting close communication with the management level of investee company and continues the tracking of carbon emission and climate related behaviors to assure the maximization and risk control of its investment benefits.

CDF intends to bring financial influence into full play by adopting the voluntary communication and coordination with clients, assisting clients formulating climate transformation plan, jointly committing in the risks brought by mitigation of climate change and implementing the objectives of net zero carbon emission. These measures reveal CDF's valuation on climate change related issues and the responsible attitude of taking charge.

05

Climate Risk Management

5. Climate Risk Management

CDF highly values the importance of risk identification and measurement with commitment in developing professional risk assessment and quantitative analysis capacity, thereby to favor the precision evaluation of the influence level and incidence of various risks. The corresponding strategy and measures are developed to reduce the incidence and influence level of risks.

The Group has established complete risk management report and monitoring mechanism to timely process the risks identified and process the risk incidents likely to take place, in order to protect the company assets and interests. These measures indicate our valuation and competence in risk management to make sure the company can effectively copy with risks, protect the interest and implement long-term value creation. CDF adopts professional risk management capacity to provide confidence for shareholders, customers and other stakeholders to assure the robust operation of the group.

5.1 Scope of Climate Risk Management

To develop the measures for mitigating and adapting climate change impact and establish the excellent climate risk management system, CDF developed the "Regulations for Climate Risk Management" according to the current "Risk Management Policy," "Sustainability Development Guidelines," and the TCFD released by FSB. The Standards clearly divide the organizational framework and responsibility and management mechanism to link to climate risk and existing risk, implementing the incorporation of climate factor with the three defenses of enterprise risk management. The management scope includes life insurance, banking, securities, futures, investment, and asset management industries. We follow the international standard and risk management policy to formulate the relevant standard as basis of risk management, applying proper technology with measurement of various risks and evaluating potential loss and association.

The Company owns comprehensive risk management framework, covering risk governance and policy as well as the mechanisms promoting risk identification, risk evaluation, risk management, risk reporting, and monitoring.

The Board of Directors plays the supervisor and ultimate responsibility. The Risk Management Committee examines, evaluates and supervises the execution of risk management, in addition to regularly report to the relevant matters to the Board of Directors. Risk management adopts the framework of three defenses: The first defense is the daily risk control designated to the sales department to assure the effective implementation of the regulations governing risk management. The second defense is the risk management department independent from the sales department, which designs and manages the risk related systems of the Company, in addition to supervising the execution by each subsidiary, providing the risk information required by the Risk Management Committee and the Board of Directors. The third defense is the audit department, independent from the planning and execution department, auditing the compliance and execution effectiveness of various risk management mechanisms. Moreover, all subsidiaries are set up with Risk Control Officer and Risk Management Department, responsible for supervising and monitoring the risk management matters of the Company, and incorporating climate change related risks in the risk management mechanism.

These measures highlight the Company's valuation and competence in risk management to assure the effective response to risks, protecting company assets and interests, and realizing the robust creation of long-term value. The interests of shareholders, customers and stakeholders are monitored while actively managing, CDF upholds to fulfilling corporate social responsibility and strive to become the trustworthy financial institution. CDF is capable of fulfilling robust risk control in the operations through the establishment of sound risk management framework and culture, while assuring the company with attention to the demand of relevant party while assuring company fulfillment in long-term value creation. The demand of interest related party exhibits the commitment of corporate social responsibility.

5.2 Climate Risk Management Process

CDF assesses the climate risks to which its major business activities are exposed on an annual basis to anticipate the likely implications and further examines how these are addressed by members in terms of organizational capability, internal control procedures, risk mitigation or response measures.

Climate risk comprises physical risks related to climate change influence and the transition risk related to low-carbon transition. Physical risks are classified as immediate or long-term depending on weather patterns and may have a financial and operational impact on the Company. Immediate physical risks refer to the extreme climate incident based on one single incident while long-term physical risks refer to the long-term changes of climate models, such as the sustained high temperature that causes the sea horizon to rise or long-term heat waves. Transition risks may occur to the Company's finances, strategy, operations, products and reputation as a result of policy, legal, technological and market variations for the purpose of transitioning to a low-carbon economy.

Climate Risk Identification and Management

Identify climate risks	Measurement and evaluations	Risk strategy	Target Monitoring
•Risk aspect •Risk type •Risk description	•Impact period •Scenario analysis •Business impact •Potential opportnities	•Avoidance mitigation, transfer or control strategies under low carbon transition	•Supervision of the achievement of targets or metrics •Combined evaluation reports

Assessment of the Group's identification of climate change risks

Risk Aspect	Risk Type	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Impact Period	Responses or Opportunities
Physical risk	Immediate risk of extreme weather events	- Impact on the value of own real estate and the ability to continue office operations. - Impairment in the value of collateral pledged by borrowers.	- Damage to physical offices or equipment and business interruptions, e.g. power failure to operations and maintenance premises,typhoon damage to servers or network equipment. - Possible damage to the collateral if located in a special area.	Own operations Downstream activities / customers	Short-term	- Initiating and completing the establishment of backup sites in a timely manner at all existing premises and all new business locations to minimize the risk of service disruption. Formulating the "Directions for Disaster Emergency Responses" and setting up a "Disaster Emergency Response Team" to take actions in the event of a disaster to maintain operational response and deployment. - Taking the risk of extreme weather into account when accepting collateral and incorporating the collateral risk into the conditions of granting loans.
	Long-term risk of sea level rise due to warming	- Establishment of business locations and management of operations. - Inadequate capacity to manage climate change among investors and borrowers.	- If a business or collateral is located in a heavily flooded area, it will deal a blow to the productivity of the business and the value of its real estate, resulting in a loss of investment and loans with a long credit term.	Own operations Downstream activities / customers	Long-term	- For all existing premises and all new business locations, we have stepped up flood controls at old business sites classified as high-risk, and factor them in when determining future business locations. As a critical factor for investment and financing, we adapt business practices whenever necessary. - Boosting the digitization of our services and optimizing customer experience, scaling up the promotion of digital channels and the proportion of online transactions.

Assessment of the Group's identification of climate change risks

Risk Aspect	Risk Type	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Impact Period	Responses or Opportunities
Physical risk	Supplier risk	- Extreme weather impacts on the supply chain that may prevent operations or services from being delivered properly.	- May cause disruptions in upstream transportation, leaving the supply chain interrupted and unable to secure the supplies needed to render services.	Upstream activities	Short-term	- To mitigate the impact of physical risks, we have established an off-site backup center or back-up plan to ensure that critical systems can be up and running if the primary center is unable to provide services.
Transition risk	Recent / emerging policies	- Total GHG emissions controls, e.g. implementation of the Greenhouse Gas Reduction and Management Act or carbon pricing. - New regulations and policies, such as Carbon Border Adjustment Mechanism (CBAM), US SEC climate related regulations, Taiwan's Climate Change Response Act, and other carbon-reduction related policies and regulations.	- Increase in the cost of sourcing green electricity, which drives up the Group's operating costs. - Impact of higher financial pressure on large carbon emitters, which affects the Group's willingness to conduct transactions with or incurs higher costs.	Own operations Downstream activities / customers	Short-term, mid-term to long-term	- Continually performing the ISO 14064-1 GHG inventory annually, supervising GHG emissions and taking GHG reduction measures based on the results of the GHG inventory. - Building green power facilities in our business locations. - Checking corporate carbon emissions and willingness to transform and modifying our transaction strategy as appropriate.
	Technology	- Large funds injected into the development of new renewable sources technologies or carbon capture technologies, with limited or no success.	- The effect is that enterprises with conventional power generation or high carbon emissions will find it difficult to raise capital or find the cost of borrowing shooting up.	Downstream activities / customers	Medium- to long-term	- Diversifying the exposure of transforming companies to lessen the risk of failure. - Strengthening credit investigation and investment in renewable energy technologies.

Assessment of the Group's identification of climate change risks

Risk Aspect	Risk Type	Description of Significant Risks	Impacts and Effects	Affected Value Chain	Impact Period	Responses or Opportunities
Transition risk	Market	Traditional energy suppliers may fail to transform as consumer behavior changes with a preference for green goods, such as electric vehicles growing rapidly to grab market share.	- The effect is lower demand for petroleum. - Polluted power-generation assets are no longer valuable, less liquid in the market and even become stranded assets.	Downstream activities / customers	Medium- to long-term	- Reducing investment and credit transactions related with oil-fired products. - Developing green financial products for sale to supplement the lost business deals from decarbonization.
	Reputation and litigation	- Investors and consumers are concerned about what the Group is actually doing in relation to climate change. - Failure to take active steps to prevent climate risks could lead to litigation by shareholders or public interest groups.	- The effect is that traditional products launched are not well received. - The investment and financing activities with high carbon emissions will result in substantial carbon emission recognition, which is not conducive to the Group's low carbon transition. - Possible legal liabilities and litigation damages.	Own operations Downstream activities / customers	Short- to medium-term	- Committing to net zero carbon emissions and coming up with specific response measures. - Engaging with clients or re-engineer assets or providing green products to help transform businesses. - Signing up to international initiatives and heading towards an internationally recognized approach.

5.3 Quantitative Impact Assessment of Climate Risk

5.3.1 Climate Risk Scenario Description

To understand the impact and financial influence brought by climate change, CDF invests resources and human resource in the research of relevant domestic and international methodology, develop the quantitative scenario analysis to examine the Group's resilience in climate risk management, Physical risks refer to the possible direct loss incurred, including the damage on the operating offices when enterprises face with the gradual changes of climate and extreme climate incidents. Transition risk refer to the rising costs and descending revenue, including the additional cost of carbon tax, when enterprises face stress from low-carbon transformation and under the promotion of policy and market. In general scenario analysis, the transition and physical risk factors are both taken into consideration. Relation of mutual influence such as the scenario with more pessimistic execution of transition will result in more intense climate change trends, bringing higher physical risks. The positive transition scenario on the other hand will produce more significant transition risk.

The Group opted for the IPCC Sixth Assessment Report SSP1-1.9 and SSP5-8.5 scenarios for assessing physical risk, and the NGFS Net Zero 2050, NGFS Delayed Transition, NGFS Current Policies and NGFS NDCs scenarios for assessing transition risk. The SSP1-1.9 scenario predicts very low carbon emissions to limit global warming to 1.5°C; the SSP5-8.5 scenario assumes a 4°C warming for very high emissions with hardly any climate policy in place; the NGFS Net Zero 2050 scenario sets a higher standard for companies to take immediate carbon reduction actions, with a 50% chance of keeping warming below 1.5°C by the end of the century; the NGFS Delayed Transition scenario involves the development of a carbon reduction and transition strategy by 2030, with the implementation starting in 2030 and a net zero carbon emission goal reached by 2050, in order to limit warming to 2°C; the NGFS NDCs scenario has countries undertaking only nationally determined contributions (NDCs) to reduce carbon emissions, resulting in a drop in emissions but still leading to a warming of around 2.5°C; and the NGFS Current Policies scenario is one in which countries maintain their current inactive carbon reduction policies, giving rise to greater than 3°C of warming and significant physical risks.

The quantitative impact assessment of climate risk in 2022 covered the entire value chain, including upstream suppliers' business locations, our own premises and downstream investment and financing-related activit analyzing the physical risk scenarios, the scenarios in the "Guidelines on Climate Change Scenario Analysis for Domestic Banks," the carbon price impact scenarios in our own operations and investments, and the carbon price impact scenarios in high climate risk industries, we further gauge the potential financial impact on the Group when exposed to climate change.

Scenario Analysis Overview

		Physical Risk - Immediate	Physical Risk - Immediate & Transition Risk - Emerging Regulations	Transition Risk - Emerging Regulations	Transition Risk - Emerging Regulations
		Physical Risk: Flood Risk Level Scenario Analysis	Guidelines on Climate Change Scenario Analysis for Domestic Banks	Analysis of Carbon Price Impact Scenarios in Own Operations and Investments	Analysis of Carbon Price Impact Scenarios in High Climate Risk Industries
Climate Scenario	2°C or below 2°C	AR6 SSP1-1.9	NGFS Net Zero 2050 NGFS Delayed Transition	NGFS Net Zero 2050 NGFS Delayed Transition	NGFS Net Zero 2050 NGFS Delayed Transition
	Above 2°C	AR6 SSP5-8.5	NGFS Current Policies	NGFS NDCs	—
Subject of Analysis	Upstream Activities	Supplier Locations	—	—	—
	Own Operations	Business Premises	—	Business Premises	—
	Downstream Activities	Investment property, mortgage in consumer banking, loans on real estate in corporate banking	Domestic credit (consumer banking, corporate banking), foreign credit, banking book investments	Investment in equity and corporate bonds	Investment in equity and corporate bonds
Assessment Period		Long-term 2036-2065	Mid-term, Long-term 2030, 2050	Mid-term, Long-term 2030, 2040, 2050	Mid-term, Long-term 2030, 2050

Scenario Analysis Overview

	Physical Risk - Immediate	Physical Risk - Immediate & Transition Risk - Emerging Regulations	Transition Risk - Emerging Regulations	Transition Risk - Emerging Regulations
Subsidiaries Covered	CDF, KGI Bank, China Life, KGI Securities, KGI Futures, CDIB Capital	KGI Bank	China Life	KGI Securities, KGI Futures
Response Measures	The Group properly activates and completes the backup establishment in existing operating locations, new operating locations, and the operating locations of suppliers, in order to reduce the risk of service interruption with reinforced water-prevention measures in the old operating locations listed as high-risk warning zone. The Group also uses physical risk as the key determinants for investment and credit to properly adjust its business regulations. Moreover, KGIB has set up the relevant management indicators and resilience level and adopting rigorous monitoring on the volatility of indicators in order to monitor the impact of physical risks. The physical risks do not have material impact on the operation and assets of the Group, however, in consideration of the uncertainty of climate risks, the Group continues to analyze and plan the related response measures.	Subsidiary KGI Bank has developed risk metrics for each asset to assess the climate resilience of the current asset portfolio. Based on the results of the resilience test, while the current asset portfolio is not significantly affected by climate risk, the Group will continue to fine-tune its risk management measures in view of the uncertainty of climate risk.	For its own operations, Subsidiary China Life has set energy saving programs and carbon reduction targets, and has switched to green power. In terms of carbon reduction strategy for the investment segment, the life insurer has set targets for the investment portfolio and capped the proportion of investments in high carbon emission industries.	To minimize the impact of investment and financing targets in high-emissions industries on CDF, Subsidiary KGI Securities will further adopt a negative screening strategy and prioritize communication with targets to gradually reduce the carbon emission intensity of investment and financing, and will regularly identify, measure and monitor climate risks and take differentiated risk management measures based on materiality ranking. Subsidiary KGI Futures protects the Company's shareholders' interests by measuring financial impacts on a rolling basis and putting in place a responsible investment policy that tracks the ESG metrics and climate actions of its investment targets to keep climate risks within the limits of its commitments.

5.3.2 Results of Climate Risk Scenario Analysis - Physical Risks

Physical Risk - Flood Risk Level Scenario Analysis

- Description of analysis:

To mitigate the impact of climate disasters on its operations and business, the Group conducts extreme weather event scenario analysis and quantifies the results for suppliers, its own premises, investment properties, mortgage in consumer banking and real estate mortgage loans in corporate banking to get a grip on the financial impact of climate change on its business and asset values. This analysis is based on the National Science and Technology Center for Disaster Reduction's (NCDR) hazard-vulnerability map, where the hazard level refers to the extreme rainfall probability and the vulnerability level to flooding, with Level 1 to Level 5 indicating the scale of flooding risk from low to high. This analysis examines all aspects of the Group to assess the impact of flooding at the sites under analysis using two scenarios: a 1.5°C warming (SSP1-1.9) and a 4°C warming (SSP5-8.5), and to review flooding adaptation measures to further enhance the Group's ability to sustain its operations.

- Financial Influence:

(1) Suppliers: Based on the analysis results of the 1.5°C and 4°C warming scenarios, 85% of suppliers have considered taking adaptive measures, which are all at low risk (Level 1).

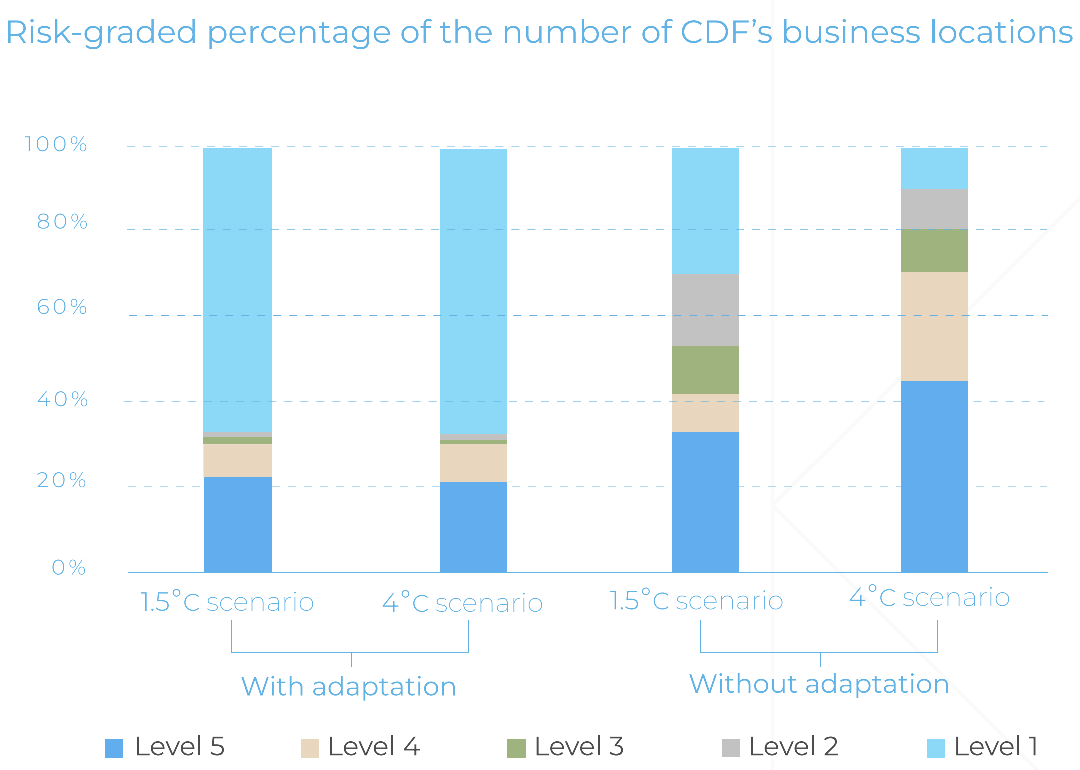
(2) Business locations: About 70% of the Group's premises are considered for adaptation under the 1.5°C and 4°C scenarios and are judged not to deal a severe blow to the Group's operations.

(3) Investment properties: Upon analysis, the Group's investment properties [Note] with about 85% of the locations under 1.5°C and 4°C scenarios have a low flooding risk level(Level 1). Besides, about 4% investment proporties at Level 5 under 1.5°C and 4°C scenarios without adaptation measures yet and are expected to have a relatively small effect on the Group's investment losses.

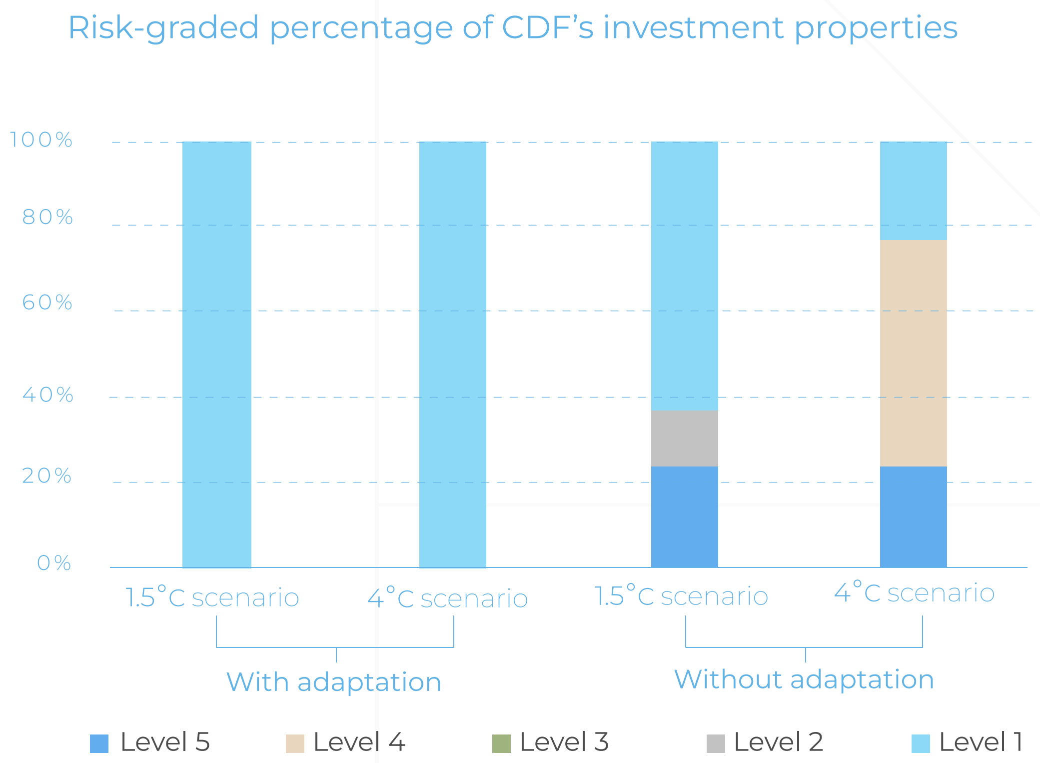
(4) Mortgage in consumer banking: The Group assesses the impact of the loss of each real estate collateral value on the Bank's expected credit loss based mainly on the address and floor level at which the collateral is held and the remaining life of the loan. Over 85% of the Group's collateral is at low flood risk (Level 1-2) under the 1.5°C and 4°C scenarios, and only about 10% of the collateral is exposed to risk level 4-5. Moreover, the comprehensive analysis of the risk exposure amount through increased value in loss rate and high climate risk against personal and financial holding real estate collateral, it is estimated that the loss ratio to total risk exposure are only 0.6% an 1%, which fall under the controllable range.

(5) Real estate mortgage loans in corporate banking: The Group takes consideration of factors such as the height of floors and the remaining year of mortgage to evaluate the influence of possible amount of loss with the corporate collateral on the Bank. The corporate collateral is at low risk of flooding in both the 1.5°C and 4°C scenarios, while the expiration year for the mortgage against most collateral is earlier than the occurrence timeline (2036) of the physical risk scenario. Hence, the preliminary appraisal of corporate real estate mortgage does not contain material physical risks. Although the Group's corporate banking department's loans on real estate do not have any exposure to high flood risk areas, the Bank will continue to pay attention to the climate risk in the locations where the collateral for the loans is situated, so as to ensure that any impairment in the value of the real estate collateral does not affect the Bank's business.

Business Location Analysis Chart



Investment Property Analysis Chart



Note: Pursuant to Article 75 of the Banking Act, commercial banks are not allowed to invest in real estate that is not for their own use. The investment properties of the Group's banking subsidiary are mainly composed of collateral for secured loans and own office rentals.

5.3.3 Results of Climate Risk Scenario Analysis - Transition Risks

Climate Change Scenario Analysis for Domestic Banks

- Description of analysis:

The Group performed climate scenario analysis as required by the competent authority's "Guidelines on Climate Change Scenario Analysis for Domestic Banks." The analysis was conducted to assess the amount of loss under different scenarios to control the possible impact brought on the Bank's investment position by climate change. The analysis was conducted to examine changes in the expected losses on the Bank's investment and financing assets, including domestic credit - corporate, domestic credit - personal, foreign credit and banking book investments as a result of climate change through an orderly transition scenario "Net Zero 2050," a disorderly transition scenario"Delayed Transition", and no-policy scenario "Current Policies."

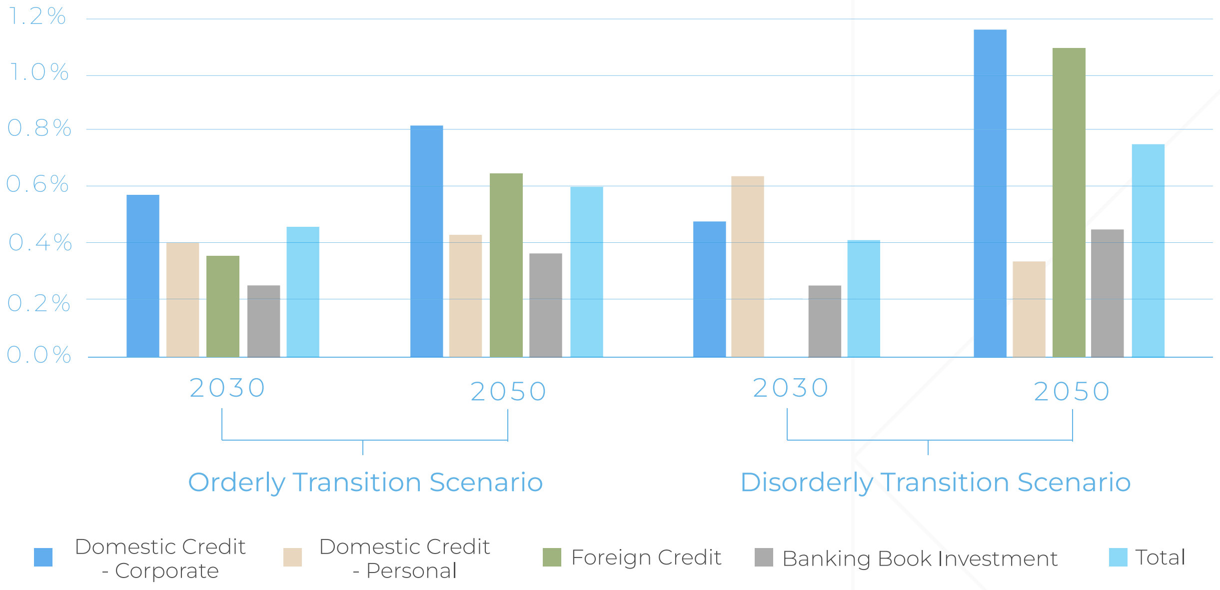
- Financial Influence:

To compare the differences in the impact of similar climate scenarios on the asset portfolio and formulate the optimal response strategy for a specific climate scenario, the Group has therefore separately discussed the transition scenarios (orderly and disorderly transition scenarios) and the non-transition scenarios (no-policy scenarios), with the relevant analysis results described as follows:

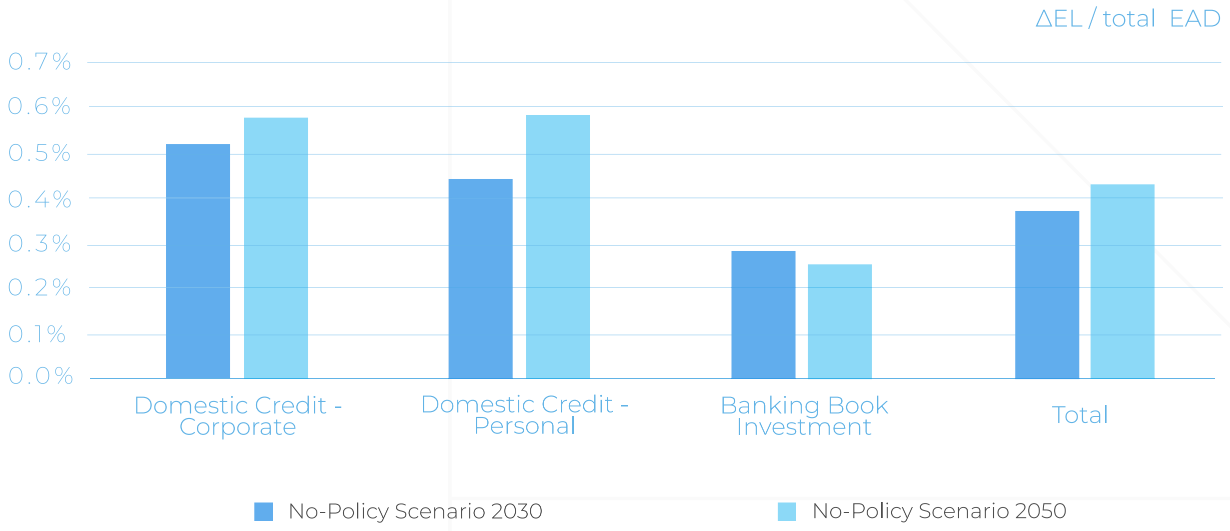
(1) Orderly and Disorderly Transition: Under both scenarios, the increased expected loss (△ EL) of the 2030 domestic credit (including corporate and personal) accounts for greater ratio in total risk exposure (EAD) to the Group and is also the key position of future focus. Moreover, the percentage of changes in expected loss of 2050 domestic credit - enterprise and foreign credit for disorderly transition by 2050 will substantially increase compared with 2030, indicating that if the transition scenario in the future meets disorderly transition, the asset portfolio subject to climate impact should be more actively managed.

(2)No Policy: Under this analysis, domestic credit (including corporate and personal) is the main position under impact. Overall, the higher proportion of changes in expected losses in 2050 compared to 2030 suggests that the impact of physical risk on the Group's asset portfolio will intensify over time if it is not addressed and managed early enough.

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



The ratio of the increased expected loss to the total risk exposure in the no-policy scenario



Analysis of the Carbon Price Impact Scenarios in Own Operations and Investments

• Description of analysis:

Carbon emissions from all operating business centers of subsidiary China Life, in which listed/unlisted equity and corporate bonds and business locations were evaluated through NGF'S Climate Scenarios Database GCAM 5.3 and its orderly transition scenario “Net Zero 2050,” the disorderly transition scenario “Delayed Transition” and the no-policy scenario “NDCs” in respect of the impact of the carbon reduction cost(such as carbon fee, carbon tax or carbon pricing).

• Financial Influence:

(1) Business locations: An analysis of the variation in the impact of carbon reduction cost on business premises under the three scenarios shows that the price continues to rise until 2050 in the orderly transition, up to US$2.4 million; Under disorderly transition scenario, due to the growing policy in 2030, the related carbon reduction cost will start to weigh on the Group from 2040 onwards, and hence the overall amount of influence is lower than that of orderly transition scenario. Moreover, under the scenario of no policy, the amount of impact between 2030 and 2050 does not have any changes. In the future, the Group will adopt power saving program, carbon reduction and other measures in addition to adopting green electricity, so as to reduce the influence of the carbon reduction cost on the Company.

(2) Securities investment: The variation in the expenditure of the carbon reduction cost by industry between 2030 and 2040 is small in the orderly and disorderly transition scenarios, but the carbon reduction cost rises markedly between 2040 and 2050, and in particular, the highest expenditure is the investment portfolio of petroleum and natural gas industries reaching a maximum of US$280,000. In the no-policy scenario, the magnitude of change in the spending of the carbon reduction cost across all sectors over time is relatively modest. The top two industries hit in the portfolio in all three scenarios are oil and gas industries and utilities. In both the orderly and disorderly transition scenarios, the third most affected industry is the integrated oil industry, and the chemical industry is the third largest under impact in the no-policy scenario.

Analysis of the Carbon Price Impact Scenarios in High Climate Risk Industries

- Description of analysis:

Following the development of transition policy, the investee companies of the Group may incur additional carbon reduction costs in the future, which may affect the net worth of the Company and indirectly result in a loss of the Company's equity investment or a decline in the Company's solvency, thereby increasing the risk of default on the corporate bonds. We adopt the “Industry Risk Matrix” to identify and select industries with high transition risk and conduct quantitative scenario analysis, so as to assess the financial impact and loss to the Company from the additional carbon reduction costs. Subsidiary KGI Securities selected the domestic and foreign equities and corporate bonds in the high-climate risk sectors of electricity and gas supply, chemicals, transportation and warehousing, while Subsidiary KGI Futures chose the equities in semi-conductors, electronics manufacturing, transportation and warehousing sectors. The NGFS orderly transition scenario "Net Zero 2050" and the disorderly transition scenario "Delayed Transition" were adopted to assess the potential loss incurred by transition risk on investments from 2025 to 2050 and to enhance the Company's climate risk management.

- Financial Influence:

(1) KGI Securities: In terms of equity investment, the electricity and gas supply sectors have a relatively higher exposure to impacts under the Net Zero 2050 and Delayed Transition scenarios. In the Delayed Transition scenario, no additional carbon reduction costs are incurred on the investment targets before 2030 before the start of relevant carbon reduction policy. However, after 2030 the policy is more stringent than in the Net Zero 2050 scenario, so the exposure to impacts may vary substantially and the investee company will be exposed to heavy carbon reduction costs in a short period of time. As the equity investments of KGI Securities mainly consist of short-term trading positions, and the impact of significant high climate-sensitive volatile industries with short-term (2025) absolute amounts and proportions including short-term trading positions is minimal, the impact in the medium and long term (2030 to 2050) is also within controllable range. Therefore, the assessment of climate risk on the financial impact of the company is relatively low. For corporate bond investments, the maturity dates of the bonds under evaluation are all earlier than 2030, and therefore, in the Net Zero 2050 scenario, a certain percentage of expected credit loss and market price decline loss will be incurred for bonds not yet mature in 2025. In the Delayed Transition scenario, the additional carbon reduction costs will only start to be incurred in 2030 and hence will have no bearing on the bonds that are under evaluation by the Company and the overall exposure to the impact is relatively minor when compared to equity investments.

(2) KGI Futures: The impact on the selected industries in the various climate scenarios will escalate year by year, particularly in the Net Zero 2050 scenario. The additional carbon-related climate impacts modeled in the Delayed Transition scenario are expected to mount significantly from 2030 onwards, according to the scenario-based policy planning. Further analysis of the impact by sector reveals that the transportation and warehousing industry has taken the most severe hit among the equity investments, as the transportation sector is still heavily dependent on oil for energy, and its high carbon emissions could lead to high carbon reduction costs in the future, which in turn could incur higher expected losses in climate risk.

06

Climate Metrics and Targets

6. Climate Metrics and Targets

CDF follows the "2045 Net Zero Carbon Emission Roadmap" to actively promotes the operation of decarbonization actions, where CDF effectively controls the GHG emission and formulates the various sustainability related targets and carbon reduction plans for follow-up. CDF started conducting ISO 14064-1 GHG inventory and verification since 2016. Beginning 2020, CDF has introduced the Internal Carbon Pricing (ICP) system to calculate the implicit costs of the carbon emissions this year, in attempt to integrate the carbon price factor in daily operations. On April 7, 2022, CDF signed Science Based Targets initiative (SBTi). Meanwhile, CDF cooperates with government green energy policy by investing funding in the purchase of green power and replace the internal lighting fixtures with green and power saving lighting equipment. At the same time, CDF launched green procurement to give priority to buying products with green mark, in attempt to achieve the net zero transformation targets through different channels.

6.1 Low-Carbon Operation and Environmental Sustainability

6.1.1 GHG Inventory of Own Operations

The GHG generated by the own operations of CDF mainly comes from purchased electricity, and the gasoline and natural gas used by company vehicles and equipment operation. Using year 2020 as the baseline year for GHG emission, the inventory and scope of verification for this year already includes all business offices of subsidiaries in Taiwan and China Life Representative Office in Beijing, excluding all China Life domestic communication offices and overseas offices of subsidiaries. The overall inventory and verification coverage is 99.99%. Since the CDF Headquarters has been relocated to the new building in October 2021, the scope of 2022 execution of carbon inventory and verification will deviate from that of 2020. However, in consideration of CDF's "2045 Total Portfolio Net Zero Carbon Emission" goals using 2020 as the base year is maintained.

CDF adopted energy saving and carbon reduction programs for Scope I and II GHG emission for own operations and assess the procurement of green power to constantly expand scope of ISO 14064-1 GHG inventory and verification, in addition to applying for ISO 14001 and ISO 50001 annual certification, in order to complete the goals in "2030 Own Operation Net Zero Carbon Emission." China Life Dunbei Building was certified by ISO 14001 environmental management system. KGI Securities Dazhi Building certified by ISO 50001 energy management system. CDF Headquarter Building certified by ISO 14001 environmental management system and ISO 50001 energy management system. Starting 2022 Q2, CDF group (including all offices in Taiwan and overseas) planning and execution of GHG inventory and verification process are reported quarterly to the Board of Directors.

Goals and Implementation Status of GHG Management in 2022

Goals	Implementation and Measures	Implementation Status	Achievement Rate
- Reduce GHG emissions by 3% compared with 2020. - ISO 14064-1 GHG emissions inventory and verification coverage reaching 100% - Pass ISO 14001 environmental management system certification and ISO 50001 energy management	- Promoted energy saving and carbon reduction programs and evaluated the purchase of green energy - Continued and expanded the scope of ISO 14064-1 GHG inventory and verification - Promoted ISO 14001 and ISO 50001 annual verification process	- Carbon reduction reached 2.37% in 2022	80%
		- Conducted internal self-inventory pursuant to ISO14064-1. CDF conducted internal self-inventory with coverage of 100% and ISO 14064-1 verification coverage reaching 100% (excluding overseas offices and the domestic CL Communications Division). - CDF Headquarters Building and CL Dunbei Building certified by ISO 14001 environmental management system; CDF headquarters building and KGIS Dazhi Building certified by ISO 50001 energy management system	100%
- Inventory of GHG emissions in Category 3 - 6 (Scope 3)	- Identified and inventoried the GHG emissions of Category 3 - 6, including: 1. Business travel 2.Upstream transportation and distribution 3.Downstream transportation and distribution 4.Fuel and energy-related activities 5. Final disposal of operational wastes	- Total GHG emissions of Category 3-Category 6 were 6,445.31 tCO2e.	100%

Note:

1. The scope of inventory and verification starting 2022 covers all CDF offices and China Life Beijing Representative Office, excluding all domestic communication divisions of China Life and all offices of overseas subsidiaries.

2. CDF Headquarters was relocated between October 2021 to July 2022. CDF incorporated the inventory in new and old buildings when conducting the GHG inventory in 2022, and hence the carbon reduction goal was affected with achievement rate only reaching 80%.

CDF conducted the 2022 category I and category II of total GHG emission as 21,498.50 tCO_2e, which was down 522.59 tCO_2e compared with the base year and the carbon reduction rate reached 2.37% The data and goals related to the relevant GHG emission and inventory coverage are described in the following table:

	2020	2021	2022
Carbon Inventory and Verification Coverage	75.50%	99.27%	99.99%

Note: The scope of 2022 inventory and verification already covered CDF, all domestic and overseas offices of CDF subsidiaries, and China Life Beijing Representative Office, except for all the China Life communication divisions in Taiwan as well as all offices of domestic and overseas subsidiaries. Few employees of the internal units of China Life work at the communication division (external units) and are not included in the scope of inventory, and hence the coverage fell below 100%.

GHG Emission (Category 1 and Category 2)

Unit：tCO_2e

	2020 (base year)	2021	2022	2022 Goals	Goals achievement
Category 1 (Scope 1)	1,164.25	1,758.97	1,124.07	1,154.59	102.64%
Category 2 (Scope 2)	20,856.84	20,270.39	20,374.43	20,683.85	101.50%
Total Emission	22,021.09	22,029.36	21,498.50	21,838.45	101.56%

Operating scale of CDF continued to expand in 2020. To control the impact of business development on the environment, we conducted an inventory of other indirect GHG emission sources, identified opportunities for improvement and formulated response strategies through identification, analysis and evaluation processes to effectively reduce the possible impact of the operation processes on the environment.

Due to the carbon emission generated by the reduction of package postal delivery and reduction of externally purchase energy from upstream transportation, Category 3 to Category 6 of GHG emissions in 2022 were 6,445.31 tCO_2e, down by 718.96 tCO_2e compared to 2021. To reduce GHG emissions from business travel, the company upgrades various video conferencing equipment in meeting rooms and encourages video conferencing to replace business travel.

GHG Emission (Category 3 and Category 6)

Unit: tCO_2e

	2020 (base year)	2021	2022	2022 Goals	Goals achievement
Category 3 to Category 6 (Scope3)	6,237.65	7,164.27	6,445.31	6,185.91	95.8%

Note: Greenhouse gas emissions from investment and financing are not included

Energy Conservation and Renewable Energy Use

In cooperation with the government's green power policy, CDF follows the international trend to promote the development of renewable energy and the transition to low-carbon economy. In 2016 and 2017, CDF purchased 200 MWh of green energy from TaiPower. In 2019 and 2020, CDF purchased 31 solar T-REC and 34 biomass T-REC from the National Renewable Energy Certification Center. In addition, CDF spent NT$7 million in the replacement of air conditioners and lighting fixtures in the office by purchasing more efficient equipment of environmental protection and energy conservation. Solar panels were installed in the CDF HQ and the Beimen Branch of KGIB, with 82.22 MWh of green electricity generated in 2022, equivalent to a reduction of 41.85 tCO_2e. CDF purchased and used 444.14 MWh green electricity in 2022, equivalent to the reduction of 226.07 tCO_2e.

CDF takes initiative in accomplishing the goals in "Accomplish carbon neutrality in headquarters building by 2024" and "Achieving net zero carbon emissions in its operations and management by 2030". In 2022, CDF signed the green electricity procurement contract and CDF will also purchase 5,000 MWh of green electricity over a period of 5 years, to eventually increase the utilization of green electricity. In particular, the headquarters building will purchase 2,000 MWh green electricity each year with an annual reduction of 1,018 tCO_2e, in addition to planning the phase II green electricity procurement plan in 2023.

Energy Conservation Related Capital Expenditure

Energy Conservation Measures	Investment Amount (NTD)	Energy Conservation (MWh)	Energy Conservation (GJ)	Reduction of Carbon Emission (tCO_2e)
Replacement of air-conditioning equipment and lighting fixtures that are more environmentally friendly, energy-conservation and highly efficient.	7,773,487	1,489.92	5,363.71	758.37
Green electricity procurement	2,564,889	444.14	1,598.89	226.07
Total	10,338,376	1,934.06	6,962.60	984.44

Execution Status of Green Procurement

Since 2016, CDF has responded to the government and the actual green procurement carried out grew from NT$ 51.19 million in 2017 to NT$ 439.44 million in 2022, with an increase in growth of more than 758%. The growth of green procurement is mainly because of the gradual increase in green procurement items (i.e., paper towels previously not adopted in green procurement are now comprehensively adopted to use paper with green mark products). We give priority in procurement for low-pollution, low energy consumption, recyclable with green certification equipment or products. Disposable items will be avoided. CDF has been awarded by Executive Yuan EPA with “Green Procurement Appreciation Certificate” four years in a row and Taipei City Department of Environmental Protection with “Private-Sector and Group Green Procurement Plan Appreciation Certificate” five years in a row.

The 2022 CDF green procurement goal was NTD135 million (up 3% compared with the NTD131 million of 2019). The 2022 green procurement amount was NTD439 million and better than expected.

2022 Implementation Actions

Item	Necessary Items for Green Procurement	Item	Priority Items for Green Procurement
1	Server, PC, NB, monitor and other equipment that fully adopted Energy Star or green mark label	1	Leasing vehicles with green label, and products with carbon reduction label for services
2	Photocopying paper that are all paper products with FSC, PEFC and other green mark label	2	Priority given to green building materials and water-saving labels for interior Repair and maintenance projects.
3	Leased photocopiers and their toner cartridges of assorted colors, and drum cartridges, and purchased printer toner cartridges with green mark label.	3	Priority given to equipment or electronic appliances with green label, energy conservation label or energy star
		4	Priority given to the consideration and incentive for suppliers or products and services acquiring energy conservation and carbon reduction related ISO certification (ISO-14001 environmental certification items, ISO-50001 energy management certification, ISO-14067 products carbon footprint certification, and ISO-14064 GHG inventory and verification.)

Actual Performance of Green Procurement

Unit: NT$ 10 Thousand

	2020	2021	2022
Information Equipment	12,721	9,825	8,695
Information Supplies	2,221	1,737	1,857
Electronic Appliance	1,746	1,299	410
Building Materials and Lighting/Construction Project	519	3,551	1,265
Paper/Printer and photocopier/Others	534	383	2,364
Transportation (leased gasoline/electric car, green label)	629	953	1,744
Transportation /High speed rail (carbon label)	485	278	618
The transaction amount with suppliers of the four energy-saving and carbon-reduction related ISO certifications	Not implemented	Not implemented	26,990
Total	18,855	18,026	43,944

6.1.2 Carbon Emissions Inventory for Investment and Financing Exposure

As noted above, CDF has set targets that are in alignment with the Paris Agreement and its methodology is congruent with the target-setting principles set out in the UNEP FI Guidelines for Climate Target Setting for Banks and the Paris Aligned Investment Initiative Net-Zero Investment Framework, and is also in line with the Net-Zero Asset Owner Alliance Target Setting Protocol, which recommends a "emissions reduction of at least 22% to 32% between 2020 and 2025" for portfolio targets. CDF currently sets a goal of reducing carbon emissions from investment and financing by 25% by 2025, 50% by 2030 and net-zero across the portfolio by 2045 against a baseline year of 2020. In the SBT absolute contraction approach, a linear decrease of at least 4.2% per year should be achieved for the 1.5°C scenario, so the target set by CDF already meets this level of carbon reduction. Going forward, CDF will further apply the SBT's target-setting methodology for carbon emissions from investment and financing, including the Sectoral Decarbonization Approach, the SBT Portfolio Coverage Approach and the Portfolio Temperature Rating Targets, thereby further developing SBT-compliant carbon emissions goals for investment and financing by asset and sector. The inventory target includes the existing listing equity investment, corporate bond investment, corporate credit loan, project financing and investment, and commercial real estate mortgage scope with gradual planning of conducting the carbon inventory on investment in sovereign bond.

CDF understands its mission as a financial institution by signing up SBTi and other international initiatives in addition to complying with the guideline inventory of DJSI and the planning of related metrics and goals. With regards to financing, the Group will gradually shift towards low-carbon transformation, continue to reduce the carbon emission from the investment and financing portfolio, in addition to actively engage with high-carbon emission enterprises for the reduction of investment and financing in high-carbon emission.

The Group adopts The Global GHG Accounting and Reporting Standard for the Financial Industry from PCAF and TCFD's disclosure recommendations. The Group conducts comprehensive inventory on the GHG absolute emission and emission intensity for the investment and financing portfolio of subsidiaries, in addition to dividing the asset type and industry in more details. CDF conducts an inventory of GHG emissions from investment and financing assets in 2022, with a carbon inventory rate of 100% for equity and bond investment, corporate loan, commercial real estate loan, and power generation project financing and investment, and total carbon emissions of 3,980,215 metric tonnes and a carbon footprint of 2.03 metric tonnes/NT$ million from investment and financing activities. The following table shows the total carbon emission from CDF's financial assets in recent three years:

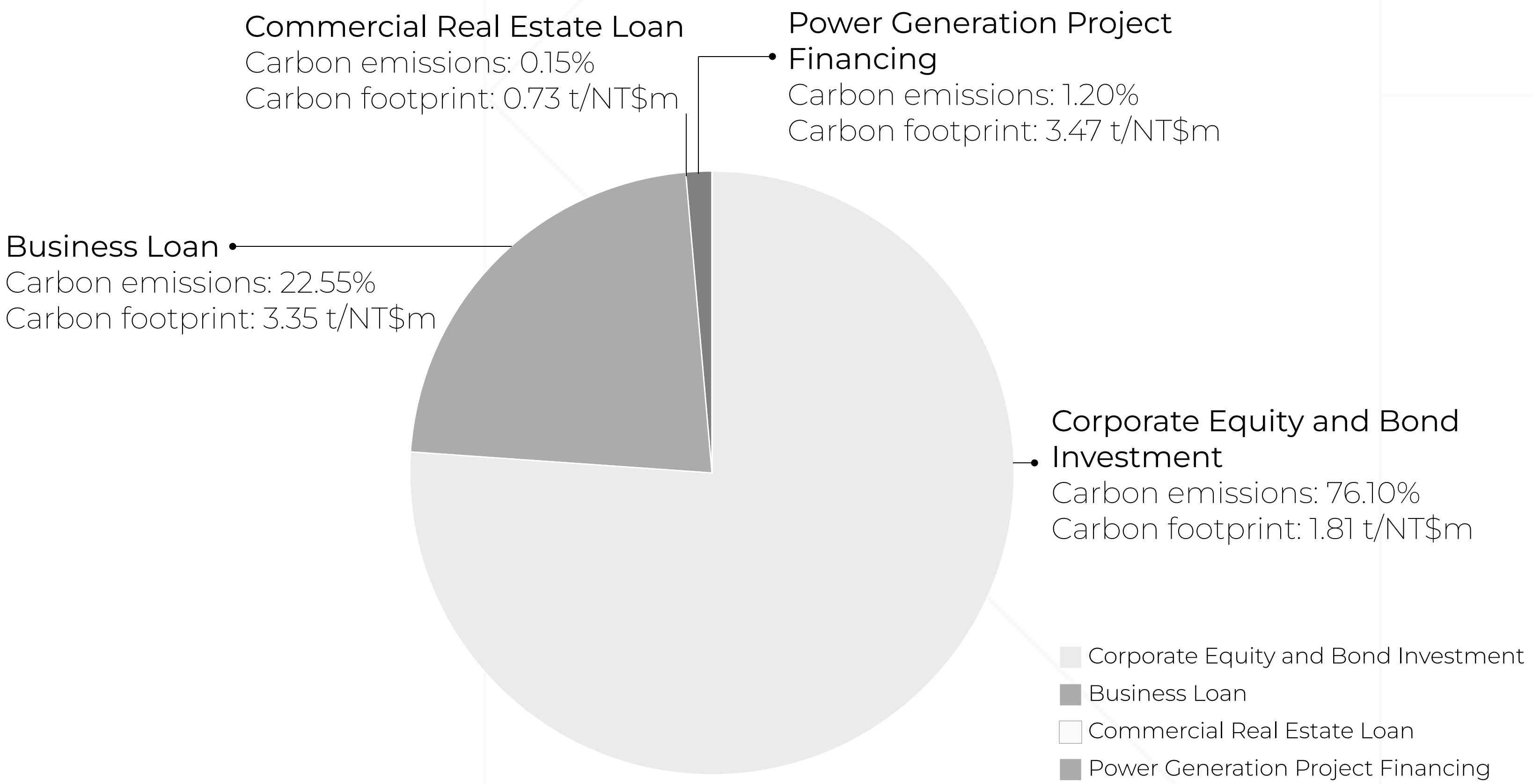
CDF Financial Asset Carbon Emission

Scope 3 Investment and Financing GHG	2020	2021	2022
Absolute Total Emissions (t of CO2 equivalent)	5,759,217	4,670,481	3,980,215
Emission Intensity (Carbon Footprint)	3.56	2.52	2.03
Asset Portfolio Coverage	81%	100%	100%
Asset Portfolio Target	Assets / Products on Balance Sheet		

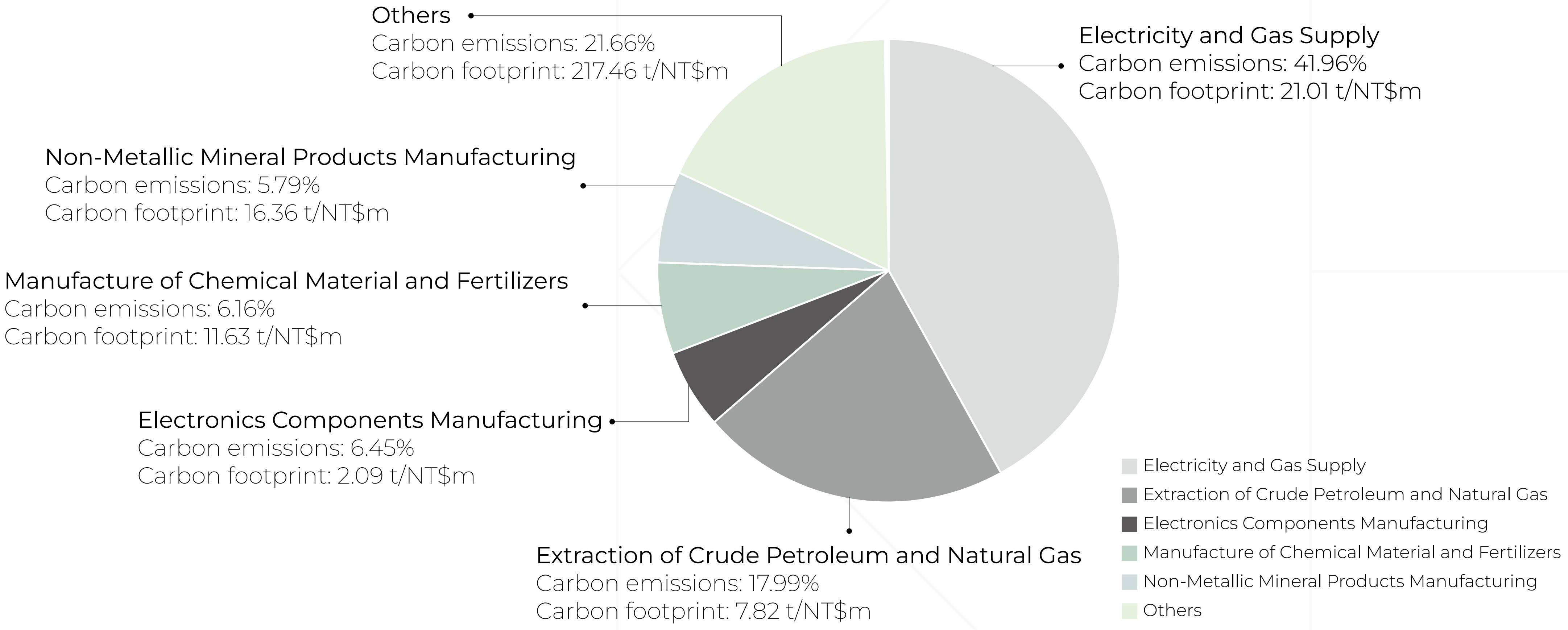
Note: CDF carbon footprint = total emission/ inventory asset (tCO_2e of the amount invested in every NTD Million). The asset portfolio coverage ratio was calculated using the inventory assets as the numerator and the sum of investment in equity and bond investment, corporate loan, commercial real estate loan, and power generation project financing in the balance sheet as the denominator.

The inventory of GHG emissions from investment and financing assets is broken down by asset type, with corporate equity and bond investments making up the bulk of 76% in the investment and financing portfolio, followed by corporate loans at 23%, power generation project financing at 1.20% and commercial real estate loans at 0.15%, with power generation project financing activities yielding the highest carbon footprint at 3.47 metric tons per NT$ million. By industry type, the top five carbon emitting industries account for approximately 78% of carbon emissions in the investment and financing portfolio, including electricity and gas supply, extraction of crude petroleum and natural gas, electronics components manufacturing, manufacture of chemical material and fertilizers and non-metallic mineral products manufacturing, which constitute the priority areas for engagement and adjustment. In addition to prioritizing the management of the top five carbon emitting industries, we are also looking into sectors and assets with the ultimate goal of a moving towards a low carbon emission.

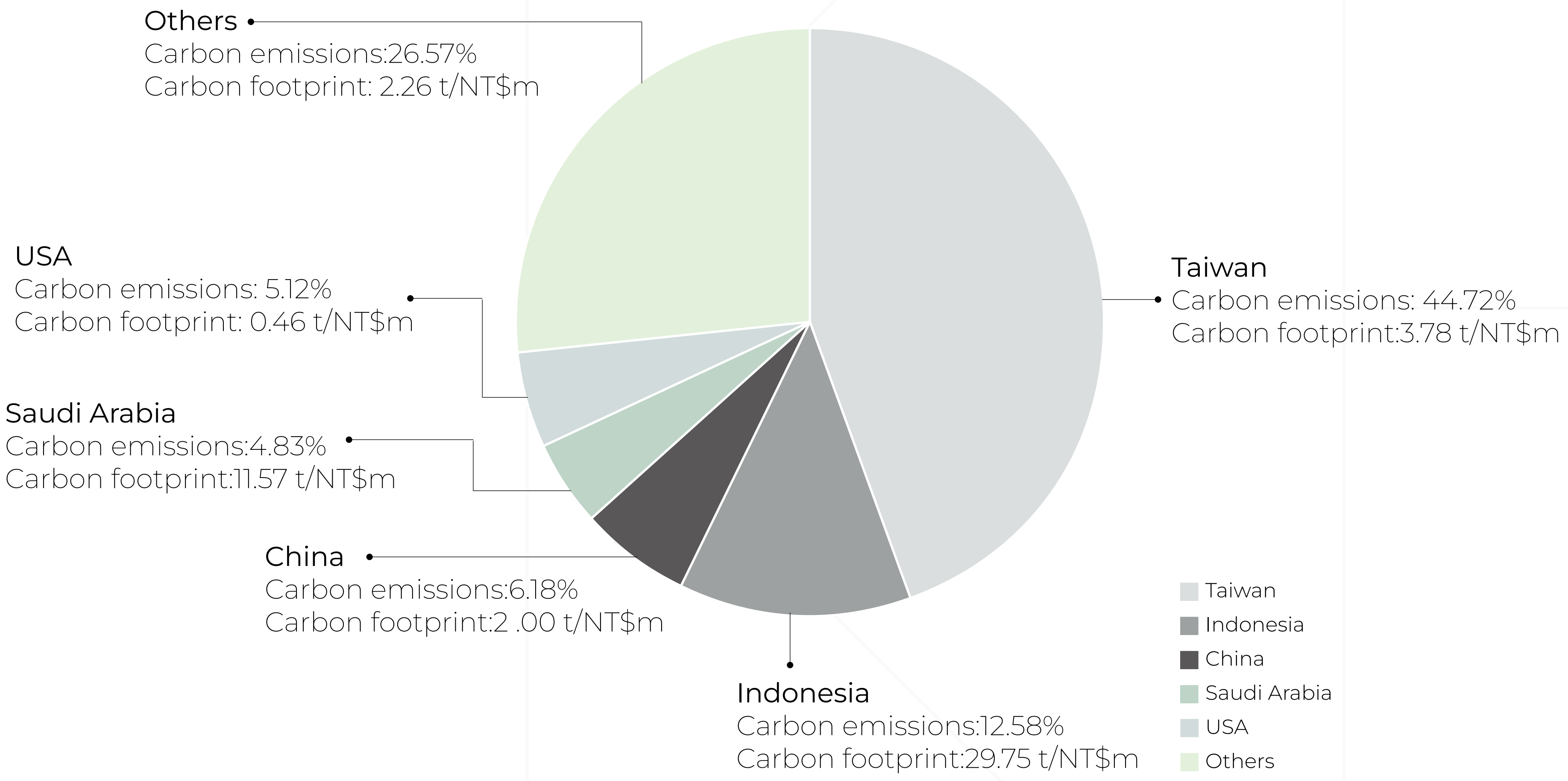
Asset-specific GHG emissions share and carbon footprint in 2022



Carbon emissions of the top five carbon-emitting industries in 2022



Carbon emissions of the top five carbon-emitting countries in 2022



6.1.3 Internal Carbon Pricing Mechanism

To meet the stakeholder's expectation and change the company internal behaviors, CDF sets up the environmental sustainability working group in the Sustainability Committee. CDF introduced ICP mechanism as a reference for assessing and managing the transition risk of climate change and as a reference for decision-making. We calculated the implicit cost of GHG emissions from operations through the Shadow Price, and expected to gradually introduce this system and to incorporate it into our internal management measures in the form of internal fees to change the company internal behaviors and improve the efficiency of energy consumption.

There were two main methods of ICP. First, we calculated the carbon price based on the actual purchase price of Taiwan Renewable Energy Certification (T-REC), which represented the current actual cost of carbon. Second, we predicted the future changes in carbon price based on the Network for Greening the Financial System composed of central banks and financial supervision agencies in major countries around the world for prediction of future changes in carbon price and conduct risk measurement and management.

CDF adopted the second method, which was more forward-looking to calculate the expected carbon price in 2045 in response to the goal of "Total Portfolio Net Zero Carbon Emissions by 2045". We used the Network for Greening the Financial System to estimate the change in carbon price in Taiwan through the "Comprehensive Evaluation Model". We also considered Taiwan's 2050 Net-zero policy and CDF's 2045 Net-zero goal, and using the "orderly transformation" scenario to estimate the carbon cost is NT$ 10,083/ton (US$347.7/ton), and calculated CDF's implicit cost of carbon emissions in 2022 as shown in the table below, which applies to all CDF offices in Taiwan. We follow SBT and international carbon pricing trends to conduct internal carbon pricing adjustment, and gradually incorporate our own operational strategy to increase the scope of application while staying in line with the international sustainability trends.

Implicit Cost of Carbon Emissions in 2022 adopting"Orderly Transition" scenario estimation

	Total Carbon Emission (tCO2e)	Implicit Costs (NTD)
Category 1 (Scope 1) and Category 2 (Scope 2) Own Operations	21,498.50	216,769,376
Category 3 (Scope 3) Business Travel	170.02	1,714,311
Total	21,668.52	218,483,687

6.2 Climate Critical Indicators and Objectives

CDF sets up indicators with corresponding objectives under the five categories, “GHG emission,” “Transition Risk,” “Climate Opportunity,” “Capital Expenditure,” and “Engagement and Communication.” CDF will continue to strengthen its implementation process based on the TCFD framework.

Category	Indicator	BaseYear	Goal	Implementation Status
GHG Emission	Asset Portfolio Carbon Emission (tCO2e)	2020	- Reduce 25% by 2025 - Reduce 50% by 2030 - 2045 Net Zero Emission	- Compared with the base year 2020, the greenhouse gas emissions from investment and financing will be reduced by 30.9%.
	Own Operation Carbon Emission (tCO2e)	2020	- 2030 net zero carbon emission.	- Compared with the base year 2020, the carbon reduction of its own operations has reached 2.37% in 2022.
Transition Risk	High Carbon Industry Investment Ratio (%)	2020	- High carbon emission industry investment ratio lower than 26% by end of 2023.	- Implement sustainable investment in accordance with the highly sensitive industry management principles in the Group's sustainable financial commitment.
	Intensified Sustainability Investment Management	2020	- Establish observation list for investee company involving concern of environmental pollution in 2023 and evaluate the related risks before the investee list	
Climate Opportunity	Green Investment and Financing Ratio (%)	2020	- YoY growth 5%, increase green investment position by 35% before the end of 2027.	- Subsidiary China Life actively develops green bonds and green project investment, and subsidiary KGI Bank undertakes green credit granting. For the relevant amount, please refer to the CDF Sustainable Finance Performance Table in Section 4.2.
	Green Credit Development	2020	- Disclose the investment and financing carbon emission using PCAF method in 2025. - Complete credit position for climate risk exposure evaluation in 2025, establishing exclusion of industry type.	- Subsidiary KGI Bank currently has a "Guidelines for Sustainability Credit" and has established an exclusion list and investment target assessment procedures based on this.

Category	Indicator	Base Year	Goal	Implementation Status
Capital Expenditure	Amount of Green Procurement (NTD)	2019	- 2022 Green procurement amount reaching NTD135 million.	- The actual amount of green procurement this year was as high as NT$439 million, overachieving the goal.
Engagement and Communication	Engagement on Investment Target	2020	- Actively participates in shareholders' meeting in 2023, oppose to any proposal in concern for violation of corporate governance and proposal with negative influence on the environment or society.	- Subsidiaries KGI Securities, KGI SITE and China Life have 100% attendance at shareholder meetings of investment targets. At the same time, China Life has distributed 121 climate survey questionnaires to understand the carbon emissions of investment targets and current carbon reduction measures.

07 Conclusion

7. Conclusion

As the leading financial group in Asia, CDF proactively faces with the challenges brought by climate change, turning crisis into opportunities, and identify and developing climate opportunities to regard climate actions as key execution strategies. We place 2045 total portfolio net zero carbon emission in the foremost important goal, formulated the five net zero strategy program climate action roadmap, published sustainable financial commitment publicly and developed low-carbon transformation within the company. CDF Group has completed and signed up for SBTi and PCAF, which voluntary participation in diverse international initiatives establish the positive social image and improve CDF Group's carbon reduction path.

With regards to own operation, the Group not only sets up an example and adopts low-carbon operation strategy in addition to cooperating with government's green power policy in the procurement of green power. The further introduction to internal carbon price mechanism as the optimization low carbon management action. With regards to investment and financing operations, we uphold to the spirit of responsible investment and responsible banking by gradually increasing the fund injection to green industries through the investment in sustainable bonds and green credit, with commitment to develop the products and services suitable for the sustainability theme.

In view of the urgency with climate change, countries worldwide are gradually aware of the climate related risk and its relevance. It is most pressing to take more constructive climate actions. In midst of the energy crisis, extreme climate impact and intensified critical moment, CDF will continue to play the role of financial institution and guide the funds to sustainability topics with positive influence on the environment, thereby become the key force in promoting the low-carbon industry development, establishing the benchmark for Taiwan's sustainable development and actively building a better future of next generation.

Appendix I: TCFD Corresponded Table

Dimension	TCFD Disclosure Recommendation	Chapter
Governance	a Describe the board's oversight of climate-related risks and opportunities.	3.1 Organizational Structure and Responsibilities for Climate Governance
	b Describe management's role in assessing and managing climate-related risks and opportunities.	3.1 Organizational Structure and Responsibilities for Climate Governance 3.2 CDF TCFD Working Group
Strategy	a Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	4.2 Sustainable Finance 5.2 Climate Risk Management Process
	b Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	4.2 Sustainable Finance 5.2 Climate Risk Management Process 5.3Quantitative Impact Assessment of Climate Risk
	c Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	5.3 Quantitative Impact Assessment of Climate Risk
Risk Management	a Describe the organization's processes for identifying and assessing climate-related risks.	5.2 Climate Risk Management Process
	b Describe the organization's processes for managing climate-related risks.	5.2 Climate Risk Management Process
	c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	5.1 Scope of Climate Risk Management 5.2 Climate Risk Management Process
Metrics and Targets	a Disclose the metrics used by the organization to assess climaterelated risks and opportunities in line with its strategy and risk management process.	6.2 Climate Critical Indicators and Objectives
	b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	6.1 Low-Carbon Operation and Environmental Sustainability
	c Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2.3 Five Net Zero Strategies 6.1 Low-Carbon Operation and Environmental Sustainability 6.2 Climate Critical Indicators and Objectives

Appendix II: IFRS S2 Index Table

Dimension	IFRS S2 Disclosure Recommendation	Chapter
Objective	Paragraph 1~2	All
Scope	Paragraph 3~4	All
Governance	Paragraph 5~7	Chapter 3
Strategy	Paragraph 8~9	Chapter 2
	Paragraph 10~12	4.2 Sustainable Finance 5.2 Climate Risk Management Process
	Paragraph 13	4.2 Sustainable Finance 4.3 Outward Communication and Engagement Actions 5.2 Climate Risk Management Process
	Paragraph 14	4.3 Outward Communication and Engagement Actions 5.3 Quantitative Impact Assessment of Climate Risk 6.1 Low-Carbon Operation and Environmental Sustainability
	Paragraph 15~21	4.2 Sustainable Finance 5.2 Climate Risk Management Process 5.3 Quantitative Impact Assessment of Climate Risk
	Paragraph 22~23	5.3 Quantitative Impact Assessment of Climate Risk

Dimension	IFRS S2 Disclosure Recommendation	Chapter
Risk Management	Paragraph 24~26	5.1 Scope of Climate Risk Management 5.2 Climate Risk Management Process
Metrics and Targets	Paragraph 27~28	2.2 Climate Action Roadmap 2.3 Five Net Zero Strategies Chapter 6
	Paragraph 29~32	2.3 Five Net Zero Strategies 3.4 Climate-Linked Performance Evaluation Mechanism Chapter 6
	Paragraph 33~37	2.3 Five Net Zero Strategies Chapter 6

Assurance Statement

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English Translation of a Report Originally Issued in Chinese

Independent Accountant's Limited Assurance Report

To China Development Financial Holding Corporation

We have been engaged by China Development Financial Holding Corporation ("CDF") to perform a limited assurance engagement, to report on CDF's selected climate-related financial information ("the Subject Matter") for the 2022 Task Force on Climate-related Financial Disclosures Report ("the TCFD Report").

Selected Information and the Applicable Criteria

Regarding the Subject Matter and the applicable criteria ("Criteria"), please refer to appendix A.

Management's Responsibility

The CDF management's responsible for preparation of the TCFD Report according to the applicable criteria, including referencing to Task Force on Climate-related Financial Disclosures (TCFD) issued by Financial Stability Board (FSB). The CDF management is responsible for selecting the Criteria, and for presenting the TCFD Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with Standards of Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the Accounting Research and Development Foundation in Taiwan. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a limited assurance report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

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Our Independence and Quality Control

We are in conformity with related independence and other ethics requirements in The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, which basic principles are integrity, objectivity, professional competence and due care and professional behavior.

We are in conformity with Standard on Quality Control 1 "Quality Control for Public Accounting Firms" to establish and maintain a sound system of quality control, including code of professional ethics, professional standards and those written policies and procedures in applicable regulations.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with CDF's key personnel to understand the process for collecting, collating and reporting the subject matter during the reporting period;
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria;
- Executing analytical procedures for selected information; Collecting and assessing other supporting documentation and obtaining management representation letter;
- Tested, on a sample basis, underlying source information to check the accuracy of the data; and
- Reading CDF's TCFD Report to confirm with the consistency of the indicators in TCFD Report which contribute to the selected information.

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Limitations

Non-financial information contained within the TCFD Report are subject to measurement uncertainties. The selection of different measurement techniques can result in materially different measurement. Also assurance engagements are based on selective testing of information being examined. Any internal control is subjected to limitations. Consequently, it is not possible to detect all existing material misstatements whether resulting from fraud or error.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the subject matter, in order for it to be in accordance with the Criteria.

Ernst & Young
Sep. 15, 2023
Taipei, Taiwan, Republic of China

Notice to Readers

The reader is advised that the assurance report has been prepared originally in Chinese. In the event of a conflict between the assurance report and the original Chinese version or difference in interpretation between the two versions, the Chinese language assurance report shall prevail.

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Appendix A:

No.	Chapter	Content Title	Selected Information	Applicable Criteria
1			The TCFD Report is disclosed according to TCFD framework.	The TCFD Report and TCFD framework.
2	5.3.2	Results of Climate Risk Scenario Analysis - Physical Risks	■ Description of analysis: To mitigate the impact of climate disasters on its operations and business, the Group conducts extreme weather event scenario analysis and quantifies the results for suppliers, its own premises, investment properties, mortgage in consumer banking and real estate mortgage loans in corporate banking to get a grip on the financial impact of climate change on its business and asset values. This analysis is based on the National Science and Technology Center for Disaster Reduction's (NCDR) hazard-vulnerability map, where the hazard level refers to the extreme rainfall probability and the vulnerability level to flooding, with Level 1 to Level 5 indicating the scale of flooding risk from low to high. This analysis examines all aspects of the Group to assess the impact of flooding at the sites under analysis using two scenarios: a 1.5°C warming (SSP1-1.9) and a 4°C warming (SSP5-8.5), and to review flooding adaptation measures to further enhance the Group's ability to sustain its operations. ■ Financial Influence (1) Suppliers: Based on the analysis results of the 1.5°C and 4°C warming scenarios, 85% of suppliers have considered taking adaptive measures, which are all at low risk (Level 1). (2) Business locations: About 70% of the Group's premises are considered for adaptation under the 1.5°C and 4°C scenarios, and are judged not to deal a severe blow to the Group's operations. (3) Investment properties: Upon analysis, the Group's investment properties [Note] with about 85% of the locations under 1.5°C and 4°C scenarios have a low flooding risk level (Level 1). Besides, about 4 investment properties at Level 5 under 1.5°C and 4°C scenarios without adaptation measures yet and are expected to have a relatively small effect on the Group's investment losses. (4) Mortgage in consumer banking: The Group assesses the impact of the loss of each real estate collateral value on the Bank's expected credit loss based mainly on the address and	Details on locations, adaptive measures and details on balances.

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No.	Chapter	Content Title	Selected Information	Applicable Criteria
			floor level at which the collateral is held and the remaining life of the loan. Over 85% of the Group's collateral is at low flood risk (Level 1-2) under the 1.5°C and 4°C scenarios, and only about 10% of the collateral is exposed to risk level 4-5. Moreover, the comprehensive analysis of the risk exposure amount through increased value in loss rate and high climate risk against personal and financial holding real estate collateral, it is estimated that the loss ratio to total risk exposure are only 0.6% an 1%, which fall under the controllable range. (5) Real estate mortgage loans in corporate banking: The Group takes consideration of factors such as the height of floors and the remaining year of mortgage to evaluate the influence of possible amount of loss with the corporate collateral on the Bank. The corporate collateral is at low risk of flooding in both the 1.5°C and 4°C scenarios, while the expiration year for the mortgage against most collateral is earlier than the occurrence timeline (2036) of the physical risk scenario. Hence, the preliminary appraisal of corporate real estate mortgage does not contain material physical risks. Although the Group's corporate banking department's loans on real estate do not have any exposure to high flood risk areas, the Bank will continue to pay attention to the climate risk in the locations where the collateral for the loans is situated, so as to ensure that any impairment in the value of the real estate collateral does not affect the Bank's business.	
3	5.3.3	Analysis of the Carbon Price Impact Scenarios in Own Operations and Investments	■ Description of analysis: Carbon emissions from all operating business centers of subsidiary China Life, in which listed/unlisted equity and corporate bonds and business locations were evaluated through NGFS's Climate Scenarios Database GCAM 5.3 and its orderly transition scenario "Net Zero 2050," the disorderly transition scenario "Delayed Transition" and the no-policy scenario "NDCs" in respect of the impact of the carbon reduction cost(such as carbon fee, carbon tax or carbon pricing). ■ Financial Influence: (1) Business locations: An analysis of the variation in the impact of the carbon reduction cost on business premises under the three scenarios shows that the price continues to rise until 2050 in the orderly transition, up to US$2.4 million; Under disorderly transition scenario, due to the growing policy in 2030,	Related expected carbon reduction cost statistics and documents of future plan.

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No.	Chapter	Content Title	Selected Information	Applicable Criteria
			the related carbon reduction cost will start to weigh on the Group from 2040 onwards, and hence the overall amount of influence is lower than that of orderly transition scenario. Moreover, under the scenario of no policy, the amount of impact between 2030 and 2050 does not have any changes. In the future, the Group will adopt power saving program, carbon reduction and other measures in addition to adopting green electricity, so as to reduce the influence of the carbon reduction cost on the Company. (2) Securities investment: The variation in the expenditure of the carbon reduction cost by industry between 2030 and 2040 is small in the orderly and disorderly transition scenarios, but the carbon reduction cost rises markedly between 2040 and 2050, and in particular, the highest expenditure is the investment portfolio of petroleum and natural gas industries reaching a maximum of US$280,000. In the no-policy scenario, the magnitude of change in the spending of the carbon reduction cost across all sectors over time is relatively modest. The top two industries hit in the portfolio in all three scenarios are oil and gas industries and utilities. In both the orderly and disorderly transition scenarios, the third most affected industry is the integrated oil industry, and the chemical industry is the third largest under impact in the no-policy scenario.	
4	5.3.3	Analysis of the Carbon Price Impact Scenarios in High Climate Risk Industries	■ Description of analysis Following the development of transition policy, the investee companies of the Group may incur additional carbon reduction costs in the future, which may affect the net worth of the Company and indirectly result in a loss of the Company's equity investment or a decline in the Company's solvency, thereby increasing the risk of default on the corporate bonds. We adopt the "Industry Risk Matrix" to identify and select industries with high transition risk and conduct quantitative scenario analysis, so as to assess the financial impact and loss to the Company from the additional carbon reduction costs. Subsidiary KGI Securities selected the domestic and foreign equities and corporate bonds in the high-climate risk sectors of electricity and gas supply, chemicals, transportation and warehousing, while Subsidiary KGI Futures chose the equities in semi-conductors, electronics manufacturing, transportation and warehousing sectors. The NGFS orderly transition scenario "Net	Related industry risk matrix, financial influence and details on investment balances.

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No.	Chapter	Content Title	Selected Information	Applicable Criteria
			Zero 2050" and the disorderly transition scenario "Delayed Transition" were adopted to assess the potential loss incurred by transition risk on investments from 2025 to 2050 and to enhance the Company's climate risk management. ■ Financial Influence: (1) KGI Securities: In terms of equity investment, the electricity and gas supply sectors have a relatively higher exposure to impacts under the Net Zero 2050 and Delayed Transition scenarios. In the Delayed Transition scenario, no additional carbon reduction costs are incurred on the investment targets before 2030 before the start of relevant carbon reduction policy. However, after 2030 the policy is more stringent than in the Net Zero 2050 scenario, so the exposure to impacts may vary substantially and the investee company will be exposed to heavy carbon reduction costs in a short period of time. As the equity investments of KGI Securities mainly consist of short-term trading positions, and the impact of significant high climate-sensitive volatile industries with short-term (2025) absolute amounts and proportions including short-term trading positions is minimal, the impact in the medium and long term (2030 to 2050) is also within controllable range. Therefore, the assessment of climate risk on the financial impact of the company is relatively low. For corporate bond investments, the maturity dates of the bonds under evaluation are all earlier than 2030, and therefore, in the Net Zero 2050 scenario, a certain percentage of expected credit loss and market price decline loss will be incurred for bonds not yet mature in 2025. In the Delayed Transition scenario, the additional carbon reduction costs will only start to be incurred in 2030 and hence will have no bearing on the bonds that are under evaluation by the Company and the overall exposure to the impact is relatively minor when compared to equity investments. (2) KGI Futures: The impact on the selected industries in the various climate scenarios will escalate year by year, particularly in the Net Zero 2050 scenario. The additional carbon-related climate impacts modeled in the Delayed Transition scenario are expected to mount significantly from 2030 onwards, according to the scenario-based policy planning. Further analysis of the impact by sector reveals that the transportation and warehousing industry has taken the most severe hit among the equity	

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<table>
<tr><th>No.</th><th>Chapter</th><th>Content Title</th><th>Selected Information</th><th>Applicable Criteria</th></tr>
<tr><td></td><td></td><td></td><td>investments, as the transportation sector is still heavily dependent on oil for energy, and its high carbon emissions could lead to high carbon reduction costs in the future, which in turn could incur higher expected losses in climate risk.</td><td></td></tr>
<tr><td>5</td><td>6.1.2</td><td>Carbon Emissions Inventory for Investment and Financing Exposure</td><td>
<table>
<tr><th>Scope 3 Investment and Financing GHG</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Absolute Total Emissions (t of CO_2 equivalent)</td><td>5,759,217</td><td>4,670,481</td><td>3,980,215</td></tr>
<tr><td>Emission Intensity (Carbon Footprint)</td><td>3.56</td><td>2.52</td><td>2.03</td></tr>
<tr><td>Asset Portfolio Coverage</td><td>81%</td><td>100%</td><td>100%</td></tr>
<tr><td>Asset Portfolio Target</td><td colspan="3">Assets / Products on Balance Sheet</td></tr>
</table>
Note: CDF carbon footprint = total emission/ inventory asset (tCO_2e of the amount invested in every NTD Million). The asset portfolio coverage ratio was calculated using the inventory assets as the numerator and the sum of investment in equity and bond investment, corporate loan, commercial real estate loan, and power generation project financing in the balance sheet as the denominator.</td><td>Related greenhouse gas statistics.</td></tr>
</table>


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