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KGI FINANCIAL

2023 CLIMATE AND NATURE RELATED REPORT

TCFD&
TNFD

CONTENT

Introduction

This Report discloses the business operation and activities of KGI Financial Holding Co., Ltd. (previous China Development Financial Holding Company, hereinafter referred to as "KGI Financial" or "the Group") and its subsidiaries (KGI Life, KGI Bank, KGI Securities, CDIB, KGI SITE, KGI Future, and AMC), during the disclosure period between January 1, 2023 and December 31, 2023, supplemented by planning after December 31, 2023 to present information integrity. This Report describes the adaptive measures taken by KGI Financial 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.

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) and The Taskforce on Nature-related Financial Disclosures (TNFD), in order to assure the Group's progress towards robust management and sustainable development. We comply with the four core elements, including governance, strategy, risk management, metrics & targets to evaluate the influence brough by climate changes and nature. We also introduce LEAP methodology to evaluate nature-related dependencies and impacts, in order to promote the supervision and management of climate risks and nature-related risks, formulate climate opportunities and net-zero strategies, and leverage financial influence to assist in the global low-carbon transition.

The protection of natural resources and climate change are two closely interconnected issues that have an inseparable impact on each other. Changes in natural capital can directly affect the climate, while various disasters induced by climate change can cause significant damage to natural resources. Therefore, while we focus on climate change, also place importance on issues related to natural resources. We aim to actively protect natural capital and rationally utilize ecosystem services within the frameworks of TCFD and TNFD to ensure the sustainable operation of our enterprise. Our group addresses the negative impacts of climate change through adaptation and mitigation measures and continually explores how to use our financial services to conserve and restore biodiversity, thereby maintaining the balance of ecosystems.

We strongly believe that integrating climate change and natural resource management strategies can have a synergistic effect on mitigating global climate change. In addition to formulating our own operational response measures, we continuously evaluate how to collaborate with investment and financing clients to leverage our influence in the financial sector, thereby reducing the impacts of climate change and biodiversity loss. This comprehensive approach not only helps maintain the stability of the financial system but also generates positive impacts on society and the environment as a whole.

We will continue to cultivate and strive to remain a leader and promoter in the financial industry on issues of global climate change and natural resource protection, aiming to create a more sustainable and stable environment for future generations.

01

Climate Governance

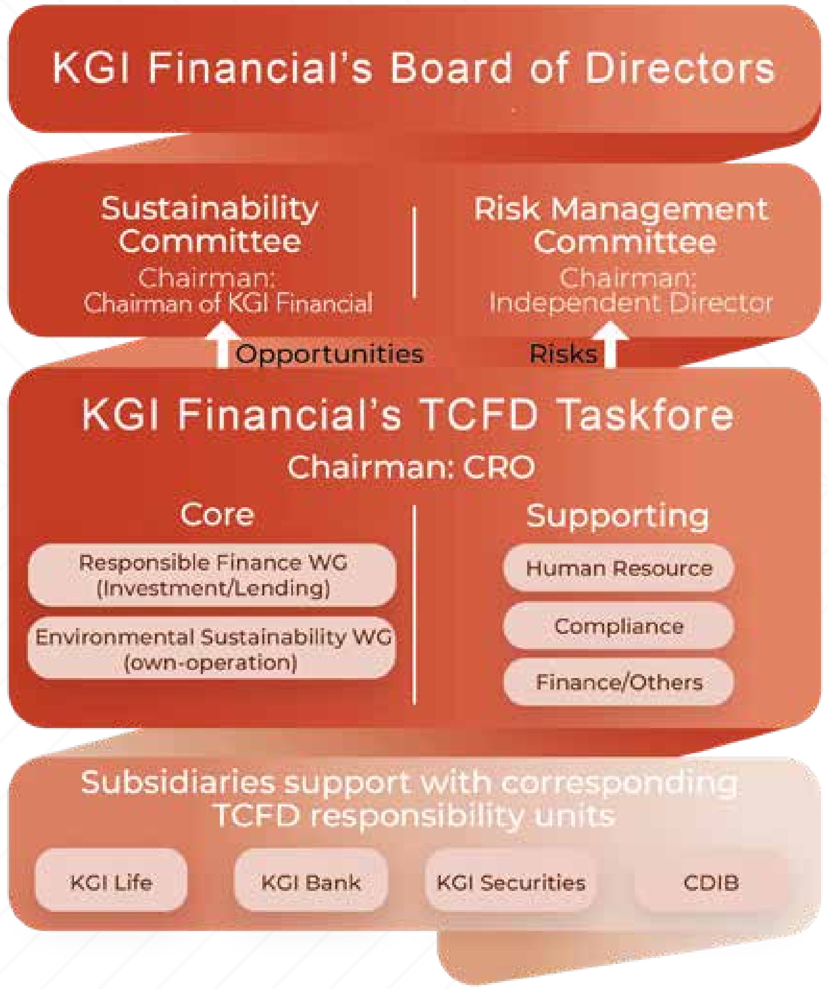
1.1 Organizational Structure and Responsibilities for Climate Governance

To establish a robust climate risk management system, the Group adopted the "Climate Risk Management Guidelines" approved by the Board of Directors in 2023. Additionally, corresponding climate risk management measures have been formulated to mitigate and adapt to the impacts of climate change. The company's board of directors and senior management have also taken identified climate-related risks into account when formulating the company's strategy. The Group will continue to aim for sustainable development, ensuring that in the future operations, the company not only strengthens its resilience to climate change but also ensures the sustainability of natural capital, making positive contributions to society and the environment.

To more completely plan and implement sustainability-related strategies, the Sustainability Committee and the Risk Management Committee under the Board of Directors of this Group are responsible for climate governance-related guidelines and frameworks; among them, the Sustainability Committee is mainly responsible for the formulation and adherence to climate governance frameworks, while the Risk Management Committee uses a three-line defense, from business units, management units to audit units, to incorporate climate governance into the current risk management process, enhancing the company's sustainability value through existing risk management mechanisms and culture.

In addition to this, KGI Financial has also established a TCFD (Task Force on Climate-related Financial Disclosures) working group, consisting of a core unit and a support unit. The core unit is responsible for implementing and refining the corresponding sustainability action plan, while also collecting and setting metrics and targets for climate-related risks and opportunities. By keeping abreast of major climate issues through meetings and projects, TCFD working group assists and oversees the establishment of climate mitigation and adaptation measures by each subsidiary to consistently fine-tune and revamp the sustainability action plans, and to practically introduce climate change assessments into current business and risk management process. The support unit provides its support to the core unit and promotes related business by following the group's TCFD strategy based on its business mandate and responsibilities. The TCFD is headed by KGI Financial's Chief Risk Officer as the chairman, who manages and coordinates the introduction and execution of TCFD in each subsidiary, and regularly tracks and manages the implementation status. The execution results of the TCFD are also regularly reported to KGI Financial's Risk Management Committee and Sustainability Committee.

Climate Governance Framework



1. 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 2023 contained a total of five items on climate issues.
- KGI Financial's Board has mandated the Sustainability Committee to develop and monitor the effectiveness of the overall ESG 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.

2. Sustainability Committee

- The Sustainability Committee, chaired by the chairman of KGI Financial and comprising the KGI Financial chairman, and independent directors, is the steering body for the attainment of the sustainable finance goals.
- It is responsible for reviewing the sustainability goals as well as the action plans proposed by the steering WG and regularly monitors the implementation on an annual basis against TCFD and TNFD's recommendations and key climate and environmental topics.
- The Sustainability Committee reports to the Board of Directors on at least annually basis on the execution of climate and environmental strategies and opportunities and on important resolutions.

3. 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 existing risk process and boost the Company's sustainability value through a structured risk management mechanism and culture.
- 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 to the Board of Directors on at least annually basis about the performance of climate risk (investment & financing, and own operations) and about important resolutions.

4. TCFD Working Group

- It is a working group attached to the Sustainability Committee and the Risk Management Committee, chaired by KGI Financial's Chief Risk Officer, who is the Company's top-tier officer for climate management. The working group is comprised of representatives from KGI Financial's ESG team, Risk Management Department, Responsible Finance WG and Environmental Sustainability WG, as well as the subsidiaries' TCFD WGs.
- The working group is charged with driving the climate goals and development strategies approved by the Sustainability Committee and assisting the Group in developing a methodology for quantifying climate risks and risk appetite indicators. It meets at least once a year to look into the development of the Group's TCFD process and keep track of the various climate metrics and targets.

1.2 Climate-Related Education and Training

In light of the rapid evolution of knowledge in governance and risk management, the Group has convened multiple educational and training guidance meetings. Subsidiaries also encourage management and relevant personnel to participate in training courses held by internal and external institutions related to sustainability and net-zero transition industry development trends to enhance their ability to address climate and environmental issues. In 2023, KGI Financial and its subsidiaries participated in a total of 31 educational training courses for directors, senior executives, and employees.

1. Training for Directors

The knowledge related to the impact of climate change on the financial industry is constantly evolving. To assist the board of directors and senior management in better understanding climate governance, KGI Financial and its subsidiary – CDIB have arranged for board members to participate in ESG and climate-related courses including green finance to net-zero finance, corporate risk response and financial industry positioning under the net-zero context, global net-zero emission impacts and ESG actions, opportunities and challenges of the circular economy. The subsidiary, KGI Bank, arranged its directors to take climate change, global net-zero emissions, and ESG-related courses held by the Hong Kong Exchanges and Clearing Limited (HKEX), Securities and Futures Institute (SFI), Chung-Hua Institution for Economic Research (CIER), and others. The courses contents included Climate and Nature: Financial Risks and Transition Opportunities, The key point of the COP28 and the promotion of Taiwan's net-zero development policy, and Low-carbon Transition: Engineering Carbon Reduction Technologies and Practices. The courses related to climate and nature attended by the directors of the subsidiary KGI Securities included Corporate Risk Response in the Context of Net Zero and Positioning of the Financial Industry, Low-Carbon Transition: ESG Management Practices in Sustainable/Climate Finance, How the Board of Directors Should Establish ESG Sustainable Governance Strategies in 2023 (Including Net Zero Issues), Sustainable Governance Organizations and Frameworks – GRI & SASB, Taskforce on Nature-related Financial Disclosures (TNFD), and the 2023 Taishin Net Zero Electricity Summit Forum. The courses attended by the directors of the subsidiary KGI Life included green finance to net-zero finance, corporate risk response and financial industry positioning under the net-zero context.

2. Education and Training Program for senior executives and all employees

To enhance the ability of supervisors and colleagues at all levels within the group to effectively respond to, assess, and manage climate-related risks and opportunities, and to establish a knowledge base related to climate and natural risks, thereby facilitating the promotion of various climate strategies and goals, KGI Financial and its subsidiaries have organized multiple climate and nature courses. The course content includes topics such as climate transition risks and corporate tool blueprints, corporate risk response and financial industry positioning under the net-zero context, climate finance promoting net-zero transition, TCFD and climate risk management practical education and training, TNFD basic cognitive establishment...etc., including both in-person and online courses, participation by management and all employees.

3. Sustainability Management Professional Certifications

KGI Financial is dedicated to nurturing talent for sustainability management by bringing in external consultants to deliver training sessions on climate-related topics and actively encouraging our staffs to obtain climate-related professional certifications and continue to learn and sharpen their climate related knowledge. Up to now, several of the Group's staffs have been certified as Sustainability and Climate Risk (SCR) Certificate, ISO 14064 Lead Verifier, ISO 14067 Lead Verifier, ISO 14001 Internal Auditor, ISO 50001 Internal Auditor, PAS 2060 System Builder, Executive Yuan EPA GHG Inventory Verifier, Air Pollution Control Specialist and Corporate Sustainability Manager.

1.3 Climate-Linked Performance Evaluation Mechanism

Starting from 2018, ESG indicators such as the target of carbon emissions reduction, 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 the target of carbon emissions reduction, 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.

Key Performance Indicators (KPIs) for CEO Compensation

The group has implemented a series of measures to achieve its net-zero target. One of these measures is incorporating the results of sustainability performance and the effectiveness of carbon reduction strategies into the special indicators for assessing the variable compensation of CEO and senior executives. The performance evaluation indicators for CEO's compensation are now linked to the overall effectiveness of the group's ESG strategy, with a particular focus on the effectiveness of reducing carbon emissions. The CEO's performance metrics include non-financial indicators, such as corporate sustainability (reducing carbon emissions from own-operations, reducing carbon emissions from investments and financing, and green investments).

Key Performance Indicators (KPIs) for Executive Variable Compensation Adjustments

The performance metrics for variable compensation adjustments of senior executives are closely tied to carbon reduction performance. The departments they lead play a crucial role in the planning, monitoring, and implementation of climate change response plans. The Chairman of the TCFD working group serves as the Group's Chief Risk Officer, who is the highest-ranking executive responsible for the Company's climate management. This role includes overseeing climate-related risk management, such as strategies to enhance the TCFD climate risk management mechanism, monitoring overall climate risk exposures, increasing the proportion of green products, reducing high climate-risk exposures, and convening the Risk Management Committee quarterly to review reports on market, credit, operational, liquidity, and climate risk controls, as well as addressing risk management issues and supervising the implementation of risk management practices. Additionally, a regularly report is submitted to the Sustainability Committee, detailing the progress and execution of the development of green products and related goods and services. The proportion of remuneration linked to these performance metrics is 45%.

02

Climate Strategy

2.1 Net Zero Commitment

To realize the climate vision of the group, the group is fully promoting net-zero development in various aspects such as its own operations, investment and financing businesses, products, and services. In 2021, the group took the lead among Taiwanese financial institutions by publicly committing to "achieving net-zero carbon emissions for the entire asset portfolio by 2045."

Following the aforementioned climate vision, KGI Financial actively participates in climate-related initiatives and guidelines. Since 2015, we have been adhering to the Equator Principles (EPs) for lending. In December 2018, we officially signed the Task Force on Climate-Related Financial Disclosures (TCFD), which includes governance, strategy, risk management, and metrics and targets as its core elements. To track our progress in reduction of carbon emissions more effectively, we joined the Science Based Targets initiative (SBTi) in 2022. In June 2023, we also became a member of the Partnership for Carbon Accounting Financials (PCAF) to adopt international standards for carbon accounting in investment and financing. The subsidiaries have also followed the PCAF methodology to complete the carbon emissions inventory for equity and corporate bond investments, business loans, commercial real estate loans and electricity generation project finance, and has set annual carbon reduction targets.

2015	2016	2018	2020	2021	2022	2023
Consider Equator Principles (EP) approach	Joined CDP Initiative	Joined TCFD Initiative	Compliance with PRI/PRB/PSI	Compliance with UNEP FI to commit 2045 net zero carbon emissions	Joined SBTi initiative	Joined PCAF

Decarbonization Commitments in the Thermal Coal and Unconventional Oil and Gas Industries

To further embark on carbon reduction initiatives, KGI Financial's Board of Directors has approved the "Sustainable Finance Commitment" and created a decarbonization timeline. Meanwhile, we have initiated industry and customer engagement to stimulate clients in high carbon-emitting industries to drive their carbon reduction and transition plans. KGI Financial and its subsidiaries will continue to launch the decarbonization goals for all phases. We expect to achieve a complete global phase-out by 2040 for business activities in coal and unconventional oil and gas related industries and have set a timetable for stepwise reduction and a full exit. Each subsidiary will gradually reduce investment in high-carbon industries without a low-carbon transition plan according to their business conditions. One of KGI Financial subsidiary - CDIB, has taken the lead in achieving to phase out coal and coal mining industries from its own investment positions by the end of 2022, and continues to increase the amount of new green investments, advancing towards the decarbonization target schedule.

As to thermal coal related industries and unconventional oil and gas related industries, we are committed to withdrawing from businesses involving related industries by 2040, including infrastructure and project financing, credit lines and loans, fixed income underwriting business, and all active, passive, and third-party managed investments activities. Our phased commitments are:

1. 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).
2. 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.
3. 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.
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.
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.

2.2 Climate Opportunity Identification

2.2.1 Climate Opportunity Identification Procedure

In order to grasp the opportunities that arise from climate change, the Group follows a significant climate opportunity identification procedure and conducts the identification of climate opportunities annually. An evaluation will be conducted for each business division of the company, taking into account the climate opportunities classification, impact pathways, timing, value chain position, and financial implications recommended by TCFD.

Climate Opportunity Identification Procedure

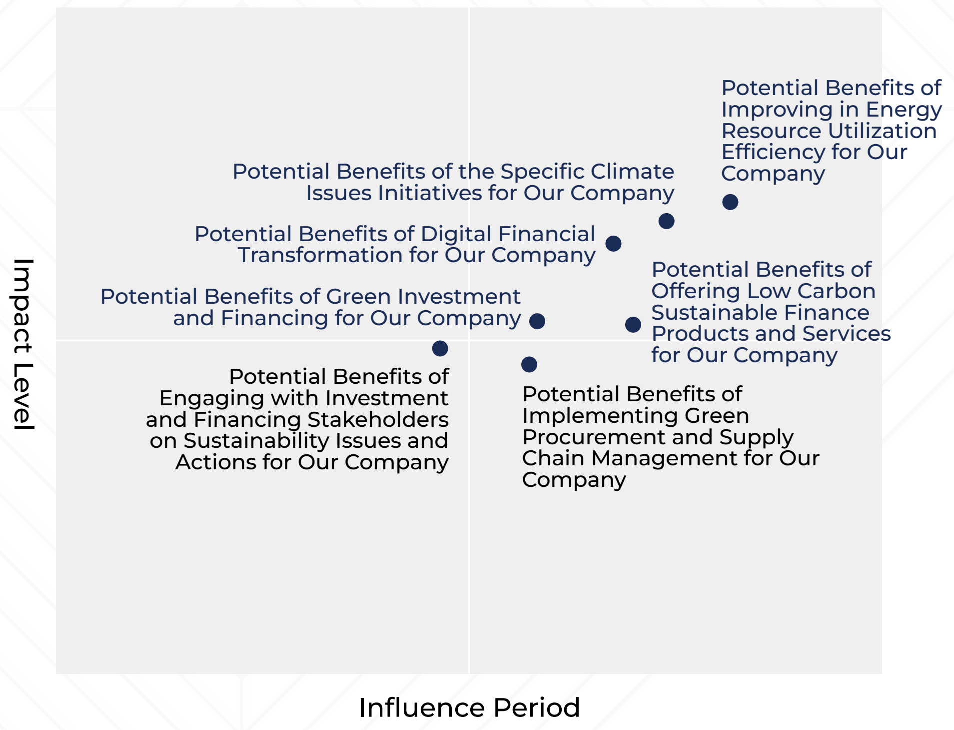
Step 1: Data Collection and Analysis	Based on the TCFD guidelines and considering both domestic and foreign development trends, as well as climate-related opportunities in the financial industry, this group has identified substantial a list of topics for climate opportunities.
Step 2: Climate Opportunity Assessment	Each subsidiary's relevant departments evaluate the potential impact period (Note 1) and impact level (Note 2) on the company for various significant climate opportunity issues, based on their understanding of the issues related to their respective business types.
Step 3: Significant Climate Opportunity Identification	Based on the evaluation results from the relevant departments of each subsidiary, the impact period, probability and impact level of climate opportunities have been summarized. Opportunities with an impact period score of short-term and medium-term or higher, and a potential impact level of moderate and high, are considered significant climate opportunities for the Group. In 2023, a total of five significant climate opportunities were identified.
Step 4: Review	The identified significant climate opportunities will be reviewed and disclosed in KGI Financial ESG Report. After completing our ESG Report, it will be reported to the Sustainability Committee and the Board of Directors.

Note:
1. Impact period: short-term may occur within 3 years (inclusive); medium-term may occur within 3 to 10 years; long-term may occur after 10 years.
2. Impact degree: Considering the occurrence of climate opportunity events, which may generate the possible extra financial benefits, affected departments, decision-making authority/levels…etc.

2.2.2 Identification Results of Climate Opportunities

The Group has engaged in discussions with various units related to climate opportunities to identify potential climate opportunities that may impact our operations and business activities. We assessed the potential impact duration and magnitude on the Group and subsequently developed a matrix diagram based on the evaluation results. This year, we have identified five significant climate opportunities, which affect both our own operations and value chain. The Group will continue to review current initiatives and formulate strategies to seize operational and business opportunities.

2023 Climate Opportunity Matrix



Opportunity factor	Significant Climate Opportunity Description	Value Chain of Influence	Impact Period (Note 1)	Impact Level (Note 2)	Financial Impact
• **Product and Service** • **Market**	Potential Benefits of Green Investment and Financing for Our Company	• Investment and Financing Business	Mid-term	Medium	By reducing investments in high-carbon industries, increasing green bonds, and supporting investees or countries in funding renewable energy, energy efficiency improvement and transformation, green building, and green transportation projects, the company can increase the value of its financial assets and related income.
• **Product and Service** • **Market**	Potential Benefits of Offering Low Carbon Sustainable Finance Products and Services for Our Company	• Financial Product Services	Short-term	Medium	In recent years, there has been a significant growth in green investment and financing products in the capital market. This, along with the increased interest from international investors, has led to the development of green and sustainable investment and financing products for companies. As a result, companies are experiencing stable income and positive impact.
• **Resilience** • **Product and Service**	Potential Benefits of the Specific Climate Issues Initiatives for Our Company	• Own-operation • Investment and Financing Business • Financial Product Services	Short-term	High	Signing up or complied with PRI, PRB, SBTi, TCFD, or other sustainability initiatives and guidelines not only benefits the company in formulating climate strategies and implementation, but also enhances international rating performance, increases investors/ customers trust in the Group and facilitate fundraising.
• **Product and Service**	Potential Benefits of Digital Financial Transformation for Our Company	• Own-operation • Financial Product Services	Short-term	Medium	The digitization of internal processes and business operations will impact the company's operating model, which is expected to significantly reduce energy use and carbon emissions, while enhancing customer convenience and financial experience.
• **Energy Efficiency Usage** • **Renewable Energy**	Potential Benefits of Improving in Energy Resource Utilization Efficiency for Our Company	• Own-operation	Short-term	High	Improving energy efficiency enables the company to achieve its net-zero operational goals, reduce potential operating costs such as carbon fees/taxes, and decrease dependence on purchased electricity.

Note:
1. Impact period: short-term may occur within 3 years (inclusive); medium-term may occur within 3 to 10 years; long-term may occur after 10 years.
2. Impact degree: Considering the occurrence of climate opportunity events, which may generate the possible extra financial benefits, affected departments, decision-making authority/levels…etc.

2.3 Climate Response Strategy

2.3.1 Climate Net-Zero Strategy

According to KGI Financial's goals of "achieving net-zero carbon emissions for the entire asset portfolio by 2045 and net-zero carbon emissions for its own operations by 2040," the net-zero strategy is planned as follows:

Five Net Zero Strategies

KGI Financial has adopted five net-zero execution strategies: compliance with UN regulations, customer engagement objectives, target industry goals, investment and financing portfolio objectives, and its own transition goals, and has devised a follow-up process that serves as a framework for implementation across all levels and internal operations, allowing for specific quantitative objectives to be proposed and regularly monitored and reviewed.

Considering the organizational structure, the five execution strategies are carried out from the parent company to the subsidiary level, with voluntary compliance with UN-convened Net-Zero Asset Owner Alliance (NZAOA) as the core. By integrating and designing the organizational aspects, the Sustainability Committee has set up a standard TCFD execution mechanism for the Group, communicates and cooperates with relevant units in each subsidiary, regularly tracks the implementation of various Group strategies 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 net-zero goals, while taking into account practical execution possibilities.

Net Zero Strategies as below:

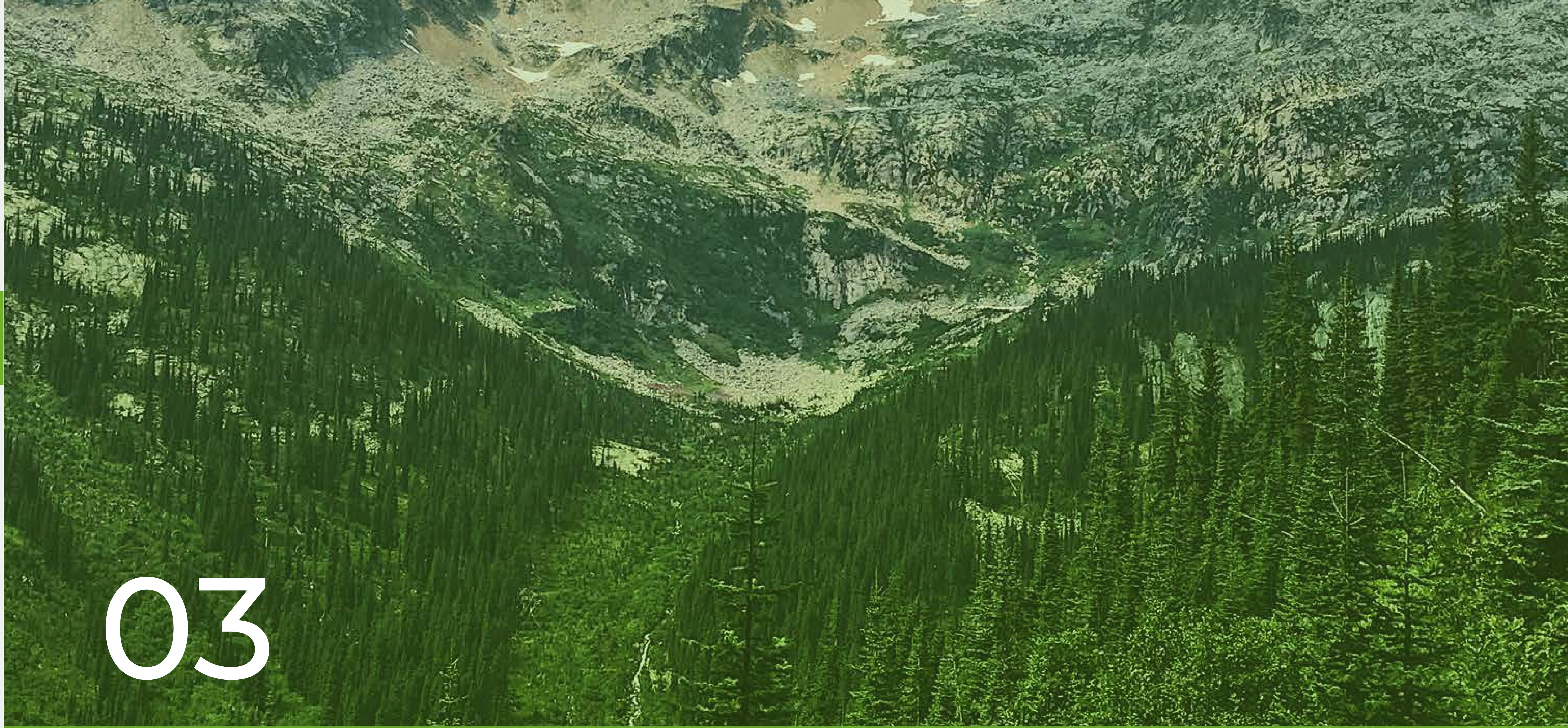
Strategies	Strategy Content
Compliance with UN regulations	We comply with the NZAOA principles for target setting and disclosure recommendations, as well as international standards relating to finance, including the Principles for Sustainable Insurance (PSI), the Principles for Responsible Banking (PRB) and the Principles for Responsible Investment (PRI).
Customer engagement objectives	We engage with specific targets, gradually raise our engagement coverage, actively guide customers towards sustainability and net zero, and provide financial products and 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 KGI Financial's carbon footprint and emissions from investment and financing activities.
Investment and financing portfolio objectives	To keep all portfolios aligned with the Paris Agreement, we are working in collaboration with our subsidiaries to map out a carbon reduction pathway to achieve the phased objectives to the greatest extent.
Transition goals	KGI Financial is actively purchasing renewable energy and expects that by 2024, the KGI Financial headquarters will become the first financial holding company to obtain dual certification for carbon neutrality and green building., and to substantially raise the proportion of green credit and green investment in its business activities.

2.3.2 Climate Net-Zero Actions and Results

The Group, following the five key net-zero strategies and the identification of significant climate opportunities, has categorized its net-zero actions into four major dimensions: financial assets, financial products and services, advocacy and engagement, and internal operations. For each dimension, we outline the internal strategies, targets, response measures, and outcomes, while aligning these with the identified significant climate opportunities.

Dimensions	Significant Climate Opportunity Description	Strategies and Objectives	Measures and Effectiveness
Financial Assets	Potential Benefits of Green Investment and Financing for the Group	· The Group and its subsidiaries have established the "Sustainable Finance Commitment," the "Responsible Investment Policy," and the "Sustainable Credit Guidelines." The Responsible Finance working group, under the Sustainability Committee of the Board of Directors, oversees the implementation of these policies. This includes reducing investments and financing in high-carbon industries and continuously increasing the proportion of green investments and financing.	· KGI Life and CDIB ■ In response to the National Development Council's six core strategic industry investments, we have invested approximately NT$ 143.8 billion in the six core strategic industries, of which over 60% is invested in green energy and renewable energy fields. · KGI Life ■ invested NT$19.5 billion in green bonds. ■ invested approximately NT$ 1.46 billion in renewable energy, supporting the development of clean energy in our country. · KGI Securities ■ At the end of 2023, the proportion of green bond investments reached 5.06%, compared to 4% at the end of 2022, achieving the annual growth target of 5%. · KGI Bank ■ invested in three sustainable development bonds (including one green bond, one social responsibility bond, and one sustainable development-linked bond) totaling NT$1.05 billion. ■ At the end of 2023, the balance of 11 green credit notes reached NT$17.073 billion, increased 6.31% compared with previous year. ■ By the end of 2023, KGI Bank's renewable energy financing amount reached NT$13.618 billion, an increase of over 6% from NT$12.798 billion at the end of 2022.
Financial Products and Services	Potential Benefits of Offering Low Carbon Sustainable Finance Products and Services for the Group	· Sustainable Insurance: The subsidiary, KGI Life, adheres to the PSI and the PRI. The Company incorporates environmental, social, and governance (ESG) considerations into its strategic planning and management to better identify and manage sustainability opportunities and risks. · Green Deposits: The subsidiary, KGI Bank, actively promotes green deposits, allocating project deposits to green purposes such as renewable energy, energy technology development, and pollution prevention and control. · Green Credit and Green Industry Financing: The subsidiary, KGI Bank supports energy transformation through its credit business by financing energy-saving, energy-generating, energy-storing, and smart system integration projects. This aligns with government initiatives to promote energy independence and the development of emerging renewable energy industries. The Bank expects a compound annual growth rate of 5% in overall green credit amounts, aiming for a long-term growth target of 45%. · Sustainable Funds and ESG-Related Products: The subsidiary, KGI SITE, will continue to issue sustainable fund series (such as Sustainable Bond ETFs and actively managed Sustainable Bond Funds) and will strengthen the promotion of ESG and sustainability-related products to investors. · Green Underwriting and Advisory Services: The subsidiary, KGI Securities, continues to leverage its expertise as a securities underwriter to assist companies in issuing green bonds, raising funds for green enterprises, and providing related services to companies developing green industries.	· KGI Life ■ Insurance service footprint inventory passed ISO 14067 international standard verification and acquire the 'carbon label' from the Ministry of Environment (MOENV). · KGI Securities ■ participated in 21 ESG-related bonds(including 9 green bonds, 7 social responsibility bonds and 3 sustainable development bonds, and 2 sustainable development linked bonds), underwriting the total amount of NT$21.1 billion, up 155% compared with the NT$8.28 billion in 2022. ■ among the equity capital raising cases organized by KGI Securities in in the capital market, 16 cases were environmental protection and green energy related, accounting for about 48% of the number of cases organized in 2023. The environmental protection and green energy funds raised more than NT$36.0 billion, accounting for about 74% of the funds raised in 2023. · KGI Bank ■ Besides corporate customers, also invited various social groups and institutions, including religious groups and universities, to participate in green deposits, guiding funds to expand the impact of green finance. Since inception, the size of green deposits has reached NT$26.8 billion, winning the Taiwan Sustainability Action Awards (TSAA) Bronze Award in 2023. · KGI SITE ■ offers one ESG bond ETF and two active sustainability bond funds that have been approved by the competent authority for ESG review. As of the end of 2023, the fund scale reached NT$4,032 million, it is among the leading group in the number of ESG fund issuances in the investment trust industry.
Advocacy and Engagement	Potential Benefits of the Specific Climate Issues Initiatives for the Group	· One of the five key net-zero strategies is to "Follow United Nations Standards," which emphasizes adhering to the principles and disclosure recommendations set by the Net-Zero Asset Owner Alliance (NZAOA). In addition, the Group commits to the PSI, PRI, PRB, and EP, and also signed onto the TCFD and joined the PCAF, among other international initiatives, to achieve its net-zero carbon emissions goals.	· KGI Financial ■ KGI Financial has signed onto CDP, TCFD, and SBTi, and in June 2023, it joined PCAF. The Company is actively adopting international standards for carbon emission management in investments and financing. · KGI Securities ■ Adhered to the PRI and, in 2023, signed the "RE10x10 Climate Declaration" initiated by the international organization Greenpeace. This commitment includes using more than 10% renewable energy of Taiwan's total electricity consumption by 2025 and striving to achieve RE100 by 2050. These actions are in response to the United Nations Framework Convention on Climate Change (UNFCCC) and its energy transition initiatives.

Dimensions	Significant Climate Opportunity Description	Strategies and Objectives	Measures and Effectiveness
Own Operations	Potential Benefits of Digital Financial Transformation for the Group	· The Group aims to transform consumer financial experiences with the goal of "One Website, One App," leveraging FinTech (Financial technology) to revolutionize financial services. · The subsidiary, KGI Bank, implements the "KGI Inside" strategy, utilizing fragmented, modular, and API-based technological capabilities to develop innovative collaboration models between FinTech companies and banks. As the first in the financial industry to adopt the Open Banking concept, KGI Bank has introduced plug-and-play financial service components (Open API) to realize scenario-based financial solutions.	· KGI Life ■ In collaboration with the subsidiary of the Group, KGI Bank, have launched the "Electronic Authorization Premium Deduction Service." This service allows customers to complete applications for life insurance premium deductions via an online banking verification mechanism, eliminating the need for physical signatures and seals, and providing immediate authorization results. This initiative offers a convenient and rapid digital financial service to clients. ■ Pioneered the use of facial recognition technology in the insurance application process, creating an intelligent identity verification mechanism. This innovation overcomes the traditional constraints of face-to-face interactions in insurance applications, reduces paper and commuting resource consumption, and ushers in a new era of "face-based insurance." Since its launch, the service has processed over 39,000 transactions, increasing administrative efficiency by 25%. ■ Developed a life insurance intelligent assistant, "Afu," using natural language processing technology. In 2023, Afu was optimized with over 300 new and improved knowledge points and 7 new functionalities. This enhancement resulted in a 2.3-fold increase in question resolution coverage, a 3.1-fold rise in usage, a 2.1-fold increase in user numbers, and a 76.8% improvement in NPS. · KGI Securities ■ As the first securities firm to introduce Line account binding services, we continue to enhance features such as electronic and mobile trading. In 2023, our AI-powered customer service attracted 72,400 users, who posed 116,000 questions. Utilizing multi-turn dialogue and sentiment detection mechanisms, the AI quickly addressed customer inquiries related to products and services. ■ Developed an intelligent wealth management project, offering online automated portfolio services to lower investment thresholds and attract new generations and budget-conscious individuals into asset allocation and long-term investment opportunities. · KGI Bank ■ Pioneered dual digital identity verification for both banking and securities services. At the end of 2021, we introduced a streamlined process for opening three types of accounts (Taiwan stock, U.S. stock, and mutual fund accounts) online in a single application. ■ Integrated the comprehensive overview and details of KGI Life Insurance policies purchased through KGI Bank into the KGI Mobile Banking app's client asset overview. This integration provides customers with a more comprehensive and complete financial planning and information experience.
	Potential Benefits of Improving in Energy Resource Utilization Efficiency for the Group	· The Group is advancing towards its goals of "achieving carbon neutrality for the headquarters building by 2024" through several key measures. These include procuring renewable energy, purchasing renewable energy certificates, upgrading internal equipment to more energy-efficient and low-carbon options, and implementing green procurement practices to reduce pollution and energy consumption. · The Group also actively promoting the "Responsible Procurement Policy," adhering to three core principles: "identifying actual needs," "green procurement and carbon reduction," and "local sourcing." These principles guide our support for socially and environmentally friendly products.	· Renewable Energy Usage: The KGI Financial headquarters building and the Beimen branch of its banking subsidiary installed solar panels, generating 82.24 MWh of renewable energy in 2023. The Group also purchased and used 4,966.80 MWh of renewable energy in the same year. In 2023, the Company purchased 17%, while CDIB purchased 28% of its electricity from external sources as renewable energy. · Energy Management System Implementation: In addition to maintaining ISO 50001 certification for the headquarters and KGI Securities' Dazhi Building, the Group also obtained ISO 50001 certification for three additional branches of KGI Bank in Kaohsiung, Chihkan, and Dongmen in 2023. · Energy-Efficient Equipment Upgrades: The Group replaced old systems with more environmentally friendly, energy-efficient air conditioning units and lighting fixtures. Preference was given to equipment and appliances certified with Green Labels, Energy Labels, or ENERGY STAR. These energy-saving initiatives resulted in a total electricity saving of approximately 232.7 MWh, equivalent to a reduction of about 115.2 tCO_2e. The Group's total annual electricity consumption (excluding new inventory scopes) was 38,830.6 MWh, a 4.3% decrease compared to 2022. · Green Procurement: In 2023, the total amount spent on green procurement was NT$360 million. This includes approximately NT$180 million from green procurement incentives and about NT$180 million from purchasing items certified under four ISO certifications related to energy conservation and carbon reduction. The Group exceeded its targets, with green procurement accounting for approximately 19.8% of total procurement, a slight increase from 17.3% in 2022. Products with domestic and international eco-labels accounted for around 51.04% of the total green procurement expenditure, a significant rise from 37.51% in 2022. Additionally, local procurement accounted for 90% of the total procurement spend. The Group and its subsidiary, KGI Life Insurance, were consecutively awarded two Green Procurement Awards by the Department of Environmental Protection Taipei City Government and the Ministry of Environment, as well as the Buying Power Social Innovation Products and Services Procurement Award from the Ministry of Economic Affairs.



03

Climate Risk Management

3.1 Climate Risk Management Process

3.1.1 Climate Risk Identification and Management

To address climate risk, KGI Financial's Board of Directors in 2023 adopted the "Climate Risk Management Guidelines" to incorporate climate factors into the three lines of defense for corporate risk management, encompassing life insurance, banking, securities, futures, venture capital, asset management and other segments. In compliance with domestic and international standards as well as risk management policies, we have laid down relevant criteria for risk management, using appropriate techniques to gauge risks and assess potential losses and correlations. In addition, we have established a mechanism to identify, assess and respond to emerging climate risks, and regularly perform scenario analysis for management purposes.

Climate Risk Identification and Management

The Group 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 that are classified as acute or chronic depending on weather patterns and may have a financial and operational impact on the Company, and transition risks that may occur to the Company's finances, strategy, operations, products and reputation resulting from policy, legal, technological and market variations for the purpose of transitioning to a low-carbon economy.

3.1.2 Assessment of Climate Risk

Assessment of the Group's identification of climate risks in 2023

Risk Aspect	Risk Type	Description of Significant Risks (Note1)	Corresponding Existing Risks	Affected Value Chain	Influence Period (Note2)	Impacts and Effects	Response Measures
Physical risk	Acute 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.	• Credit Risk • Operational Risk	Own operations Downstream activities / customers	Short-term	• Damage to physical offices or equipment and business interruptions, e.g. power failure to operations and maintenance premises, strong typhoon and floods damage to servers or network equipment. • Possible damage to the collateral if located in a special area.	• 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.
Physical risk	Chronic 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.	• Market Risk • Credit Risk • Operational Risk	Own operations Downstream activities / customers	Long-term	• 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.	• 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.
Physical risk	Supplier risk	• Extreme weather impacts on the supply chain that may prevent operations or services from being delivered properly.	• Operational Risk	Upstream activities	Short-term	• May cause disruptions in upstream transportation, leaving the supply chain interrupted and unable to secure the supplies needed to render services.	• 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	Policies and Regulations	• Total GHG emissions controls, e.g. implementation of the Greenhouse Gas Reduction and Management Act or carbon pricing. • Under global carbon reduction regulations, companies will face additional costs related to carbon reduction, carbon trading, or carbon tax payments in order to comply with regulations for low-carbon transition. Recent 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.	• Operational Risk • Credit Risk • Market Risk	Own operations Downstream activities / customers	Short-term, mid-term to long-term	• 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.	• 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. • Based on the two climate scenarios, the Group has identified industries with high climate transition risks, assessed as the Group's key control industries in the future, and will regularly monitor and manage their sensitive positions, and strengthen cooperation with relevant industries to continuously reduce the carbon emissions of its holdings
Transition risk	Technology	• Large funds injected into the development of new renewable sources technologies or carbon capture technologies, with limited or no success.	• Credit Risk • Market Risk	Downstream activities / customers	Medium- to long-term	• 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.	• Diversifying the exposure of transitioning companies to lessen the risk of failure. • Strengthening credit review and investment in renewable energy technologies.
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.	• Credit Risk • Market Risk	Downstream activities / customers	Medium- to long-term	• 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.	• Reducing investment and credit transactions related with oil-fired products. • Developing green financial products for sale to supplement the lost business deals from decarbonization.
Transition risk	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.	• Reputation Risk	Own operations Downstream activities / customers	Short- to medium-term	• 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.	• 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 business transition. • Signing up to international initiatives and heading towards an internationally recognized approach.

Note:
1. Influence Period: Simultaneously consider the potential additional expected losses, affected departments, approval authority/levels, etc. due to climate risk events
2. Impact Period: Short-term, within 3 years (inclusive); Medium-term, within 3 to 10 years; Long-term, after 10 years

3.2 Climate Risk Scenario Analysis and Quantitative Impact Assessment

3.2.1 Climate Risk Scenario Description

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 and NGFS Current Policies 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 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 2023 covered the entire value chain, including upstream suppliers' business locations, our own premises and downstream investment and financing-related activities. By analyzing the physical risk scenarios, climate change scenario analysis of the Bank credit portfolio of the Group," and analysis of the impact of carbon pricing transition on the Group's Long-term investment portfolio, 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 – Policies and Regulations
		Physical Risk: Flood Risk Level Scenario Analysis	Climate Change Scenario Analysis of the Bank Credit Portfolio of the Group	Analysis of the Impact of Carbon Pricing Transition on the Long-term Investment Portfolio of the Group
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
	Above 2°C	AR6 SSP5-8.5	NGFS Current Policies	--
Subject of Analysis	Upstream Activities	Supplier Locations	--	--
	Own Operations	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	Investment in equity and corporate bonds
Assessment Period		AR6 SSP1-1.9: Mid-term 2021~2040 AR6 SSP5-8.5: Long-term 2081~2100	Mid-term, Long-term 2030, 2050	Mid-term, Long-term 2030、2035、2040、2045、2050
Subsidiaries Covered		KGI Financial, KGI Bank, KGI Life, KGI Securities, KGI Futures, KGI SITE, CDIB Capital, AMC	KGI Bank	KGI Financial, KGI Life, KGI Bank, KGI Securities, KGI Futures, CDIB Capital, AMC

Analysis Frequency and Reporting Period: Scenario analysis is conducted annually and disclosed accordingly. This scenario analysis covers the period from January 1, 2023, to December 31, 2023.

Results of Climate Risk Scenario Analysis

Physical Risk: Flood Risk Level Scenario Analysis

- Description of the 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. In order to better assess the financial impacts of climate change on its own operations and downstream investment and financing goals, the company aims to understand the impact on its business and asset value. 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.

- Risk Classification Definition:

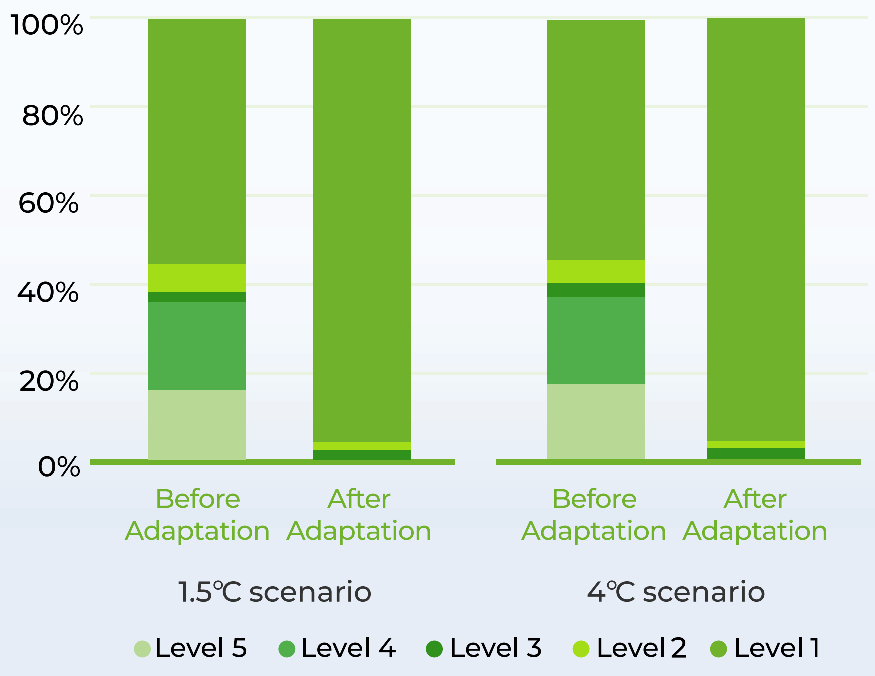
The 'Taiwan Disaster Risk Map' published by the National Center for Disaster Reduction (NCDR), Dr. A[note] indicated five levels of risk. Level 1(deep green) represents the lowest relative risk, while Level 5 represents the highest risk level. Among them, Level 5 is classified as a high-risk area according to the Group's definition, while Level 4 is an area of concern.

Note: The Climate Change Disaster Risk Adaptation Platform, Dr.A, can be accessed at https://dra.ncdr.nat.gov.tw/

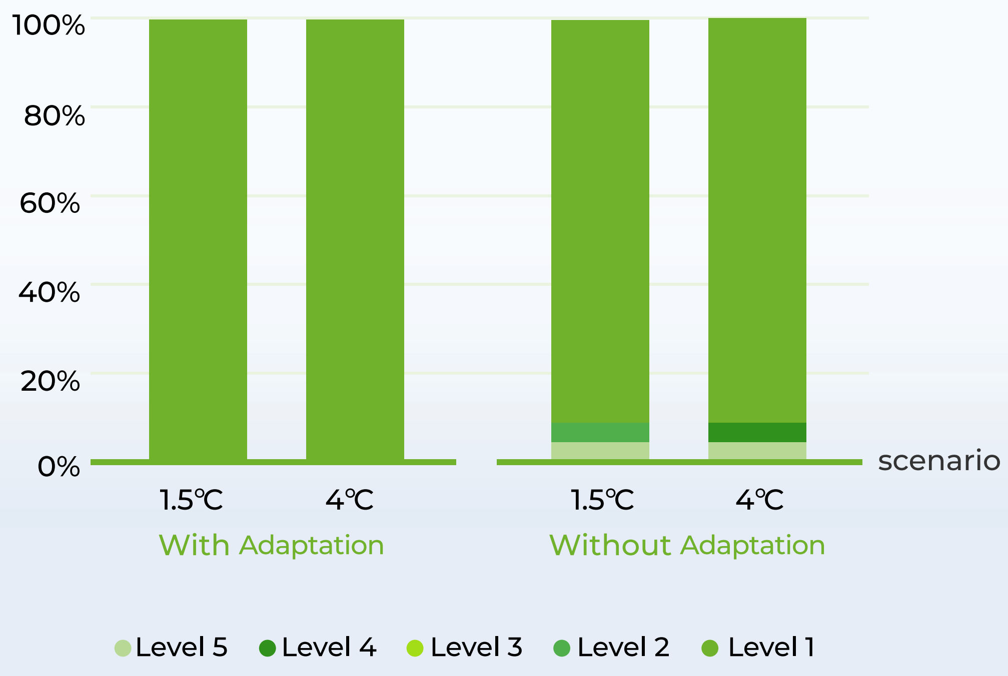
- Financial impact:

(1) Supplier: Based on the analysis results, taking into account temperature scenarios of 1.5°C and 4°C, as well as the analysis results after considering the floor level, over 75% of KGI Life's supplier operating locations are classified as low-risk level (Level 1).
(2) Business locations: More than 70% of the Group's premises are considered for adaptation under the 1.5°C and 4°C scenarios, and over half of the premises are located in low risk (Level 1) areas, which were judged not to deal a severe blow to the Group's operations.
(3) Investment properties: Upon analysis, the Group's investment properties [Note] with over 96% of the locations under 1.5°C and 4°C scenarios have a low flooding risk level (Level 1) and are expected to have a relatively small effect on the Group's investment losses.

Analysis Result Chart for Operational Locations



Analysis Result Chart for Investment Properties



Note: Pursuant to Article 75 of the Banking Act, commercial banks are prohibited from investing in non-self-use real estate. The bank subsidiaries primarily use their investment properties in this group as collateral for loans and for leasing their own office buildings.

Response Measures: The Group properly activates and completes the backup establishment in existing operating locations, new operating locations, 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. To improve the operational resilience of suppliers, it is recommended that key suppliers integrate climate risks into their risk management systems. Furthermore, climate risk-related inquiries should be included in the annual supplier evaluation, and regular assessments of suppliers' climate risk management should be carried out. 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.

The strategies employed by the subsidiaries of the Group to address their respective operational locations are as follows: KGI Bank has established an "Operational Continuity Management and Major Disaster Response Task Force" for its operational locations and investment properties. This task force is responsible for daily operations and disaster response measures. To prevent operational disruptions or asset value depreciation caused by flooding events, each operational location and investment property is equipped with sandbags to enhance the adaptive capacity to flooding risks. When acquiring new operational sites, flooding and landslide hazards will be taken into consideration. If it is determined that an operational location is at risk of flooding or landslide disasters, relevant protective measures will be implemented. Additionally, disaster management strategies, disaster prevention education, and drills are reviewed annually to ensure the appropriateness and effectiveness of the operational continuity management system and existing response mechanisms. These strategies are adjusted as needed to strengthen branch disaster prevention awareness and ensure the efficacy of disaster prevention equipment. KGI Bank has also established relevant management indicators and resilience levels, closely monitoring the fluctuations of these indicators to assess the impact of physical risks. KGI Securities has insured all operational sites and has formulated the "Abnormal Incident and Major Contingency Notification and Handling Procedures," "Emergency Incident Preparedness and Response Procedures," and "Disaster Emergency Response Procedures" for major disaster events. Furthermore, KGI Securities is gradually establishing an operational continuity management plan to ensure that critical business operations can continue during major disasters (including natural disasters) to minimize operational impacts and protect customer interests. In 2022, KGI Securities established the "Operational Continuity Policy" and formed the Operational Continuity Management Team. They implemented the ISO 22301 Business Continuity Management System, completed ISO 22301 international standard awareness courses for relevant personnel, business impact analysis and risk assessment training, and emergency response and recovery plan training. The Company successfully obtained certification in the second quarter of 2023. KGI Securities is developing disaster response capabilities among employees through four key areas: office recovery at alternative sites, tabletop exercises, evacuation drills, and system switchover drills. In February 2024, KGI Securities revised the "Information Operations Continuity Management Guidelines" to ensure that effective response measures can be implemented in the event of an interruption, minimizing damage to a manageable level. As a result of progressively improving disaster prevention measures, the disaster hazards and vulnerabilities of KGI Securities' operational sites and owned properties have decreased. KGI Life Insurance continually maintains and adjusts its natural disaster-related operational continuity management mechanisms as necessary, conducting at least one backup and recovery plan drill annually. Additionally, all new real estate investment assessments must incorporate 100% physical risk evaluations, and the climate risks of investment properties are regularly reviewed to enhance adaptive measures.

Although the operations and assets of the Group and its subsidiaries have not been significantly impacted by physical risks, considering the uncertainty of climate risks, the Group and its subsidiaries will continue to research and plan relevant response measures in the future.

(4) Mortgage in consumer banking: After considering the floor height and the remaining loan term for Mortgage in consumer banking, the Group has identified that 7% and 12% of the exposures are located in the high-risk areas (Level 5) under scenarios of a 1.5°C and 4°C temperature increase, respectively. Additionally, 2% and 5% of the exposures are located in the areas of concern (Level 4). The relevant departments have assessed these risks and implemented corresponding measures to mitigate the impact of climate risks on the Group.

Risk Level for Flood Scenario	1.5˚C		4˚C	
	Quantity Ratio (%)	Percentage of Exposures (%)	Quantity Ratio (%)	Percentage of Exposures (%)
Level 5	7%	7%	12%	12%
Level 4	2%	2%	5%	5%
Level 3	0%	0%	0%*	0%*
Level 2	4%	4%	1%	2%
Level 1	87%	87%	82%	81%
Not included	0%*	0%*	0%*	0%*
Total	100%	100%	100%	100%

1.5˚C

4˚C

Note:
1. The term "not included" in the analysis area refers to the fact that the Climate Change Disaster Risk Adaptation Platform currently cannot obtain risk assessment data for that region. It does not imply that the area is completely free of disaster risk.
2. *indicates rounding to the Units Digit results in Zero. If rounded to two decimal places, under a 1.5°C temperature rise, in terms of "Not included", the quantities ratio and percentage of exposures are (0.01%, 0.03%) respectively. Additionally, under a 4°C temperature rise, in terms of Level 3 and "Not included", the quantities ratio and percentage of exposures are (0.01%, 0.02%) and (0.01% and 0.03%) respectively.

(5) Real estate mortgage loans in corporate banking: The Group conducted a scenario analysis on the real estate mortgage loans in corporate banking. After considering factors such as floor height and remaining loan term, it was determined that under scenarios of a 1.5°C and 4°C temperature increase, 1% of the exposures are located in the high-risk areas (Level 5).

Risk Level for Flood Scenario	1.5˚C		4˚C	
	Quantity Ratio (%)	Percentage of Exposures (%)	Quantity Ratio (%)	Percentage of Exposures (%)
Level 5	1%	1%	1%	1%
Level 4	0%*	0%*	0%*	0%*
Level 3	0%	0%	0%	0%
Level 2	0%*	0%*	0%*	0%*
Level 1	98%	99%	98%	99%
Not included	1%	0%*	1%	0%*
Total	100%	100%	100%	100%

1.5˚C

4˚C

Note:
1. After adjusting the physical risk level in the corporate banking, there are a total of 4 credit customers with a risk level of 5. Among these customers, 1 customer has fully repaid and written off the collateral at the beginning of 2024, which has significantly reduced the current situation. The balances of the remaining 3 customers account for a very small proportion of the total credit balance in the corporate banking and have minimal impact.
2. The analysis area labeled as 'not included' is a result of the current geographic information system not covering that particular area.
3. *indicates rounding to the Units Digit results in Zero. If rounded to two decimal places, under a 1.5°C temperature rise, the quantity ratios and percentage of exposures for Level 4 and Level 2 are (0.17%, 0.23%) and (0.06%, 0.12%) respectively, with a percentage of exposures of 0.17% for "Not included". Under a 4°C temperature rise, the quantity ratios and percentage of exposures for Level 4 and Level 2 are (0.28%, 0.36%) and (0.06%, 0.12%) respectively, with a percentage of exposures of 0.17% for "Not included".

Response Measures: Based on the results of the Bank's 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. All new cases and existing cases with increased credit risk must undergo on-site inspections of collateral on a case-by-case basis. For real estate collateral of individual and corporate clients, the climate risk level and soil liquefaction potential must be disclosed in the real estate appraisal report. If the property is located in a high climate risk area and is also in a region prone to severe flooding, a comprehensive assessment of the borrower's repayment ability, the location and specific characteristics of the collateral will be conducted to serve as the basis for credit judgment.

3.2.2 Transition Risk: Scenario Analysis and Quantitative Results

Analysis of the Impact of Carbon Pricing Transition on the Group's Long-Term Investment Portfolio

■ Description of the analysis:

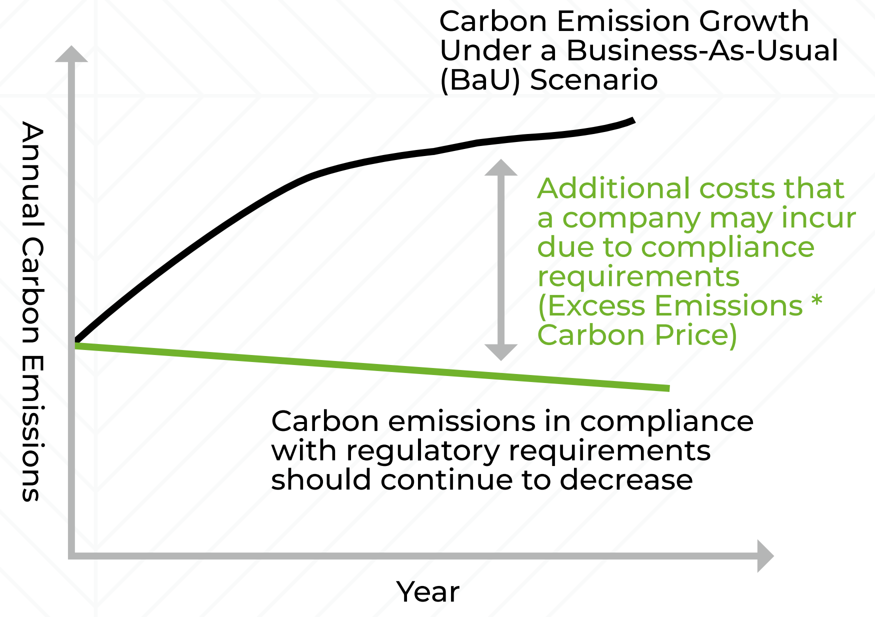
Considering Taiwan's announcement in 2021 to achieve net-zero emissions by 2050, along with the release of the Taiwan 2050 Net Zero Emissions Roadmap and Climate Change Response Act, ,the "Net Zero 2050" scenario of an orderly transition under NGFS has been chosen. This scenario is in line with both domestic and international net-zero emissions pathways and allows us to simulate the potential financial losses that our group may incur under current policies and regulations. In addition, the group has selected the 'Delayed Transition' scenario to assess the ongoing increase in global carbon emissions until 2030, driven by economic progress under conservative conditions. Once the emissions reach their peak, the global will intensify efforts to reduce carbon. This necessitates the implementation of robust and efficient policies to mitigate global warming and ensure it remains below 2°C.

Through scenario simulation analysis, evaluate the expected loss amount of potential climate risks for the investment portfolio. The scenario assumptions are as follows:

- Basic Assumptions:
  Under global carbon reduction regulations, companies will incur additional carbon costs for compliance, such as reducing carbon emissions, engaging in carbon trading, or paying carbon taxes.

- Analysis of Investment Categories and Boundaries
  (1) Inventory long-term equity and corporate bond positions. In the future, the Group will continue to enhance methodologies and periodically adjust the asset categories and boundaries used in scenario analysis calculations
  (2) Equity Investments: Quantitative assessment of market risk influenced by carbon costs
  (3) Corporate Bond Investments: Quantitative assessment of credit risk influenced by carbon costs.

- Carbon Cost Assumptions:
  The carbon cost assumptions are based on the global average carbon price from the NGFS Phase 4.2 Scenario Explorer REMIND-MAgPIE 3.2-4.6, adjusted for inflation.



- Equity Investments:

Assuming that the Group's equity investment positions will maintain their current investment patterns and distribution, the additional carbon costs incurred by the invested companies will be projected. The impact on these companies' net worth will be assessed, and the ratio of climate-related expected impairment losses on equity investments to the total asset size will be analyzed.

- Corporate Bond Investments:

Assuming that the Group's corporate bond investment positions will maintain their current investment patterns and distribution, the impact of additional carbon costs on the credit ratings of the bond issuers will be analyzed. The potential climate-related expected credit losses on corporate bonds, expressed as a ratio of the total asset size, will be evaluated based on changes in default rates.

Holding Position

Long-Term Equity Outstanding

Input Parameters

- Carbon Emissions of Investment Targets
- Global Carbon Price/Carbon Cost
- BaU Scenario Industry Carbon Emission Growth Path

Net Zero 2050 / Delayed Transition Transition Scenario Stress Testing

Proportion of Expected Climate-Related Impairment Losses on Equity Investments Relative to the Holding Equity Exposure

Holding Position

Long-Term Corporate Bond Outstanding

Input Parameters

- Carbon Emissions of Investment Targets
- Global Carbon Price/Carbon Cost
- BaU Scenario Industry Carbon Emission Growth Path
- Default Rate by Bond Rating and Loss Given Default

Net Zero 2050 / Delayed Transition Transition Scenario Stress Testing

Proportion of Expected Climate-Related Credit Losses on Corporate Bond Investments Due to Increased Default Rates Relative to the Holding Corporate Bond Exposure

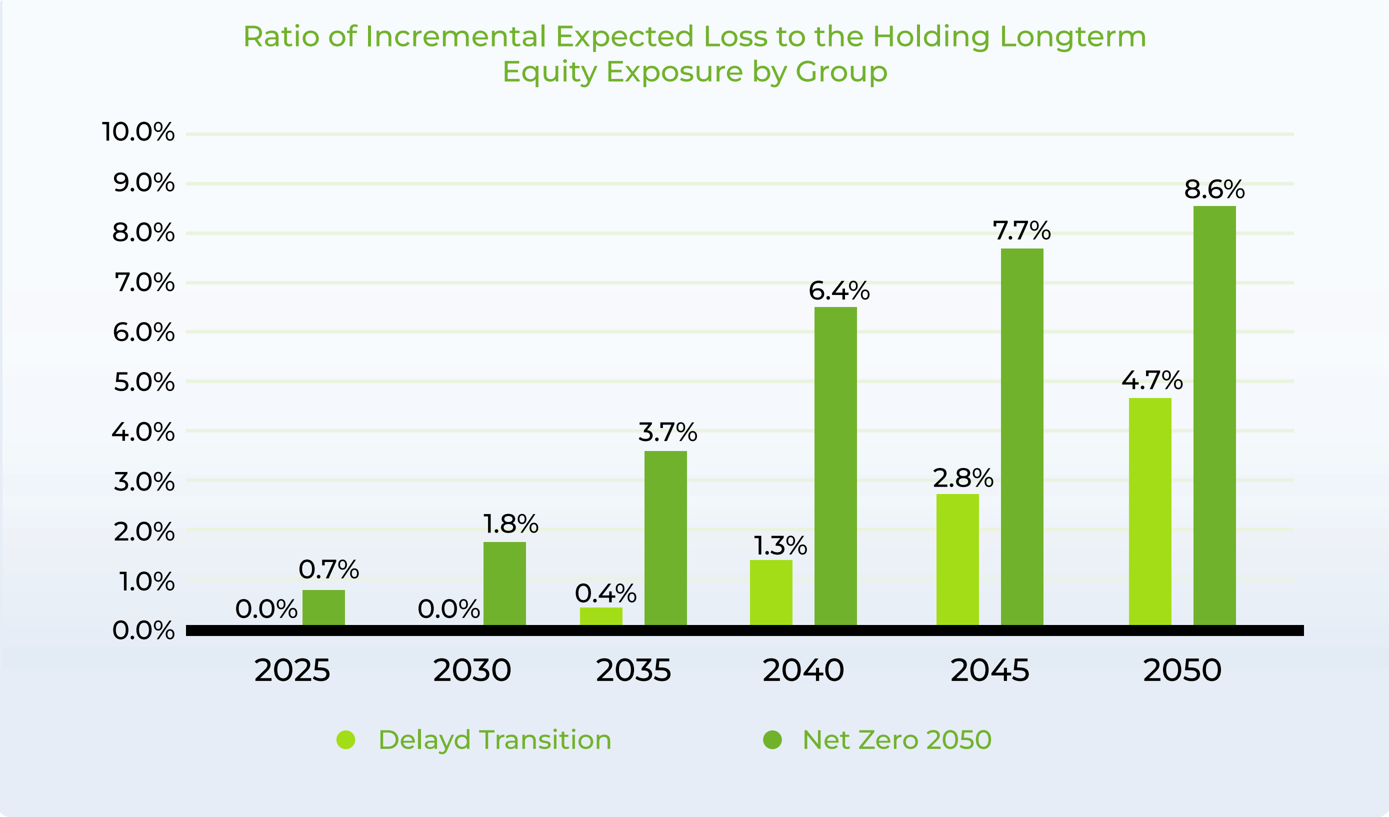
■ Financial impact:

The Group evaluates the quantitative impact of carbon costs on the credit risk of long-term corporate bond investments and the market risk of long-term equity investments through scenario simulation analysis. The results of the analysis are as follows:

1. Equity Investment:

• Analysis Results by Group

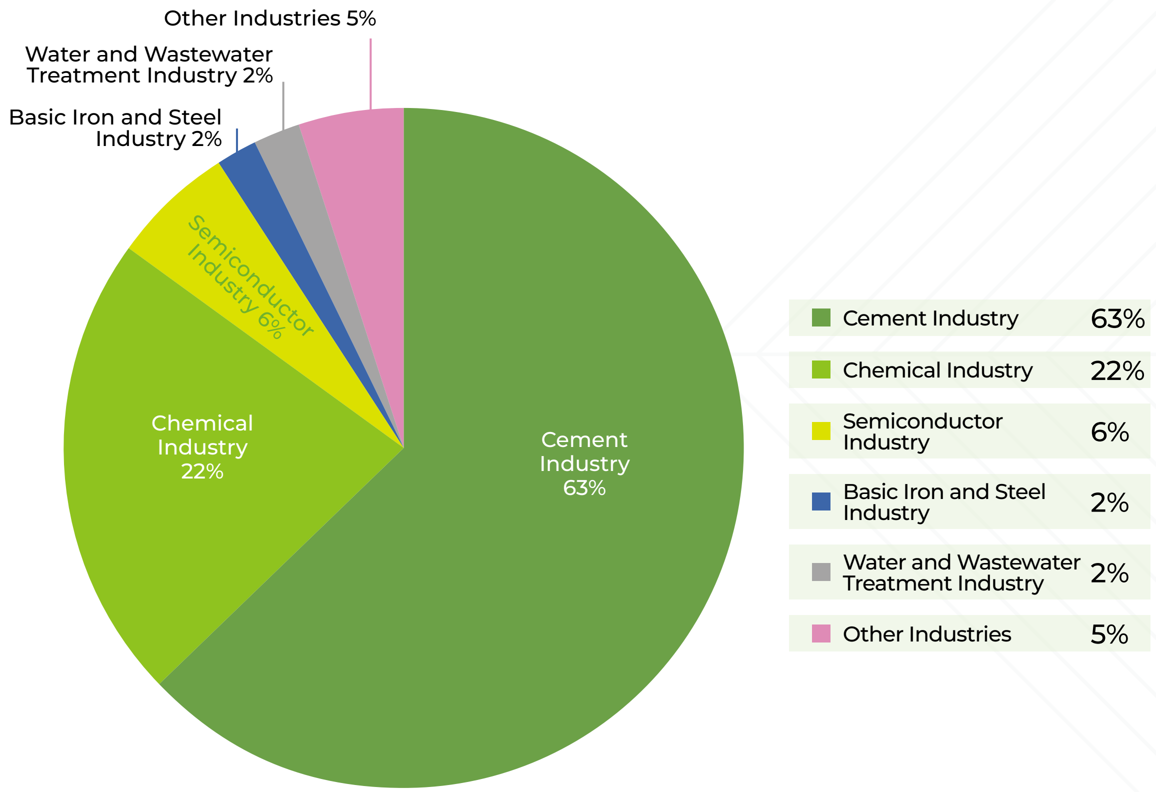
In the scenario of disorderly transition, the Group does not anticipate any additional expected losses before 2030. As we approach 2050, the maximum climate-related expected loss will represent 4.7% of the asset scale. In the scenario of orderly transition, the Group expected climate-related loss by 2030 accounts for 1.8% of the asset scale. As we approach 2050, the maximum climate-related expected loss will represent 8.6% of the asset scale.



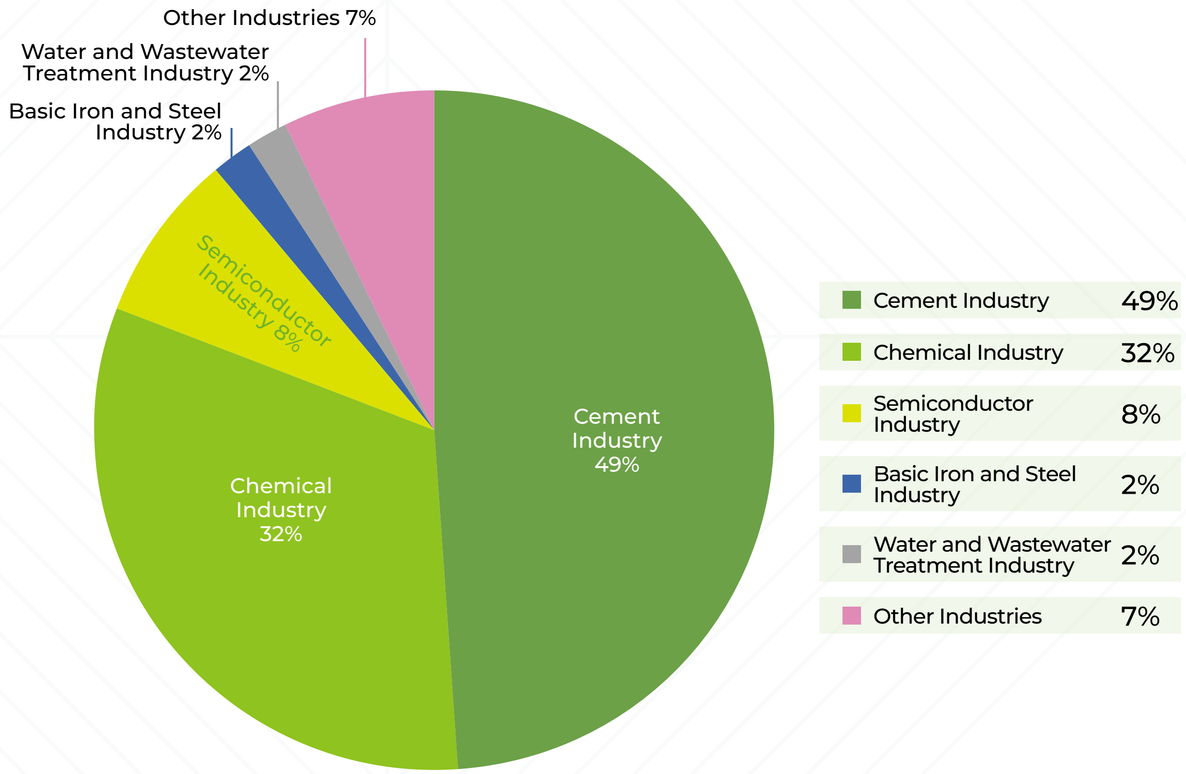
- Analysis Results by Sector

From an industry perspective, in both scenarios, the Group has identified the cement industry, chemical industry, and semiconductor industry as the top three industries with higher expected losses, which were assessed to have higher climate transition risks in the future and used as a reference for the Group's future related risk control.

Equity Investment: Ratio of Expected Loss by Sector in 2050 (Disorderly Scenario-Delayed Transition)



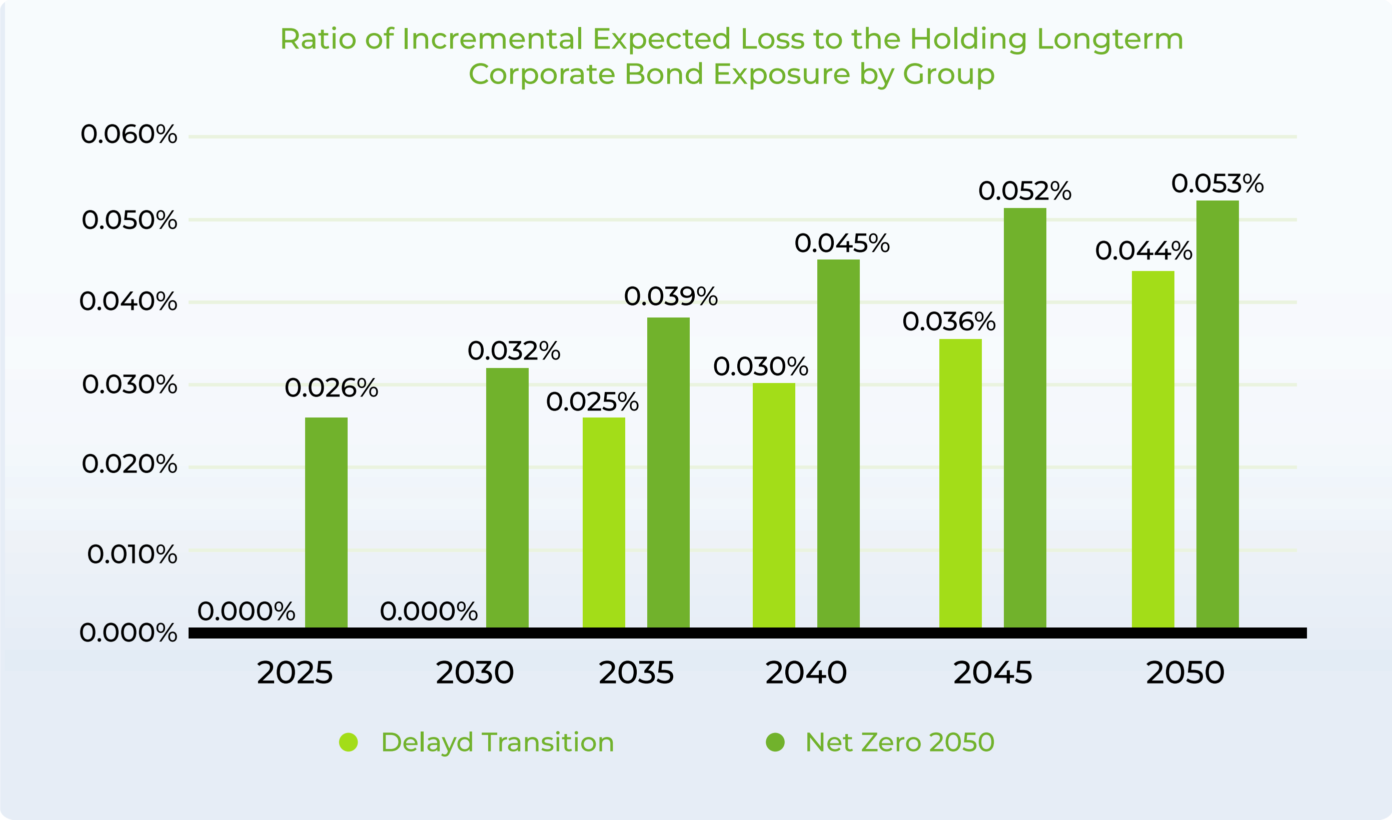
Equity Investment: Ratio of Expected Loss by Sector in 2050 (Orderly Scenario- Net Zero 2050)



2. Corporate Bond Investment:

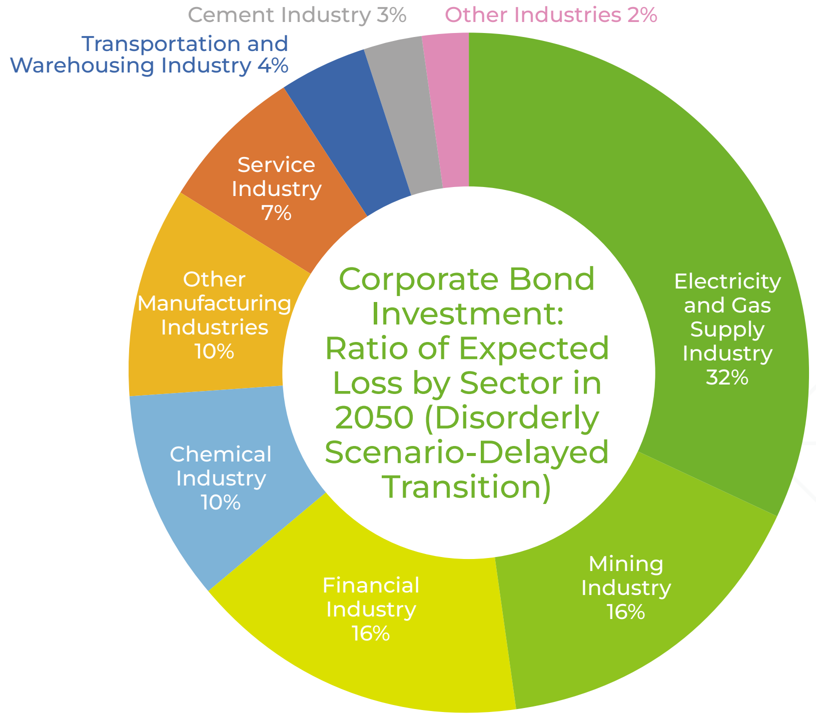
- Analysis Results by Group

In the scenario of disorderly transition, the Group does not anticipate any additional expected losses before 2030. As we approach 2050, the maximum climate-related expected loss will represent 0.044% of the asset scale. In the scenario of orderly transition, the Group expected climate-related loss by 2030 accounts for 0.032% of the asset scale. As we approach 2050, the maximum climate-related expected loss will represent 0.053%, therefore, the assessment indicates that the financial impact of climate transition risks on the Group's corporate bond investments is relatively low.

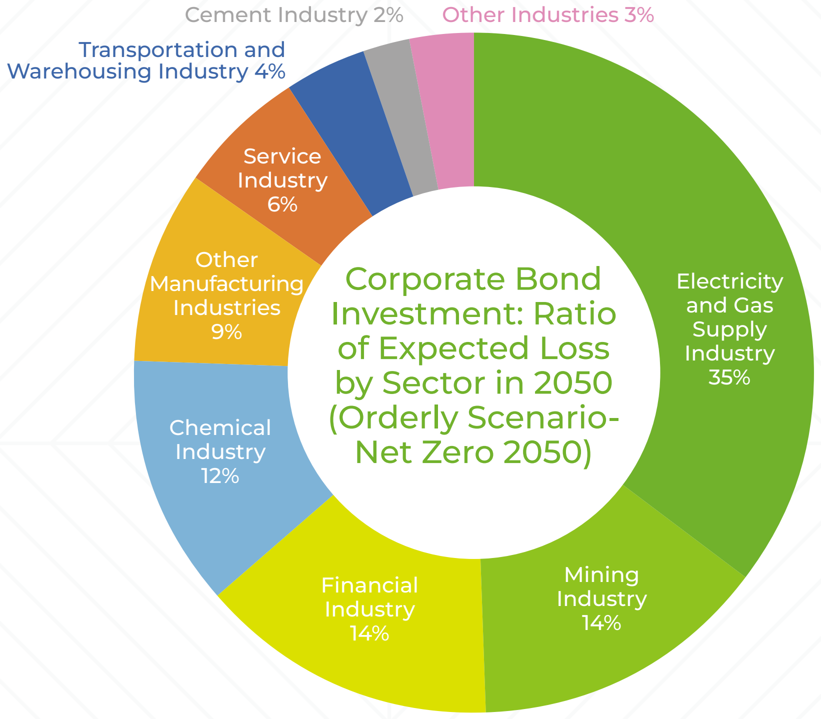


• Analysis Results by Sector

From an industry perspective, in both scenarios, the electricity and gas supply industry, the financial industry, the mining industry, the chemical industry and other manufacturing industries are among the top five industries with higher expected losses identified by the Group. Although the financial industry does not the characteristics of high carbon emissions among the top five industries, the Group still includes it as an industry with higher climate transition risks after assessment because the Group has a higher holding position in the industry and will serve as a reference for the Group's future related risk control.



Electricity and Gas Supply Industry	32%
Mining Industry	16%
Financial Industry	16%
Chemical Industry	10%
Other Manufacturing Industries	10%
Service Industry	7%
Transportation and Warehousing Industry	4%
Cement Industry	3%
Other Industries	2%



Electricity and Gas Supply Industry	35%
Mining Industry	14%
Financial Industry	14%
Chemical Industry	12%
Other Manufacturing Industries	9%
Service Industry	6%
Transportation and Warehousing Industry	4%
Cement Industry	2%
Other Industries	3%

Response Measures: In order to minimize the impact of carbon pricing on the investment targets, the Group will consistently utilize risk management tools such as industry risk matrices or scenario analyses to regularly identify, evaluate, and monitor climate risks. If these risks are considered to be significant operational risks, appropriate response strategies will be developed in accordance with the Group's climate governance framework and reported to the Sustainability Committee. To effectively identify high climate risks, the Group will consistently monitor and manage its vulnerable assets. Additionally, it will enhance engagement with relevant industries to continually reduce carbon emissions from its holdings, leading industries in a low-carbon transition. For example, the Group's subsidiary, KGI Securities, has set a short-term goal: to keep the investment proportion of "high-carbon industries" within "non-trading" positions below 24.5%. Additionally, the Group's subsidiary, KGI Bank, has established an exclusion list for investments, considering key ESG factors (Environmental, Social, and Governance) when evaluating potential investment targets. Investments will be avoided in cases where the primary business activities are involved in environmental pollution, social controversies, or poor corporate governance, particularly when there is concrete evidence of significant involvement in such issues, leading to sanctions by regulatory authorities or international organizations, with no signs of improvement. Furthermore, the Group's subsidiary, KGI Life Insurance, has incorporated ESG factors into its engagement/voting guidelines and actively participates in exercising voting rights at shareholder meetings of the invested companies.

Climate Change Scenario Analysis of the Bank Credit Portfolio of the Group

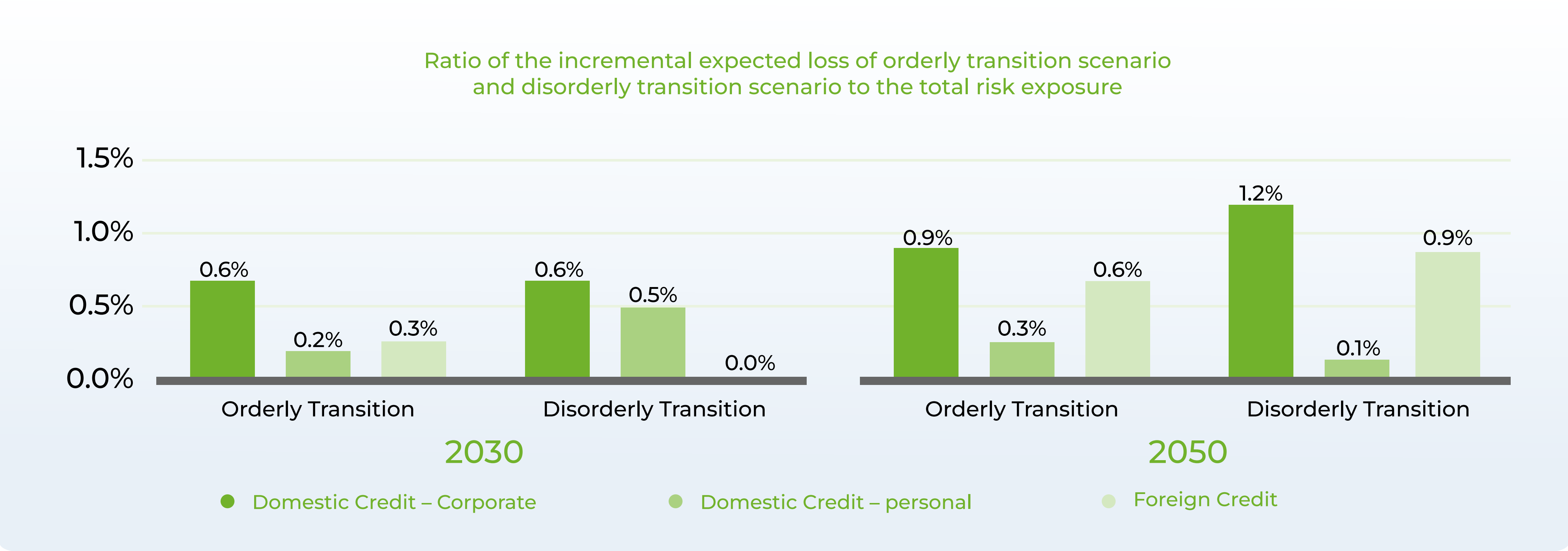
■ Description of analysis:

To keep track of the potential impact of climate change on the Bank credit assets, the Group performed climate scenario analysis as required by the competent authority's "Guidelines on Climate Change Scenario Analysis by Domestic Banks." The analysis was conducted to examine changes in the expected losses on the Bank credit assets, including domestic credit – corporate, domestic credit -personal and foreign credit 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.

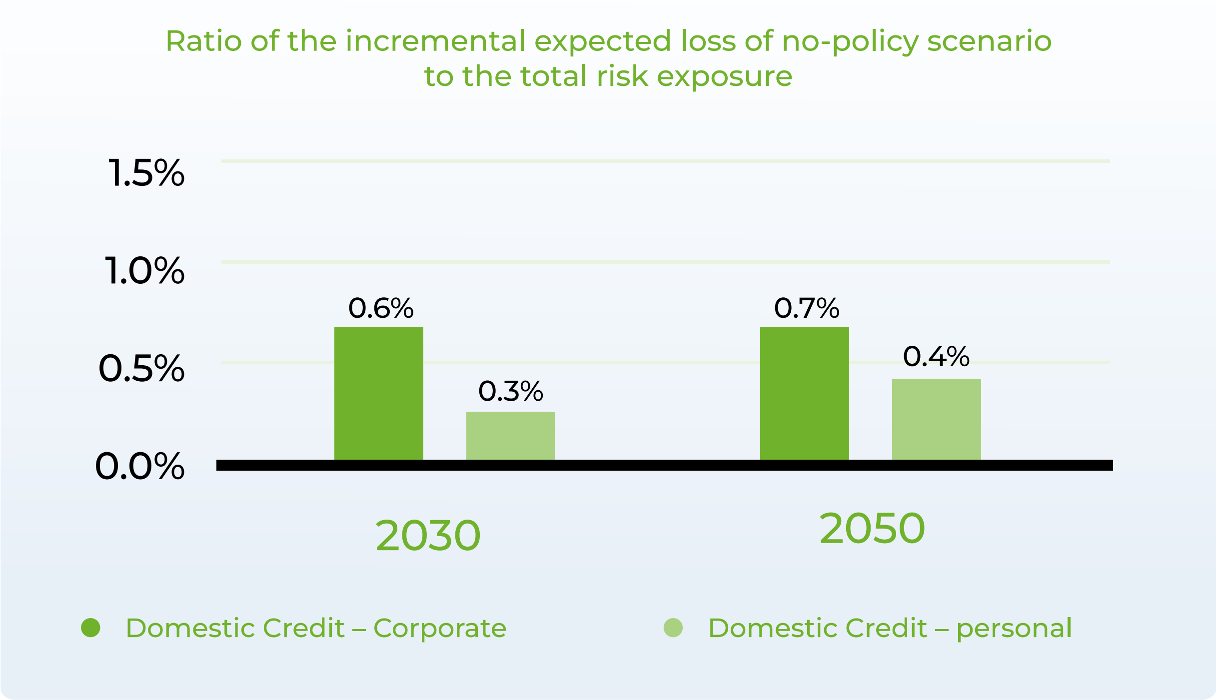
- Financial impact:

To assess the impact of various climate scenarios on credit asset portfolios and devise optimized strategies for specific scenarios, the group examines both transition scenarios (orderly and disorderly) and non-transition scenarios (no-policy) separately. The results of analysis are outlined below:

1. Orderly Transition Scenario and Disorderly Transition Scenario: The orderly transition scenario assumes that global transition will be adopted immediately and implemented gradually to achieve specific carbon reduction goals. On the other hand, the disorderly transition scenario starts the transition later compared to the orderly scenario but still needs to achieve specific carbon reduction goals. Therefore, it is expected to face greater transition risks, and both scenarios may also be accompanied by the occurrence of physical risks. Overall, in 2030, the expected increase in the ratio of incremental expected losses (△EL) to total exposure at default (EAD) is higher for domestic credit, including both corporate and personal, within this group. This will be a primary area of focus for the group in the medium term. In addition, the variation ratio of incremental expected loss for domestic corporate credit and foreign credit in 2050 is significantly higher compared to 2030. This suggests that if the future transition scenario aligns more with disorderly transition, it is crucial to actively manage the credit asset portfolio that may be impacted by climate change.



2. No Policy Scenario: The no-policy scenario refers to the fact that no global policies promote transition, the physical risks may cause serious economic outcomes in the medium and long term (after 2040), but there will be no transition risks because there are no relevant policy requirements. 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.



3.3 Resilience Verification

3.3.1 Objective and Scope of Resilience Verification

The Group is progressively adopting the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standard S2 "Climate-related Disclosures" and implementing a resilience verification mechanism in accordance with IFRS S2 guidelines. Resilience verification refers to the climate risk management mechanism that financial institutions use to assess whether their climate change strategies and actions are sufficient to withstand or recover from the potential impacts of various climate scenarios. This year, the scope of the Group's resilience verification includes the long-term corporate bond and equity investment positions of its subsidiaries. By reviewing and assessing the controllability of impacts on different industries under the NGFS orderly and disorderly transition scenarios, the Group ensures that it has implemented resilient climate strategies and actions to mitigate the financial impacts of climate change.

3.3.2 Resilience Verification Mechanism and Results

In line with the recommendations of IFRS S2, the Group has established a resilience verification mechanism based on the results of scenario analyses for climate transition risks. The mechanism incorporates climate risk tolerance levels of investment positions and applies corresponding management measures to maintain the controllability of financial impacts on the asset portfolio under different climate scenarios. The results of the resilience verification indicate that the climate risk impacts on various asset classes are currently appropriate, and resilience is deemed controllable. Although the current asset portfolio has not yet experienced significant impacts from climate risks, considering the uncertainties associated with climate risks, the Group will regularly monitor and continually enhance related risk management practices.

Asset Type	Equity	Corporate Bonds
Resilience Assessment Results	●	●
Subsequent Response Recommendations	Maintain current measures and monitor regularly (annually)	Maintain current measures and monitor regularly (annually)

04

Climate Metrics and Targets

In line with the government's GHG reduction goals and net zero carbon emissions targets, KGI Financial has taken a proactive role in promoting the introduction of the ISO 14001 Environmental Management System and the ISO 50001 Energy Management System in its headquarters and branches nationwide, and has conducted a comprehensive inventory to get a good grasp of carbon emissions for the purpose of mapping out GHG reduction action plans. In compliance with the Paris Agreement, KGI Financial has set the year 2045 as the net zero transformation target year to achieve net zero carbon emissions across all asset portfolio by 2045. In terms of our operations, we are actively striving towards the goal of "achieving carbon neutrality for KGI Financial headquarters building by 2024 and reducing Scope 1 and Scope 2 emissions by 42% by 2030 in accordance with SBTi international standards." We are also continuously promoting GHG reduction initiatives, and reduced GHG emissions (excluding new inventory scope) by 15% in 2023 compared to the baseline year of 2022. In addition to the long-term goals by 2045, KGI Financial also set the Group's near-term target, which is to reduce carbon emissions intensity for investment/financing. KGI Financial committed to reduce its electricity generation project finance portfolio GHG emissions 81.9% per MWh by 2034 from a 2022 base year. Besides, KGI Financial committed to reduce its commercial real estate loan portfolio GHG emissions 78.1% per square meter by 2034 from a 2022 base year. And increase the proportion of investment positions that set SBT carbon reduction targets. KGI Financial commits to 45.78% of its investment portfolio (equities, corporate bonds, ETFs, mutual funds, and investments in REITs) by invested value setting SBTi validated targets by 2029 from a 2022 base year. Then we incorporate these targets into internal KPI management. As noted above, KGI Financial 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% before 2025" and “emissions reduction of at least 40% to 60% before 2030” for portfolio targets. Currently, KGI Financial has conducted internal carbon reduction target management according to the methodology recommended by SBT, and plans to apply for SBTi Near-Term target for Financial Institutions validation in the second half of 2024.

4.1 Key Climate Metrics

4.1.1 Climate Indicators and Execution of Own Operations

Since 2015, the Company has introduced the ISO 14001 environmental management system to KGI Financial and its major subsidiaries, KGI Life Insurance and KGI Securities, and has been conducting continuous verification to establish an appropriate environmental management system through a scientific approach. In the face of the crisis of global warming and climate change, KGI Financial established the following milestones to effectively control the GHG emission and facilitate the formulation of carbon reduction goals. We completed the signing of the commitment "Science Based Targets initiative (SBTi)" on April 7, 2022, and intend to implement the goal of "KGI Financial Headquarters building carbon neutrality by 2024", reduce 42% Scope 1 and Scope 2 emissions by 2030, and "Total Portfolio Net Zero by 2045".

2023 Climate Goals and Implementation Status of Own Operations

Goals	Implementation Plans and Measures	Implementation Status
• Reduce total annual GHG emissions (Scope 1 and 2) by 10% compared with 2022 (excluding new inventory scopes).	• Promoted energy saving and carbon reduction programs and evaluated the purchase of renewable energy. • Continued and expanded the scope of ISO 14064- 1 GHG inventory and verification.	• 2023 Annual GHG emissions (Scope 1 and 2) were 18,218.02 tCO_2e (excluding new inventory scopes), a 15% reduction compared with 2022
• Increase renewable energy usage	• Self-installed solar panel power generation • Renewable electricity procurement	• The solar panels of KGI Financial headquarters building and the Beimen Branch of KGI Bank generated about 82.2 MWh of renewable energy, resulting in a total use of 5,049 MWh of renewable energy, which accounted for 11.0% of the total electricity consumption, equivalent to a reduction of 2,499.3 metric tons of carbon emissions
• Promote green procurement	• Encourage suppliers to acquire or sale green mark products in Taiwan and abroad, incorporating four transaction statistics of suppliers with ISO certifications	• In 2023, the amount of goods with domestic and foreign environmental labels accounted for 51% of the total green purchases, a significant increase from the 37.5% in 2022

Note: The 2023 inventory includes all domestic offices, KGI Life Insurance Beijing Representative Office and KGI Securities Hong Kong and Singapore branches; all KGI Life Insurance communication offices and KGI Securities Hong Kong and Singapore branches have been added compared to 2022.

GHG Management

In 2023, the scope of inventory and verification has covered all domestic locations, KGI Life Insurance's Beijing representative office and KGI Securities' Hong Kong and Singapore branches, with an overall inventory and verification coverage rate of 100% domestically and 77.19% overseas, as well as the identification of other indirect GHG emissions (Scope 3).

In line with the Company's submitted SBTi target to reduce 42% of Scope 1 and Scope 2 emissions by 2030, the total Scope 1 and 2 GHG emissions in 2023 would be 21,867.92 tCO_2e, using 2022 as the base year. The company's operating scale continued to expand. To control the impact of business development on the environment, we conducted an inventory of other indirect GHG emission sources since 2020, 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.

GHG Emissions

Unit: tCO_2e

Inventory Scope		2020	2021	2022(Base year)	2023	2023 Target
Scope 1		1,164.25	1,758.97	1,124.07	1,452.67	1,385.45
Scope 2 (Market-based)		20,856.84	20,270.39	20,374.43	20,415.24	21,966.82
Scope 2 (Location-based)		20,856.84	20,270.39	20,374.43	20,894.19	23,596.77
Total Emission (Scope 1 and 2) (Market-based)		22,021.09	22,029.36	21,498.50	21,867.92	23,352.27
Scope 3		6,237.65	7,164.27	6,445.31	259,252.91	
Intensity	Per capita(tCO_2e/person)	2.68	2.42	2.47	1.66	
	Per net revenue (tCO_2e/ NT$ Million)	0.10	0.11	0.23	0.55	
Inventory and verification Coverage	Domestic	75.50%	99.27%	99.99%	100.00%	
	Oversea	-	-	0.18%	77.19%	
	Total	75.50%	99.27%	96.14%	98.99%	

Note:
1. We use ISO 14064-1:2018, GHG Protocol, and GHG Inventory Registration Operation Guidelines as the GHG inventory method. GWP value is taken from the 2021 IPCC AR6 report; the emission factors are cited from the Greenhouse Gas Emission Coefficient Management Table version 6.0.4 published by MOENV. The data were verified by fair third parties, BSI and SGS. Please refer to the latest annual verification statement at: https://www.kgi.com/en/esg/download
2. GHG types include: carbon dioxide, methane, nitrous oxide, HFCs, PFCs, SF6, and NF3.
3. The emission factors for electricity are 0.509 (2020), 0.502 (2021), 0.509 (2022) and 0.495 (2023) $kgCO_2e/kWh$
4. Coverage rate of inventory and verification = Number of employees (including dual contracts) under the scope of inventory and verification / Total number of employees (including dual contracts) of the Company; the coverage rate in 2020, 2021 and 2022 is based on the statistics of all domestic locations only (excluding KGI Life Insurance's communication offices), and the scope of the domestic coverage rate in 2023 includes KGI Life Insurance's communication offices in the statistics. At the same time, we have added overseas inventory and verified locations, and the expansion of inventory scope has led to a relative decrease in the coverage rate of inventory and verification. After adjustment, the domestic coverage rate in 2023 was 100%, the overseas coverage rate was 77.19%, and the total coverage rate of verification scope will be 98.99%.
5. In 2023, the Company's indirect greenhouse gas (Scope 3) inventory categories were added according to the GHG Protocol, including Purchased goods and services, upstream leased assets, Processing of sold products, use of sold products, End of life treatment of sold products, and downstream leased assets, and the overall Scope 3 emissions increased significantly due to the addition of the new inventory of KGI Life Insurance's downstream leased assets.

GHG Emissions (Scope 3)

Unit: tCO_2e

Category	Purchased goods and services	Fuel-and-energy-related activities	Upstream transportation and distribution	Waste generated in operations	Business travel	Upstream leased assets	Downstream transportation and distribution	Processing of sold products	Use of sold products	End of life treatment of sold products	Downstream leased assets	Total Emission (Scope 3)
Emissions	236.75	4,082.36	3.04	801.94	297.96	1,125.12	1,197.39	5.05	4.19	3.02	251,496.09	259,252.91

Note: Fuel-and-energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, upstream leased assets, downstream transportation and distribution, use of sold products, and end of life treatment of sold products are ISO 14064-1 inventory categories. The data were verified by third parties, BSI and SGS.

Renewable Energy Use

In support of the government's renewable energy policy, the Company procured 5,000 MWh and 4,874 MWh of renewable energy in 2022 and 2023, respectively. In 2023, KGI Financial purchased and used 4,966.8 MWh of renewable energy, as well as the solar panels of KGI Financial headquarters building and the Beimen Branch of KGI Bank generated about 82.2 MWh of renewable energy, resulting in a total use of 5,049 MWh of renewable energy, which accounted for 11.0% of the total electricity consumption, equivalent to a reduction of 2,499.3 metric tons of carbon emissions.

Energy Conservation Measures and Investment

Energy Conservation Measures	Investment Amount (NT$ Million)	Energy Conservation (MWh)	(GJ)	Carbon Reduction (tCO_2e)
Replacement of air-conditioning equipment and lighting fixtures that are more environmentally friendly, energy conservation and highly efficient	3.4	232.7	837.6	115.2
Use of purchased renewable energy	26.7	4,966.8	17,880.5	2,458.6
Total	30.1	5,199.5	18,718.1	2,573.8

Note:
1. Calculation method of energy conservation: Power difference between old and new equipment (Watt) x number of hours of use in a year (hours) / 1,000; Power of energy saving measures (Watt) x number of hours of use in a year (hours) / 1,000; Power generation by solar panel in one year (kWh).
2. 1 MWh = 3.6 GJ
3. The emission factor for electricity is 0.495 (2023) $kgCO_2e/kWh$.

Promote green procurement

Since 2016, KGI Financial has responded to the government and the actual green procurement carried out, the actual procurement amount has reached NT$360 million by 2023, including the total amount of green procurement awards of approximately NT$180 million and the total amount of procurement with four ISO certified projects for energy saving and carbon reduction of approximately NT$180 million; the proportion of green procurement in 2023 was approximately 19.8%, representing a slight increase compared with that of 2022, which was approximately 17.3%. We give priority to equipment or products that are low-pollution, low-energy consuming, recyclable, environmental label, and avoided purchasing disposable items. The 2022 green procurement maintains incentives for suppliers to acquire or sale green mark products in Taiwan and abroad, incorporating four transaction statistics of suppliers with ISO certifications. In 2023, the amount of goods with domestic and foreign environmental labels accounted for 51% of the total green purchases, a significant increase from the 37.5% in 2022, showing that the gradually emerging green sustainable Influences of KGI Financial. KGI Financial and KGI Life Insurance have been awarded the Green Procurement Award by the Department of Environmental Protection of Taipei City Government, the Green Procurement Award by the Ministry of Environment.

4.1.2 GHG Emissions Inventory of Investment and Finance

To effectively manage greenhouse gas emissions and facilitate the setting of carbon reduction targets, achieve the goal of net-zero carbon emissions for the entire asset portfolio by 2045. We joined the Science Based Targets initiative (SBTi) and also became a member of the Partnership for Carbon Accounting Financials (PCAF) to adopt international standards for carbon accounting in investment and financing. The subsidiaries have also followed the PCAF methodology to complete the carbon emissions inventory for equity and corporate bond investments, business loans, commercial real estate loans and electricity generation project finance, and has set annual carbon reduction targets. Inventory Statistics of Carbon Emissions from Investment and Financing Risk Exposure:

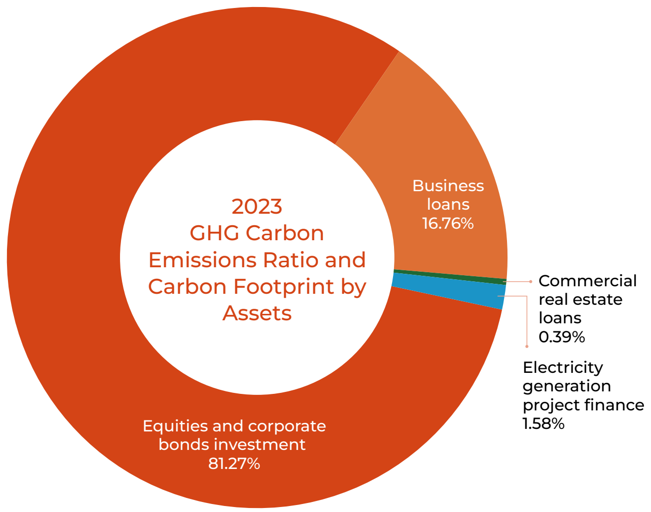
Inventory Statistics of Carbon Emissions from Investment and Financing Risk Exposure

Scope 3 Investment and Financing GHG	2020	2021	2022	2023
Total Absolute Emissions (Metric Kilotonnes CO_2e)	5,759	4,670	5,094	4,689
Emission Intensity (Carbon Footprint)(t CO_2e/NTD M)	3.56	2.52	2.67	2.35
Portfolio Coverage	81%	100%	100%	100%
Portfolio Type	On-Balance Sheet assets/products			

Note:
1. The 2023 carbon inventory for investment and financing covers the subsidiaries of the group, including KGI Life, KGI Bank, KGI Securities, KGI Futures, CDIB Capital, and AMC.
2. The carbon emissions for the year 2022 are calculated using the PCAF methodology. Accordingly, KGI Financial signed the SBTi in April 2022, and joined PCAF in June 2023. Following the PCAF methodology and rigorous calculation requirements to improve data quality, the carbon emissions information for this year is calculated using this methodology, and is retrospectively adjusted to 2022, resulting in a discrepancy between the carbon emissions from investment and financing in 2022 and the data disclosed in the previous year.
3. The coverage rate of the asset portfolio is calculated by using the surveyed asset position as the numerator and the sum of equity investments, corporate bond investments, electricity generation project finance, commercial real estate loans, and business loans positions on the balance sheet as the denominator.

The Group continues to adopt The Global GHG Accounting and Reporting Standard for the Financial Industry from PCAF and TCFD's disclosure recommendations. In 2023, a greenhouse gas emission inventory of investment and financing assets included equity investments, corporate bond investments, electricity generation project finance, commercial real estate loans, and business loans and the inventory coverage rate was 100%. The total carbon emissions from investment and financing was 4,689 metric kilotons, and the carbon footprint of investment and financing was 2.35 metric tons per NT$ million.

The greenhouse gas emission inventory of investment and financing assets is divided by assets. Corporate equity and bond investments was the largest portion of the investment and financing portfolio at 81.27%, followed by business loans at 16.76%, electricity generation project finance at 1.58%, and commercial real estate loans at 0.39%. Among these, the carbon footprint of electricity generation project finance is the highest, at 4.3 metric tons per NT$ million. Divided by industry type, the carbon emissions of the top five carbon-emitting industries account for about 80.7% of the investment and financing portfolio. They are electricity and gas supply industry, non-metallic mineral products manufacturing industry, oil and natural gas mining industry, electronic components manufacturing industry, and chemical materials and fertilizer manufacturing industry. These industries will be the priority for engagement and adjustment. In addition to prioritizing the management of the top five carbon-emitting industries, we will also review industries and assets with higher carbon footprints, moving towards the goal of low carbon emissions and low carbon footprints.



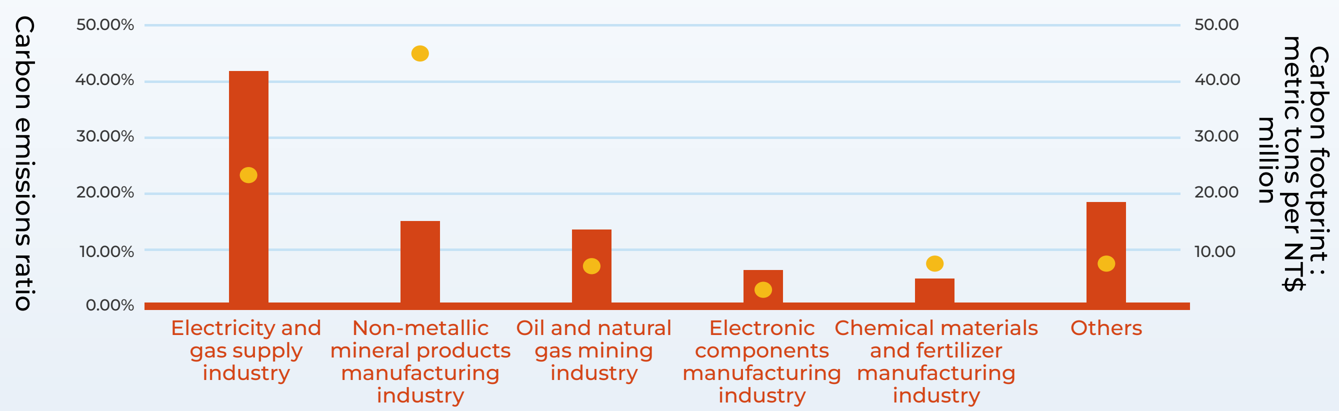
Business loans
Carbon emissions ratio：16.76%
Carbon footprint：
3.29 metric tons per NT$ million

Commercial real estate loans
Carbon emissions ratio：0.39%
Carbon footprint：
2.18 metric tons per NT$ million

Electricity generation project finance
Carbon emissions ratio：1.58%
Carbon footprint：
4.30 metric tons per NT$ million

Equities and corporate bonds investment
Carbon emissions ratio：81.27%
Carbon footprint：
2.20 metric tons per NT$ million

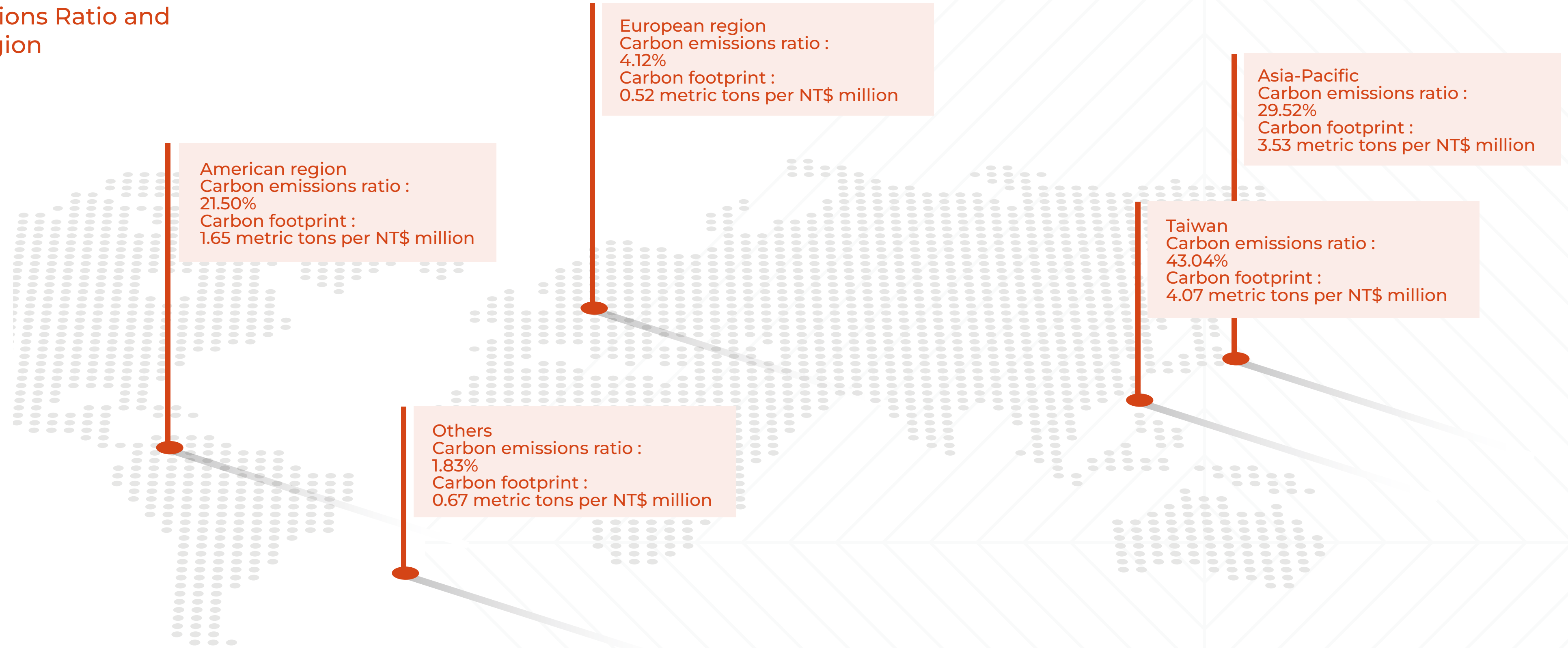
2023 Top 5 Industries of GHG Carbon Emissions Ratio and Carbon Footprint



	Electricity and gas supply industry	Non-metallic mineral products manufacturing industry	Oil and natural gas mining industry	Electronic components manufacturing industry	Chemical materials and fertilizer manufacturing industry	Others
Carbon emissions ratio	41.44%	15.02%	13.62%	6.23%	4.42%	19.27%
Carbon footprint	23.77	46.13	8.07	2.01	9.07	9.08

Carbon emissions ratio　Carbon footprint

2023 GHG Carbon Emissions Ratio and Carbon Footprint by Region



4.1.3 Internal Carbon Pricing (ICP) Mechanism

KGI Financial introduced ICP mechanism as a reference for assessing and managing the transition risk of climate change and as a reference for decision-making. in response to the goal of "Total Portfolio Net Zero by 2045", 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.

We calculated the implicit cost of GHG emissions from operations through the Shadow Price and used the Network for Greening the Financial System to estimate the change in carbon price in Taiwan through the "Comprehensive Evaluation Model" to calculate the expected carbon price in 2045. Considering Taiwan's Net Zero 2050 policy and Net Zero 2045 goal of KGI Financial, the NGFS GCAM 6.0 parameter set estimated the carbon cost to be NT$4,408-23,838/ton (US$142.19-US$768.99/ton) by using the scenario of "Net Zero 2050" for the orderly transition. At the same time, the implicit cost of GHG emissions from the Company's own operations (Scope 1 and Scope 2) was calculated for 2023, and the Company assessed and planned for a low-carbon transformation and carbon reduction pathway for all of the Company's operating locations, and it is expected that ICP will be used to manage the Company's own operational GHG emissions through the system, and will gradually be linked to the performance of emission reductions and incorporated into the Company's internal management measures, so as to continue to promote the Company's internal efforts towards the goal of improving energy use efficiency.

4.2 Key Climate Targets

The entities to which the following greenhouse gas targets of own operations apply include KGI Financial and its subsidiaries (KGI Bank, KGI Life Insurance, KGI Securities, CDIB Capital, KGI SITE, KGI Asset Management).

Greenhouse Gas Targets and Implementation of Own Operations

Strategy	Base Year	Short-Term Goals (2024)	Mid-Term Goals (2030)	Long-Term Goals (2045)	Implementation Status (2023)
Carbon Reduction Operations Management	2022	1. KGI Financial Headquarters building carbon Neutrality 2. Reduce total annual GHG emissions (Scope 1 and 2) by 10% 3. Expand the inventory and verification scope of ISO 14064- 1	1. KGI Financial headquarters building continues carbon neutrality based operation 2. Reduce total annual GHG emissions (Scope 1 and 2) by 42% compared with 2022 3. The scope and reporting boundaries of the ISO 14064-1 greenhouse gas inventory and verification are consistent.	Achieving net-zero for the total portfolio by 2045	2023 total annual GHG emissions (Scope 1 and 2) were 18,218.02 tCO_2e (excluding new inventory scopes), a 15% reduction compared with 2022.
		Continue to promote renewable energy			In 2023, KGI Financial total use of 5,049 MWh of renewable energy, which accounted for 11.0% of the total electricity consumption, equivalent to a reduction of 2,499.3 metric tons of carbon emissions.
		Continue to promote green procurement			In 2023, the amount of goods with domestic and foreign environmental labels accounted for 51% of the total green purchases, a significant increase from the 37.5% in 2022.

Entities subject to the greenhouse gas targets for investment and financing activities include the Group and its subsidiaries (KGI Bank, KGI Life Insurance, KGI Securities, CDIB Capital, and KGI Asset Management).

Greenhouse Gas Targets and Implementation of investment and financing

Strategy	Base Year	Short-Term Goals (2029, 2034)(Note)	Long-Term Goals (2045)	Implementation Status (2023)
Net-Zero for the Total Portfolio by 2045	2022	1. Reduce Carbon Intensity: • KGI Financial committed to reduce its electricity generation project finance portfolio GHG emissions 81.9% per MWh by 2034 from a 2022 base year. • KGI Financial committed to reduce its commercial real estate loan portfolio GHG emissions 78.1% per square meter by 2034 from a 2022 base year. 2. Increase the proportion of investment positions setting SBT carbon reduction targets: • KGI Financial commits to 45.78% of its investment portfolio (equities, corporate bonds, ETFs, mutual funds, and investments in REITs) by invested value setting SBTi validated targets by 2029 from a 2022 base year.	Achieving net-zero for the total portfolio by 2045	Compared to the baseline year of 2022, the greenhouse gas emissions from investments and financing have decreased by approximately 8% this year.

Note: KGI Financial has planned to apply for SBTi Near-Term target validation in the second half of 2024. The targets will be updated in the future according to the final review results.

05

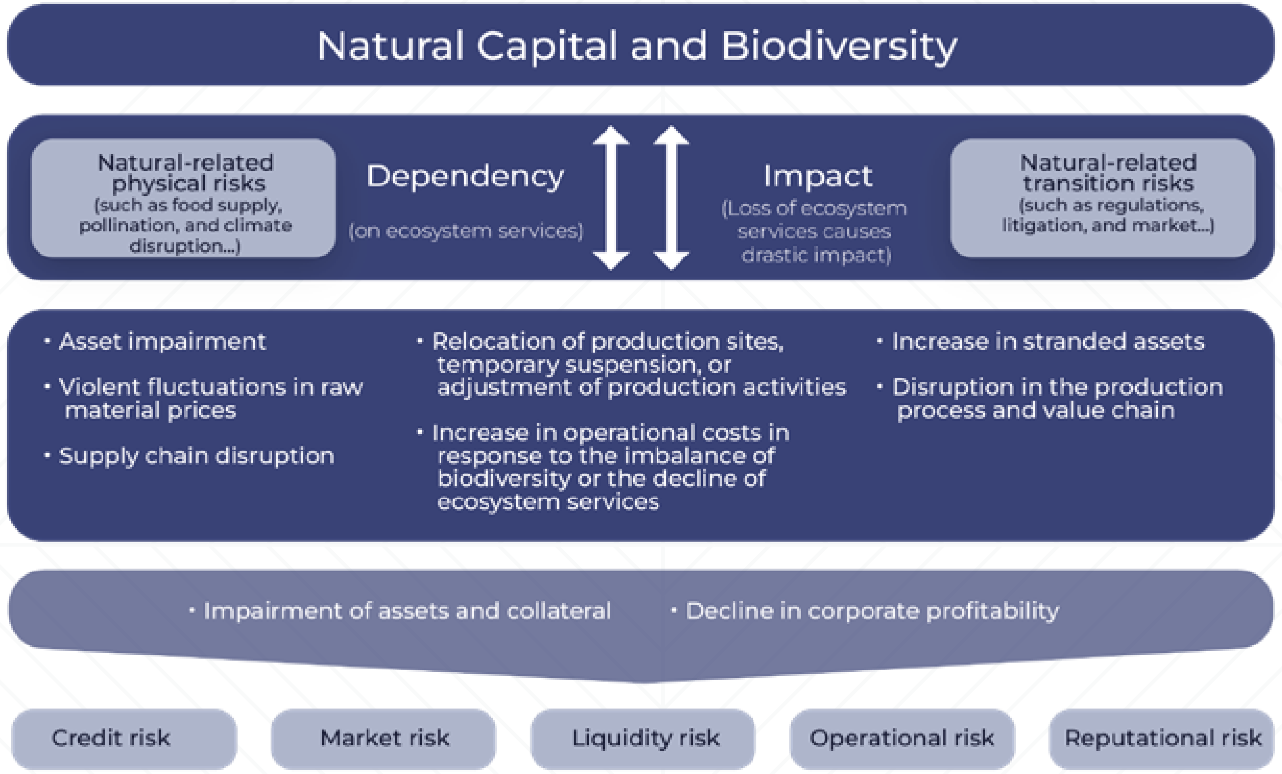
Natural Risk Assessment

5.1 Nature-related Risk Management

When the ecological chain of animals and plants, air, water resources, soil and other natural capital are damaged, people's lives, businesses and countries will be significantly affected, and they will have a dramatic impact on the overall environment, economy, and social stability. Based on risk-oriented management strategies, KGI Financial is gradually incorporating nature-related risks into its risk management scope. The group has joined as a TNFD Adopter (The Taskforce on Nature-related Financial Disclosures, TNFD) in August 2024, and will follow the 14 requirements of the TNFD framework to gradually disclose the management of nature-related risks.

5.1.1 The Impact of Nature-related Risks on KGI Financial

KGI Financial believes that the imbalance of ecosystem services and the loss of natural capital will have a direct or indirect impact on the value chain of financial institutions. This impact will be felt through customers, counterparties, assets, and the economic environment in which they operate, leading to associated risks and losses for financial businesses. KGI Financial also believes that it will contribute to a sustainable future by exerting financial influence and assisting in the global effort to protect and restore natural capital.



The Group recognizes that natural risks and climate risks are not independent of one another but are closely interconnected and mutually dependent. Changes in natural capital, such as the atmosphere and forests, can influence the climate, while climate change, including increased precipitation or changes in the frequency of natural disasters, can in turn impact natural capital. These two elements are inextricably linked. Understanding the interdependence between climate change and natural capital, the Group is committed to taking appropriate actions. Through the influence of sustainable finance, we aim to manage climate change risks effectively and maximize the benefits of ecosystem services, thereby assisting in the global restoration of natural capital, adapting to climate change, and gradually advancing decarbonization.

5.2 Nature-related Dependencies and Impacts

5.2.1 Identification Process for Nature-related Risks Dependencies and Impacts

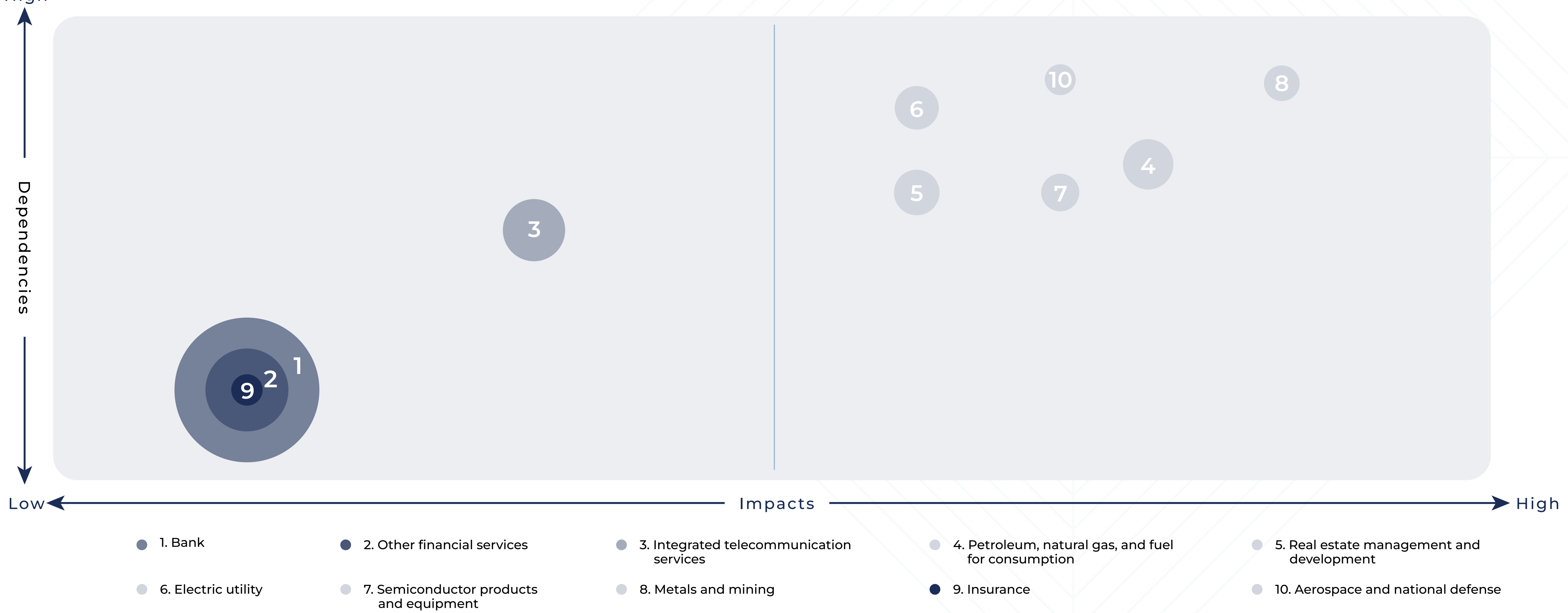
Exploring Natural Capital Opportunities, Risks, and Exposure (ENCORE) is an online tool jointly developed by Global Canopy, the United Nations Environment Programme Finance Initiative (UNEP FI), and the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC). It helps companies understand their dependencies and impacts on natural capital and assess the potential natural risks they may face.

In order to understand the industries that are more likely to impact natural capital in the Group's investment and financing portfolio, the ENCORE tool was used this year to obtain data on the dependencies and impacts of the industries to which the investment and financing targets belong on natural capital in 2023. After considering the proportion of the investment and financing portfolio balance, the top 10 industries in terms of the proportion of the investment and financing portfolio balance were selected to draw a matrix diagram of the dependencies and impacts of nature-related risks by industry.

5.2.2 Identification Results for Nature-related Risks Dependencies and Impacts

After reviewing the results of the identification of the natural capital dependency and impact of the industries in which the group invests and finances, among the Group's investment and financing targets in 2023, the top three industries in terms of investment and financing proportions all belong to industries with low dependencies and low impacts. Moreover, all industries in the top ten of investment and financing proportions have natural dependencies of moderate or low. There are no industries that are highly dependent on and highly impacted by natural capital. However, some industries have moderate to low dependency but high impact (see the right area of the below figure), and may face higher natural transition risks in the future (for example, natural-related policies and regulations). KGI Financial will continue to track and manage the aforementioned industries, adjust the investment and credit positions in a timely manner, and gradually move towards industries with low dependence and low impact on nature.

Investment and financing identification results for nature-related risks dependencies and impacts by industry



Note: The size of the bubble represents the proportion of investment and financing balance, and the symbol number is sorted from large to small according to the investment and financing balance.

Furthermore, after a comprehensive evaluation of dependencies, impact levels, and the proportion of investments and financing, the industries of oil, gas, and consumable fuels, banking, integrated telecommunications services, electric utilities, real estate management and development, metals and mining, and semiconductor products and equipment have been identified as having a higher dependency on and impact on natural capital within our 2023 investment and financing portfolio. Going forward, the Group will continue to deepen its assessment of natural dependencies and impacts to provide more detailed decision-making information. We will also continue to monitor and manage the aforementioned industries, adjusting our investment and credit positions as needed, gradually aligning with industries that have lower dependencies on and impacts on natural capital.

Dependency and Impact Factor Analysis of Oceans and Water, Forests and Land, and Climate Change

The Group has conducted an analysis of the dependency and impact factors of the top 10 industries by investment and financing portfolio balance in relation to oceans and water, forests and land, and climate change. The consolidated results are presented in the table below. Regarding oceans and water, the oil, gas, and consumable fuels industry, semiconductor products and equipment, and metals and mining industries exhibit relatively high dependency and impact. For forests and land, the real estate management and development industry is highly dependent on and has a significant impact on these factors, with the metals and mining industry also showing relatively high impact. Concerning climate change, the oil, gas, and consumable fuels industry, real estate management and development, electric utilities, semiconductor products and equipment, and metals and mining industries all demonstrate significant impact. Notably, the oil, gas, and consumable fuels industry and electric utilities also have a high dependency on climate change.

GICS Industry Name	Impact on Natural Resources			Dependence on Natural Resources		
	Oceans and Water	Forests and Land	Climate Change	Oceans and Water	Forests and Land	Climate Change
Bank						
Capital market						
Integrated telecommunication services						
Petroleum, natural gas, and fuel for consumption	1		2	3		
Real estate management and development						
Electric utility						4
Semiconductor products and equipment						
Metals and mining		5		6		
Financial services						
Insurance						

Low risk — High risk

Oil, Natural Gas, and Consumable Fuels Industry

1. Hydraulic fracturing, commonly employed in oil and gas extraction, requires significant volumes of freshwater, which is injected into groundwater wells at high pressure. This process creates fractures in the rock formations, allowing hydrocarbons to surface. However, these fractures can potentially lead to contamination of local water resources, thereby adversely impacting marine ecosystems.
2. The combustion of fossil fuels is a primary contributor to the emission of greenhouse gases and sulfur compounds, which are major drivers of climate change and acid rain.
3. Petroleum can be fractionated into various fuel products at different temperatures. The production process necessitates extensive use of water resources for cooling purposes, highlighting the industry's high dependency on water. The production process, from light oil cracking to the polymerization, oxidation, and synthesis of petrochemical feedstocks, is highly intensive in water, electricity, and energy consumption.

Electric Utilities

4. Hydropower, wind power, and solar power generation are highly dependent on climate conditions. The increasing frequency and intensity of extreme weather events elevate the risk of damage to power generation facilities.

Metals and Mining

5. The extraction process poses a risk of disrupting geological formations. Additionally, to facilitate the mass transportation of extracted minerals and waste, deforestation occurs around mining areas, impacting forests and land.
6. Manufacture of basic iron and steel processes, including ore beneficiation, sintering, coking, ironmaking, and rolling, typically involves substantial water usage for cutting and cooling, resulting in a high dependency on water resources.

Based on the analysis results mentioned above, we have identified a significant overlap between industries with high natural capital dependency and impact, and those industries that heavily influence climate change. These high carbon-emission industries play a critical role in the global natural environment, biodiversity, and climate change. Consequently, we have further assessed the impact on the Group through risk identification and scenario analysis in <Chapter 3—Climate Risk Management> of this report.

Additionally, regarding industries that have profound implications for global natural environments and climate change, such as oil, natural gas, and consumer fuels, the Group has committed to a gradual reduction in involvement with industries related to thermal coal and unconventional oil/gas, with a complete phase-out by 2040. This includes exiting business activities related to these industries, such as infrastructure and project financing, credit lines and lending, underwriting fixed income product, and all active, passive, and third-party managed investments. For more details on this commitment, please refer to<Section 2.1 Net Zero Commitment> of this report.

5.3 Material Nature-related Risks and Opportunities

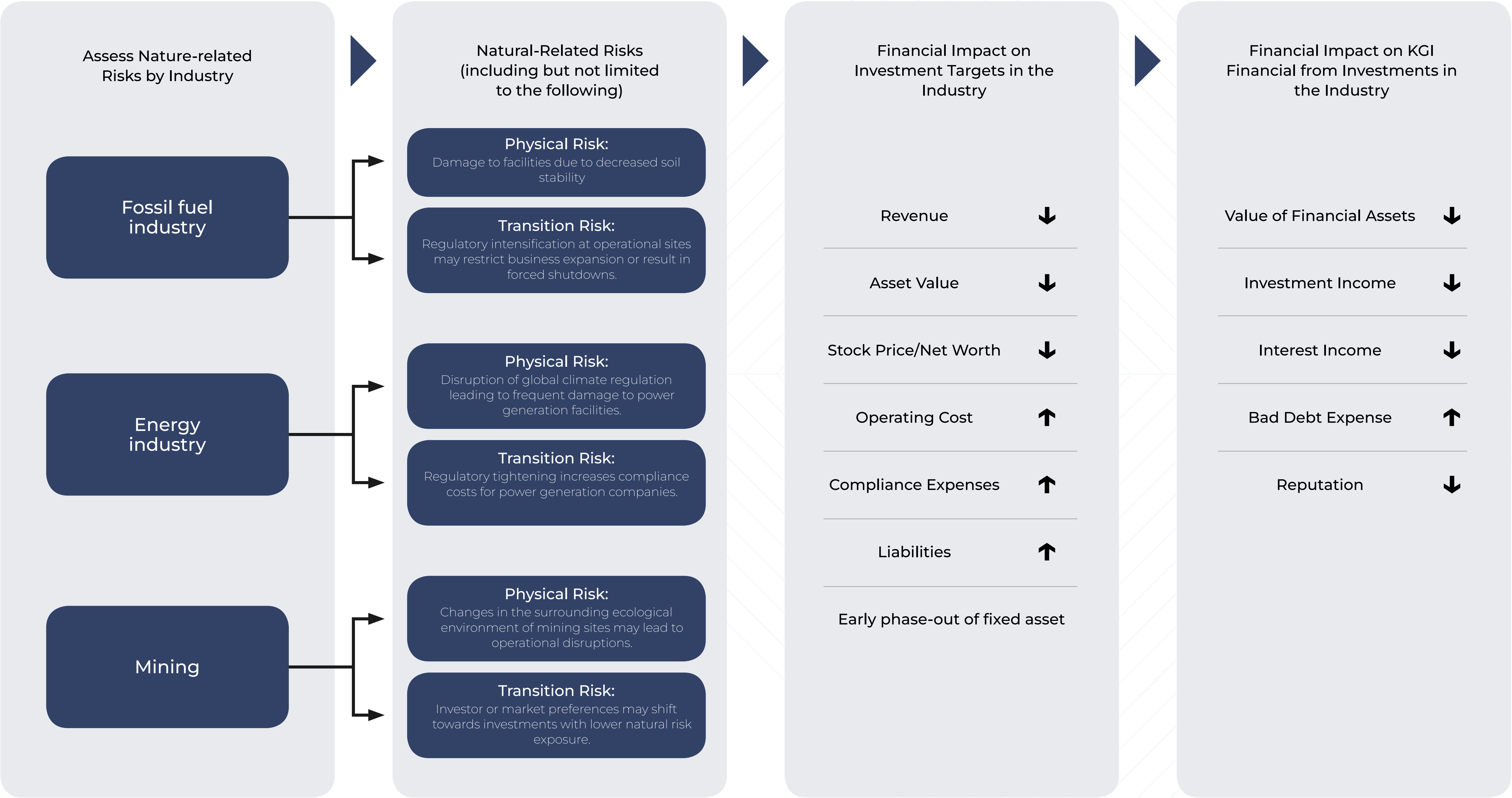
5.3.1 The Identification Process and Results of Significant Nature-related Risks and Opportunities

Based on the industry-specific exposure and ENCORE natural risk dependency and impact analysis results, the Group prioritizes the "Oil, Gas and Consumable Fuels Industry", "Metals and Mining Industry", and "Electric Utilities" that have greater exposure and high natural impacts. In response to the industry-specific guidelines for the fossil fuel industry, mining industry, and energy industry released by TNFD(Note) in December 2023, to analyze the financial impact of natural risks and opportunities on the three major natural risk industries and therefore, it identifies natural risks and opportunities to assess the indirect financial impact that KGI Financial's investment and financing in these three industries may be subjected to, continuously manage the nature-related risks and opportunities.

Note: The TNFD draft sector guidance for Oil and Gas, Metal and Mining, Electric Utilities and Power Generators sectors was released in December 2023. For detailed guidance content, please refer to https://tnfd.global/tnfd-publications/

The Identification and Assessment of Nature-related Risks

Before assessing the financial impacts on the Group resulting from natural risks affecting our investment and financing targets, we categorized the industries into three sectors: fossil fuels, mining, and energy. Following the TNFD classification, we categorized natural-related risks into two major categories: "Physical Risks" and "Transition Risks." We then identified the financial impacts caused by these risks on the investment and financing targets within these three sectors, thereby recognizing the financial impacts faced by our financial holding company.


Assess Nature-related Risks by Industry
Natural-Related Risks (including but not limited to the following)
Financial Impact on Investment Targets in the Industry
Financial Impact on KGI Financial from Investments in the Industry
Fossil fuel industry
Physical Risk: Damage to facilities due to decreased soil stability
Transition Risk: Regulatory intensification at operational sites may restrict business expansion or result in forced shutdowns.
Energy industry
Physical Risk: Disruption of global climate regulation leading to frequent damage to power generation facilities.
Transition Risk: Regulatory tightening increases compliance costs for power generation companies.
Mining
Physical Risk: Changes in the surrounding ecological environment of mining sites may lead to operational disruptions.
Transition Risk: Investor or market preferences may shift towards investments with lower natural risk exposure.
Revenue ↓
Asset Value ↓
Stock Price/Net Worth ↓
Operating Cost ↑
Compliance Expenses ↑
Liabilities ↑
Early phase-out of fixed asset
Value of Financial Assets ↓
Investment Income ↓
Interest Income ↓
Bad Debt Expense ↑
Reputation ↓

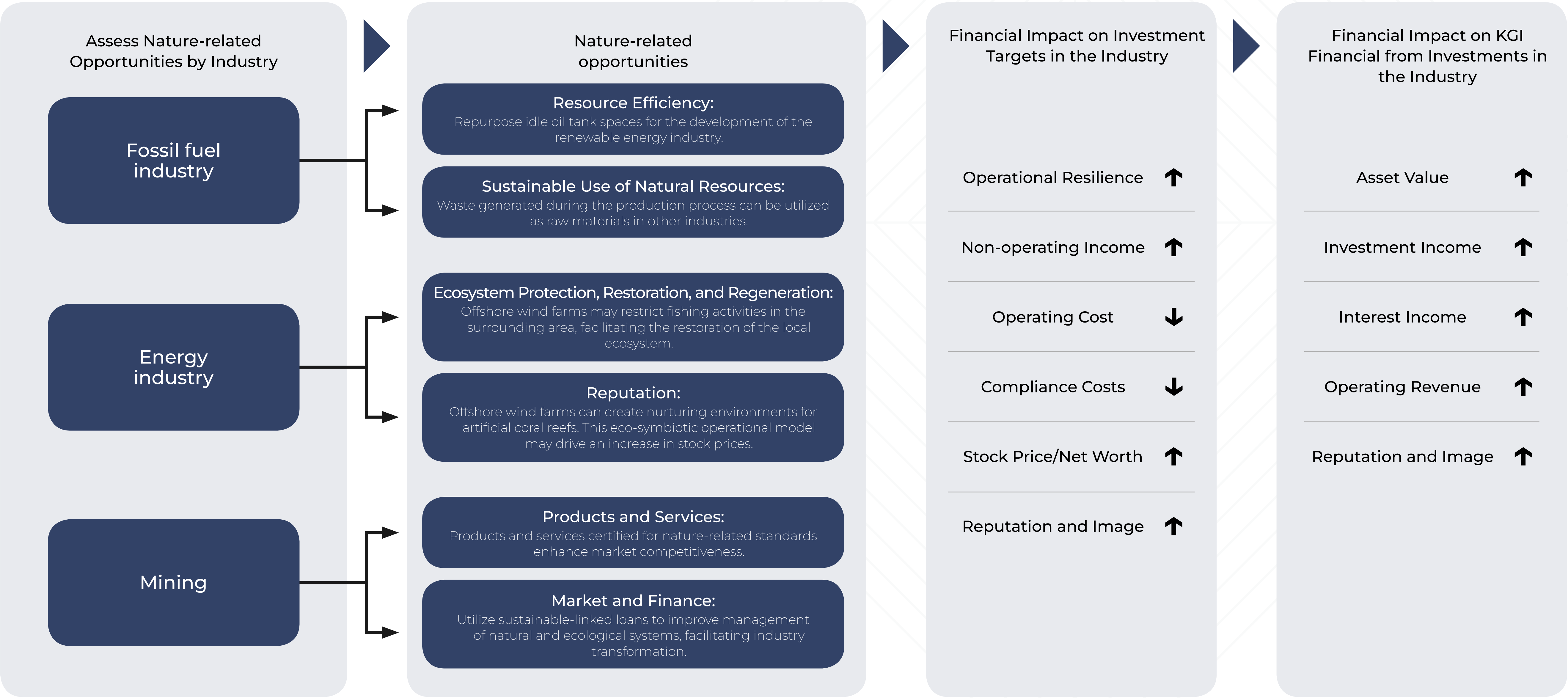
Companies in the fossil fuel, mining, and energy sectors, facing various natural physical and transition risks, may experience multiple adverse effects, leading to declining revenues and asset value impairment. When companies fail to implement appropriate natural risk mitigation measures, resulting in an inability to adapt to environmental changes or facing operational difficulties due to policy shifts, their stock prices or company equity may further plummet.

With the rising trend of international environmental protection, government regulations are expected to become increasingly stringent. Companies will inevitably need to allocate more funds and resources to comply with regulatory requirements, thereby increasing their financial burden due to higher compliance costs. Moreover, regulatory changes and shifting market demands may force companies to retire production equipment prematurely or lead to the stranding of assets, exacerbating the financial pressure on companies that have not adequately prepared for natural risks. This can result in reduced profitability and even increased default risk.

These adverse factors will also impact the Group's investments and loans in these industries, leading to a depreciation of our financial asset value and a corresponding decline in investment returns. Furthermore, as companies inadequately prepared for natural risks experience a decrease in their repayment capacity, the Group may face a reduction in interest income and an increase in bad debt expenses, further eroding our profitability. Investing in high natural risk industries could also damage the reputation of financial institutions, leading to a decline in investor and client trust, thereby affecting the Group's market position.

The Identification and Assessment of Nature-related Opportunities

The identification of nature-related opportunities within the fossil fuel, mining, and energy industries primarily focuses on two major factors: "Financial Performance" and "Sustainability Performance." These are further divided into multiple opportunity factors, such as market opportunities, resource efficiency, products and services, reputational capital, sustainable use of natural resources, and the protection, restoration, and regeneration of ecosystems. The Group assesses the financial impact of each opportunity factor on the investment and financing targets within these three industries and measures the positive financial benefits they bring to the financial holding company.



Actively protecting natural ecosystems can result in a more stable ecosystem surrounding operational sites, providing businesses with stable energy and resource supplies, and reducing the impact of extreme weather and natural disasters on operational activities. Companies in the fossil fuel, energy, and mining sectors that effectively seize these nature-related opportunities and demonstrate awareness and management of natural issues will significantly enhance their operational resilience in the face of natural risks. For example, the fossil fuel industry, by transitioning to the renewable energy sector, can reduce its reliance on high-carbon energy sources. Additionally, leasing idle assets (e.g., unused land for oil storage) can generate diversified non-operating income, creating new revenue streams and improving overall operational efficiency.

Companies that proactively address natural risks and accurately seize nature-related opportunities are likely to gain more trust and positive feedback from investors in the future. By actively managing risks and developing sustainable business models in an uncertain environment, these companies will positively influence the Group's investments and financing activities in these industries. A robust operational model will ensure stable interest income and investment returns for the Group, while we can also provide the necessary funding for these companies' sustainable transitions, creating a mutually beneficial cycle.

In the future, the Group will continue to leverage our financial influence to lead the sustainable transformation of industries, achieving growth in both asset value and scale while helping companies capitalize on nature-related opportunities.

5.4 Management of Human Rights Issues Related to Nature

KGI Financial adheres to the beliefs and values of human rights and complies with international human rights conventions, including the Universal Declaration of Human Rights, the Ten Principles of the UN Global Compact, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labor Office Tripartite Declaration of Principles, etc., and observes the relevant laws and regulations for the protection of human rights in the locations where KGI Financial operates. In 2023, the Board of Directors approved the upgrading of KGI Financial Human Rights Commitment to the level of KGI Financial Human Rights Policy, showing our commitment to human rights. The Policy covers the following human rights commitments: no discrimination, no bullying, no harassment; no forced labor; freedom of association and labor-management communication; workplace safety and health; work-life balance; information security and privacy protection.

In addition, a "Letter of Undertaking regarding Sustainability for Suppliers" is in place, and we also have a " KGI Financial Sustainable Finance Commitment" for business partners. We require our suppliers and new business partners to adhere to the same standards and emphasize human rights risk management.

The Company's specific management mechanism for human rights protection includes regular human rights risk assessments, and ongoing promotion and training on issues such as workplace inclusion, gender equality, prevention of sexual harassment, personal data protection, and workplace safety. These initiatives aim to enhance awareness of human rights among our colleagues. In 2023, we continued to arrange for all regular employees to take the mandatory training on 'Human Rights Policy and Friendly Workplace", with a completion rate of 100%.

The Group also emphasizes in the "Sustainable Development Guidelines" that business operations should consider the impact on ecological benefits, promote and advocate sustainable consumption concepts, reduce resource and energy consumption, properly manage waste disposal, sustainably utilize water resources, maximize the sustainable use of renewable resources, and adopt energy-saving and environmentally friendly products. These principles guide procurement, operations, and service activities to effectively reduce the environmental and human impact of the Company's operations.

06 Expectations and Outlook

The global climate and natural environment are undergoing dramatic changes, which are significantly impacting financial operations and systems. The Group understands that managing climate and nature-related risks is crucial for our financial stability and sustainable development. We are committed to continuously improving our climate management processes and, for the first time this year, have disclosed our industry-specific natural capital dependencies and impacts, as well as our assessments of nature-related risks and opportunities, in accordance with the TNFD framework.

However, given the diverse types of climate risks and the broad scope of nature-related issues, current analytical tools and databases are still being refined. Moving forward, we will continue to enhance our data collection and analysis processes to ensure timely responses to the challenges posed by climate change and natural environmental changes.

The Group is committed to strengthening our identification, assessment, and management of climate risks while continuously improving our nature-related risk management mechanisms. We will progressively integrate these mechanisms into our daily operations and regularly disclose relevant outcomes for stakeholder review. We firmly believe that these actions will not only aid in risk management but also attract more partners who share our values. As a financial institution, the Group has a significant responsibility to drive the preservation of the global natural environment and promote the low-carbon transformation of industries. We are dedicated to fulfilling our sustainable finance commitments robustly, contributing to the mitigation of global climate change, enhancing biodiversity, and supporting the global natural capital.

Appendix I: TCFD Correspondence Table

Dimension	TCFD Disclosure Recommendation	Chapter
Governance	A. Describe the board’s oversight of climate-related risks and opportunities.	1.1 Organizational Structure and Responsibilities for Climate Governance
	B. Describe management’s role in assessing and managing climate-related risks and opportunities.	1.1 Organizational Structure and Responsibilities for Climate Governance
Strategy	A. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	2.2 Climate Opportunity Identification 3.1 Climate Risk Management Process
	B. Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	2.3 Climate Response Strategy 3.1 Climate Risk Management Process 3.2 Climate Risk Scenario Analysis and Quantitative Impact Assessment
	C. Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	3.2 Climate Risk Scenario Analysis and Quantitative Impact Assessment 3.3 Resilience Verification
Risk Management	A. Describe the organization’s processes for identifying and assessing climate-related risks.	3.1 Climate Risk Management Process
	B. Describe the organization’s processes for managing climate-related risks.	3.1 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	3.1 Climate Risk Management Process
Metrics and Targets	A. Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	4.1 Key Climate Metrics 4.2 Key Climate Targets
	B. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	4.1 Key Climate Metrics
	C. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2.3 Climate Response Strategy 4.1 Key Climate Metrics 4.2 Key Climate Targets

Appendix II: TNFD Correspondence Table

Dimension	TNFD Disclosure Recommendation	Chapter
Governance	A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	1.1 Organizational Structure and Responsibilities for Climate Governance
	B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	
	C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	5.4 Management of Human Rights Issues Related to Nature
Strategy	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	5.1 Nature-related Risk Management 5.2 Nature-related Dependencies and Impacts
	B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	
	C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	
	D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	
Risk Management	A(i). Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	5.2 Nature-related Dependencies and Impacts 5.3 Material Nature-related Risks and Opportunities
	A(ii). Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	
	B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	Under planning
	C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes	
Metrics and Targets	A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	Under planning
	B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	
	C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	

Appendix III: IFRS S2 Index Table

Dimension	IFRS S2 Disclosure Recommendation	Chapter
Objective	Paragraph 1~2	The entire text applies.
Scope	Paragraph 3~4	The entire text applies.
Governance	Paragraph 5-7	1.1 Organizational Structure and Responsibilities for Climate Governance 1.2 Climate-Related Education and Training 1.3 Climate-Linked Performance Evaluation Mechanism
Strategy	Paragraph 8-9	2.1 Net Zero Commitment 2.2 Climate Opportunity Identification 2.3 Climate Response Strategy 3.1 Climate Risk Management Process 3.2 Climate Risk Scenario Analysis and Quantitative Impact Assessment
	Paragraph 10~12	
	Paragraph 13	
	Paragraph 14	
	Paragraph 15~21	
	Paragraph 22~23	3.3 Resilience Verification
Risk Management	Paragraph 24~26	3.1 Climate Risk Management Process 3.2 Climate Risk Scenario Analysis and Quantitative Impact Assessment
Metrics and Targets	Paragraph 27~28	4.1 Key Climate Metrics 4.2 Key Climate Targets (For detailed information of industry baseline indicators, please refer to 2023 KGI Financial ESG Report in page 149-151)
	Paragraph 29~32	4.1 Key Climate Metrics 4.2 Key Climate Targets (The disclosure of information related to carbon credits is currently under planning.)
	Paragraph 33~37	

Assurance Statement

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English Translation of a Report Originally Issued in Chinese

Independent Accountant's Limited Assurance Report

To KGI Financial Holding Co., Ltd.

We have been engaged by KGI Financial Holding Co., Ltd.(formerly China Development Financial Holding Company, hereinafter referred to as "KGI Financial") to perform a limited assurance engagement, to report on KGI Financial's selected climate-related financial information ("the Subject Matter") for the 2023 Task Force on Climate-related Financial Disclosures and Task Force on Nature-related Financial Disclosures Report ("the TCFD & TNFD 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 KGI Financial management's responsible for preparation of the TCFD & TNFD Report according to the applicable criteria, including referencing to Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD) issued by Financial Stability Board (FSB). The KGI Financial management is responsible for selecting the Criteria, and for presenting the TCFD & TNFD 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 KGI Financial'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 KGI Financial's TCFD & TNFD Report to confirm with the consistency of the indicators in TCFD & TNFD Report which contribute to the selected information.

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Limitations
Non-financial information contained within the TCFD & TNFD 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

Ernst & Young
Oct. 17, 2024
Taipei, Taiwan, Republic of China

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

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Appendix A:

No.	Chapter	Content Title	Selected Information	Applicable Criteria
1	3.2.1		■ Financial impact: (1) Supplier: Based on the analysis results, taking into account temperature scenarios of 1.5°C and 4°C, as well as the analysis results after considering the floor level, over 75% of KGI Life's supplier operating locations are classified as low-risk level (Level 1). (2) Business locations: More than 70% of the Group's premises are considered for adaptation under the 1.5°C and 4°C scenarios, and over half of the premises are located in low risk (Level 1) areas, which were judged not to deal a severe blow to the Group's operations. (3) Investment properties: Upon analysis, the Group's investment properties with over 96% of the locations under 1.5°C and 4°C scenarios have a low flooding risk level (Level 1) and are expected to have a relatively small effect on the Group's investment losses. (4) Mortgage in consumer banking: After considering the floor height and the remaining loan term for Mortgage in consumer banking, the Group has identified that 7% and 12% of the exposures are located in the high-risk areas (Level 5) under scenarios of a 1.5°C and 4°C temperature increase, respectively. Additionally, 2% and 5% of the exposures are located in the areas of concern (Level 4). The relevant departments have assessed these risks and implemented corresponding measures to mitigate the impact of climate risks on the Group. (5) Real estate mortgage loans in corporate banking: The Group conducted a scenario analysis on the real estate mortgage loans in corporate banking. After considering factors such as floor height and remaining loan term, it was determined that under scenarios of a 1.5°C and 4°C temperature increase, 1% of the exposures are located in the high-risk areas (Level 5).	Details on locations, adaptive measures and details on balances.
2	3.2.2	Results of Climate Risk Scenario Analysis - Physical Risks	Analysis of the Impact of Carbon Pricing Transition on the Group's Long-Term Investment Portfolio ■ Financial impact The Group evaluates the quantitative impact of carbon costs on the credit risk of long-term corporate bond investments and the market risk of long-term equity investments through scenario simulation analysis. The results of the analysis are	Percentage of Exposures and total expected loss amount

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No.	Chapter	Content Title	Selected Information	Applicable Criteria
			as follows: 1. Equity Investment: ● Analysis Results by Group In the scenario of disorderly transition, the Group does not anticipate any additional expected losses before 2030. As we approach 2050, the maximum climate-related expected loss will represent 4.7% of the asset scale. In the scenario of orderly transition, the Group expected climate-related loss by 2030 accounts for 1.8% of the asset scale. As we approach 2050, the maximum climate-related expected loss will represent 8.6% of the asset scale. Analysis Results by Sector From an industry perspective, in both scenarios, the Group has identified the cement industry, chemical industry, and semiconductor industry as the top three industries with higher expected losses, which were assessed to have higher climate transition risks in the future and used as a reference for the Group's future related risk control. ● Analysis Results by Sector From an industry perspective, in both scenarios, the Group has identified the cement industry, chemical industry, and semiconductor industry as the top three industries with higher expected losses, which were assessed to have higher climate transition risks in the future and used as a reference for the Group's future related risk control. 2. Corporate Bond Investment ● Analysis Results by Group In the scenario of disorderly transition, the Group does not anticipate any additional expected losses before 2030. As we approach 2050, the maximum climate-related expected loss will represent 0.044% of the asset scale. In the scenario of orderly transition, the Group expected climate-related loss by 2030 accounts for 0.032% of the asset scale. As we approach 2050, the maximum climate-related expected loss will represent 0.053%, therefore, the assessment indicates that the financial impact of climate transition risks on the Group's corporate bond investments is relatively low.	

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No.	Chapter	Content Title	Selected Information	Applicable Criteria
			● Analysis Results by Sector From an industry perspective, in both scenarios, the electricity and gas supply industry, the financial industry, the mining industry, the chemical industry and other manufacturing industries are among the top five industries with higher expected losses identified by the Group. Although the financial industry does not have the characteristics of high carbon emissions among the top five industries, the Group still includes it as an industry with higher climate transition risks after assessment because the Group has a higher holding position in the industry and will serve as a reference for the Group's future related risk control. Climate Change Scenario Analysis of the Bank Credit Portfolio of the Group ■ Financial impact To assess the impact of various climate scenarios on credit asset portfolios and devise optimized strategies for specific scenarios, the group examines both transition scenarios (orderly and disorderly) and non-transition scenarios (no-policy) separately. The results of analysis are outlined below: 1. Orderly Transition Scenario and Disorderly Transition Scenario: The orderly transition scenario assumes that global transition will be adopted immediately and implemented gradually to achieve specific carbon reduction goals. On the other hand, the disorderly transition scenario starts the transition later compared to the orderly scenario but still needs to achieve specific carbon reduction goals. Therefore, it is expected to face greater transition risks, and both scenarios may also be accompanied by the occurrence of physical risks. Overall, in 2030, the expected increase in the ratio of incremental expected losses (△EL) to total exposure at default (EAD) is higher for domestic credit, including both corporate and personal, within this group. This will be a primary area of focus for the group in the medium term. In addition,	

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			the variation ratio of incremental expected loss for domestic corporate credit and foreign credit in 2050 is significantly higher compared to 2030. This suggests that if the future transition scenario aligns more with disorderly transition, it is crucial to actively manage the credit asset portfolio that may be impacted by climate change. 2. No Policy Scenario: The no-policy scenario refers to the fact that no global policies promote transition, the physical risks may cause serious economic outcomes in the medium and long term (after 2040), but there will be no transition risks because there are no relevant policy requirements. 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.	
3	4.1.2	GHG Emissions Inventory of Investment and Finance	**Scope 3 Investment and Financing GHG** — **2023** Absolute Total Emissions (Metric Kilotonnes CO2e): 4,689 Emission Intensity (Carbon Footprint) (t CO2e/NTD M): 2.35 Asset Portfolio Coverage: 100% Asset Portfolio Target: Assets / Products on Balance Sheet Note: 1. The carbon emissions for the year 2022 are calculated using the PCAF methodology. Accordingly, KGI Financial signed the SBTi in April 2022, and joined PCAF in June 2023. Following the PCAF methodology and rigorous calculation requirements to improve data quality, the carbon emissions information for this year	Related greenhouse gas statistics.

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			is calculated using this methodology, and is retrospectively adjusted to 2022, resulting in a discrepancy between the carbon emissions from investment and financing in 2022 and the data disclosed in the previous year. 2. The coverage rate of the asset portfolio is calculated by using the surveyed asset position as the numerator and the sum of equity investments, corporate bond investments, electricity generation project finance, commercial real estate loans, and business loans positions on the balance sheet as the denominator.	
4	5.2.2	Identification Results for Nature-related Risks Dependencies and Impacts	After reviewing the results of the identification of the natural capital dependency and impact of the industries in which the group invests and finances, among the Group's investment and financing targets in 2023, the top three industries in terms of investment and financing proportions all belong to industries with low dependencies and low impacts. Moreover, all industries in the top ten of investment and financing proportions have natural dependencies of moderate or low. There are no industries that are highly dependent on and highly impacted by natural capital. However, some industries have moderate to low dependency but high impact (see the right area of the below figure), and may face higher natural transition risks in the future (for example, natural-related policies and regulations). KGI Financial will continue to track and manage the aforementioned industries, adjust the investment and credit positions in a timely manner, and gradually move towards industries with low dependence and low impact on nature.	Dependencies and Impacts matrix.

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