Mega Financial Holding Co., Ltd. Climate Risk Management Guidelines

Approved by the 6th meeting of the 8th Board of Directors on November 23, 2021

Chapter 1 General Principles

Article 1 (Purpose and Basis)

Mega Financial Holding Co., Ltd. ("the Company") has formulated these Guidelines according to the competent authorities' policies on green finance and the Company's Risk Management Policy and Guidance Principles and Sustainable Finance Policy in order to enhance financial disclosure by the Company and its subsidiaries within the scope of climate risks, enhance the climate risk management mechanisms, reduce the impacts of climate change risks, and achieve sustainable corporate operation and development.

Article 2 (Responsible Unit)

The Risk Management Department is the responsible unit of the Guidelines.

Article 3 (Applicability)

These Guidelines are applicable to the Company and its subsidiaries.

"Subsidiaries" in the preceding paragraph refers to other companies in which the Company directly holds over 50% of shares with voting rights or total capital, or over half of all directors are directly appointed by the Company.

Subsidiaries shall supervise their compliance with climate risk management according to the competent authorities' regulations for their respective industry.

Article 4 (Definition of Climate Risks)

Climate risks refer to the possible negative impacts arising from climate change, mainly consisting of physical risks and transition risks, defined as follows:

I. Physical risks: Physical risks refer to the immediate or long-term financial impacts on assets, operations or supply chains directly or indirectly caused by extreme climate events such as droughts, floods or hurricanes.

II. Transition risks: Transition risks refer to the financial or non-financial impacts generated directly or indirectly from the transition process to a low-carbon economy, in response to the changes in policies, laws, technologies or markets.

Article 5 (Definition of Greenhouse Gas)

Greenhouse gas refers to CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, and any other gas as announced by the central competent authority.

The definitions of the scopes of greenhouse gas emission are as follows:

I. Scope 1: Direct emissions from a company's own facilities.

II. Scope 2: Indirect emissions from purchased electricity, heat, or steam for the company's own use.

III. Scope 3: Emissions from sources other than the ones owned or controlled by a company.

Chapter 2 Governance

Article 6 (Duties of the Board of Directors)

The duties of the Company's and subsidiaries' Boards of Directors or their subordinate climate committees are as follows:

I. Review climate policies and strategies, and supervise the implementation of indicators and goals related to climate.

II. Incorporate climate risk factors into strategies and plans, including the identification and assessment of impacts on strategies and plans from climate-related risks and opportunities.

The Board of Directors should recognize the risks associated with a business operation and monitor the results of such operation, and bears the ultimate responsibility for ensuring that an appropriate and effective internal control system is established and maintained.

Article 7 (Duties of Management)

The Company and its subsidiaries shall formulate policies, management systems and monitoring indicators for climate risk management, and regularly review the implementation outcome.

Management shall appoint the relevant responsible units or work teams to implement climate-related tasks, establish management mechanisms, adopt response measures under different circumstances, and regularly report to the Board of Directors, Risk Management Committee or climate-related committee.

Chapter 3 Strategy

Article 8 (Climate Strategies)

The Company and its subsidiaries shall identify the short-term, mid-term and long-term climate risks and opportunities, analyze the operational and financial impacts on business operation, products and services and operating costs and revenue, and formulate response strategies and measures, prioritizing those involving high risks.

Article 9 (Climate Scenario Analysis)

The Company and its subsidiaries may introduce, in stages, climate risk scenario analysis or stress testing adapted to the characteristics of their internal operations. They shall consider the impacts of climate change, select the appropriate scenarios for physical risks and transition risks, and assess qualitatively or quantitatively the abilities of strategies related to business operations, products and services to respond to climate risks and opportunities.

Chapter 4 Risk Management

Article 10 (Risk Management Framework)

The Company and its subsidiaries shall refer to the three lines of defense framework of internal control and divide the duties of each unit to implement matters related to climate risk management.

Article 11 (Risk Management Procedures)

The Company and its subsidiaries shall establish an appropriate climate risk management mechanism based on the characteristics of their operations and scale, and implement the following matters:

I. Identify, assess, monitor, manage, and report climate risks and opportunities before and after implementing investment, financing and relevant financial operations via negative list or assessment indicators.

II. Gradually consider and incorporate climate risk factors into existing risk management procedures such as credit, market, operation, liquidity, and other risks.

Article 12 (Response Strategies for Climate Risks)

The Company and its subsidiaries shall adopt response strategies for the climate risks they face, such as risk aversion, mitigation, control, capacity, and transfer.

Article 13 (Climate Risk Assessment)

The Company and its subsidiaries shall plan the assessment of climate risks, including physical risks and transition risks:

I. Physical risks: They shall assess the degree of impact from climate risks on the regions where the domestic business locations and assets held such as investments, loans, and underwriting are located in order to analyze the immediate and long-term risks and risk tolerance. They shall refer to information published by governmental agencies, research institutions, or other financial companies for information on regional climate risks.

II. Transition risks: They may establish different rules of levels of risks to assess transition risks as the basis for enhancing the effectiveness of the implementation of the climate risk review and monitoring mechanism.

Risk levels shall at least be categorized into two levels, i.e. high risk and normal risk, or more.

The regional climate risks and industry or corporate risks in the preceding paragraph may have their risk levels defined according to the definitions of Mega Holdings, governmental agencies, international organizations such as the IPCC, SBTi, and SASB as well as based on the company's business types and characteristics.

Chapter 5 Indicators and Goals

Article 14 (Indicators of Climate Risks and Opportunities)

The Company and its subsidiaries shall gradually establish key indicators for the measurement and management of climate risks and opportunities, including but not limited to greenhouse gas emissions, pollutant and waste emissions, water resource recycling or water usage, and renewable energy usage based on the scope in order to measure the outcome of climate-related operations.

They shall gradually establish indicators for the impacts from climate risks based on the short-term, mid-term or long-term financing or relevant financial activities. The indicators shall be linked to credit risk exposure, equity, liability, and trade positions. In addition, they shall assess the percentage of high carbon emission assets of total assets.

Article 15 (Goals of Climate Risks and Opportunities)

The Company and its subsidiaries shall gradually establish qualitative or quantitative goals of climate risks and opportunities that meet the competent authorities' regulations or the scale of business. These goals shall serve as benchmarks to measure short-term, mid-term and long-term climate-related operations.

Article 16 (Disclosure of Climate Information)

The Company and its subsidiaries shall regularly disclose information related to climate risks as requested by the competent authorities or international institutions, including but not limited to climate governance, climate financial operations, climate risk assessment and management, climate risk response measures, etc.

The disclosure mentioned in the preceding paragraph may be published on the Company's website, or in the annual report, ESG report, or other relevant public information platform unless specifically requested otherwise by the competent authorities.

Chapter 6 Supplementary Provisions

Article 17 (Other Matters)

Matters not specified in the Guidelines shall be governed by applicable laws and regulations and the Company's regulations.

Article 18 (Level of Approval)

These Guidelines shall take effect after being approved by the Board of Directors. The same applies when these Guidelines are revised or revoked.