

2023 Mega Financial Holding

Climate and Environmental Report

June, 2024

Message from the Chairman

Foreword

Mega Financial Holding Climate Governance Milestones	1
1 Climate Governance	3
1.1 Climate Governance Framework	5
1.2 Responsibilities of Board of Directors	7
1.3 Managerial Responsibilities	9
1.4 Climate and Performance Linked Policy	11
2 Climate Strategies	13
2.1 Climate Risks and Opportunities	13
2.2 Scenario Analysis	35
3 Climate Risk Management	49
3.1 Climate Risk Management Framework	49
3.2 Climate Risk Management in Investment/Financing	55
4 Climate Metrics and Targets	60
4.1 Green Operation — Low Carbon Transformation Development Strategy	60
4.2 Carbon Asset Exposure Risk	69
4.3 GHG Emissions of Investment / Lending Portfolio	71
4.4 Investment and Financing Portfolio - SBT	74
4.5 Climate Goals	79
4.6 Climate Metrics	84
5 Nature-Related Risk Management	85
5.1 Risk Governance	85
5.2 Risk and Opportunity Identification	87
5.3 Dependency and Impact Assessment	88
6 Future Prospects	91
External Verification Statement	92
Appendix 1 Comparison Table of TCFD Indicators	93
Appendix 2 Notes on IFRSS2 Indicators	95
Appendix 3 Financial Impact Calculations for Climate-Related Risks and Opportunities	96

Message from the Chairman

According to the United Nations World Meteorological Organization (WMO), droughts, heat waves, extreme rainfall and record-breaking typhoons in 2023 had significant impacts on health, food and energy security, and economic development. In addition, the “double blow” of El Nino and climate change resulted in major weather disasters that left the Latin American and Caribbean regions experiencing record high temperatures in 2023, with economic losses of up to US\$21 billion due to intensifying heat waves and hurricane damages. It also forced a reduction in shipping through the Panama Canal, as well as climate disasters impacting agriculture and food security and causing a “severe food crisis” for 13.8 million people. Furthermore, the warmer seawaters have decreased fish harvests in countries such as Peru and Ecuador. The extreme climatic conditions have resulted in significant losses to the human society and the natural ecosystem. In the face of the climate crisis, countries around the world have initiated relevant actions, including the European Union’s pilot implementation of the Carbon Border Adjustment Mechanism (CBAM) and the U.S. Clean Competition Act (CCA), while the Executive Yuan of Taiwan has upgraded the Environmental Protection Administration to the Ministry of Environment (MOENV) in 2023. The Climate Change Administration (CCA) and the Taiwan Carbon Solution Exchange (TCX) were also established to respond to climate change and carbon rights management. In conjunction with the Climate Change Response Act and related sub-legislation, the agencies are responsible for carbon fees, reduction plans, and target setting. Mega Financial Holding has actively responded to become the first batch of international carbon rights buyers of the Taiwan Carbon Solution Exchange, and we are supporting the national net-zero transformation plan and moving towards the carbon pricing through practical climate actions.

With the mission of “Spreading Positive Influence and Leading the Way to Sustainable Development”, Mega Group has achieved significant results in terms of the “Green Finance Action Plan 3.0”. At the end of 2023, Mega Group was invited by the Financial Supervisory Commission (FSC) to formally join the “Coalition of Movers and Shakers on Sustainable Finance” and serve as the responsible person of the “Financial Sector Net Zero Promotion Work Platform - Interdepartmental Consultation Working Group”. In the future, Mega Group will continue to act as a bridge of communication between the government, the industry, and peers, taking practical actions to help Taiwan’s net-zero transformation and creating a win-win business model with our clients.

Mega Group has taken a responsible approach to climate change. In 2020, we signed to support the Task Force on Climate-Related Financial Disclosures (TCFD) framework. Since 2022, the CDP Climate Change Questionnaire has been promoted to A- leadership level. Mega Group was also selected as a constituent stock of the DJSI Emerging Markets Index and DJSI World Index. In response to the Paris Agreement’s goal of not exceeding 1.5°C in warming by the end of this century, and our country’s net-zero emissions target by 2050, we signed the Science Based Targets initiative (SBTi) in April 2023, committing to setting near-term science-based emissions reduction targets. We officially joined the Partnership for Carbon Accounting Financials

(PCAF) to optimize Scope 3 investment and financing carbon inventory methodology, and introduced the ISO 14064-1 greenhouse gases into global operating sites to protect our sustainable homeland with practical actions.

To achieve the long-term goal of net-zero emissions by 2050, the Board of Directors adopted the Group's decarbonization strategy in May 2023, committing to fully withdrawing from investment and financing of coal-fired power plants and non-traditional oil and gas investments before 2040. To implement the spirit of climate governance, we formulated the "Sustainable Finance Policy", "Climate Risk Management Guidelines", and expanded the scope of the "Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries" to include industries with high carbon emissions, as well as established the "Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries". In November 2023, the Board of Directors approved the Group's scientific-based carbon reduction targets, action plans, and carbon reduction pathways to lead the subsidiaries to reduce the impact of climate change, focus on promoting the development of sustainable financial business, and echo the commitment of the Coalition of Movers and Shakers to proactively engage with domestic high-carbon emission industries. We will also promote digital financial services to maximize the impact of the financial industry and move towards becoming a "Sustainability Paradigm of the Financial Industry in Asia Pacific".

To show Mega Group's commitment to the natural environment, we voluntarily follow the Taskforce on Nature related Financial Disclosures (TNFD) framework on natural environment issues in 2023, and for the first time, the report incorporated the relevant chapters. In addition the report incorporated the impact assessment factors of water resources and biodiversity in the ESG risk rating of highly sensitive industries. We are also committed that all global operating locations will comply with the principle of protecting biodiversity and "zero deforestation". We would like to show our love for the earth through actions, minimize the impact of natural environmental risks, and enhance the Group's operational resilience.

Chairman of Mega Financial Holding Co., Ltd.

Foreword

According to the Global Risks Report 2024 released by the World Economic Forum (WEF) in 2024, the global situation is under the severe impact of two major risks, namely climate change and geopolitical conflict. The world is also facing four structural changes: geopolitical change, demographic structural divergence, rapid technological development, and climate change, with global risks and crises on the rise. Among the top 10 global risks over the next decade, the top four remain: natural disasters and extreme weather, global ecosystem change, loss of biodiversity, and natural resource shortage, which are major risks to the natural environment. This clearly shows that climate change remains a critical global challenge.

In addition to following the “TCFD Recommendations” framework and referring to the “TCFD Guidelines for the Banking and Insurance Industry” issued by the Financial Supervisory Commission, this report illustrates Mega Group’s governance, strategies, and risk management mechanism based on four core elements, as well as actions taken for climate objectives and indicators, which demonstrates the Group’s determination to implement climate action.

This report consists of five sections, including the four major aspects of TCFD and nature-related risk management (TNFD). Section One, “Climate Governance”, explains the rights, responsibilities, and governance structure of the board of directors and senior management. Section Two, “Climate Strategy”, describes the process for identifying climate risks and opportunities, the analysis of physical and transition climate risk scenarios, and future adaptation strategies. Section Three, “Climate Risk Management”, reveals the risk management system established to respond to climate change. Section Four, “Climate Indicators and Targets”, explains greenhouse gas emissions, carbon asset exposure, and investment and financing portfolio emissions. Section Five deals with nature-related risk management in response to global ecosystem change and loss of biodiversity. The final section, “Future Outlook”, explains Mega Group’s vision of becoming a “Sustainability Paradigm of the Financial Industry in Asia Pacific” and strives for the mission of “Spreading Positive Influence and Leading the Way to Sustainable Development”, to create a sustainable future with stakeholders.

Four Core Elements of TCFD	
Governance	Strategy
<ul style="list-style-type: none">• The board of directors is the highest governance unit on climate issues, and its committees and business departments implement the climate governance mechanism.• Through monthly, quarterly, and annual tracking, we regularly monitor and control climate indicators and goals, and promote progress on climate issues.	<ul style="list-style-type: none">• The climate-related risks and opportunities identified over the short, medium, and long term, for the planning of low-carbon development strategies.• Use scenario analysis to assess the impact on Mega Group-related businesses and formulate risk and opportunity response measures.
Risks and Management	Metrics and Targets

<ul style="list-style-type: none"> • Integrate climate-related factors into Mega Group’s overall risk management framework. <ul style="list-style-type: none"> - Climate Risk Management Guidelines - Sustainable Finance Policy - Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries - Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries 	<ul style="list-style-type: none"> • Scope 1, 2 and 3 investment and financing, net-zero emissions by 2050 • With “Committing to Net-zero Emissions to Achieve Environmental Sustainability” as the main axis, management indicators related to climate change risks and opportunities are set to track the progress of the implementation of climate goals.
--	--

Scope of Disclosure
Mega Financial Holding and its major subsidiaries include global business locations, which are the core scope of this disclosure.
Disclosure Period
The data analysis covers the period from January 1, 2023 to December 31, 2023, and part of the content includes events that occurred during the preparation of the report (2024).
Compilation Basis
It follows the Task Force on Climate-Related Financial Disclosure Recommendations (TCFD) framework, which includes four core elements including governance, strategy, risk management, indicators and targets. It also adheres to the supplementary guidance for the banking industry and the TCFD guidelines for domestic banks.
External Assurance
The environmental data (Scope 1, 2 and 3 investment and financing) disclosed in this report have passed ISO 14064-1 verification and will be simultaneously disclosed in the Group’s 2023 annual report and sustainability report.

Mega Financial Holding Climate Governance Milestones

Mega Group signed to support the TCFD in April 2020. In May of the same year, joined the Bankers Association TCFD and PRB Case Study Working Group to implement climate risk management. In 2022, it issued its first TCFD report. In 2023, its subsidiaries Mega Bank and Chung Kuo Insurance (CKI) also publicly disclosed separate TCFD report on their official websites, demonstrating the commitment of Mega Group to climate governance and its continuous improvement in compliance with the TCFD guidelines.

The “Taiwan’s Pathway to Net-Zero Emissions in 2050” was officially announced by the government in March 2022. To support Taiwan’s net-zero transformation policy and in response to the official announcement of the Climate Change Response Act in February 2023, Mega Group signed the Science-Based Targets initiative (SBTi) in April 2023. We are committed to setting near-term science-based emissions reduction targets to demonstrate our “Business Ambition for 1.5°C” goal and our Race to Zero Campaign.

Year	Deeds
2024	<ul style="list-style-type: none"> ■ Formulated “Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries” ■ Adopted ISO 14064-1 Greenhouse Gas Inventory for Scope 1+2 and Scope 3 financing and passed third-party verification ■ The report is included in the “Climate Financial Disclosure IFRS S2” and Taskforce on Nature-related Financial Disclosures (TNFD)” frameworks ■ The Group’s Science Based Targets (SBT) were approved by the Board of Directors and submitted to SBTi for review. The targets passed the review in June.
2023	<ul style="list-style-type: none"> ■ Invited by the FSC to join the Coalition of Movers and Shakers on Sustainable Finance ■ Signed the Science Based Targets initiative (SBTi) ■ Signed to join the PCAF and adopted PCAF methodology to disclose financial carbon emissions ■ Completed ISO 14064-1 GHG Inventory on all business locations worldwide and obtained third-party independent verification ■ Inventory carbon emissions of investment and financing portfolios and plan carbon reduction paths according to SBTi recommendations ■ Committed to achieve complete divestment from coal-fired power plants by 2040 ■ Mega Financial Holding and Mega Bank issued TCFD reports, and both received the highest level (Level 5+) certification from a third-party verification unit. ■ Received A- Leadership Level in CDP Climate Change Questionnaire ■ Selected as a constituent stock of the DJSI Emerging Markets Index and DJSI World Index ■ Implemented carbon neutrality on 298,000 credit cards (purchased 387 metric tons of carbon rights), and the total number of "zero-carbon credit cards" reached 844,000.

2023 Climate and Environmental Report

2022	<ul style="list-style-type: none"> ■ Voluntarily adopt the PCAF methodology to disclose financial carbon emissions ■ Established the “Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries” ■ The first TCFD report was released and received the highest level (Level 5) certification from a third-party verification unit ■ Set a long-term goal of net-zero emissions by 2050 (Scope 1+2) ■ Adopted ISO 14064-1 Greenhouse Gas Inventory ■ Issued 199,000 zero-carbon credit cards ■ Received A- Leadership level in CDP Climate Change Questionnaire ■ Selected as a constituent stock of the DJSI Emerging Markets Index and DJSI World Index ■ Received MSCI ESG Index rating of AA
2021	<ul style="list-style-type: none"> ■ Established the Sustainable Finance Policy ■ Mega Bank signed the Equator Principles (EP) ■ Established the Climate Risk Management Guidelines ■ Credit cards issued by Mega Bank received the 14067 Carbon Footprint and ISO 14046 Water Footprint certifications and obtained PAS 2060 Carbon Neutrality certification, and issued 347,000 zero-carbon credit cards (purchased 280 metric tons of carbon credits) ■ Completed ISO 14064-1 GHG Inventory on all business locations in Taiwan and obtained third-party independent verification
2020	<ul style="list-style-type: none"> ■ Signed the Task Force on Climate-Related Financial Disclosures (TCFD)
2017	<ul style="list-style-type: none"> ■ Mega Bank Chi-Lin Building introduced the ISO 14001 Environmental Management System ■ Completed the international NGO CDP Climate Change Questionnaire

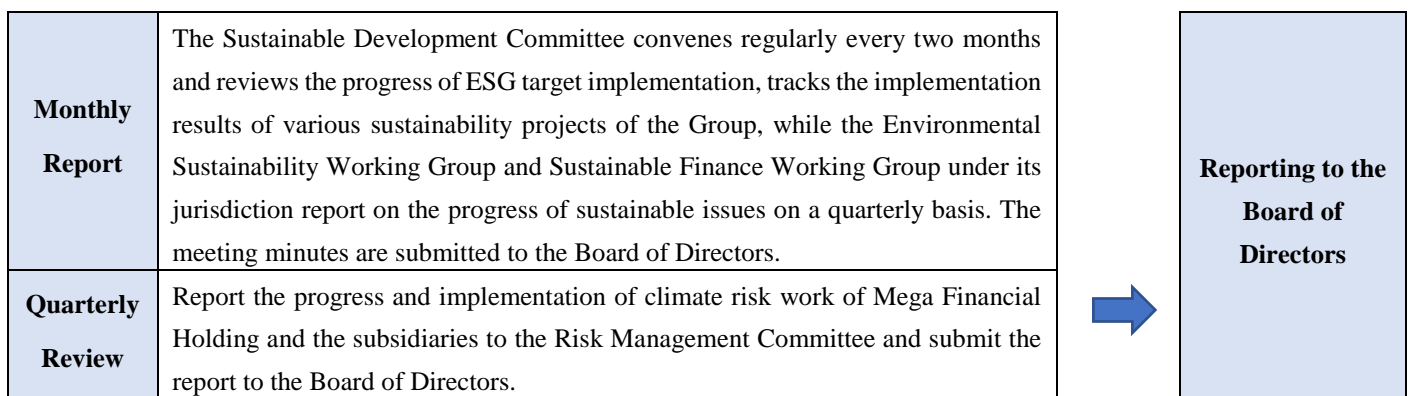
1 Climate Governance

The Board of Directors of Mega Financial Holding is the highest climate governing body of the Group. It is responsible for supervising and reviewing climate-related risk policies and management systems, while the Risk Management Committee and Sustainable Development Committee under the Board of Directors are responsible for implementing the identification and management of climate change risks and opportunities.

The Risk Management Committee, with the Chairman of Mega Financial Holding as the Convener, leads the risk management units of Mega Financial Holding and its subsidiaries to regularly present a report of the climate risks faced by the Group to the Board of Directors so that the Board of Directors is kept informed of relevant risk issues. In 2022, in response to climate change and to strengthen the resilience of climate response, following the framework recommended by the TCFD guidelines, the risk management units of Mega Financial Holding and its subsidiaries conducted a comprehensive review of climate related risks in each business and continue to refine the assessment of climate risk impacts and opportunities, as well as the response mechanism.

This Sustainable Development Committee is chaired by the President of Mega Financial Holding. The Committee consists of an Environmental Sustainability Working Group, which takes charge of the Group's green operations and environmental performance management; and a Sustainable Finance Working Group, which is responsible for the Group's green financing services and low-carbon development strategies. The Committee develops climate-related risk control mechanisms, controls the Group's energy consumption and total GHG emissions, formulates sustainable finance policies, and develops low-carbon products and services, and regularly produces meeting minutes of these activities for the Board of Directors to review.

Organization	Chairperson	Members	Climate Issue-Related Responsibilities
Board of Directors	Chairman, Mega Holding	10 ¹ directors and 5 independent directors	<p>The Highest Climate-related Governing Body of the Group</p> <p>It is responsible for supervising and reviewing Group-related risk policies, management systems, and capital expenditure plans. Besides, it has ultimate responsibility for ensuring that an appropriate and effective system of internal controls is established and maintained.</p>
Sustainable Development Committee	President of Mega Financial Holding	The Mega Financial Holding Executive Vice President serves as the Executive Director; the Mega Financial Holding directors and independent directors, Executive Vice President, and Presidents of subsidiaries serve as committee members	<p>Planning Low-carbon Development Strategies to Address Climate-related Opportunities</p> <p>It is responsible for the proposal and implementation of policies, systems or management guidelines and specific action plans for climate-related opportunities, including the development of green financial products and the integration of climate factors into the investment and financing process, etc.</p>
Risk Management Committee	Chairman, Mega Holding	Mega Financial Holding's President, Executive Vice President, Chief Compliance Officer, and executives from each department and the chairman of each subsidiary serve as the committee members; Mega Financial Holding's Chief Auditor and the risk control manager from each subsidiary attended meetings as nonvoting delegates	<p>Controlling and Reporting Climate-related Risks</p> <p>It is responsible for formulating climate risk management policies and monitoring indicators and regularly reviewing the implementation results. Based on this management mechanism, responding measures are taken under different scenarios, and the management results of climate-related risks is regularly reported to the Board of Directors.</p>

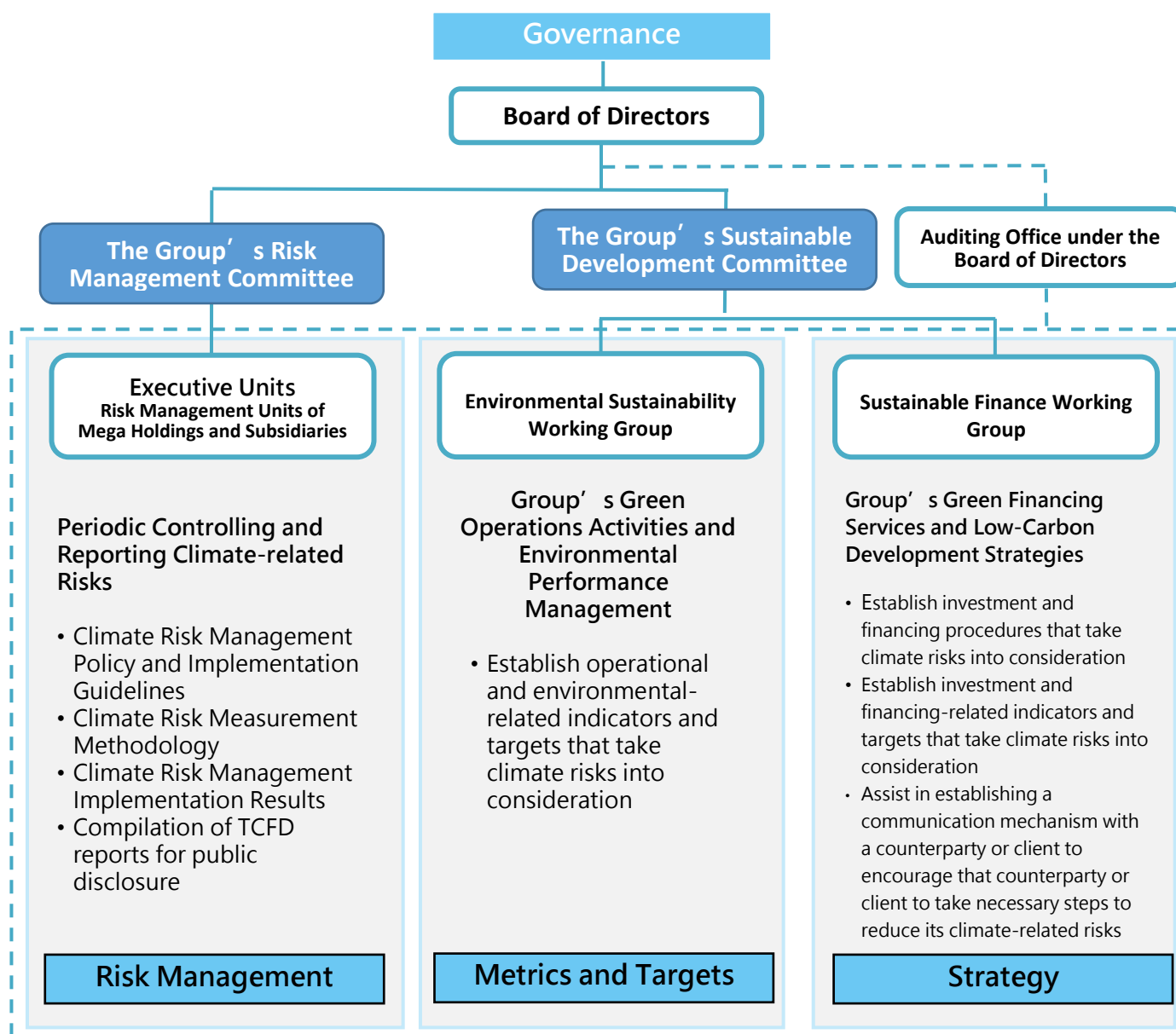


¹ The original plan was for 10 director seats, but the actual number of director seats is 9.

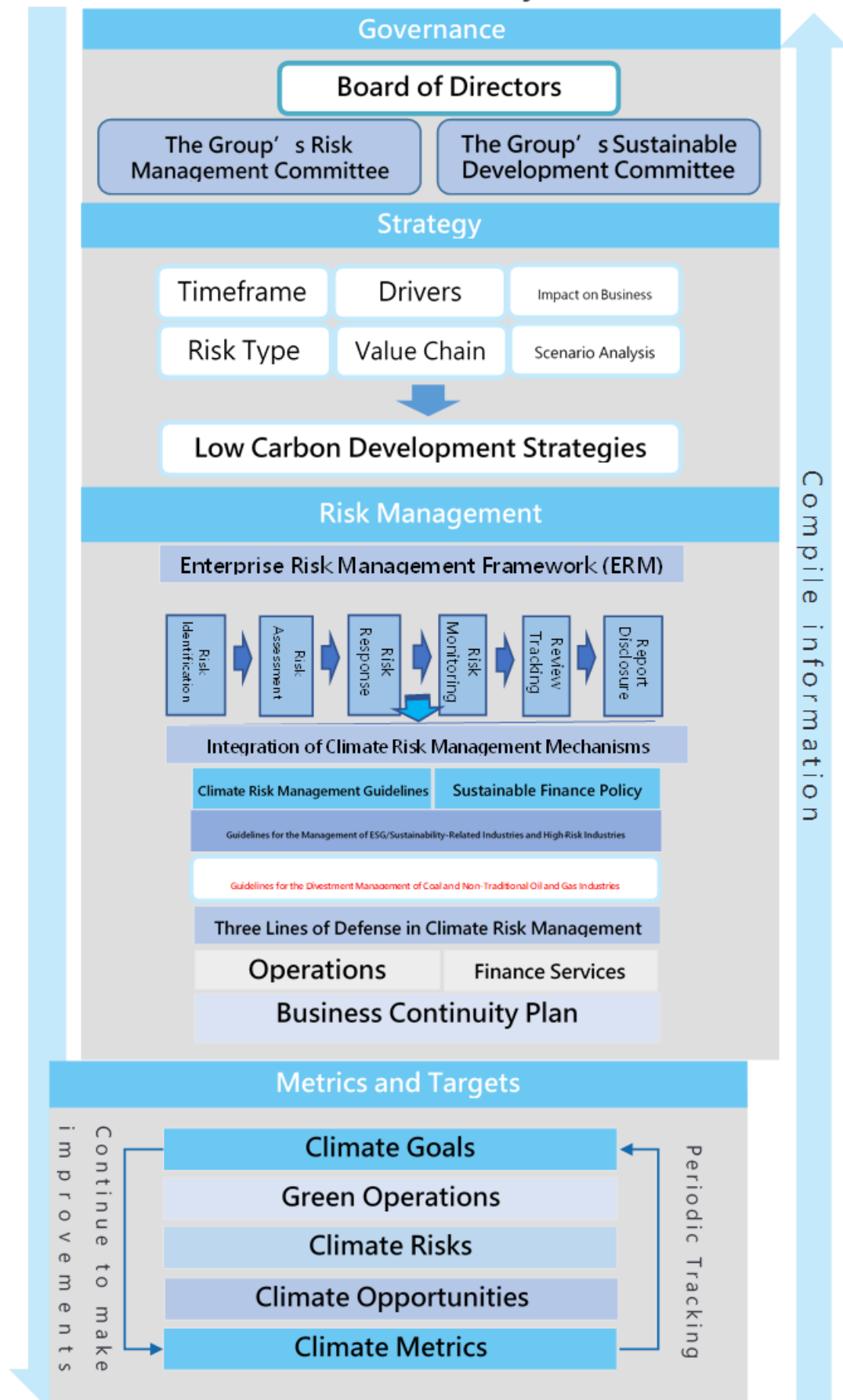
Annual Tracking	<p>Each December of each year, each of the Group's subsidiaries review and revise the risk management objectives for the next year, submit them to the subsidiary's Board of Directors for approval, and then report to the Risk Management Committee for reference, as well as submit to the Board of Directors.</p> <p>The Sustainable Development Committee formulates ESG goals for the following year and the implementation status of that year and submits them to the board of directors for review.</p>	
------------------------	--	--

1.1 Climate Governance Framework

Mega Group takes “Committing to Net-zero Emissions to Achieve Environmental Sustainability” as the main Group strategic axis of its climate action policy. It follows the four major aspects of TCFD, with top-down supervision and control through the management and bottom-up implementation units. We compile climate-related information and establish a complete climate governance mechanism to effectively strengthen the Group's climate resilience.



Committing to Net-zero Emissions and Environmental Sustainability



1.2 Responsibilities of Board of Directors

The highest climate related governing body of the Group is the board of directors of Mega Financial Holding, which is mainly responsible for supervising and reviewing the Group's climate-related risk policies, management systems and capital expenditure planning. In April 2020, the Chairman approved and signed the support for Task Force on Climate-Related Financial Disclosures (TCFD).

All climate-related capital expenditures of the Group under NT\$50 million are compiled into a meeting minute, which will be reviewed by the Sustainable Development Committee or Risk Management Committee depending on the nature of business and then presented to the Board of Directors. If the expenditures for the year or related commercial plans exceed the aforementioned amount, including IT equipment, purchasing of company vehicles, and project services, it must be presented to the Board of Directors for review first, after which the Board will instruct as to whether or not it should be carried out. In 2023, Mega Group approved several action plans and allocated budget for it accordingly, including purchasing of low-carbon energy and renewable electricity, adoption of ISO environmental systems, application for green building label, SBTi consulting, and third-party verification expenses.

The Board of Directors has the ultimate responsibility for ensuring the establishment and maintenance of an appropriate and effective internal control system. This year, it reviewed and approved the major climate issues listed in the table below. It also has a regular tracking management mechanism for climate operation strategies and climate goals. Detailed climate indicators and For the target control process, please refer to “4.4 Climate Goals” and “4.5 Climate Indicators”.

2023 and Beginning of 2024 Board's Climate-Related Proposals

- **Strategy**
 - Incorporate the Convention on Biological Diversity principles of compliance to the Sustainable Finance Policy amendments, so that the Group's subsidiaries can better handle low-carbon investment, financing, underwriting and related sustainable financial products
 - The Sustainable Development Best Practice Guidance amendments to take impact on ecological benefits and the protection of biodiversity into consideration
 - 2024 Group official vehicle leasing and procurement case taking low carbon emissions and low fuel consumption into consideration
- **Metrics and Targets**
 - Implementation status of the Group's Greenhouse Gas Inventory Plan
 - Group's ESG promotion plan, specific goals and mid- and long-term goals for 2024
 - Plans related to the Group's decarbonization strategy and commit to fully withdrawing from investment and financing of coal-fired power plants by 2040
 - Group's SBT review assignment

Climate Capacity Building –

- Mega Group provides diverse continuing education courses in external institutions for board members in response to climate change-related issues and the international trend of sustainable finance to strengthen their skills needed for the execution of their duties and advance with the times.
- In 2023, board members of Mega Financial Holding continued to attend continuing education courses in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies”. All board members attended a total of 159.1 hours of training, of which 42 hours are climate-related training hours. The continuing education of directors in 2023 has been disclosed on the Market Observation Post System and the Company’s website.

Courses

Risks and Opportunities of Climate Change Trends on Business Operations

Carbon Rights and Carbon Pricing for Low Carbon Transition Pathway Planning

New Trends of Green Finance

How to Set Up an ESG Strategy for Board of Directors

2023 Transformational Finance and Sustainability Disclosure Seminar

Innovative Green Business Models under Green Finance Action Plan 3.0

Corporate Social Responsibility and Sustainable Governance

New Industry ESG Challenges - Towards a Net-Zero Carbon World

1.3 Managerial Responsibilities

The specific implementation unit of Mega Group's climate-related issues is composed of the Sustainable Development Committee and its working groups. Together with the Risk Management Committee, they manage climate change risks and opportunities, coordinate the Group's climate-related goals and achievement status, and formulate climate-related strategies and policies, and regularly report relevant implementation results to the board of directors.

[Sustainable Development Committee]

Mega Group uses the Sustainable Development Committee to regularly review goals and make proposals from time to time to discuss issues related to climate change, including sustainability issues such as climate change and green operations. The Environmental Sustainability Working Group formulates short, medium and long-term plan goals and reports the implementation status to the Committee quarterly and submits the annual implementation results to the board of directors. In addition, in response to international sustainability trends and changes in government regulations, climate-related proposals are submitted from time to time, such as formulating the Group's decarbonization strategic plan, or revising the Group's mid- and long-term greenhouse gas reduction targets. The Committee develops relevant countermeasures and submits them to the board of directors.

Major Action Plans Climate-Related Major Action Plans

Working Group	Implementation Results in 2023	Medium/Long-Term Goals
Environmental Sustainability Working Group	<ul style="list-style-type: none"> Revise the Group's Green Buildings goals, and a total of 5 Diamond-class and 3 Gold-class Green Building labels were obtained in 2023. Revise the Group's renewable energy targets and gradually increase the proportion of renewable electricity from 2023. Mega Holdings, Mega Bank, Mega Securities, Mega Bills, and CKI to use more than 36% of renewable electricity Revise the Group's mid- and long-term greenhouse gas (Scope 1 and 2) reduction targets to reduce emissions by 42% by 2030 	<ul style="list-style-type: none"> Climate Change <ul style="list-style-type: none"> Organize climate change-related reward mechanisms or activities Commit to SBT targets and pass audits to reach net-zero emissions by 2050 Green Operations <ul style="list-style-type: none"> Complete the introduction and verification of ISOs related to the environment of all operating sites Achieve water, waste, green building goals Sustainable Procurement <ul style="list-style-type: none"> Continue to cooperate with the government's green procurement plan
Sustainable Finance Working Group	<ul style="list-style-type: none"> Reported on the Sustainable Finance Policy implementation plan Promoted the "Green Finance Action Plan 3.0" and report on the Group's implementation status Invested, issued, and underwrote NT\$41.841 billion of domestic sustainable development bonds NT\$329.9 billion loans outstanding for the sustainable development industry at the end of the year 	<ul style="list-style-type: none"> Sustainable Finance <ul style="list-style-type: none"> ESG issues are included in the credit, investment and product review processes, and are regularly reviewed and adjusted Continue to develop sustainable finance-related products and business and gradually increase the proportion of green assets Continue planning to issue/underwrite green, social responsibility or sustainability bonds

[Risk Management Committee]

Mega Group convenes the Risk Management Committee every quarter to discuss climate risk management-related progress and target performance, identify the climate risks faced by the Group, and manage the impact of climate-related risks on various businesses. Mega Financial Holding's Risk Management Department supervises all subsidiaries of the Group. The Group studies how climate-related issues affect economic activities and intensifies risks in the various business sectors, performs climate risk identification, measurement, response and monitoring and other related operations, incorporates climate risks into the Group's risk control mechanism, and reports climate risk management status to the Board of Directors. In addition, to understand the impact of climate change on the Group, Mega Financial Holding's Risk Management Department collects climate-related issues, such as low-carbon transformation, carbon emission-related regulations and related financial policies, to enable the management to keep abreast of climate risk changes and situations.

Major Action Plans Climate-Related Major Action Plans

Executive Units	Implementation Results in 2023	Medium/Long-Term Goals
Risk Management Departments of the Subsidiaries	<ul style="list-style-type: none"> • Mega Financial Holding and Mega Bank issued TCFD reports, and both received the highest level "Level 5+" certification from a third-party verification unit • Compiled the Group's SBT decarbonization targets for submission to SBTi review • Disclosed the Group's climate change-related information using the TCFD framework through DJSI and CDP questionnaires, sustainability reports and TCFD reports 	<ul style="list-style-type: none"> • Climate Change <ul style="list-style-type: none"> - Evaluate the physical and transition risks related to climate change along the value chain, and regularly report to the board of directors the evaluation results, including mitigation measures and implementation status - Mega Bank to initiate the integration of internal credit rating models for corporate banking and take into consideration climate risks

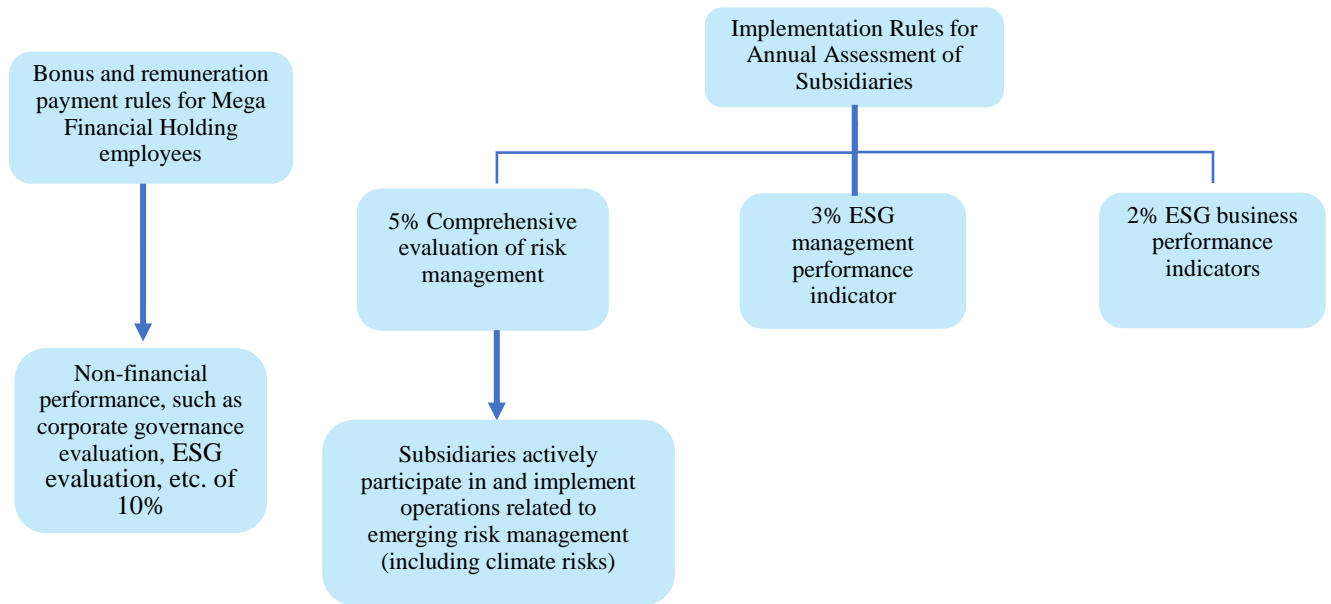
1.4 Climate and Performance Linked Policy

In accordance with the Sustainable Development Best Practice Guidance, Mega Group stipulates that the remuneration policy and employee performance evaluation system should be integrated with the Sustainable Development Policy. Each item such as sustainability report preparation, climate risk management and corporate governance will be included in the project management evaluation, and the evaluation results must be submitted to the President for approval, and the linkage with the annual performance bonus will account for 10%.

Mega Group has formulated the “Implementation Rules for Annual Assessment of Subsidiaries” and the “Risk Management Assessment Methods for Subsidiaries”, which incorporate ESG business and management performance indicators as an important basis for the adjustment of the bonuses and remuneration of the Chairman and President of the subsidiaries. In 2023, the proportion of climate change performance linked assessment was increased to 3% for ESG management performance indicators, 2% for ESG business performance indicators, and 5% for comprehensive risk management evaluation. In the future, we will continue to actively promote the linkage mechanism between the performance of senior executives and sustainable performance, and expand the performance of ESG dimensions into the performance evaluation index of the management.

Top-Level Remuneration Policy

- Mega Financial Holding pays various remuneration to its managerial officers, which are based on the Company's Articles of Incorporation, business performance, contribution to the company, and reference to industry standards, as well as individual performance of the managerial officers and the Company's future risks. The remuneration includes salary, retirement pension, various bonuses, employee compensation, and business expenses such as car rental and fuel costs.
- The compensation and bonuses of managerial officers are based on the Rules for Employee Bonus and Remunerations, which have been approved by Mega Financial Holding's Remuneration Committee and Board of Directors. The evaluation takes into account the Group's ESG (including climate change, ethical management, and compliance) plan promotion, leading subsidiary companies to establish a sound sustainable governance framework, and non-financial performance of the current year, including ESG projects (such as ongoing verification of ISO 14064 at all global operating locations and passing third-party verification, issuing TCFD report, planning and setting SBT carbon reduction targets), ESG ratings (such as corporate governance evaluation, DJSI, CDP), and performance related to government policies. The issuance of a 10% right is based on the assessment results of the competent authority or the organizer, and is evaluated by the President and approved by the Chairman.




2 Climate Strategies

“Committing to Net-zero Emissions to Achieve Environmental Sustainability” - besides setting the Group-wide goal for net zero emissions by 2050, we will implement concrete action plans to counter material climate issues that are identified. For this reason, Mega actively supports the government's environmental policies (e.g., nuclear-free homeland, energy transition, and emission reduction policies) by setting different goals. Our short-term goals are to assist renewable energy companies in acquiring working capitals for their business, and to develop digital financial products and services to reduce carbon emissions in value chains. Our mid/long-term goals are to reduce the investment and financing risks of climate-sensitive industries, to increase the ESG awareness of industries, investors, and consumers, and promote environmentally friendly specifications and measures by combining the forces of our subsidiaries.

2.1 Climate Risks and Opportunities

To control the specific impacts of climate change on Mega Group, we regularly collect climate change-related risks and opportunities with reference to the TCFD guidelines, domestic and international climate change research reports, and climate risk assessment reports published by the financial industry. This allows us to better understand the types of climate-related risks and opportunities that may have an impact on the financial business. Through educational training and questionnaire surveys, Mega Financial Holding and the risk management, investment, financing, administration, and business management departments of its seven major subsidiaries discussed the impact of climate-related issues one by one based on the characteristics of each business, and worked with them to discuss the impact of climate-related issues. Existing traditional risk linkages are used to further identify climate risks and opportunities related to the Group.

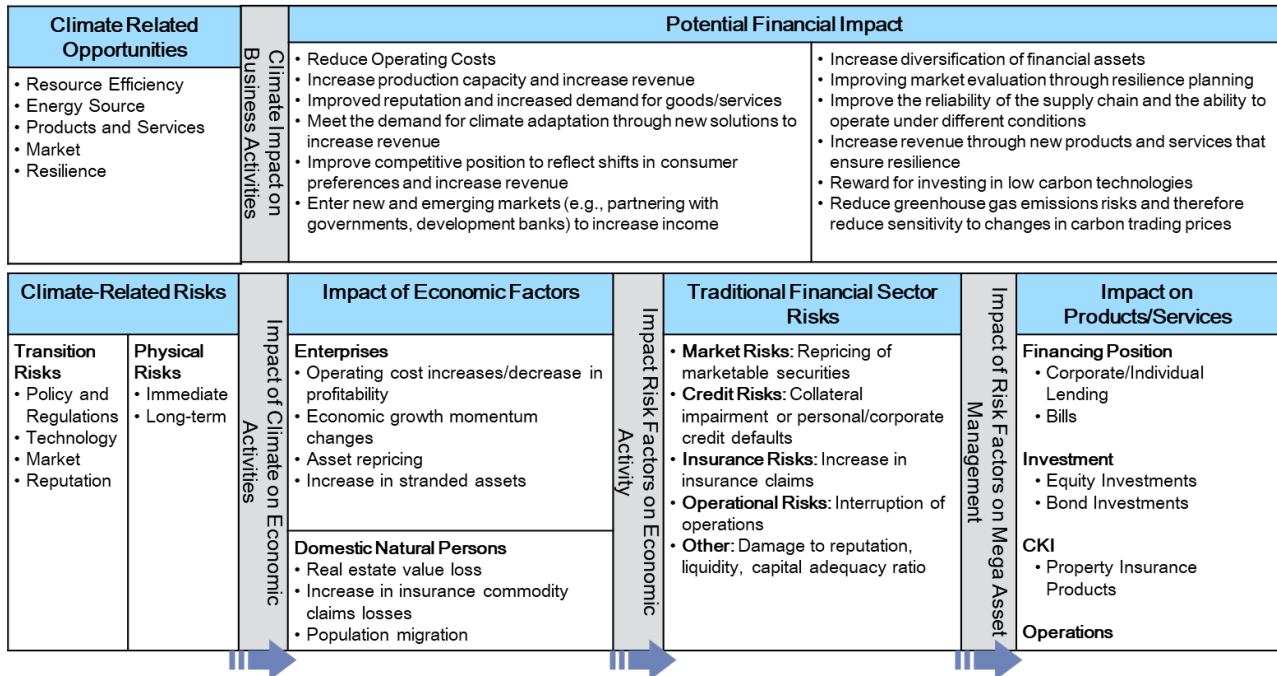
Climate Strategy Seminar – TCFD Related Meetings

Executive Units	Topics in 2023	Training Screenshot - 2023.09
Group risk control department, investment and financing units, middle and senior managers	<ul style="list-style-type: none"> • 2023.09 TCFD Education and Training: Introduction to IFRS sustainable disclosure standards and the integration of S2 (climate-related disclosure) and TCFD reports. • 2023.11 Group set the SBT, setting an absolute target for carbon emissions based on a 1.5°C warming pathway. • 2023.09 Seminar on the Group's carbon reduction transformation action plan. • 2023.02 Group SBTi project kick-off meeting and PCAF methodology and Scope 3 investment and financing carbon inventory training. 	

Note: For the IFRS S2 guidance content corresponding to each chapter of this report, please refer to Appendix 2

2.1.1 Climate Risks and Opportunities Identification Procedures

To further align with national policies, Mega Group refers to the “TCFD Guidelines for the Banking and Insurance Industry” issued by the Financial Supervisory Commission to identify risks and opportunities that may cause significant financial impacts. The identification process is as follows:



Steps	Process	Participating Unit	Description
1	Collect Climate Issues	Mega Financial Holding Risk Management Units	The TCFD guidelines, domestic and international climate change research reports, and climate risk assessment reports published by the financial industry are used to collect climate-related risk and opportunity issues on a regular basis.
2	Review Business Impact and Risk Linkage	Mega Financial Holding and subsidiaries Business Units	Convene all subsidiaries and business units to discuss the impact of climate-related issues on Mega Group according to the nature of their business and link them to the traditional risks.
3	Quantitative Assessment and Adjustment of Weighting	Mega Financial Holding and subsidiaries Business Units	Assess the degree of impact, likelihood of occurrence, and duration of impact (short-, mid-, and long-term), compile answers from related units of Mega Financial Holding and its subsidiaries, and evaluate the weighting of each company, taking into account factors such as the size of the base and business relevance.
4	Materiality Ranking and Response	Mega Financial Holding Risk Management Units	The risks and opportunities that exceed the threshold by multiplying the likelihood of occurrence and the degree of impact are further analyzed and controlled quantitatively, taking into account the business relevance and the cost effectiveness of response measures.

5	Measure Management Costs and Set up Implementation Plans	Mega Financial Holding and subsidiaries Business Units	The impact on Mega Group is measured based on the past operational performance of the relevant business. Based on the experience of the business units, we calculate the management costs in response to climate risks and opportunities, and set climate opportunity targets and specific implementation plans.
---	--	--	--

In addition to taking inventory of the impact of physical and transition risks on operational impact, Mega Group also identifies opportunities for climate-related businesses under climate change, and maps out a matrix of climate risks and opportunities by evaluating two measurement dimensions: “Level of Impact²” and “Likelihood of Occurrence.” This allows the Group to rank the significance of climate risks and opportunities, and to consider the following factors under climate scenarios (Physical risk: SSP5-8.5, Transition risks: Net Zero 2050 carbon emissions (temperature rise controlled at 1.5°C) assesses the financial impact on Mega Group (including balance sheet, profit and loss statement, cash flow statement, etc.). We formulate and implement an entity risk adjustment plan and net-zero transformation strategy, and continue to track specific implementation plans, action plans and goal achievement every year. (Such as: Carbon neutrality strategy, decarbonization strategy, SBTi project, etc.).

Short/Mid/Long-Term Climate Risks and Opportunities (Materiality Ranking)

Climate Risks				Climate Opportunities			
Code	Category	Period	Description	Code	Category	Period	Description
R4	Physical	Mid-term	High-Temperature Operating Costs	O6	Products and Services	Short	Digital Financial Services
R3	Physical	Mid-term	Underwriting Claims	O9	Resilience	Mid-term	Low Carbon Transition Opportunities
R1	Physical	Long-term	Extreme Climate Events	O5	Products and Services	Long-term	Green Finance Product Marketing
R9	Transition	Short	Tightening of existing regulations	O7	Energy	Long-term	Low Carbon Energy
R2	Physical	Long-term	Real estate mortgage value impairment	O1	Market	Long-term	Increase in Green Investments

²Financial impact level: The level of financial impact is determined based on 0.1~10% of the previous year’s financial report figures for Mega Holding and its subsidiaries.

Financial Impact Level	Low	<0.1%
	Medium	0.1% ~1%
	High	1%~5%
	Material	5%~10%
	Major	>10%

R6	Transition	Long-term	Failure in Assisting Clients in Transformation	O4	Products and Services	Mid-term	Applying Equator Principles
R5	Transition	Mid-term	Changes in customer preferences	O2	Market	Short	International Ratings
R11	Transition	Long-term	Climate Adaptation Costs	O10	Resource Efficiency	Long-term	Renewable Energy and Green Buildings
R7	Transition	Long-term	International Investment Intentions	O3	Products and Services	Long-term	Customer Engagement
R10	Transition	Short	Emerging Regulatory Changes	O8	Resilience	Mid-term	Green Procurement
R8	Transition	Long-term	Negative Reports				

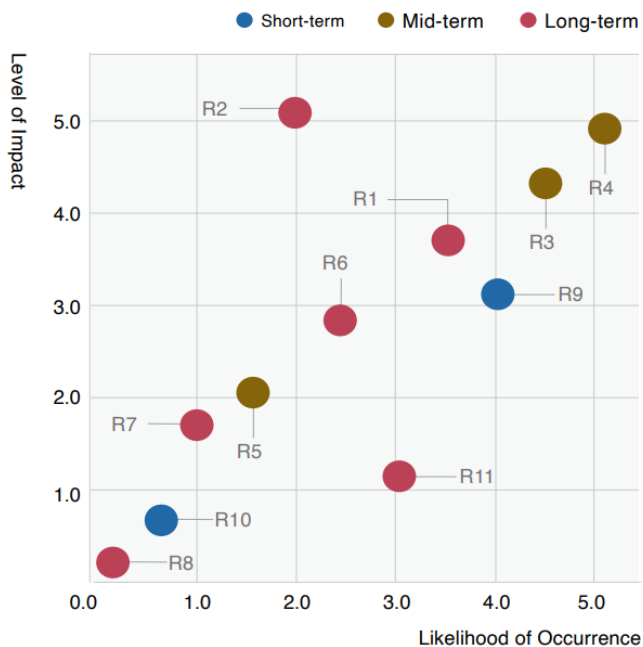
Note: Definition of Periods: 1 year or less are classified as short-term, periods longer than 1 year to 5 years are classified as mid-term, and periods longer than 5 years are classified as long-term.

2.1.2 Identification of Climate Risks and Opportunities

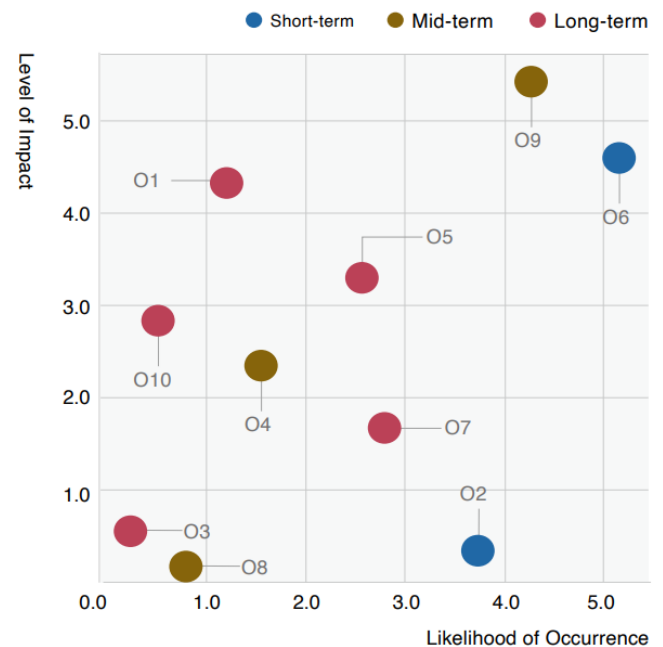
Climate Risks and Opportunities

Mega Group collected 11 climate-related risks and 10 climate-related opportunities. Each of is screened to select 3 climate risks and opportunities were selected to identify their potential financial impact on Mega Group during the period of impact, as well as their correlation with existing risks in the financial industry (e.g.: credit risks, market risks, operational risks, and insurance risks), to be used as the basis for relevant countermeasures and risk management.

Climate Risks Matrix



Climate Opportunities Matrix



2.1.3 Climate Risk and Opportunity Management

Mega Group's top three climate risks, potential financial impacts and response measures in 2023 are summarized in the table below. For detailed climate risk financial quantification process, please refer to "2.2 Scenario Analysis".

Risks	Potential Financial Impact	Period of Impact ³	Corresponding Existing Risks ³	Adaptation and Mitigation Actions	Financial Impact/Administrative Cost Assessment
R4 High-Temperature Operating Costs	The long-term global warming has caused irreversible climate changes, including rising sea levels, coastal erosion, saltwater intrusion, changes in wind fields and wind patterns, leading to increases in Taiwan's oil/water/electricity prices, or the purchase of additional renewable electricity. It will result in increased costs to Mega Group's overall operations and manpower.	Mid-term	Business Risks	<ul style="list-style-type: none"> ■ Implementation of energy saving and carbon reduction measures to lead the Group to shift to low carbon operations. We commit to reducing the Group's greenhouse gas emissions by 42% by 2030, and achieve the goal of net-zero emissions by 2050. We are also working with external consultants to implement the Group's carbon reduction action plan through a review of the SBT carbon reduction targets in 2024. ■ The Group has set a target of using 100% renewable energy by 2050 and is gradually introducing green buildings to cope with the warming impact of climate change. ■ To reduce negative environmental impacts in the value chain, Mega Group prioritizes green procurement, investment and financing clients' SBT carbon reduction pathway targets, and strengthens operational resilience. 	<ul style="list-style-type: none"> ■ SBTi Projects: In 2023, the related project costs were approximately NT\$4.3 million, and the SBTi review and PCAF annual fee budget for 2024 is approximately NT\$1.48 million. ■ Renewable Electricity Procurement Cost: In 2023, we obtained approximately 2,145 kilowatt-hours of renewable energy, worth approximately NT\$11.66 million, and will prepare a related budget of approximately NT\$23.94 million in 2024. ■ In 2023, our own operating bases obtained the Green Building Label cost investment of NT\$3.55 million, while the relevant budget for 2024 is about NT\$2.16 million. ■ The total amount of green procurement in 2023 reached NT\$123.59 million, accounting for 3.84% of the Group's total purchases.
R3 Underwriting Claims	Due to the intensification of global climate change, the frequency and intensity of immediate climate-related natural disasters are increasing year by year, resulting in an increase in claims	Mid-term	Insurance Risks Credit Risks (Reinsurance)	<ul style="list-style-type: none"> ■ Include climate change risk assessment in underwriting processes, and consider the possibility of adjusting rate models based on the assessment results. ■ Reinsurance policies intensify the monitoring of changes in catastrophic disaster risk changes and loss simulations. 	<ul style="list-style-type: none"> ■ The cost of climate risk-related projects in 2023 was NT\$1.98 million. ■ Use reinsurance to pass through costs or subsidize losses, and arrange fire and engineering insurance catastrophe excess compensation contracts (reinsurance premium is about NT\$23 million).

³ Definition of Periods: Periods of 1 year or less are classified as short-term, periods longer than 1 years to 5 years are classified as mid-term, and periods longer than 5 years are classified as long-term.

³The types of risks considered include policies and regulations, technology, market, reputation, immediate and long-term physical risks, and risks with higher relevance are prioritized through department interviews for identification, analysis and control.

Risks	Potential Financial Impact	Period of Impact ³	Corresponding Existing Risks ³	Adaptation and Mitigation Actions	Financial Impact/Administrative Cost Assessment
	for fire insurance, natural disaster insurance, machinery and equipment insurance, and personal accident insurance. In addition, melting icecaps may cause the spread of unknown infectious disease sources and increase risks, which affects underwriting willingness and profitability of the policies, and leads to reinsurance rejections and claims.			<ul style="list-style-type: none"> ■ According to statistics, a total of 614 typhoon and flood insurance cases were underwritten in 2023, with a written premium of approximately NT\$339 million and an actual loss rate of approximately 1.7%. We will continue to pay attention to changes in the claims settlement rate to avoid underestimation of premiums or excessive claims settlement. 	
R1 Extreme Event Financial Loss	The frequency and intensity of immediate climate-related natural disasters are increasing year by year, the threat to loss of life and property is increasing, and the proportion of disaster victims and asset scale is increasing. It affects asset impairment, asset value and service life, and may result in an increase in direct or indirect operating costs. This may lead to operational disruptions or work stoppages for repairs, unexpected capital expenditures or revenue declines, which may result in funding gaps.	Long-term	Credit Risks Operational Risks	<ul style="list-style-type: none"> ■ Introduce external climate database and climate disaster model to understand the exposure to physical risks in order to respond to them in advance. ■ Strengthen disaster prevention equipment (e.g., waterproof floodgates, raised foundations) and implement business continuity management (BCM). 	<ul style="list-style-type: none"> ■ In 2023, NT\$1.98 million was paid for climate risk-related projects. ■ The Group invested approximately NT\$0.2 million in disaster prevention drills and training. ■ Promote the construction and maintenance service project of the operations continuity management system (ISO 22301) (total cost of NT\$3.88 million) and budgeted NT\$1.06 million for 2024.

Mega Group’s top three climate opportunities, management costs and response measures in 2023 are summarized in the table below. To further keep abreast of climate opportunities, Mega Group has formulated a low-carbon development strategy and set relevant climate opportunity targets based on past relevant business operating performance, as detailed in “4.5 Climate Targets”.

Opportunities	Potential Financial Impact	Period of Impact	Actions Taken	Financial Benefit Assessment
O6 Digital Finance Services	Provide digital financial services such as online banking, mobile payment, online ordering/insurance transactions, electronic forms and other electronic-based services to attract digital customers, increase revenue sources, while reducing customers’ paper consumption and operating costs.	Short-term	<ul style="list-style-type: none"> ■ Integrate digital transformation, actively promote electronic transactions and provide customers with various online information inquiry services. ■ Adjust traditional business models to promote paperless and online financial services. 	<ul style="list-style-type: none"> ■ Mega Bank estimates driving related handling fees income by approximately NT\$929 million. ■ In 2023, the number of mobile payment transactions was approximately NT\$1.59 million, driving a transaction amount of approximately NT\$1.36 billion. ■ The total number of Taiwan Pay transactions was NT\$2.3 million, an increase of 9.5% over the previous year. ■ It drove fee income from online funds, ETFs and foreign stock transactions to NT\$134 million. ■ Green Paperless Services: the financial and green benefits of integrated e-statements are approximately NT\$99 million.
O9 Low Carbon Transition Opportunities	Lead the low-carbon transformation of enterprises, support the green and sustainable development of industries, guide the flow of funds to low-carbon technology, energy and equipment, drive the green financial transformation and create green income.	Mid-term	<ul style="list-style-type: none"> ■ To reach the Group’s goal of achieving net-zero emissions by 2050, we will adjust investment and financing portfolios and plan the SBT carbon reduction pathway targets to lead the Group in low-carbon transformation. ■ Formulated the “Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries” to guide our subsidiaries to support green and sustainable industries. ■ Formulated the “Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries” to achieve the Group’s goal of fully withdrawing from investment and financing in the coal and non-traditional oil and gas industry by 2040 at the latest. 	<ul style="list-style-type: none"> ■ The Group’s investment and issuance and total amount of sustainability bonds underwritten reached NT\$41.841 billion in 2023. ■ Interest income from loans to low-carbon transportation operators (high-speed rail, electric buses) was approximately NT\$318 million. ■ Interest income related to “Renewable Electricity and Renewable Energy Industry Loan” was approximately NT\$2,992 million

Opportunities	Potential Financial Impact	Period of Impact	Actions Taken	Financial Benefit Assessment
			<ul style="list-style-type: none"> ■ By negotiating with customers, we promote the active transformation of investment and financing targets and guide the flow of funds to low-carbon technology, energy and equipment. ■ Strengthen the research on forward-looking economic activities of the FSC and the industries involved in the key strategies listed in the Pathway to Net-Zero Emissions in 2050 of the National Development Council, and explore relevant green financial business opportunities derived from the low-carbon transformation of the industry. 	
O5 Green Finance Product Marketing	Develop low-carbon products and services, such as green bonds, sustainability-linked loans, and research and develop policy products or ESG mutual funds that encourage climate action, to increase revenue and profits.	Long-term	<ul style="list-style-type: none"> ■ To exert financial influence, implement the Group's Sustainable Finance Policy, lead the Group to develop a business model that allows the coexistence of economic growth and environmental protection, comply with international sustainable finance initiatives, and follow the development trends and classification principles of green finance-related policies of the competent authorities, each subsidiary actively develops low-carbon credit, investment, insurance, funds and other related sustainable financial products to keep abreast of green financial business opportunities. ■ We will continue our short-term product strategy, comply with domestic and international development trends, and develop more detailed green financial products in response to customer investment, financing, and insurance needs as well as green economic development trends. 	<ul style="list-style-type: none"> ■ Estimated sustainability bond issuance consulting expenses were approximately NT\$0.5 million in 2024. ■ Each year, we continue to hold ESG-related lectures (including product marketing, employee training) with an investment of NT\$0.30 million, and incentives with an investment of NT\$1.35 million. ■ In 2023, we continue to promote green financial products such as green building mortgage loans, green enterprise employee credit loans, electric vehicle credit loans, and corporate banking sustainability-linked loans. Interest income of the "Green Loans" as defined by the Joint Credit Information Center was approximately NT\$473 million. ■ Issue credit cards that are made of eco-friendly PETG materials: handling fee income of approximately NT\$698 million.

2.1.4 Climate Operations Strategies

The impact of climate-related risks and opportunities identified by Mega Group on business, strategy and financial planning, including products and services, supply chain/value chain, R&D investment, and operational business management. Mega Group takes “Committing to Net-zero Emissions to Achieve Environmental Sustainability” as its strategic axis, with a focus on the United Nations Sustainable Development Goals (SDGs). We have adopted the two major climate actions: “mitigation” and “adaptation” to actively respond and improve our climate change response capabilities. The measures are as follows:

1. Impact on Business and Strategy

Category	Measures	Chapter	Description
Products and Services	Adaptation	2.2.1 Physical Risks 2.2.2 Transition Risks	<ol style="list-style-type: none"> 1. Use situational analysis to identify Mega Group physical and transition risk exposure situations, and take corresponding countermeasures based on the results. 2. Committed to the net-zero emission strategy to introduce SBTi projects, with the main contents: <ul style="list-style-type: none"> ➤ complete Scope 3 investment and financing carbon inventory work according to PCAF methodology ➤ Signed the SBTi commitment, and the strategy is consistent with the requirements of SBTi (global warming is controlled at 1.5°C) ➤ Commit to submit SBTi short-term goals in April 2023, and complete the setting of investment and financing carbon reduction targets, paths and action strategies for Scope 1, 2 and 3 ➤ Approved by the Board of Directors in December 2023, the Scope 1, 2 and 3 investment and financing SBT targets were submitted to the SBTi organization for review ➤ Mega passed the SBT target review in June 2024 and disclosed it to the public. 3. Group to achieve complete divestment from coal-fired power plants by 2040
	Mitigation	2.1.4.1 Green Credit Cards 2.1.4.4 Green Insurance 2.1.4.5 Green Investments/Financing	In response to the Green Finance 3.0 policy implemented by FSC, each subsidiary plans sustainability-related investments and loan products or services, and launches zero-carbon credit cards and green fixed-term deposits to respond to changes in consumer preferences.
Supply Chain Value Chain	Adaptation	2.2.1 Physical Risks 2.2.2 Transition Risks	Use situational analysis to identify the physical and transition risk exposure situations of the Group’s suppliers, and take corresponding actions based on the results.
	Mitigation	2.1.4.2 Green Procurement	To reduce negative environmental impacts in the supply chain/value chain, Mega Group prioritizes green procurement and use products with environmental protection certification
R&D Investment	Adaptation	2.2.1 Physical Risks 2.2.2 Transition Risks	<ol style="list-style-type: none"> 1. To enhance climate risk analysis to truly understand the physical risk exposure situation, Mega Group referred to external climate risk analysis databases 2. Introduced the carbon emission database into the Mega Financial Holding intranet to expand information and data

2023 Climate and Environmental Report

			<p>applications to facilitate the analysis and assessment of climate risks by each subsidiary</p> <p>3. Introduced SBTi projects to set up Scope 1, 2 and 3 carbon reduction targets, paths and action strategies for investment and financing</p>
	Mitigation	2.1.3 Climate Risk and Opportunity Management - Digital Finance Services	Adjust traditional business models to promote paperless and online financial services, and reduce carbon emissions in the value chain
Operational Business	Adaptation	2.2.1.1 Self-Owned Operating Sites	Use situational analysis to identify the physical and transition risk exposure situations of the Group's self-owned operating sites, and take corresponding actions based on the results
	Mitigation	2.1.4.3 Green Building 4.1 Green Operation – Low Carbon Transformation Development Strategy	To reduce greenhouse gas emissions from our own operations, we plan carbon reduction actions, including obtaining green building labels for our operating sites and committing to SBT for net zero emissions in 2050.

2 Impact on Financial Planning

Category	Date	Content	Chapter
Operating Costs/Income	Impact	<p>Operating performance of green financial products over the years and assessment of impact on Group's business</p> <p>For example:</p> <p>Interest income in compliance with green Loans and sustainability-linked loans was approximately NT\$188 million in 2023.</p>	2.1.4 Climate operation strategy (including green credit card, green procurement, green insurance, green investment and financing).
	Future Planning	<p>Establish climate opportunity goals and action plans based on past operating performance</p> <p>For example:</p> <p>Set short-, medium-, and long-term targets for green loan balances that are approved by the Board of Directors and the Group's Sustainability Committee tracking the achievement quarterly, with a target of NT\$91.5 billion in credit balances for the Group's renewable energy technology industry by 2025.</p>	4.5 Climate goals (including climate opportunities and green operations)
Capital Expenditure/Allocation	Impact	<ul style="list-style-type: none"> • Mega Group referred to external climate risk analysis databases to enhance climate risk analysis • Mega Group accelerates the promotion of digital finance, adjusts traditional business models to promote paperless and online financial services, and reduce carbon emissions in the value chain • Commit to submitting SBT short-term goals in April 2023, and complete the setting of investment and financing carbon reduction targets, paths and action strategies for Scope 1, 2 and 3 <p>For example:</p> <ol style="list-style-type: none"> 1. It's estimated that Mega Bank's Digital Financial Services drove related handling fees income by approximately NT\$929 million. 2. The Group invested approximately NT\$4.3 million in 2023 (SBTi projects). 	<p>2.1.3 Climate Risk and Opportunity Management - Digital Finance Services</p> <p>2.2.1 Physical Risks: It's estimated that Mega Bank's Digital Financial Services drove related handling fees income by approximately NT\$929 million</p>

		<p>3. CKI uses catastrophic disaster risk assessment models to conduct quantitative assessments, and arranges catastrophic disaster contracts based on the model assessment results to reduce claims risks.</p>	
	Future Planning	<ul style="list-style-type: none"> In response to Mega Group's strategy of "Committing to Net-zero Emissions to Achieve Environmental Sustainability", the decarbonization schedule of the Group was planned. Replace old lighting equipment, air-conditioning equipment and add waterproof floodgates, and increase of green power usage rate. Promote a sustainable management system for operations (ISO 22301) For example: <ol style="list-style-type: none"> Adopted the "Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries" in 2024 to achieve the Group's goal of fully withdrawing from investment and financing in the coal and non-traditional oil and gas industry by 2040 at the latest. Increase the ratio of green power usage year by year until it reaches 100%. Construction and maintenance service project of the operations continuity management system (total cost NT\$3.88 million), with a budget of NT\$1.06 million for 2024. 	4.5 Climate Goals
Capital Acquisition	Impact	Schedule the issuing and underwriting of sustainable development bonds and assist enterprises in acquiring working capital for sustainable development	2.1.4 Climate Operations Strategies
	Future Planning	For example:	4.5 Climate Goals



		<ol style="list-style-type: none"> 1. Continue to issue and underwrite sustainable development bonds every year, and provide sustainable fixed deposits and sustainability-linked loans to provide working capital for sustainable development. 2. Set up the Group's total investment, issuance, and underwriting target to reach more than NT\$10.3 billion. by 2025. 	
Acquisitions and Asset Divisions	Impact	As of the reporting date, this situation has not occurred. If acquisitions and asset divisions occur in the future, the climate risk exposure situation of the counterparty's asset portfolio will be considered, including the proportion of carbon-related assets and the physical risks of operating locations, etc.	
	Future Planning		

2.1.4.1 Green Credit Cards

In response to the global trend of sustainability and net-zero, all credit cards issued starting from 2020 by the Group have passed third-party verification including ISO 14067 Carbon Footprint and ISO 14046 Water Footprint certifications. They have also passed the Ministry of Environment's audit and obtained the Ministry of Environment's "Carbon Footprint Label". The product carbon footprint produced by each credit card is about 800g, and the magnetic stripe credit card is about 380g. By purchasing carbon rights, we passed the Carbon Neutrality (PAS 2060) certification, so that every credit card can be upgraded to become a zero-carbon credit card. As of the end of 2023, we issued more than 840,000 credit cards cumulatively, offsetting about 850 metric tons of CO₂e.

The ESG credit card issued by Mega Group focuses on both environmental and social benefits. In addition to obtaining the carbon footprint and carbon neutrality certification, as well as the zero-carbon credit card with the Carbon Reduction Label from the Ministry of Environment, Executive Yuan, we also donate to the Taiwan Black Bear Conservation Association and Society of Wilderness for ecological conservation and rehabilitation. We also provide donations to the disadvantaged through the Noordhoff Craniofacial Foundation and the CTCI Education Foundation. Example

Name of Credit Card	Issuance Date	Credit Card Features	Environmental/Social Benefits	Number of New Cards Issued in 2023	Cumulative Number of Issued Cards by the End of 2023
---------------------	---------------	----------------------	-------------------------------	------------------------------------	--

Gogoro Co-branded Card 	September, 2018	Green Credit Cards, Zero-carbon Credit Cards	Approximately NT\$99.48 million has been given back to electric motorcycle batteries since its issuance.	3,075	122,220
e-Happy Titanium Card/MasterCard Debit Card 	July, 2017	Environmental credit card, ecological restoration (Priceless Planet Coalition Global Tree Planting Project)	A total of 6,000 trees have been planted since the issuance of PETG cards in May 2022	13,775	278,483

2.1.4.2 Green Procurement

Mega Group focuses on green procurement when it comes to suppliers. Mega Group follows the provisions of Subparagraph 3, Paragraph 4 of the Mega Financial Holding Sustainable Development Policy: “The Group shall implement responsible procurement, evaluate the impact of procurement behaviors on the environment and society, and cooperate with suppliers to exert sustainable impact”; as well as Article 3: “Prioritize green procurement and use products with environmental protection certification”. In addition, in accordance with Article 15 of the Mega Financial Holding Sustainable Development Best Practice Principles, we give priority to purchasing eco-friendly products and making responsible purchases.

To promote and publicize the concept of sustainable consumption and reduce the impact of the company’s operations on the natural environment and human beings, Mega Group is committed to prioritizing the procurement of products with environmental protection or energy efficiency labels, and has set the green procurement target of “green procurement amount reaching 2.2% of the total procurement amount in the current year”. The percentage of green procurement amount in 2023 was 3.84%, with a target achievement rate of 174.55%. In addition, Mega Bank has completed the introduction and certification of the ISO 20400 Sustainable Procurement Guidance by 2024. It also received the “Award for Performance Excellence in Green Procurement Among Private Enterprises and Organizations in Taipei City” from the Taipei City Government Department of Environmental Protection for six consecutive years.

Category	Green Procurement
IT and Office Equipment	Products with environmental protection marks are chosen for the procurement of computer equipment (PCs).
Lighting Equipment	LED lighting equipment is prioritized for the replacement of old lighting equipment.
Transportation Vehicles (Company cars and motorcycles)	Company cars: Prioritize models with environmental protection certification and gradually increase the use of hybrid vehicles. Company motorcycles: Group subsidiaries have begun procurement of electric motorcycles with environmental protection certification.

Air-Conditioning and Electrical Appliances (e.g., refrigerators and water dispensers)	Our central air-conditioning systems use chiller models with coefficient of performance (COP) above 4 and split air-conditioners that have energy efficiency certification. The coolant may not contain controlled substances specified in the Montreal Protocol and models with energy labels are selected for water dispensers.
---	---

2.1.4.3 Green Building

Mega Group has formulated a three-year plan to expand the Green Building label applications. The principle is that all new buildings should obtain the Green Building label, and old buildings should obtain a Green Building label of Silver-class or above. In addition, we have introduced the adoption of the Green Building label through improvements to the facilities of new buildings or old buildings. We actively participated in urban renewal projects, paying attention to environmental friendliness and resource use in all stages from site selection, design, construction, operation, maintenance, renovation, and demolition, as to create a corporate image of green buildings.

In 2023, Mega Group obtained 8 Silver-class or above labels. Mega Bank (Mega Chi-Lin Building and Gangdu Branch), Mega Securities (Mega Securities Building), and CKI (Mega Insurance Building and Taoyuan Branch) obtained the Diamond-class Green Building label. Mega Financial Holding (Mega Financial Building), Mega Bank (Heng-Yang Building) and Mega Bills (Kaohsiung Branch) passed the obtained the Gold-class Green Building label. Mega Group expects that Mega Bank (Yongkang Branch) and Mega Securities (Xinying Branch) will obtain the Green Building label in 2024, and a total of 20 locations will be successfully transformed by 2030.

2.1.4.4 Green Insurance

CKI voluntarily complies with the “Principles for Sustainable Insurance (PSI)” and focuses on renewable energy and energy technology, low-carbon transportation, and pollution prevention and control. CKI is committed to providing business owners and the public with more protection through sustainable insurance products. In 2023, the total number of sustainable insurance products underwritten by CKI was 316, and the premium income reaching NT\$170,635.

CKI Sustainable Insurance Products in 2023				
Category	Item	Description	Item	Insurance Premium (NT\$ thousand)
Renewable Energy and Green Energy Technology	Offshore Wind Power Industry	Providing wind farm developers with insurance policies to pass through risks during project construction is beneficial to the development of green energy.	1	75,165
	Solar Energy Industry	Providing installation project insurance and comprehensive insurance for electronic equipment	130	87,869

		is beneficial to the development of green energy.		
	Additional terms for home green energy upgrade	Providing home renewable energy insurance helps energy conservation and carbon reduction development.	123	18
Low Carbon Transportation	Additional terms for vehicle insurance - green vehicles	The additional terms for vehicle insurance - green vehicles, provide insurance for renewable energy and environmentally friendly vehicles (such as electric vehicles and hybrid vehicles), and are paired with electronic policies to reduce paper waste and help save energy and reduce carbon emissions.	31	637
Pollution Prevention and Control	Liability insurance for ship operators (shipwreck removal and marine pollution liability)	The shipping industry should purchase carrier's liability insurance before commencing operations, which covers shipwreck removal and marine pollution liability.	31	6,946

2.1.4.5 Green Investments/Financing

As climate risks become increasingly severe, the requirements for companies on sustainability issues are becoming increasingly specific. The EU is requiring financial institutions to disclose their green asset ratio. The EU Taxonomy Regulation was formally proposed in 2021, and it is used to evaluate the extent to which each economic activity of an enterprise meets sustainability standards. The European Parliament also passed the European Green Bond Standard (EUGBS) on October 25, 2023, which is the world's first official green bond standard. It requires that the use of funds raised, such as fixed assets, capital expenditures, operating expenditures or financial assets, within three years prior to the issuance of green bonds, must comply with the EU Taxonomy Regulation.

In addition, regarding the major environmental issues involved in the industry, following GRI11 Sector Standard for Oil and Gas, which took effect in January 2023, the Global Reporting Initiative (GRI) also continued to launch GRI 12: Sector Standard for Coal, and GRI 13: Sector Standard for Agriculture, Aquaculture, and Fishing, effective from January 1, 2024. An update to the GRI Biodiversity Standard "GRI 101: Biodiversity 2024" was released on January 25, 2024 to replace "GRI 304: Biodiversity 2016", which supports full disclosure of the most significant impacts of a company's operations and value chain on biodiversity, and will be applicable from January 2026 onwards.

2023 Climate and Environmental Report

Mega Group pays close attention to global trends in climate change actions and industrial development. Responding to the “Taiwan Sustainable Finance Classification” in advance, we respond to the “Guidelines for the Determination of Sustainable Economic Activities” jointly announced by the Financial Supervisory Commission, the Ministry of Environment, the Ministry of Economic Affairs, the Ministry of Transportation, and the Ministry of Interior in December 2022. The statistics include manufacturing, construction and real estate sectors, guide the flow of funds to sustainable economic activities, assist all stakeholders to reduce the impact of climate change, in order to explore new industry opportunities for enterprises to slow down global warming and promote the society to move towards low-carbon transformation.

Mega Group also actively takes stock of the current overall green asset ratio in the Group, and will actively study and use this asset ratio as a quantitative indicator for mitigating global warming in the future.

According to statistics, in 2023, the total investment/lending balance of Mega Group to support green and sustainable development industries or targets was approximately NT\$439.169 billion (of which NT\$329.877 billion is financing and NT\$109.292 billion is investment). The overall green asset ratio is 12.62% (of which 12.88% is financing and 11.91% is investment).

Green Asset Ratio of Mega Group in 2023 (% , NT\$ million)				
Item	Financing Position		Investment	
	Number of suppliers	Balance (NT\$ million)	Number of suppliers	Balance (NT\$ million)
Supporting Green and Sustainable Industries or Targets				
1. Solar, wind, geothermal, hydroelectric, and ocean energy industries.	210	31,926	9	3,778
2. Transmission, distribution and energy storage facilities to increase or regenerate electricity generation and its use.	17	1,775	5	277
3. Electric, hydrogen and other alternative fossil fuel transportation, passenger and freight transportation system conversion and efficiency improvement, public transportation, and other transportation industries.	145	53,262	6	5,733
4. Water monitoring smart network and early warning system, water storage, water recycling treatment, flood control and water conservation, and other hydraulic infrastructures.	49	6,908	1	9
5. Green buildings, building energy-saving systems or products in the construction industry.	25	11,714	0	-
6. Energy efficiency, non-energy generated greenhouse gas reduction, clean production and other industries.	144	10,125	1	20

2023 Climate and Environmental Report

7. Waste cleaning and recycling, pollution control and carbon sequestration.	157	13,943	8	400
8. Fiber optic broadband, data center and smart grid information and communication technology.	22	1,146	0	-
9. Sustainable and verifiable carbon reduction related agriculture, forestry, fishery and aquaculture measures.	11	148	0	-
10. MSCI AA-rated or above, selected for DJSI, ranked in the top 20% of corporate governance ratings, and meeting Taiwan's sustainability classification criteria.	189	168,025	342	63,522
11. Other Activities that Contribute to Reducing Carbon Emissions, Promoting Circular Economy, and Enhancing ESG Business or Activities	636	37,338	151	40,309
Total A	1,599	329,876.65	477	109,292
Total B		2,561,556		917,838
Green Asset Ratio (%) A/B		12.88%		11.91%
Investments and Loans — Green Asset Ratio (%)				12.62%

In line with the FSC's sustainable economic activities, the investment and financing business supports forward-looking economic activities such as renewable energy, low-carbon transportation, and water resource utilization, and so on, directing capital to sustainable economic activities and leading sustainable development and carbon reduction transformation.

Green Investments

The 2023 Global Institutional Investor Survey carried out by MSCI shows that emerging technology and sustainability issues are two major areas that investors pay close attention to. Investors' concern about climate change issues has increased significantly, rising from 22% in 2022 to 32%. Up to three-quarters of investors say that the way a company manages sustainability risks and opportunities is a key factor they consider when making investment decisions. In response to climate policies and international investor trends, Mega Group and its subsidiaries support green industries and formulate relevant investment policies and sustainable investment actions respectively. Adhering to the Principles for Responsible Investment, Mega Securities has set a limit on investments in negotiable securities for emission-intensive industries. Mega Bank and Mega Securities have established rules for sustainable financial products to support companies that adhere to sustainable finance standards. Mega Group is encouraged to invest or issue green bonds or green products and create a sensitive or negative list for investments. Mega Bank plans to sell sustainable development bonds or green funds (including stocks, bonds, stock-bond balanced funds or ETFs) that are associated with energy conservation, environmental

protection, renewable energy technology, and high expected investment return, providing that these bonds or funds are in line with the expected return of market investment.

According to statistics, the underwriting amount of Mega Group's sustainable development bonds in 2023 was NT\$2.15 billion, the issuance amount was NT\$1.5 billion, the investment amount was NT\$38.191 billion, and the total investment in domestic sustainability-related industries was NT\$114.048 billion.

Sustainable Development Bonds Underwritten by Mega Securities in 2023		
Bond Type	Item	
Green Bonds (GBP compliant bond)	Bond Name	TSMC (112-1, 112-2), Taipower (112-3, 112-6)
	Item	4 case
	Amount (NT\$100 million)	19
Social Responsibility Bonds (SBP compliant bond)	Bond Name	Far EasTone Telecom (112-1)
	Item	1 case
	Amount (NT\$100 million)	1.5
Sustainable Development Bonds (SLB compliant bond)	Bond Name	Hon Hai (112-4)
	Item	1 case
	Amount (NT\$100 million)	1

Sustainable Development Bond Investment by Mega Group in 2023						
Category	Item	Mega Bank	Mega Securities	Mega Bills	CKI	Total
Green Bonds (GBP compliant bond)	Item	44	7	10	2	63
	Investment Balance at the End of the Year (NT\$100 million)	147.53	15.90	50.33	1.4	215.16
Social Responsibility Bonds (SBP compliant bond)	Item	25	4	-	-	29
	Investment Balance at the End of the Year (NT\$100 million)	71.34	3.29	-	-	74.63
Sustainable Development Bonds (Bonds compliant with GBP, SBP, SBG)	Item	33	7	2	1	43
	Investment Balance at the End of the Year (NT\$100 million)	59.85	11.27	15.35	0.5	86.97
Sustainability-Linked Bonds (SLB compliant bond)	Item	5	-	-	-	5
	Investment Balance at the End of the Year (NT\$100 million)	5.15	-	-	-	5.15

Note: The International Capital Market Association (ICMA) has established a set of definitions and norms for the financial market, covering Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainable Development Bonds Sustainability Bond Guidelines (SBG) and Sustainability-Linked Bond Principles (SLBP).

Sustainable Development Investment by Mega Group in 2023			
Industry	Description	Item	Investment Balance at the End of the Year (NT\$100 million)
Renewable Energy	Solar, wind, geothermal, hydroelectric, and ocean energy industries.	9	37.78
Energy Technology	Transmission, distribution and energy storage facilities to increase or regenerate electricity generation and its use.	5	2.77
Low Carbon Transportation	Electric, hydrogen and other alternative fossil fuel transportation, passenger and freight transportation system conversion and efficiency improvement, public transportation, and other transportation industries.	6	57.33
Water Resource Utilization	Water monitoring smart network and early warning system, water storage, water recycling treatment, flood control and water conservation, and other hydraulic infrastructures.	1	0.09
GHG Reduction	Energy efficiency, non-energy generated greenhouse gas reduction, clean production and other industries.	1	0.2
Circular Economy	Waste cleaning and recycling, pollution control and carbon sequestration	8	4
Companies with Outstanding Sustainability Performances	MSCI AA-rated or above, selected for DJSI, ranked in the top 20% of corporate governance ratings, and meeting Taiwan's sustainability classification criteria.	342	635.22
Other activities that contribute to reducing carbon emissions, promoting circular economy, and enhancing ESG business or activities.	Medical, education, sports and fitness, road construction, and other social work services.	151	403.09

Green Financing

To promote the implementation of green finance and practice the spirit of sustainable finance, Mega Group has strengthened the ESG risk control of loan business. In particular, we manage the climate risks through sustainable (green) loan management, to inventory and keep abreast of the high-risk industries risk exposure. At the same time, to help enterprises cope with the impact of climate risks, green financing projects are used to support the development of low-carbon economic industries such as renewable energy, energy technology, low-carbon transportation, and water resource utilization.

In accordance with the internal “Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries,” Mega Holdings Group has identified 11 sustainable development industry categories and supports sustainable development enterprises to assist industries in sustainable transformation. By the end of 2023, there were 1,599 cases in the sustainable development industry from Mega Holdings Group, with a credit balance of

approximately NT\$329.9 billion, accounting for approximately 12.88% of the overall credit balance (the above data excludes double-counting).

Distribution of Sustainable Development Loans by Mega Group in 2023			
Industry	Description	Item	Loans Outstanding at the End of the Year (NT\$ thousand)
Renewable Energy	Solar, wind, geothermal, hydroelectric, and ocean energy industries, with a total installed capacity of 2,290MW in 2023.	210	31,925,553
Energy Technology	Transmission, distribution and energy storage facilities to increase or regenerate electricity generation and its use.	17	1,774,807
Low Carbon Transportation	Electric, hydrogen and other alternative fossil fuel transportation, passenger and freight transportation system conversion and efficiency improvement, public transportation, and other transportation industries.	145	53,262,042
Water Resource Utilization	Water monitoring smart network and early warning system, water storage, water recycling treatment, flood control and water conservation, and other hydraulic infrastructures.	49	6,907,950
Sustainable Architecture	Green buildings, building energy-saving systems or products in the construction industry.	25	11,714,672
GHG Reduction	Energy efficiency, non-energy generated greenhouse gas reduction, clean production and other industries.	144	10,125,297
Circular Economy	Waste cleaning and recycling, pollution control and carbon sequestration	157	13,943,642
Smart Information and Communication Technology	Fiber optic broadband, data center and smart grid information and communication technology.	22	1,145,921
Sustainable Agriculture, Forestry, Fishery, and Animal Husbandry	Sustainable and verifiable carbon reduction related agriculture, forestry, fishery and aquaculture measures.	11	147,920
Companies with Outstanding Sustainability Performances	MSCI AA-rated or above, selected for DJSI, ranked in the top 20% of corporate governance evaluation, and meeting Taiwan's Taxonomy Regulation.	189	168,025,293
Other activities that contribute to reducing carbon emissions, promoting circular economy, and enhancing ESG business or activities.	Medical, education, sports and fitness, road construction, and other social work services.	636	37,337,757

Case sharing--Mega Bank Partners with ITRI to Assist Small and Medium-sized Enterprises in Low-Carbon Smart Upgrading

Mega Bank held a Net Zero Carbon Emission Knowledge Development Lecture Series in Taichung on August 17, 2023. Experts from the Industrial Technology Research Institute (ITRI) and guests shared the use of smart factory carbon reduction technology to guide small and medium-sized enterprises to adopt energy-saving and carbon-reduction measures. The Taiwan Small and Medium Enterprise Counseling Foundation and the Corporate Synergy Development Center were specially invited to participate in the event to introduce the Ministry of Economic Affairs' "Low Carbon and Smart Upgrading and Transformation Empowerment Subsidy for the Manufacturing Industry"

and “Low Carbon and Smart Upgrading and Transformation Subsidy for the Manufacturing Industry” to the companies present. These subsidies help enterprises make proper use of government subsidies, accelerate low-carbonization and smartization, and promote industrial transformation and upgrading.

Case Sharing--Mega Funds Implements ESG Due Diligence Governance

In response to the severe Launch Technologies industrial safety incident that occurred in Pingtung Industrial Park in September 2023, Mega Funds discussed with its partner Taiwan Index Plus the impact of this negative incident on the “Mega Taiwan ESG High Dividend Equal Weight ETF (00932)”. In addition to deducting points in accordance with the handling rules of the “Taiwan Sustainability Ratings” on material events, Launch Technologies was also deleted from the constituent stocks in November 2023 in accordance with the index compilation rules to protect the rights and interests of investors.

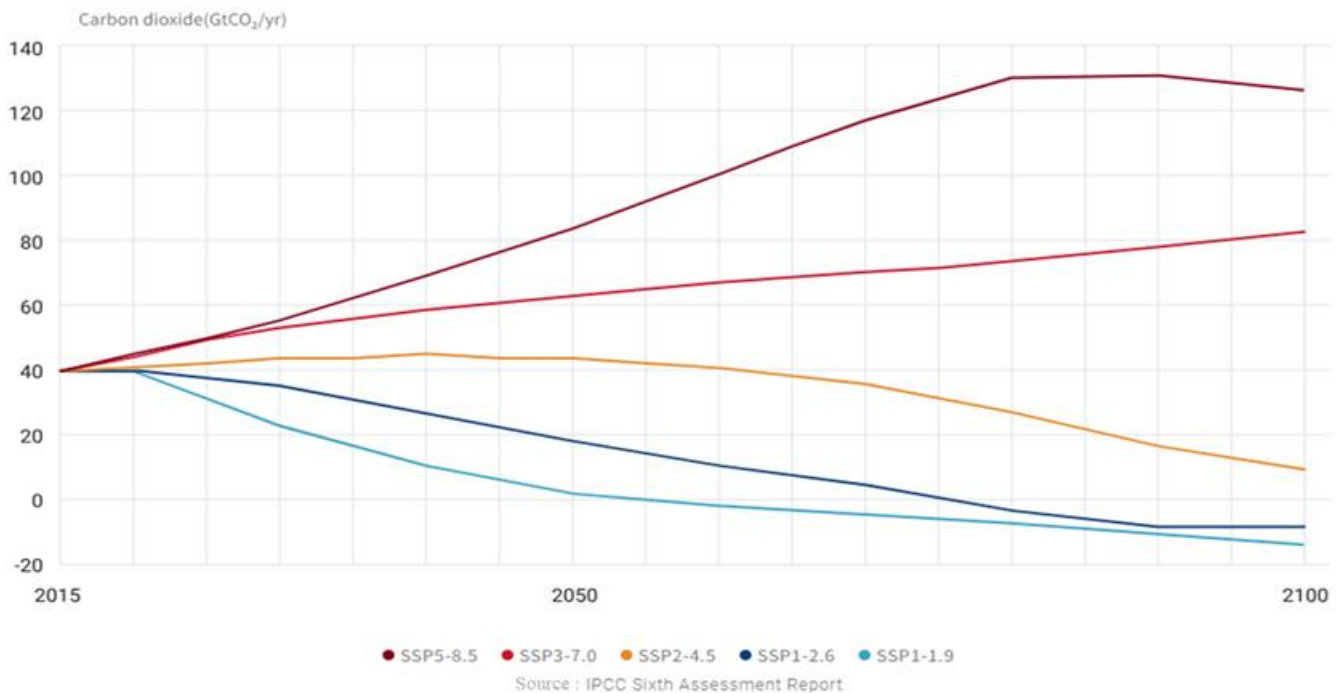
- Mega Group’s Carbon Reduction and Transformation Plan:
Under the strategy of “Committing to Net-Zero Emissions to Achieve Environmental Sustainability”, the SBTi project was launched in 2023 to plan for carbon reduction and transformation:
 - Signed the Science Based Targets initiative (SBTi)
 - Signed to join the PCAF and adopted PCAF methodology to disclose financial carbon emissions.
 - Planning of carbon reduction pathway targets based on the SBT methodology, including carbon reduction pathways and targets for Scope 1, 2 and 3 investments by 2030.
 - Setting investment and financing limits to strengthen the control of transformation risks.
 - Action Plan:
 - (1) Each subsidiary will propose a prioritized list of targets for engagement, and set up engagement goals and tracking mechanisms.
 - (2) Establish limits on investment and financing for high carbon emission industries and gradually reduce the investment and financing position of high-carbon emission industries.
 - (3) Establish the SBT investment list and include whether to join or commit to SBT in the pre-investment evaluation mechanism.
 - (4) Already formulated the Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries, and invited investment and financing targets to propose low-carbon or sustainable transformation plans.
 - (5) Stop undertaking investment in and financing for coal mining and non-traditional oil and gas industries.

2.2 Scenario Analysis

The scenarios adopted by Mega Group are based on the framework and methodology of climate change stress tests published by international regulatory authorities, and the business nature and operation areas are included in the assessment (shown in table below). Different sources of climate scenarios were selected to facilitate consistent scenario analysis and evaluation across subsidiaries.

Source	Description	Adopted Path	Corresponding to Temperature Rise at the End of the Century
Intergovernmental Panel on Climate Change (IPCC)	<ul style="list-style-type: none"> ■ Focus on physical impacts ■ Simulation of future scenarios with different concentrations of greenhouse gases 	■ Moderate Path: SSP1-2.6	~2°C
		■ Severe Path: SSP5-8.5	>4°C
Network of Central Banks and Supervisors for Greening the Financial System (NGFS)	<ul style="list-style-type: none"> ■ Considering transition risks, physical risks and climate-related policy 	<ul style="list-style-type: none"> ■ Orderly Transition Path: <ol style="list-style-type: none"> 1.Net-Zero 2050 scenario 2.Below2°C scenario 	1.~1.5°C 2.~1.8°C
		■ Delayed Implementation Path: Delayed transformation scenarios	~1.8°C

IPCC AR6 5 core pathways



Summary of Analysis Results

In 2023, all subsidiaries of Mega Group conducted scenario analyses based on a consistent assessment methodology. Although the assessment results showed that the financial impact of both physical and transition risks on the Group was not significant, we will still use the scenario analysis results to actively develop response measures, formulate future strategic directions, and plan for carbon-reducing targets.

Risk Type	Asset Category	Financial Risks	Impact by Business	Climate Scenario	Financial Materiality	Financial Impact Caused by Climate Scenarios in 2050 (Flooding)
Physical Risks	Location of Operations	Business Risks Operational Risks	Operations	SSP1-2.6	Low	There are 3 locations in high climate-sensitive areas (Grade E), accounting for 2% of all locations. It is estimated that the asset impairments of the highly flood-sensitive locations are around NT\$1 million, and the overall asset impairment are around NT\$9 million.
				SSP5-8.5	Low	There are 3 locations in high climate-sensitive areas (Grade E), accounting for 2% of all locations. It is estimated that the asset impairments of the highly flood-sensitive locations are around NT\$2 million, and the overall asset impairment are around NT\$19 million.
	Real Estate as Collaterals	Credit Risks	Corporate/Individual Lending	SSP1-2.6	High	The balance of real estate collateral loans in high climate-sensitive areas (Grade E) accounts for approximately 4.31%, with an assessed asset impairment amount around NT\$3,476 million. The balance of Grade E loans accounted for approximately 1.44% of the Group's profit before tax.
				SSP5-8.5	High	The balance of real estate collateral loans in high climate-sensitive areas (Grade E) accounts for approximately 5.19%, with an assessed asset impairment amount around NT\$4,190 million. The balance of Grade E loans accounted for approximately 1.73% of the Group's profit before tax.
	Investment Position	Market Risks	Long-term Equity Investments	SSP1-2.6	Low	The impairment amount in high climate-sensitive areas (Grade E) accounts for 0.0028% of the investment balance
				SSP5-8.5	Low	The impairment amount in high climate-sensitive areas (Grade E) accounts for 0.014% of the investment balance
	Financing Position	Credit Risks	Corporate Finance and Lending	SSP1-2.6	High	The impairment amount accounts for 2.49% of the financing balance, high climate-sensitive areas (Grade E) accounts for 2.09% of the financing balance
				SSP5-8.5	High	The impairment amount accounts for 2.66% of the financing balance, high climate-sensitive areas (Grade E) accounts for 2.95% of the financing balance
	Underwriting Position	Insurance Risks	Property Insurance Products	SSP1-2.6	High	The retention ratio of underwriting positions in high climate-sensitive areas (Grade E) accounts for approximately 2.29%, with an assessed asset impairment amount of NT\$620 million. The balance of Grade E loans accounted for approximately 1.67% of the Group's profit before tax.
				SSP5-8.5	Material	The retention ratio of underwriting positions in high climate-sensitive areas (Grade E) accounts for approximately 9.95%, with an assessed asset impairment amount of NT\$26.5 million. The balance of Grade E loans accounted for approximately 7.15% of the Group's profit before tax.
	Suppliers	Business Risks	Operations	SSP1-2.6	Low	No suppliers in highly climate-sensitive areas and the total asset impairment is estimated to be approximately NT\$72 million.
				SSP5-8.5	Medium	No suppliers in highly climate-sensitive areas and the total asset impairment is estimated to be approximately NT\$78 million.

Risk Type	Asset Category	Financial Risks	Impact by Business	Climate Scenario	Financial Materiality	Financial Impact of Caused by Climate Scenarios in 2050
Transition Risks	Financing Position	Credit Risks	Corporate Finance and Lending	Net Zero 2050	Medium	The financial impact of the derived credit risk expected losses was 0.3%, respectively.
	Suppliers	Business Risks	Operations	Below 2°C	Medium	1. The financial impact of passing through carbon fees is about 0.11%. 2. It is clearly stipulated in the Sustainability Policy: “Prioritize green procurement and use products with environmental protection certification”, and in the Sustainable Development Best Practice Guidance to give priority to purchasing eco-friendly products and making responsible purchases.
				Delayed Transition	Low	The financial impact of passing through carbon fees is about 0.09%, and corresponding measures have been taken as above.
				Net Zero 2050	Medium	The financial impact of passing through carbon fees is about 0.27%.

2.2.1 Physical Risks

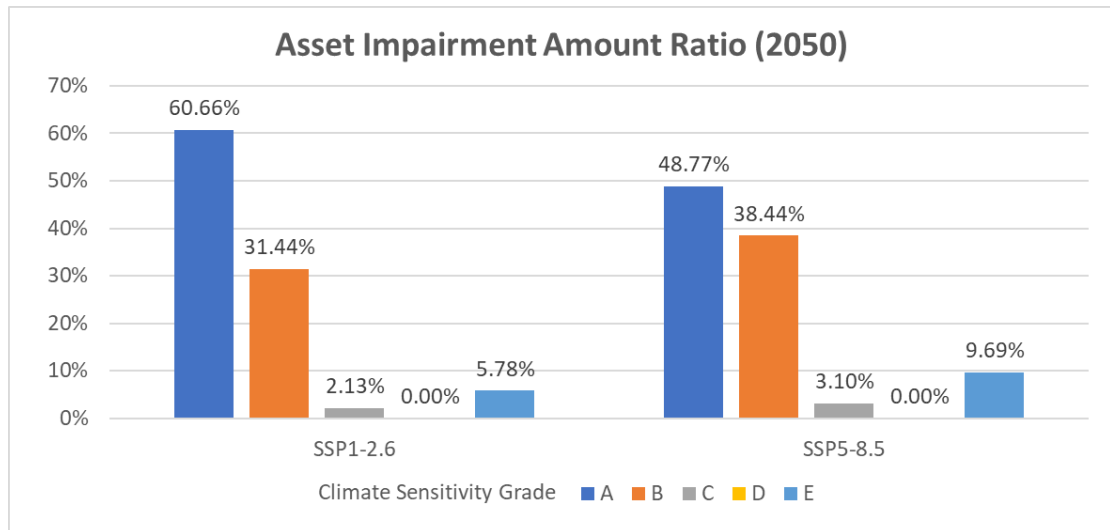
To understand the exposure of various businesses to physical risk areas, we conduct scenario analysis for each of the Group’s businesses, including business locations, supply chains, facility sites and other factors to assess their flooding potential physical risk. To improve the type, scale and hazard accuracy of climate risk analysis to truly understand the physical risk exposure situation, in 2023, Mega Group cited the “Financial Industry Climate Physical Risk Information Integrated Platform Database” of the Joint Credit Information Center (JCIC). The two climate scenarios SSP1-2.6 and SSP5-8.5 imported from the database and loss data were used to assess the physical risks of the value chain from 2021 to 2040 (2030) and 2041 to 2060 (2050).

According to research by the environmental group Germanwatch and statistics on domestic natural disasters in the past, Taiwan needs to pay special attention to disasters such as typhoons and floods/heavy rains in the future. In addition, analysis by the National Science and Technology Center for Disaster Reduction found that towns in western and central-southern Taiwan have the highest risk of flooding. Mega Group assesses flooding hazards for various businesses, as explained below.

2.2.1.1 Self-Owned Operating Sites

Background

To assess the impact of climate disasters on each subsidiary’s own operating sites, including financial losses such as asset repair and equipment replacement, the Group’s 191 operating sites in Taiwan were considered to have a flood probability based on the 24-hour 650mm rainfall scenario of the Water Resources Agency. Assuming that the flooding depth is evaluated under the <0.3M and >3M scenarios respectively, and the climate sensitivity is divided into five levels from A to E (low, medium-low, medium, medium-high, and high).



Note 1: The amount of asset impairment is calculated by [the area of the self-owned operating base (number of square meters) × the probability of flooding in 24-hour 650MM (times/year) × the replacement cost caused by flooding (NT\$10,000/square meter)].

Note 2: The Group has 234 locations worldwide. This analysis mainly cooperates with the JCIC's financial industry climate physical risk information integration platform to carry out the physical risk assessment of business locations in Taiwan.

Assessment Results

- According to the climate sensitivity analysis results, the assessment result under the SSP5-8.5 scenario is the most serious. The total number of bases located in the Grade E climate sensitivity level area is 3, occupying 2% of the Group's sites; the assessed asset impairment amounted to NT\$2 million (impairment amount accounting for 9.69%), the overall impairment amount is estimated to be NT\$19 million, with the overall financial impact level being low (0.095%). For the assessment results in 2050 under the SSP1-2.6 scenario, the total number of bases located in Grade E climate sensitive areas is 3, occupying 2% of the Group's sites; the assessed asset impairment amounted to NT\$1 million (impairment amount accounting for 5.78%), the overall impairment amount is estimated to be NT\$9 million, with the overall financial impact level being low (0.04%).
- The Group is committed to ensure that all domestic and overseas "business locations" will not be located in nature reserves/conservation areas, national parks and national nature parks, wildlife sanctuaries, and critical wildlife habitats established by their countries. We are committed to ensure all new or relocated business locations will comply with Mega Group's principles of Biodiversity Conservation and Zero Deforestation.

Climate Risk Integration - Actions Taken

Mega Group actively plans to obtain the Green Building label for its own operating sites, and increases the climate resilience of its operating sites through the following physical risk prevention measures:

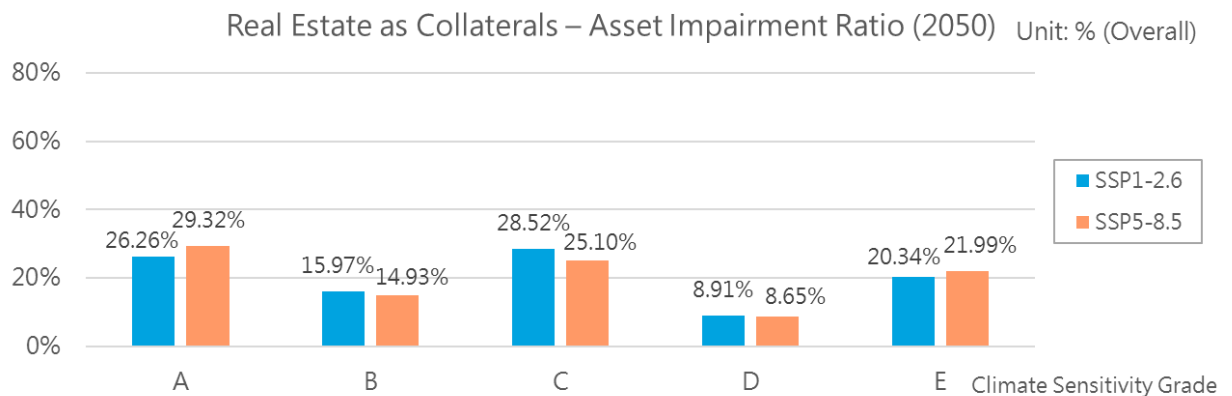
- A. Before selecting an operating site, we consider the potential impact of climate-related risk factors on assets, regularly review and strengthen disaster prevention measures, and add insurance if necessary. In 2023 the Group's premium investment cost was approximately NT\$0.83 million.
- B. Promote the construction and maintenance service project of the business continuity management system (ISO 22301) and obtain certification (The price is approximately NT\$3.88 million), and prepare a budget of NT\$1.06 million. Continue to promote green building strategies every year to enhance the operational resilience of Mega Group (see 2.1.4.3 Green Buildings for details).
- C. A "disaster emergency response team" is established according to various disaster emergency response measures. In 2023, a total of 22 events were held at the Group's main locations, involving 928 people. The cost of disaster prevention drills was approximately NT\$0.2 million, and the coverage rate of the locations reached 100%. See 3.1.3 Business Continuity Planning for details.

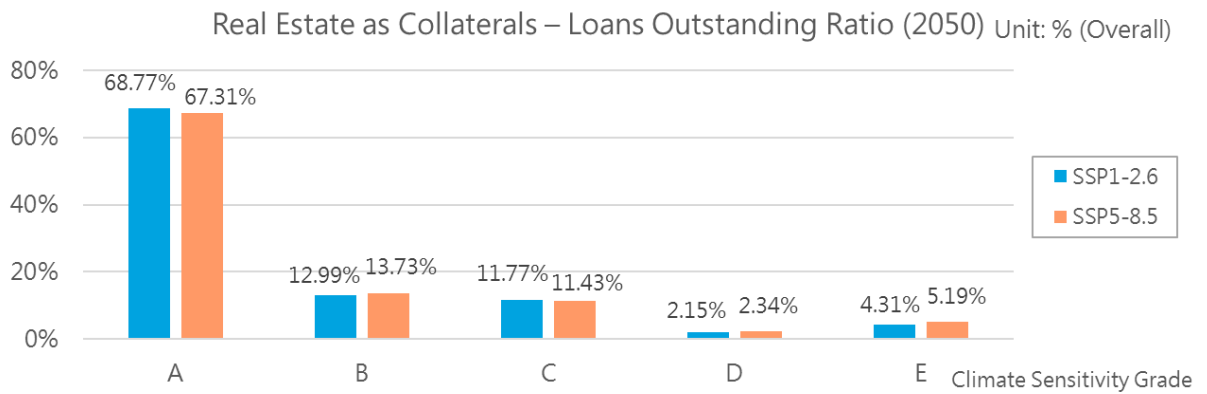
2.2.1.2 Real Estate as Collaterals

Background

Mega Group's loan customers mostly use real estate as collateral, so they pay special attention to the impact of climate on the market price of collateral. For the Group's domestic real estate collateral, we evaluated the impairment of collateral value in 2050 under two scenarios: SSP1-2.6 and SSP5-8.5, and divided the climate sensitivity into five grades from A to E (low, medium-low, medium, medium-high, high).

Assessment Results





In 2050, the SSP5-8.5 scenario is the most severe, with the proportion of real estate guaranteed loans located in Grade E climate sensitive areas, accounting for 5.19%, and asset impairment accounting for 21.99%. Under the SSP1-2.6 scenario in 2050, the proportion of real estate guaranteed loans located in Grade E climate sensitive areas is 4.31%, and asset impairment accounting for 20.34%.

➤ Climate Risk Integration - Actions Taken

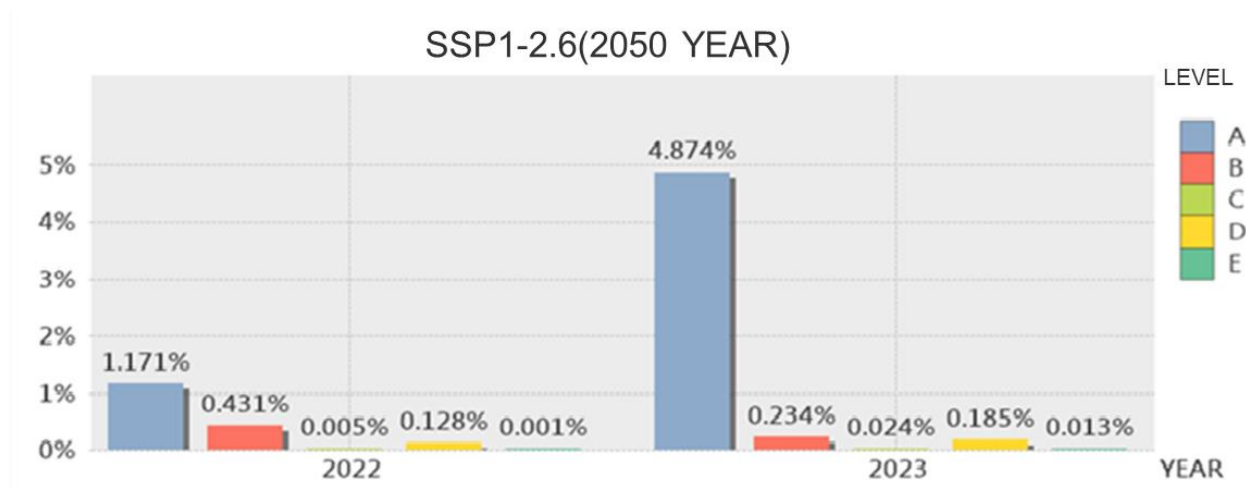
- The subsidiaries formulated related management measures such as collateral appraisal and review, and the value of real estate and other important risk factors are evaluated in accordance with regulations as the basis for loans. In addition, regulations related to climate risks have been formulated and incorporated the identification, assessment and management of climate risks into the overall system. Mega Bank's collateral valuation operation process allows users to query relevant information such as geologically sensitive areas and flood potential areas where the collateral is located at the same time. The results are simultaneously displayed in Mega Bank's real estate valuation report, providing loan approval and risk assessment. The maintenance cost of the system (including graphics) is NT\$0.903 million, and the expanded budget is NT\$2.438 million.

2.2.1.3 Investment/Financing/Underwriting Position

Investment Position

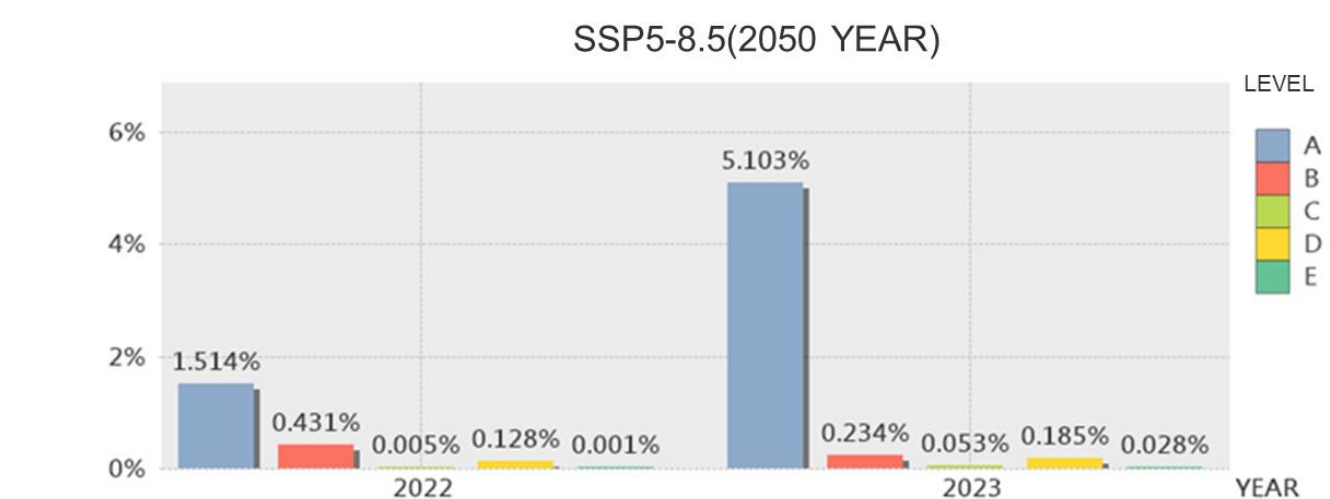
Physical risk impairment is assessed based on the operating base. Under the SSP5-8.5 scenario in 2050, the impairment amount of assets with Grade E climate sensitivity in 2022 and 2023 will account for 0.001% and 0.028% of the investment balance respectively. The amount of impairment is not high risk and is controllable.

Investment - Asset Impairment Ratio



Note: Climate Risk Grade: It is divided into 5 grades from A to E, with E being the highest risk.

Investment - Asset Impairment Ratio

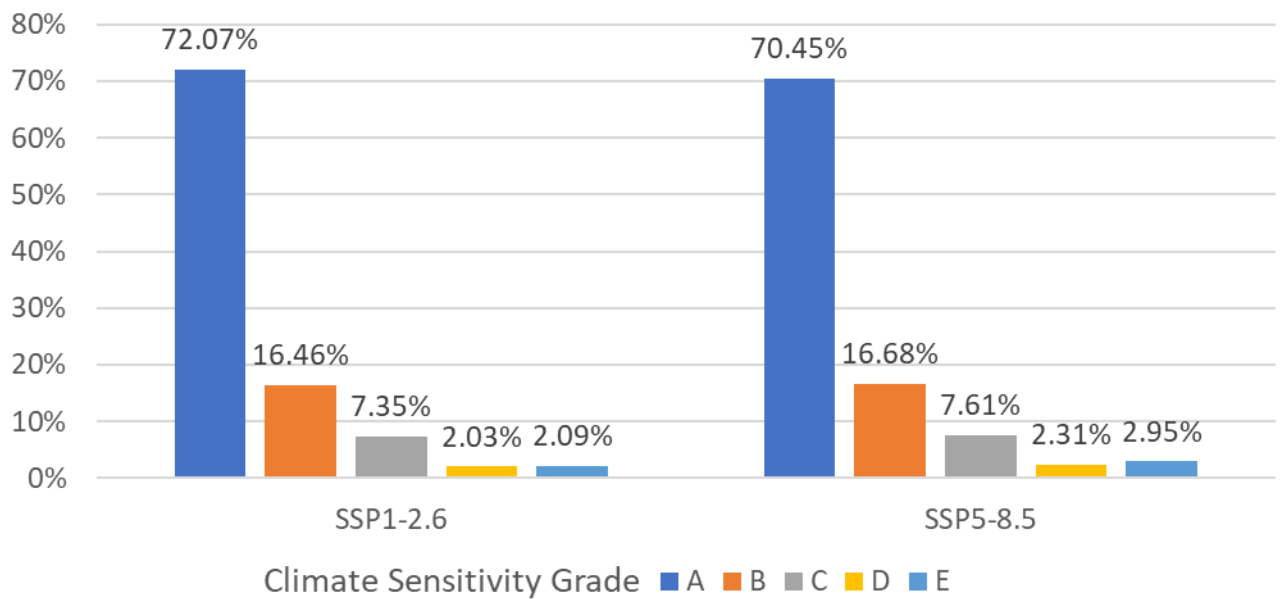


Note: Climate Risk Grade: It is divided into 5 grades from A to E, with E being the highest risk.

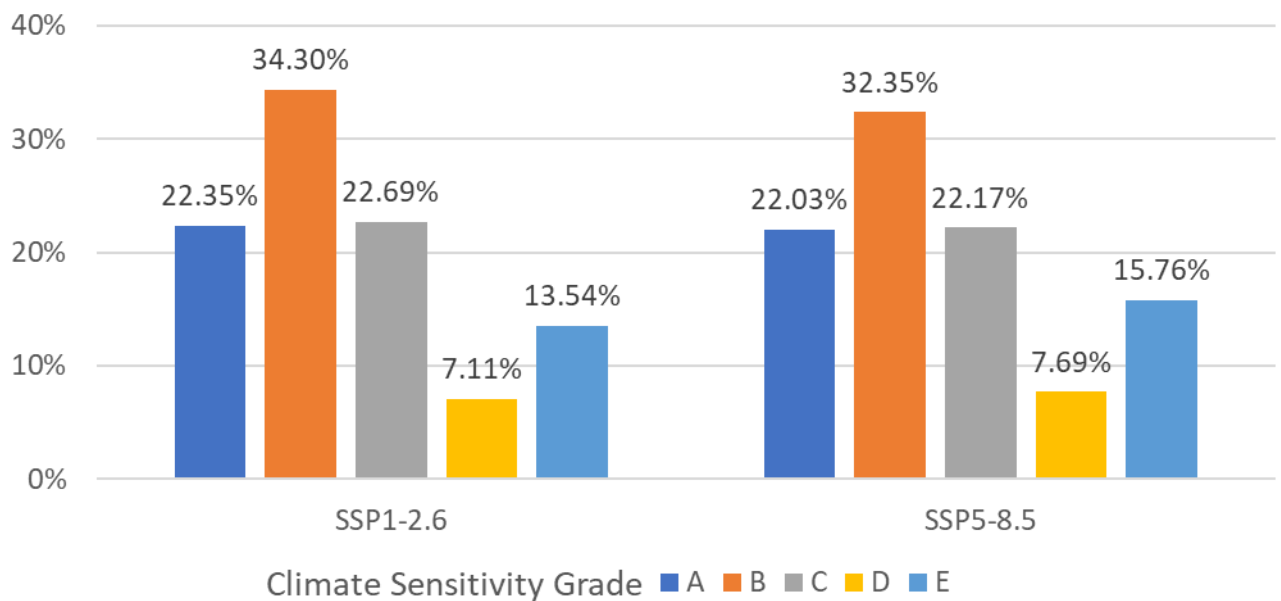
Financing Position

Conducted physical risk assessment (flooding) of the business locations for a total of 842 customers with moderate or higher exposure (0.1% or more of net worth) to domestic corporate finance risk. The analysis showed that the 2050 SSP5-8.5 scenario was the most severe, with an impairment amount to financing balance ratio of 2.66%, and the number of customers with climate sensitivity Grade E totaled 41, with a financing balance ratio of 2.95%. In addition, under the SSP1-2.6 scenario in 2050, the impairment amount accounts for 2.49% of the financing balance. There are 27 customers with climate sensitivity Grade E, and the financing balance accounts for 2.09%.

Financing Balance Ratio (2050)



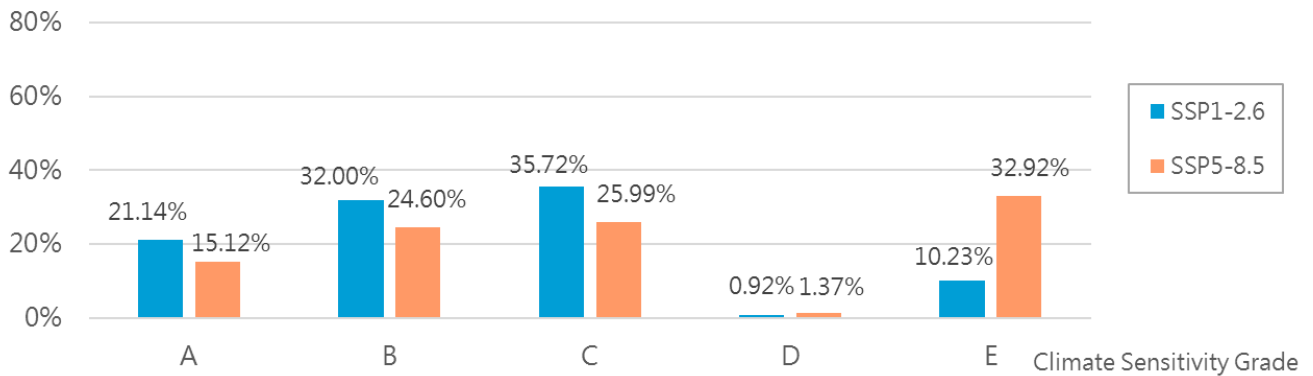
Impairment Amount Ratio (2050)



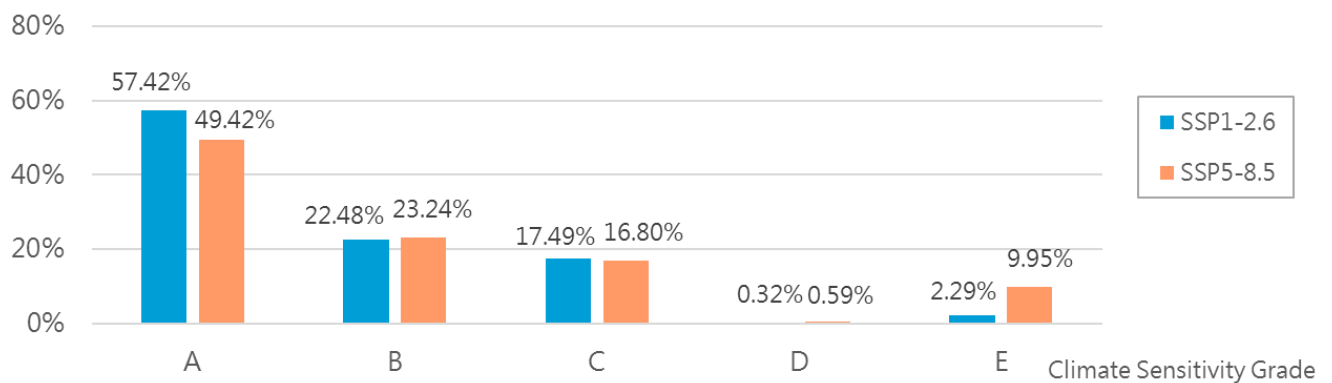
Underwriting Position

In an inventory of the top 30 risk positions of the subsidiary CKI's effective policies, typhoon or flood insurance underwriting positions totaled 20 policies, with the climate sensitivity grading conducted based on the insured address. The analysis results showed that the ratio of impairment amounts located in highly climate-sensitive areas (Grade E) under the SSP1-2.6 and SSP5-8.5 scenarios in 2050 is 10.23% and 32.92% respectively; The retention ratio of underwriting positions were 2.29% and 9.95% respectively.

Underwriting Position – Target Impairment Ratio (2050) Unit: % (Overall)



Underwriting Position – Retention Ratio (2050) Unit: % (Overall)



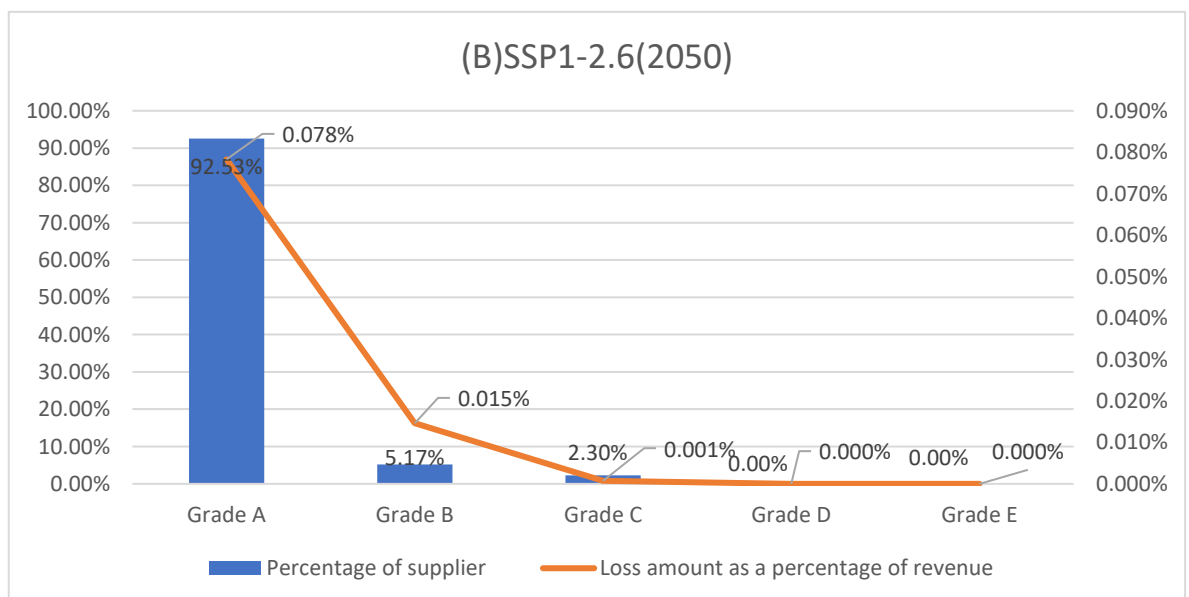
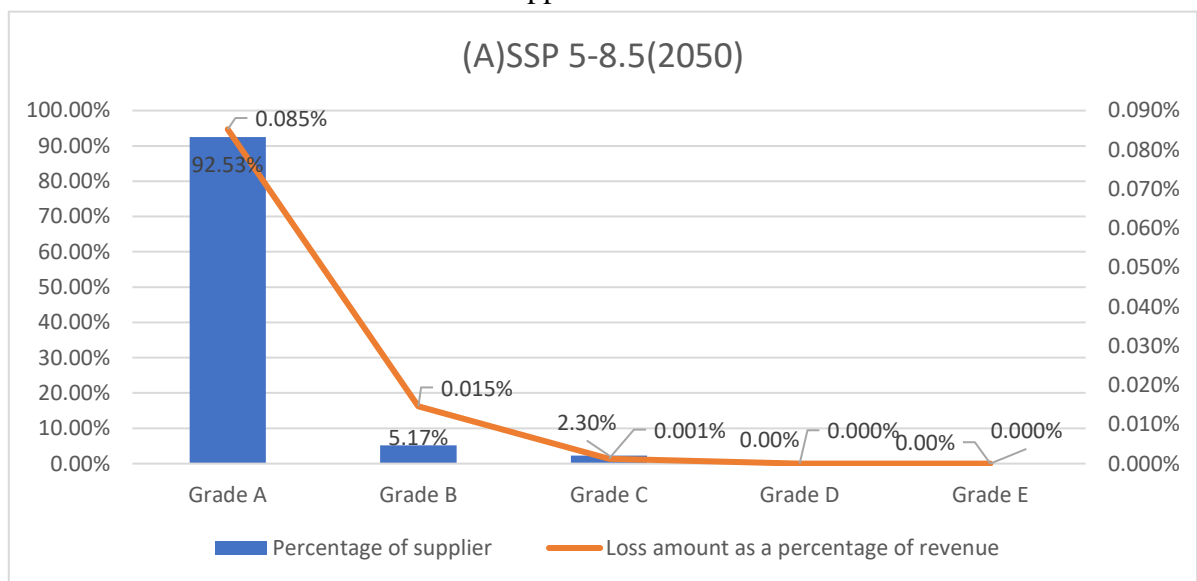
Climate Risk Integration - Actions Taken

- **Investment/Financing Position:** To strengthen climate risk management, the subsidiaries have formulated the Climate Risk Management Guidelines to standardize the proportion of investment and financing limits, details can be found in 4.4 Climate Goals and 4.5 Climate Indicators.
- **Underwriting Position:** CKI uses catastrophic disaster risk assessment models to conduct quantitative assessments, and arranges catastrophic disaster excess compensation contracts based on the model assessment results to reduce claims risks. CKI has set a cumulative limit of catastrophic losses per peril of \leq NT\$300 million, with an actual value of approximately NT\$98 million in 2023.

2.2.1.4 Suppliers

2023 Climate and Environmental Report

To evaluate the impact that suppliers will have on Mega Group due to the impact of physical climate risks under climate change, 174 suppliers' main business locations were evaluated in 2023, based on the probability of flooding, the percentage of impairment of the real estate of suppliers' business locations caused by flooding, and the amount of purchase contracts. We proposed corresponding sustainable supply chain management strategies to assist suppliers in coping with physical risks. The results of the analysis showed that suppliers were mainly concentrated in Grade A climate-sensitive areas (92.53%), and under the scenario of SSP1-2.6-2050, the loss amount of suppliers in Grade A climate-sensitive areas accounted for approximately 0.078% of the Group's revenue; under the SSP5-8.5 scenario, the loss amount of suppliers in Grade A climate-sensitive areas accounted for approximately 0.085% of the Group's revenue. There are no Grade D/E suppliers in the above scenario.



Note 1: The amount of loss refers to the supplier's purchase contract amount × probability of flooding (times/year) × the percentage of impairment in value of the real estate in the supplier's business location caused by flooding.

Note 2: It is assumed that the loss of real estate value from suppliers is passed on to Mega Group, resulting in an increase in the Group's purchasing costs.

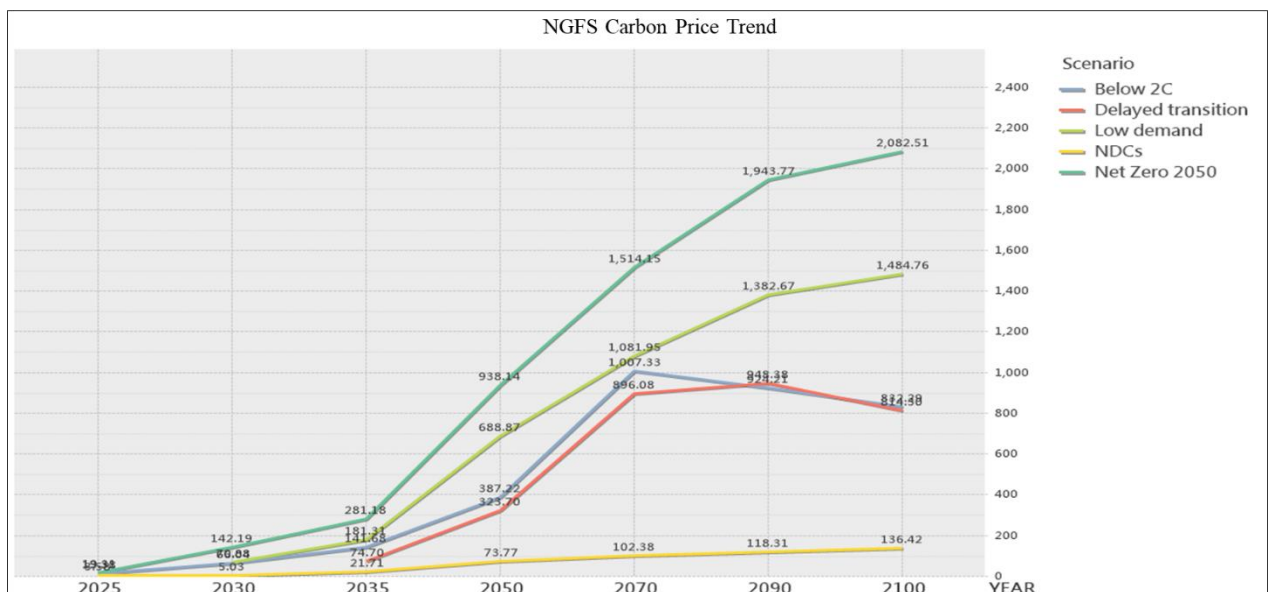
Climate Risk Integration - Actions Taken

Using the more severe scenario SSP5-8.5, the losses suffered by suppliers from flooding weather disasters are assessed, and the impact on Mega Group's operations is only 0.1%. We have already set up the relevant regulations for suppliers, and will continue to evaluate the impact of climate risks on each supplier. Currently, for suppliers in Grade A to Grade D climate-sensitive areas, the response is to review the stability of the products or services they provide and, depending on their importance, discuss replacement plans in advance if necessary.

2.2.2 Transition Risks

Using the comprehensive assessment model of NGFS (GCAM6.0_NGFS) to analyze Taiwan's carbon price trends in 2030 and 2050 (table below)

The scenario and carbon price are explained as follows:



Scenario A	Scenario B	Scenario C
Carbon Price: US\$19/metric ton Description: Carbon Price under NGFS Net Zero 2025 Scenario	Carbon Price: US\$142/metric ton Description: Carbon Price under NGFS Net Zero 2030 Scenario	Carbon Price: US\$938/metric ton Description: Carbon Price under NGFS Net Zero 2050 Scenario

Note: Carbon Prices in 2025, 2030 and 2050 Using NGFS Net Zero Scenarios

■ Major Carbon Emitter

High-carbon-emitting enterprises are the main targets for future carbon price collection, which will have a significant impact on their operations. A total of 121 large carbon-emitters

subject to the regulations of Taiwan's Ministry of Environment were inventoried at the end of 2023. The estimated carbon price and carbon emissions under the NGFS scenario were included in the internal credit rating models, to understand the impact of carbon pricing on their ratings and finances.

The analysis results show that Scenario B is the most serious. A total of 33 emitters were downgraded by one level and 4 emitters were downgraded by two levels. The changes in the ratings of large carbon emitters under each scenario are summarized as follows. Under Scenarios A to C, the financial impact of the derived credit risk expected losses due to transformation risk were 0.3%, 0.4%, 0.3%, respectively.

Unit: Number of customers

Rating changes	Scenario A	Scenario B	Scenario C
Downgrade by one level	15	33	20
Downgrade by two levels	0	4	0
Level of Financial Impact	0.3%	0.4%	0.3%

■ Suppliers

Mega Group uses the carbon prices of three scenarios including NGFS's Below 2°C, Delayed Transition and Net Zero 2050 to evaluate the indirect impact of suppliers' carbon fee costs on the Group's operations. Mega Group's supplier procurement contracts in 2023 totaled NT\$26.1 million, which is equivalent to emitting approximately 31,081 tons of carbon dioxide. The analysis results show that among various scenarios, the Net Zero scenario has the highest financial impact of approximately 0.27% in passing on carbon fees in 2050.

Supplier procurement contract amount (NT\$ million)	Supplier procurement contract carbon emissions (tons)	Scenario		Financial Impact of Passing through Carbon Fees in 2022 (%)	
2023				2030	2050
2,610	31,081	Scenario 1	Below2°C	0.02%	0.11%
		Scenario 2	Delayed Transition	0.00%	0.09%
		Scenario 3	Net Zero 2050	0.04%	0.27%

Note 1: Supplier procurement contract carbon emissions = Supplier procurement contract amount × CO₂e intensity

Note 2: The CO₂e intensity of the Energy Bureau of the Ministry of Economic Affairs was 0.01191 kg/NTD in 2022.

Note 3: The supplier procurement contract amount in the above table excludes water, electricity and fuel costs.

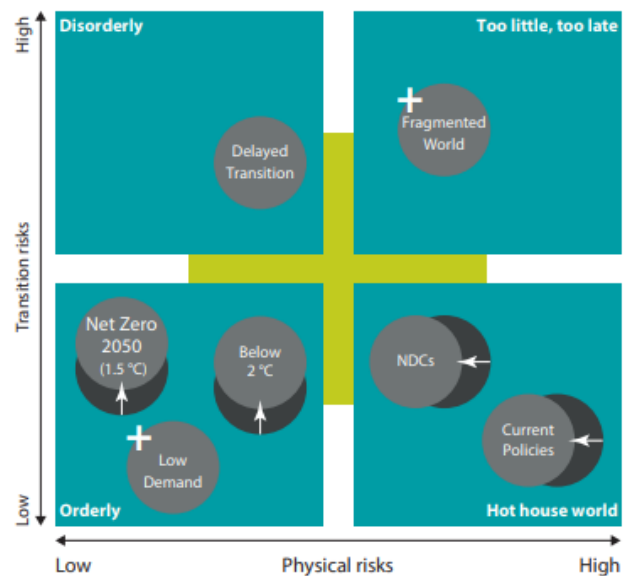
Note 4: Scenarios 1, 2 and 3 use the NGFS database, which falls under the carbon fee in Taiwan.

Climate Risk Integration - Actions Taken

Mega Group clearly stipulated in the Sustainability Development Policy: “Prioritize green procurement and use products with environmental protection certification”, and in the Sustainable Development Best Practice Guidance to give priority to purchasing eco-friendly products and making responsible purchases. In addition, it can be seen from the above scenarios that the carbon fee passed through to suppliers will increase the financial impact over time. In the future, the Group will continue to pay attention to carbon fee-related issues to effectively identify climate risks and opportunities, achieve carbon cost management, and reduce transformation risks, enhance the Group’s climate resilience and achieve a sustainable supply chain.

2.2.3 Stress Test

We refer to the three scenarios proposed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) in the FSC’s Operation Plan for Domestic Banks’ Handling of Climate Change Scenario Analysis, which are namely: “Orderly”, “Disorderly”, and “Hot House World” (no policy) (image on the right), as the basis for the overall economic factor analysis scenario.



The indicators used for the overall economic factors include GDP growth rate, unemployment rate and long-term interest rate, simulating changes in default rates of various parts. Environmental factors take the values of environment and temperature changes, including analyzing the future change trends of physical risk hazard items (heavy rain, flooding, drought) and the degree of impact on different entities.

Considering the impact of climate change on domestic and foreign credit risk positions, the main assessment scope is credit positions, bonds, and equity investments. We evaluate the expected credit losses in 2030 and 2050 under the paths of orderly, disorderly and “hot house world” carbon reduction actions.

Expected credit loss = Default rate x Probability of loss from default x Exposure to default (refer to the Operation Plan for Domestic Banks’ Handling of Climate Change Scenario Analysis)

2.2.3.1 Financing Position

We refer to the NGFS scenario, consider transition and physical risks, and evaluate the expected losses of investment and financing positions in 2030 and 2050 under scenarios such as “orderly transition”, “disorderly transition”, and “no policy”, so as to adjust the credit strategy planning in a timely manner. The estimated losses of major subsidiaries affected by climate change are as follows:

Subsidiaries	Expected Losses from Climate Change	Scenario					
		Orderly		Disorderly		No Policy	
		2030	2050	2030	2050	2030	2050
Mega Bank	Net Worth Ratio	8.06%	10.11%	8.28%	11.62%	7.57%	8.29%
	Profit and Loss Ratio before Tax	75.63%	94.88%	77.73%	109.05%	71.08%	77.84%
Mega Bills	Net Worth Ratio	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
	Profit and Loss Ratio before Tax	0.12%	0.13%	0.11%	0.14%	0.11%	0.11%
Chung Kuo Insurance	Net Worth Ratio	1.36%	1.45%	1.23%	1.61%	1.36%	1.36%
	Profit and Loss Ratio before Tax	2.32% ^(Note)	-2.46%	-2.09%	-2.74%	-2.31%	-2.31%

Note: The negative ratio of CKI to pre-tax profit and loss was due to negative pre-tax profit and loss.

Climate Risk Integration - Actions Taken

- Guide industries in sustainable transformation, actively promote renewable energy technology, circular economy-related loans, and sustainable performance-linked loans. In terms of investment, we will continue to invest in sustainable bonds, green bonds, and renewable energy technology and other related industries. Please refer to “2.1.4.5 Green Investment and Financing”.
- In accordance with the “Guidelines for the Management of ESG & Sustainable Development in Industries and High-Risk Industries” and climate risk-related investment and financing regulations, we will strengthen the identification and assessment of climate risks in the investment and financing process, adopt differentiated risk management measures, and promote customer engagement mechanisms to assist customers in their restructuring. Please refer to “3.2 Climate Risk Management in Investment and Financing”.
- In April 2023, we signed the SBTi commitment, and submitted the SBT targets to the SBTi international organization for review in December 2023. We passed the SBT target review in June 2024. Please refer to “4.4 Investment and Financing Portfolio - SBT” for more details.
- Please refer to “4.5 Climate Goals” and “4.6 Climate Indicators” for details of regular tracking of the implementation of climate indicators and targets.

3 Climate Risk Management

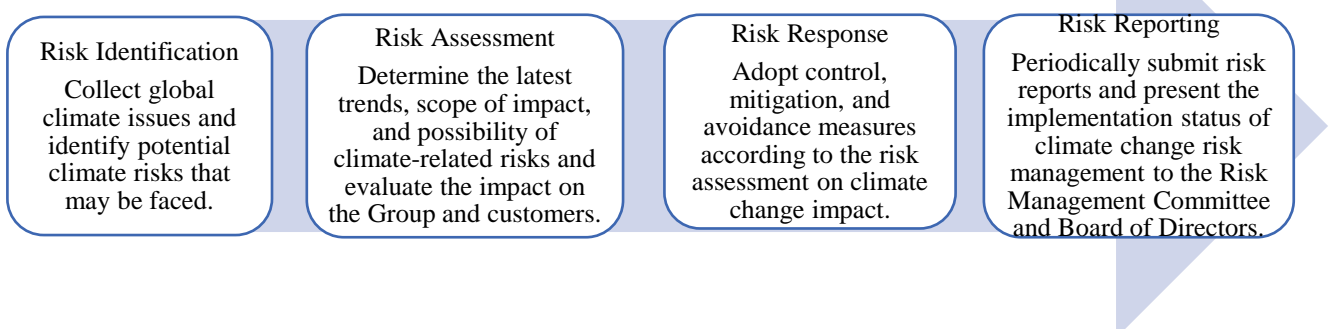
To achieve the UN SDGs and the Paris Agreement goals, the Company's climate risk management mechanism is based on the latest laws and regulations, including the international TCFD recommendations, Taiwan's Green Finance 3.0 Policy and "Climate Change Response Act", the UN's IPCC AR6, SBTi, and the national net-zero emissions target, and so on.

To keep abreast of the impact of climate change on enterprises, all departments of Mega Financial Holding and the subsidiaries are convened to identify climate-related risks and opportunities based on their own business, strategies, and financial planning status. In consideration of the business, value chain, R&D investment, and operations, and taking stock of the existing measures and the effectiveness of their implementation, we will proactively respond to the climate with two major actions, namely, "mitigation" and "adaptation". Please refer to "2.1 Climate Risks and Opportunities" for the detailed implementation results of climate risk and opportunity identification this year.

3.1 Climate Risk Management Framework

Mega Group actively responds to issues related to climate change, which are incorporated into the Group's long-term development strategy. Among them, the identification and management of climate-related financial risks are the key core of addressing climate change.

To supervise the effectiveness of the risk control mechanism of Mega Financial Holding and its subsidiaries, we conduct risk management internally, identify the types of climate change-related risks, the time dimension, the degree of impact, and the businesses involved, and evaluate the ability of each financial business to respond to climate-related risks based on physical risks and transition risks. Through the risk management unit of each subsidiary, which then serve as the basis for each subsidiary to establish risk management goals, monitoring indicators, risk limits, and implementation guidelines based on the nature of their business. These are then submitted to business units for adoption. The risk management unit reviews business and asset/liability risks, and regularly reports the status of risk management to the Risk Management Committee and board of directors.

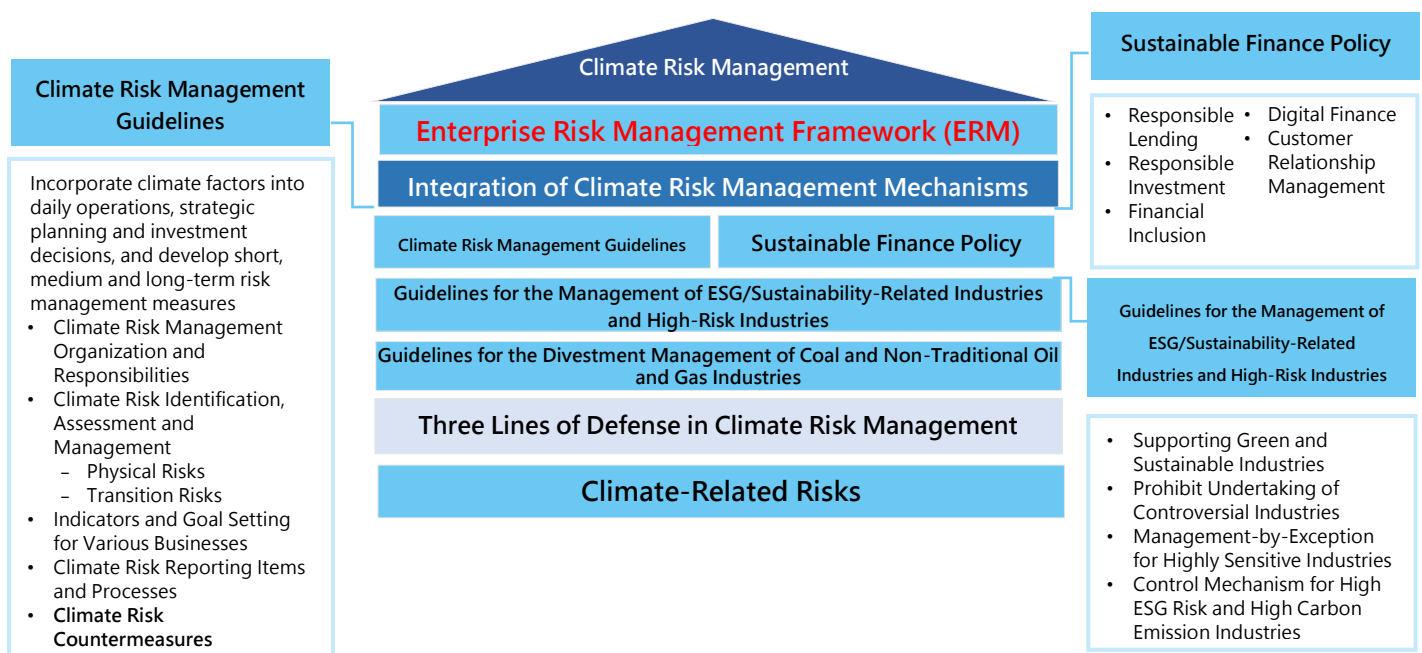


The results of risk identification and impact assessment will serve as the basis for future business decisions. This year, we will incorporate climate-related factors into the investment and financing process in order to mitigate financial risks related to climate change.

3.1.1 Climate-Related Policies

The Company's Board of Directors has approved the Risk Management Policies and Guidelines and other risk management rules for Mega Group. These rules stipulate that effective mechanisms for risk identification, measurement, monitoring and control, reporting, and response shall be established, risk management targets shall be set, and a follow-up of the implementation status shall be regularly conducted. The Company has also established management principles for market risks, credit risks, operational risks, liquidity risks, emerging risks (including climate) and capital adequacy for management and control. The Group has established management standards for each subsidiary to incorporate these principles into its policies and goals of risk management and related internal control regulations to build a complete risk management system for the Group.

Mega Group has revised its “Climate Risk Management Guidelines”, “Sustainable Development Best Practice Guidance”, “Sustainable Development Policy”, “Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries”, and “Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries”, which further explain the mutual impact of traditional financial risk and climate-related risks, incorporate climate risk factors into consideration of core business and operations, and strengthen climate-related risk management.



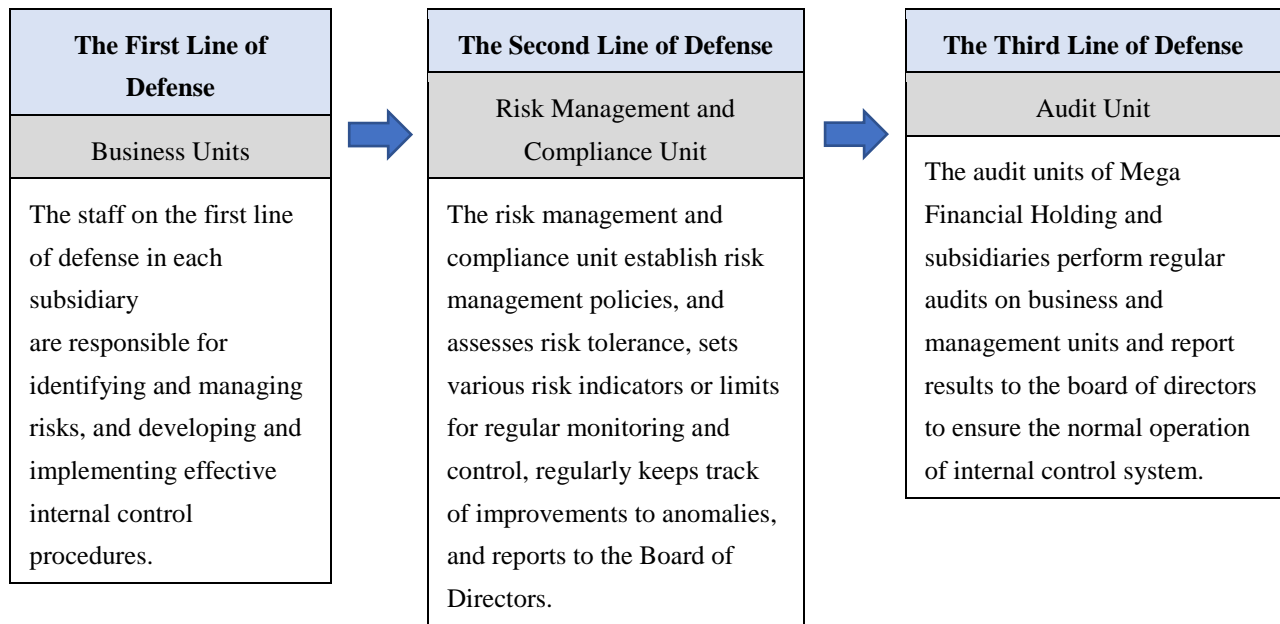
Mega Group has established an Enterprise Risk Management (ERM) framework, formulated risk management policies and guidelines, and formulated clear management guidelines for market, credit, operations, liquidity risks, capital adequacy, and emerging risks (including climate), as to implement

risk control in investment, credit and other related businesses. The main business items are explained as follows:

Item	Description
Credit Risks	<ol style="list-style-type: none"> 1. Climate risks have been included in the review and management process of investment and financing, and investment and financing targets are managed differently based on credit risk and ESG risk. 2. Decarbonization policies and industrial policies have been formulated, and those that are “prohibited industries/targets” will not be contracted. High-risk industries/targets will be gradually divested or restricted, or post-loan management or risk reduction measures will be strengthened.
Market Risks	<ol style="list-style-type: none"> 1. Incorporate ESG and climate risks into pre-transaction investment assessment and post-investment management mechanisms, and continuously monitor the impact of climate risks on existing market risk positions and future investments. 2. Investment limits related to ESG high-carbon-emission industries have been set and included in annual risk management goals. The investment limits are regularly reviewed and gradually lowered.
Operational Risks	<ol style="list-style-type: none"> 1. Considering the possible impact of climate risk events on daily operations, physical risks have been included in the disaster (crisis) response management process. 2. We conduct regular disaster preparedness training and sets up emergency disaster drills at a second back-up office and Disaster Recovery Drills plans to ensure business continuity when a disaster causes business disruptions.
Emerging Risks	<ol style="list-style-type: none"> 1. Mega Group not only incorporates existing risk assessments but also includes emerging risks in the scope of risk management. The Group issues questionnaires to various units to evaluate significant emerging risks and makes it an important part of Group risk management. 2. After risk identification and assessment, the top two emerging risks in the next 3 to 5 years were screened out, namely “cybercrime and information security threats” and “emerging infectious diseases”, and relevant response measures were formulated. (See 2023 Sustainability Report for details)

3.1.2 Three Lines of Defense in Climate Risk Management

To effectively implement risk management, the Group adopts Three Lines of Defense for risk management. The first line of defense is the operational unit, which identifies, assesses, and controls climate related business risks by following internal control procedures relating to authorization and operating regulations in the course of its business. The second line of defense is the risk management and compliance unit, which is responsible for monitoring and controlling the climate-related risks of the first line of defense. It establishes risk management regulations, regularly examines and monitors the overall risks of the financial institution, conducts scenario analysis and stress testing, adopts measures against anomalies, and reports to superiors. The third line of defense is the audit unit, which ensures that risk management regulations and procedures for controlling internal operations are complete and effectively implemented.



Risk Type	Classification	Response Taken	Chapter
Transition	Policy and Regulations	<ul style="list-style-type: none"> Identify emerging regulations and respond in advance to possible impacts of carbon fees Plan low-carbon transformation development strategies and respond to environmental/energy regulations in advance 	2.1.3 Climate Change Risk and Opportunity Management 3.2 Climate Risk Management in Investment/Financing 4.1 Green Operation — Low Carbon Transformation Development Strategy
	Technology	<ul style="list-style-type: none"> Actively promote the transformation of digital finance, adjust traditional business models to promote paperless and online financial services In line with government policies, launch various project loans to provide funds for enterprises to transform into low-carbon technologies 	2.1.3 Climate Change Risk and Opportunity Management 2.1.4 Climate Operations Strategies
	Market	<ul style="list-style-type: none"> Formulate sustainable financial standards, develop green financial products, and guide capital flows to green industries 	2.1.3 Climate Change Risk and Opportunity Management 2.1.4 Climate Operations Strategies
	Reputation	<ul style="list-style-type: none"> Actively participate in sustainability-related evaluations, including CDP, DJSI, TCSA, etc. Cooperate with government policies and actively promote green financial products SBT for carbon emissions reduction <ul style="list-style-type: none"> Adopting SBTi-required asset categories to reduce emissions and follow its recommended methods(e.g.: Sectoral Decarbonization Approach (SDA), SBT Portfolio Coverage) to plan carbon reduction paths and goals Integrate investment and financing operations into daily management business processes 	2.1.3 Climate Change Risk and Opportunity Management 2.1.4 Climate Operations Strategies
Physical	Immediate	<ul style="list-style-type: none"> Citing the climate risk database and formulating relevant policies to incorporate physical risk considerations into the investment and financing process 	2.2.1 Physical Risks 3.2 Climate Risk Management in Investment/Financing
	Long-term		

Physical Risk Adaptation Plan	Description
A. Disaster emergency response measures/team	<ul style="list-style-type: none"> • In accordance with the Regulations on Response Measures for Disaster Emergencies, Mega Financial Holding and subsidiaries have set up an Emergency Response Team. In the event of a disaster, the team activates a backup mechanism to protect the interest of customers and minimize the company's financial losses. • Mega Bank has formulated key points for disaster (crisis) response and prevention operations so that when a disaster occurs, active and effective response and rescue actions can be carried out to prevent the expansion of damage, eliminate disaster crises and resume normal operations.
B. Disaster Preparedness Training	<ul style="list-style-type: none"> • We conduct regular disaster preparedness training and sets up emergency disaster drills at a second back-up office and Disaster Recovery Drills plans to ensure business continuity when a disaster causes business disruptions. • A total of 22 events were held at the Group's main bases, involving 928 people. The cost of disaster prevention drills in 2023 was approximately NT\$0.2 million, and the base coverage rate reached 100%. • Mega Bank set up a second backup office area. The general affairs office includes the 18F of Mega Financial Building (75 seats) and the back half of the 2F of Taiwan Development Financial Building (30 seats). The Information Center has a second backup office area in the Linkou server room, Taiwan Development Financial Building and Heng-Yang Building. • Prepare an annual budget for disaster prevention drill training expenses and plan and implement it. (Approx. NT\$0.2 million)
C. Business Impact Analysis (BIA)	<ul style="list-style-type: none"> • Implement BIA to improve crisis awareness and strengthen the company's ability to handle disasters and accidents, and reduce operational impacts. (Mega Financial Holding identifies the maximum tolerable interruption downtime of the three key system software, with remote backup set up, and the remote recovery time target is within 4HR) • Statistics show that the actual impact of natural disasters in the past five years was approximately NT\$0.02 million (including maintenance costs). • Mega Bank introduced the ISO22301 business continuity management system and obtained the certification (fee: NT\$3.88 million)
D. Own Assets Insured	<ul style="list-style-type: none"> • The Group insures its own assets to mitigate the risk of extreme weather events which may incur loss to the company, and adopt the purchase insurance to pass through costs or cover losses. (Group premium investment in 2023: NT\$0.8 million)
E. Operating Sites - Site Selection and Consolidation	<ul style="list-style-type: none"> • Consider the impact of extreme weather when adding or selecting major business locations to mitigate the losses that may be caused to the company due to extreme weather anomalies. (4 cases of relocation of Mega Bank in 2023 by site survey)
F. Supply Chain Management	<ul style="list-style-type: none"> • Established a supply chain management mechanism (e.g.: Supplier Sustainability Management Guidelines of Mega Financial Holding, Supplier Sustainability Management Guidelines of Mega Bank) • Mega Financial Holding has budgeted to hold a Group supplier seminar to promote suppliers' response to climate change and support net-zero transformation. (The cost is included in the ESG program costs (around NT\$4 million)).

Physical Risk Adaptation Plan	Description
G. Real Estate as Collaterals -Loss Mitigation	<ul style="list-style-type: none"> In addition to providing price information for homogeneous objects in the area where the collateral is located, Mega Bank's collateral valuation operation also discloses information such as the flooding potential of the location of the collateral. If the collateral is located in a flood potential area, it will be reflected in the valuation. Factors related to the geographic environment of the buildings, such as the terrain, the slope, and the records of natural disasters (flooding, soft soil) in the region, are also included in the valuation assessment for the purpose of lending review and risk assessment. (A total of 53 bank valuation reports were issued in 2023, and the collateral was located in the area with the highest flooding potential)
H. Risks of the Insurance Targets - Loss Mitigation	<ul style="list-style-type: none"> Insurance targets are evaluated to mitigate the risk of extreme weather events which may cause a significant amount of claims, or to adopt insurance to pass through costs or cover losses. Arranged fire and engineering insurance catastrophic excess loss contracts (reinsurance premium approximately NT\$90 million). Specific Measures: If the target's property is insured against typhoons and floods, the Fire Insurance Department will use public information provided online by the government to inquire about the flooding potential of the location of the target property or arrange on-site inspections to understand the risks or use reinsurance points to reduce risks and mitigate losses. (In 2023, commercial fire insurance had underwritten typhoon and flood risks for a total of 614 cases, with a premium of approximately NT\$339 million and a loss rate of 1.7%) The subsidiary CKI has set a limit for losses from claims settlement for a single catastrophe event. In 2023, the cumulative limit of catastrophic losses per peril of \leq NT\$300 million, with an actual value of approximately NT\$98 million in 2023. It is monitored quarterly by the Risk Management Committee and reported to the Board of Directors of Mega Financial Holding, to ensure that catastrophe risk reinsurance strategies are effectively implemented and to reduce the risk of claim settlement.

3.1.3 Business Continuity Plan

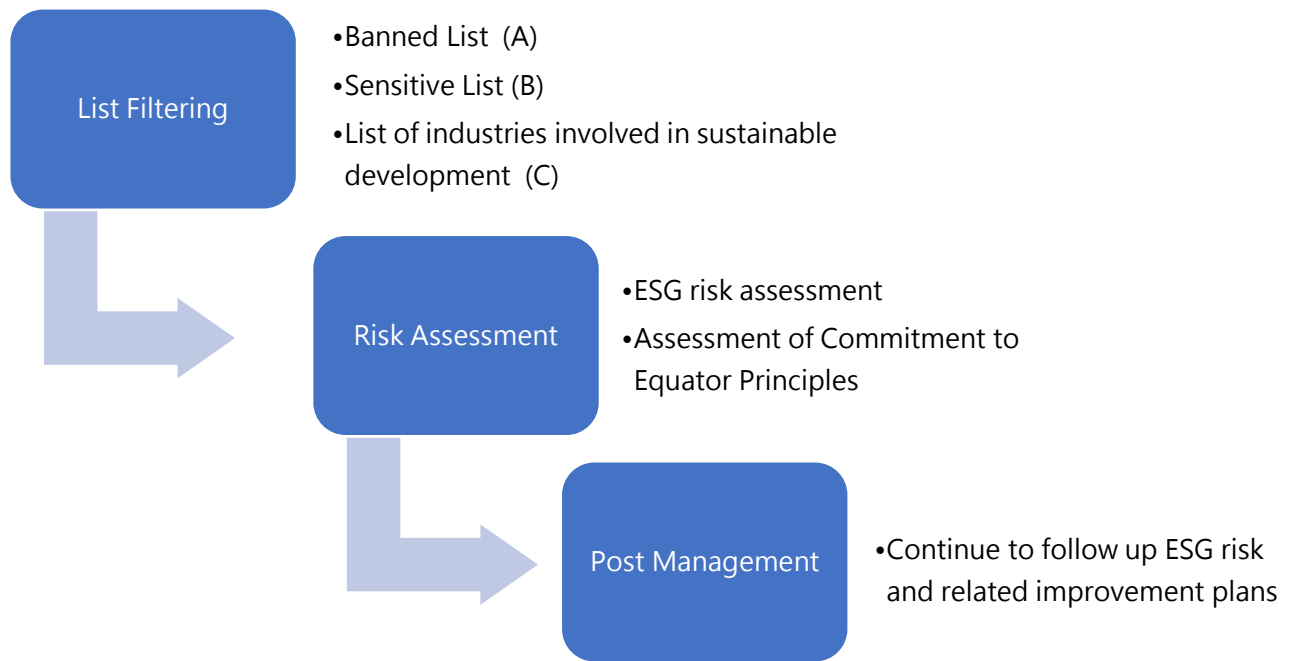
In accordance with the relevant regulations on response measures for disaster emergencies, Mega Financial Holding and subsidiaries have set up an Emergency Response Team. In the event of a disaster, the team activates a backup mechanism to protect the interest of customers and minimize the company's financial losses. We conduct regular disaster preparedness training and sets up emergency disaster drills at a second back-up office and Disaster Recovery Drills plans to ensure business continuity when a disaster causes business disruptions.

Mega Group encourages building management personnel and emergency response team windows to subscribe to the real-time warning service of the National Science and Technology Center for Disaster Reduction (NCDR), which can provide 24HR real-time observation of the latest natural disasters and affected area maps, including a variety of natural disasters such as typhoons, tsunamis, and rainfall, high and low temperatures, drought. Prevent possible disaster losses in advance and initiate contingency plans immediately to strengthen the Group's operational resilience.

Subsidiaries	Drill	Inputs
Mega Bank	<p>(1) The Mega Chi-Lin Building Headquarters completed the employee self-defense firefighting training for the first and second half of 2023 on April 14, 2023 and October 27, 2023, respectively, with 88 and 86 participants respectively.</p> <p>(2) Mega Financial Holding Building completed employee self-defense firefighting training for the first and second half of 2023 organized by Liang Fu Security Corp. on June 9, 2023 and December 8, 2023. The number of participants was 64 and 72 respectively.</p> <p>(3) All 108 branches completed employee self-defense firefighting training in the first and second half of 2023 before June and December 2023 in accordance with regulations.</p> <p>(4) The Information Office conducts disaster prevention education training twice a year, each time lasting four hours. On 2023.02.22, the number of participants was 31 people/venue, with a total of 278 people; on 2023.09.15, the number of participants was 36/venue, with a total of 278 people.</p> <p>(5) The General Affairs Office has a second backup office area on the 18F of Mega Financial Building (75 seats) and the back half of the 2F of Taiwan Development Financial Building (30 seats). The Information Center has a second backup office area in the Linkou server room, Taiwan Development Financial Building and Heng-Yang Building.</p>	Approx. NT\$0.22 million
Mega Bills	In 2023, a total of 10 disaster prevention trainings were held at the head office and branch offices, involving 252 people, with the coverage rate reaching 100%. We set up a second backup office area (Banqiao Branch) and established a Disaster Business Continuity Planning (BCP).	
Mega Securities	<p>(1) The Group's Mega Securities Building completed the self-defense firefighting training for employees in the first half of 2023 on March 17, 2023, with 23 participants. It also completed the self-defense firefighting training for employees in the second half of 2023 on September 15, 2023, with 23 participants.</p> <p>(2) The Group conducts disaster prevention education training once a year, four hours each time. On 2023.10.30, the number of participants was 26/venue, with a total of 511 people.</p>	
Chung Kuo Insurance	<p>(1) Business Continuity Planning (BCP) operating principles. There were two sessions of fire safety training and drill for a total of 87 people at a cost of approximately NT\$12,000, with the drill lasting 8 hours.</p> <p>(2) The overtime pay for 74 off-site drill preparation personnel (including 19 people from the Electronic Data Processing Department) was about NT\$120,000, and the personnel from the head office and branches who registered participated in 4 hours of drill time. The Electronic Data Processing Department's drill implementation staff carried out the drill for 8 hours.</p>	

3.2 Climate Risk Management in Investment/Financing

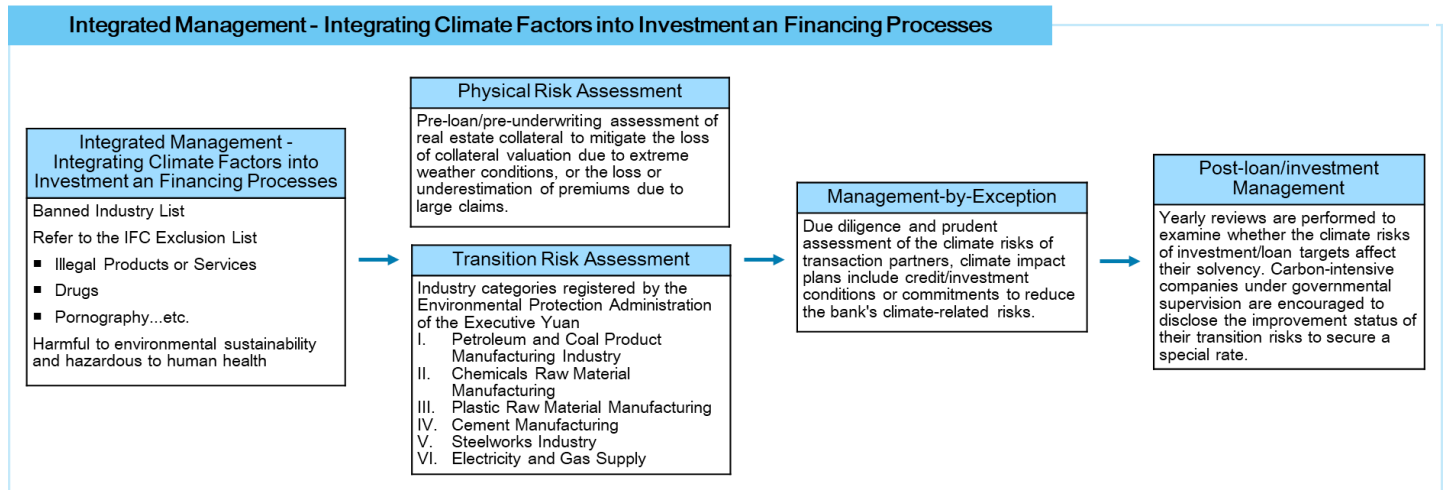
Mega Group is fully aware of the potential impact of climate-related risks on its own business. In recent years, it has incorporated ESG and climate factors into its investment and credit decision-making process in recent years to ensure the management of climate-related risks. It has also strengthened the ESG risk control of its clients through the Prohibited List and the Highly Sensitive Industries List, and supported its clients engaged in industries related to sustainable development.



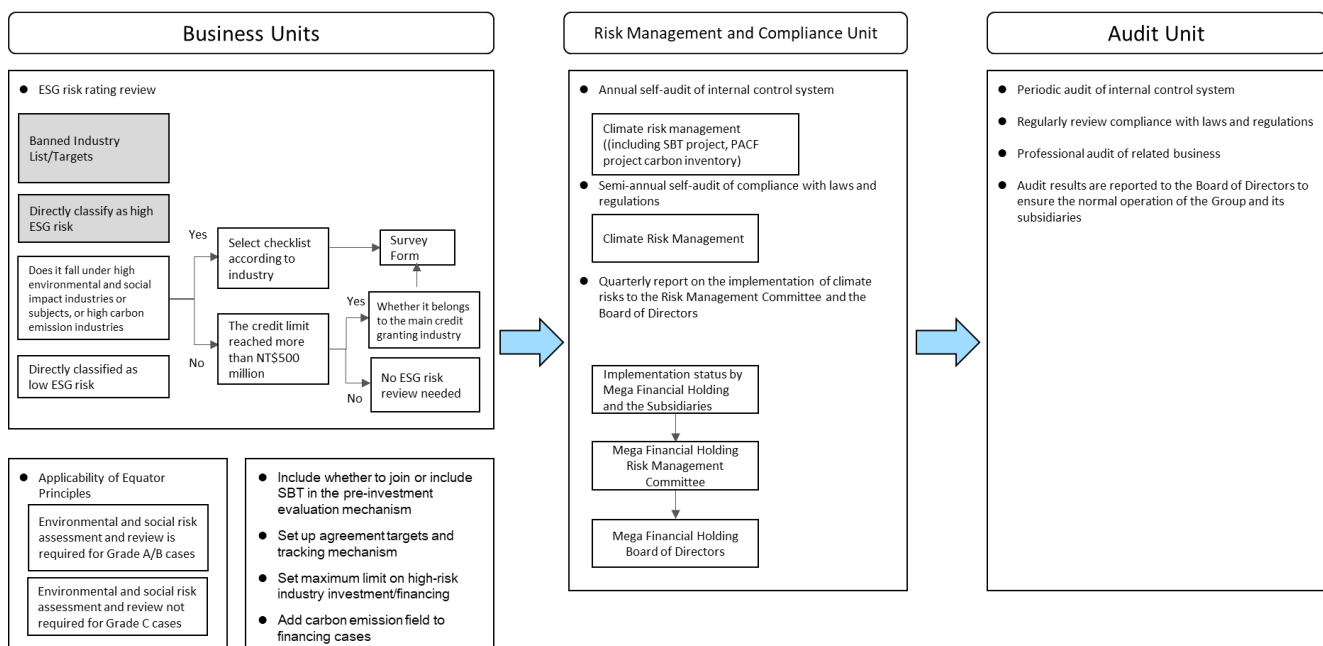
(A) Banned List	(B) Sensitive List	(C) List of industries involved in sustainable development
<ul style="list-style-type: none"> ● Products or activities that violate local laws, regulations, international conventions and agreements. ● Products or activities restricted by domestic or international sanctions. ● Sanctioned individuals or entities under the Anti-Money Laundering and Countering Terrorism Financing Act. ● Activities that involve harmful human and ecological practices, such as the production or sale of drugs, controversial weapons (such as nuclear weapons), illegal weapons and ammunition, illegal gambling (including underground and online), pornography, the use of gillnetting with a gillnet length of 2.5 km or longer, and commercial logging of primary rainforests. 	<ul style="list-style-type: none"> ● Activities involving harmful or exploitative labor, environmental pollution incidents, or violations of the principle of good faith in business operations that have been fined by regulatory authorities and have not been improved. ● Mining and quarrying industries. ● Wildlife leather and fur processing, fur trading. ● Dyeing and finishing industries. ● Non-medical or harmful genetic engineering for human development. ● Manufacture of pesticides and environmental chemicals. ● Chemical products containing harmful heavy metals such as cadmium, mercury, lead, arsenic, and nickel that are harmful to human health. ● High carbon emission industries 	<ul style="list-style-type: none"> ● Renewable Energy ● Energy Technology ● Low Carbon Transportation ● Water Resource Utilization ● Sustainable Architecture ● GHG Reduction ● Circular Economy ● Smart Information and Communication Technology ● Sustainable Agriculture, Forestry, Fishery, and Animal Husbandry ● Companies with Outstanding Sustainability Performances ● Other activities that contribute to reducing carbon emissions, promoting circular economy, and enhancing ESG business or activities.

In accordance with Mega Financial Holding's climate risk management requirements, the main subsidiaries have formulated climate risk-related investment and financing management regulations. They need to

carefully assess the climate risks of investment and financing objects before transactions. For those that are assessed to have significant climate risks, they need to establish a management-by-exception mechanism before the case can be undertaken. In addition to continuing to review its climate-related performance after loans or investment, enterprises should also be actively guided to improve and implement climate-related management to reduce the Group's climate risks.

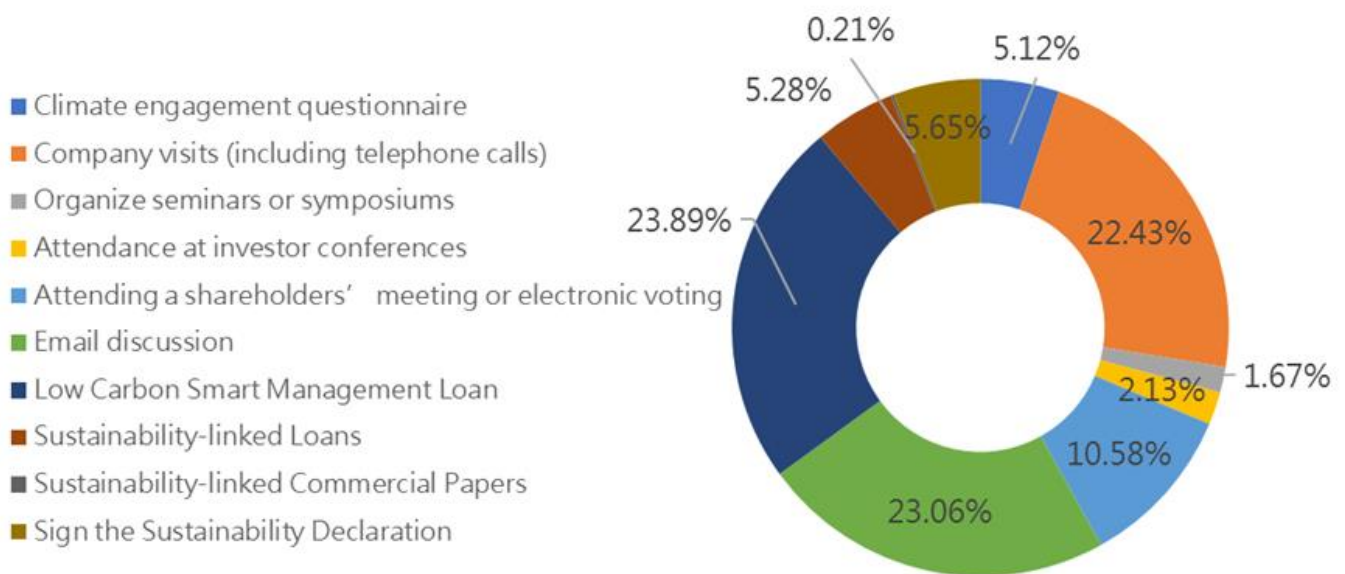


Climate Risk Management in Investment/Financing Flowchart

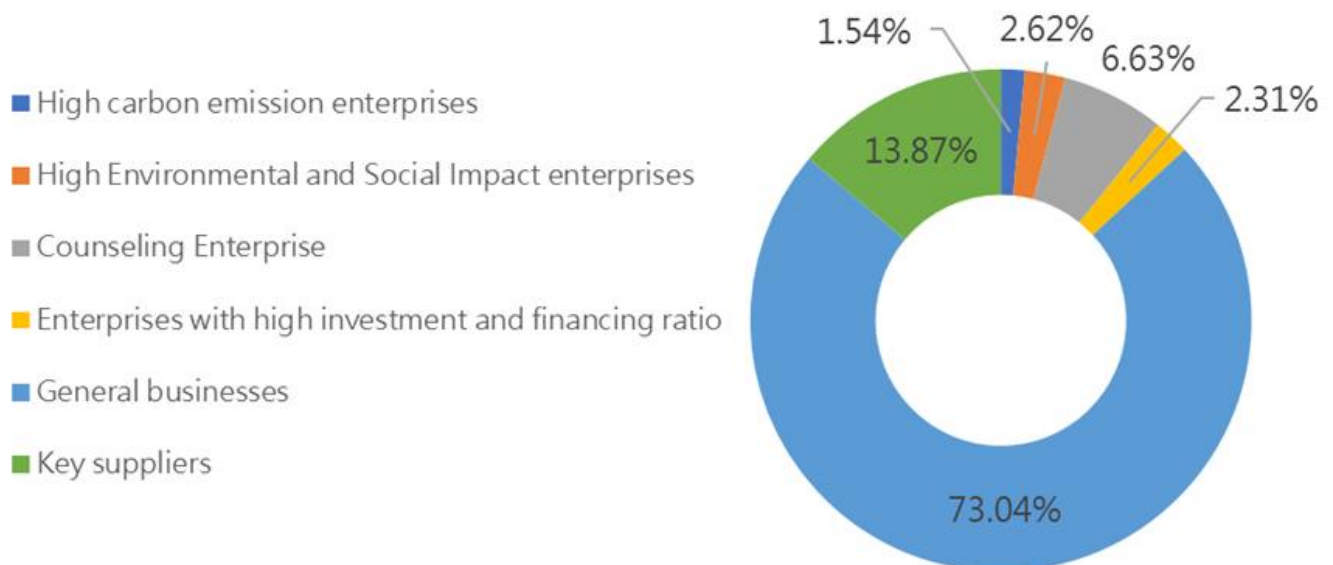


In line with the global net-zero emissions targets, Mega Group is actively engaging with its customers. Statistics of the Group's engagements in 2023 are shown in the table below, which includes the engagement channels, targets, and topics.

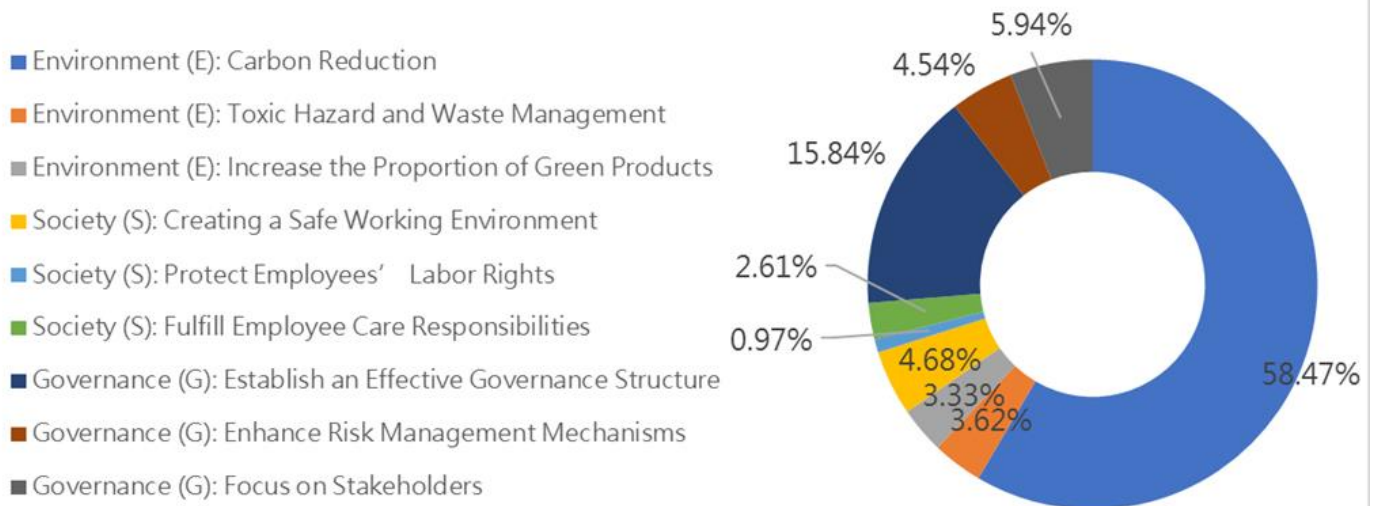
2023 Statistics of Mega Group ESG Engagement Channels



2023 Statistics of Mega Group ESG Engagement Targets



2023 Statistics of Mega Group ESG Engagement Themes



Note 1: Emission-Intensive enterprises are industries or targets stipulated in Article 8 (Highly sensitive industries or targets), Paragraph 1, Subparagraph 2 of the Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries.

Note 2: high environmental and social impact enterprises are industries or targets stipulated in Article 8 (Highly sensitive industries or targets), Paragraph 1, Subparagraph 2 of the Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries.

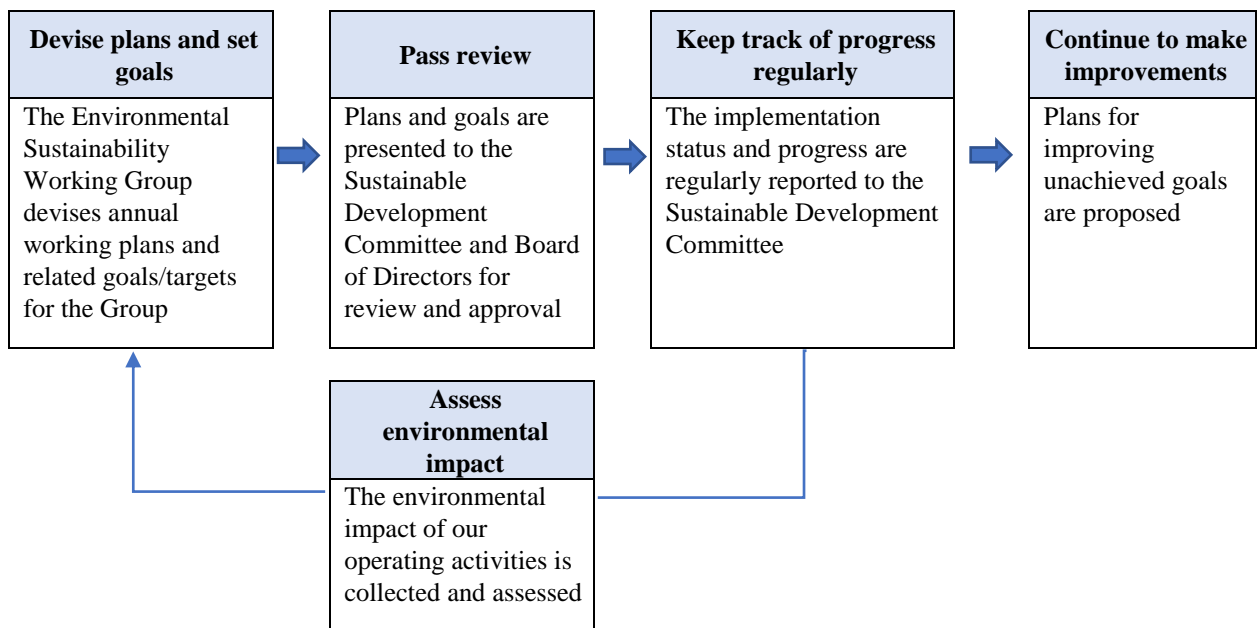
Note 3: Guidance enterprises are the enterprises of IPO and SPO guidance carried out by the securities subsidiary.

Note 4: High investment/financing ratio enterprises refer to the top 20 customers with high investment/financing balance

Note 5: Key suppliers refer to the Group's suppliers who have a single or cumulative transaction amount of more than NT\$1.5 million in the previous year.

4 Climate Metrics and Targets

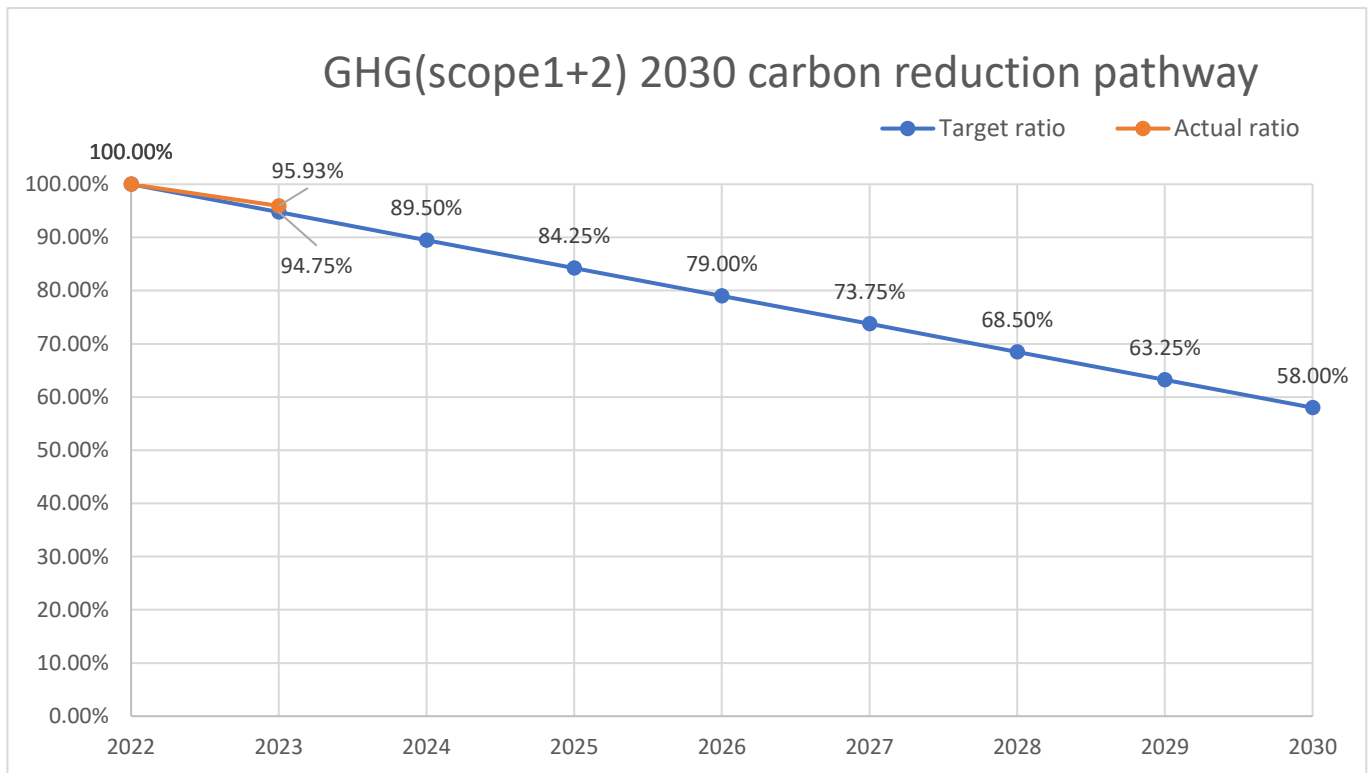
By “Committing to Net-zero Emissions to Achieve Environmental Sustainability” to further control the progress of climate management, through the Environmental Sustainability Working Group under the Sustainable Development Committee, Mega Group complies with the “Mega Financial Holding Sustainable Development Policy” and the “Sustainable Development Best Practice Guidance”. We regularly collect and assess the environmental impact of our operating activities, and then develop working plans and goals for the Group for the year (including climate change, green operations, responsible procurement, and supply chain management). The progress of our goal achievements is regularly reviewed by the Sustainable Development Committee to implement the Group's environmental sustainability management.



4.1 Green Operation — Low Carbon Transformation Development Strategy

In response to climate change issues, Mega Group supports Taiwan's energy transition policy—aiming to reduce coal-fired power, increase natural gas, promote green energy, and realize a nuclear-free homeland to reduce air pollution, conserve energy, and reduce carbon emissions. In addition, Mega Group used the SBT methodology as reference to set the mid-term goal of reducing the Group's GHG emissions (Scope 1+2) by 42% in 2030 as compared with that of 2022, and the long-term goal of net-zero emissions by 2050, which was approved by the Board of Directors in December 2023. As shown in the chart below, the 2023 target value was $\leq 94.75\%$

and the actual value was 95.93%. The main reason for not meeting the target value was due to the difficulty in purchasing T-RECs because of the soaring price, renewable electricity will be purchased in the future to cope with the situation.



- “4.1.1 Greenhouse Gas Emissions Management” explains Mega Group’s greenhouse gas emissions status and management plan. At present, the Group’s 234 business locations (including overseas) have implemented ISO 14064-1 greenhouse gas inventory and passed third-party verification, and have set a three-year plan to expand the coverage of ISO 14001, ISO50001 and green building labels.
- “4.1.2 Use of Renewable Energy” explains how Mega Group achieves the Group’s mid- and long-term climate goals through renewable energy and carbon rights procurement. In 2023, Mega Group used a total of 2,145,000kWh of renewable electricity, which is expected to reduce 1,061.78 metric tons of CO₂e.
- “4.1.3 Energy Saving and Carbon Reduction Measures” shows that Mega Group has actively carried out carbon reduction actions internally. In 2023, by replacing old equipment and reducing business travel activities, it cumulatively reduced 1,051.41 metric tons of carbon dioxide equivalent (tCO₂e).
- “4.1.4 Water Consumption and Waste Management” shows that Mega Group also pays attention to issues related to water consumption and waste.
- “4.1.5 Internal Carbon Pricing” explains how Mega Group has introduced internal carbon pricing to channel procurement funds to environmentally friendly and low-carbon efficient

equipment and investment/financing customers, thereby effectively reducing the Group's carbon emissions.

As of the end of 2023, through the above-mentioned specific carbon reduction actions, Mega Group reduced carbon emissions by 4.07% compared to the base year of 2022. In addition to continuing to implement carbon reduction measures in the future, we will also set short, medium and long-term climate goals in line with government policies such as a nuclear-free homeland, energy transition, and emission reduction, so as to respond early to the “Sustainable Development Roadmap” and “Net-Zero Carbon Emissions Roadmap” implemented by the government of Taiwan.

Item	Description
ISO14001:2015 Environmental Management System	Mega Chi-Lin Building, the headquarters of Mega Bank, was the first to adopt ISO 14001 Environmental Management System in 2017 and gradually completed verifications between 2018 and 2020. This management system was introduced to the headquarters of each subsidiary in 2022. The implementation and verification process was completed in 2023 (including renewal of certification) of all 101 operating locations in northern Taiwan, and the rollout to all 191 operating locations in Taiwan and 1 operating location in Guam is planned to be completed by 2024. Mega Financial Holding has obtained the ISO 14001 certification on September 5, 2022, with the validity period from September 5, 2022, to September 4, 2025.
ISO50001:2018 Energy Management System	Mega Chi-Lin Building, the headquarters of Mega Bank, was the first to adopt ISO 50001 Energy Management System in 2021, it was then adopted by the five headquarters buildings of Mega Group and verification was obtained in 2022. The review process was completed in 2023 to maintain the validity of the certification. Mega Financial Holding has obtained the ISO 50001 certification on September 20, 2022, with the validity period from September 20, 2022 to September 20, 2025.

4.1.1 Greenhouse Gas Emissions Management

In response to climate change issues, Mega Group has strengthened energy and greenhouse gas management and set greenhouse gas emission targets. We regularly disclose GHG emissions every year. Since 2016, five office buildings of the Group have obtained ISO 14064-1 GHG inventory certification statements, with the scope of inventory expanding each year. In 2019, 139 locations in northern and central Taiwan have completed verification, for a coverage rate of 72%. In 2020, the GHG inventory include 192 locations(including 1 in Guam). In 2021, we began calculating the Scopes 1+2 emissions from our overseas locations and completed the GHG inventory of all overseas offices in 2022, achieving 100% Group coverage rate. In 2023, the Scope 1+2 emissions of the entire Group's business locations were reduced by 4.07% compared with the base year.

GHG emission of domestic business locations in the past 4 years (verified by a third party)				
Unit: metric tons CO ₂ e				
Item / Year	2020	2021	2022	2023
Direct greenhouse gas emissions (Scope 1)	2,550.75	3,011.15	2,333.18	1,940.07
Direct greenhouse gas emissions (Scope 1)	1,034.71	998.56	917.73	726.53

2023 Climate and Environmental Report

Company car				
Energy indirect greenhouse gas (GHG) emissions (Scope 2)	18,216.02	17,178.03	17,851.20	16,948.54
Scope 1+2 emissions	20,766.77	20,189.18	20,184.38	18,888.61
Scope 1+2 emission intensity (Metric tons of CO ₂ e/NT\$ thousand in net revenue)	0.00034	0.00034	0.00036	0.00024
Other indirect greenhouse gas emissions (Scope 3)	457,058.00	415,840.08	992,666.95	8,947,787.52
Other indirect greenhouse gas emissions (Scope 3) Business trips	238.99	141.72	115.96	290.24
Other indirect greenhouse gas emissions (Scope 3) Investments and Loans	456,819.00	412,222.75	989,175.34	8,943,847.17
Number of third-party verified domestic locations	192	192	192	192
Third-party verified coverage rate of domestic locations (%)	100%	100%	100%	100%

Note 1: The total number of certificates registered and declared in the National Renewable Energy Certification Center by the Mega Group in 2023 was 2,145, and the total Scopes 1+2 emission measured by market base was 18,888.61 metric tons of CO₂e.

Note 2: In 2020, Mega Group's inventory of Scope 3 emissions was conducted on Mega Financial Holding and all subsidiaries; the category of emission was "business travel" and "investments" in other indirect GHG emissions. In 2021, the range of Scope 3 emissions inventory was the same as last year; a new category of emission was added: externally purchased electricity upstream. In 2022, the scope and categories of the Scope 3 emissions inventory was the same as the previous year, except that the category of "investment" was expanded to include "equity investment" and "corporate financing". The inventory in 2023 was the same as the previous year, with the addition of "waste generated during operations" to the emissions category and the expansion of the "investments" category to include "corporate bonds", "real estate investment trusts (REITs)", "sovereign bonds", "commercial property loans", "real estate guaranteed loans", "project financing", and "transportation vehicle loans".

Note 3: The external verifying unit for 2020 was the Taiwan Branch of British Standards Institution (BSI). The external verifying unit for 2021 and 2022 was SGS Taiwan. In 2023, it was DNV GL Business Assurance Co., Ltd.

Note 4: The types of greenhouse gas calculated is CO₂, CH₄, N₂O, and HFCs.

2023 Total GHG Emissions and Intensity of Domestic and Overseas Operational Sites

Unit: Metric tons CO₂e

Item	Domestic Operational Sites	Mega Bank Overseas Locations	Total number of business locations of the Group
Number of business locations(excluding sites with the same address)	192	39	231*
Third-party verified coverage rate (%)	100%	100%	100%
Direct greenhouse gas emissions (Scope 1)	1,940.07	324.11	2,264.18
Scope 1 emission intensity (Metric tons of CO ₂ e/NT\$ thousand in net revenue)	0.00002509	0.00000419	0.00002928
Energy indirect greenhouse gas (GHG) emissions(Scope 2)	16,948.54	1,830.68	18,779.22
Scope 2 emission intensity (Metric tons of CO ₂ e/NT\$ thousand in net revenue)	0.00021919	0.00002368	0.00024287

Note 1: The external verifying unit of the domestic operational sites for 2023 was DNV GL Business Assurance Co., Ltd.; The external verifying unit of Mega Bank's overseas locations for 2023 was ARES International Certification.

Note 2: Taking into account the industrial characteristics of the financial sector, the denominator of the emission intensity is calculated using the overall net income of the Group.

Note 3: The number of the Group's global business locations is 234. Locations marked with * are the GHG inventory sites after excluding locations with the same address.

Currently, Scope 1 emissions are dominated by oil and natural gas used by company vehicles; Scope 2 emissions are mainly from purchased electricity. In 2020, all operating locations in Taiwan underwent the Scope 3 verification, covering “waste generated during operations”, “business travel”, and “investment”. In 2021, a new category of emission was added to the range of Scope 3 emissions inventory: “externally purchased electricity upstream”. Based on the data results of the inventory, we dynamically formulate carbon reduction implementation plans, such as using hybrid vehicles or electric scooters with environmental labels for company vehicle rentals and introducing the PCAF methodology to calculate the carbon emissions of investment portfolios.

Scope	Analysis of Greenhouse Gas Emission Trend Over the Years
1	Scope 1 greenhouse gas emissions have gradually increased over the past four years to the highest point in 2021. This is mainly due to the gradual expansion of the scope of the inventory, which now cover all operating sites in Taiwan. In addition, due to the impact of the COVID-19 pandemic in recent years, personnel in the Group have reduced the frequency of use of company vehicles, so energy intensity is slowing in growth.
2	Scope 2 greenhouse gas emissions gradually decreased over the past four years. In addition to the decline in the national electricity emission coefficient, the Group has also gradually replaced old lighting fixtures and air-conditioning equipment to reduce carbon emissions generated by electricity consumption.
3	In 2019, the Group started to introduce the inventory of GHG emissions in Scope 3, expanding the scope and categories in the inventory year by year. We have already introduced international methodologies (e.g. PCAF) to compile statistics on carbon emissions generated by the Group's investment/financing.

4.1.2 Usage of Renewable Energy

Mega Group belongs to the financial services sector and its main energy use comes from electricity consumption in office buildings. Therefore, its Scope 1 emissions are low and it is not a “large power consumer” as defined by the government. For example, we voluntarily adopt various energy conservation and carbon reduction measures, such as purchasing renewable energy certificates, using environmentally friendly cars, hybrid cars, and electric cars as company vehicle, replacing old and energy-consuming machines and equipment.

In 2019, Mega Group completed the T-REC transaction for the first time. Through the online platform of the National Renewable Energy Certification Center, we purchased renewable energy certificates from the Hakka Affairs Council, Kaohsiung City Animal Protection Office, and National Penghu University of Science and Technology. By 2022,

we accumulated the purchase of 1,176 certificates. However, considering that the supply of T-RECs is unstable and prices are soaring year by year, to achieve the Group's SBT goal, we will gradually increase the proportion of renewable electricity for Mega Financial Holding and subsidiary headquarters from 2023.

In 2023, Mega Group used a total of 2,145,000kWh of renewable electricity, which is expected to reduce 1,061.78 metric tons of CO₂e. In 2024, more than 60% of green power is expected to be utilized in the main headquarters building of Mega Group. The goal is to use 100% renewable energy in our own domestic operations by 2030 and 100% renewable energy in our global operations by 2050.

In addition, in conjunction with the official launch of the carbon rights trading platform by Taiwan Carbon Solution Exchange on December 22, 2023, Mega Group actively responded and became the first batch of international carbon rights buyers. It will subsequently be used to offset ISO 14064 greenhouse gas inventory business travel emissions. We will fully support the government to move towards the carbon pricing era.

Item / Year	Year	Carbon Reduction Performance (Metric tons of CO ₂ e)	Compared to the previous year (%)	Input cost (NTD)	Description of emission reduction practices
Use of Low Carbon Energy	2021	190.76 (380 T-RECs)	6.47%	700,457	In 2022, 298 renewable energy certificates was purchased from the National Penghu University of Science and Technology. In 2023, renewable electricity was purchased from Tatung Forever Energy and the power generation types were all solar energy.
	2022	151.68 (298 T-RECs)	-20.49%	655,898	
	2023	1,061.78	600.01%	11,658,254	

4.1.3 Energy Conservation and Carbon Reduction Measures

Mega Group's carbon reduction measures for Scope 1 and 2, such as the rental of hybrid vehicles in 2023, amounting to 70% of the total number of buses purchased (including rental) in the current year, with a total investment of approximately NT\$41,166,400, is expected to reduce carbon emissions by 195.29 metric tons of CO₂e.

Mega Group replaced the old air conditioners (178 units in total) in the building and selected high efficiency air-conditioning equipment with energy saving label and R410A environmentally friendly refrigerant to save energy and utilize the existing refrigerant pipeline. In the same year, we also completed the replacement of air conditioners and lighting equipment at our main business locations, with a total investment of approximately

2023 Climate and Environmental Report

NT\$26,247,200, which is expected to reduce carbon emissions by 856.12 metric tons of CO₂e, and save electricity costs by approximately NT\$3,316,136 per year.

In addition, Mega Group replaced 7,045 lighting fixtures; the inverter split unit air conditioners have all been replaced with environmentally friendly refrigerants; implemented a one-hour lights out during lunch break; adopted an electronic document system to implement paperless meetings and online operations to save electricity and paper waste on printers.

Emission reduction practices in the past 3 years					
Type of Activity	Year	Estimated carbon reduction (Metric tons of CO ₂ e)	Compared to the previous year (%)	Input cost (NTD)	Description of emission reduction practices
Reduce Scope 1 emissions: Reduce gasoline consumption	2021	18.14	-1.80%	21,558,000	<p>The gasoline consumption was mainly from company cars. The action plan is as follows:</p> <ul style="list-style-type: none"> ● Video conferences were launched to replace business trips. For necessary business trips, mass transportation was encouraged to avoid the use of gasoline. ● Eco-labeled cars, hybrid cars, and electric motorcycles were rented as company cars to increase fuel efficiency. ● In 2023, the number of hybrid vehicles purchased (including rental) reached 70% of the total number of official vehicles purchased in that year, and it is planned to reach 100% of the total number of official vehicles purchased (including rental) in a year by 2026.
	2022	60.81	235.24%	29,210,984	
	2023	195.29	221.14%	41,166,400	
Reduce Scope 2 emissions: Reduce electricity consumption	2021	250.11	-1.42%	17,485,000	<p>Electricity was mainly consumed by office equipment. Thus, energy-consumption equipment is managed by controlling the use of air conditioning facilities, elevators, lights, computers, and printers to effectively reduce electricity consumption. The action plan was as follows:</p> <ul style="list-style-type: none"> ● Replaced 7,045 lighting equipment in offices and replace traditional lighting with LED lamps.
	2022	746.91	198.63%	40,059,928	

2023 Climate and Environmental Report

	2023	856.12	14.62%	26,247,200	<ul style="list-style-type: none"> ● Replaced 178 air-conditioners; both Mega Financial Building and Mega Heng-Yang Building have switched to using energy-saving water chillers. ● Introduce natural lighting and reduce the number of lamps in staircases; install infrared sensors to automatically switch lights on and off in areas with less usage. ● Control electricity consumption according to the power conservation plan implemented by Taiwan Power Company. ● Implement training courses on energy conservation and post energy conservation slogans to save electricity of air conditioning, elevators, computers, and water dispensers.
<p>Note 1: Estimated reduction of Scope 1 emissions was calculated using the GHG Emission Factor Management Table Version 6.0.4 published by the Ministry of Environment.</p> <p>Note 2: Estimated reduction of Scope 2 emissions was calculated using the Electricity Carbon Emission Factor for Electricity Retailing Utility Enterprise published by the Bureau of Energy.</p>					

4.1.4 Water Consumption and Waste Management

Water Resource

Mega belongs to the financial service sector. Our operating activities consume mainly general domestic water, which poses minimal impact on the environment. However, because Taiwan is located in a water-stressed region, we set a target of saving 0.5% of water each year to achieve a 2.5% reduction by 2025 compared to 2020 (mid-term goal) and 5% reduction by 2030 compared to 2020 (long-term goal). We also manage water resources in our business operations by using multiple channels to urge employees to save water and by purchasing/replacing water-saving devices (e.g., sensor taps and dual flush toilets).

Total water consumption in the last 4 years					
Unit: Million Liter					
Item	Source	2020	2021	2022	2023
Water withdrawal	Third-party water (Taiwan Water Corporation)	194.041	187.920	183.047	194.491
Water Consumption per Capita		0.02186	0.02212	0.02084	0.02142
Note 1:The scope of water consumption data is based on actual months of water consumption and covers the 192 business locations in Taiwan (minus the same address). Water was mainly supplied for air conditioning and to employees for daily use.					

Note 2: Water sources were from municipal water supplies, which are fresh water ($\leq 1,000$ mg/L total dissolved solids), without the use of groundwater or otherwise. Used wastewater was discharged into sewers.

Note 3: Using the water resource risk assessment tool of the World Resources Institute (WRI), revealed that the Group's business locations in Taiwan are all situated in areas with low-medium water stress level.

Waste Management

Due to the characteristics of the industry, Mega Group does not generate toxic waste during the operation process. However, we set a target of 2% reduction from the base year in the short-term (2022-2023), 5% reduction from the base year in the mid-term (2022-2025), and 10% reduction from the base year in the long-term (2022-2030). We will also actively promote resource recycling, waste separation and recovery. In 2023, there was an increase of about 33.589 metric tons (6.02%) over the base year, and the relevant advocacy measures will continue to be strengthened in the future.

Waste output in the last 4 years					
					Unit: Metric ton
Year		2020	2021	2022	2023
Scope		Five self-owned buildings	Five self-owned buildings	All domestic bases	All domestic bases
Disposed of Directly	General domestic waste (Non-recyclable)	144.588	125.756	314.532	338.771
	Kitchen waste	30.421	18.751	49.713	43.470
	Total	175.009	144.507	364.245	382.242
Recycled resources (Reused)	Paper containers and waste paper	48.699	48.634	175.533	191.405
	Iron and aluminum cans	0.564	0.861	2.946	2.535
	Plastics	1.604	2.157	12.527	13.076
	Glass	N/A	0.027	1.822	1.493
	Batteries	0.169	0.180	0.222	0.128
	Light tubes/bulbs	0.909	0.454	0.546	0.551
	Total	51.945	52.313	193.596	209.188
Total output		226.954	196.820	557.841	591.430

Note 1: The scope of data on wastes before 2021 included Mega Group's five main office buildings (Mega Financial Building, Mega Chi-Lin Building, Mega Securities Building, Mega Insurance Building, and Mega Heng-Yang Building). In 2022, it was expanded to statistics on waste from all domestic bases.

Note 2: Mega Holdings Group's main operating activities are carried out in an office environment and, therefore, do not produce any hazardous waste.

Note 3: All wastes are treated off-site. Domestic wastes are generally incinerated, and kitchen wastes are incinerated or disposed of as animal feeds and composting.

Note 4: There are no data related to glass waste in 2020.

4.1.5 Internal Carbon Pricing (ICP)

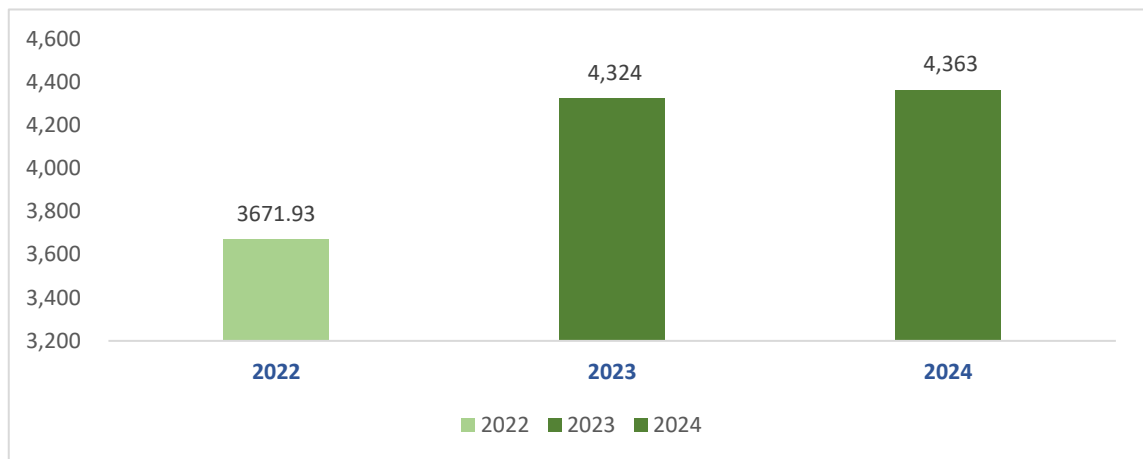
With reference to the Net Zero scenario of NGFS, where the estimated carbon value in 2030 is approximately US\$142 (approximately NT\$4,363)/metric ton, Mega Group has piloted the introduction of Internal Carbon Pricing (ICP) in order to achieve carbon reduction/electricity saving targets, and the main business is described as follows:

- Large carbon emitters listed by the Ministry of Environment - financing business management

The loan recipients are a total of 121 large carbon-emitters subject to the regulations of Taiwan's Ministry of Environment. The estimated ICP was put into the internal credit rating model and the expected loss of credit risk due to transition risk was calculated based on the change of internal credit rating. As a result of the analysis, a total of 4 emitters were downgraded by two levels and 33 emitters were downgraded by one level. This will be used as a reference for the financing business.

- GHG emissions (Scopes 1+2)

With 2022 as the base year, the cumulative reduction by the end of 2023 was approximately 1,051.41 metric tons of CO₂e, with an estimated saving savings of NT\$4.6 million through internal carbon pricing.



In the future, Mega Group will further expand the implementation of internal carbon pricing to guide the low-carbon transformation of businesses. At the same time, the Group will refer to the global carbon price trend and continuously review the price of internal carbon pricing to ensure that the internal carbon pricing accurately reflects external carbon costs.

4.2 Carbon Asset Exposure Risk

To effectively control climate risks, the Group refers to the list of companies in the “Mandatory Greenhouse Gas Reporting System” of the Ministry of Environment, Executive Yuan, Executive Yuan, in order to define the “high carbon emission industry list”. This is regulated under the Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries”. Each subsidiary conducts evaluation and classification based on these guidelines during the investment and credit process, and establishes a control mechanism to set credit and investment limits for high-carbon emission industries.

2023 Climate and Environmental Report

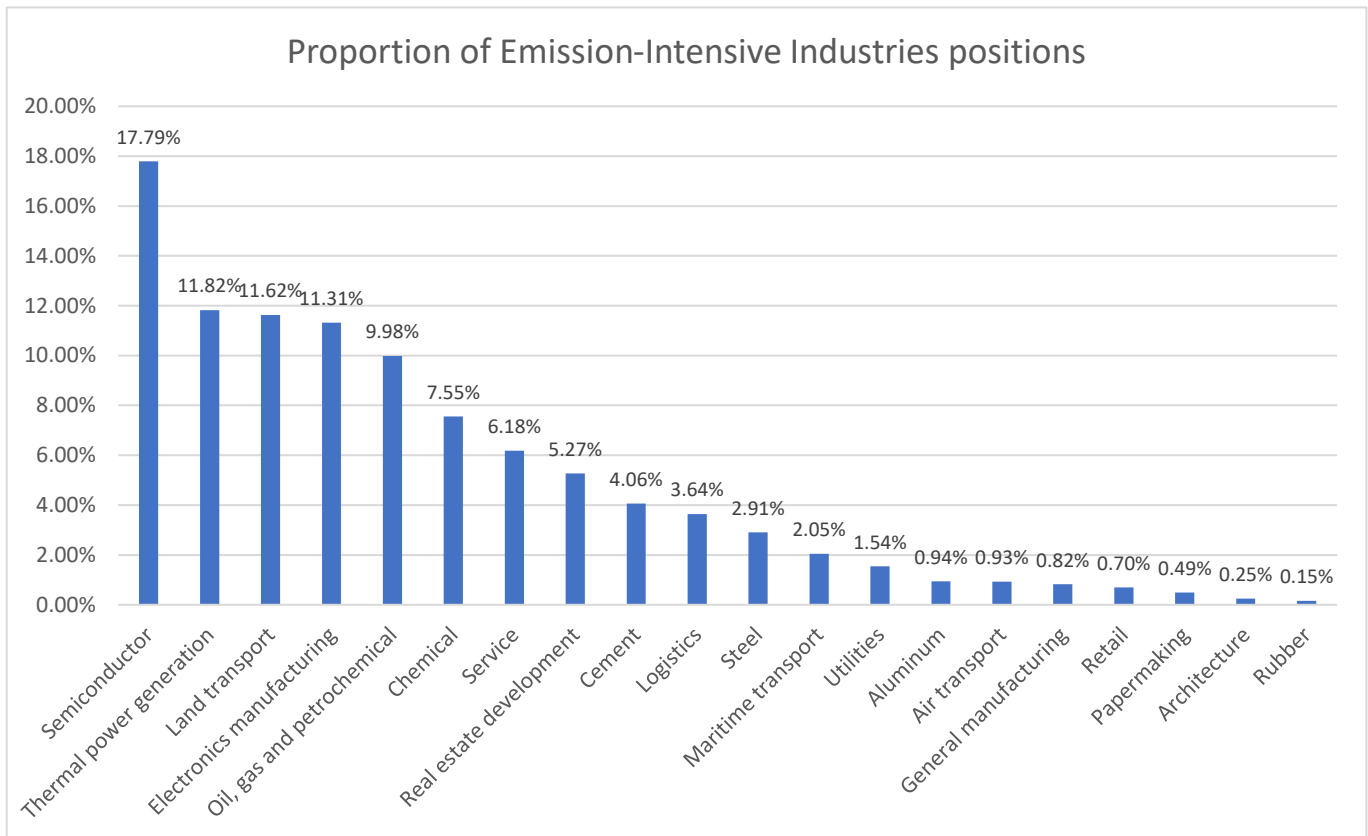
In 2023, the financing balance for high-carbon emission industries accounted for 5.98%, with the chemical raw material manufacturing industry accounting for the highest proportion (1.97%). In addition, the investment balance accounted for 19.03%, with the power supply industry accounting for the highest share (9.17%). The financial carbon emissions of the investment and financing balance of high-carbon emission industries were approximately 1,176,700 metric tons of carbon dioxide equivalent (tCO₂e). Please refer to “4.3 Investment and Financing Portfolio Emissions” for detailed calculation of financial carbon emissions. (The carbon emission intensity of all assets in 2023 was 3.59tCO₂e/NT\$ million)

High carbon emission industries	Financing Percentage (%)			Investment Percentage (%)		
	2021	2022	2023	2021	2022	2023
Petroleum and Coal Product Manufacturing Industry	0.32%	0.62%	1.50%	6.52%	6.79%	5.22%
Chemical raw materials manufacturing	1.25%	1.76%	1.97%	2.94%	2.61%	2.16%
Plastic raw materials manufacturing industry	0.22%	0.26%	0.21%	0.25%	0.40%	0.39%
Cement manufacturing	0.17%	0.27%	0.34%	2.76%	1.76%	1.31%
Steelwork industry	0.24%	0.38%	0.27%	0.37%	0.66%	0.78%
Electricity supply	0.68%	1.31%	1.68%	6.91%	10.02%	9.17%
Subtotal	2.87%	4.60%	5.98%	19.74%	22.23%	19.03%
All Industries	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Carbon Emissions from Emission-Intensive Enterprises

At the end of 2023, Mega Group was invited by the Financial Supervisory Commission (FSC) to formally join the “Coalition of Movers and Shakers on Sustainable Finance”. We are committed to enhancing the resilience to climate change risks, guiding the flow of capital to low-carbon technologies, energy and equipment, and assisting enterprises in their low-carbon transformation, thus giving full play to financial influence. In this regard, Mega Group referred to the Guideline for Financial Emissions Calculation to reveal the total carbon emissions and industry sectors of emission-intensive operators in major domestic investment and financing positions in Taiwan, so as to understand the distribution of emission-intensive operators by industry and to adjust the related carbon reduction strategies on a rolling basis. In 2023, the total carbon emissions of major domestic investment and financing positions classified as high carbon emissions was

4,635,785.92 tCO₂e, of which the share of industrial sectors was 17.79% for semiconductors, 11.82% for thermal power generation, and 0.15% for the rubber industry.



Note 1: The major domestic investment and financing positions classified as high carbon emissions refer to enterprises that account for the top 60% of the total carbon emissions of domestic investment and financing positions.

Note 2: Percentage of high-carbon emitters' industrial sector = high-carbon emitters' industrial position / high-carbon emitters' total industrial position.

4.3 GHG Emissions of Investment / Lending Portfolio

The carbon emissions of the Group's Scope 3 investment and financing portfolio in 2023 were 8,943,847 metric tons of carbon dioxide equivalent (tCO₂e), the carbon emission intensity was 3.59 tCO₂e/NT\$ million investment and financing balance), and an overall data quality of 3.02 (with a data quality of 1 being the best and 5 being the worst). Mega Group has formulated a specific carbon reduction action plan in accordance with the SBT carbon reduction targets and adjusted its carbon reduction strategy on a rolling basis in accordance with its annual financial carbon emissions, in order to gradually reduce the carbon emissions of high-carbon emitting industries.

2023 Climate and Environmental Report

	2022	2023
Investment and financing portfolio carbon emissions (tCO ₂ e)	5,383,460.85	8,943,847.17
Economic Emission Intensity (tCO ₂ e/NT\$ million)	3.77	3.59
Inventory Coverage	42.29%	70.58%
Data Quality	3.00	3.02

Note 1: Inventory coverage = inventoried investment position balance (sum of FVPL, FVOCI, AC, loans, and excluding discounted items).

Note 2: The data quality score is calculated according to the PCAF methodology (1 is the best, 5 is the worst).

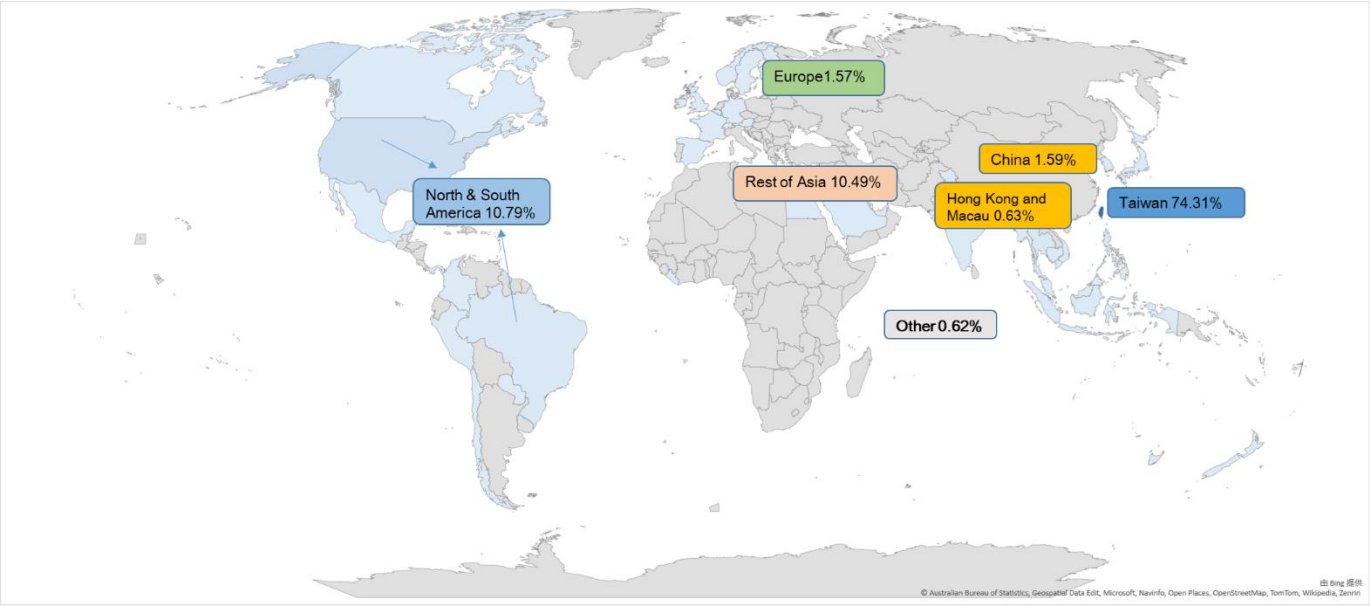
Note 3: The increase in inventory coverage in 2023 compared to 2022 was mainly due to the inclusion of SMEs, short-term corporate loans, sovereign bonds, and other asset items.

The results of the inventory of financial emissions of the investment and financing portfolio in 2023 are summarized by asset, region and industry in the table below:

Asset Category	Mega Group Recognized Emissions (tCO ₂ e)	Economic Carbon Emission Intensity (tCO ₂ e/NT\$ million)	Percentage of Emissions	Data Quality
Power Generation Project Finance	0.00	0.00	0.00%	3.00
Commercial Real Estate	312,143.88	2.02	3.49%	4.00
Power Generation Related Loans	0.00	0.00	0.00%	3.00
Corporate Loans	4,948,335.08	3.53	55.33%	3.35
Mortgages	91,352.53	0.27	1.02%	4.00
General Project Financing	149,580.58	6.40	1.67%	4.00
Motor Vehicle Loans	317.09	2.44	0.00%	4.00
Corporate Bonds/Stocks	2,622,728.33	5.80	29.32%	1.43
REITs	611.33	1.16	0.01%	4.00
Sovereign Debt	818,778.35	6.99	9.15%	1.00
Total Assets	8,943,847.17	3.59	100%	3.02

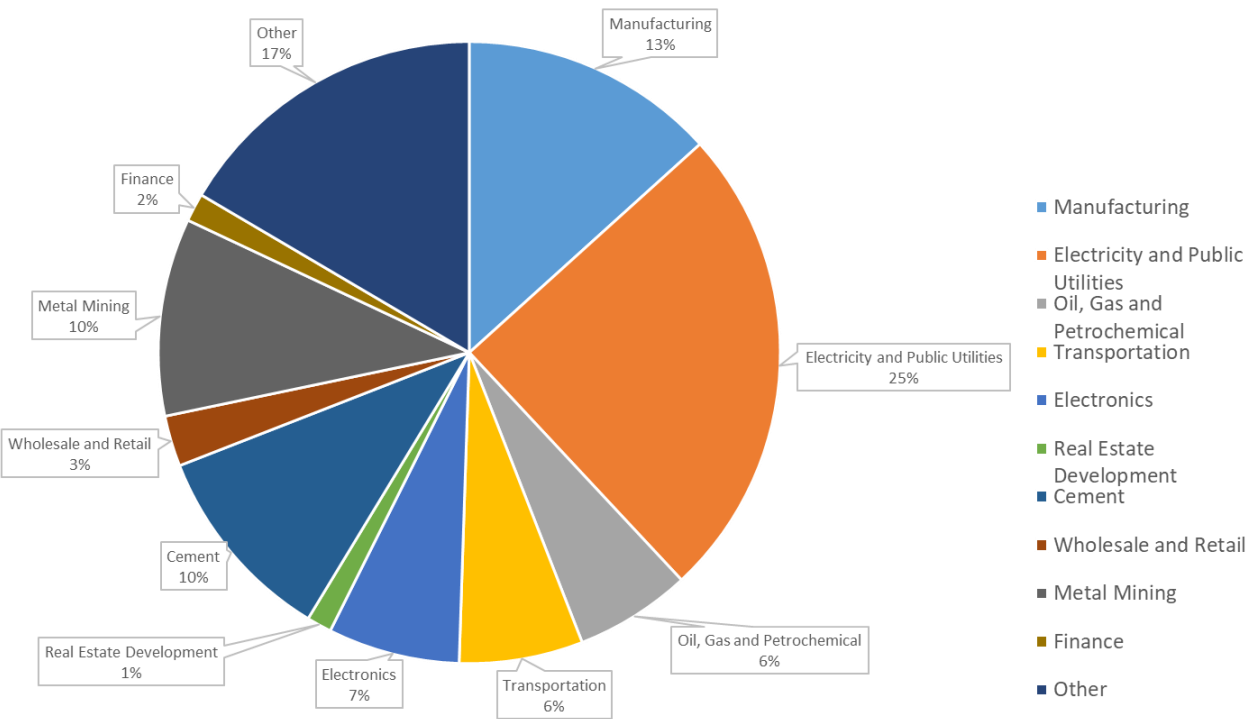
Note: “Sovereign bonds” and “loans to small and medium-sized enterprises (SMEs) and short-term loans” were added to the inventory.

Carbon Emissions Region



Carbon Emissions Industries

Mega Financial Holdings’ 2023 Investment and Financing Emissions Industry

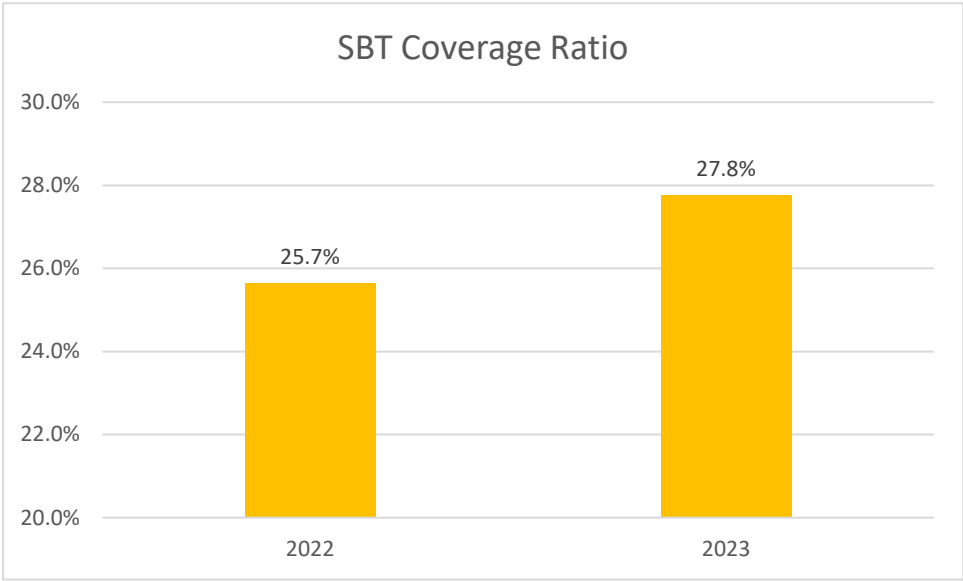


4.4 Investment and Financing Portfolio - SBT

Mega Group already submitted the SBT targets to the SBTi international organization for review and passed the SBT target review in June 2024. SBT, strategies and planning actions are described in the table below:

Asset Category	Objectives Setup Methodology	Carbon Reduction Goal	Current Progress	Planned Action
Investment	SBT Portfolio Coverage	The percentage of SBT set has increased to 39.6% in the target year (2028) compared to the base year (2022).	The 2023 investment position target of 19.14% has completed the SBT setup.	I. Investment: Stop undertaking investment in power plants that generate >50% of electricity from coal.
Financing Position	Sectoral Decarbonization Approach (SDA)	<ol style="list-style-type: none"> Power Generation Project Financing: Financing will only be provided to renewable energy generation projects until 2030. Power Generation Related Loans: Emission intensity (tCO₂e/MWh) decreased gradually from 2023, with a 40.7% reduction by 2030 compared to the base year (2022). Commercial Real Estate: Emission intensity (tCO₂e/ m²) decreased gradually from 2023, with a 50% reduction by 2030 compared to the base year (2022). Long-Term Corporate Loans - Service / Commercial Buliding Sector(including finance, retail, service, real estate development, travel and accommodation, public utilities and biotechnology): Emission intensity (tCO₂e/ m²) decreased gradually from 2023, with a 50% reduction by 2030 compared to the base year (2022). 	<ol style="list-style-type: none"> Power Generation Project Financing: Financing was only provided to renewable energy generation projects in 2023. Power Generation Related Loans: 100% reduction in emissions intensity in 2023 compared to base year (2022). Commercial Real Estate: 5.85% reduction in emissions intensity in 2023 compared to base year (2022). Long-Term Corporate Loans - Service / Commercial Buliding Sector: 24.22% reduction in emissions intensity in 2023 compared to base year (2022). 	<ol style="list-style-type: none"> Financing Position: <ol style="list-style-type: none"> Increase loan support for green and renewable energy power generation projects. Stop financing projects that involve coal-fired power generation plant. Joint Carbon Reduction Action Strategy for Investment and Financing: <ol style="list-style-type: none"> Incorporate customers' carbon emission management into ESG risk assessment as a basis for investment and financing decisions. Establish limits on investment and financing and gradually reduce the investment and financing position of high-carbon emission industries. Improve the quality of carbon inventory data.
	SBT Portfolio Coverage	Long-term Corporate Loan Portfolio (including Oil & Gas Petrochemicals, Electronics Manufacturing, Automotive, Transportation): Loan customers have set SBT target ratios, increasing to 35% in the target year (2028) compared to the base year (2022).	In 2023, 8.83% of the loan customers have completed the SBT setting.	

				<div>4. Identify priority targets for engagement and gradually promote engagement actions.</div> <div>5. Stop undertaking investment in and financing for coal mining and non-traditional oil and gas industries</div> <div>6. Achieve complete divestment from coal-fired power plants by 2040 latest.</div>
--	--	--	--	---

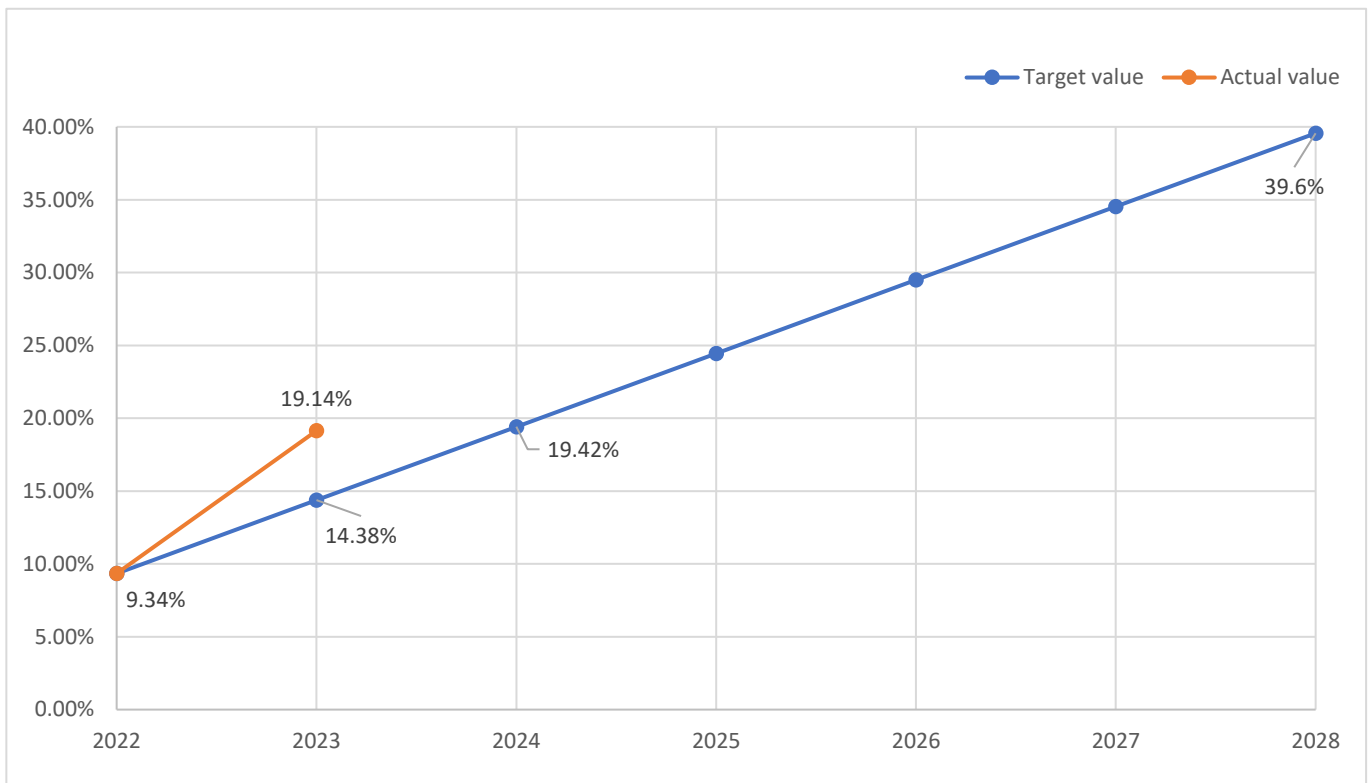


Note: SBT coverage ratio = SBT asset position /Total assets excluding fixed and other assets.

Achievement of Carbon Reduction Goals

● Investment Position - SBT Portfolio Coverage

The target value of investment position in 2023 was more than or equal to 14.38% , the actual value was 19.14%, which was in line with the carbon reduction pathway target.

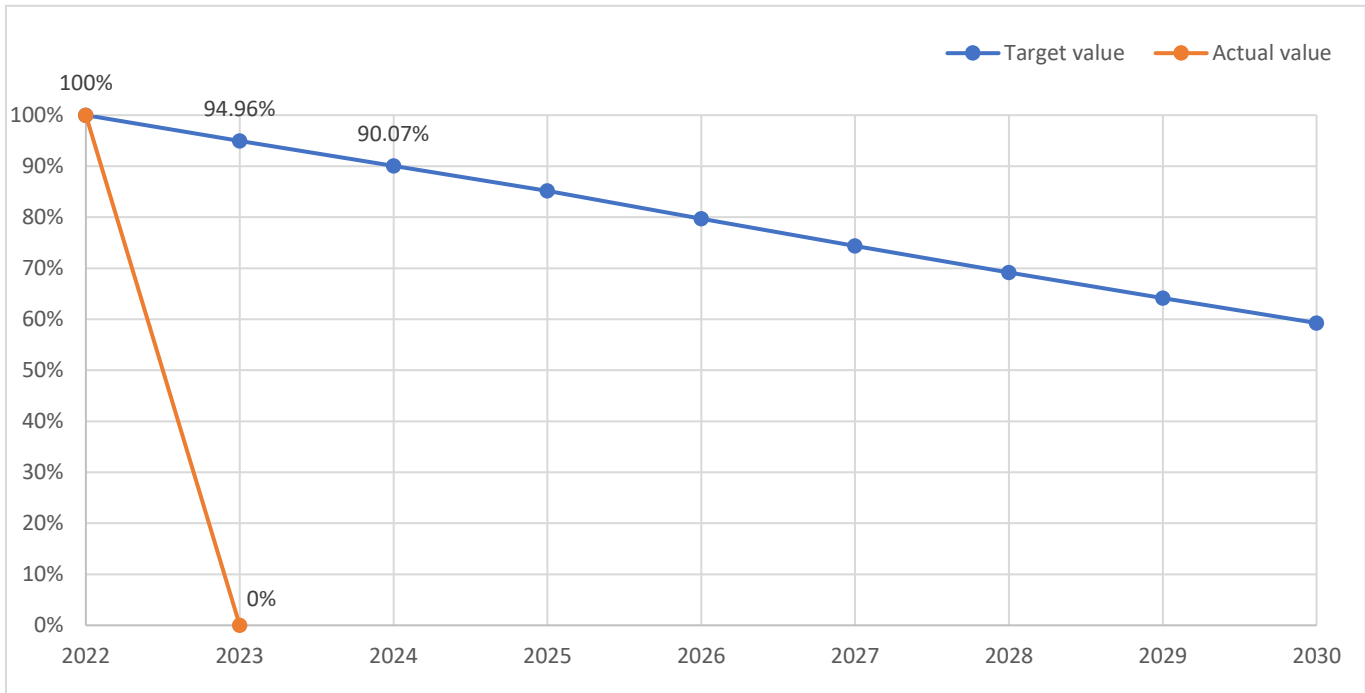


● Power Generation Project Financing

In 2023, financing for renewable energy generation projects was only provided to power generation projects, which was in line with the commitment.

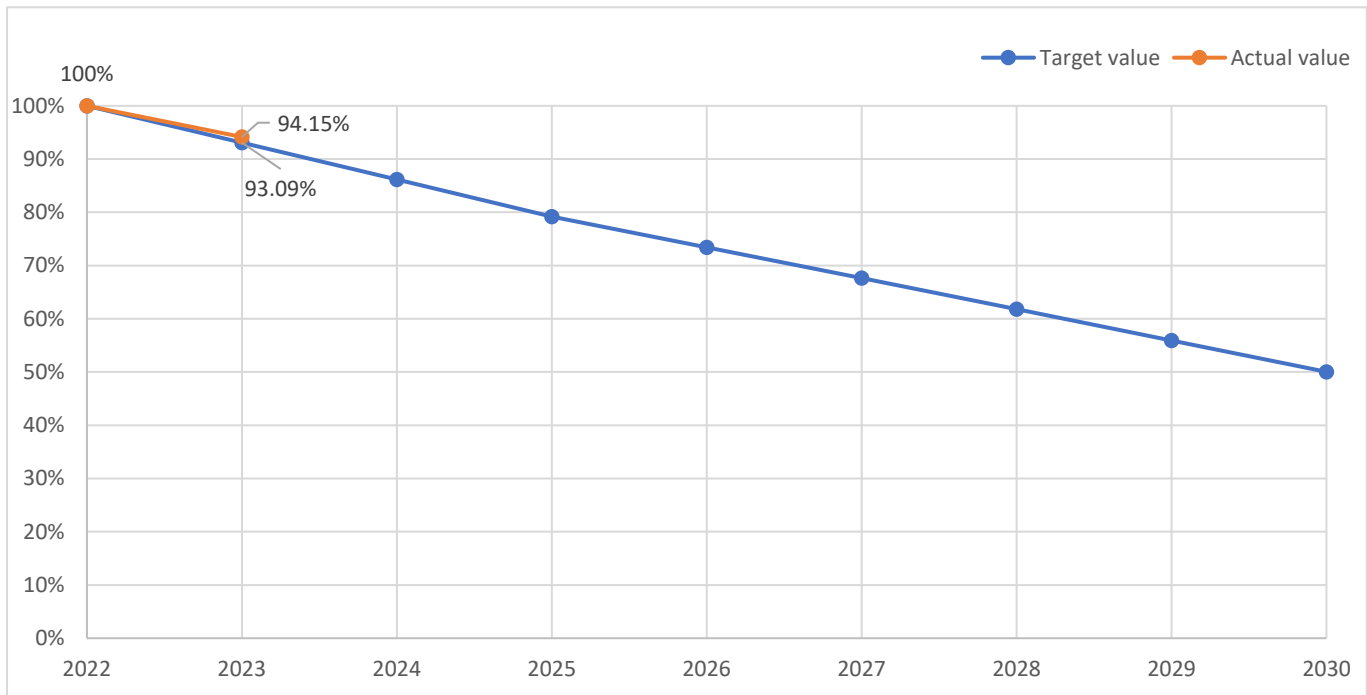
● Emission Intensity of Power Generation Related Loans (tCO₂e/MWh)

The target value in 2023 was less than or equal to 94.96% , the actual value was 0%, which was in line with the carbon reduction pathway target.



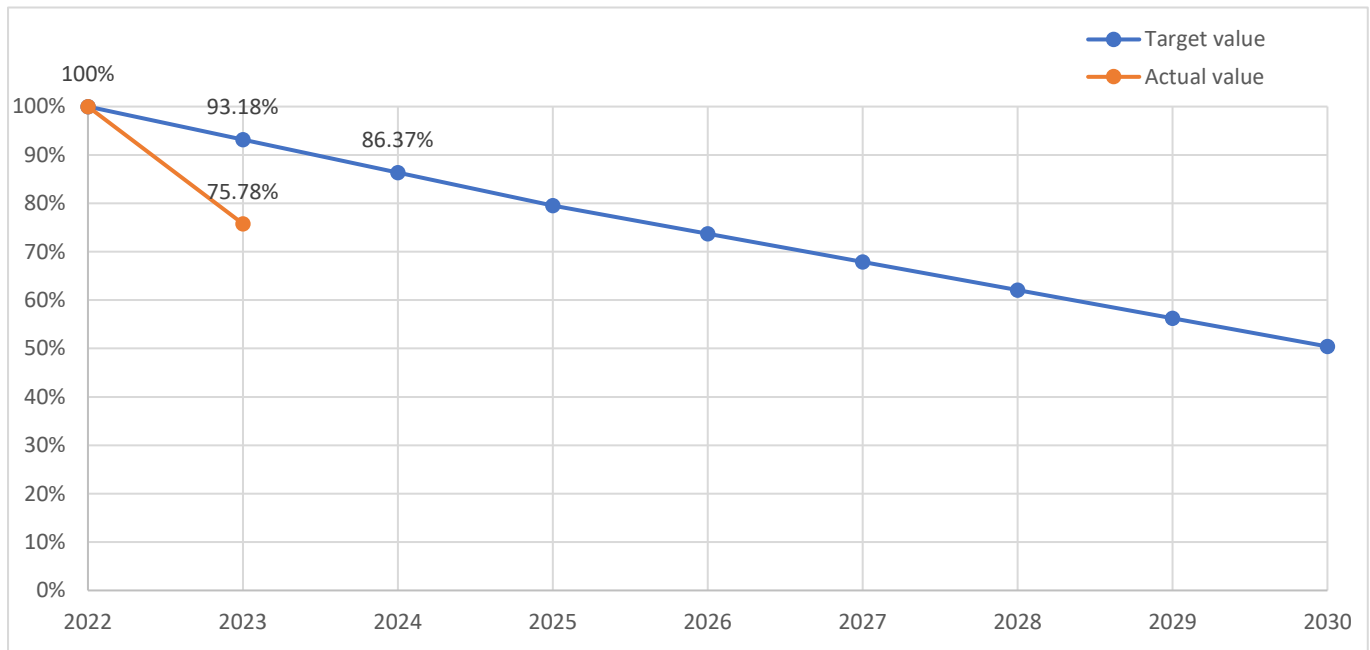
● Emission Intensity of Commercial Real Estate (kgCO₂e/m²)

The target value of commercial real estate in 2023 was less than or equal to 93.09%, the actual value was 94.15%. The main reason for not reaching the target value was due to the expansion of the inventory scope in line with the update of PCAF guideline.



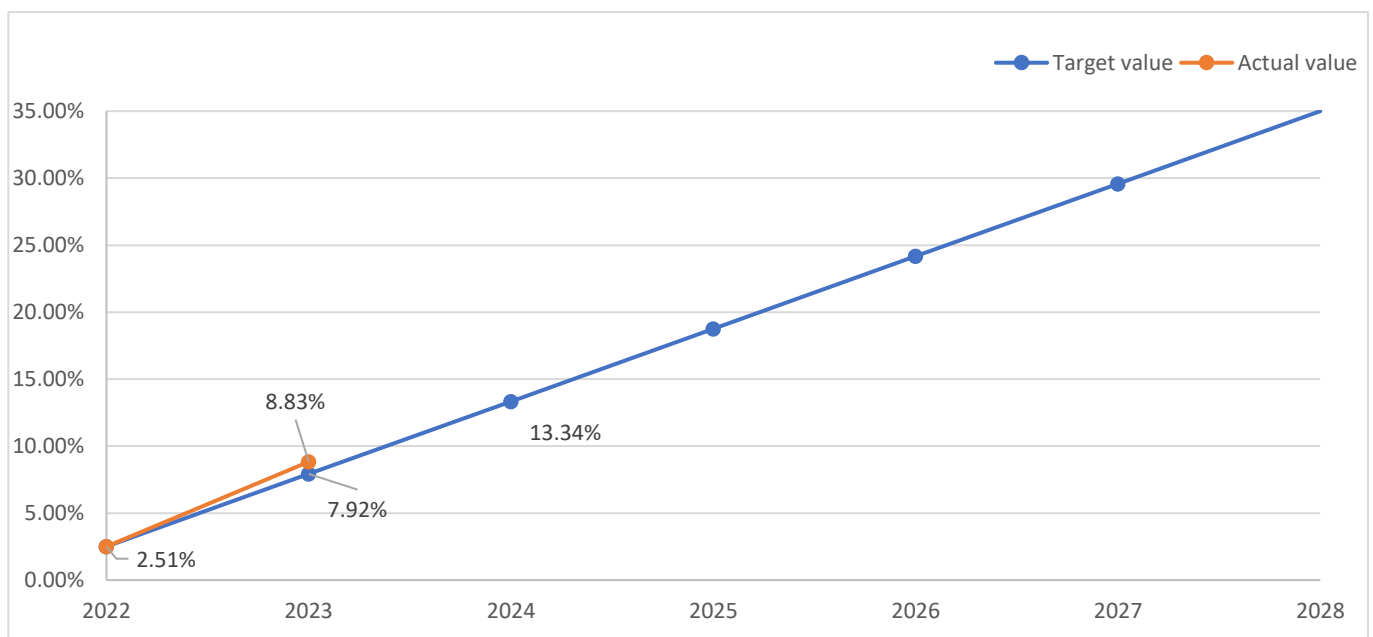
● Long-Term Corporate Loans - Emission Intensity of Service / Commercial Building Sector (kgCO₂e/m²)

The target value of long-term corporate loans - Service / Commercial Building Sector in 2023 was less than or equal to 93.18%, the actual value was 75.78%, which was in line with the carbon reduction pathway target.



● Long-term Corporate Loans - SBT Portfolio Coverage

The target value of long-term corporate loan portfolio was more than or equal to 7.92% in 2023, the actual value was 8.83%, which was in line with the carbon reduction pathway target.



4.5 Climate Goals

Mega Group has set short, medium, and long-term targets for various projects, which are summarized in the table below.

Category	Plans to be Implemented	Short-Term Goal (- 2024)	Medium/Long-Term Goals (2025 -)	Implementation Status in 2023 (Reached goal: Y/N)	Action Plan and Description
Climate Governance	Compensation	Account for 5% of the subsidiary's appraisal weighting in 2024	Account for 5% of the subsidiary's appraisal weighting in 2025	Y Account for 3% of the subsidiary's appraisal weighting in 2023	Mega Financial Holding has integrated renewable electricity and renewable energy industries lending, sustainable bond investment, greenhouse gas emission reduction results and other projects to be included as important factors in the annual assessment of subsidiaries.
Green Operations	GHG Emissions	Sets 2022 as the baseline year for Scope1+2			1. Regularly track the achievement of goals and continuously improve management policies and measures. Committed to the SBTi science-based reduction target in April 2023. 2. The bidding price of T-Recs has soared, causing procurement difficulties. As a result, renewable electricity will be purchased in the future.
		10.5% reduction by 2024	36.75% reduction by 2029 42% reduction by 2030 Net zero emissions by 2050	N (Actual reduction of 4.07% in 2023) 5.25% reduction in 2023	
	Water Resource	With 2020 as base year (domestic operational sites)			Use water-saving appliances with water-saving labels and promote correct water usage concepts.
		2% reduction by 2024 (equivalent to reducing 1.16tCO ₂ e)	4.5% reduction by 2029 5% reduction by 2030 (equivalent to reducing 2.9tCO ₂ e)	N (Actual increase of 0.2% in 2023) 1.5% reduction by 2023	
	Waste	With 2022 as base year (domestic operational sites)			1. Measures include prohibiting disposable melamine tableware and no longer placing personal trash cans in the office. 2. Through various environmental protection
		3.5% reduction by 2024	5% reduction by 2025 10% reduction by 2030	N (Actual increase of 6% in 2023) 2% reduction by 2023	

2023 Climate and Environmental Report

Category	Plans to be Implemented	Short-Term Goal (- 2024)	Medium/Long-Term Goals (2025 -)	Implementation Status in 2023 (Reached goal: Y/N)	Action Plan and Description
					education training and activities, we promote waste reduction management measures.
	Renewable Energy	[Mega Financial Holding, Mega Bank, Mega Securities, Mega Bills, and CKI] By the fourth quarter of 2023, the headquarters operation base used more than 60% renewable electricity.	Headquarter of each subsidiary to use more than 60% of renewable electricity by 2026 By 2030, 100% of domestic self-owned operating sites will use renewable energy. By 2050, 100% of global operating sites will use renewable energy sources.	N [Mega Securities] By the fourth quarter of 2023, the headquarters operation base used more than 50% renewable electricity. [Mega Financial Holding, Mega Bank, Mega Bills, and CKI] Mega Securities headquarter to use more than 36% of renewable electricity	[Improvement Measures] The target of renewable electricity utilization at the headquarters has been raised to 60% for 2024. A 3-year renewable electricity procurement contract for the Group has been signed and is expected to be raised by 3%.
	Green Procurement	In 2024, the green procurement amount reached 2.5% of the total procurement amount.	Increase annual green procurement amount to 3.5% of total procurement amount year by year	Y In 2023, the green procurement amount reached 2.2% of the total procurement amount.	Implemented the Group's sustainable management policy.
Climate Opportunities	Green related enterprise project financing	[Mega Group] Achieve NT\$88.8 billion in credit balance of renewable energy technology industries in 2024	[Mega Group] Achieve NT\$91.5 billion in credit balance of renewable energy technology industries in 2025	Y [Mega Group] Achieved NT\$86.3 billion in credit balance of renewable energy technology industries	We will continue to pay attention to the development of global green finance, cooperate with government policy objectives, actively negotiate with customers, and fulfill the social responsibilities of the financial industry.
	Green related personal project financing	[Mega Bank] Cumulative funding amounted to NT\$6.077 billion in 2024.	[Mega Bank] Cumulative funding to amount to NT\$7.112 billion in 2025.	Y [Mega Bank] Cumulative funding amounted to NT\$5.048 billion in 2023.	In response to international financial sustainability standards, ESG factors are incorporated into the investment and financing process, and the group-wide green industry list is clearly defined to appropriately guide the flow of capital to green-related assets.

2023 Climate and Environmental Report

Category	Plans to be Implemented	Short-Term Goal (- 2024)	Medium/Long-Term Goals (2025 -)	Implementation Status in 2023 (Reached goal: Y/N)	Action Plan and Description
	Sustainability bonds - investment, issuance, and underwriting	In 2024, the Group's investment will reach NT\$12.44 billion.	By 2029, the Group's investment will reach NT\$13.49 billion.	Y In 2023, the Group invested, issued, and underwrote a total of NT\$9.3 billion.	In line with the Group's 2024 ESG promotion plan and objectives, schedule the issuing and underwriting of sustainable development bonds and assist domestic enterprises in acquiring working capital for sustainable development.
	Climate-related Insurance Products	[Chung Kuo Insurance] Generated NT\$1 million in premium income from agricultural insurance in 2024	[Chung Kuo Insurance] Generated NT\$1.2 million in premium income from agricultural insurance in 2029	Y [Chung Kuo Insurance] Generated NT\$0.8 million in premium income from agricultural insurance in 2023	Actively cooperate with government policies to plan insurance products suitable for Taiwan's agricultural sector and provide farmers with options to pass through natural disaster risks. Persimmon Insurance premium income in 2023 was NT\$1.534 million
	Number of zero-carbon credit card issued	[Mega Bank] Mega Bank to issue 1.09 million zero-carbon credit cards in 2024	[Mega Bank] To cumulatively reach 1.5 million cards by 2029	Y [Mega Bank] Mega Bank to issued 100,000 carbon-neutral credit cards	All zero-carbon credit cards issued by the Group have passed third-party verification including ISO 14067 Carbon Footprint since 2020. Through the purchase of carbon rights, each credit card is upgraded to a "Zero-Carbon Credit Card".
Physical Risks	Catastrophe Loss Limit	[Chung Kuo Insurance] The cumulative limit of catastrophic losses per peril in 2024 was \leq NT\$300 million dollars	[Chung Kuo Insurance] The cumulative limit of catastrophic losses per peril in 2025 was \leq NT\$300 million dollars	Y [Chung Kuo Insurance] The cumulative limit of catastrophic losses in 2023 was \leq NT\$300 million dollars	Use catastrophe risk assessment models to conduct quantitative assessments, and arrange catastrophe excess compensation contracts based on the model assessment results to reduce claims risks.
Transition Risks	Proportion of investment/financing in high-carbon emission industries	[Mega Bank] The credit limit for high-carbon emission industries shall not exceed 12% of the total loan balance.	[Mega Securities] The upper limit of the total amount of securities held by self-operated and underwritten high-carbon-emitting industries has been reduced by 1% year by year.	Y [Mega Bills] The credit limit and investment limit for high carbon emission industries are 12% of the total credit balance and	Implement responsible investment, responsible credit granting, follow the Stewardship Principles for Institutional Investors, and promote the implementation of sustainable

2023 Climate and Environmental Report

Category	Plans to be Implemented	Short-Term Goal (- 2024)	Medium/Long-Term Goals (2025 -)	Implementation Status in 2023 (Reached goal: Y/N)	Action Plan and Description
		<p>[Mega Bills] The credit limit and investment limit for high carbon emission industries are 12% of the total credit balance and 30% of the total investment balance respectively.</p> <p>[Mega Securities] High-carbon emission industry securities (self-operated and underwritten) shall not exceed 27% of the total amount.</p> <p>[Chung Kuo Insurance] The maximum investment amount for a single object in highly sensitive industries is NT\$200 million.</p> <p>[Mega Venture Capital] The upper limit for ESG highly sensitive industries is 25% of the total investment amount</p>	<p>[Chung Kuo Insurance] The overall investment amount in highly sensitive industrial objects should be gradually reduced to 5% of the company's funds within three years.</p>	<p>30% of the total investment balance respectively.</p> <p>[Mega Securities] High-carbon emission industry securities (self-operated and underwritten) shall not exceed 28% of the total amount.</p> <p>[Chung Kuo Insurance] The maximum investment amount for a single object in highly sensitive industries is NT\$200 million.</p> <p>[Mega Venture Capital] The upper limit for ESG highly sensitive industries is 30% of the total investment amount</p>	<p>development strategy by participating in the board of directors and shareholders' meetings of the invested companies or occasionally visiting and communicating with the management of the invested companies.</p>
	Decarbonization (Investment and financing portfolio)	<p>Formulate the Mega Group "Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries", expand the coverage of decarbonization policies to the value chain of the coal and non-traditional oil and gas industry, no longer</p>	<p>Achieve the Group's goal of completely withdrawing from investment in and financing for coal mining and non-traditional oil and gas industries in 2040.</p>	<p>Y</p> <ul style="list-style-type: none"> - Stop undertaking investment in and financing for coal mining and non-traditional oil and gas industries - Stop undertaking investment in power plants that generate >5% of electricity from coal 	<p>In May 2023, the Board of Directors adopted the Group's decarbonization strategy.</p> <p>In April 2024, the Mega Group "Guidelines for the Divestment Management of Coal and Non-Traditional Oil and Gas Industries" was formulated and the Group's gradual divestment plan (Phase-out Plan) was formulated.</p>

2023 Climate and Environmental Report

Category	Plans to be Implemented	Short-Term Goal (- 2024)	Medium/Long-Term Goals (2025 -)	Implementation Status in 2023 (Reached goal: Y/N)	Action Plan and Description
		undertake the extraction of coal and non-traditional oil and gas, power (using coal for power generation and heating), production processes and infrastructure accounting for more than 5% of the company's revenue The controlled object's credit and investment.		- Stop financing projects that involve coal-fired power generation plant	

4.6 Climate Metrics

By “Committing to Net-zero Emissions to Achieve Environmental Sustainability” and following the spirit of “Climate Financial Disclosure IFRS S2”, Mega Group disclose the relevant industry indicators, which are summarized in the table below.

Category	Indicator Item	Unit	2021	2022	2023	Growth (2023 vs. 2022)
Climate Governance (Remuneration)	Climate performance-linked pay ratio for senior management	%	-	3	3	-
Green Operations	Percentage of Green Procurement Amount	%	3.52	9.3	3.84	-5.46
	Water Resource	million liter	187.92	183.05	194.49	+6%
	Renewable Energy Certificate (T-RECs)	certificate	380	298	2,145	+620%
GHG Emissions	GHG Emissions (Scopes 1+2, domestic locations)	tCO ₂ e	20,189.18	20,184.38	18,888.21	-6%
Internal Carbon Pricing (ICP)	Internal Carbon Pricing (ICP)	NTD	3,671.93	4,324	4,363	+0.9%
Capital Allocation	Total Green-related Investments	NT\$100 million	22.44	49.08	66.3	+35%
	Sustainability bonds - total investment, issuance, and underwriting amount	NT\$100 million	109.17	262.2	418.41	+60%
Climate Opportunities	Green related enterprise project financing	NT\$100 million	855.70	1,027.46	1,228	+20%
	Green related personal project financing	NT\$100 million	86.60	189.77	270.15	+42%
	Climate related insurance products - general	NT\$10,000	15,861.90	31,641.49	51,086.89	+61%
	Climate related insurance products - agriculture	NT\$10,000	117.33	122.93	153.4	+24.79%
	Zero-carbon credit card	Ten thousand cards	34.6	19.9	29.8	50%
Physical Risks	Cumulative losses from claims settlement for a single catastrophe event	NT\$100 million	0	0.04	0.98	2350%
Transition Risks	Investment and financing portfolio carbon emissions*	KtCO ₂ e	3,231.86	5,383.46	8,943.85	66%
	Carbon footprint*	tCO ₂ e/million	1.27	3.77	3.59	-5%
	High carbon emission asset exposure financing position*	%	2.87	4.60	5.98	+1.38
	High carbon emission asset exposure investment position*	%	19.74	22.23	19.03	-3.20

5 Nature-Related Risk Management

5.1 Risk Governance

The World Economic Forum regularly releases a global risk report every year to assess the impact and likelihood of major global risks. Climate issues and biodiversity issues remain the top risks. Mega Group follows the Taskforce on Nature related Financial Disclosures (TNFD) framework on natural environment issues. In terms of risk governance, the Board of Directors is the highest governance unit for nature-related issues and is responsible for overseeing and reviewing the Group's relevant policies and management systems. Mega Group refers to relevant domestic and foreign sustainable development standards and formulates relevant norms for the natural environment to facilitate compliance, and is committed to give full play to the positive influence of finance and actively respond to the international climate and natural environment vision. The relevant natural environment regulations and commitments are explained below.

Level	Basis	Commitment Content
Mega Group	Sustainable Finance Policy	<ul style="list-style-type: none"> In compliance with the United Nations Convention on Biological Diversity (CBD), we support industries or entities involved in green and sustainable development: Including the construction industry involved in green buildings or energy-saving systems or products for buildings, businesses involved in waste removal and recycling, pollution control, and carbon sequestration, and businesses adopting measures for sustainable agriculture, forestry, fishery, and animal husbandry. Risk Framework: Mega Financial Holding and its subsidiaries have included climate change and other ESG-related risk factors into the risk management framework.
	Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries	<ul style="list-style-type: none"> We have prohibited ourselves from conducting business with certain industries or entities, such as those engaging in activities that are hazardous to ecological sustainability. Examples include the use of gillnetting with a gillnet length of 2.5 km or longer, and commercial logging in tropical rain forests, etc. List highly sensitive industries or entities: For those industries with high negative impact on biodiversity, such as those that have been punished by the government agencies for environmental pollution and have not made an improvement, mining and soil extraction industries, wildlife leather and fur processing, and fur trading, investment limits are set, while industries and economic activities that contribute to the preservation of biodiversity are driven to grow stronger.
	Resolution of the Sustainable Development Committee	<ul style="list-style-type: none"> Mega Group has not set up any of its domestic and overseas operations in protected natural areas, and has committed to ensure that all domestic and overseas “business locations” will not be located in nature reserves/conservation areas, national parks and national nature parks, wildlife sanctuaries, and critical wildlife habitats. Furthermore, no species listed on the IUCN Red List and the country’s conservation list will be found in the areas affected by the operations. We are committed to ensure all new or relocated business locations will comply with Mega Group’s principles of Biodiversity Conservation and Zero Deforestation.
Mega Bank	Note on ESG Risk Rating for Corporate Lending	<ul style="list-style-type: none"> We also assessed the businesses we provide credit and equity investment to, assigning each business with an ESG risk rating. Each business is sorted into different industry categories, and assessed based on the different key ESG risk indicators determined for each industry. These indicators include metrics related to waste and hazardous materials management and water resources
	ESG Risk Rating Management Rules for Equity Investments	

		management, among others, and businesses are treated differently based on what ESG risk rating they receive after assessment.
Mega Bills	Sustainable Finance Policy	<ul style="list-style-type: none"> ● With reference to the United Nations Convention on Biological Diversity (CBD), we support industries or entities involved in green and sustainable development: Including the construction industry involved in green buildings or energy-saving systems or products for buildings, businesses involved in waste removal and recycling, pollution control, and carbon sequestration, and businesses adopting measures for sustainable agriculture, forestry, fishery, and animal husbandry. ● Risk Framework: We have included climate change and other ESG-related risk factors into the risk management framework.
	ESG Risk Assessment Operating Guidelines	<ul style="list-style-type: none"> ● Considering that specific industries such as electronic components manufacturing, metal products manufacturing and basic metal industries, machinery and equipment manufacturing, and some high environmental and social impact industries or targets can easily cause the loss of biodiversity, the impact of specific industries on biodiversity is included as impact assessment factors. These include waste and toxic substances management, water resources management, and so on, which are graded and managed based on ESG risk rating results.

5.2 Risk and Opportunity Identification

Mega Group followed the LEAP (Locate, Evaluate, Assess and Prepare) methodology announced by TNFD. We cooperated with external consultants in February 2024 to collect the Group's business locations, investments, financing and supplier information. We held a TNFD workshop to identify the Group's risks and opportunities related to the natural environment in order to strengthen the operational resilience of the Group's value chain. We will uphold our commitment to biodiversity by upholding social responsibility towards nature and the ecosystem.

The following four major risk factors have been identified, which will be listed as priorities for management consideration in the future.

Risk Categories	Risk Factor	Impact by Business Category	Description
Transition	Policy and Regulations	Investments and Loans	To protect and restore natural capital, emerging regulations and policy changes may cause customers to increase operating costs and face higher risks of nature-related fines or litigation.
Transition	Technology Risks	Investments and Loans	Using new technologies to reduce reliance on natural capital results in higher operating costs for customers
Transition	Market Risks	Investments and Loans	The scarcity of natural resources causes price increases, which increases customers' production costs and affects profits
Physical	Water shortage	Investments and Loans Operations	Locations or customers that are more dependent on water resources will be more affected by water shortage, resulting in higher water purchase costs.

Mega Group evaluates the opportunity factors related to the overall operating activities and nature, and summarizes the following three opportunities for description. Utilize the characteristics of the financial services industry to fulfill its responsibility to protect biodiversity and take environmental benefits into consideration during corporate operations.

Opportunity Factor	Impact by Business Category	Opportunities
Products and Services	Investments and Loans	Promote environmentally friendly products or sustainable loans, and reward companies for their commitment to reducing the negative impact on the natural ecology. Those with concrete results will enjoy interest rate reductions.
Market	Investments and Loans	In response to recent international trends and market demands, we actively undertake environmentally friendly credit extensions and create positive benefits related to nature.
Reputation	Operations	Actively investing in natural ecological conservation projects to increase the positive impact of biodiversity will help enhance the corporate image of Mega Group

5.3 Dependency and Impact Assessment

Based on the “Additional guidance for financial institutions” published by TNFD in September 2023, Mega Group focuses on nature-related sensitive industries, to assesses the dependence and impact of financing targets on the natural environment. We differentiated the degree of “dependence” and “impact” by industry in five levels: extremely low, low, medium, high, and extremely high to understand the correlation between industry and ecosystem, as shown in the figure below.

Dependency Analysis of Mega Group’s Financing Portfolio

Extremely high															Medium		Low		Extremely low			
Nature-related Sensitive Industries	Suppliers Services					Tuning and Maintenance Services															Total Financing (%)	
	Direct resource investment					Required for production process					Mitigation of direct impacts					Environmental Damage Protection Measures						
	Animal Energy	Fibers and Other Materials	Genetic Material	Groundwater	Surface water	Nursery and Habitat Conservation	Pollination	Soil Quality Control	Air Quality Regulation	Flow Regulation	Water Quality Regulation	Bioremediation	Atmospheric and Ecosystem Dilution	Filtration	Sensory Effects Modulation	Material Flow Buffering and Attenuation	Global Climate Regulation	Disease Control	Flood and Storm Regulation	Coastal Stabilization		Pest Control
Oil, Gas and Consumable Fuels																						1.91%
Chemical Industry																						3.75%
Construction Materials Industry																						0.57%
Containers and Packaging Industry																						0.15%
Metals and Mining Industry																						3.20%
Paper and Forest Products Industry																						0.80%
Construction Services (Including metal product manufacturing)																						10.89%
Wastewater Treatment, Waste Collection, Treatment and Disposal																						0.47%
Transportation and Related Services (Including Air Transport)																						4.40%
Automobile Industry																						0.16%
Textiles, Apparel and Luxury Goods																						1.15%
Beverage and Food Industry (Including Agriculture)																						1.72%
Personal Care Goods																						0.00%
Pharmaceuticals																						0.24%
Semiconductors and Semiconductor Equipment																						0.80%
Public Utilities (Including power generation, natural gas, independent power plants, renewable energy generation and hydropower)																						1.53%
Sum of Nature-related Sensitive Industries																						31.72%

Impact Analysis of Mega Group’s Financing Portfolio

Extremely highMediumLowExtremely low												
Nature-related Sensitive Industries	Water Consumption	Land Ecosystem Utilization	Freshwater Ecosystem Utilization	Marine Ecosystem Utilization	Other Resource Utilization	Greenhouse Gas Emissions	Non-Greenhouse Gas Air Pollution	Water Pollutants	Soil Pollutants	Solid Waste	Sensory Disturbance	Total Financing (%)
Oil, Gas and Consumable Fuels												1.91%
Chemical Industry												3.75%
Construction Materials Industry												0.57%
Containers and Packaging Industry												0.15%
Metals and Mining Industry												3.20%
Paper and Forest Products Industry												0.80%
Construction Services (Including metal product manufacturing)												10.89%
Wastewater Treatment, Waste Collection, Treatment and Disposal												0.47%
Transportation and Related Services (Including Air Transport)												4.40%
Automobile Industry												0.16%
Textiles, Apparel and Luxury Goods												1.15%
Beverage and Food Industry (Including Agriculture)												1.72%
Personal Care Goods												0.00%
Pharmaceuticals												0.24%
Semiconductors and Semiconductor Equipment												0.80%
Public Utilities (Including power generation, natural gas, independent power plants, renewable energy generation and hydropower)												1.53%
Sources: ENCORE, Deloitte Analysis												
Sum of Nature-related Sensitive Industries												31.72%

Sources: ENCORE, Deloitte Analysis

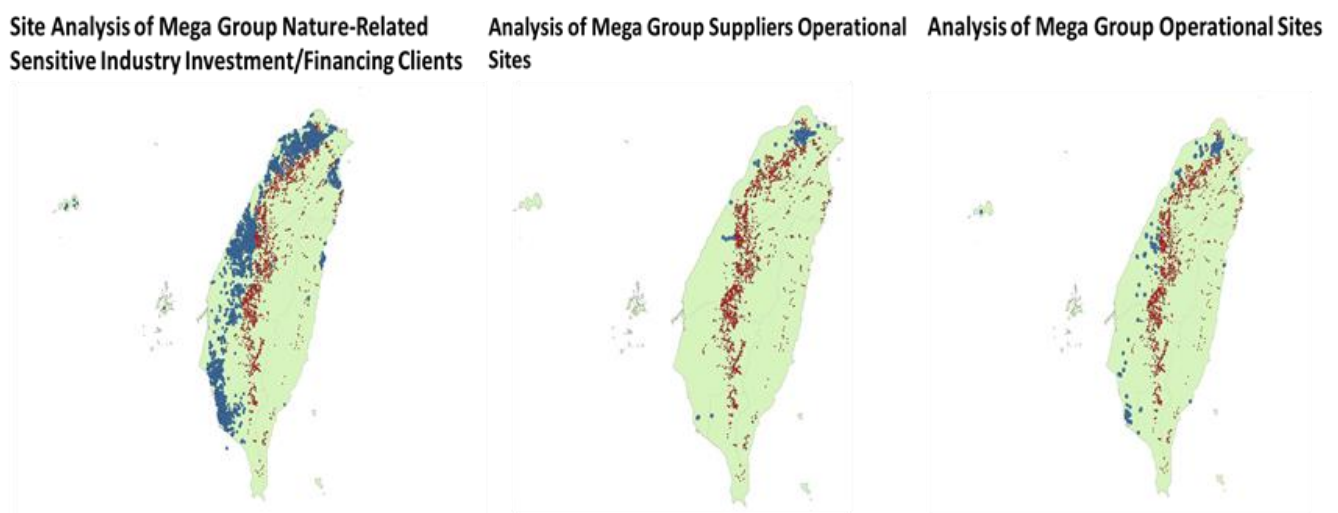
- **Evaluation Results:** About 31.72% are nature-related sensitive industries, among which construction materials, paper and forest products, and public utilities (including power generation, natural gas, independent power plants) are highly dependent on groundwater resources. In addition, construction services (including metal product manufacturing) and public utilities (including power generation, natural gas, independent power plants) have a significant impact on land ecosystems.
- **Response Measures:** Detailed in 5.1 Nature-related Risks Governance — Contents of Compliance and Commitments

Mega Group hotspot Region Analysis

Mega Group identifies whether our own operations, suppliers and highly sensitive industrial financing customers are located in the biodiversity hotspots (within 500 meters of biodiversity hotspots) in the Ministry of Agriculture’s National Green Network Blueprint. The evaluation is as

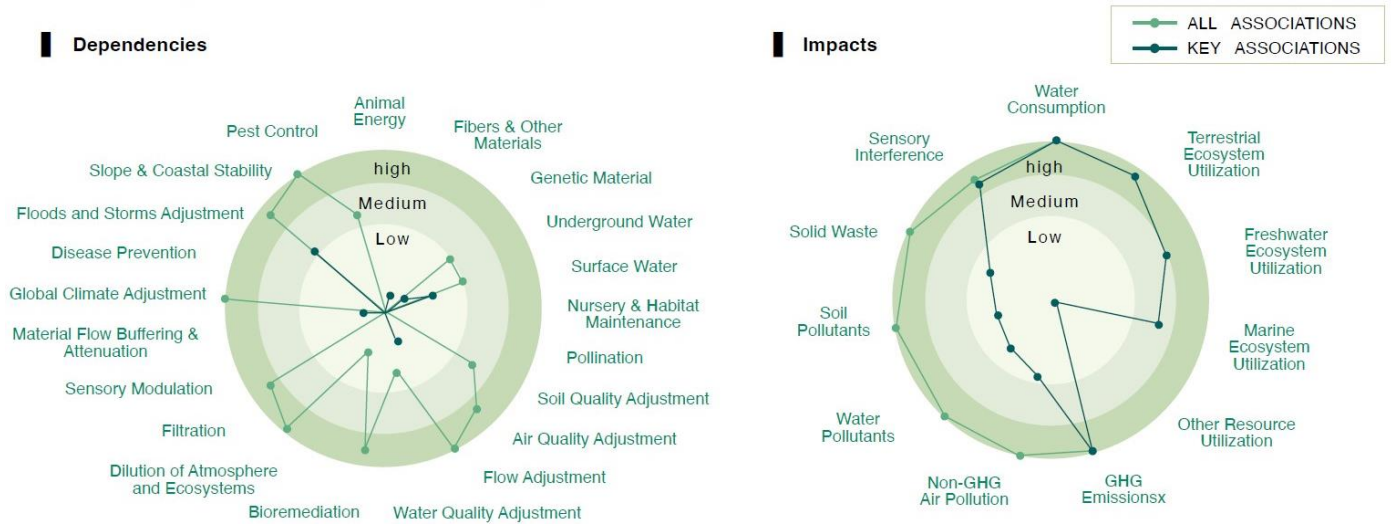
- **Biodiversity Hotspots**
- **Investment/Financing Client Site**

follows:



Evaluation Results: Mega Group’s domestic operations and supplier bases are not located in biodiversity hotspots. In addition, nature-related sensitive industry financing customers accounted for 1.24% of the total.

Response Measures: Detailed in 5.1 Nature-related Risks Governance — Contents of Compliance and Commitments



For other ecological conservation related products, please see Mega Financial Holding's Sustainability Report - CH4 Sustainable Finance. For details of ecological conservation actions, please refer to CH6 Social Inclusion.

6 Future Prospects

Climate change risks include extreme weather, failure of climate action, man-made environmental damage and biodiversity loss. In the face of climate change risks, Mega actively reduces the negative environmental impact of its operations and is committed to implementing sustainable environmental development and green operations. Continue to deepen climate change risk management, adopt various energy-saving and carbon-reducing measures at all operating sites, introduce international standard management systems for environment and energy, and promote sustainable procurement and supplier management to achieve the 2050 net-zero emission goal. Mega Group also uses its financial influence to assist and encourage credit recipients to face and offset potential environmental and climate risks with the concept of “Net Zero Transformation Together with Mega”. We will use every bit of our power to support the Paris Agreement with actions to make the global environment better.

The Group uses the PCAF methodology to calculate Scope 3 financial carbon emissions for investment and financing portfolios. Facing the 2050 global net-zero trend, we have planned and set the SBT and paths for greenhouse gases. We will implement investment, financing and climate risk management strategies in the future to achieve the 2050 net-zero emissions target. In addition, the World Economic Forum’s Global Risk Report points out that “natural disasters and extreme weather events” have received increasing attention in recent years, and biodiversity has become one of the major global issues. In the future, assessment methods and measurement technologies will continue to be refined to strengthen the risk management of the natural environment.

This report hopes to help investors, customers and other stakeholders deepen their understanding of climate risks. In the future, the Group will utilize the “flying geese paradigm” effect of the Coalition of Movers and Shakers on Sustainable Finance to enhance its resilience to climate change risks, make reference to the practices of international research institutes and the financial industry, reduce climate-related risks in its business, and create sustainable value for all stakeholders. With the vision of becoming the “Sustainability Paradigm of the Financial Industry in Asia Pacific” and the mission of “Spreading Positive Influence and Leading the Way to Sustainable Development”, Mega Financial Holding hopes to actualize the group’s Sustainable Development Strategy Blueprint and create a better future with our stakeholders.

External Verification Statement

Climate-related Financial Disclosure Report Compliance and Maturity Modeling



Appendix 1 Comparison Table of TCFD Indicators

According to the TCFD published by the Financial Stability Board (FSB) in 2017, its four major disclosures are oriented to correspond to the publicly disclosed reporting documents, as illustrated in the table below:

Aspect	General Industry Indicators	Corresponding Chapter
Governance	Describes the board of directors' oversight of climate-related risks and opportunities.	1.1 Climate Governance Framework 1.2 Responsibilities of Board of Directors
	Describes management's role in assessing and managing climate-related risks and opportunities.	1.3 Managerial Responsibilities
Strategy	Describes the short, medium and long-term climate related risks and opportunities identified by the organization.	2.1 Climate Risks and Opportunities
	Describes the climate-related risks and opportunities on the organization's business, strategy, and financial planning.	2.1 Climate Risks and Opportunities
	Describes the resilience of the organization's strategies, taking into consideration different climate-related scenarios (including 2°C or more severe scenarios).	2.2 Scenario Analysis
Risk Management	Describes the organization's identification and assessment process for climate-related risks.	2.1 Climate Risks and Opportunities
	Describes the organization's processes for managing climate-related risks.	3.1 Climate Risk Management Framework 3.2 Climate Risk Management in Investment/Financing
	Describes how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	3.1 Climate Risk Management Framework 3.2 Climate Risk Management in Investment/Financing
Indexes and Goals	Describes the indicators used by the organization to assess climate-related risks and opportunities according to the strategy and risk management process.	4.1 Green Operations 4.5 Climate Metrics
	Disclose Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, and the related risks	4.1 Green Operations

2023 Climate and Environmental Report

	Describes the organization's management goals for climate-related risks and opportunities, and performance in achieving the goals.	4.4 Climate Goals
Aspect	Additional Indicators of the Banking Industry	Corresponding Chapter
Strategy	Describe the concentrations of credit exposure for carbon-related assets.	4.2 Carbon Asset Exposure Risk
Risk Management	Consider disclosing the linkages between climate-related risks and traditional banking risks (such as credit risk, market risk, liquidity risk, and operational risk).	2.1 Climate Risks and Opportunities
Indexes and Goals	Provide indicators used in assessing short, medium, and long-term climate related risks (transitional and physical) or having an effect on loans and the business activities of other financial brokers.	4.5 Climate Metrics
	Disclose greenhouse gas emissions from financing and other financial intermediation activities.	4.3 Investment and Financing Portfolio Emissions

Appendix 2 Notes on IFRS S2 Indicators

Aspect	Disclosure Items Recommended by IFRS S2	Corresponding Chapter
Purpose	Article 1 - Article 2	Applicable to the entire report
Scope	Article 3	Applicable to the entire report
Governance	Article 4 - Article 6	1.1 Climate Governance Framework 1.2 Responsibilities of Board of Directors 1.3 Managerial Responsibilities 1.4 Climate and Performance Linked Policy
Strategy	Article 7 - Article 8	2.1 Climate Risks and Opportunities
	Article 9 - Article 12	2.1 Climate Risks and Opportunities
	Article 13	2.1 Climate Risks and Opportunities
	Article 14	2.1 Climate Risks and Opportunities
	Article 15	2.1 Climate Risks and Opportunities 2.2 Scenario Analysis
Risk Management	Article 16 - Article 18	2.1 Climate Risks and Opportunities 3.1 Climate Risk Management Framework 3.2 Climate Risk Management in Investment/Financing
Metrics and Targets	Article 19 - Article 20	4.1 Green Operation—Low Carbon Transformation Development Strategy
	Article 21 - Article 22	1.4 Linking Compensation to Climate Performance 4.1 Green Operation—Low Carbon Transformation Development Strategy 4.2 Carbon Asset Exposure Risk 4.3 Investment and Financing Portfolio Emissions
	Article 23 - Article 24	4.5 Climate Goals 4.6 Climate Metrics

Appendix 3 Financial Impact Calculations for Climate-Related Risks and Opportunities

Top 3 Climate Related Risks			
Risk Event	Future Financial Impact	Management Costs	Calculation Description
High-Temperature Operating Costs	NT\$75 million	NT\$26.12 million	<ul style="list-style-type: none"> Financial Impact If rising temperatures lead to an increase in oil and electricity prices, based on the Group's electricity and fuel expenses of approximately NT\$150 million in 2023, if the annual average electricity price/oil price increases by 50%, it is estimated that the Group's operating costs will increase by approximately NT\$75 million. Management Costs 1. Renewable Electricity Procurement Cost: For the procurement of renewable energy, the Group expects to continue to invest NT\$23.96 million in 2024. 2. For the Green Building Label, the Group's budget is estimated to be NT\$2.16 million in 2024.
Policyholder Claims	NT\$11 million	NT\$23 million	<ul style="list-style-type: none"> Financial Impact Assuming a 100% increase in the value at risk of typhoon and flood insurance (loss ratio of approximately 3.4%), it is estimated that the direct claims loss will be approximately NT\$11 million. Management Costs Use reinsurance to pass through costs or subsidize losses, and the premium for typhoon and flood catastrophe reinsurance contracts is estimated to be approximately NT\$23 million.
Extreme Event Financial Loss	NT\$0.04 million	NT\$2.06 million	<ul style="list-style-type: none"> Financial Impact Statistics show that the actual impact of natural disasters in the past five years was approximately NT\$0.02 million (including maintenance costs), and assuming a 100% annual growth in disaster costs, the estimated loss is NT\$0.04 million. Management Costs 1. The Group invested approximately NT\$0.2 million in disaster prevention drills and training, and NT\$0.8 million in insurance premiums for its own assets. 2. Promote the construction and maintenance service project of the operations continuity management system (ISO 22301) and prepare a budget of NT\$1.06 million.

Top 3 Climate Related Opportunities			
Opportunity Event	Future Financial Impact	Management Costs	Calculation Description
Digital Financial Services	NT\$1,162 million	NT\$2.74 million	<p>Financial Impact (including environmental benefits)</p> <ol style="list-style-type: none"> 1. Mega Bank estimates driving related handling fees income by approximately NT\$929 million. 2. It is estimated that the fee income from online funds, ETFs and foreign stock transactions will be NT\$134 million. 3. Estimated financial and green benefits of promoting paperless services are approximately NT\$99 million. A total of 31,380 single and installment system online applications were submitted in 2023, saving 31,380 sheets of paper. Online credit card applications effectively reduced more than 83,025 sheets of paper applications from being printed. <p>Management Costs</p> <ol style="list-style-type: none"> 1. Credit card electronic statements: “Help Earth Find Its Cool” was launched in 2023 The promotion fee for e-statement application was about NT\$0.605 million, and 49,355 customers were encouraged to apply for e-statements. 2. Online credit card/account application: Launched an online service that allows customers to apply for debit cards, credit cards, and open digital accounts at the same time, with a total system fee of NT\$0.277 million. 3. Online Paperless Services: The investment in integrated e-statements was approximately NT\$0.728 million; integrated e-statements; construction cost of the single and installment system was approximately NT\$0.497 million; Promotion expenses for online forex were approximately NT\$0.634 million.

2023 Climate and Environmental Report

Low Carbon Transition Opportunities	NT\$1,111.42 million	NT\$ 2.15 million	<p>Financial Impact</p> <ol style="list-style-type: none"> 1. Mega Bank's Investment Division continues to increase the number of investment positions related to "Supporting Green and Sustainable Development Industries or Targets", with estimated dividend income totaling NT\$317.69 million. 2. Interest income from loans to low-carbon transportation operators (high-speed rail, electric buses) was approximately NT\$317.73 million. 3. Interest Income of Mega Bank's (Finance Division) investment in sustainable development bonds was approximately NT\$429 million. 4. Interest income of approximately NT\$47 million from the Ministry of Economic Affairs' "Low Carbon Smart Management Loan". <p>Management Costs</p> <ol style="list-style-type: none"> 1. The annual consulting fee for the issuance of sustainable development bonds is estimated to be approximately NT\$0.50 million per year. 2. Each year, we continue to hold ESG lectures (including product marketing, employee training) with an investment of NT\$0.3 million, and incentives with an investment of NT\$1.35 million.
Green Finance Product Marketing	NT\$194.98 million	NT\$2.49 million	<p>Financial Impact</p> <ol style="list-style-type: none"> 1. Issue credit cards that are made of eco-friendly PETG materials: Estimated new handling fee revenue of approximately NT\$6.98 million (NT\$500 million x 90% of manual collection * 1.55% of handling fee revenue). 2. Interest income of approximately NT\$188 million from green lending and sustainability-linked loans. <p>Management Costs:</p> <ol style="list-style-type: none"> 1. Issue credit cards that are made of eco-friendly PETG materials: Based on the estimated annual issuance of 10,000 cards, the cost of card issuance is approximately NT\$1.04 million (10,000*104).

2023 Climate and Environmental Report

			<p>2. Zero-Carbon Credit Cards: Based on the annual issuance of 200,000 cards, it is estimated that the cost of implementing carbon footprint (once every two years) and carbon neutral projects is about NT\$1.3 million per year.</p> <p>3. Priceless Planet Coalition Global Tree Planting Project: Continuing to cooperate with the MasterCard Priceless Planet Coalition to plant about 3,000 trees at a total cost of about NT\$150,000 (US\$5,000).</p>
--	--	--	--