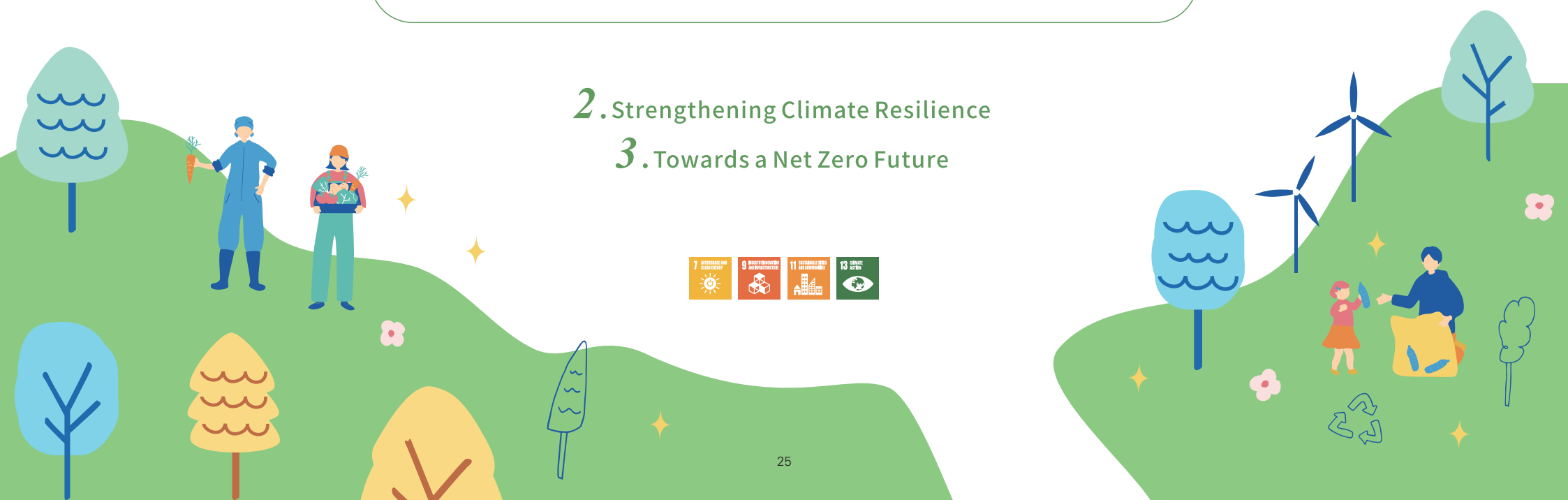




# LOW CARBON

Actions for climate change / Risk management / Sustainable finance

**: CORE VALUES :**  
SKL shoulder environmental responsibility and recognize the impact of our operational activities on the environment and climate. We actively seek solutions to address climate change and other environmental challenges.



- 2. Strengthening Climate Resilience
- 3. Towards a Net Zero Future



## 2. Strengthening Climate Resilience

Facing the challenges of climate change, SKL actively responds to climate-related risks and opportunities as well as develops low carbon transition strategies. In addition to planning climate mitigation and adaptation measures, SKL also continues to seek new climate-related opportunities through investing and financing, and product development.

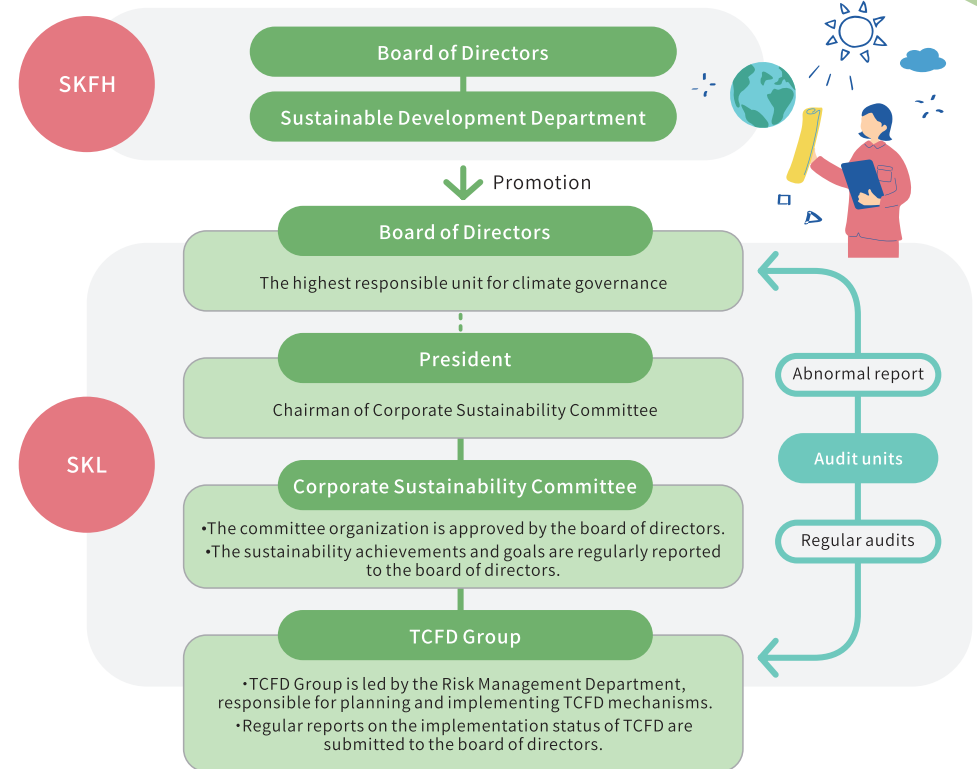
According to the Global Risk Report 2023 released by the World Economic Forum (WEF) in January 2023, the top two risks in the next decade are "Failure to mitigate climate change" and "Failure of climate-change adaptation." This highlights that climate change has become a common global risk, and taking action in response to climate change risks is crucial.

To strengthen climate resilience, following the strategies of SKFH and the introduction of TCFD framework, SKL established a climate governance mechanism (including governance, strategy, risk management, and metrics and targets). We identified climate-related risks and opportunities, and used scenario analysis to assess the potential financial impact of climate change on the Company, and further established management processes, developed climate strategies, and set relevant metrics and targets. Through the disclosure of relevant information according to the TCFD framework, we hope to explore opportunities for transformation. SKL's governance of climate-related risks and opportunities is structured around the four TCFD core elements as follows:

### 2.1 Climate Governance | GRI 2-23 |

The SKFH Corporate Sustainability Committee under the Board of Directors of SKFH is responsible for overseeing the sustainable development and climate change actions of SKFH and its subsidiaries, including green finance planning and performance, greenhouse gas inventory and emission reduction, and regularly reports climate change-related issues and implementation results to the Board of Directors. The Company also places high importance on the global climate change issue. The Board of Directors serves as the highest responsible unit for climate governance, overseeing the identification and response to climate change risks and opportunities within the organization. Climate change considerations are integrated into our operational plans, risk management policies, and risk appetite. Through the "Corporate Sustainability Committee," we monitor the implementation and outcomes of climate change risk and opportunity management. Regular meetings of the committee and its implementation task force are held to report on corporate sustainability goals, progress, and achievements to the Board of Directors. The committee is chaired by the President and consists of top-level managers from various divisions within the organization. The committee is responsible for effective management of climate change and applying climate change risk and opportunity governance to company operations and asset management. Within the committee, there is a TCFD group led by the Risk Management Department, which is responsible for planning and implementing TCFD mechanisms. Climate change risks are also incorporated into the Own Risk and Solvency Assessment (ORSA) and are regularly reported to the Risk Management Committee and the Board of Directors for discussion and approval.

#### SKL Climate Governance Framework



In order to effectively implement climate risk management, SKL has set up three lines of internal control and their related responsibilities are as follows:

Lines of Defense	Responsible Unit	Description
1st line	Frontline business units	Responsible for and continuously manage the climate change risks generated by operational activities
2nd line	Risk Management Department	Establish overall policies and management systems to assist relevant units in implementing climate change risk management
3rd line	Audit units	Responsible for auditing and evaluating the effectiveness of internal controls and climate change risk management systems designed and implemented by the first and second lines of defense, and providing timely improvement recommendations

## Education and Training

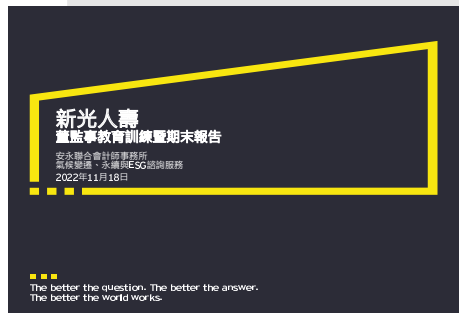
To enhance the knowledge of the Board of Directors and senior management on climate change, regular annual education and training sessions are organized. In 2022, two training sessions to engage the Board and senior management.

### Training topics

An introduction to TCFD, carbon pricing and carbon taxation, and the mid-term progress of TCFD implementation within the Company



Net zero emissions pathway and challenges, the SBTi and the end-term outcome of TCFD implementation within the Company



## 2.2 Climate Strategy | GRI 201-2 |

The impacts of climate change include physical risks and transformation risks, as well as opportunities for enterprises to mitigate and adapt to the risks. In order to develop climate risk strategies and identify short-, medium-, and long-term climate-related risks and opportunities, the Company uses in-house expertise consider the main risk factors, such as transformation risks (policy and legal, technology, market, and reputation) and physical risks (acute and chronic), in accordance with the definition of the TCFD of the International Financial Stability Board (FSB), and lists possible climate-related opportunities to mitigate and adapt to climate change (e.g., by improving resource use efficiency).

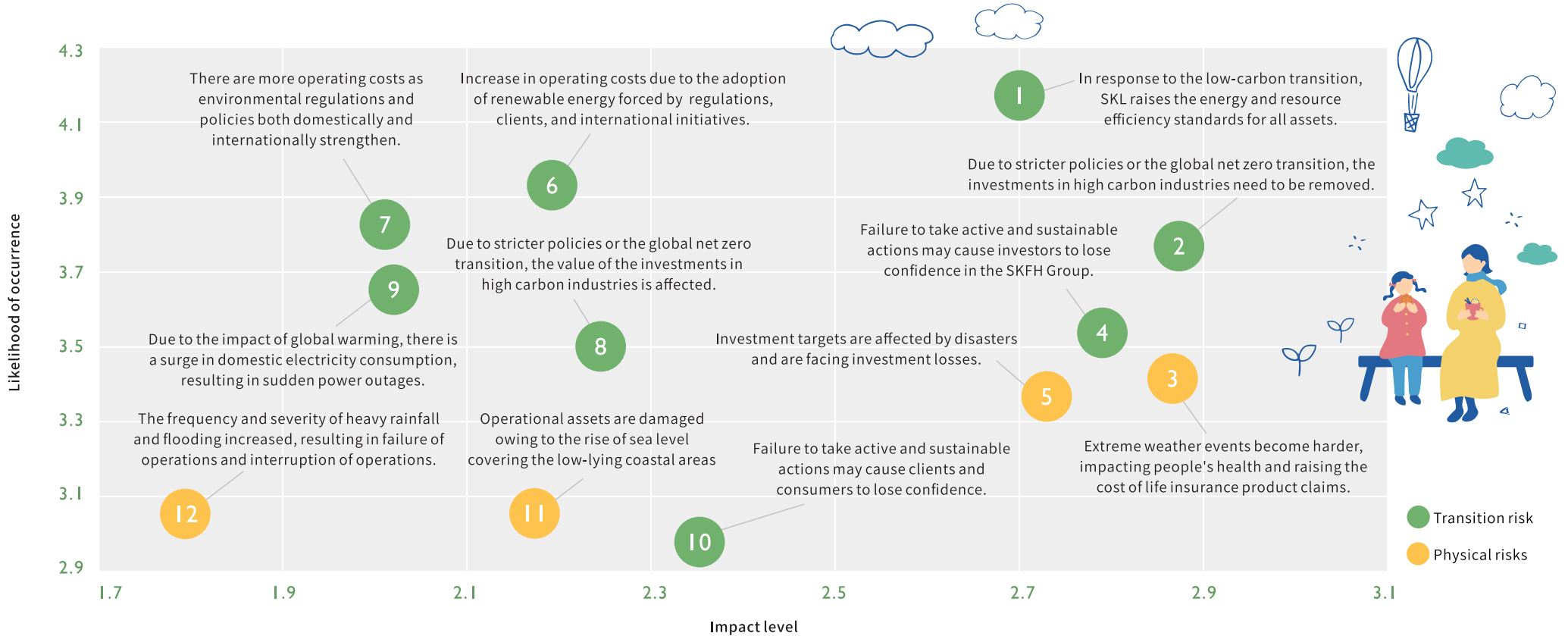
### 2.2.1 Identification of Climate Risks and Opportunities

The Company referred to the "World Energy Outlook 2022" (WEO 2022) published by the International Energy Agency (IEA) and the "Climate Change 2021: The Physical Science Basis" report (IPCC AR6 WG1) released by the Intergovernmental Panel on Climate Change (IPCC) to establish a climate risk issue repository, which includes climate transition risks and physical risks. The Company inventoried climate-related opportunities in its operations (such as resource efficiency management and the development of climate-related financial products) and investments (such as low carbon energy and investments in emerging technology industries). By conducting internal expert investigations and gathering opinions from departments related to sustainable development, risk management, resource management, investment, and customer relations, we analyzed the impact and implications of climate factors on various aspects of the Company's business. Based on the questionnaire results, 12 climate risk issues and 5 climate opportunity issues were identified, quantified, and ranked according to their "likelihood of occurrence" and "impact level." Detailed explanations and response strategies were developed for material issues:

Term	Short	Medium	Long
Year	1 to 2 years (2023-2024)	3 to 7 years (2024-2030)	8 to 20 years (2030-2050)

## A. Climate-Related Risks

### Climate Risk Matrix



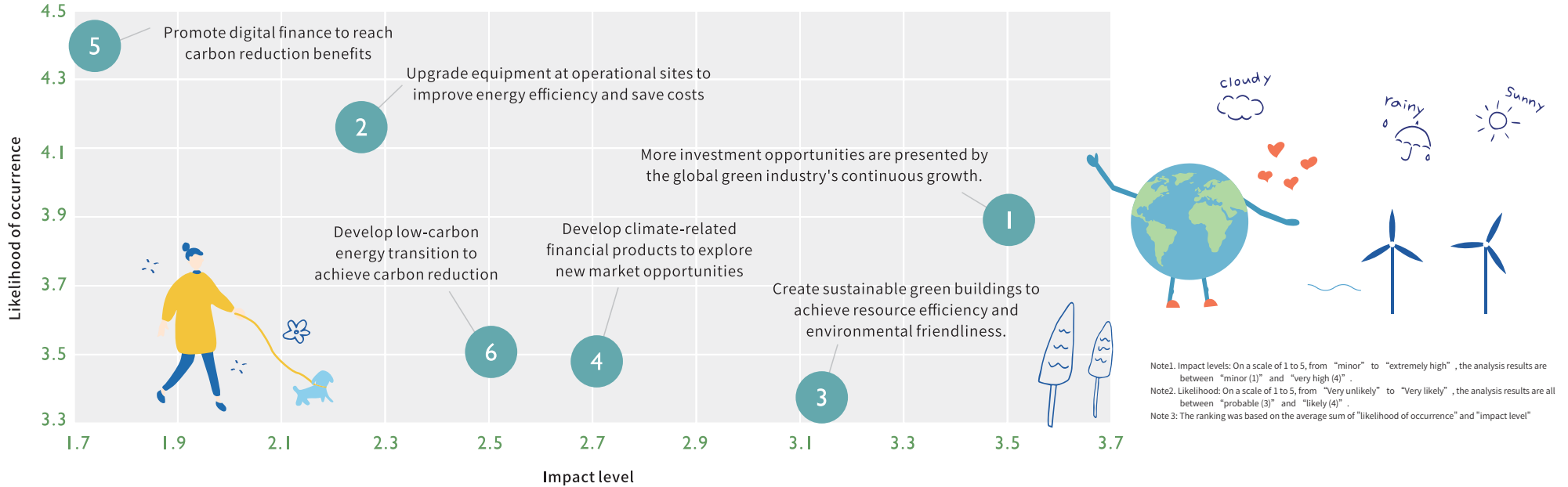
Note 1: Impact levels: On a scale of 1 to 5, from "minor" to "extremely high", the analysis results are between "minor (1)" and "very high (4)".  
 Note 2: Likelihood: On a scale of 1 to 5, from "Very unlikely" to "Very likely", the analysis results are all between "probable (3)" and "likely (4)".  
 Note 3: The ranking was based on the average sum of "likelihood of occurrence" and "impact level"

## Material Climate Risk Issues

Ranking	Risk Type	Event Time	Risk Description	Financial Impact	Response Measures
1	Transition—Technology	Short-term	Due to the trend of low carbon technology development, increased investment costs are incurred to improve the energy and resource efficiency standards of assets.	Increased operating costs	<ul style="list-style-type: none"> <li>Regularly check high-energy-consuming assets at each operating location for replacement to improve energy resource efficiency.</li> <li>Scheduled to replace the lighting fixtures at all our nationwide locations with LED lights by 2030 to enhance the energy efficiency of air conditioning equipment.</li> <li>Develop environmental goals and strategies, such as establishing indicators for GHG emissions, green building, and green procurement. (Refer to 3 Towards Net Zero Future)</li> </ul>
2	Transition—Market	Mid-term	As the industry moves towards a low carbon economy, high-carbon-emitting industries are expected to be phased out. The existing investment and financing evaluation methods are not applicable to the low carbon economy and may lead to investment or asset depreciation.	Decreased revenue and profits / Reduced asset values	<ul style="list-style-type: none"> <li>In accordance with the "SKFH Sustainable Finance Policy", we have conducted careful assessments of controversial, high ESG risk, and carbon-intensive industries, and have established industry-specific guidelines and adjusted asset allocation as needed.</li> <li>Define and list the carbon-intensive industries, take inventory of exposure, and assess the climate change risks associated with such industries. (Refer to 2.4 Climate Indicators and Targets, 7.1 Promote Sustainable Finance)</li> </ul>
3	Physical risk—Chronic	Long-term	Extreme heat can deteriorate living conditions and lead to power outages, causing disruptions in company operations; Extreme weather conditions can increase mortality or illness rates, resulting in higher life insurance claim payouts.	Increased operating costs / Decreased revenue and profits	<ul style="list-style-type: none"> <li>Analyze the likelihood of operational disruptions, such as prolonged interruptions in operations.</li> <li>According to the IPCC AR6 report, research on the impact of climate change on human health indicates that under RCP4.5/SSP3, the population's exposure to heatwaves is projected to increase 16-fold by 2050; Under RCP8.5/SSP3, the exposure is expected to increase 36-fold. Higher temperatures can potentially lead to health risks such as dengue fever and labor productivity losses; additionally, there is an increased likelihood of heat-related injuries (such as heatstroke.) The Company will closely monitor employee occupational safety and health, especially during extreme weather conditions, and provide additional protective measures to prevent related injuries.</li> <li>We intend to assess and develop new types of products related to climate change. (Refer to 2.2 Climate Strategy)</li> </ul>
4	Transition—Reputation	Mid-term	Global markets are increasingly prioritizing sustainable development, and there is a shifting of preference in the market. Failing to adopt proactive sustainability measures may result in a loss of favor from consumers, investors, and other stakeholders, leading to a decline in business opportunities.	Decreased revenue and profits/ Reduced inflow of investment capital	<ul style="list-style-type: none"> <li>Actively participating in international sustainable initiatives, alliances, and sustainability assessments such as AIGCC (Asian Investor Group on Climate Change) and Taiwan Alliance for Net Zero, in order to enhance stakeholders' trust in the company and stay informed about domestic and international sustainability and climate change information. (Refer to 1.1.3 Participation in External Organizations)</li> </ul>
5	Physical—Acute	Long-term	Extreme weather may pose disaster impacts on business locations, suppliers, and investment targets, leading to potential losses in company infrastructure, equipment, revenue, and investment asset value.	Decreased revenue and profits / Increased operating costs/ Reduced asset values	<ul style="list-style-type: none"> <li>Perform scenario analysis of physical risks under RCP2.6 and RCP8.5</li> <li>Evaluate the potential physical climate risks of the Company's self-owned and financed real estate through the database to control possible investment losses</li> <li>Convert some equipment to leasing models to transfer the financial loss risk caused by extreme weather events</li> <li>Identify the risks of industries with higher climate sensitivity and plan adjustments to the investment portfolio to mitigate investment uncertainties caused by disasters. (Refer to 2.2 Climate Strategy, 2.4 Climate Indicators and Targets)</li> </ul>
6	Transition—Policy and legal	Short-term	In response to regulations (such as the Climate Change Response Act, and Renewable Energy Development Act), customer demands, and international initiatives, companies, suppliers, and investment targets may be affected by carbon fees imposition and an increase in the proportion of renewable energy usage.	Increase in operating costs / Decreased profits	<ul style="list-style-type: none"> <li>Conduct NGFS scenario analysis to assess credit and market risks of investment and financing in response to policy and regulatory risks associated with the net zero transition trend</li> <li>Actively engage with high carbon-emitting suppliers or investment targets to urge their low carbon transformation; Adjust procurement targets or investment strategies accordingly for companies that show no improvement.</li> <li>Conduct thorough assessments of GHG emissions in our own operations and develop decarbonization strategies.</li> <li>Invest in renewable energy power plants, purchase green electricity and obtain renewable energy certificates. (Refer to 2.2 Climate Strategy, 3 Towards Net Zero Future, 7.1 Promote Sustainable Finance)</li> </ul>

## B. Climate-Related Opportunities

### Climate Opportunities Matrix



### Material Climate Opportunities

Opportunity Type	Opportunity	Event Time	Financial Impact	Response Measures	Results in 2022
Market	More investment opportunities are presented by the global green industry's continuous growth.	Short-term	Increased revenue	<ul style="list-style-type: none"> <li>Continuously monitor the trends in green-related industries and invest in sustainable development industries such as environmentally friendly and green energy industries.</li> </ul>	<ul style="list-style-type: none"> <li>Investments in environmentally friendly or green energy-related industries reached a value of NT\$34.2 billion dollars. (Refer to 7.1.2 Expanding the Influence of Sustainable Finance)</li> </ul>
Resource Efficiency	Upgrade equipment at operational sites to improve energy efficiency and save costs	Short-term	Reduced operating costs	<ul style="list-style-type: none"> <li>Take inventory of equipment in operating locations and implement a rolling replacement plan for energy-consuming equipment such as air conditioners and lighting fixtures to improve energy efficiency.</li> <li>Replace all lighting fixtures with LED lights in all locations nationwide by 2030, gradually improving the energy efficiency of AC equipment.</li> <li>Promote a change in energy resource usage habits among employees through environmental sustainability training.</li> </ul>	<ul style="list-style-type: none"> <li>Implement energy-saving measures (such as replacing chiller units and upgrading nighttime lighting), resulting in a savings of approximately 727,694 kWh of electricity and a reduction of 370.4 tCO<sub>2</sub>.</li> <li>Continuously optimize the electricity usage in data centers. (Refer to 3.2.2 Improving Energy/Resource Efficiency)</li> </ul>
Resource Efficiency / Product and Service	Develop sustainable green buildings to achieve environmental friendliness and efficient resource utilization, thereby attracting and gaining the trust of consumers, leading to increased revenue	Short-term	Reduced operating costs / Increased revenue	<ul style="list-style-type: none"> <li>Obtain green building certificates (silver and above) for all new projects to enhance the environmental sustainability performance of buildings.</li> <li>Continuously revitalize existing buildings and equipment by implementing various energy-saving measures to improve the energy efficiency of existing buildings.</li> </ul>	<ul style="list-style-type: none"> <li>In 2022, Shin Kong President Jasper villa and the Hangzhou North Road Land Use Right Project obtained the Silver-Level Green Building Label and Silver-Level Green Building Candidate Certificate, respectively. As of 2022, a total of 7 buildings applied for green building certifications. (Refer to 3.2.4 Constructing Green Buildings)</li> </ul>
Product and Service	Develop climate-related financial products to explore new market opportunities	Mid-term	Increased revenue	<ul style="list-style-type: none"> <li>Actively seize climate-related business opportunities and continuously develop environmentally friendly products and services to assist consumers in coping with the environmental or health impacts of climate change.</li> <li>As the temperature rises, secondary air contaminants form, and the incidence of respiratory and cardiovascular disorders rises (the indirect impact of climate change on humans as defined in the IPCC AR5). We launched the industry's first air pollution insurance policy.</li> </ul>	<ul style="list-style-type: none"> <li>In 2022, the premium revenue from the air pollution insurance policy amounted to NT\$180 million. Among them, the newly developed "Air Pollution Rider" sold 1,445 policies. (Refer to 5.1 Diversified Products)</li> </ul>

Note: Climate opportunity types include resource efficiency, energy source, products and services, markets, and resilience.

## 2.2.2 Climate Scenario Analyses and Stress Tests

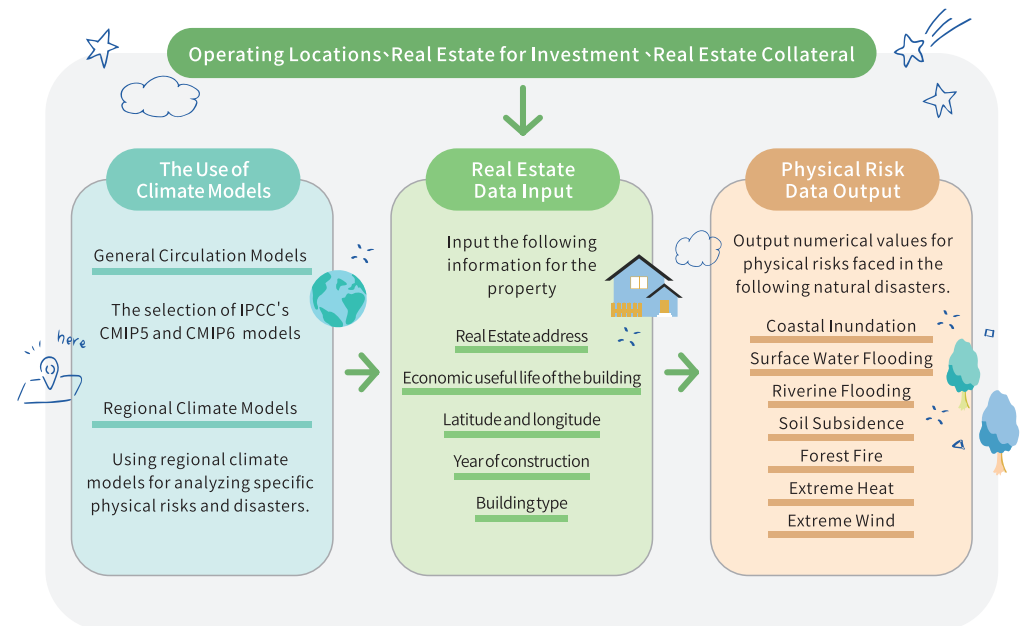
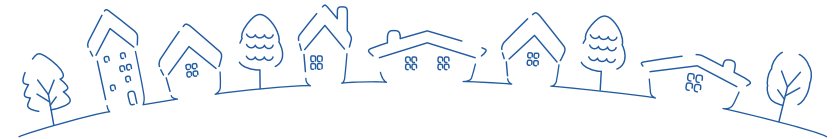
To further understand the impact of climate change risks on SKL, we use climate scenario analysis to measure risk exposure under various climate scenarios for physical and transition risks and actively implement relevant management actions and countermeasures to strengthen climate resilience. The scenarios used and described as follows:

Application	Risk Category	Climate Scenario	Description
Operating locations and Investment property	Physical Risk - Acute and Chronic	RCP2.6、RCP8.5	Calculate the impact of climate risks on real estate investments (maximum climate risk values, reconstruction costs, and possibility of operational disruptions)
Real estate collateral	Physical Risk - Chronic	RCP 2.6、RCP 8.5	Calculate the impact of climate risks on real estate collateral
Life insurance products	Physical Risk - Chronic	RCP 2.6、RCP 8.5	Calculate the impact of temperature rise on heat-related injury claims in life insurance products
Investment portfolios	Transition Risk - Policy and Legal	NGFS-Net Zero 2050、Current Policies	Calculating the changes in credit and market risks for investment and financing positions under stricter climate regulations.

### A. Physical Risks

#### Scenario analysis process for real estate risk assessment:

To review the potential future impact of climate change on operating locations and Investment property, we have established assessable climate models and analyzed the operating locations, investment real estate, and real estate collateral of SKL in Taiwan as of the end of 2022 to determine the Max Value at Risk (MVaR) and Failure Probability (FP) for various types of climate change risks and disasters, including surface water flooding, soil subsidence, coastal inundation, forest fire, and extreme wind, during each decade from 2020 to 2100 under the RCP 2.6 and RCP 8.5 climate scenarios. Required parameters and data outputs as follows:



Note 1: RCP2.6 is the lowest in terms of radiative forcing among the four representative concentration pathways. The RCP2.6 is representative of the literature on mitigation scenarios aiming to limit the increase of global mean temperature to 2°C.

Note 2: RCP8.5 was specifically selected as a high-end baseline scenario, and was intended to be portrayed as the most likely "business as usual" no-policy outcome. RCP8.5 delivers a temperature increase of about 4°C.

(1) Operating Locations and Real Estate for Investment:

Max Value at Risk (MVaR)

Analysis and results

In 2022, the Company owned a total of 200 real estate assets across Taiwan. Due to Taiwan's susceptibility to natural disasters such as typhoons, heavy rainfall, and floods, the repair costs and operational disruptions of these properties have increased. To address this, we conducted scenario analyses using RCP2.6 and RCP8.5 to determine the MVaR for various climate risk factors. We also referred to construction cost reference tables and the annual growth rate of construction engineering price index to estimate the reconstruction costs of our real estate assets. Furthermore, we analyzed high climate risk areas for all operational locations in Taiwan to establish risk response measures for ongoing operational plans.

Based on the analysis results, within the period from 2030 to 2050 under RCP2.6 and RCP8.5 scenarios, the estimated financial impact ranges from NT\$270 million to NT\$370 million. In the most severe scenario, RCP8.5, the MVaR for the end of the century is 0.55%, with a financial impact of approximately NT\$415 million; Among various climate risk factors, regardless of the RCP2.6 or RCP8.5 scenarios, land subsidence caused by drought has the most significant impact on asset value, followed by river flooding and coastal inundation. Additionally, the analysis of our business locations shows that in both scenarios, by the end of the century, there will be six operational sites classified as high climate change risk areas with a MVaR% exceeding 1%. These sites are located in Hualien, Taitung, Kaohsiung, and Taichung, with the primary climate factors being river flooding and surface water inundation.

Maximum climate risk values (MVaR) under RCP2.6 and RCP8.5 scenarios



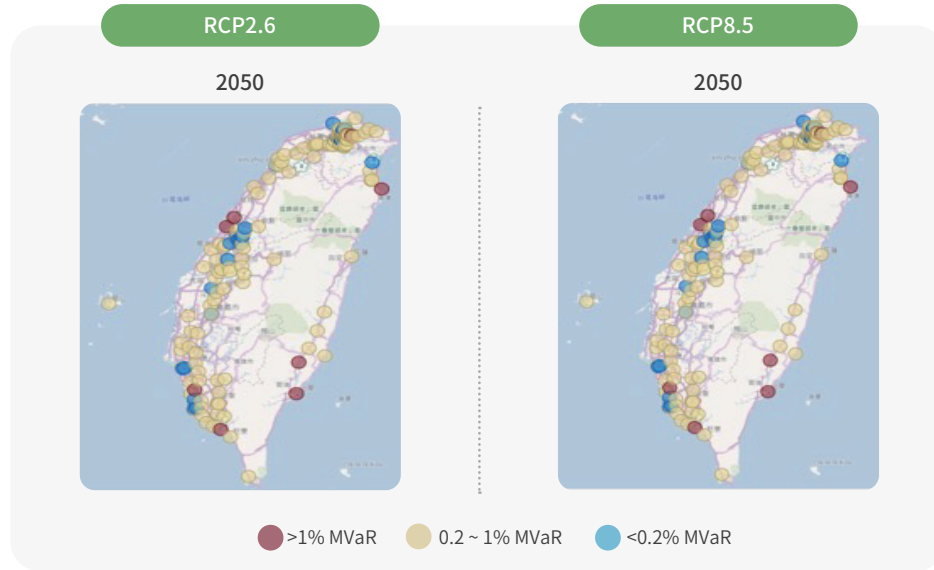
Scenario / Year	2030	2050	2100
RCP 2.6	0.36%	0.42%	0.42%
RCP 8.5	0.38%	0.48%	0.55%

Note 1: Climate Value at Risk, VaR%: The percentage of repair costs to asset reconstruction costs for the real estate in a single year after being damaged by climate disasters.  
 Note 2: Max Climate Value at Risk%: Take the maximum value of the climate VaR% that the asset is exposed to in each year during the period from the initial time of analysis to the time of calculation.





The operating locations and their corresponding risk values under RCP2.6 and RCP8.5 scenarios is as follows:



### Risk response

Based on the observations above, the risk assessment results indicate that the impact is relatively minor for the overall company and remains within an acceptable range. As a result, we will use the Land Subsidence Monitoring System of the Water Resources Agency (WRA) under the Ministry of Economic Affairs to monitor the development of land subsidence in the areas where real estate and will take appropriate countermeasures as soon as possible. In addition, we will increase flood control measures during real estate construction and respond to hazards with adaptation plans such as regular drills, backup, and recovery to cope with coastal flooding caused by sea-level rise and surface flooding caused by acute rainfall.

### Failure Probability (FP)

#### Analysis and results

The Failure Probability (FP) means the probability that caused building operations to halt by the climate hazards in that year. Productivity loss is the core concept of the assessment, and the climate-related risks that are taken into account are heat-related work hour loss and heat-related excess mortality rate. According to the analysis results, extreme heat is the most important factor in causing operation failure under both the RCP 2.6 and RCP 8.5 scenarios. Particularly, under the RCP 8.5 scenario, extreme heat contributes to 96.90% of operation failure, which makes SKL attach more importance to promoting low carbon transition.

### Risk response

The Company has established a Business Continuity Management System (BCMS) to reduce the likelihood of operational disruption or damage, and strengthen our ability to respond to major events and recover quickly to protect the interests of our customers and all stakeholders. (Refer to 6.2.3 Risk Management Measures and Response Mechanisms) Furthermore, we estimate that under the RCP 2.6 and RCP 8.5 scenarios, there may be a rise in temperature ranging from 0.3° C to 4.8° C in the 21st century, which will increase the possibility of heat illnesses (such as heat strokes) for employees. As a result, we will pay much greater attention to the occupational safety and health of our employees, as well as provide additional protective measures to prevent related injuries by extreme weather.

### Failure probability (FP) under RCP2.6 and RCP8.5 scenarios



## (2) Real Estate Collateral

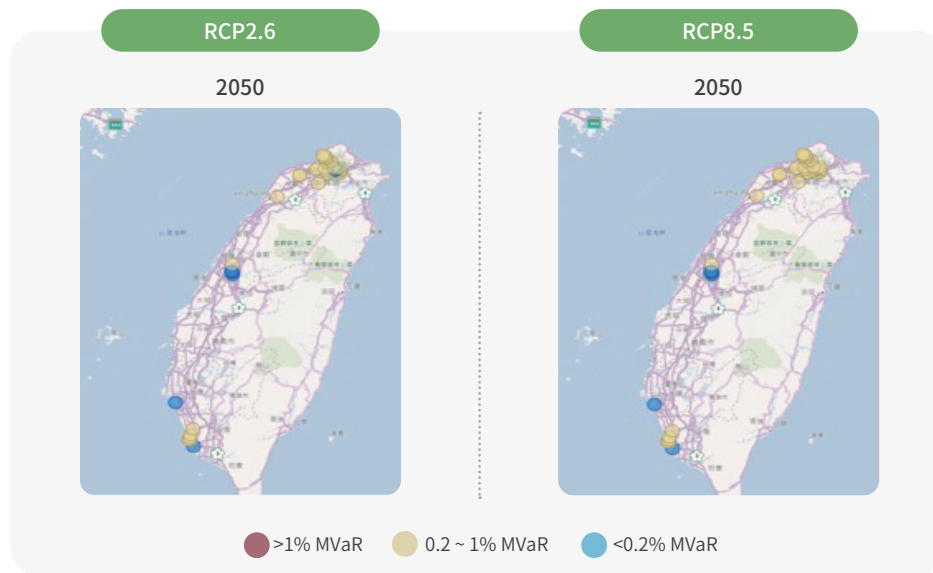
### Analysis and results

To assess the physical risks faced by the real estate collateral for loans, the Company conducted a physical risk analysis using climate scenarios RCP 2.6 and RCP 8.5. It was found that, except for one property in Tainan City after 2082, the Value at Risk (VaR%) for the real estate collateral remained below 1% for the loans undertaken between 2020 and 2100. Additionally, the loan terms were short-term. Therefore, the Company determines that the climate change risk for real estate collateral does not pose a high risk in the short run.

### Risk response

In the future, when undertaking new loans that require an evaluation of real estate collateral, the Company will enhance the assessment of the physical risks associated with the collateral to mitigate the potential climate change risk faced by the loans.

The locations of real estate collateral and their corresponding risk values under RCP2.6 and RCP8.5 scenarios is as follows:



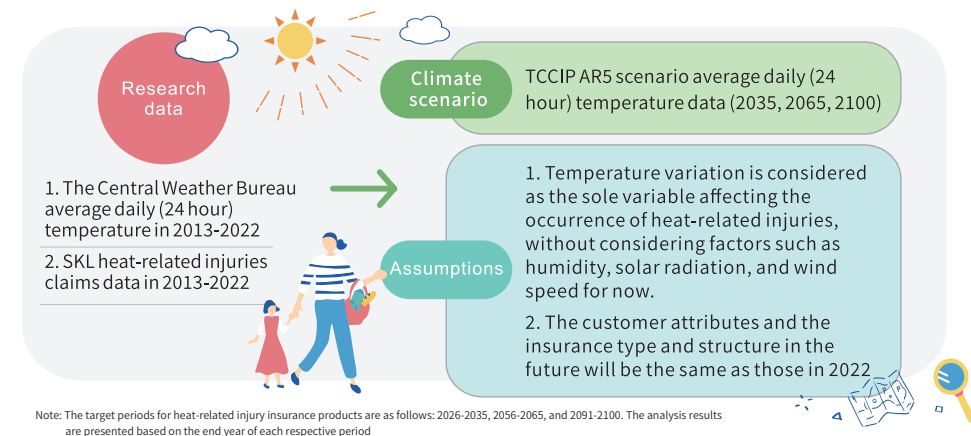
## (3) Analysis of Physical Risks in Life Insurance Heat-Related Injury Claim

### Analysis and results

To assess the relationship between temperature increase and heat injuries in Taiwan, the Company utilized daily temperature data from the Central Weather Bureau, life insurance claims data, and AR5 climate scenario data from the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) for the period 2013 to 2022 to analyze the potential changes in future life insurance claims related to heat injuries; Preliminary results indicate that temperature rise is expected to lead to a decrease in heat-related insurance claim payouts, which would not have a significant financial impact on insurance claims. However, it is important to note that the analysis is limited by the availability of historical heat-related claim data, which may not fully represent the overall trend of heat-related incidents affecting the entire population of Taiwan. Additionally, daily average temperature is not the sole variable related to heat-related injuries. Due to limitations in data availability, further analysis must be conducted once data accessibility improves in the future.

### Risk response

Given the relationship between life insurance products and climate change, more data and technologies are needed for further assessment. It is expected that more data and advanced analytical methodologies will be available in the future through interdisciplinary collaboration among industry, government, and academia. Continuously improve the understanding of how climate scenarios will affect the well-being of the Taiwanese population, comprehend the risks associated with the life insurance products due to climate change, and help people adapt to increasingly serious changing climates.

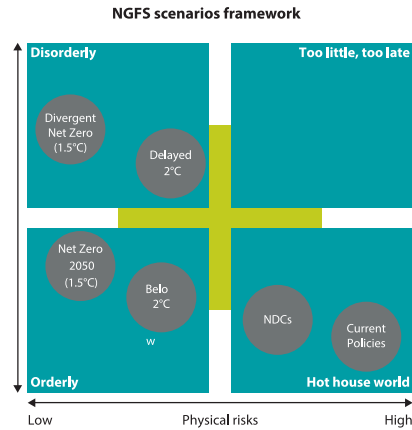


## (4) Physical Risks Summary

Based on the comprehensive assessment, the impact of physical risks on the Company's operations is considered limited, and the management approach is categorized as "acceptable." The Company will continue to monitor the climate risk values (Max Value at Risk%) of real estate assets and collateral, and implement corresponding climate action plans based on their fluctuations.

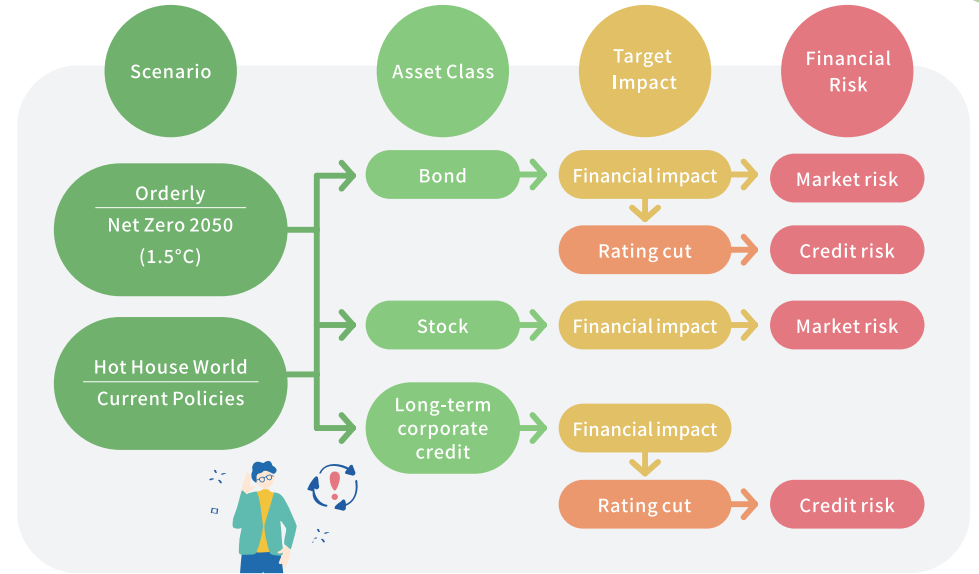
## B. Transition Risk

Transition risk scenario analysis is conducted to assess and measure the risks that may arise during the process of transition towards a low carbon economy. It focuses on evaluate the risks associated with the adjustments made in the journey towards a low carbon economy. We use the international data from the Network for Greening the Financial System (NGFS) of central banks and financial supervisors to establish relevant stress test models to measure changes in the ratings of investment targets (Including evaluations of future energy consumption growth rate, energy unit cost, carbon emission growth rate, and carbon fee unit cost). Two scenarios, "Current policies" and "Net Zero 2050," provided by the NGFS Scenario Explorer, were selected as the basis for the analysis of transition risks. A simulation was conducted to construct the distribution of energy consumption and CO<sub>2</sub> emissions for benchmarking industries with high climate change risks. The financial impacts on the target's financial indicators resulting from the influence of the transition risk scenarios were estimated. The following are explanations and results of the related scenario analysis assumptions:



Data resource : NGFS Scenarios for central banks and supervisors, September 2022

## Transmission Pathway Diagram for Transitional Risk Assessment



### (1) Transition risk scenario assumptions

Scenario Categories		Scenario description			
Current Policies		<ul style="list-style-type: none"> <li>Assessment of transition risk indicators based on the existing policy intensity of governments worldwide</li> <li>Compare the Current Policies scenario (limited action, existing policies) with the Net Zero 2050 scenario (ambitious action) for conducting a transition risk scenario analysis</li> </ul>			
Net Zero 2050		Implement proactive measures for an orderly transition towards achieving net zero emissions globally by 2050			
Scenario Assumptions					
Scope of Affected Assets	Industry Coverage	Geographic Areas	Forecast Period and Intervals	Input Parameters	
				Scenario Parameters	Financial Parameters
The bond and security investment targets, as well as long-term corporate financing loans that belong to industries with high climate change risk.	Metal and mining, oil and gas, electricity generation, steel, chemical, and aviation, and other industries with high climate change risk.	The Americas, Asia, Europe, and Oceania	2022-2050 (annually)	<ul style="list-style-type: none"> <li>Energy consumption</li> <li>Energy prices</li> <li>CO2 emissions</li> <li>Carbon prices</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Income statement</li> <li>Cash flow statement</li> </ul>



## (2) Transition risk scenario analysis results

Asset category	Climate Scenario	Rating changes or financial impacts under climate scenarios			Description
		Short-term (2030)	Mid-term (2040)	Long-term (2050)	
Bond investments	Current Policies	Average credit rating downgrade of 0 to 1 notch	Average credit rating downgrade of 1 notch approx.	Average credit rating downgrade of 1 to 2 notches	<ul style="list-style-type: none"> <li>Under the Current Policies scenario, the financial impacts on investments in high-climate-risk industries resulted in an average credit rating downgrade of approximately 1 to 2 notches.</li> <li>Under the Net Zero 2050 scenario, the average credit rating decrease for industries with high climate risk is no more than 2 credits.</li> <li>Based on the above scenario analysis, the main industries affected are the power generation industry, semiconductor industry, and oil and gas industry. The overall outcome is within our company's acceptable range.</li> </ul>
	Net Zero 2050	Average credit rating downgrade of 1 notch	Average credit rating downgrade of 1 notch	Average credit rating downgrade of 1 to 2 notches	
Stock investments	Current Policies	<ul style="list-style-type: none"> <li>Financial impact indicator: EBITDA Margin</li> <li>Compared to 2022, the maximum average EBITDA Margin decrease for investment targets was 3.42%.</li> </ul>			Based on comprehensive analysis, the impact of both scenarios on stock investments is limited and falls within an acceptable range for the company.
	Net Zero 2050	<ul style="list-style-type: none"> <li>Financial impact indicator: EBITDA Margin</li> <li>Compared to 2022, the maximum average EBITDA Margin decrease for investment targets was 15.47%.</li> </ul>			
Long-term corporate financing	Current Policies	<ul style="list-style-type: none"> <li>No rating changes</li> <li>Compared to 2022, the average net profit of the financing targets during the observation period showed a maximum decline of 1.95%.</li> </ul>			In this analysis, although no rating changes or increased default rates were observed for the benchmark corporate financing targets due to the impact of the transition risk scenario, it falls within an acceptable range for the company.
	Net Zero 2050	<ul style="list-style-type: none"> <li>No rating changes</li> <li>Compared to 2022, the average net profit of the financing targets during the observation period showed a maximum decline of 33.74%.</li> </ul>			

## (3) Transition risk summary

After a comprehensive assessment, the transition risk is determined to have a limited impact on the Company's operations in terms of credit rating changes and financial implications. Therefore, the management approach adopted is "acceptable". However, to actively respond to transition risks and continuously monitor the impact of these risks on the Company's investments, we have incorporated climate risk factors into our investment and financing-related policies. We have established a requirement for careful assessment of climate change risks associated with transaction counterparts before making investment and financing decisions. Ongoing monitoring and management are also implemented following the completion of transactions. (Refer to 2.3 Climate Risk Management, 7.1 Promote Sustainable Finance)

## C. Climate Risk Stress Tests

The following calculations were made by the company, using the current risk areas, to determine the expected loss from operational risk, expected loss from credit risk, and impairment of asset value due to market risk:

Climate risk	Physical risks	Transition risk	
Existing risk	Operational risk	Credit risk	Market risk
Asset category	Operating locations and real estate investments	Bond investments and long-term corporate financing	Bond investments   Stock investments
Evaluation method	Estimate the number of operational risk events and the impact of losses that may be caused by extreme weather events.	Estimate through the changes in credit ratings, Probability of Default (PD), and Loss Given Default (LGD) for collateralized positions affected by physical risk.	Estimate the operational impact on equity and debt issuers due to specific climate stress scenarios related to transition risk.
Financial Impact Estimated by Stress Tests on the Company	<p> <ul style="list-style-type: none"> <li>Taking the year 2050 as an example, the simulated expected losses for operational risks are not significant. Therefore, the impact on operational risk management can be considered relatively limited, and this climate risk is within an acceptable range.</li> </ul> </p>	<p> <ul style="list-style-type: none"> <li>In regard to corporate finance, the analysis is limited to using benchmark data to simulate investment targets' financial condition under two climatic scenarios while taking into account collateralized loans' maturity on the reference date. It was found that the transition risk scenario had not increased the default rates for the corporate finance portfolio.</li> <li>In the stress test results for corporate financing and bonds, the loss ratios derived from climate change risks are not significant, indicating a limited impact on credit risk, which falls within an acceptable range for the company.</li> </ul> </p>	<p> <ul style="list-style-type: none"> <li>The stress test results indicate that the derived loss ratios in stocks and bonds are not high, suggesting a relatively limited impact on market risk. This climate change risk falls within an acceptable range.</li> </ul> </p>

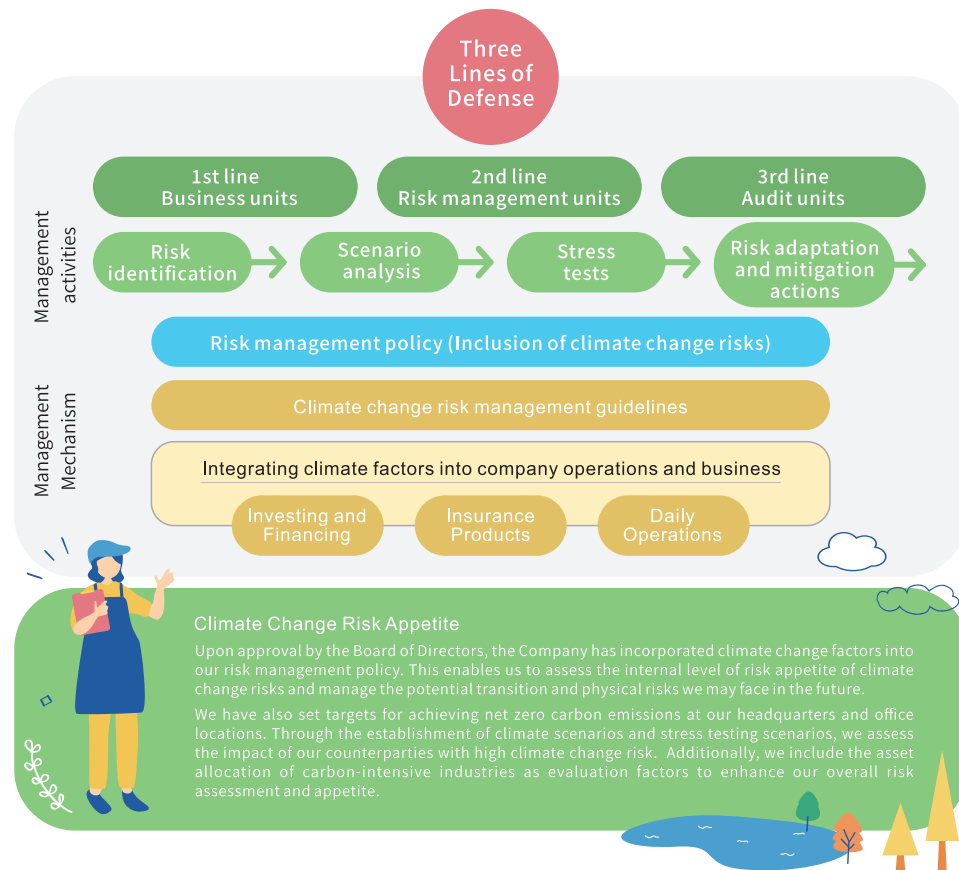
Definitions of time categories: 2030 (short-term), 2040 (mid-term), 2050 (long-term)

In conclusion, the Company considers the risk associated with climate change to be manageable and reasonably limited. However, the Company has introduced climate-related policies and regulations (such as changing the standards for new part selection, preserving the combination of current parts, etc.), including climate-related risks in risk appetite statements, and frequently conducts climate stress tests across the main financial risks in order to effectively manage and mitigate the effects of climate risk. To keep a strong framework for climate governance in place, the findings are communicated to the Board of Directors and pertinent committees.

## 2.3 Climate Risk Management

Climate change has become one of the most urgent risks globally. Taking voluntary and proactive measures to identify and manage climate change risks and opportunities is essential for harmonizing financial and economic activities, social well-being, and the Earth's ecology. To mitigate the impact of climate change on business operations, the Company has established a climate change risk management mechanism, which follows the guidance of the TCFD framework and aligns with the SKFH Sustainable Finance Policy. We have incorporated "climate change risk" into the Company's risk management policy and continuously seek improvement by integrating it with our existing corporate risk management framework. We employ three lines of defense for internal control to manage climate change risks effectively.

### A. Climate Risk Management Framework



The Company's climate change risk management is divided into three lines of defense, with responsibilities assigned accordingly. The business units are responsible for risk adaptation and mitigation actions, while the risk management unit conducts regular risk identification and establishes a climate change matrix. Through scenario analysis and stress testing, the impact of climate change risks is assessed, and relevant indicators are set for monitoring. The audit unit later verifies and provides recommendations.

In addition, to facilitate various risk identification and analysis activities, as well as risk adaptation and mitigation actions, the Company has developed a climate change risk appetite statement and established investment and financing guidelines. These initiatives aim to assist relevant units in gaining a clear understanding of climate change risks and guide them in taking appropriate actions.

### B. Climate Risk Management Mechanism

The Company manages climate change risk in investment and financing activities through two aspects. Firstly, we follow the sustainable finance policies established by SKFH. Secondly, we have formulated our own management mechanisms:

#### (1) Shin Kong Group climate change risk management measures



## (2)SKL climate change risk management measures

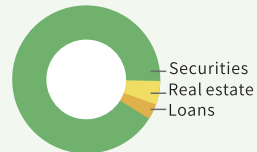
### Climate Change Risk Management Guidelines

- Establish a risk management model for climate change in accordance with the framework of the "The execution procedures for the three defense lines for the internal control system of an insurance enterprise".
- Establish investment and financing procedures that consider climate change risks
- Depending business characteristics, choose to establish engagement mechanisms with counterparties or clients to encourage them to take measures to mitigate their climate change risks

### Investing and Financing Activities

- Incorporate climate factors into investment, financing, and real estate related regulations
- Identify industries with potential controversial issues
- Conduct climate risk assessments for carbon-intensive industries before making investments. If the transaction involves a carbon-intensive industry, conduct a climate risk assessment.

(Refer to 7.1 Promote sustainable finance)



### Risk Management for Insurance Products

- Follow the Principles of Sustainable Insurance (PSI), actively incorporate ESG issues into insurance product decision-making and develop sustainable insurance products to assist policyholders in exploring solutions to environmental changes and other challenges

(Refer to Appendix-PSI)

### Operating Activities

- Set up a "Business Crisis Response Team" to establish crisis response measures and the emergency reporting regulations
- Implement a Business Continuity Management System (BCMS) to reduce the likelihood or extent of operational disruptions
- Promulgate environmental policies to integrate the concept of low carbon into various business operations to minimize our impact on the environment

(Refer to 3 Towards Net zero Future, 6.2 Risk management)





## 2.4 Climate Metrics and Targets

The climate issue has gained international attention, and in response to the global net zero trend, the National Development Council of Taiwan has announced the "Taiwan's 2050 Net zero Emissions Pathway" in March 2022. This pathway aims to achieve the goal of net zero transition through four major transition strategies, two governance foundations, and twelve key strategies.

### 2.4.1 SKL Climate Metrics and Targets

In line with the national net zero strategy, we have set our own operational carbon reduction goals and took

inventory of the carbon emissions of our investment portfolios. We have also established climate-related indicators and identified climate opportunities, aiming to leverage our core competencies in the financial industry to promote the low carbon transition. By establishing and tracking key performance indicators, we have incorporated climate goals into the company strategy, enabling senior executives to effectively align with the Company's business strategy and development plans, facilitating the effective management of climate risks and opportunities. We are committed to responding to the national sustainable transition and gradually achieving a sustainable society with net zero emissions.

Strategic Direction	Strategic Value	Indicator	Unit	Base year	Short-term	Medium/Long-Term Targets	2022 Execution Summary	
Towards Net zero Future (refer to 3.2 Low Carbon Actions)	Carbon reduction in own operations	GHG emissions (Scopes 1+2 carbon emissions)	tCO <sub>2</sub> e	2019	<ul style="list-style-type: none"> <li>Reduce GHG emissions in own operations by 2% annually by the target year of 2025</li> </ul>	<ul style="list-style-type: none"> <li>Achieve net zero emissions at the SKL headquarters by 2026</li> <li>Achieve net zero emissions at the headquarters and main offices by 2030</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions Scope 1: 1,553.66 tCO<sub>2</sub>e Scope 2: 13,768.62 tCO<sub>2</sub>e Cumulative increase of 5.9% since baseline year 2019</li> </ul>	
Unleashing the importance of sustainable finance (refer to 7.1 Promote Sustainable Finance)	Decarbonization of investment portfolios	Carbon emissions of investment portfolios	ktCO <sub>2</sub> e	2020	<ul style="list-style-type: none"> <li>Based on the SKFH's SBTs and the PCAF methodology, complete an inventory of carbon emissions (tCO<sub>2</sub>e) and carbon intensity (tCO<sub>2</sub>e/TWD MM Revenue) for investment portfolios, and assess the exposure amount of carbon-intensive assets in investment portfolios</li> <li>Engage with investment targets through methods such as questionnaire surveys, phone calls, in-person visits, participation in shareholder meetings, and exercising voting rights so that they can learn about our carbon emissions, climate-related actions and goals. Encourage counterparties to undergo transition</li> </ul>	<ul style="list-style-type: none"> <li>Set carbon emission targets in accordance with SKFH's SBTi and develop carbon reduction strategies.</li> <li>Formulate a gradual phase-out schedule for coal and unconventional oil and gas industries in accordance with SKFH Sustainable Finance Policy</li> </ul>	<ul style="list-style-type: none"> <li>Investment portfolios had a carbon emission of 1,915 ktCO<sub>2</sub>e; The weighted average carbon intensity was 2.649 tCO<sub>2</sub>e/TWD MM Revenue</li> <li>Climate change questionnaire response rate of 75% by 2022</li> <li>Climate change management measures, a carbon-intensive industry list, industry-specific guidelines and voting and engagement policies were established</li> </ul>	
		weighted average carbon intensity	tCO <sub>2</sub> e/ TWDMM Revenues					%
		Carbon Intensive Asset Exposure	%					
	ESG-Themed Investment	Green finance	NT\$100 million	2020	<ul style="list-style-type: none"> <li>Continue to strengthen the sustainable investment process to achieve sustainable and robust investment performance. Achieve a 3% CAGR in the amount of securities investments under the principles of sustainable investing in 5 years</li> <li>Continue to invest in the low carbon green energy industry, with a 400% growth rate in investments in green energy-related businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to invest in the low carbon green energy industry, strengthen the engagement mechanism of investees, and exert sustainable financial influence.</li> </ul>	<ul style="list-style-type: none"> <li>The CAGR of securities that comply with the Company's sustainable investment principles achieved 6.69%</li> <li>Investments in green energy projects experienced a growth of 294%</li> </ul>	

## 2.4.2 Financed emissions inventory

As a result of climate change, governments around the world are increasing their regulation of carbon emissions. In addition to potentially incurring additional costs for carbon emissions, businesses may also see their operations and asset values affected. In order to uphold the spirit of sustainable finance, in addition to following the national 2050 net zero policy and action plan, SKFH officially signed up for the Science Based Targets initiative (SBTi) in 2022, joining the international decarbonization efforts. Following the SBTi guidance for financial institutions, we have developed decarbonization strategies and set Science-Based Targets (SBTs) specifically for Scope 3 investment and financing activities. We also set relevant indicators in accordance with the Group's goals.

### A. The financed emissions of investment and financing portfolio

investment and financing portfolios using the methodologies provided by the Financial Stability Board (FSB), Science Based Targets initiative (SBTi), and Partnership for Carbon Accounting Financials (PCAF). We report the emissions using total carbon emissions (in ktCO<sub>2</sub>e), weighted average carbon intensity (per million New Taiwan Dollars of investment and financing company revenue, TWD MM revenues), and carbon footprint (per million New Taiwan Dollars of investment and financing, TWD MM invested).

In 2022, the total carbon emissions from our investment and financing activities amounted to 1,915 ktCO<sub>2</sub>e. Due to the characteristics of insurance company fund allocation, the highest proportion of financed emissions came from corporate bonds, accounting for approximately 86% of the total. This proportion has decreased compared to previous years. In addition, the Company further calculated the weighted average carbon intensity and carbon footprint (the ratio of carbon emissions (tCO<sub>2</sub>e) per one million New Taiwan Dollars of investment and financing balance). In 2022, the weighted average carbon intensity was 2.649 tCO<sub>2</sub>e/TWD MM revenues, while the carbon footprint was 1.207 tCO<sub>2</sub>e/TWD MM invested. Both metrics have shown a downward trend compared to the previous year.

When categorizing industries based on absolute carbon emissions in 2022, the top three industries with the highest emissions were "Energy", "Utilities", and "Raw Materials". However, when examining carbon intensity, both the "Energy" and "Utilities" industries had similar carbon intensities of around 0.7 tCO<sub>2</sub>e/TWD MM of revenues. Therefore, the Company has established management guidelines for carbon-intensive industries and dynamically adjusted our trading strategies to effectively achieve the goal of sustainable finance decarbonization.

### The financed emissions of investment and financing portfolio by asset

Asset class / Year	Financed Emissions (ktCO <sub>2</sub> e)		Weighted average carbon intensity (tCO <sub>2</sub> e /TWD MM revenues)		Carbon footprint (tCO <sub>2</sub> e /TWD MM invested)	
	2021	2022	2021	2022	2021	2022
Listed equity	327.06	262.79	0.780	0.534	1.384	1.270
Corporate bonds	1,717.90	1,651.98	2.558	2.114	1.424	1.199
Long-term loans	2.11	0.23	0.006	0.0003	0.531	0.130
Total	2,047.07	1,915.0	3.345	2.649	1.415	1.207

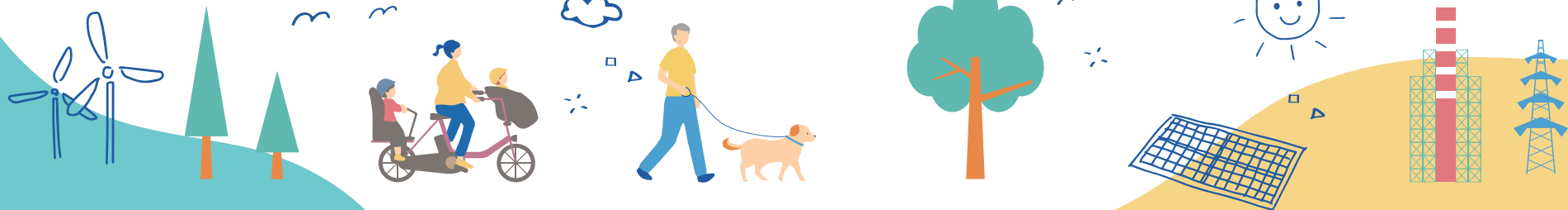
Note 1: According to Page 46 of the Global GHG Accounting and Reporting Standard for the Financial Industry (the Standard) renewed by the PCAF in December 2022, the scope of assessment excluded financial assets for which the Standard does not provide explicit guidance on methods to calculate financed emissions, including assets held for sale, private equity that refers to investment funds, green bonds, loans for securitization, exchange traded funds, derivatives (e.g., futures, options, swaps), initial public offering (IPO) underwriting.

Note 2: This table is disclosed based on the SBTi target scope.

Note 3: In December 2022, the risk exposure of financed emissions was 100%, of which listed equity accounted for 100%, corporate bonds accounted for 100%, and long-term loans accounted for 100%.

Note 4: The order of data sources (data quality) for the new carbon emission data is as follows: Carbon emissions disclosed by Bloomberg (2), carbon emissions disclosed by Market Observation Post System (2), carbon emissions from actively searched companies (2), estimated emissions by Bloomberg (4), and industry average carbon emissions (5).

Note 5: In this case, 99.79% of the data quality (based on weighted average carbon emission intensity) was rated as 2 (including emissions disclosed by Bloomberg, Market Observation Post System, and actively searched companies), 0.20% as 4 (estimated emissions by Bloomberg), and 0.01% as 5 (industry average emissions).





## The financed emissions of investment and financing portfolio by industry

Industry	Ratio to the overall investment portfolios	Carbon emissions coverage rate	Weighted average carbon intensity (tCO <sub>2</sub> e/TWD MM)
Energy	5.09%	41.03%	0.741
Utilities	3.21%	26.28%	0.662
Materials	2.62%	11.30%	0.378
Technology	7.71%	6.63%	0.347
Communications	16.99%	6.96%	0.286
Financials	54.39%	1.21%	0.097
Consumer Discretionary	2.11%	2.45%	0.059
Industrials	0.90%	0.87%	0.046
Consumer Staples	2.03%	2.99%	0.024
Health Care	4.84%	0.27%	0.009
Real Estate	0.12%	0.01%	0.0004
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>2.649</b>

## B. Carbon Asset Risk Exposure

Net zero emissions have become a global trend, and countries worldwide are progressively implementing carbon pricing mechanisms such as carbon taxes and carbon trading. The European Union is also planning to launch the Carbon Border Adjustment Mechanism (CBAM) in 2023. These new policies and trade rules will reshape the market, and governments around the world will introduce relevant policies to drive industrial and energy transformations. It is foreseeable that carbon-intensive industries heavily reliant on fossil fuels and electricity consumption will be most affected, and this will also have significant impacts on the capital market.

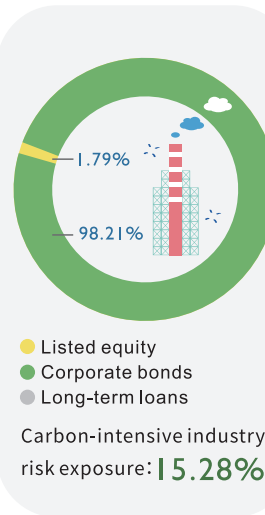
In response to this trend, SKL based on the Sustainability Accounting Standards Board (SASB) definition, developed lists of carbon-intensive industries and factored them into climate-related risks analyses for investment and finance decisions. As of 2022, carbon-intensive industries accounted for 15.28% of the SKL's portfolio, of which bonds are the main form (about 98%), and mainly comes from "Electric Utilities & Power Generators" industry. However, under the trend of carbon reduction in the investment and financing portfolio, we will continue to pay attention to the transformation of the industry and monitor the risk exposure. (Refer to 2.3 Climate risk management)

## Lists of carbon-intensive industries

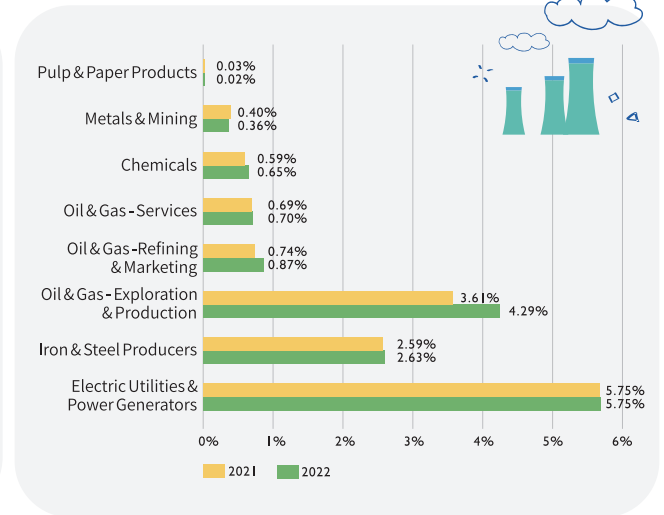


Note: The oil and gas industry encompasses exploration and production, refining and marketing, as well as services related to these activities.

### Carbon-Intensive Industry by Asset Class



### Ratio of Each Carbon-Intensive Industry to Total Investment Amount



## C. Project Finance in Power Plants

As defined by PCAF, any loans or financing to projects for specific purposes, such as the operation of a gas-fired power plant or the construction of a wind or solar project, should be included in the project finance asset class when calculating financed emissions. SKL conducted carbon inventories of power plant investment projects. Since SKL does not have any investment in non-renewable energy projects, the annual avoided emissions are calculated based on renewable energy projects. The results show that with the increase in investment in renewable energy power plants, avoided emissions will reach 63.3 ktCO<sub>2</sub>e in 2022, a 17% increase from 2021. It is expected that SKL will continue to exert its financial power to promote low carbon transformation under the transformation of the national energy policy. (Refer to 7.1 Promote Sustainable Finance)

# 3. Towards a Net Zero Future

SKL believes that net zero should not be a slogan. To build a sustainable low carbon future must start from the basic. Hence, we have set goals to steadily move forward on the road to net zero future through rigorous data checks, reduction planning, and internalization of carbon reduction awareness.

## 3.1 Environmental Policy and Targets | GRI 2-27 |

SKL is absorbed in mitigating the possible impact of financial services on the environment. In addition to participating in and sponsoring various environmental initiatives, we have the "SKL Environmental Policy" in place as the prime directive for promoting environmental sustainability. To effectively promote environmental sustainability, we set up the Environmental Protection Group under the Corporate Sustainability Committee to implement various action plans and report the results of implementation to the Corporate Sustainability Committee on a regular basis. To make net zero emissions by 2030 a reality, we have made an overall plan for the establishment of an enterprise environment and energy management system, hoping to work towards SDG 13 by improving energy efficiency in various business activities.

To improve energy efficiency, we reduce the consumption of resources such as paper, waste, and water. We are also increasing the awareness of our employees and policyholders in hopes of contributing to and being responsible for environmental sustainability together. There was no violation of environmental regulations in 2022.

### SKL Environmental Policy

SKL is under obligation to protect the environment. In addition to investing in necessary resources, the management provide assistance in protecting the environment based on the SKL Environmental Policy, which specifies our commitment to the following:

- ◆ Comply with environmental laws and regulations to be a responsible global citizen
- ◆ Engage all employees in adopting environmentally friendly strategies and establishing the environmental management system
- ◆ Promote energy-saving measures and recycling to transform into a low carbon company
- ◆ Improve all employees' environmental awareness through environmental education to fulfill CSR
- ◆ Optimize the effects of environmental initiatives to achieve sustainable development goals

All employees, together with our suppliers and contractors, are required to follow and carry through the SKL Environmental Policy, and our commitment is also disclosed to the public.



## SKL Environmental Targets

- ◆ Achieve net zero emission at the head office building by 2026 and main office locations by 2030.
- ◆ Conduct the GHG inventory at all operations to keep track of GHG emissions and make reduction plans accordingly.
- ◆ Implement carbon pricing in accordance with the SKFH's "Regulations Governing Greenhouse Gas Reduction and Carbon Pricing" to control the cost of carbon and carbon efficiency.
- ◆ Set the annual reduction in Scopes 1 and 2 GHG emissions at 2% by 2025 from 2019.
- ◆ Strengthen the mechanisms for managing supplier sustainability, including policy formulation, written commitment, risk assessment, on-site audit, and counseling
- ◆ When planning for future investment or development of new buildings, we will move towards compliance with the Green Building Label Silver or above / or Green Building design to enhance the environmental sustainability of buildings.



## 3.2 Low Carbon Actions

With sound environmental management measures and mechanisms in place, SKL reduces the consumption of energy and resources in day-to-day business operations and overall carbon emissions, contributing to the sustainability of the environment.

In the life insurance industry, business operations do not have a huge negative impact on the environment. Notwithstanding, we still integrate the low carbon concept into our daily business activities based on four low carbon strategies. In 2022, we implemented carbon pricing in accordance with the SKFH's "Regulations Governing Greenhouse Gas Reduction and Carbon Pricing" to control the cost of carbon and carbon efficiency. The carbon pricing regulations described above were further amended in 2022, and specifies that the internal carbon price collected according to the regulations shall be listed as expenses for energy conservation projects in the following year, in order to effectively manage carbon risks. We also set interim (2025, 2030) carbon reduction goals and implementation strategies for operations to achieve net zero emissions, conducted a full review of lighting usage and gradually replaced non-LED lights, and optimized the energy efficiency of energy-consuming equipment, such as air conditioners. We are actively lowering our dependency on energy and resources, and replacing energy and resource use that cannot be reduced with renewable energy and eco-friendly products, which will benefit environmental sustainability. The head office will formally begin using renewable energy in 2023, and will achieve the goal of net zero emissions before 2026.

### Four Low Carbon Strategies



### 3.2.1 Implementing Greenhouse Gas Inventory | GRI 305-1、305-2、305-3 |

It is incumbent on SKL to protect the environment. To implement environmental management, we adopted environmental management certification operations since 2014, and maintained system operation, including ISO 50001 Energy Management System, ISO 14046 Water Footprint, and ISO 14064-1:2018 Greenhouse Gas (100% coverage, including overseas operations). In 2022, we completed the certification of all of these environmental management systems and obtained third-party verifications. ◦

#### A. GHG Emissions

In 2022, our Scopes 1 and 2 GHG emissions totaled 15,322.28 metric tons of CO<sub>2</sub>e (tCO<sub>2</sub>e), with the emission intensity per capita reaching 1.59 tCO<sub>2</sub>e, slight increase from 2021. We will promote various energy saving and carbon reduction measures, and improve energy efficiency actively to cut down on GHG emissions towards the long-term carbon reduction target. In addition to improving energy efficiency, we will continuously support green energy. SKL will use green electricity to replace part of the general electricity consumption from 2023, and gradually increase the proportion of green electricity usage in line with the SKFH group's net zero goal to combat global warming.

#### GHG Emissions in the Past Three Years

	2020	2021	2022
Total GHG emissions (tCO <sub>2</sub> e)	17,218.16	16,978.56	18,005.67
Scope 1 emissions (C1) (tCO <sub>2</sub> e)	1,123.29	1,411.56	1,553.66
Scope 2 emissions (C2) (tCO <sub>2</sub> e)	13,071.61	12,910.60	13,768.62
Total controllable GHG emissions Scopes 1 and 2 emissions (C1+C2) (tCO <sub>2</sub> e)	14,194.90	14,322.16	15,322.28
Scopes 1 and 2 emission intensity (tCO <sub>2</sub> e/person)	1.35	1.38	1.59
GHG emissions / revenue (tCO <sub>2</sub> e/\$m revenue)	0.041	0.047	0.063
Other emissions (C3~C6) (tCO <sub>2</sub> e)	3,023.26	2,656.4	2,683.39
Scope of other emissions (C3~C6)	Application for insurance / Indirect GHG emissions from purchased energy + destruction of documents	Travel + Application for insurance / Indirect GHG emissions from purchased energy + destruction of documents	Travel + Application for insurance / Indirect GHG emissions from purchased energy + destruction of documents

Note 1: The data have been verified by SGS in accordance with ISO 14064-3:2006 as meeting the requirements of ISO 14064-1:2018. The GHG emission factor (GWP) in 2019 and 2020 was based on the Environmental Protection Administration's Greenhouse Gas Emission Factor Table (6.0.4). The GHG emission factor (GWP) in 2022 was based on the Sixth Assessment Report of Intergovernmental Panel on Climate Change (IPCC AR6, August 2021). We have adopted the operational control approach on reporting boundaries.

Note 2: Scope 1 emissions (C1) refers to direct emissions from stationary combustion sources (emergency generator diesel), mobile combustion sources (company car oil), and other man-made system fugitives (air-conditioning refrigerants and septic tanks).

Note 3: Scope 2 emissions (C2) refers to electricity emissions, which are calculated using Taiwan Power Company's latest GHG emission factor for electricity (0.509 kg/kWh in 2022).

Note 4: Other emissions (C3~C6) are selected according to the annual significance assessment. Therefore, C1+C2 refers to the standard for per capita emissions.

Note 5: The scope of the inventory was based on the number of buildings. From 2020 to 2022, the GHG inventory covered 168, 169, and 168 buildings (each including overseas operations), respectively.

Note 6: The Company formally included overseas locations in the inventory in 2019. In coordination with the net zero strategy of Shin Kong Financial Holdings, and to collect complete data on inventory boundaries of companies in the group, 2019 was set as the baseline year of the inventory.

## B. Electricity Consumption

### Electricity Consumption in the Past Three Years

	2020	2021	2022
Total electricity consumption (kWh)	25,680,966	25,718,341	27,050,327
Number of full-time employees (Person)	10,537	10,346	9,634
Electricity consumption intensity (kWh/person)	2,437.22	2,482.82	2,807.80



## C. Energy Consumption for Transportation

### Energy Consumption for Transportation in the Past Three Years

	2020	2021	2022
Company car oil (L)	786	1,051	2,381
GHG emissions (tCO <sub>2</sub> e/year)	1.85	2.38	5.61

Note 1: The data were based on the emission factor (CO<sub>2</sub>: 2.2631(kgCO<sub>2</sub>/L) · CH<sub>4</sub>: 0.000816(kgCO<sub>2</sub>/L) · N<sub>2</sub>O: 0.000261(kgCO<sub>2</sub>/L)) under the Greenhouse Gas Emission Factor Table (6.0.4) published by the Bureau of Energy, Ministry of Economic Affairs.



## 3.2.2 Improving Energy/Resource Efficiency

### A. Energy Saving Projects

We comply with regulations of the parent company Shin Kong Financial Holdings, and set the goal to reduce general electricity consumption by 2% a year up to 2025 with 2019 as the baseline year. However, we did not achieve the electricity conservation goal due to epidemic prevention measures, such as remote work and video conferencing, taken in response to the pandemic in 2020, increased electricity consumption after personnel returned to the office as the pandemic subsided, and certain administrative units relocating from Shin Kong Life Tower to Songshan Finance Building. In the future, we will focus even more on replacing energy-consuming equipment, such as air conditioners and lights, and will improve our energy efficiency by participating in energy saving courses, activities, or plans of government agencies, in order to achieve our electricity conservation goal.

	Annual Electricity Saving in 2022 (MWh)	Annual Energy Saving in 2022 (GJ)	Annual Emission reduction in 2022 (tCO <sub>2</sub> e)
Taoyuan Finance Building – Water chiller replacement	118.56	426.83	60.35
Shin Kong Life Tower – Replaced 1,000W nighttime lighting with LED	105.30	379.09	53.60
Shin Kong Life Tower – Removed the motor of the mechanical parking	23.13	83.28	11.77
Songshan Finance Building – Shortened the time that air conditioning is used	440.23	1584.84	224.08
Shin Kong Tainan Canal Tower – Replacement of old cooling fins of the cooling tower	40.46	145.67	20.60

### Energy saving in data center

Aiming for energy saving and carbon reduction, we select energy-efficient equipment, integrate the virtual environment and resources, and adjust electricity consumption in the data center based on annual business growth. In 2022, PUE of our data center at Bade Building remained between 1.59 and 1.69, rated the bronze benchmark by Green Grid.

Note: Green Grid's benchmark for PUE (power usage effectiveness) bronze is 1.67-2.

## B. Water Consumption

Water is mainly used by employees and some consumers for day-to-day business operations. Since the main source is tap water, all domestic sewage is discharged to sewage systems, connected to local cities and do not pose a risk of leakages or pollution entering water sources. SKL is committed to reducing water waste. However, due to the partial relocation of the headquarters and the slowdown of the epidemic, resulting in a decrease in the number of people working from home, the water consumption in 2022 slightly increased by 1.91% compared with last year. In the future, we will draw up all-round water management policies to reduce water consumption.

### Water Consumption in the Past Three Years

	2020	2021	2022
Water consumption in buildings across Taiwan (kL)	213,156	201,240	205,083

Due to the partial relocation of the headquarters and the slowdown of the epidemic, resulting in a decrease in the number of people working from home, the water consumption in 2022 slightly increased by 1.91% compared with last year.



Note 1: Water consumption in Shin Kong Life Tower was calculated based on water bills (kL).

Note 2: Water consumption in other buildings was estimated by dividing the water bill amount by the unit price of water; the unit price of water was estimated at NTS14/kL for buildings in Taipei City and NTS12/kL for buildings in other cities/counties.

## C. Waste Management

SKL's main source of waste is the household waste generated by employees on a daily basis. By formulating long-term reduction strategies, encouraging employees to use environmentally friendly tableware and actively promoting a waste reduction and recycling classification system, SKL is gradually increasing the total amount of resources recycled and reducing the amount of waste generated.



### Waste Statistics in the Past Three Years

	2020	2021	2022
Total recycled waste (Tons)	251.8	310.1	556.7
Total domestic waste (Tons)	1,924.9	1,771.3	1538.2
Total waste quantity (Tons)	2,176.7	2,081.4	2094.9
Waste intensity (Ton/person)	0.21	0.20	0.21

Note 1: In 2022, total recycled waste was the estimate in the headquarters (Shin Kong Life Tower); total domestic waste incinerated was the estimate in five buildings (i.e., Shin Kong Life Tower, Songshan Financial Building, Taichung Fuxing Building, Taichung Huiquo Building, and Chiayi Zhongxing Building).

## 3.2.3 Shaping a Green Culture

SKL is actively promoting digital finance and environmental education. We are committed to reducing the consumption of energy and resources through mobilize, cloud-based, electronic, and digital services and tools. We also call on employees and their family members and policyholders to exert their influence and take measures to save energy and reduce carbon emissions at work and in their lives.



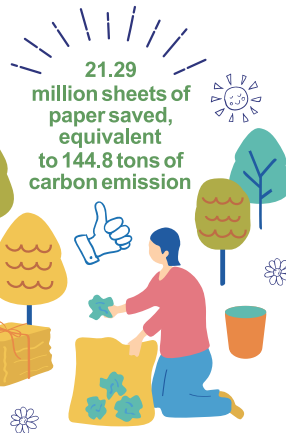
### A. Low Carbon Operation and Life

#### (1) Implementing digital office

In response to the advent of the digital age, SKL has introduced technologies to facilitate marketing and management, cut down on paper consumption, and communicate the concept of energy conservation and carbon reduction to customers. In addition, in response to COVID-19 pandemic in the past two years, in order to reduce the risk of exposure, we have also accelerated the development of digital services, which in turn has improved the performance of paper reduction.

#### Results of Paperless Operations in 2022

Actions	Results
Administration - paper saving by employees	A reduction of 3,115 packs, or 11.4%, in purchases of paper for administration from the previous year. 13.461 million sheets of paper saved from e-insurance policies and e-notices.
Tool - Insurtech	About 7.762 million sheets of paper saved through mobile business application: e-insurance, e-visit, e-payment, e-policyholder service, and e-claims. About 308,977 sheets of paper saved through online transaction service. 68,000 sheets of paper saved from 21,393 online applications for insurance.



Note 1: Policy Administration Mobile Tools refer to 5.2 Innovative Digital Services

Note 2: Number of paper consumed/500 (500 sheets in a pack) = Number of paper consumed (pack).

Note 3: Carbon emissions per pack of A4 paper (70g/sheet) total 3.4kg CO<sub>2</sub>e.

Note 4: Amount of paper consumed (pack) x 3.4 kgCO<sub>2</sub>e/1,000 (unit conversion) = Carbon emissions (tCO<sub>2</sub>e) saved.

## (2) Enjoy low carbon and green life

As the COVID-19 pandemic raged in Taiwan, SKL made a huge change in work arrangements in 2022 by adopting online meetings and training programs avoid unnecessary contact. This not only saved our employees from the risk of infection, but reduced the carbon footprint generated from commuting and movement. We are aware that field staff's travel produces carbon emissions. In this regard, besides using digital services and tools, we are constantly encouraging the field staff to walk or take low carbon transportation such as bicycles to visit policyholders at short range, which can reduce GHG emissions and is also good for their health.

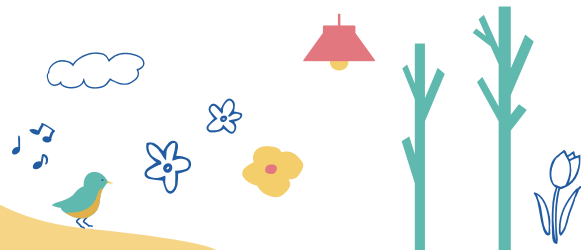
Continuing to promote the idea of "embracing green life and adapting to climate change," SKL has participated in Earth Hour for 14 consecutive years since 2008, hoping to save energy and reduce carbon with concrete actions. As of 2022, SKL has organized the "Light Shirts in Summer" for 16 years. In response to the government's energy saving and carbon reduction policies, we called on male employees to wear shirts without ties and female employees to wear short-sleeved uniforms; in addition, the temperature for air conditioning in office buildings was kept between 26~28° C in the summer per the Bureau of Energy's instructions.

### B. Net Zero Initiative and Action

We support international sustainable development issues, and cooperate with the government's pathway and strategy for achieving net zero emissions by 2050. Besides working with our parent company Shin Kong Financial Holdings and joining the Taiwan Alliance for Net Zero Emission of the Taiwan Institute for Sustainable Energy (TAISE), we also support and promote the Net Zero 2030/2050 Initiative, and formulated carbon reduction goals and implementation strategies for achieving net zero emission by Shin Kong Life Insurance. We plan to replace all lights in locations nationwide with LED before 2030, and gradually improve the energy efficiency of air conditioners. We will use green electricity in our general electricity consumption, and continue to provide training on environmental sustainability, so that employees will change their energy and resource use habits.

### C. Maintain Ecological Sustainability

We have monitored ecological conservation and environmental sustainability for years. Besides sponsoring conservation activities and preparing tools to enrich their behavior, we also promoted ecological conservation and education. For ocean sustainability, we assisted with the training of coral reef inspectors and conducted coral reef examinations. We also organized underwater cleaning activities to clear marine waste, which echoes SDG 13-15.(Refer to 8.1.3 Environmental Sustainability)。



### 3.2.4 Constructing Green Buildings

SKL is constantly adjusting its thoughts on buildings, aiming to construct buildings with post-disaster resilience and sustainability in line with SDG 11 Sustainable Cities and Communities, improve the energy efficiency of existing buildings, and get certified to Green Building Labels. We expect to create an energy-efficient, eco-friendly lifestyle and reduce the environmental impact of our business operations.

#### SKL's Commitment to Eco-friendly Buildings

- ◆ When planning for future investment or development of new buildings, we will move towards compliance with the Green Building Label Silver or above / or Green Building design to enhance the environmental sustainability of buildings.
- ◆ Regenerate old buildings and facilities with various energy-saving measures, cut energy consumption, and improve the energy efficiency of existing buildings to be a responsible citizen for the environment.



#### Results of Green Buildings

As part of our commitment to eco-friendly buildings, SKL has been constructing energy-efficient and sustainable buildings that will benefit people living there and the environment in perpetuity.

As of 2022, we had applied for Green Building Labels for seven buildings, including six Green Building Labels (obtained) and one candidate for Green Building Labels, and obtained one LEED credential. We also expect to apply for Green Building Labels for six projects that will start construction in 2022 or are still under planning.

In 2022, we obtained Green Building Labels (Silver) for Shin Kong Jasper Villa President and candidate for Green Building Labels for Shin Kong Hangzhou North Road Superficies Case. Following the seven indicators of Green Building Labels (greenery, soil water retention, daily energy saving, CO<sub>2</sub> reduction, construction waste reduction, water resources, and sewage and garbage improvement), we strove to create low carbon smart green buildings by planting a large number of trees and shrubs in the base, installing energy-efficient air-conditioners and LED lights, water-saving bathroom equipment, garbage refrigerators, and adopting considerable quantities of green building materials.

Shin Kong Life Insurance Taichung Jasper won the Best Construction Quality and Best Planning and Design in the Leisure Building Division of the Taiwan Real Estate Excellence Awards in 2022; the new Nandong Building and superficies in Qianjin District, Kaohsiung won the 24th National Golden Award for Architecture – Planning and Design Golden Award. The Company aims to improve the aesthetic and creative design and construction quality of buildings, and further supports the spirit of combining lightweight, carbon reduction, circular economy, innovation, smart, and local cultural features to create an environment for LOHAS where "nature and culture co-exist and ecology and sustainability mutually benefit."

#### Green Buildings in the Past Three Years

Building	Results	Investment amount	Benefit		
			Amount of CO <sub>2</sub> absorbed (greenery design)	Soil water content	Capacity of rainwater storage (recycling)
Shin Kong Nangang Software Park Building	Green Building Label (Gold) in 2020	NT\$2.15 billion	690.31t	982.89m <sup>3</sup>	259.79m <sup>3</sup>
Shin Kong Jasper Villa Xinban- Base C	Green Building Label (Silver) in 2021	NT\$1.88 billion	745.917t	—	183.04m <sup>3</sup>
Shin Kong Jasper Villa Jiantan	Green Building Label (Gold) in 2021	NT\$1.25 billion	352.47 t	641.31m <sup>3</sup>	139.65m <sup>3</sup>
Shin Kong Jasper Villa Shuiyang	Green Building Label (Gold) in 2021	NT\$1.3 billion	644.33t	15.26m <sup>3</sup>	70m <sup>3</sup>
Shin Kong Jasper Villa President	Green Building Label (Silver) in 2022	NT\$2.42 billion	1477.025t	31.08m <sup>3</sup>	217.27m <sup>3</sup>
Shin Kong Hangzhou North Road Superficies Case	Candidate for Green Building Label (Silver) in 2022	NT\$3.31 billion	357.88t	—	269.10m <sup>3</sup>

