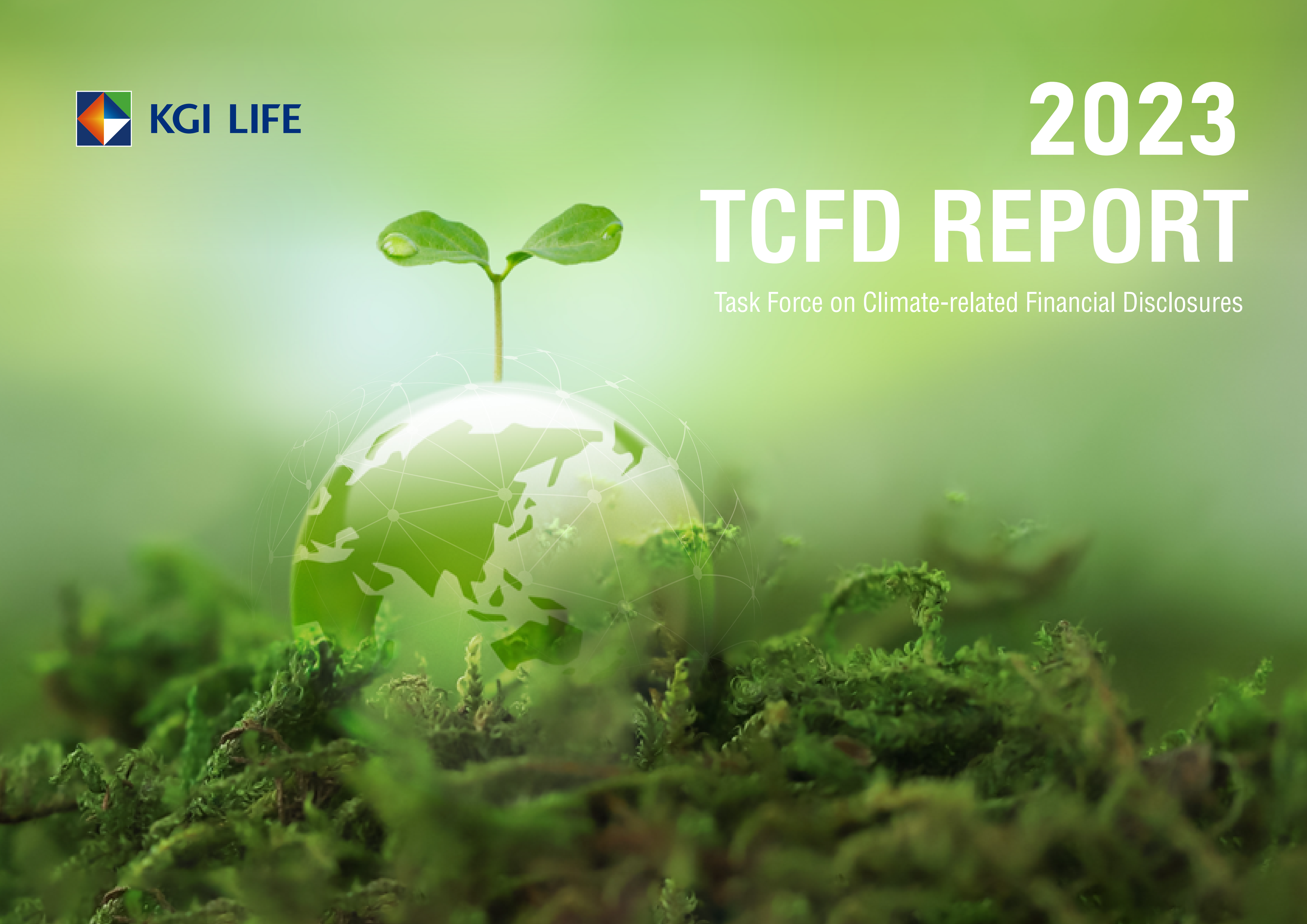
KGI LIFE

2023
TCFD REPORT

Task Force on Climate-related Financial Disclosures



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About the Report

In exerting its value chain influence as a life insurer and addressing climate change, KGI Life Insurance Co., Ltd. (hereinafter referred to as "the Company" or "KGI Life") continues to integrate sustainability principles into its operational strategy. After joining the China Development Financial Holding Group (hereinafter referred to as "the Group" or "CDF") at the end of 2021, the Company actively embraced the Group's vision and strategy of achieving net zero for its total portfolio by 2045. Following the Group's 2045 net-zero emissions timeline and KGI Life's short, medium, and long-term goals, the Company is progressing toward its ultimate targets of "net-zero emissions in its asset portfolio" and "net-zero emissions in its operations."

In 2019, the Company voluntarily signed on as a TCFD Supporter, aligning with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). The Company is committed to managing climate change through four key aspects: governance, strategy, risk management, and metrics and targets, and published its first TCFD Report in 2021.

In 2023, KGI Life further developed climate risk quantification and scenario analysis methods to assess the financial impacts of climate change on its operations and investment portfolio. The Company formulated net-zero strategies for operations, investment portfolios, and suppliers, transparently disclosing climate-related risks and opportunities in its TCFD report, published every year, to meet stakeholder expectations.

A Message from the Chairman

Chairperson 王銘陽

Climate change is a significant challenge faced by modern society, with far-reaching impacts on every aspect of global economic development. As extreme weather events become more frequent and severe, we recognize that climate change is not just an environmental issue but a systemic risk affecting human well-being and sustainable development. Life insurance companies, as the cornerstone of risk management, have an undeniable responsibility in addressing these challenges. At KGI Life, we are committed to sustainable operations and believe that a company's sustainable development is inseparable from environmental sustainability. We view the risks and opportunities brought by climate change as catalysts for transformation and we embrace the principles of responsible finance by integrating sustainable development goals into our corporate strategies. We strive to become a key force in driving society toward a net-zero future.

To effectively respond to climate change, we believe in long-term vision and comprehensive planning. Therefore, KGI Life actively supports international initiatives and continuously strengthens its climate-related financial disclosure (TCFD) framework, using it as a compass to guide the Company in identifying, evaluating, and managing climate risks while seizing opportunities during the transition.

This report is not just a disclosure of information; it is KGI Life's commitment to all stakeholders. We will uphold transparency and integrity, continually improve our climate risk management capabilities, and actively seize the opportunities brought by the green transition to contribute to a more resilient and sustainable future.

■ Our Commitments and Actions

Integrating Climate Risk Management into Corporate Governance

We have established a top-down climate risk management framework, where the Board of Directors holds ultimate responsibility. Through specialized committees such as the Corporate Sustainable Development Committee and the Risk Management Committee, we ensure that climate risk management are integrated into every aspect of our corporate governance and strategic planning.

Deepening Climate Risk Assessment and Management

We continuously optimize our climate risk scenario analysis models, incorporating the potential impacts of climate change into our risk appetite and risk management framework. Based on these analyses, we develop appropriate risk adaptation strategies.

Directing Investments Toward Sustainable Development

We embed ESG principles into our investment decision-making process, actively investing in green bonds and other sustainable financial instruments to direct investments in support of a low-carbon economy.

Collaborating for a Sustainable Future

We recognize that addressing climate change requires collective effort. We will continue to collaborate with stakeholders, including customers, employees, suppliers, regulatory bodies, and academia, to jointly promote the achievement of sustainable development goals.

Chapter 1 Climate Governance

In response to the increased frequency of global extreme weather events, KGI Life follows regulatory policies and stays aligned with domestic and international trends in climate risk management. With "action" as the core, we start from advocacy, to commitment, and into practice, establishing significant milestones on the path of climate risk management. Through sustainable financial actions, we aim to work with both internal and external stakeholders to realize the vision of a sustainable environment.

Given the growing threats posed by climate change, KGI Life is taking proactive carbon reduction measures to mitigate environmental impacts while also planning for adaptation strategies to minimize potential operational impacts. Beyond optimizing the current climate risk management framework, we are expanding the scope of scenario analysis to more comprehensively evaluate potential climate risks. Additionally, KGI Life has produced an "Insurance Services Carbon Footprint Inventory," establishing a baseline for future operational carbon reduction planning.

1.1 Organization Structure of Climate Governance

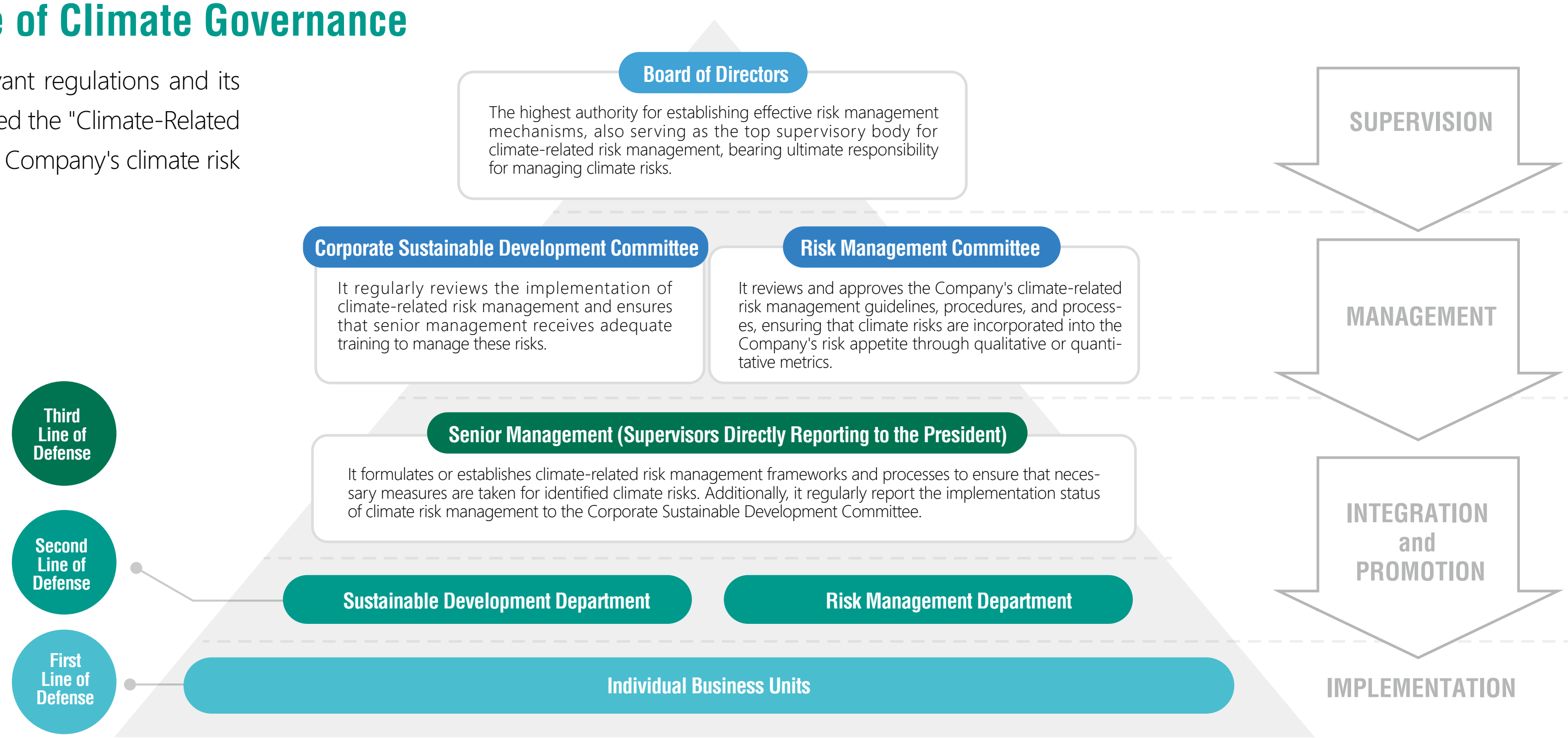
In 2023, KGI Life, in accordance with relevant regulations and its internal risk management policies, formulated the "Climate-Related Risk Management Guidelines" to define the Company's climate risk management procedures.

Three Lines of Defense for Internal Control

Internal audit unit assists the Board and senior management in auditing and evaluating the effectiveness of risk management and internal control systems, providing timely improvement recommendations.

The Risk Management Department and Sustainable Development Department jointly execute climate-related risk management guidelines, regularly monitor climate risk metrics, and disclose relevant information. They also supervise the overall risk-bearing capacity and current risk exposure, reporting to the Board or senior management.

Individual business units identify, assess, control, and mitigate climate-related risks within their scope of operations, designing and implementing effective internal control procedures for each risk characteristic.

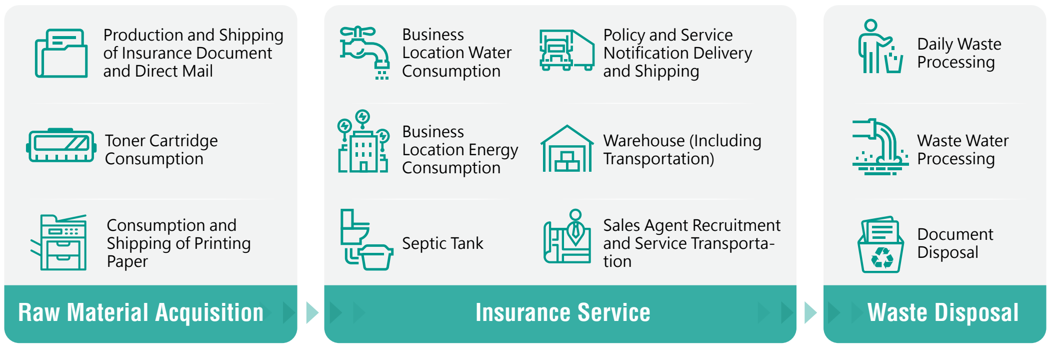


1.2 Climate Risk Awareness

To realize the vision of a sustainable environment in partnership with internal and external stakeholders, KGI Life not only drives comprehensive carbon emission management for its operations but also enhances stakeholder awareness of climate risks.

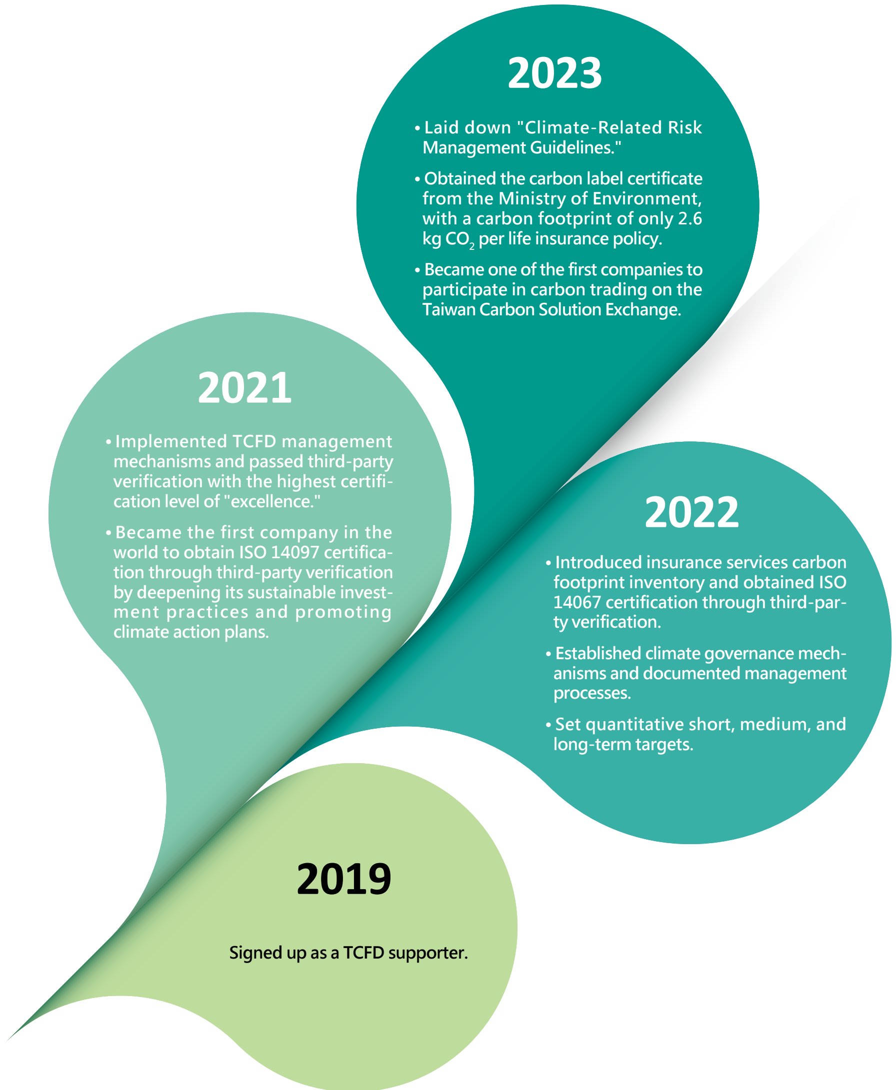
KGI Life has introduced carbon footprint inventory for its insurance services. From the perspective of an insurance policy life cycle, KGI Life adopts a systematic and consistent approach to inspect and analyze the sources of carbon emissions during business operations, obtaining ISO 14067 certification through third-party verification. The inventory results are compiled and summarized for future planning and serve as a reference for continuous improvement. In addition, KGI Life obtained the carbon label certificate from the Ministry of Environment in 2023, and disclosed the carbon footprint label on the cover of its insurance policies, allowing policyholders to increase their recognition and awareness of environmental protection while receiving insurance protection.

■ Insurance Service Process and Inventory Scope



For internal stakeholders, KGI Life continues to provide climate governance training, building climate risk awareness among all levels of management and employees. In 2023, we conducted a "TCFD Climate Risk Training" for all employees, with a total of 2,321 participants. Additionally, a course on "Carbon Credit and Offset Projects" was offered to deepen the management's understanding of climate governance and carbon reduction measures.

1.3 Key Milestones in Climate Governance



Chapter 2 Climate Risk Management and Scenario Analysis

To achieve the ultimate goal of net-zero emissions, KGI Life regards climate risks as a materiality issue. Following risk management principles, the Company actively manages climate-related risks through a cyclical process of risk identification, risk measurement, risk response, and risk monitoring, addressing the potential impacts these risks may have on the Company.

2.1 Climate Risk Identification

According to KGI Life's "Climate-Related Risk Management Guidelines," climate risks are categorized into physical risks and transition risks. Physical risks refer to direct or indirect losses resulting from immediate extreme weather events caused by climate change or long-term shifts in climate patterns. Transition risks arise from the operational cost changes the Company might face during the transition to a low-carbon economy due to influences from government policies, regulations, technological advancements, and social preferences.

In KGI Life's first line of defense, each unit identifies, assesses, controls, and mitigates various climate-related risks within their operational activities based on their business scope and functions. Effective internal control procedures are designed and implemented according to the characteristics of these risks, allowing us to identify related climate opportunities. Through surveys, relevant departments identify KGI Life's climate risks and assess their impacts over different periods (short, mid, and long-term) based on materiality standards, as shown in Table 1.

❶ Climate-Related Risks in Investment Portfolios

KGI Life evaluates whether investment targets belong to high climate risk industries, such as those with high carbon emissions, high energy consumption, or high pollution. Changes in climate regulations, carbon fees, and the development of emerging or low-carbon technologies could increase operational costs for these investment targets. Additionally, shifts in market demand and heightened public awareness may decrease the revenue of these entities, thereby affecting their profitability and potentially reducing KGI Life's investment returns.

For the Company's real estate investments located in high climate risk areas (such as regions prone to flooding), climate-related disaster events could lead to asset value depreciation. This may result in increased asset impairment losses or reduced returns upon future disposal of these assets.

❷ Climate-Related Risks in Life Insurance Products

For life insurance products, there is significant uncertainty in international assessments due to the time and scope of physical risk impact, posing as a potential and uncertain risk. KGI Life will continue to monitor regulatory developments and market changes to assess whether extreme climate events caused by climate change could pose threats to the personal safety or health of policyholders. Such events may lead to an increase in medical or life insurance claims, thereby raising the Company's payout costs.

❸ Climate-Related Risks in Business Operations

KGI Life's business operations are susceptible to risks arising from climate-related laws and regulations. As domestic carbon pricing policies mature, operational costs of the Company's offices may increase.

For offices located in high risk locations, disasters caused by extreme climate events may disrupt business operations and cause damage to offices and relevant apparatus, increasing operational costs and repair fees.

❹ Climate-related Risks from Suppliers

The main form of risks for suppliers comes from physical risks. If the headquarters, offices or factories of suppliers are located in high risk areas, climate catastrophes may inflict damage and losses, affecting their supply capacity, resulting in procurement difficulties and increased costs for the Company.

(Table 1)

■ Transition Risks

Risk Factor	Impact	Potential Financial Impact	Result of Risk Factor	Possible Occurrence Period	Degree of Impact	Response Strategy
Policy and Regulations	Investment	Reduced investment income	Market risks, Credit risks	Short-term (≤ 3 years)	Moderate	• Investment in renewable energy power plants • Green bond investments • Engagement with carbon-intensive industries
Technology				Mid-term (3-5 years)	Moderate	
Market				Mid-term (3-5 years)	Moderate	
Brand Image				Mid-term (3-5 years)	Low	
Policies and Regulations	Operation	Increased operational expenses	Operational risks	Mid-term (3-5 years)	Low	• Digital insurance services • Power-saving measures for offices • Adoption of renewable energy

■ Physical Risks

Risk Factor	Impact	Potential Financial Impact	Result of Risk Factor	Possible Occurrence Period	Degree of Impact	Response Strategy
Immediate Risks	Investment	Increased asset impairment/ Reduced gains on disposal of assets	Market risks	Mid-term (3-5 years)	Low	• Climate risk management for real estate investments
	Operation	Reduction in operating income	Operational risks	Mid-term (3-5 years)	Low	• Business Continuity Management (BCM) plans
	Supply Chain	Increase in operational expenses	Operational risks	Mid-term (3-5 years)	Low	• Supplier sustainability management • Green procurement
	Product	Increase in expenses from claims	Insurance risks	N/A	N/A	• Keep up to date on the latest developments regarding impact of climate risk on life insurance products as reference for future plans
Long-term Risks	Investment	Reduction in investment income	Market risks	Long-term (> 5 years)	Low	• Climate risk management for real estate investments
	Operation	Reduction in operating income	Operational risks	Long-term (> 5 years)	Low	• Business Continuity Management (BCM) plans
	Supply Chain	Increase in operational expenses	Operational risks	Mid-term (3-5 years)	Low	• Supplier sustainability management • Green procurement
	Product	Increase in expenses from claims	Insurance risks	Long-term (> 5 years)	Low	• Keep up to date on the latest developments regarding impact of climate risk on life insurance products as reference for future plans

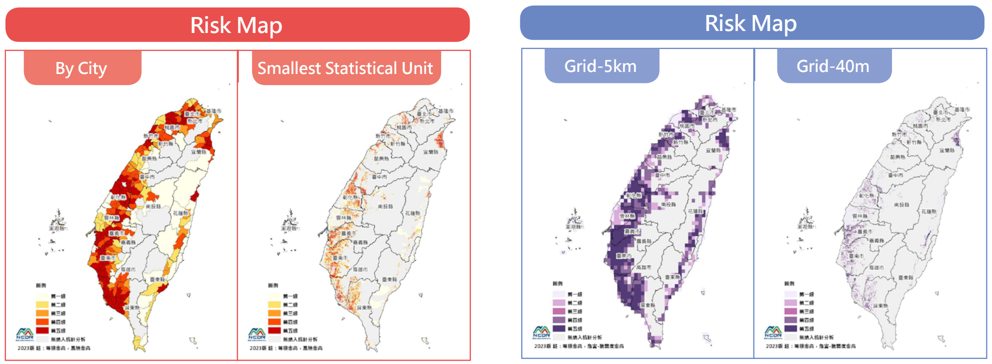
2.2 Climate Risk Measurement

Physical risk and transition risk arising from climate change may cause credit, market, liquidity, and operational risks for the Company. These in turn affect the Company's financial performance, e.g. business operations, balance sheet, income statement and cash flow statement, etc. Therefore, it is necessary to effectively measure climate-related risks.

To analyze climate-related physical risks and transition risks, the Company has defined high risk locations and carbon-intensive industries and referenced international standards in setting climate scenarios to measure climate impact on the Company's various businesses. The Company assesses climate-related impact on investment, business operations and suppliers under different climate scenarios to ensure that climate-related risks can be effectively controlled or mitigated.

❶ Physical Risk Scenario Settings

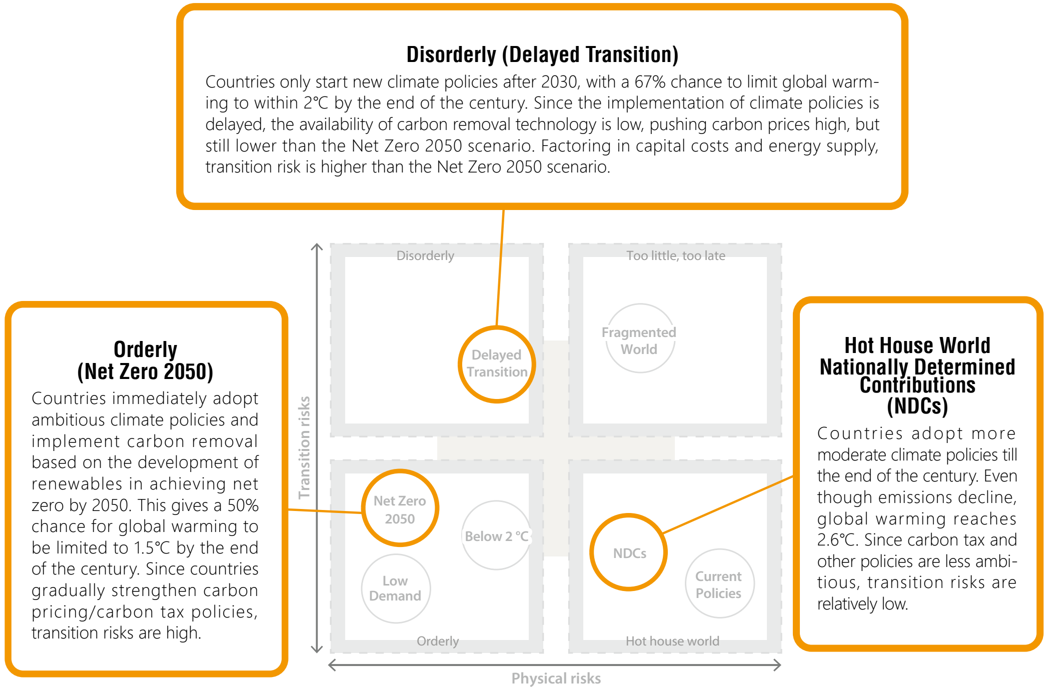
In assessing physical risks, KGI Life adopts climate change disaster risk maps produced by the National Science and Technology Center for Disaster Reduction to track hazard and vulnerability metrics, and analyzes climate risk rating for global warming 1.5℃ and 4℃ scenarios. After standardization, places with higher score are defined as high-risk areas.



Data source: Disaster Risk Adaptation Platform

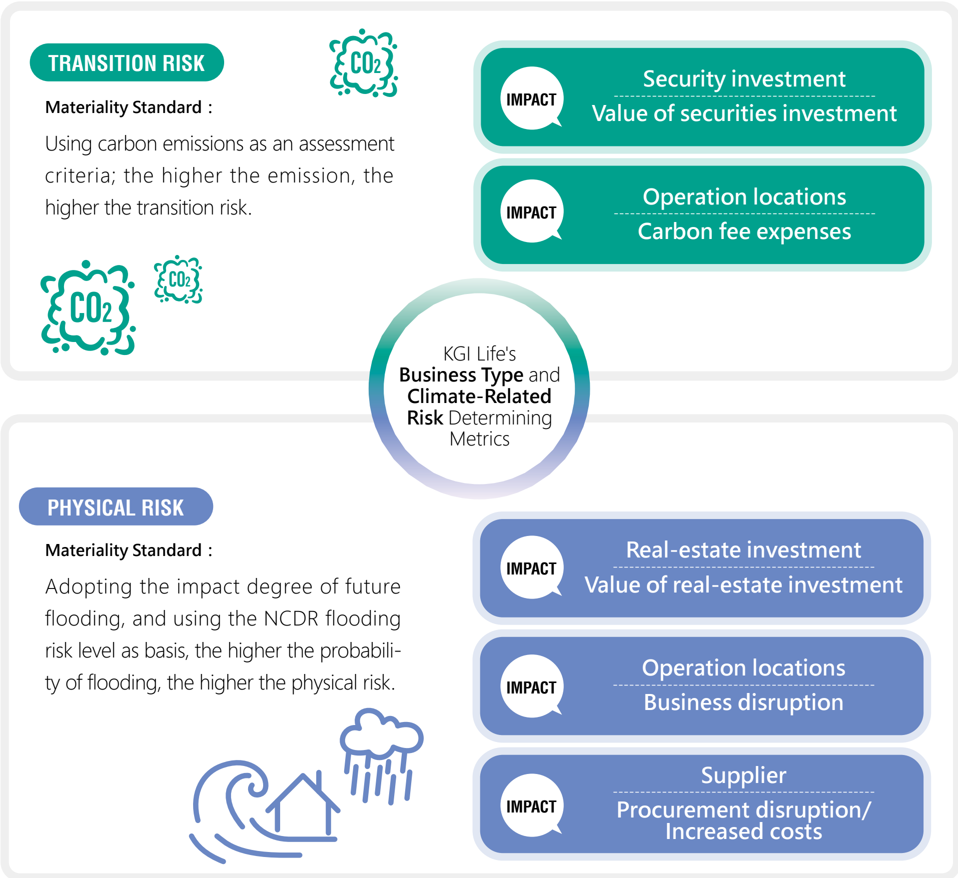
❷ Transition Risk Scenario Settings

Regarding transition risk, KGI Life adopts unified climate scenario settings from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The Company conducted analysis on three climate scenarios – "Orderly-Net Zero 2050," "Disorderly-Delayed Transition," and "Hot House World-Nationally Determined Contributions (NDCs)," and uses carbon pricing of each scenario to estimate potential future carbon fees.



❸ Materiality Standard For Climate Risks

KGI Life sets climate-related risk metrics after considering climate risk significance and the attributes of various businesses. Prioritization for addressing climate-related risks is set according to climate materiality standard.



❹ Methods and Results of Climate Risk Assessment

◆ Climate Risk Assessment of Securities Investment Portfolio

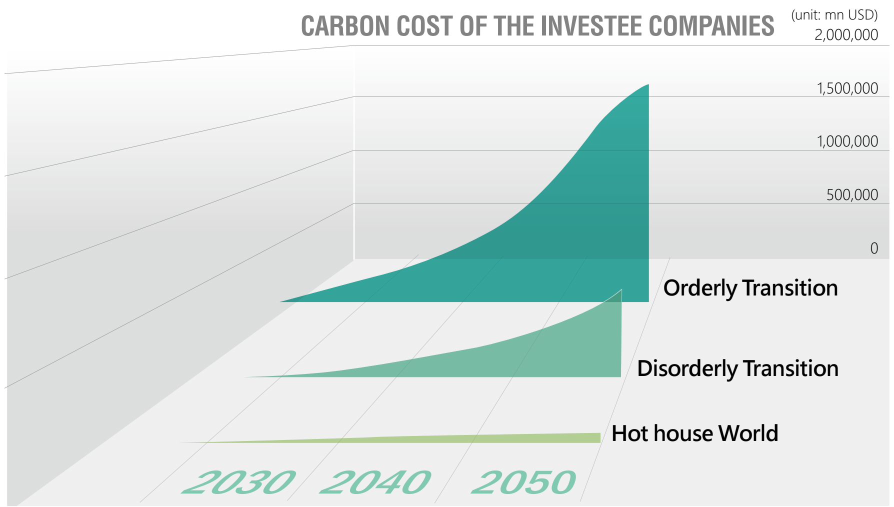
To effectively assess climate transition risk, KGI Life references the parent company's "Sustainable Finance Commitment," in defining coal related industries, unconventional oil/natural gas related industries, and other carbon intensive industries; in addition to adopting the Directorate General of Budget, Accounting and Statistics' industry coding to formulate a "carbon intensive industries list." These include Manufacture of Electronic Parts and Components, Extraction of Crude Petroleum and Natural Gas, Electricity and Gas Supply, Manufacture of Other Non-metallic Mineral Products, Manufacture of Basic Metals, etc.

Since carbon-intensive industries are more susceptible to transition risk factors (carbon fees), the Company uses them as targets for climate scenario analysis and assesses investee companies' carbon emission under three climate scenarios– orderly, disorderly and hot house world. The Company used the assessment as the basis for scenario-based carbon price calculation, and assesses the degree of impact on the financials of the investee companies, as well as their profitability.

Analysis Results

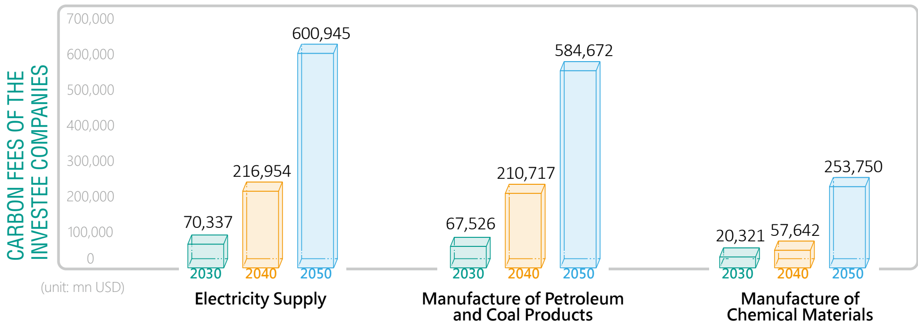
Carbon fees of KGI Life's bond and equity investments in carbon-intensive industries will increase year-by-year for all three scenarios (orderly, disorderly and hot house world), with the greatest degree of increase seen under the orderly scenario.

■ Carbon Cost from Equity Investments Under Different Scenarios



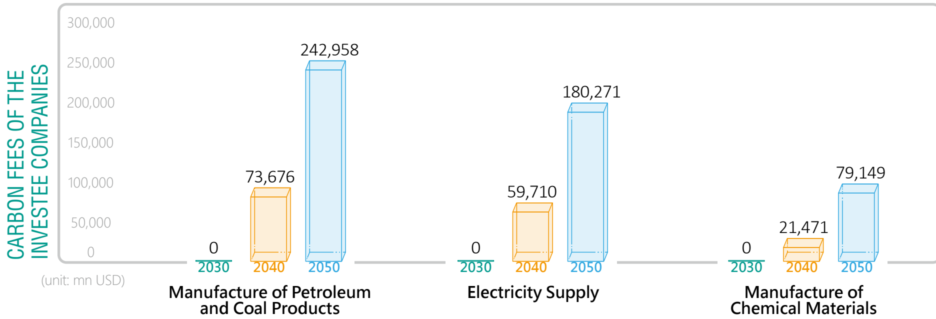
As shown below, under the orderly scenario, the top three carbon-intensive industries with the highest carbon fees from KGI investments are Electricity Supply, Manufacture of Petroleum and Coal Products, and Manufacture of Chemical Materials.

■ Orderly Scenario-Top Three Industries by Carbon Cost



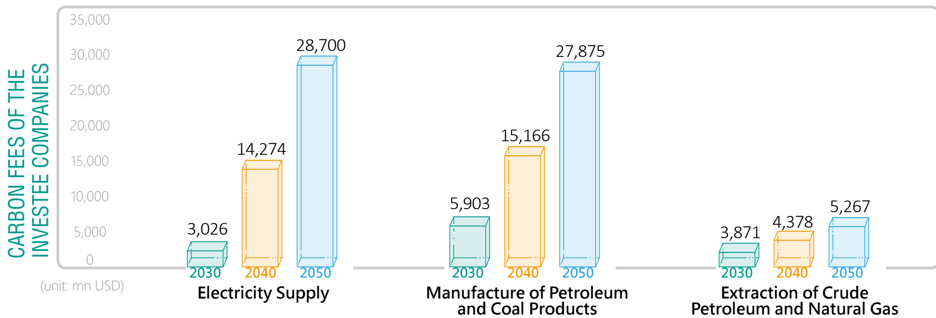
As shown below, under the disorderly scenario, the top three carbon-intensive industries with the highest carbon fees from KGI investments are Manufacture of Petroleum and Coal Products, Electricity Supply, and Manufacture of Chemical Materials.

■ Disorderly Scenario-Top Three Industries by Carbon Cost



As shown below, under the Hot House World scenario, all countries maintain their current policies and do not implement additional/other carbon reduction or control measures, with only a few regions being affected by carbon fees. The top three carbon-intensive industries with the highest carbon fees from KGI investments are Electricity Supply, Manufacture of Petroleum and Coal Products, Extraction of Crude Petroleum and Natural Gas.

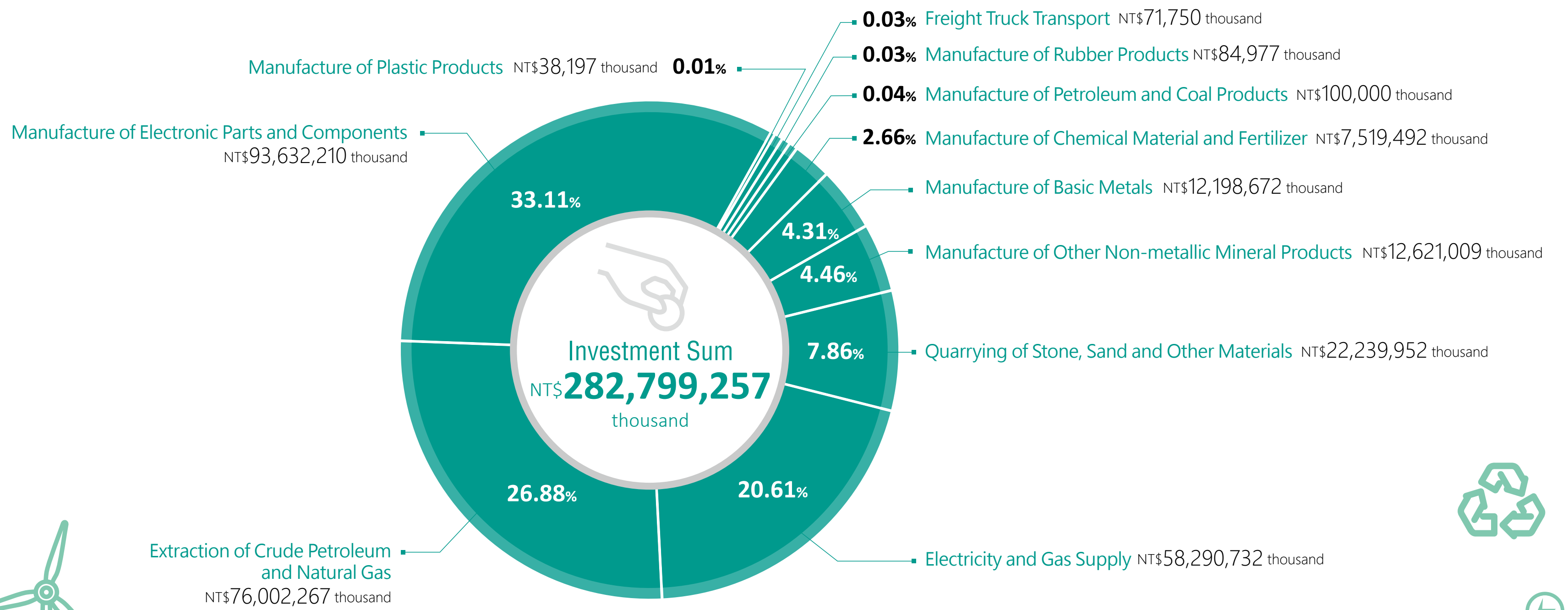
■ Hot House World Scenario-Top Three Industries by Carbon Cost



Resilience Verification

To lower the transition risks of our investment portfolio, KGI Life has gradually lowered exposure in carbon-intensive industries. As of the end of 2023, investments in equity and bonds of carbon-intensive industries accounts for 18% of the total investments, significantly lower than the goal of 26%. Our main exposure is from Manufacture of Electronic Parts and Components, Extraction of Crude Petroleum and Natural Gas, and Electricity and Gas Supply.

■ Investment Distribution of Carbon-intensive Industries



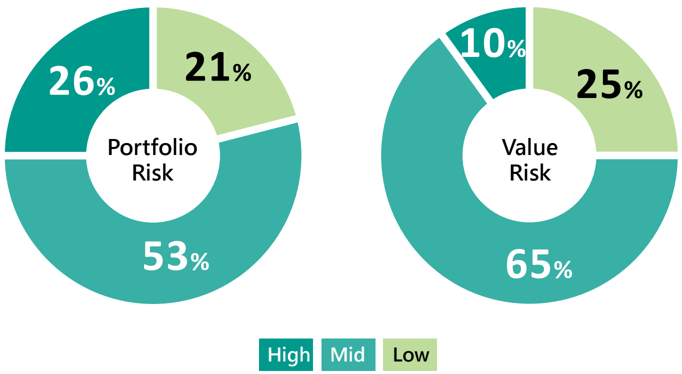
◆ Climate Risk Assessment of Real Estate Investment

KGI Life adopts the climate change risk map published by the NCDR to determine the physical risk of the areas in which real estate investments are located. Flooding hazard and vulnerability are two indicators used in the 1.5℃ and 4℃ scenarios published by the NCDR to assess climate risks. Furthermore, risk classification is conducted.

Analysis Results

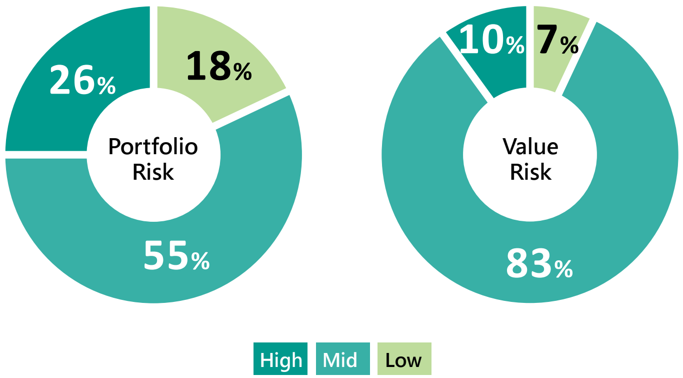
Results indicate that, in the 1.5℃ scenario, 26% of real estate investments are located in high-risk areas, 53% are in medium-risk areas, and 21% are in low-risk areas. In terms of investment sum, the percentage ratio is 10%, 65%, and 25%.

■ Real Estate Investment Portfolio and Value Risk Distribution (1.5℃ Temperature Rise)



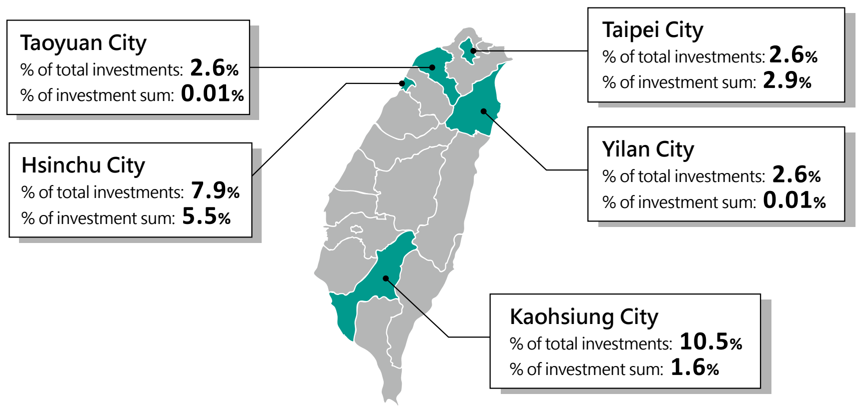
In the 4℃ scenario, 26% of real estate investments are located in high-risk areas, 55% are in medium-risk areas, and 18% are in low-risk areas. In terms of investment sum, the percentage ratio is 10%, 83%, and 7%.

■ Real Estate Investment Portfolio and Value Risk Distribution (4℃ Temperature Rise)



The table below is the distribution and percentage of high risk real estate investments in the 1.5℃ and 4 ℃ scenarios according to scenario analysis.

■ The Percentage and Distribution of High-risk Real Estate Investments



Resilience Verification

KGI Life has adopted measures for real estate investments in high climate risk areas, such as floodgates, sandbags, water pumps, and emergency evacuation plans. After mitigation,only one investment is located in a high risk area. The percentage of high risk real estate investments is down to 2.6% and the investment sum only accounts for 0.2% of total real estate investments, most of which are located in Kaohsiung City.

◆ Climate Risk Assessment of Business Operation

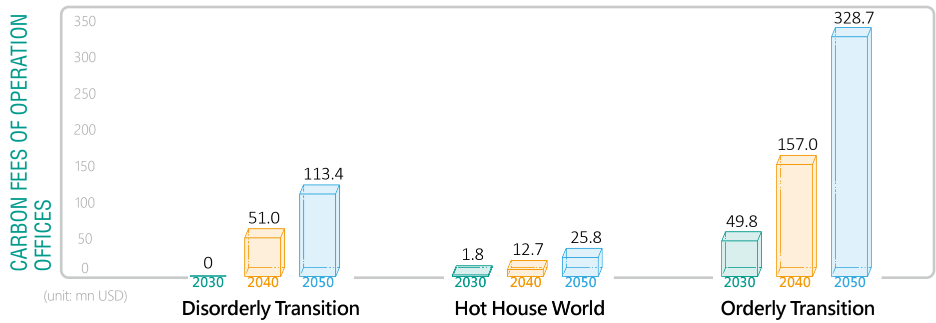
(1) Transition Risk

KGI Life's business operations are susceptible to transition risks (carbon fees) and physical risks. In terms of transition risk, carbon emission is estimated based on the energy usage of offices. The scenario analysis is conducted on NGFS' orderly, disorderly, and hot house world scenarios. The greenhouse gas emissions in each scenario is multiplied by the carbon pricing of the given scenario and an internal "carbon pricing" concept is used to assess possible financial impact for the Company's offices in the future.

Analysis Results

Results show that, under the orderly transition scenario, KGI Life's carbon fee is projected to reach $3.286 million USD by 2050.

■ Carbon Fees of Operation Offices



Resilience Verification

To lower the transition risks of business operations, KGI Life implements carbon reduction plans for its offices. In 2023, the carbon emission of our offices was 3,942 metric tons of CO_2e, a decrease of 14.56% compared with 2022.

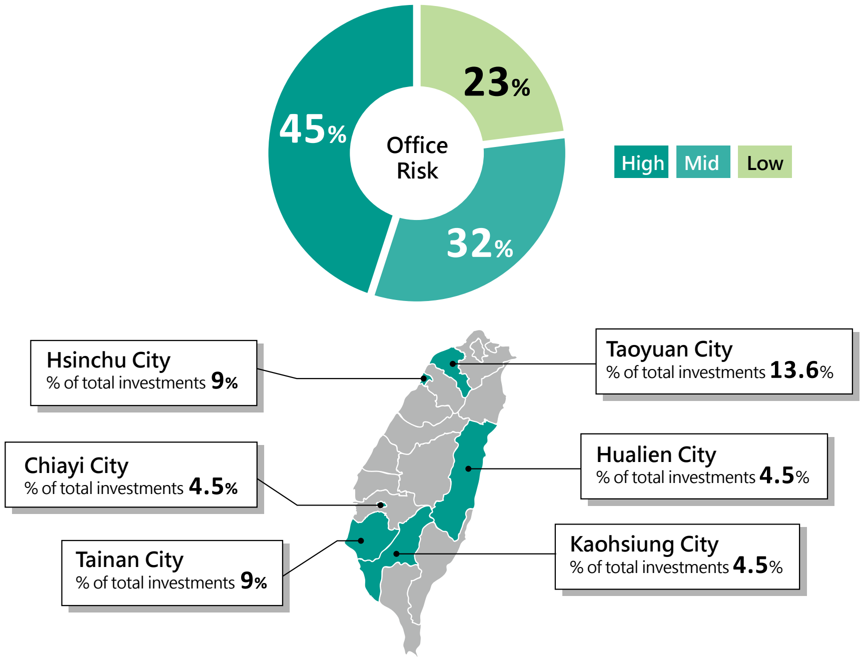
(2) Physical Risk

KGI Life adopts the 1.5℃ and 4℃ scenarios published by the NCDR to determine the climate risk level of each office area. Flooding hazard and vulnerability are two indicators used to assess climate risks. After standardization, places with higher score are defined as high-risk areas.

Result Analysis

Results indicate that, in both the 1.5℃ and 4℃ scenarios, 45% of offices are located in high-risk areas, 32% are in medium-risk areas, and 23% are in low-risk areas.

■ Distribution Percentage of Offices with High Climate Risk



Resilience Verification

KGI Life has adopted measures for all offices, such as floodgates, sandbags, water pumps, and emergency evacuation plans. All offices have been incorporated into the scope of the Company's business continuity management (BCM) plan. After mitigation, the risk level of all office locations is low.

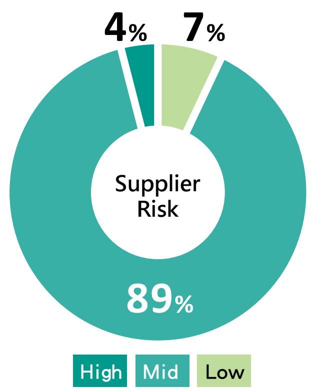
◆ Supplier Climate Risk Assessment

According to the materiality principle, KGI Life has assessed the potential physical risk of major suppliers with single transactions over NT$5 million, and have valid contracts as of 2023. Based on the location of their businesses, the Company adopts the flooding risk indicator in the 1.5°C and 4°C scenarios published by the NCDR to evaluate future hazard and vulnerability. Evaluation results are used as a reference in risk classification.

Result Analysis

Results indicate that, in both the 1.5°C and 4°C scenarios, 3.7% of major supplier have business operations in high-risk areas and most of them are located in Hsinchu City.

■ Risk Levels of Major Supplier Headquarters



Resilience Verification

To promote climate risk management to suppliers, KGIL has engaged with suppliers to encourage them to build a risk management mechanism based on the climate risks identified. The goal is to properly control and mitigate the possible impacts brought about by climate change. In 2023, engagement with 28 major suppliers was completed.

Chapter 3 Climate Management Strategy

The life insurance sector holds a large amount of funds and thus is able to encourage other industries to realize their net zero plans and actions through responsible investment and money flow channeling. For this reason, life insurers should not only focus on their own operations but also think about how to exert positive impact on investee companies and the supply chain when formulating climate strategies and actions.

Having pursued sustainable development for a long period of time, KGI Life puts sustainable investment into practice following its own short-, mid-, and long-term targets while also conducting engagement with the investee companies in encouraging their net zero transition. KGI Life has formulated concrete net zero strategies and action plans to achieve its ultimate goal, "net zero investment portfolio" and "carbon neutral business operation."

3.1 Climate Risk Management Strategy for Investments

Starting from 2017, KGI Life has voluntarily followed the UN's Principles for Responsible Investment (PRI) to formulate responsible investment policies, incorporating ESG elements into investment evaluation. In 2021, KGI Life was ahead globally to introduce "ISO 14097 - Framework and principles for assessing and reporting investments and financing activities related to climate change." Three major climate action plans, "renewable plant investment", "green bond investment", and "carbon-intensive industry engagement" were put forward to respond to green finance and encourage investees to head toward low-carbon transition.

❶ Responsible Investment Policy

KGI Life established the Responsible Investment Policy, investment policy, and operating regulations manual. Based on asset classes, ESG issues are incorporated into the investment analysis and decision-making processes and ESG elements are taken into consideration when making investment decisions. In addition, MSCI, BLOOMBERG, and other databases are used as a reference for the evaluation of ESG and financial performance of the investment targets. The overweighing or underweighting investment positions are determined based on assessment results. The percentage of individual stock investment reports that included ESG evaluation items reached 100%. An investment evaluation report that references the investment target's ESG report and other relevant information must be prepared before making an investment. The report considers a number of ESG aspects, including environmental protection, labor-management relations, corporate governance, climate actions, and other sustainability activities. Furthermore, the transition risk of the investments is taken into account. Carbon emission is used as a risk indicator, the higher the emission, the higher the transition risk.

We periodically review operations or trends in the industry chain of the investees after making an investment, and investment performance is reported to the highest level supervisors. Investment results are disclosed in the Sustainability Report. We strictly review reports on the use of funds from green, social, and sustainability bonds, and ensure that funds are used to support sustainable development of the environment or society.

The scope of responsible investment includes: domestic/oversea listed securities, unlisted securities, bonds, oversea funds, ETF issuing companies, and fund management companies.

■ Responsible Investment Flow Chart

STEP 1

Screening Through Negative List

A negative list is made as a first step in the assessment process. If an investment target meets one of the negative criteria in the list, then it will be excluded from the investment portfolio.

STEP 2

Selection of Investment Targets

Responsible investment takes environmental, social, and governance (ESG) factors into consideration when evaluating the products, businesses, and behaviors of the targets. Targets that displayed CSR will be selected.

STEP 3

Review of Carbon-Intensive Industries

A carbon-intensive industry list will be made to review whether the industry is a carbon-intensive industry (high pollution) and is under the impact of regulations. In addition, the industry performance in environmental pollution and waste management will be assessed.

STEP 4

ESG Evaluation Measures

Refer to domestic reputable or government recognized exceptional CSR performance as well as relevant indices.

STEP 5

Decide on Investments

Before investing, the Company will review the AML/CFT policies of the investment targets, and assess whether the investment target has conducted AML/CFT measures.

STEP 6

Post-investment Management

Regularly review carbon emissions of the investment portfolio, and whether there are major negative news, and produce assessment report.

STEP 7

ESG Engagement

The Company will attend the shareholder meeting held by the investees. If the discussion item involves material ESG risk, the Company will not agree and will engage with the investee to communicate. The negative list is applicable to commissioned third-parties and their ESG policies will be evaluated. As for PE fund assessment, whether the fund management company has signed PRI or not will be used as a selection criteria.

❷ Carbon Footprint of Investment Portfolio

We began carbon inventory of our investment portfolio in 2023 to understand the carbon exposure of our current portfolio, and use it as a decision basis for making low carbon transition. KGI Life estimates the carbon emissions of the investment assets every six months according to "The Global GHG Accounting and Reporting Standard for the Financial Industry" of the Partnership for Carbon Accounting Financials (PCAF).

KGI Life uses the Group's selection standards for carbon-intensive industries, and uses the industry classification standard published by the Directorate-General of Budget, Accounting and Statistics to calculate the total amount invested, total carbon emissions, and emission density of each industry in the investment portfolio. The purpose is to analyze carbon-intensive position and comprehensively consider the percentage of these investments in each industry, which is used as a basis for subsequent position adjustment.

After compiling the inventory, the total emission from the investment balance at the end of 2023 was approximately 3.21 million metric tons, down by roughly 28.5% compared with the end of baseline year of 2020, and investments in carbon-intensive industries accounted for 18.1% of overall investments, achieving the goal of reducing them to less than 26% of the overall investment position. KGI Life took a preliminary emission inventory of the investment portfolio and uses it to determine the investment limit of key emitters in the portfolio and carbon-intensive industries. We will continue to evaluate the composition of industries and companies in our portfolio, and gradually guide the investment portfolio to focus on low carbon industries.

❸ Renewable Energy Power Plant Investment

To realize the value of corporate sustainability and support the development of Taiwan's renewable energy industry, the investment and sustainability teams of KGI Life carefully evaluate qualifications, risks, and related opportunities of investment targets. As of 2023, investments made by KGI Life in renewable power plants, solar power, and other alternative energy sources amounted to around NT$1.458 billion and the total installed capacity reached 714 MW (up by 13% compared to the previous year). In addition, electricity generation is expected to reach 975 million kWh (up by 13% compared to the previous year), achieving the environmental benefit of reducing GHG emissions by a total of 510,800 metric tons (up by 13% compared to the previous year).

KGI Life actively invests in the renewable industry. In addition to increasing investment in this area, the Company will continue to search for investment opportunities with potential as well as environmental benefits.

❹ Green Bond Investment

KGI Life actively invests in representative domestic and foreign green bonds, sustainable funds, and ETFs. These funds are expected to be invested in renewables, the improvement of energy efficiency, green transportation, sustainable water resource management, and green buildings. As of 2023, Life's investments in green and sustainable bonds increased by approximately 6% compared with 2022, which is expected to reduce GHG emissions by 444,400 metric tons/year.

In 2023, KGI Life's green investment grew by about 10% compared with 2022. Investments included green bonds, sustainable bonds, renewables, ESG funds, and green technology, etc.

KGI Life responds to the government's Green Finance Action Plan 3.0 and has been investing in the green bonds as well as ESG financial products to support the development of clean energy in Taiwan, showcasing our determination to realize the spirits of ESG investments..

❺ Engagement with Carbon-intensive Industries

After identifying carbon-intensive investments, KGI Life conducted engagement with carbon-intensive investees and sent out a total of 93 questionnaires in 2023. Through this survey, KGI Life acquired a more complete picture of carbon emissions of investees, current carbon reduction measures, climate actions, and future reduction goals of companies by size and by sector. Furthermore, investees will be regularly monitored to track their emissions and other climate-related measures to assess whether they can gradually meet their annual targets and other goals. This survey showed that 79.2% of respondents who joined climate engagement had established a dedicated committee respectively to manage issues related to climate change. Up to 95.8% of the respondents finished scope 1 and 2 greenhouse gases inventory. Furthermore, 25% of investees joined the science based targets (SBT) initiative.

3.2 Climate Risk Management Strategy for Operations

Environmental sustainability is a prime focus of KGI Life's long-term ESG strategies. Aside from responding to the "National Green Life Movement" promoted by the Environmental Protection Agency, Executive Yuan, strategies are being implemented within the Company to achieve net zero goal for its business operations, including e-services, environmental management system, energy conservation plan, and green building.

❶ Digital Insurance Services

Environmental awareness is on the rise and has changed how financial products and services are being provided and purchased. KGI Life continues to refine operation processes and simplify manual tasks. The goal is to provide eco-friendly and convenient green services to policyholders throughout every stage of life insurance policy. Through the use of digital sales tools, e-forms, and platform services, the Company hopes to reduce carbon emissions coming from printing and sending documents as well as transportation. These measures allow KGI Life, together with policyholders, to do our part in protecting the Earth. Take e-policy as an example, in 2023, KGI Life issued 64,508 e-policies to replace traditional hardcopy ones.

■ Adopting Electronic Services to Reduce Carbon Emissions

Digital Marketing Tools

1. Group Insurance Online Service Platform
2. Mobile Enrollment APP
3. Mobile Travel Insurance Enrollment

e-Forms and Platform Services

4. e-Notice
5. Electronic Insurance Policy
6. e-Notification
7. e-Service Platform
8. Mobile Claim Application

❷ Environmental Management System

To improve environmental management, the Company's Dunbei building introduced the ISO 14001 Environmental Management System to implement environmental protection policies and realize goals. Moreover, the new HQ building introduced the ISO 50001 Energy Management System to improve energy control mechanisms and devices operation management. The Energy Management System helps conserve energy and reduce carbon emissions. The third-party verification was completed.

❸ Energy Conservation Plans and Renewable Energy Procurement

In line with the Group's goal of a 42% carbon reduction by 2030, KGI Life regularly maintains and repairs electrical systems in office buildings and replaces old, energy-consuming devices, such as air conditioning systems, to reduce energy consumption. The Company also promotes energy-saving behaviors among employees, including turning off the lights during breaks and closing doors, while reviewing space usage efficiency in agencies. In 2023, KGI Life invested over NT$12 million to replace old, energy-consuming air conditioning systems and facilities in its properties.

In 2022, KGI Life officially started to procure green electricity for its headquarters, jointly purchasing two million kWh of green electricity annually with the building's tenants, accounting for about 6% of KGI Life's total annual electricity consumption. The green electricity supply began on December 1. KGI Life will continue to purchase more green energy, with the goal of transforming its headquarters into a carbon-neutral green building by the end of 2024.

❹ Greenhouse Gas (GHG) Management

Greenhouse gas emission-related indicators form the foundation of all key climate metrics and targets. These indicators reflect the Company's effectiveness in reducing carbon emissions from its operations and serve as a reference for the Company when implementing net-zero, low-carbon operations.

KGI Life has tracked greenhouse gas emissions for its headquarters and major branches since 2015. In 2020, the scope expanded to include all branches, and by 2022, all oversea offices were included. In 2023, the scope was further expanded to include all agencies, covering 100% of service locations. In March 2024, KGI Life obtained third-party ISO 14064-1:2018 greenhouse gas inventory verification.

In addition, with 2022 as the base year, we hope to reduce office operational carbon emissions by 10% annually, achieving a 50% reduction in five years. In 2023, the operational carbon emissions for office locations were 3,942 tons of CO_2e, which represents a reduction of 14.56% compared to that of 2022.

Since 2018, the scope of carbon emission tracking has been gradually expanded to include gasoline, diesel, electricity, waste, business travel, transportation of copy papers, maintenance of leased photocopiers, postal parcels, and mailing of premium payment proof in categories three, four, five, and six. In 2023, data on natural gas use in the headquarters' cafeteria and agencies were collected, serving as a reference for KGI Life's greenhouse gas reduction plans.

Additionally, in 2023, an inventory was conducted for downstream leased assets under category three, and the estimated carbon emission was 37,900 tons of CO_2e.

■ Greenhouse Gas Emissions

Year	Item	DIRECT EMISSIONS: Category 1 – Stationary	DIRECT EMISSIONS: Category 1 – Mobile	DIRECT EMISSIONS: Category 1 – Fugitive	INDIRECT EMISSIONS: Category 2	INDIRECT EMISSIONS: Category 3,4	Total
2023	Emission Amount (tCO_2e/year)	83.834	21.449	460.138	6,327.481	1,656.947	8,549.851
2023	Emission Amount (tCO_2e/year)	565.423					
2023	Category Percentage (%)	6.61%			74.01%	19.38%	100.00%
2022	Emission Amount (tCO_2e/year)	0.000	27.683	183.853	4,109.84	837.145	5,158.524
2022	Emission Amount (tCO_2e/year)	211.537					
2022	Category Percentage (%)	4.10%			79.67%	16.23%	100.00%

3.3 Climate Risk Management Strategy for Supply Chains

❶ Supplier Sustainable Management

To urge suppliers to enhance their sustainable development in the areas of environment, social, and corporate governance (ESG), KGI Life organizes assessments on its key suppliers every year. In accordance with the Company's "Regulations Governing Corporate Social Responsibility of Suppliers," the "CSR Self-assessment and Supplier Assessment Form" is formulated to review suppliers' implementation of relevant policies, e.g. "employee rights / interests and human rights," "employee health and safety," "environmental protection," and "sustainable management." In 2023, climate risk management-related questions were added to the form. KGI Life engaged with a total of 28 key suppliers in 2023 on ESG topics, urging them to establish risk management systems based on identified climate change risks to properly control and mitigate potential impacts.

❷ Green Procurement

KGI Life supports local suppliers with a sustainable management vision, giving priority to those with excellent ESG performance. The Company also prioritizes the procurement of products with energy-saving or environmental certification labels, such as computers and monitors with the Energy Star label, and FSC (Forest Stewardship Council) certified products, while supporting hybrid or electric vehicle manufacturers. These efforts aim to reduce environmental impacts and contribute to environmental sustainability. In 2023, KGI Life's green procurement reached NT$54.92 million, including IT products and copy papers. KGI Life has been recognized for eight consecutive years by the Department of Environmental Protection of the Taipei City Government for its efforts in promoting green procurement among private enterprises, and it has also been recognized by the Ministry of Environment of the Executive Yuan three times for promoting green procurement and green consumption.

Chapter 4 Climate Metrics and Targets

Effective key climate metrics and targets guide climate risk management and the execution of net-zero strategies. Based on the business planning of each department, KGI Life systematically sets short, medium, and long-term climate risk management targets, and regularly tracks relevant results and performance to respond to the goals and expectations of internal and external stakeholders for climate management.

Based on assessments of climate-related risks and opportunities identified, KGI Life formulates specific strategies and implementation plans, setting targets and tracking progress annually to effectively mitigate the impact of climate change on its investment and operational activities.

■ Major Metrics & Targets

	Strategy	Metrics	Short-term Targets	Mid-term Targets	Long-term Targets
TRANSITION RISK	Investment Target Engagement	Incorporate ESG factors into engagement/voting guidelines	• Disclose the percentage of ESG dimensions in engagement reports and voting records • Participate in all shareholders' meetings and exercise voting rights		
	High-carbon Industry Exposure Reduction	Cap the investment percentage of high-carbon industries at 24.5%	• Cap the investment percentage of high-carbon industries at 24.5%		
	Investment Portfolio Carbon Reduction	SBT reduction targets	• Achieve the Group's SBT reduction targets		
	Operational Carbon Reduction	Reduce the operational carbon emissions from offices and agencies/Replace old equipment/Expand initiatives related to carbon reductions and environmental sustainability	• By 2024, transform the headquarters building into a carbon-neutral green building • Reduce carbon emission from offices and agencies to 5,620 tons in 2024 • More than 50% of devices and equipment in offices and agencies certified as water-saving	• Reduce the operational carbon emissions from offices and agencies • More than 60% of devices and equipment in offices and agencies certified as water-saving	• Reduce the operational carbon emissions from offices and agencies • More than 70% of devices and equipment in offices and agencies certified as water-saving

	Strategy	Metrics	Short-term Targets	Mid-term Targets	Long-term Targets
PHYSICAL RISK	Climate Risk Management for Real Estate Investments	Physical risk assessments conducted for all new real estate investments/Decrease the percentage of high-risk cases after mitigation	• Physical risk assessments conducted for all new real estate investments • Regular review of climate risks for real estate investments with high-risk cases less than 10% after mitigation	• Physical risk assessments conducted for all new real estate investments • Regular review of climate risks for real estate investments with high-risk cases less than 6% after mitigation • All new construction projects should be designed according to requirements for green buildings	• Physical risk assessments conducted for all new real estate investments • Regular review of climate risks for real estate investments with high-risk cases less than 3% after mitigation • All new construction projects should be designed according to requirements for green buildings
PHYSICAL RISK	Sustainable Supply Chain Management	Supplier self-assessment system/ Gradually increase the procurement amount from net-zero suppliers and social innovation organizations every year	• Suppliers to fill in CSR self-assessment form (14 suppliers per year) • Encourage suppliers to join social innovation organizations and increase the procurement amount from social innovation organizations to NT$12 million	• Suppliers to fill in CSR self-assessment form (15 suppliers per year) • Encourage suppliers to join social innovation organizations and increase the procurement amount from social innovation organizations to NT$13 million	• Suppliers to fill in CSR self-assessment form (16 suppliers per year) • Encourage suppliers to join social innovation organizations and continue to increase the procurement amount from social innovation organizations
PHYSICAL RISK	Climate Risk Management (Institution-wise)	Continue to improve climate risk management mechanisms/Fulfill IFRS S1/S2 climate information disclosure requirements	• Maintain and timely adjust natural disaster-related business continuity management mechanisms with at least one disaster recovery drill completed each year • Introduce IFRS S1/S2 climate information disclosure requirements	• Maintain and timely adjust natural disaster-related business continuity management mechanisms with at least one disaster recovery drill completed each year • Prepare for IFRS S1 / S2 climate information disclosure	• Maintain and timely adjust natural disaster-related business continuity management mechanisms with at least one disaster recovery drill completed each year • Disclose climate-related information according to IFRS S1/S2 requirements
CLIMATE-RELATED OPPORTUNITIES	Low-carbon Transition	Annually increase green investment by 5% (base year: 2020) / Digitalize insurance services	• Compared to 2020, increase green investments by 20% • Mobile insurance application rate (non-agency channel): 5% growth compared to 2023 • Promote paperless administrative processes, including E-notice, electronic notifications, and reduce paper consumption by 5% annually	• Compared to 2020, increase green investments by 30% • Continue to improve mobile insurance application rate (non-agency channel) • Promote paperless administrative processes, including E-notice, electronic notifications, and reduce paper consumption by 5% annually	• Continue to increase the proportion of green investments • Continue to improve mobile insurance application rate (non-agency channel) • Promote paperless administrative processes, including E-notice, electronic notifications, and reduce paper consumption by 5% annually
CLIMATE-RELATED OPPORTUNITIES	Sustainable Environment Promotion	Green procurement/Energy conservation and carbon reduction	• Total procurement from suppliers committed to net-zero carbon emissions reaches NT$12 million • Successfully urge four suppliers to commit to net-zero carbon emissions	• Total procurement from suppliers committed to net-zero carbon emissions reaches NT$13 million • Successfully urge five suppliers to commit to net-zero carbon emissions	• Continue to procure from suppliers committed to net-zero carbon emissions • Continue to urge suppliers to commit to net-zero carbon emissions

Chapter 5 Future Outlook

KGI Life continues to follow the TCFD framework, disclosing the Company's actual execution status and performance in climate governance, climate risk management and scenario analysis, net-zero strategies, as well as metrics and targets. As climate change gains increasing attention, KGI Life actively promotes a low-carbon transition and formulates clear measures to respond to the significant climate-related risks identified. In terms of business operations, strategy, and financial planning, KGI Life deepens its analysis of short, medium, and long-term climate risks and opportunities to accurately identify the impacts and opportunities brought by climate change and develop appropriate corresponding responses. However, given the uncertainties associated with climate change, relevant assessment and management methods, along with regulatory frameworks, are still evolving. KGI Life will continue to monitor domestic and international climate information to develop a more comprehensive climate risk framework and assessment methods. In alignment with the timeline set by the regulators, KGI Life will implement climate risk management operations and further incorporate the results into the development of its overall climate strategy.

Chapter 6 Appendix

Task Force on Climate-related Financial Disclosures (TCFD)

Aspect	TCFD Disclosure Suggestions	Corresponding Chapter	Page No.
Governance	a. Description on the Board's supervision of climate-related risks and opportunities	1.1 Organization Structure of Climate Governance	02
	b. Description on senior management's role in assessing and managing climate-related risks and opportunities	1.1 Organization Structure of Climate Governance	02
Strategy	a. Description on short-, mid-, long-term climate-related risk and opportunities identified by the organization	2.1 Climate Risk Identification CH3 Climate Management Strategy	04-05 13-17
	b. Description on the impact of climate-related risks and opportunities on the Company's operations, strategies, and financial planning	2.1 Climate Risk Identification CH3 Climate Management Strategy	04-05 13-17
	c. Description on the organization's strategic resilience, while taking into consideration different climate-related scenarios (including 2° C or more severe scenarios)	2.2 Climate Risk Measurement	06-12
Risk Management	a. Description on the organization's climate-related risk identification and assessment process	2.1 Climate Risk Identification, 2.2 Climate Risk Measurement	04-12
	b. Description on the organization's climate-related risk management process	CH3 Climate Management Strategy	13-17
	c. Description on how the organization's climate-related risk identification, assessment, and management processes integrate the organization's overall risk management mechanisms	2.1 Climate Risk Identification, 2.2 Climate Risk Measurement CH3 Climate Management Strategy	04-12 13-17
Metrics and Targets	a. Disclosure on the metrics used by the organization in assessing climate-related risks and opportunities in alignment with strategies and risks	CH4 Climate Metrics and Targets	18-19
	b. Disclosure on GHG emission for scopes 1, 2, 3 and their relevant risks	CH4 Climate Metrics and Targets	18-19
	c. Description on targets set by the organization in managing climate-related risks and opportunities, and performance in realizing these targets.	CH4 Climate Metrics and Targets	18-19

Financial Supervisory Commission's "Financial Disclosure Guidelines for Climate-related Risks of the Insurance Industry"

Areas	TCFD Disclosure Suggestions	Corresponding Chapter	Page No.
Governance	a. should ensure the Company has incorporated climate-related risks when setting its risk appetite, strategies, and business operation plans, while continuously monitoring the management and disclosure of climate-related risks.	1.1 Organization Structure of Climate Governance	02
	b. The Company should establish functional committees under the board of directors, and clearly state the duties of committee members and senior management for the board of directors as well as committees under the board of directors.	1.1 Organization Structure of Climate Governance	02
Strategy	a.. Identify the financial impact of climate-related risks & opportunities on the Company' s finance, business, products and investment.	2.1 Climate Risk Identification	04-05
	b. Set prioritization order for climate-related risks based on materiality.	2.2 Climate Risk Measurement	07
	c. Take climate-related risks and opportunities into consideration when setting annual business goals, as well as product and investment strategies.	2.1 Climate Risk Identification CH3 Climate Management Strategy	04-05 13-17
	d. Review and adjust management policy of climate-related risks based on scenario analysis and stress test results.	2.2 Climate Risk Measurement CH3 Climate Management Strategy	06-12 13-17
Risk Management	a. Risk management & supervision.	2.2 Climate Risk Measurement CH3 Climate Management Strategy	06-12 13-17
	b. Scenario analysis and stress test.	2.2 Climate Risk Measurement	06-12
	c. Investment management.	CH3 Climate Management Strategy	14
Metrics and Targets	a. Set assessment and management metrics for climate related risks.	CH4 Climate Metrics and Targets	18-19
	b. Set climate-related risk management targets.	CH4 Climate Metrics and Targets	18-19
	c. Set determining metrics for materiality prioritization of climate-related risks.	2.2 Climate Risk Measurement	07
	d. Consider including performance measurement metrics in to the management of climate-related risks.	CH4 Climate Metrics and Targets	18-19

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