

Estimation of climate change risks and financial impacts.

Qisda Corporation has utilized the Task Force on Climate-related Financial Disclosures (TCFD) framework to estimate the financial impact of climate change-related issues. Transition risks evaluated encompass the procurement of green energy and enhancements in energy efficiency across our facilities, both of which are incorporated within this financial estimation framework. Although there are financial risks associated with domestic and international policies and regulations, the absence of real data currently hinders any estimation. Regarding the risks associated with carbon trading and carbon taxes (CBAN and CCA), currently Qisda is not affected by carbon tax regulations. We will continue to monitor the situation and set carbon reduction and net-zero goals to prepare in advance. Ex: Plans for carbon audits and disclosures, internal carbon pricing (ICP), introducing green products, energy efficiency improvements and etc. These plans are individually listed under carbon reduction initiatives related to transition risks. Technical risks primarily involve estimating the costs associated with improving energy efficiency and installing solar energy storage systems at our Taiwan and overseas (China) plants in 2023. Market risk refers to the financial implications for Life Cycle Assessment (LCA) resulting from changes in consumer behavior. Reputational risk involves the costs associated with purchasing green certificates. Other risks will be assessed by the relevant dedicated units and disclosed in subsequent TCFD reports. In the financial assessment of physical risks, the main consideration is the impact of heavy rain and flooding on production. Estimates of the aforementioned risk factors are detailed in Table 1 below.

Furthermore, Qisda has estimated the financial impacts of climate change-related opportunities, including improvements in energy and water resource efficiency, proactive initiatives in the energy market and the development of green products. The above estimates indicate a positive impact on the company's overall financial revenue, detailed in Table 2 below.

Based on the analysis provided, addressing climate change may initially result in short-term increases in costs. Taking proactive steps to address potential climate risks also creates opportunities related to climate. Qisda remains committed to prioritizing low-carbon products and services, aiming to establish a more resilient and sustainable corporation focused on climate.

● Table 1: Financial Impact of Climate-Related Risks

Risk	Reason for Financial Impact	AMT (NTD) 10 thousand
Policy and Regulatory	<ul style="list-style-type: none"> • Energy efficiency improvements at Taiwanese facilities • Carbon audits and disclosures • ESG-related training and consulting • Implementation of internal carbon pricing (ICP), etc. 	1,455
Technology	<ul style="list-style-type: none"> • Investment in research and development costs for green products and technology transformation. • Purchase of online communication equipment to improve meeting efficiency. • Replacement of outdated equipment. • Adoption of low-carbon materials. • Procurement of I-REC certificates. 	5,928
Market	<ul style="list-style-type: none"> • Financial impact of consumers' sustainability awareness on the costs of conducting Life Cycle Assessments (LCA). • Use of green packaging materials and paper. 	1,665
Reputational	<ul style="list-style-type: none"> • Training related to environmental safety and greenhouse gas issues concerning company reputation. 	425
Physical	<ul style="list-style-type: none"> • The impact of a five-day shutdown at the Suzhou facility due to flooding and power outage. 	9,753 / 5 days
	<ul style="list-style-type: none"> • The impact on production capacity due to a one-day shutdown at the Vietnam facility caused by a power shortage, and the cost of purchasing equipment to reduce the impact of power outages. 	102
	<ul style="list-style-type: none"> • To mitigate the impact of power shortages, the company completed preliminary SAP and Oracle DR cloud drills in 2023. 	21.8

Remark :

- (i) Regarding the transition risks of climate change, Qisda estimates that the financial impact to be approximately NT\$94.73 million.
- (ii) The physical risk primarily affects production units. If the Suzhou plant suffers from flooding and power outage, it could lead to a production halt of five days, with estimated losses amounting to NT\$97.53 million.

● Table 2: Financial Impact of Climate-Related Opportunities

Opportunities	Reason for Financial Impact	AMT (NTD) 10 thousand
Resource Efficiency	<ul style="list-style-type: none"> • Taiwan facility's green factory energy-saving program. • Suzhou facility's effective monitoring of unusual electricity usage, optimization of water costs and hazardous waste disposal fees, heat recovery and reuse, and receipt of government subsidies for high-efficiency buildings. 	2,460
Energy Sources	<ul style="list-style-type: none"> • Installation of solar power to reduce electricity costs 	592
Products and Services	<ul style="list-style-type: none"> • On-site repair services to save on shipping costs to the factory (per trip) 	1.9
Market	<ul style="list-style-type: none"> • Obtaining subsidies in response to government sustainability policies. • Implementing green finance to reduce interest rates. 	510
Resilience	<ul style="list-style-type: none"> • Actively expanding into the energy market. • Introducing green products to increase revenue. 	45,000

Remark : The above Financial Impact of Climate-Related Opportunities estimated is NT\$48,564 million in total.