

4.1 Climate Change

The Glasgow Climate Pact, adopted at the 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC), reaffirmed the goal set forth in the Paris Agreement to limit global temperature rise to well below 1.5 degrees Celsius, further highlighting the international community's heightened focus on climate change and global warming. At the 27th Conference of the Parties (COP27), participating parties once again emphasized the severe impacts of extreme weather on human society and called on all sectors to strengthen their adaptive capacity to climate crises, highlighting that the threats posed by climate change have become imminent. Subsequently, the 28th Conference of the Parties (COP28) also made commitments to advance energy system transformation, gradually phase out fossil fuels, and accelerate action in this critical decade, guided by principles of fairness and order, with the aim of achieving net zero emissions by 2050.

In early 2024, the World Economic Forum (WEF) published its Global Risks Report, listing "natural disasters and extreme weather events" and "disruption to ecosystems" as the world's two most significant risks. To proactively address these risks, NAFCO has not only established the "Sustainability Practices Code" and consistently disclosed information in its sustainability reports, but also since 2022, has entrusted its Environmental Sustainability Team with conducting ISO 14064-1 greenhouse gas inventories. Through these inventories, the company gains a deeper understanding of the impact of its operations on the global environment. NAFCO also identifies climate risks within its value chain and establishes corresponding management approaches, developing measurable indicators and specific targets to ensure that sustainability initiatives are effectively implemented and yield tangible results.

Since 2024, NAFCO has disclosed climate-related information based on the framework established by the Financial Stability Board (FSB) known as the Task Force on Climate-related Financial Disclosures (TCFD), covering four key areas: governance, strategy, risk management, and metrics and targets. The company has also conducted an in-depth assessment of material risks it faces, categorizing risk sources into two main types:

Transformational Risk

Challenges arising from the necessary economic restructuring required to address climate change.

Physical risk

Tangible impacts directly caused by climate change or extreme weather events.

Through TCFD's transparency framework, NAFCO aims to enable all stakeholders to better understand and assess climate-related risks and opportunities, thereby jointly addressing future environmental challenges.

4.1.1 Task Force on Climate-related Financial Disclosures (TCFD) Framework

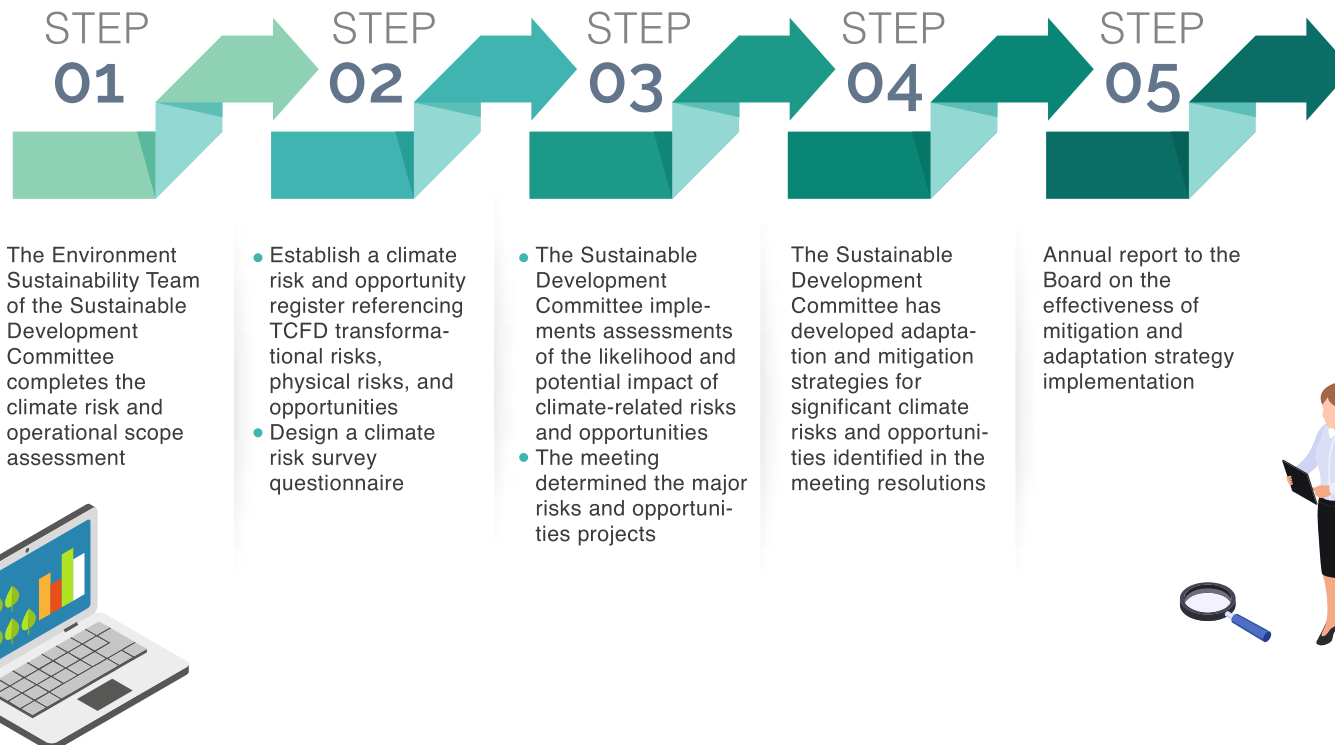


4.1.2 Risk Management

NAFCO has implemented a climate risk and opportunity identification process to assess the financial impacts of climate change on the company. The process identifies key risk and opportunity factors related to climate change, categorizing them by type and impact into distinct items and dimensions for climate risk impact and scenario analysis. Based on the identified risk and opportunity factors, NAFCO then developed a matrix diagram.

The Company defines the short-, medium-, and long-term timeframes for climate-related risks and opportunities as "0–3 years" for short-term, "3–5 years" for medium-term, and "5–10 years or longer" for long-term. Based on these timeframes, climate risk and opportunity assessments are conducted, with the identification and evaluation processes reviewed and updated every two years.

Climate risk types are categorized into two main types: transformational risks and physical risks, each further subdivided into policy and regulation, technology, market, reputation, as well as acute and long-term dimensions. Opportunities are categorized into resource efficiency, energy sources, products and services, markets, and organizational resilience.



4.1.3 Risk and Opportunity Assessment Matrix

NAFCO prioritized the top two short-term risks and opportunities identified in the assessment matrix for risk management. The selection results are as follows:



Transformational risks

Rising raw material costs and heightened reporting obligations for emissions.



Physical risks

Increased severity of extreme weather events such as typhoons and floods, changes in rainfall (water) patterns, and extreme shifts in climate patterns.



Opportunities

Implementing more efficient production and distribution processes, and utilizing low-carbon energy.



Short-term

No.	Issue	Risk Priority
R10	Rising raw material costs	6
O2	Implementing more efficient production and distribution processes	6
O6	Utilizing low-carbon energy	4.5
O7	Adopting incentive policies	4.5
O10	Transitioning to decentralized energy	4.5
O19	Participating in renewable energy projects and adopting energy-saving measures	4.5
O20	Energy substitution / diversification	4.5
R2	Strengthening emissions reporting obligations	3
O17	Leverage public sector incentive programs	3
R14	The severity of extreme weather events such as typhoons and floods has increased	1.5
R15	Changes in precipitation (water) patterns and extreme variations in climate patterns	1.5
R1	Enhancing the pricing of greenhouse gas emissions	1
R4	Facing litigation risk	1
O3	Recycling and reuse	1
O5	Reducing water usage and water consumption	1
O8	Adopting new technologies	1
O1	Adopting more efficient transportation methods	0.8
R3	Requirements and regulation for existing products and services	0.5
R5	Replacing existing products and services with low-carbon alternatives	0.25

Mid-term

No.	Issue	Risk Priority
R10	Rising raw material costs	7.5
O2	Implementing more efficient production and distribution processes	6
O6	Utilizing low-carbon energy	6
O7	Adopting incentive policies	6
O10	Transitioning to decentralized energy	6
O19	Participating in renewable energy projects and adopting energy-saving measures	6
O20	Energy substitution / diversification	6
R2	Strengthening emissions reporting obligations	3
O17	Leverage public sector incentive programs	3
R14	The severity of extreme weather events such as typhoons and floods has increased	1.8
R15	Changes in precipitation (water) patterns and extreme variations in climate patterns	1.8
R1	Enhancing the pricing of greenhouse gas emissions	1.2
R3	Requirements and regulation for existing products and services	1.2
O1	Adopting more efficient transportation methods	1.2
O8	Adopting new technologies	1.2
R4	Facing litigation risk	1
O3	Recycling and reuse	1
O5	Reducing water usage and water consumption	1
R7	Costs of low-carbon technology transformation	0.64

Long-term

No.	Issue	Risk Priority
R10	Rising raw material costs	8.4
O6	Utilizing low-carbon energy	7.5
O7	Adopting incentive policies	7.5
O10	Transitioning to decentralized energy	7.5
O19	Participating in renewable energy projects and adopting energy-saving measures	7.5
O20	Energy substitution / diversification	7.5
O2	Implementing more efficient production and distribution processes	6
R2	Strengthening emissions reporting obligations	3
O17	Leverage public sector incentive programs	3
R14	The severity of extreme weather events such as typhoons and floods has increased	2.7
R15	Changes in precipitation (water) patterns and extreme variations in climate patterns	2.7
R1	Enhancing the pricing of greenhouse gas emissions	2.25
R3	Requirements and regulation for existing products and services	1.8
O1	Adopting more efficient transportation methods	1.8
O8	Adopting new technologies	1.5
R4	Facing litigation risk	1
R7	Costs of low-carbon technology transformation	1
O3	Recycling and reuse	1
O5	Reducing water usage and water consumption	1

Short-term

No.	Issue	Risk Priority
R6	Failure in investment in new technologies	0.25
R7	Costs of low-carbon technology transformation	0.25
R8	Changes in customer behavior	0.25
R9	Market information is uncertain	0.25
O9	Participation in carbon trading markets	0.25
O11	Develop and/or expand low-carbon products and services	0.25
O12	Develop climate adaptation and insurance risk solutions	0.25
O13	Research and development and innovation for new products and services	0.25
O14	Diversification of business operations	0.25
O16	Entering new markets	0.25
O18	Assets and regions requiring insurance coverage	0.25
R11	Shifting consumer preferences	0.04
R12	Industry stigma	0.04
R13	Growing stakeholder concerns and negative feedback	0.04
R16	Rising average temperatures	0.04
R17	Rising sea levels	0.04
O4	Transitioning to more energy-efficient buildings	0.04
O15	Shifting consumer preferences	0.04

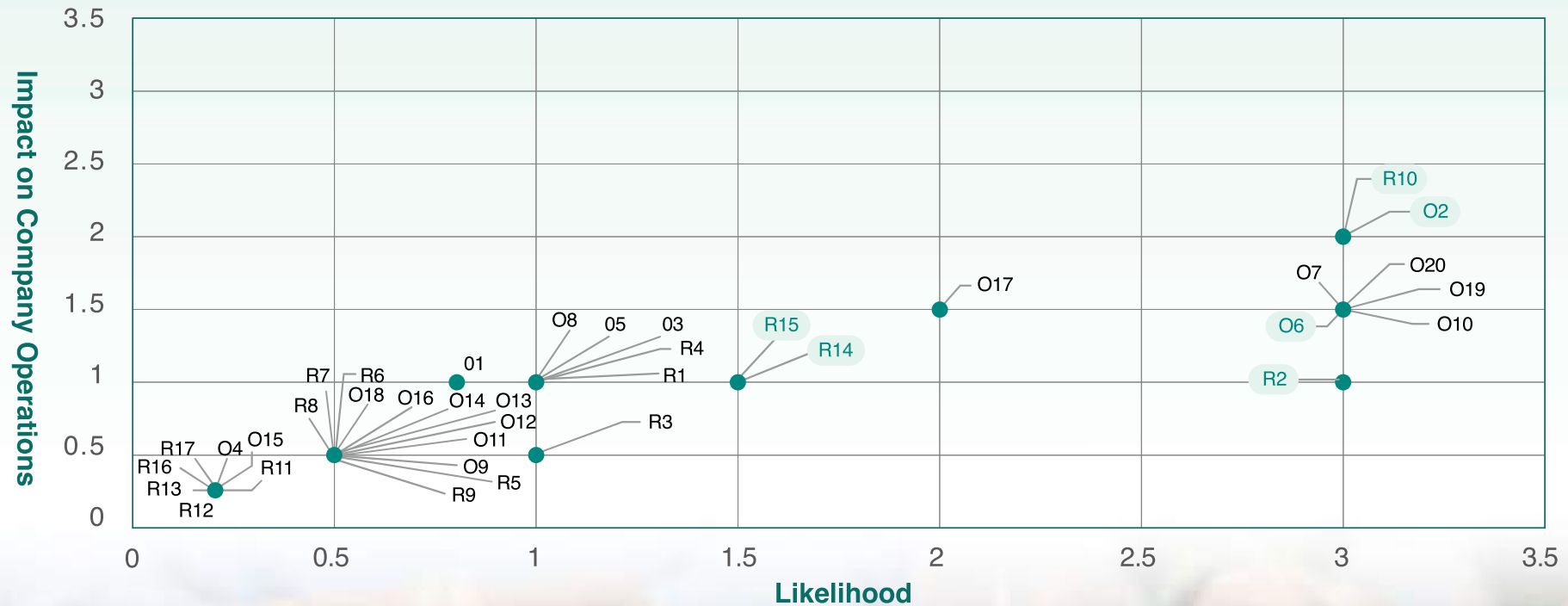
Mid-term

No.	Issue	Risk Priority
R5	Replacing existing products and services with low-carbon alternatives	0.25
R6	Failure in investment in new technologies	0.25
R8	Changes in customer behavior	0.25
R9	Market information is uncertain	0.25
O9	Participation in carbon trading markets	0.25
O11	Develop and/or expand low-carbon products and services	0.25
O12	Develop climate adaptation and insurance risk solutions	0.25
O13	Research and development and innovation for new products and services	0.25
O14	Diversification of business operations	0.25
O16	Entering new markets	0.25
O18	Assets and regions requiring insurance coverage	0.25
R11	Shifting consumer preferences	0.04
R12	Industry stigma	0.04
R13	Growing stakeholder concerns and negative feedback	0.04
R16	Rising average temperatures	0.04
R17	Rising sea levels	0.04
O4	Transitioning to more energy-efficient buildings	0.04
O15	Shifting consumer preferences	0.04

Long-term

No.	Issue	Risk Priority
R5	Replacing existing products and services with low-carbon alternatives	0.64
R6	Failure in investment in new technologies	0.64
O9	Participation in carbon trading markets	0.64
O11	Develop and/or expand low-carbon products and services	0.64
O12	Develop climate adaptation and insurance risk solutions	0.64
O13	Research and development and innovation for new products and services	0.64
O14	Diversification of business operations	0.64
O16	Entering new markets	0.64
O18	Assets and regions requiring insurance coverage	0.64
R8	Changes in customer behavior	0.25
R9	Market information is uncertain	0.25
R11	Shifting consumer preferences	0.04
R12	Industry stigma	0.04
R13	Growing stakeholder concerns and negative feedback	0.04
R16	Rising average temperatures	0.04
R17	Rising sea levels	0.04
O4	Transitioning to more energy-efficient buildings	0.04
O15	Shifting consumer preferences	0.04

Climate Risk Matrix (Short-term)



Note 1: Due to significant mid- and long-term environmental changes, the Company currently conducts assessments based solely on risks and opportunities, with related management strategies to be established at a later stage.

Aspect	TCFD Recommended Disclosure Item	Company Response Measures
 Governance	Board Oversight of Climate-Related Risks and Opportunities	The Company has established an ESG Sustainable Development Committee, with the President serving as Chairperson. The Board of Directors holds regular annual meetings, during which the President or designated executive reports on targets and progress regarding ESG issues.
	Management-level Role for Assessing and Managing Climate-related Risks & Opportunities	1 Establish a cross-departmental ESG Sustainable Development Committee responsible for identifying climate risks and assessing and responding to climate impacts within each department's scope of responsibility. 2 The highest-level executive responsible for climate-related matters is the Chairperson of the ESG Sustainability Development Committee, who is the President, leading senior executives in advancing ESG sustainability initiatives and reporting directly to the Board of Directors.
 Strategy	Identified Short-, Medium-, and Long-term Climate-related Risks and Opportunities	Short-term ▪ Transformational risks: Rising raw material costs and heightened reporting obligations for emissions. ▪ Physical risks: Increased severity of extreme weather events such as typhoons and floods, changes in rainfall (water) patterns, and extreme shifts in climate patterns. ▪ Opportunities: Implementing more efficient production and distribution processes, and utilizing low-carbon energy.
		Mid-term ▪ Transformational risks: Rising raw material costs and heightened reporting obligations for emissions. ▪ Physical risks: Increased severity of extreme weather events such as typhoons and floods, changes in rainfall (water) patterns, and extreme shifts in climate patterns. ▪ Opportunities: Implementing more efficient production and distribution processes, and utilizing low-carbon energy.
		Long-term ▪ Transformational risks: Rising raw material costs and heightened reporting obligations for emissions. ▪ Physical risks: Increased severity of extreme weather events such as typhoons and floods, changes in rainfall (water) patterns, and extreme shifts in climate patterns. ▪ Opportunities: Utilizing low-carbon energy, adopting incentive policies, transitioning to decentralized energy
	Climate-related risks and opportunities impacting business, strategy, and financial planning	Transformational Risk Rising raw material costs: In addition to continuously seeking alternative raw materials and diversifying supply chains, we closely monitor market price trends for raw materials, proactively deploying early purchases to stockpile materials needed for future demand. This strategy helps mitigate the impact of potential future price increases, ensuring multiple sources for raw materials and logistics to prevent disruptions in the supply chain caused by single-point failures. Strengthening emissions reporting obligations: In addition to promptly tracking government policy and regulatory implementation timelines to ensure compliance with policy standards, NAFCO has also established its emission reporting procedures by referencing international standards such as ISO 14064-1 and TCFD, ensuring alignment with global best practices. Annual regular updates and public disclosure of emission data meet transparency requirements and strengthen stakeholder trust. All data in the emissions report have been externally assured by third parties to ensure independence and reliability, effectively reducing the risk of data errors or misrepresentation and enhancing the credibility of the report. By synchronizing internal training and cultural development, we enhance employee awareness of carbon emissions reporting and ESG issues, ensuring effective cross-departmental collaboration to meet reporting requirements. We also encourage employees to propose innovative emission reduction strategies and process improvements, driving continuous reductions in the company's overall emissions.

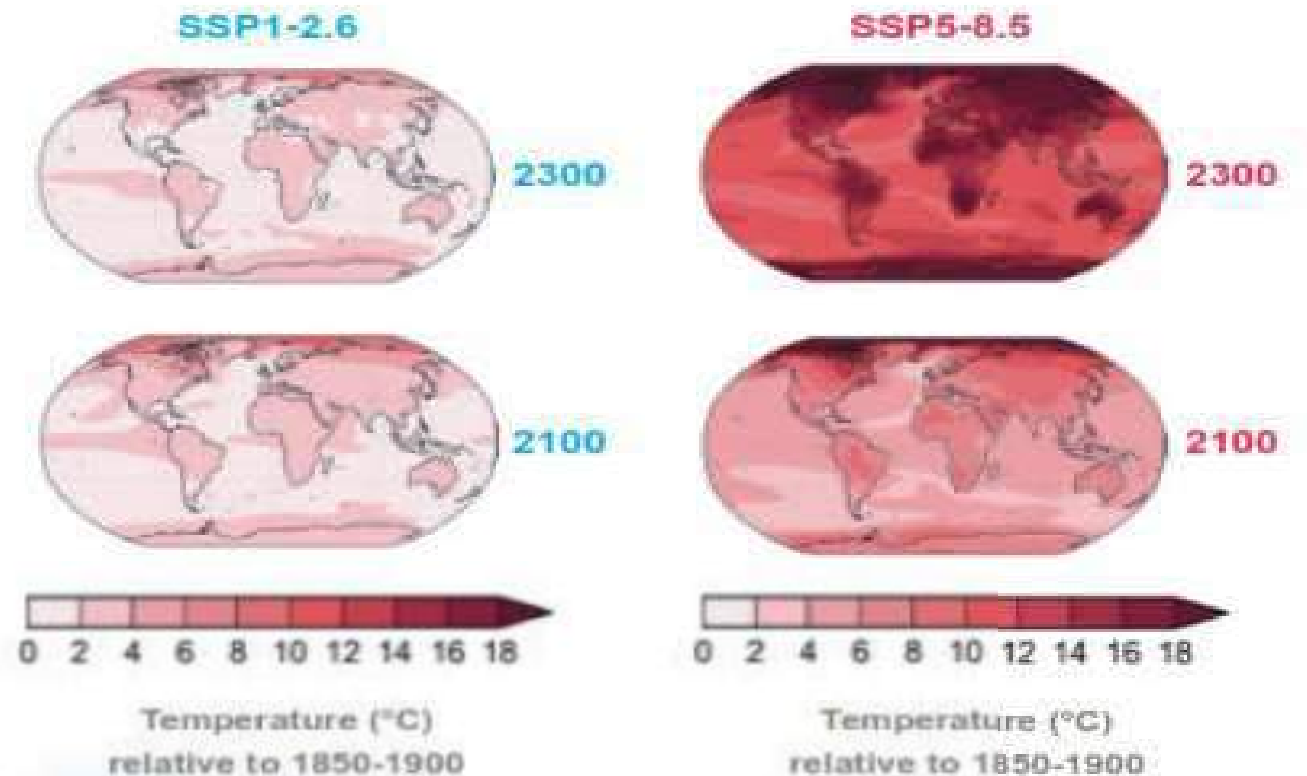
Aspect	TCFD Recommended Disclosure Item	Company Response Measures
 Strategy	Climate-related risks and opportunities impacting business, strategy, and financial planning	Physical Risk Increased severity of extreme weather events such as typhoons and floods, changes in rainfall (water) patterns, and extreme shifts in climate patterns. Enhancing the disaster resilience of infrastructure * Architectural Design and Upgrades: Enhancing the resilience of company facilities by installing flood barriers, digital flood level alert systems, and automatic pumping systems, as well as reinforcing building structures to withstand strong winds, heavy rainfall, and flooding. * Facility Siting: When selecting future facility locations, climate risks will also be incorporated into the evaluation criteria to avoid siting in flood-prone areas or regions with high typhoon risk. Develop a disaster response plan * Establish a comprehensive Emergency Response Plan encompassing strategies for employee evacuation, facility protection, and supply reserves. * Conduct regular disaster drills to ensure all employees are familiar with emergency procedures and can respond promptly. * Stay informed about the latest climate change updates and initiate disaster prevention actions in advance. Employee safety and well-being protection * Provide employees with essential disaster preparedness training and support. * Prioritize employee safety during extreme weather events.
		Opportunity Implementing more efficient production and distribution processes: Implementation of energy-saving technologies and automated production equipment * Equipment Upgrades: Invest in high-performance production equipment such as energy-efficient machinery, Class-1 energy-efficient air compressors, and intelligent control systems to enhance production efficiency, reduce energy consumption, and minimize waste generation. * Industry 4.0: By leveraging data analytics and Internet of Things (IoT) technologies, NAFCO achieves automation of production lines and optimization of processes, reducing production costs and minimizing resource waste. Adopting low-carbon energy and clean technologies * Implement renewable energy sources, such as solar power systems, at production facilities to reduce reliance on grid electricity. Enhance process design and improvement * Conduct a comprehensive process review to identify and eliminate inefficient production steps. Establishing resilient strategies to address climate risks * Develop emergency plans, such as alternative logistics routes and production contingencies for weather disruptions. Promoting a circular economy and resource reuse * Incorporating waste recycling and reuse mechanisms into the production process to reduce carbon emissions from raw materials. Utilizing low-carbon energy Develop a low-carbon energy transition plan * Medium- to Long-Term Planning: Establish medium- to long-term goals and strategies for low-carbon energy use, gradually reducing reliance on conventional energy sources, and setting clear milestones and emissions reduction targets. * Gradual Transition: In the short term, consider power purchase agreements (PPAs) and investing in self-built renewable energy facilities, such as solar photovoltaic power systems. Monitoring energy markets and price trends * Regularly analyze energy market price fluctuations, particularly the market dynamics of low-carbon energy. With technological advancements and government subsidies, the cost of low-carbon energy is expected to decline further. * Companies can enter into long-term energy purchase agreements during periods of lower energy prices, reducing the risk associated with future energy cost fluctuations. Investing in energy efficiency improvement technologies * Investing in energy management systems (EMS) and high-efficiency equipment within our facilities to maximize energy efficiency and minimize energy waste.

Aspect	TCFD Recommended Disclosure Item	Company Response Measures
 Risk Management	Strategic resilience, taking into account various climate-related scenarios	1 Referencing the International Energy Agency (IEA) 2°C scenario, we simulate and analyze the impacts of future climate change, and establish Science Based Targets initiative (SBTi) for greenhouse gas reduction and forecast future carbon reduction levels, serving as a reference for adjusting our operational strategies. 2 The severity of extreme weather events such as typhoons and floods has increased - Under climate change, typhoons and heavy rains are becoming increasingly severe, potentially exposing the company's operational sites to natural disasters, leading to operational disruptions or personnel injuries. - SSP1-2.6: By mid- and late 21st century, Taiwan's average annual total precipitation is projected to increase by approximately 12% and 16%, respectively. By mid- and late 21st century, the average annual maximum one-day rainfall intensity is projected to increase by approximately 15.7% and 15.3%, respectively. - SSP5-8.5: By mid- and late 21st century, Taiwan's average annual total precipitation is projected to increase by approximately 15% and 31%, respectively. By mid-to-late 21st century, the average annual maximum one-day rainfall intensity is projected to increase by approximately 20% and 41.3%. - SSP5-8.5: By mid- and late 21st century, the number of typhoons affecting Taiwan is projected to decrease by approximately 15% and 55%, respectively, while the proportion of intense typhoons is expected to increase by about 100% and 50%, and typhoon rainfall change rates are projected to rise by roughly 20% and 35%. 3 Average temperature rise - SSP1-2.6: The global average temperature may increase by 1.3°C to 1.4°C by mid- and late 21st century. The number of days with temperatures above 36°C is increasing across regions, with projections indicating an increase of approximately 6.8 days by mid-21st century and 6.6 days by late 21st century. - SSP5-8.5: Average global temperatures could rise by more than 1.8°C by mid- 21st century and 3.4°C by late 21st century. The number of days with temperatures above 36°C is increasing in various regions, projected to rise by approximately 8.5 days and 48.1 days by mid- and late 21st century, respectively, with urban areas experiencing more pronounced increases compared to other regions.
	In the process of identifying and assessing climate-related risks	The ESG Sustainable Development Committee referred to the "ISO 31000 Risk Management Guidelines" and gathered insights on future trends in climate-related developments from external markets, regulations, technology, and physical factors. Based on an assessment of impact severity and likelihood of occurrence, the Committee identified material climate risks and opportunities facing the company. Translate the related climate risks into financial figures, and categorize items that could cause financial impacts exceeding NT\$10 million annually as material risks and opportunities. Prioritize them based on their likelihood and severity, and establish corresponding mitigation strategies. For risks identified as higher in the assessment, NAFCO conducts additional climate scenario analysis, evaluating the current operational footprint to estimate potential financial impacts.
	In the management process for climate-related risks	Following risk identification through questionnaires by the ESG Sustainable Development Committee, the Committee discusses relevant response strategies with each business unit and oversees their implementation. The Chairperson of the ESG Sustainable Development Committee also regularly reports to the Board of Directors based on the results of risk management and evaluation.
	How are climate-related risks identified, assessed, and managed within the company's overall risk management framework?	Integrating climate change into the company's key sustainability issues and critical material risks, implementing risk management plans across all facilities and planning response measures in operations, products, and supply chain management. Leveraging the ISO 31000 risk management framework to implement the PDCA operational model, continuously improving climate change risk management in environmental aspects and integrating it with the company-wide risk management system in management practices.

Aspect	TCFD Recommended Disclosure Item	Company Response Measures		
 Metrics & Goals	Indicators used by the company to assess climate-related risks and opportunities in accordance with its strategy and risk management processes	In terms of climate change mitigation, the Company uses greenhouse gas emissions per unit of revenue as its primary quantitative performance indicator, while also establishing additional metrics such as electricity intensity, carbon emission intensity, waste intensity, and water intensity to enhance overall energy efficiency.		
	Scope 1, Scope 2, and Scope 3 Greenhouse Gas Emissions and Associated Risks	Since 2021, NAFCO has continuously conducted greenhouse gas inventories for Scope 1, 2, and 3 and obtained verification assurance statements from an external third-party certification body, AFNOR International, in accordance with ISO 14064-1:2018. The greenhouse gas emissions for 2024 (in metric tons CO₂e) are as follows: Scope 1: 419.7866 (metric tons CO₂e) Scope 2: 13,127.0277 (metric tons CO₂e) Scope 3: 3,766.6538 (metric tons CO₂e)		
	Targets used to manage climate-related risks and opportunities, and performance in implementing those targets	Throughout our energy-saving and carbon-reduction initiatives, NAFCO is committed to enhancing production efficiency and optimizing resource utilization. In addition to establishing energy-saving, waste reduction, and water conservation targets based on the Science Based Targets initiative (SBTi) framework, we have continuously expanded and upgraded our solar power generation systems each year, increasing our use of renewable electricity and comprehensively reducing our environmental impact. - Starting in 2025, ESG-related metrics will be integrated into the KPI performance evaluations for department heads and managers at NAFCO. - Starting in 2025, a dedicated project will be implemented to gradually replace aging equipment, enhancing production efficiency and reducing energy consumption. Energy Management and Optimization: Establish a smart meter monitoring platform to enhance energy usage efficiency and strengthen power management. Regularly disclose greenhouse gas inventory results to ensure transparency. Launch of Green Energy Initiative: Expand the application of green energy to reduce the environmental impact of product manufacturing processes. Review carbon reduction performance: Conduct annual assessments of energy conservation and carbon reduction achievements, strengthen energy intensity management, and enhance operational efficiency. Waste Management and Reduction: Through source reduction and proper recycling and reuse, our company minimizes environmental impact by implementing strict classification and management systems for industrial waste. Water Resource Management and Reduction: In addition to enhancing employee awareness on water conservation, NAFCO has fully replaced faucets with automatic sensor-based ones and implemented a rainwater recycling system to reduce water consumption. Carbon Emissions and Energy Management Goals - Starting from 2024 as the baseline year, the annual carbon intensity (i.e., carbon emissions per million in revenue, Scope 1 + 2) will decrease by 3% year on year. - With 2024 as the baseline year, electricity intensity (kWh per million in revenue) will decrease by 3% annually. Waste Management Goals - Starting from 2021 as the baseline year, annual operational waste intensity—defined as the weight of operational waste per million in revenue—will decrease by 3% year on year. Water Resource Management Goals - With 2021 as the baseline year, water intensity (water usage per million in revenue) decreases by 3% annually.		

4.1.4 Scenario Risk Simulation Methodology

NAFCO bases its climate-related scenario setting on the Shared Socioeconomic Pathways (SSP1-2.6 and SSP5-8.5) from the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) as the foundational database for its climate issue analysis. The figure below shows the projected global temperature increase over the next 200 years, using 1850–1900 as the baseline, under two scenarios. By simulating the physical risks the company would face in the ideal scenario (SSP1-2.6) and the worst-case scenario (SSP5-8.5), NAFCO assesses the potential operational impacts and financial implications, and develops corresponding management measures.



NAFCO Group conducts regional comprehensive scenario analysis at each of its locations.

Taiwan and Mainland China Locations (East Asia)		Regional Integrated Scenario Analysis
Clinical diagnosis	Future changes	Trends / attribution
Heating and cooling 		
Average surface temperature	Enhance confidence significantly	Unattributed upward trend
Extreme heat	Enhance confidence significantly	A statistically significant upward trend with high attribution confidence
Cold front	High confidence in decline	A statistically significant downward trend with high attribution confidence
Frost	High confidence in decline	Unattributed downward trend
Wet and dry use 		
Average precipitation	Enhance confidence significantly	—
River flooding	Medium confidence growth	—
Intense precipitation and flooding disasters	Enhance confidence significantly	Unattributed upward trend
Debris flow	Medium confidence growth	—
Drought	Medium confidence growth	—
Fire weather	Medium confidence growth	—
Wind 		
Average wind speed	Moderate confidence decline	Unattributed downward trend
Tropical cyclone	Medium confidence growth	Unattributed upward trend
Ice and snow 		
Snow, glaciers, and ice sheets	High confidence in decline	—
Lakes, rivers, and sea ice	High confidence in decline	Unattributed downward trend
Heavy snow and ice storms	Medium confidence growth	—
Coastal 		
Relative sea level	Enhance confidence significantly	Unattributed upward trend
Coastal flooding	Enhance confidence significantly	—
Coastal erosion	Enhance confidence significantly	—
Marine heatwaves	Enhance confidence significantly	Unattributed upward trend
Ocean acidification	Enhance confidence significantly	—

Malaysia Location (Southeast Asia)		Regional Integrated Scenario Analysis
Clinical diagnosis	Future changes	Trends / attribution
Heating and cooling 		
Average surface temperature	Enhance confidence significantly	Unattributed upward trend
Extreme heat	Enhance confidence significantly	A statistically significant upward trend with high attribution confidence
Cold front	High confidence in decline	A statistically significant downward trend with high attribution confidence
Wet and dry use 		
Average precipitation	Medium confidence growth	—
River flooding	Medium confidence growth	—
Intense precipitation and flooding disasters	Enhance confidence significantly	Unattributed upward trend
Debris flow	Medium confidence growth	—
Wind 		
Tropical cyclone	Medium confidence growth	Unattributed upward trend

NAFCO has conducted future projections for its location in Taiwan, referencing the TCCIP Knowledge Service/Publication "Overview of Climate Change in Counties and Cities 2024 – Taoyuan City," as shown in the figure below:

Projected outlook for 2015–2100

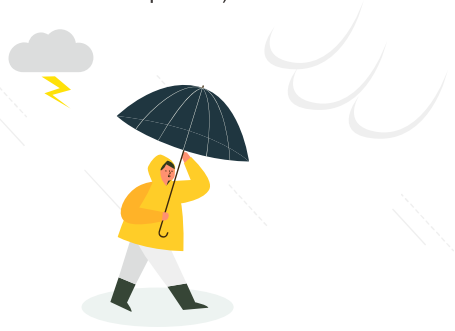
Future Projections

Change in Taoyuan City under the baseline period (1995–2014) and a 2°C global warming scenario

- Annual average temperature: 20.2°C, with an average increase of 1.2°C, likely ranging of approximately 0.6°C to 1.8°C
- Number of days with temperatures above 36°C: 3.1 days, with an average increase of 10 days, and a very likely range of approximately 3.3 to 17.8 days
- Annual rainfall: 1,926.1 millimeters, an average increase of 2.4%, with a very likely range of approximately -11.8% to 20.2%
- Seasonal rainfall: 419.5 millimeters in spring, a 1.0% decrease on average, with a very likely range of approximately -17.9% to 19.2%
 - Rainy season precipitation: 460.4 millimeters, an average increase of 2.5%, with a very likely range of approximately -27.2% to 48.7%
 - Summer: 682.6 millimeters, an average increase of 7.8%, with a very likely range of approximately -15.0% to 34.8%
 - Autumn: 210.3 millimeters, an average increase of 0.9%, with a very likely range of approximately -41.5% to 61.7%
 - Winter: 151.8 millimeters, average decrease of 5.1%, very likely range of approximately -35.2% to 25.5%
- Maximum daily rainfall in a year: 187.6 millimeters, an average increase of 11.6%, with a very likely range of approximately -6.5% to 31.9%
- Longest consecutive dry days in a year: 28.9 days, an average increase of 1.6 days, with a very likely range of approximately -2.6 to 6.2 days

Operational Locations - Disaster Hazard Potential and Risk Level

Assessed two types of hazards at NAFCO's primary operational sites in Taiwan: flooding (due to heavy rain and typhoons) and soil liquefaction (due to earthquakes).



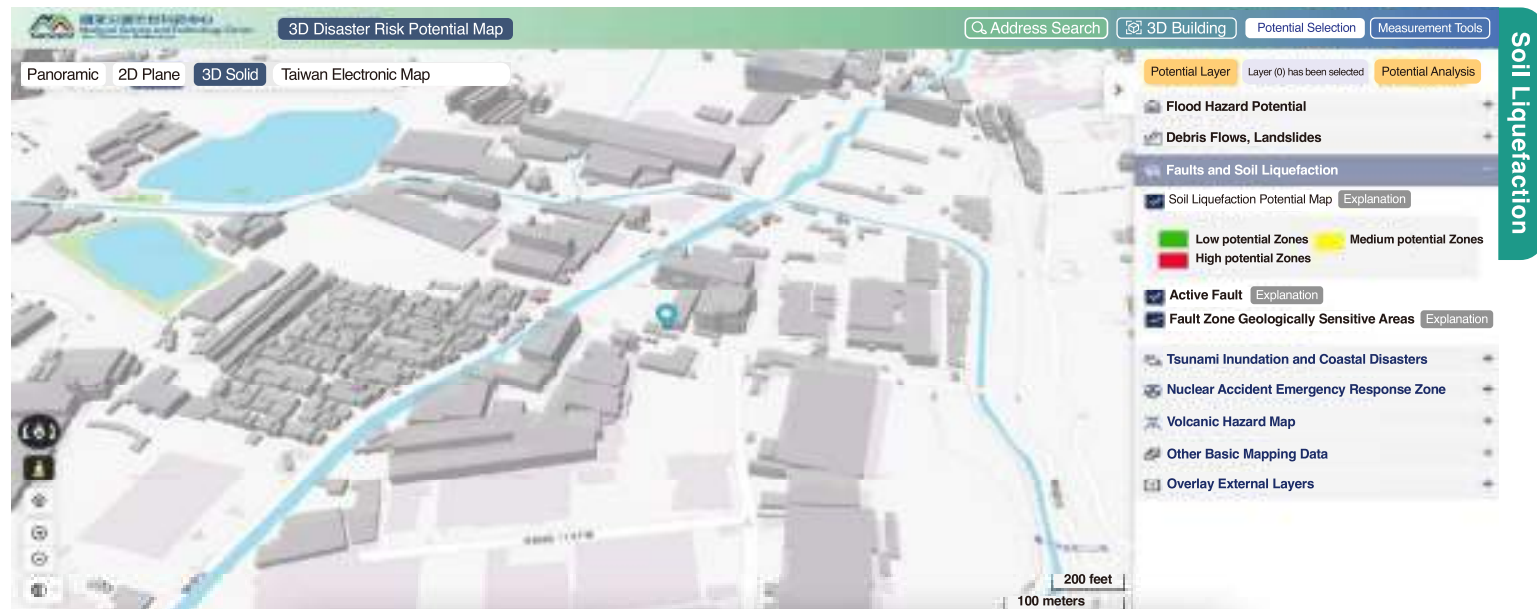
NAFCO

No. 1, 5, Taiping East Road, and
No. 38, Lane 99, Taiping West Road,
Pingzhen District, Taoyuan City

Although the factory is not directly located within the 6-hour rainfall 350 mm flood-prone area, such zones exist within 500 meters of its vicinity. This indicates that under extreme climate conditions (SSP5-8.5), the facility may face flood risks, potentially impacting delivery schedules, employee commutes, and overall operational performance.



Flood Hazard Potential



Soil Liquefaction

Disaster Risk Potential	Yes / No	Explanation
Flood Hazard Potential		
Potential area of 350-millimeter rainfall in 6 hours	Yes	Located outside the potential area of 350-millimeter rainfall in 6 hours, but within 500 meters of the adjacent area
Potential area of 400-millimeter rainfall in 12 hours	Yes	Located outside the potential area of 400-millimeter rainfall in 12 hours, but within 500 meters of the adjacent area
Potential area of 500-millimeter rainfall in 24 hours	Yes	Located outside the potential area of 500-millimeter rainfall in 24 hours, but within 500 meters of the adjacent area
Potential area of 650-millimeter rainfall in 24 hours	Yes	Located outside the potential area of 650-millimeter rainfall in 24 hours, but within 500 meters of the adjacent area
Sediment Flow Potential Stream	No	
Areas with High Potential for Large-Scale Landslides	No	No potential zones within a 500-meter radius
Slope Facing the Direction of Movement	No	No potential zones within a 500-meter radius
Rock Mass Sliding	No	No potential zones within a 500-meter radius
Rockfall and Landslide	No	No potential zones within a 500-meter radius
Rockfall	No	No potential zones within a 500-meter radius
Soil Liquefaction Potential Zones	No	
Active Fault	No	Fault-Sensitive Zone No potential zones within a 500-meter radius
Tsunami Inundation Potential Zone	No	
Volcanic Potential	No	Located within a Volcanic Potential Zone

Based on the disaster potential vulnerability assessment of our operational sites, no significant impact or risk from flooding or soil liquefaction is anticipated for our Taiwan locations in the short term; therefore, these factors are not currently included in our considerations. However, climate-related impacts within the supply chain could lead to supply disruptions or customer concerns, and given their close alignment with our core operational strategy, we have incorporated them into our comprehensive risk assessment and mitigation efforts.



References:

- Task Force on Climate-related Financial Disclosures (TCFD)
Source: <https://www.fsb-tcfd.org/>
- Highlights from the IPCC Sixth Assessment Report on Climate Change Science and the Updated Analysis of Climate Change in Taiwan
Source: https://tccip.ncdr.nat.gov.tw/km_abstract_one.aspx?kid=20210810134743
- Taiwan 3D Disaster Hazard Map
Source: <https://dmap.ncdr.nat.gov.tw/>
- TCCIP Knowledge Services / Publications
2024 County and City Climate Change Overview Taoyuan City
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