4.2 Climate and Natural Risk Management

Mega Group signed the Task Force on Climate-related Financial Disclosures (TCFD) initiative in April 2020. In accordance with the TCFD framework's four core elements and 11 disclosure items, Mega Securities has articulated its governance, strategies, risk management mechanisms, and metrics and targets adopted in response to climate change issues.

Regarding natural environment issues, we referred to the Taskforce on Nature-related Financial Disclosures (TNFD) framework to analyze the interaction between operating activities and the natural environment. Economic activities were categorized according to the four realms defined by the TNFD—land, ocean, freshwater, and atmosphere—to explore nature-related risks and opportunities arising from dependencies and impacts.

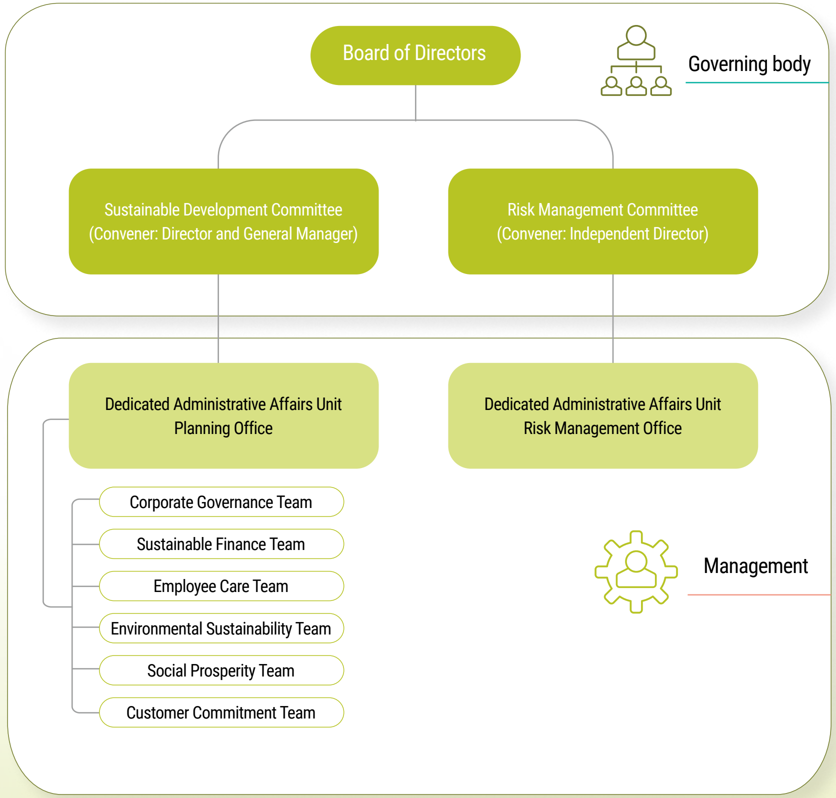
For more details, please refer to the Mega Securities 2025 Climate and Nature Report.

4.2.1 Climate and Nature Governance Framework

Climate and Nature Governance Operational Mechanism

Mega Securities' Board of Directors is the highest governing body for climate change-related issues, and is responsible for supervising and reviewing the Company's climate-related risk policies and management systems. The Risk Management Committee and Sustainability Committee under the Board of Directors are responsible for identifying and managing climate change risks and opportunities.

Furthermore, to align with IFRS S1 and S2, Mega Securities has appointed a consultant to implement an adoption plan in 2025 and will report the implementation status to the Board of Directors starting from 2026.



Sustainable Development Committee

The Mega Securities Sustainable Development Committee is composed of directors, the general manager, and heads of various departments. The Committee is chaired by the director and general manager, who is responsible for reviewing the sustainable finance policy and other regulations, deliberating environmental sustainability plans such as annual energy use and GHG reduction targets, and overseeing their implementation. Additionally, the Committee promotes education and training for the identification and management of climate change and nature-related risks and opportunities. The Committee meets at least once per quarter and reports its meeting minutes and implementation status to the Board of Directors. The Planning Office serves as the dedicated administrative department for the committee's affairs.

Under the Committee, the Environmental Sustainability Team is responsible for the Company's environmental protection, green operations, and supply chain management. The Sustainable Finance Team is responsible for the Company's green and transition finance, responsible investment, climate and natural risk management. The Corporate Governance Team is responsible for the risk management matters.

Please refer to 3.1.1 Corporate Governance Structure for further details regarding the composition, functions, and meeting frequency of the committee.

Risk Management Committee

The Mega Securities Risk Management Committee is composed of independent directors, the general manager, the chief risk officer, the chief information security officer, and heads of various departments, with an independent director serving as the chairperson. The committee oversees the implementation of risk management operations and reports on progress, key follow-up items related to climate and nature-related risk management, and the implementation status of SBTs. These matters are subsequently reported to the Mega Securities Board of Directors and Mega Holdings' Risk Management Committee.

Please refer to 3.1.1 Corporate Governance Structure for further details regarding the composition, functions, and meeting frequency of the committee.

Role of Management

For the climate-related issues at Mega Securities, the Sustainability Committee and the Risk Management Committee, under the Board of Directors, implement the supervision and management of climate change risks and opportunities. The execution units are the Environmental Sustainability Team and Sustainable Finance Team, the Environmental Sustainability Team, and the Risk Management Office, respectively. The supervising officers are the chairperson of the Sustainable Development Committee (who concurrently serves as director and general manager) and the chief risk officer.

The main duties of the director and general manager are to supervise the promotion of ESG-related policies, supervise and manage the implementation of various sustainability management plans and goals. The General Manager also reports to the Board of Directors on a quarterly basis, prevents the occurrence of material sustainability risk events, and manages contingency plans in case of emergency.

The chief risk officer takes charge of the planning of risk management and formulates related policies and regulations, assists and supervises the promotion of risk management-related affairs and manages risk limits, while reporting to the Risk Management Committee or the Board of Directors at least quarterly.

Climate Performance Linkage System

In accordance with the "Sustainable Development Best Practice Principles" (the scope of the Principles is applicable to the overall operating activities of Mega Holdings and its subsidiaries) established by the parent company, Mega Securities, the salary and remuneration policies, and the employee performance evaluation system are closely related to sustainable development. The participation in education and training (including ESG), anti-money laundering and counter terrorism financing operations, legal compliance execution level, and risk management are included in the annual employee appraisal for additional or deducted points, up to 10 points.

Mega Holdings has established the "Implementation Rules for the Annual Evaluation of Subsidiaries" (applicable to Mega Securities) and the "Procedures for the Risk Management Evaluation of Subsidiaries", which include ESG business and management performance indicators for the subsidiaries of Mega Holdings (including Mega Securities) as an important basis for adjustment of bonuses and remuneration to the chairman and general manager.

In 2025, the performance assessment items directly related to ESG include ESG business performance (growth rate of sustainable development bond investment and underwriting amount) at 2%, ESG management performance (including compliance with social and environmental regulations, cybersecurity incidents and customer personal data breach, and achievement of GHG scope 1 to 3 and general waste reduction targets), and comprehensive assessment of risk management (including active participation in and implementation of emerging risk (including climate risk) management) at 5%.

Department heads and branch managers have ESG management performance weighted at 5% to 10% based on the nature of their respective operations. Assessment items related to climate issues include the proper administration of the Sustainable Development Committee and other committee affairs, the implementation of responsible investment and active engagement, the execution of IFRS S1 and S2-related matters, the effective management of emerging risks, climate risks, and biodiversity risk management, and the implementation of sustainability-related software and hardware system projects.

We will continue to promote the linkage between senior executive performance and sustainability performance, with rolling adjustments to ESG multi-faceted performance appraisal indicators.

4.2.2 Climate and Nature Strategy

In line with the government's policies on a nuclear-free homeland, energy transformation, and environmental emissions reduction, Mega Group has set short-term goals to assist green industry players in obtaining the capital required for their operations, while developing digital financial products and services to reduce carbon emissions in the value chain.

The mid- to long-term goal is to leverage the collective strength of all subsidiaries to promote environmentally friendly regulatory measures, guiding enterprises, investors, and consumers to prioritize ESG to mitigate the risks associated with investment and financing in climate-sensitive industries.

Furthermore, the "Mega Group Coal and Non-conventional Oil and Gas Business Control Guidelines" have been established, introducing a group phase-out plan to achieve the goal of a complete withdrawal from coal and non-conventional oil and gas investment and financing by 2040 at the latest.

To further align with national policies, Mega Securities refers to the IFRS S2 framework, the Climate Change Response Act, and other relevant internal and external requirements to identify risks and opportunities that may affect its prospects. Each year, the Company assesses its climate resilience and the impact on its value chain (own operations, customers, and suppliers) under various global GHG emission control scenarios, incorporating the findings into its strategic considerations.

For details on the identification process and scenario analysis, please refer to Mega Securities 2025 Climate and Nature Report.

Physical risk

- Strategy

» Mega Securities has formulated the Operating Rules for Corporate Crisis Response Measures, the Operation Continuity Plan, and the Business Continuity Plan to mitigate the risk of business interruption.

» The head office and branches have taken out commercial fire insurance, interior renovation insurance, electronic equipment insurance, and public liability insurance. Furthermore, riders covering typhoons, floods, and earthquakes were added to the fire and electronic equipment insurance for relevant operating assets to strengthen disaster protection, ensuring that losses are effectively reduced and operational stability is maintained in the event of natural disasters or sudden accidents.

» Consider the impact of extreme climate on new or merged business locations to mitigate possible losses suffered by the Company due to extreme climate.

» Regularly conduct self-defense fire brigade disaster prevention education and training and all-staff disaster prevention and evacuation drills to ensure that colleagues are familiar with emergency response procedures, thereby strengthening the organization's safety protection and business continuity capabilities in disaster scenarios.

» Every year, the Company conducts physical risk scenario analysis on its business locations, evaluates the financial impact on the Company, and develops mitigation and adaptation countermeasures.

Transformation risks

- Strategy

» Mega Group signed the Science Based Targets initiative (SBTi) commitment in April 2023 and set carbon reduction pathways, committing to achieve a 39.56% proportion of assets with SBTs set by 2028. The Group passed the SBTi official review on June 5, 2024. In line with the Group's goals, Mega Securities has set a target of 40.78% for the proportion of assets with SBTs set by 2028.

» To achieve the Group's SBTs, the investment department of Mega Securities sends an ESG engagement questionnaire to investees at least once a year for engagement purposes, encouraging them to sign the SBTi. Environmental engagement issues include climate change response, efficient resource utilization, and biodiversity and environmental impact.

» Mega Securities has established a high-carbon emission industry limit ratio, which is being reduced by 1% annually in alignment with the national 2050 net-zero policy. The climate risk management target for 2026 is 25%.

» In line with the Mega Group's decarbonization strategy, Mega Securities will withdraw from proprietary trading, underwriting, and wealth management businesses in the coal and non-traditional oil and gas industries no later than 2040.

4.2.3 Climate and Natural Risk Management

Risk Management Structure

Mega Securities has established a "Risk Management Policy", which stipulates that the Board of Directors bears ultimate responsibility for the risk management of the Company's financial losses or impairment of shareholders' equity value, and authorizes the Risk Management Committee to supervise and report on daily risk management matters.

The Company also manages various major sources of risk and establishes individual management mechanisms accordingly. The scope of risk covers market, foreign exchange, credit, liquidity, operational, information security, and climate and natural risks. Relevant responsible units are tasked with establishing various risk management procedures, monitoring indicators, and targets to strengthen the ESG risk management mechanism of Mega Securities.

Mega Securities has established a "sustainable finance policy", which specifies that climate change, biodiversity, and other ESG-related risk factors should be progressively incorporated into the risk management framework. The policy aims to identify risks that may affect the enterprise's sustainable development; establish quantitative indicators and targets to measure and monitor risk levels; manage overall risks based on the risk appetite; and provide references for operational and management decisions in accordance with established risk management processes.

Furthermore, the "Administrative Regulations for Promoting the Development of Sustainable Finance" have been established to create responsible investment compliance principles. Pre- and post-investment management mechanisms were formulated for industries with high environmental impact and high carbon emissions, and limits were set to strengthen the management of ESG and climate-related risks.

The "Business Continuity Plan Operating Procedures" have been formulated to minimize damage to the Company from extreme weather, protect the safety of employees and Company assets, and ensure that critical business operations can be restored and continued as soon as possible.

For more details, please refer to the Mega Securities 2025 Climate and Nature Report.

Three-line defense mechanism

Mega Securities has established risk management goals, monitoring indicators, risk limits, and execution procedures. Each business department reviews the correlation between business operations and climate and nature-related risks, reports implementation status to the Board of Directors on a regular basis, and has established three lines of defense for risk management internal control.

The first line of defense: **Management of each business department**	Each business department—when conducting business—shall assess the risks arising from daily operations (including climate and nature-related risks) and is responsible for identifying, assessing, and managing such risks, as well as designing and implementing effective internal control procedures.
The second line of defense: **Risk management and compliance**	The Legal and Compliance Department is responsible for managing the Company's compliance with climate and nature-related laws and regulations. The Risk Management Department is responsible for climate and nature-related risk monitoring, regularly reviewing overall risks, conducting scenario analysis and stress testing, implementing measures for abnormal situations, and reporting to the Board of Directors.
The third line of defense: **Internal audit**	The Audit Office is responsible for auditing and evaluating the effectiveness of risk management and internal control systems. The Audit Office also regularly prepares follow-up reports on any deficiency or abnormalities discovered during inspections to ensure that relevant departments have taken appropriate improvement measures in a timely manner.

Risk Management Process

STEP 1

Risk identification

Monitor global climate and nature-related issues, analyze the impact of the Company's investment portfolio on climate change and the natural environment, and identify potential climate and nature-related risks.

STEP 2

Risk assessment

Determine the latest trends in climate and nature, their scope of impact, and their likelihood of occurrence to assess the potential impact on the Company.

STEP 3

Risk response

After assessing the impacts of climate and nature-related risks, response measures such as control, offsetting, and avoidance are adopted.

STEP 4

Risk report

Regularly report climate and nature-related risks and countermeasures to the Risk Management Committee and the Board of Directors.

Internal carbon pricing

Mega Group has adopted a shadow price to pilot the introduction of internal carbon pricing (ICP) with the aim of achieving carbon reduction and electricity saving targets. This implementation references the NGFS net zero scenario, which projects a carbon valuation of approximately USD 115.42 per metric ton for 2030 (equivalent to approximately NT$3,628.8 based on the Group's exchange rate at the end of 2026).

Mega Securities and its subsidiaries established a baseline of 3,645.97 tCO_2e for GHG emissions (Scope 1 + Scope 2) at the end of 2022. By the end of 2025, emissions had reached1,952.29 tCO_2e, representing a reduction of approximately 1,693.68 tCO_2e. Based on internal carbon pricing, this reduction resulted in estimated savings of NT$6,146 thousand.

In line with the Group's carbon reduction targets, Mega Securities and its subsidiaries held an electricity-saving competition for all operating sites in the second half of 2025. Electricity consumption in the second half of 2025 decreased by 34,802.83 kWh compared to the same period in 2024, reducing carbon emissions by 35.55 tCO_2e and saving approximately NT$130,000 based on internal carbon pricing. In the future, the Company will further expand the scope of implementation of internal carbon pricing to guide the low-carbon transformation of the business and will continuously review internal carbon pricing in line with global carbon price trends to accurately reflect external carbon costs.

4.2.4 Climate and Nature Indicators and Targets

To monitor and manage group physical risks, Mega Group has set GHG emission targets and sustainable finance targets.

We regularly disclose Scopes 1, 2, and 3 GHG emissions on an annual basis. Since 2022, we have completed the inventory of 100% of the Group's operating sites (please refer to 6.2.1 Energy and GHG Management for details).

Mega Securities actively engages and collaborates with investees to reduce carbon emissions in pursuit of the global net zero emission target. In 2021, the Group voluntarily aligned with the spirit of the Partnership for Carbon Accounting Financials (PCAF) and has calculated the total carbon emissions of its major investment and financing portfolio based on the methodology developed by the PCAF.

Based on the results of its carbon emission and climate and natural risk analyses, Mega Securities will continue to manage the high-carbon emission portfolio within its investments in 2025. Furthermore, the Company will maintain ESG engagements with clients, encouraging them to pursue low-carbon transitions and prioritize ecological conservation.

(For details, please refer to 4.1.1 Sustainable Finance Management)

In addition, three branches of Mega Securities are located near ecologically sensitive areas (Huajiang Wild Duck Nature Park). In 2025, conservation education activities were organized in the area to deepen employees' environmental protection awareness.

Visiting Huajiang Wetland

Three branches of Mega Securities are located near an ecologically sensitive area (Huajiang Wild Duck Nature Park). To enhance employees' understanding of ecological conservation, Mega Securities co-organized a wetland conservation education activity with the Huajiang Wetland Guardian Alliance on September 13, 2025. Through on-site visits to the Huajiang Wetland Park and ecological interpretation courses, the Company aimed to deepen environmental protection awareness among its employees.