



HTC 2022 Task Force on Climate-related Financial

2022

htc 2022 TCFD Report

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HTC ESG website

HTC continues to update the content of the ESG website to provide stakeholders with the most real-time ESG information, please click the link to enter the HTC ESG website :

<https://www.esg.htc.com>



Preface

According to the Global Risks Report released annually by the World Economic Forum (hereinafter referred to as WEF) since 2005, the global risk trend has changed from economic risks to environmental risks. Among them, extreme weather and failure of climate action have been identified as medium- and long-term focus; and since the Paris Agreement (Paris Agreement) set the global temperature rise to be controlled at 1.5°C, governments of various countries have successively announced net zero goals and actively formulated regulations to strengthen the strength of climate change response. How to cope with the impact of climate change has become a topic that the world needs to face together. HTC is aware of the impact of climate change on corporate operations, and will introduce the risk management method recommended by TCFD in 2022 to assess and manage climate change-related risks and opportunities, strengthen the company's climate change governance system and mitigate the threats brought by climate change. To achieve the purpose of sustainable operation of the company.

When assessing the impact of climate-related risks and opportunities on corporate operations, HTC leverages our expertise in mobile technology and our unrelenting efforts in product innovation to weave elements of climate change into our VIVE Reality vision and continue to serve the corporate world and society to provide a complete solution. Create richer life experiences by integrating advanced augmentation mobility technology expertise. HTC provides high-quality hardware, software, platforms and services to customers in various fields, including education, art, entertainment and healthcare, with innovative technological strengths that break through spatial distance. In particular, private and business travel continues to be restricted due to the epidemic and has become the norm in life. Many industries and organizations have begun to introduce various virtual reality applications that are not limited by space and distance, making business processes smoother and increasing consumers' resilience in the face of climate change. . HTC exerts its corporate influence and actively acts as a leader in net zero emissions. With reference to the SBTi scientific reduction path, it sets the target and path of corporate net zero emissions, and cooperates with the establishment of a carbon management platform to examine possible environmental impacts during the operation process. Integrate sustainability-related information so that HTC can gain insight into opportunities when facing sustainability-related decisions.

HTC refers to the framework of the "Task Force on Climate-Related Financial Disclosures (TCFD)" guidelines issued by the International Financial Stability Board (FSB), analyzes the transition and physical risks and opportunities that may be faced in the future, and actively In response to relevant impacts, four core elements are disclosed according to the framework of its TCFD: "Governance", "Strategy", "Risk Management", "Indicators and Objectives", establish a risk framework, and identify major risks and opportunities that may be caused to operations. And put forward its relevant coping strategies, and prepare this TCFD report based on this, to achieve the purpose of communicating with stakeholders.

The scope disclosed in this report includes HTC Taoyuan headquarters, Taoyuan factory, Taipei office building and various operating bases, such as the United States, Canada, the United Kingdom, Germany, France, India, Australia, China, Japan, Hong Kong, and the United Arab Emirates. However, for the physical risk consideration, the inventory is mainly stored in the factory, so it is limited to the operating base in Taiwan.

HTC plans to publish the TCFD report regularly every year, and the period of assessment information used in this report is from January 1, 2021 to December 31, 2022. This report has passed the external assessment of SGS-Taiwan and obtained the assessment statement of "TCFD Performance Assessment".

Governance

Climate Change Governance Framework

HTC's climate change governance and management structure is the final decision-making and review work of the board of directors. It has an ESG committee responsible for the implementation of issues and resolutions related to climate change management, and the ESG office is responsible for the identification and assessment of climate change risks and opportunities. . At the beginning of 2022, HTC renamed the original CSR committee to the ESG committee. Chairwoman Cher Wang serves as the chairman of the committee, and senior vice president Madeline Chen appointed as the Chief Sustainability Officer. The ESG Office was established as a full-time operating unit responsible for planning and guiding the company's "Sustainable Development (ESG)" related implementation operations, and also regularly reported the trend, impact and implementation performance of related issues to the ESG Committee. Responsibilities related to climate change are described as follows:

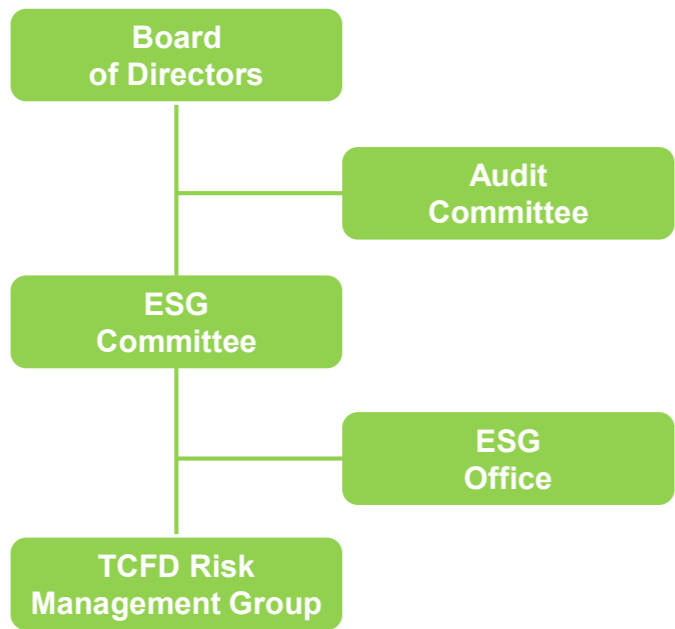
- Board of Directors :
 - (1) The board of directors is the highest decision-making unit of HTC's climate change risk management, responsible for reviewing HTC's overall climate change management policies and major resolutions, and supervising the effective operation of the climate change management mechanism ;
 - (2) Make final decisions on HTC's annual budget, business plans, and major capital expenditures related to climate change-related risks and opportunities.
- Audit Committee :
 - (1) Audit the risks and opportunities related to HTC's climate change, and include them in the annual budget, business plan, and major capital expenditure proposals °
- ESG Committee :
 - (1) Report the assessment results and work progress of climate risks and opportunities to the board of directors every year ;
 - (2) Responsible for the implementation of climate change management policies and major resolutions reviewed by the board of directors, and set up a ESG office as a full-time executive unit under it.

- ESG Office :
 - (1) Regularly track information related to the development trend of international climate change, and enhance the company's colleagues' awareness of global risk trends and climate change ;
 - (2) Responsible for identifying and assessing the risks and opportunities of climate change, and regularly coordinating climate change discussion meetings, convening the risk management team to identify the physical risks, transition risks and opportunities of climate change, and proposing corresponding improvement measures and regularly tracking the implementation status and goals, and continue to strengthen climate risk and opportunity management.
- TCFD Risk Management Group :
 - (1) Composed of designated members of the ESG Committee, responsible for identifying and assessing the risks and opportunities of climate change, identifying the physical risks, transition risks and opportunities of climate change, and proposing corresponding improvement countermeasures and regularly reporting the implementation status and goals °

Management Responsibilities

The ESG Committee led by the Chief Sustainability Officer is responsible for implementing climate change management policies and major resolutions reviewed by the board of directors, integrating resources and progress of climate action across departments, and comprehensively assessing climate change risks and other company risks. Various working groups have been launched under the committee to respond to various ESG issues, connect the sustainable development issues of various departments, and continue to promote corporate social responsibility. It is expected to take into account economic, environmental, and social aspects to implement sustainable corporate operations. With a clear organization and division of labor, relevant departments are involved in management actions through cross-departmental meetings, thereby driving the overall sustainable development and innovation of HTC, and ensuring that relevant policies and measures are incorporated into the company's daily operations. The TCFD risk management team is established by designated members of the ESG Committee to participate in the project. The Committee has a ESG Office, which is responsible for continuously tracking and reviewing the progress of various climate change-related programs. Regularly adjust the climate risk assessment and analysis results in the same industry, and report the above actions to the board of directors through the Chief Sustainability Officer.

Climate Change Risk Management Organizational Chart



Risk Management

Risk Management Process

In order to strengthen corporate governance, promote stable operation and sustainable development, HTC has formulated relevant "risk management policies" as the criteria for risk management according to various types of risks, and has set up a full-time unit to be responsible for the company's related risk management and risk measurement execution operations. To establish a sound risk management mechanism. The ESG Office is responsible for the company's climate change and ESG-related risk management and coordinating the TCFD risk management team to carry out risk measurement and execution operations. The risk management organizational structure takes the board of directors as the highest decision-making unit for risk management, and has an ESG committee under it, which is responsible for reviewing risk management policies and reviewing Management report on major risk issues. When identifying risks, HTC conducts qualitative or quantitative management of various risks by analyzing its operating environment and covering various businesses and operating activities.

After identifying the risks it may face, HTC will formulate appropriate measurement methods according to different risk types as the basis for risk management. Risk measurement refers to the use of various information to determine the possibility of occurrence or non-occurrence of risk events, and to study and judge the impact of the results on HTC. When conducting risk analysis, consider whether the current internal control can prevent risk events. Determine the risk level based on the risk analysis results, and provide the necessary information as the basis for risk assessment and risk response. After assessing and summarizing the risks, all responsible units formulate appropriate response measures to the risks they face and control the risks to an acceptable level. Each responsible unit monitors the risks of its business and proposes countermeasures, and provides the risk assessment form to the risk management team of the ESG committee, and the risk management team submits it to the ESG committee after compilation. The ESG committee measures and monitors the quality of overall risk management, and regularly submits risk assessment results and work progress to the board of directors. HTC formulated the "Climate Change Management Policy" and "Climate Change Risk Management Procedures", and in 2022, according to the risk assessment mechanism recommended by TCFD, started the process of identifying climate change risk opportunities, completed the risk opportunity identification, and evaluated its financial

impact, and then Establish response measures and key indicator targets. HTC defines the short, medium, and long-term time intervals of climate-related risks and opportunities, setting "2022-2025" as the short-term, "2026-2030" as the medium-term, and "2031-2050" as the long-term and based on this Carry out climate risk and opportunity assessment, in principle, re-identify and assess climate risk opportunities every two years. The types of climate risks include transition risks and physical risks, which are further divided into policies and regulations, technology, market, reputation, and immediate and long-term. Opportunities are grouped into categories such as resource efficiency, energy sources, products and services, markets, and organizational resilience. Participating units identified the company's operational transition and physical risks (9 items in total) and potential opportunities (8 items in total) that may be caused by climate change factors through workshops, and assessed Risks and Opportunity probability and impact degree, draw risk and opportunity matrix, and formulate relevant response measures for the top three risks and opportunities with high probability of occurrence and high impact.

Evaluation Criteria

Assessment of the likelihood of risk occurrence is oriented towards	Chance likelihood assessments are geared toward
Risk past experience	Chance past experience
Risk future occurrence time	Opportunity future time point
The risk may occur in the future	Opportunity future possibility
Risk impact assessment is aimed at	Opportunity impact assessment is oriented towards
Operational impact	Reputation impact
Reputation impact	Financial Impact Scale
Personnel impact	Chance likelihood assessments are geared toward
Advance warning	Chance past experience
Financial Impact Scale	

Climate Change Risk and Opportunity Identification Process

No.	Process	Description
1	TCFD workshop	TCFD risk management team lists business-related climate change risks and opportunity factors by means of scenario simulation analysis and other methods and with reference to internal and external information
2	Collect identification results	The ESG Office is responsible for compiling the climate change risk and opportunity factors related to the business of each unit
3	TCFD Risk/Opportunity Matrix	Calculate the possibility and impact degree of TCFD risk/opportunity, and draw the TCFD risk/ opportunity matrix
4	Develop countermeasures	Authorities and responsible units write major climate risk and opportunity response strategies, and calculate the cost of strategy implementation
5	Calculating Financial Impact	Calculate the financial impact of risks/opportunities and response costs by the responsible units
6	Develop indicators and goals	The corresponding indicators and targets are recommended by the responsible units to evaluate the implementation of relevant response measures
7	Policy Implementation	The ESG office regularly (quarterly) tracks the implementation status, and the ESG committee regularly reports to the board of directors as a reference for performance tracking

Situational Analysis

HTC follows the TCFD guidelines and uses climate scenario analysis to effectively identify and assess the potential impact of climate-related risks on business performance, and formulate robust coping strategies based on the analysis results to strengthen HTC's resilience to climate change.

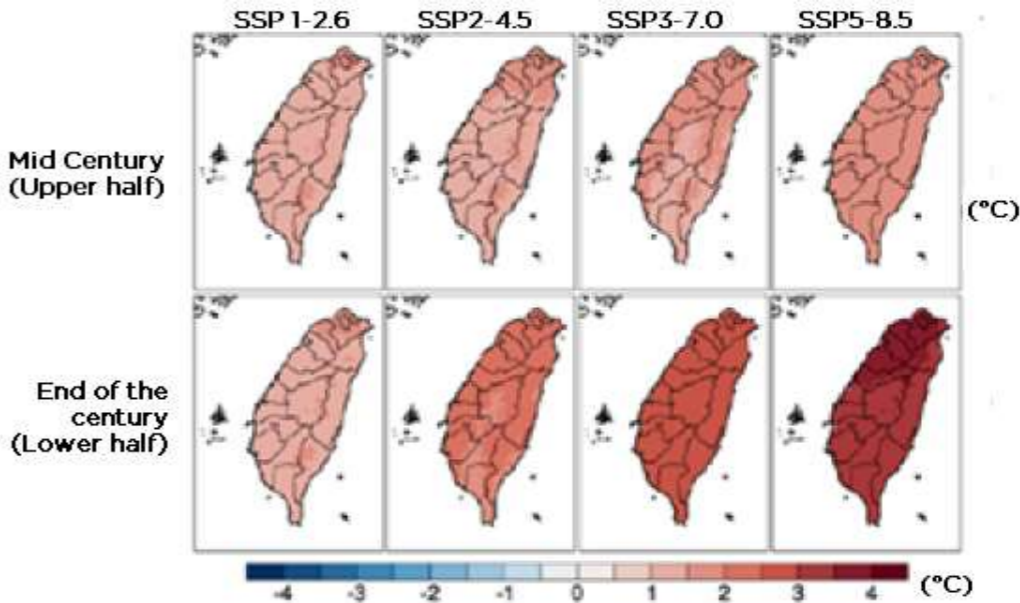
Types of climate-related risks and opportunities	Scenarios for HTC to evaluate coping strategies	Contextual content	Financial impact
Transition Risk Opportunity	SBTi 1.5°C : Science-Based Target and Net-Zero Pathway	When the global warming is controlled within 1.5°C, the risks arising from the low-carbon transformation faced by enterprises	HTC's low-carbon design assesses 20%-50% increase in consolidated operating income, and 11% increase in operating costs of consolidated operating income
	NDC : Nationally Determined Expected Contribution of Taiwan	HTC sets a net-zero path that meets the requirements of SBT, sets reduction targets, and refers to the carbon price of NDC and IEA to calculate the financial impact of carbon tax on enterprises	
Physical Risk	IPCC Global Warming Scenarios in 6th Scientific Assessment Report RCP 8.5 (or SSP5 8.5)	Under the scenario of extremely high greenhouse gas emissions (SSP5-8.5), climate change will lead to intensified changes in future average temperature, extreme high temperature, annual total rainfall, annual maximum 1-day rainstorm intensity, annual maximum number of consecutive days without rainfall, and the proportion of strong typhoons. Possible operational impact on HTC and its value chain	In extreme cases, it may result in an operating loss of 0.3% of consolidated operating income, an inventory loss of less than 3%, and an increase of operating expenses of less than 0.1%.

* Under different scenarios, HTC uses climate risks and opportunities that may have financial impacts on corporate operations. For details, please refer to 3.3 Financial Quantification - Risk

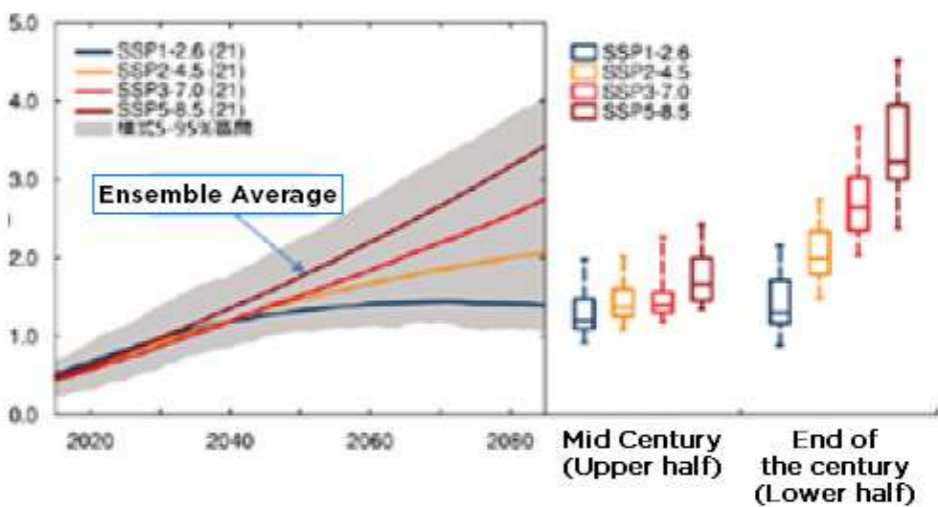
IPCC Global Warming Worst Scenario in the Sixth Scientific Assessment Report (SSP5-8.5)

1. It is estimated that the temperature in various parts of Taiwan will continue to rise in the future.
- Under the worst scenario of global warming (SSP5-8.5), the average annual temperature may rise by more than 1.8°C and 3.4°C in the middle and end of the 21st century.

(a) Spatial distribution of estimated annual mean temperature in Taiwan in the future

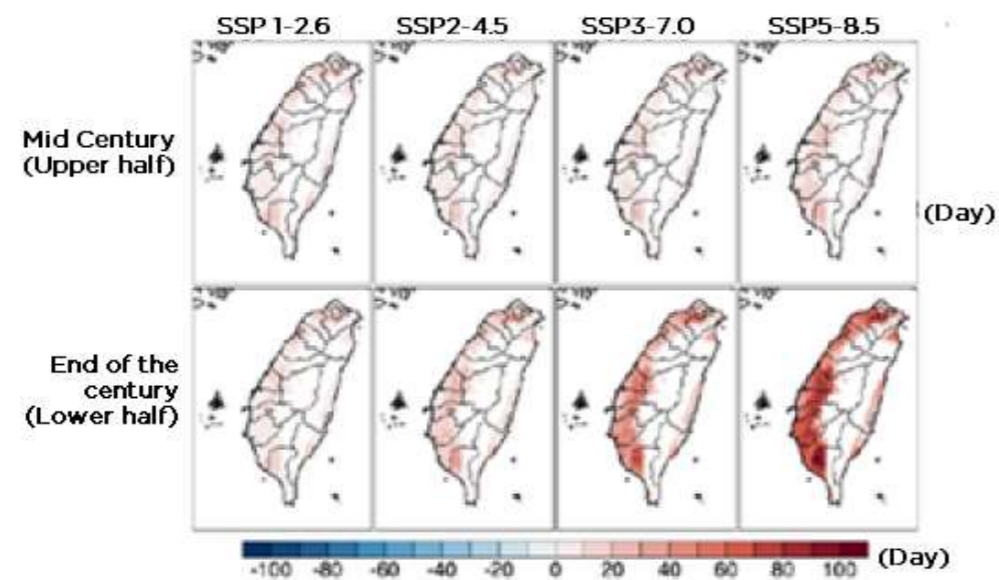


(b) Estimation of Taiwan's annual average temperature in the future

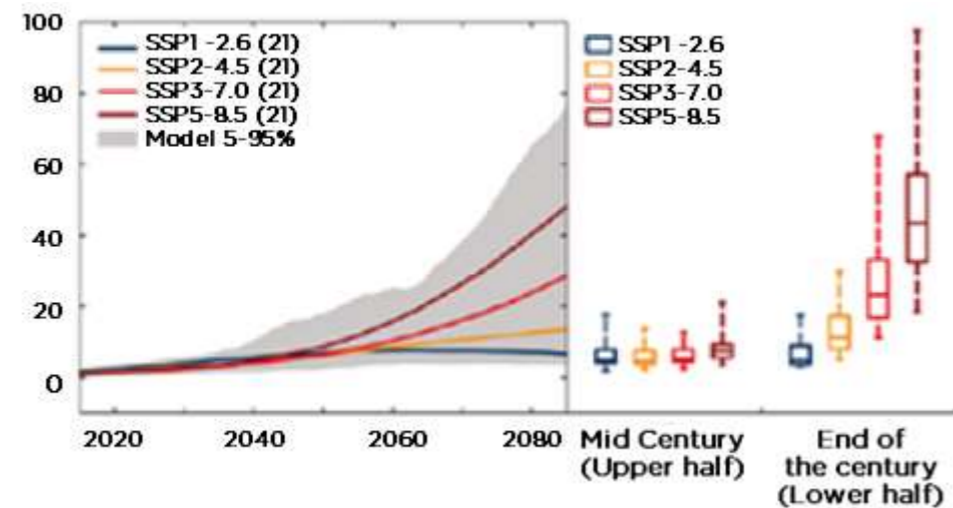


2. In future extreme high temperature events, the number of days with high temperature above 36°C will increase.
 - Under the worst scenario (SSP5-8.5), in the middle and end of the 21st century, the increase rate is about 8.5 days and 48.1 days.

(a) Estimated spatial distribution of Taiwan's high temperature days above 36°C in the future

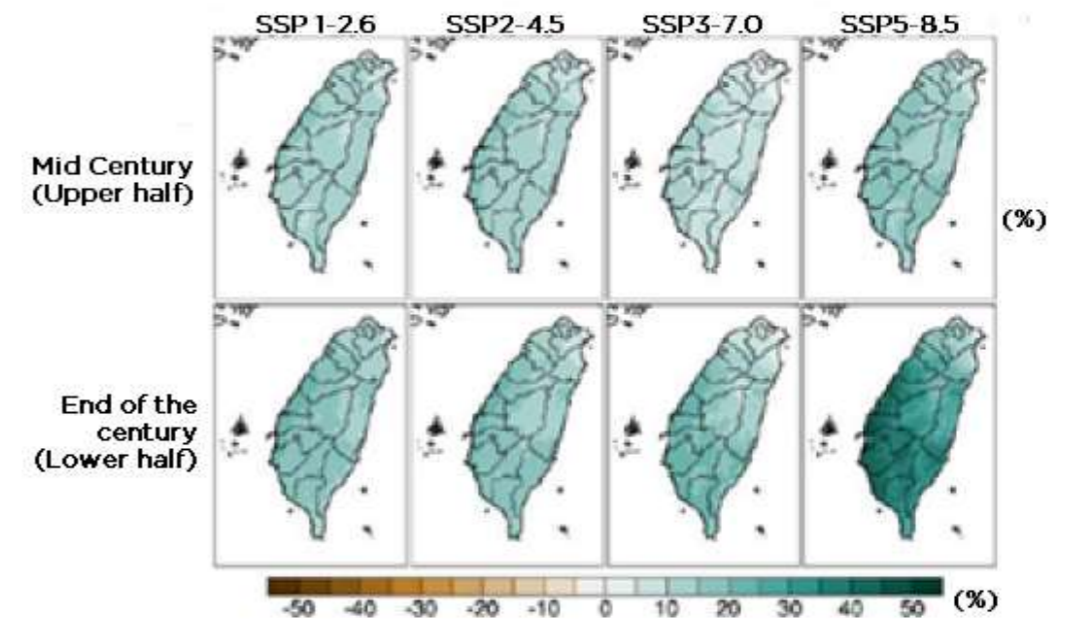


(b) The number of days with high temperature above 36°C in Taiwan is estimated in the future

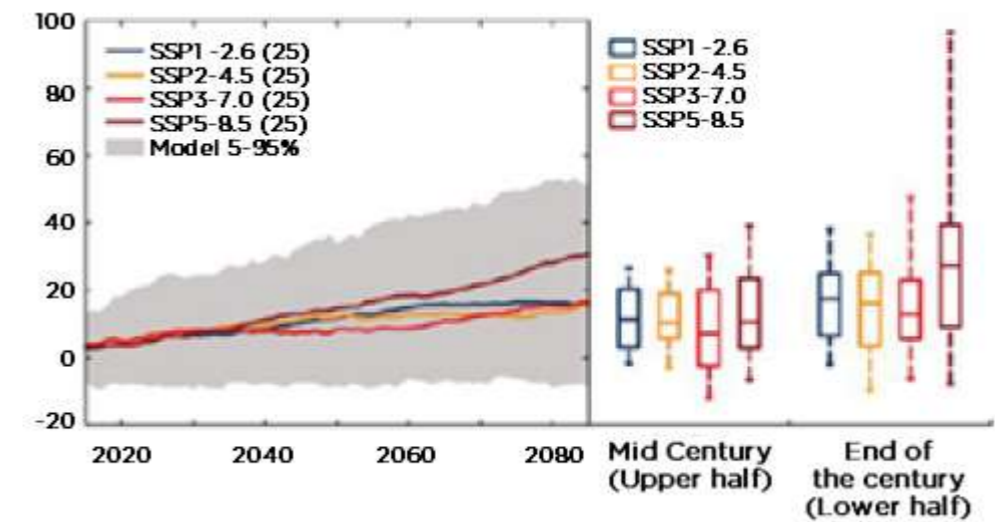


3. It is estimated that the total annual rainfall in Taiwan will increase in the future.
 - Under the worst scenario (SSP5-8.5), the average annual total rainfall in Taiwan will increase by about 15% and 31% in the middle and end of the 21st century.

(a) Spatial distribution of Taiwan's annual total rainfall estimated in the future

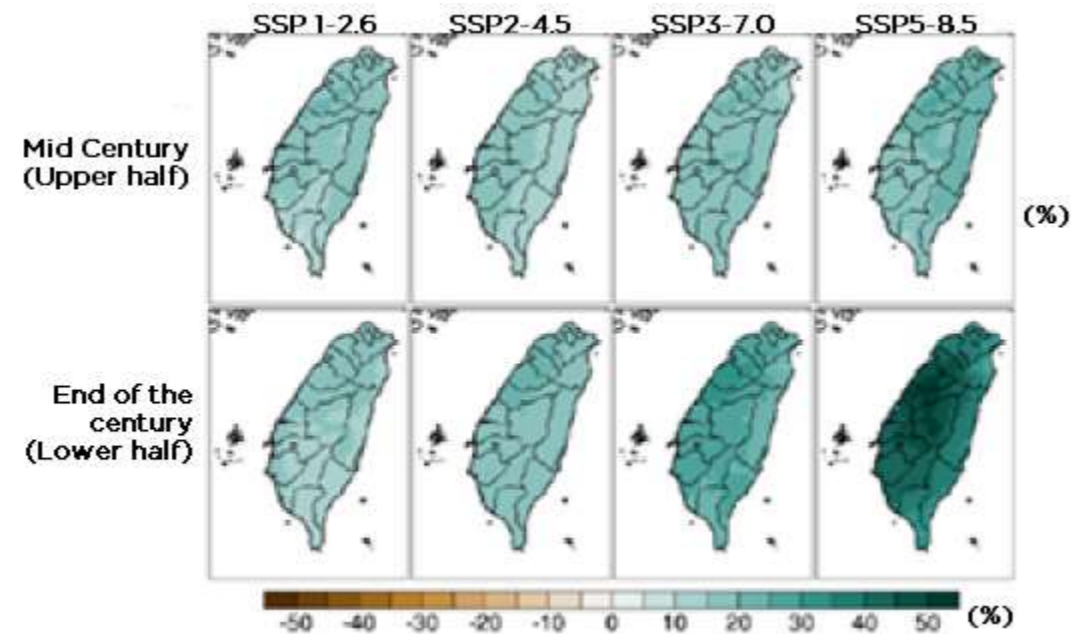


(b) The Future Estimation of Total Annual Rainfall in Taiwan

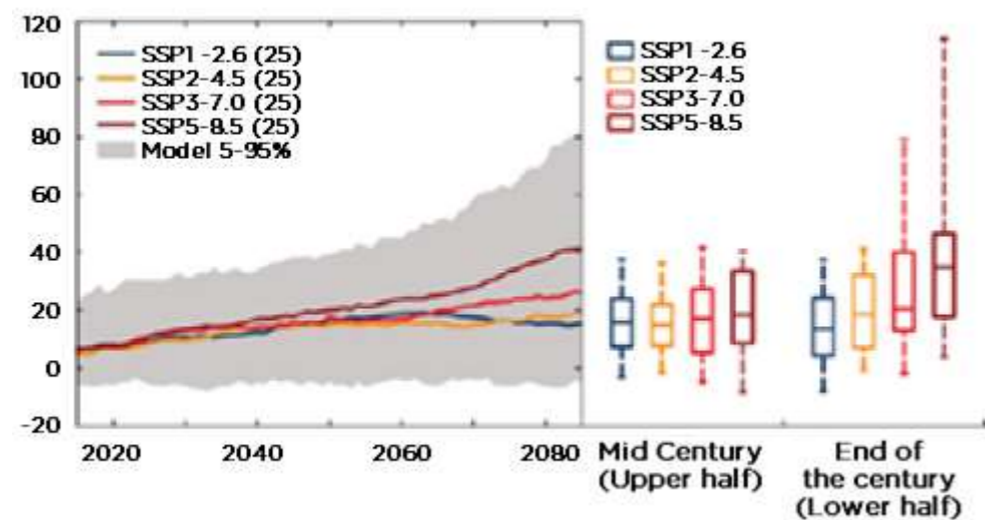


4. The intensity of the annual maximum 1-day rainstorm in Taiwan tends to increase.
- Under the worst scenario (SSP5-8.5), the average annual maximum 1-day rainstorm intensity increases by about 20% and 41.3% in the middle and late 21st century.

(a) Spatial distribution of estimated annual maximum 1-day heavy rain intensity in Taiwan in the future

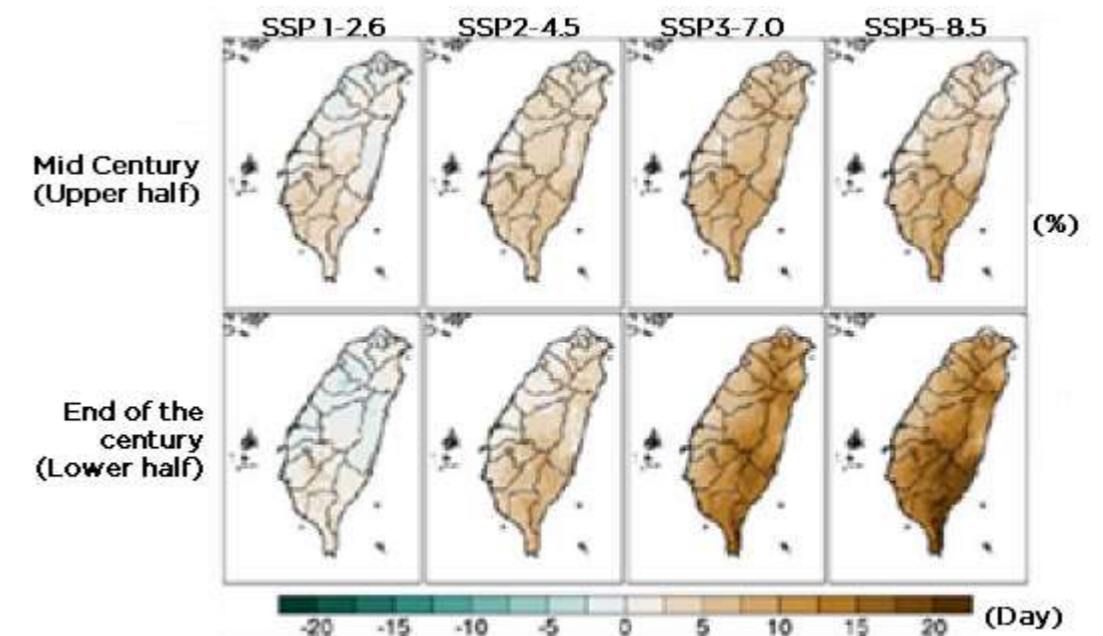


(b) Future Estimation of the Intensity of the annual maximum 1-day rainstorm in Taiwan

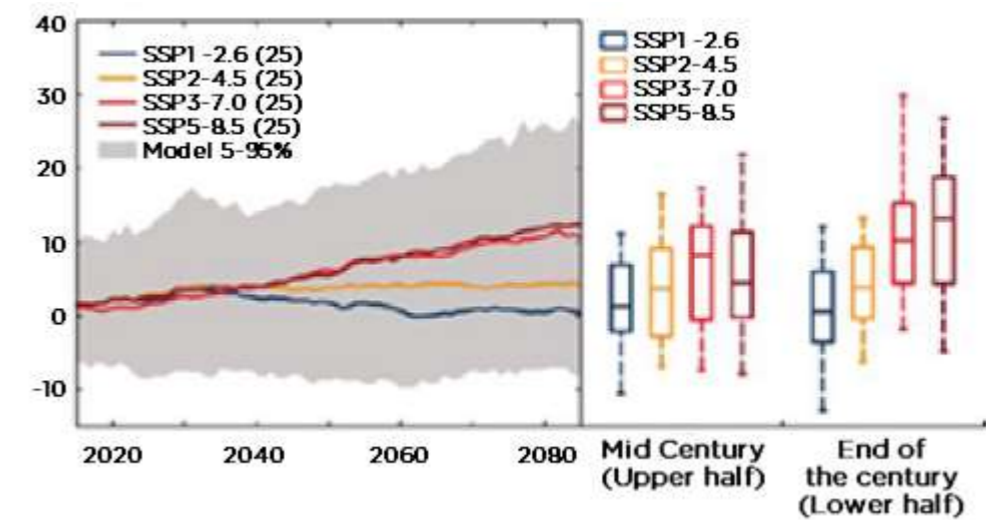


5. The annual maximum number of consecutive no-rainfall days in Taiwan tends to increase.
- Under the worst scenario (SSP5-8.5), the average growth rate in the middle and end of the 21st century is about 5.5%, 12.4%.

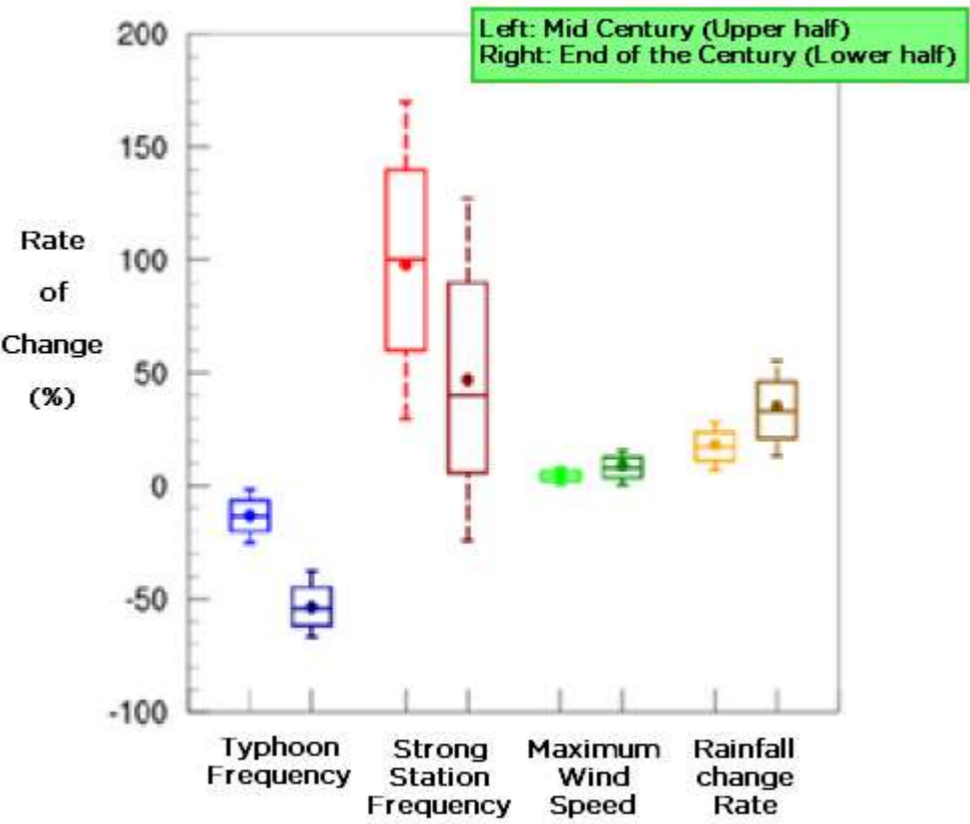
1. The estimated spatial distribution of the annual maximum continuous rainless days in Taiwan



2. The Future Estimation of the Maximum Continuous No Rain Days in Taiwan



6. Affecting the number of typhoons in Taiwan and the change rate of typhoon rainfall.
- Under the worst scenario (RCP8.5) in the middle and late 21st century, the number of typhoons affecting Taiwan will decrease by about 15% and 55%, the proportion of strong typhoons will increase by about 100% and 50%, and the typhoon rainfall change rate will increase by about 20% %, 35%.



Strategy

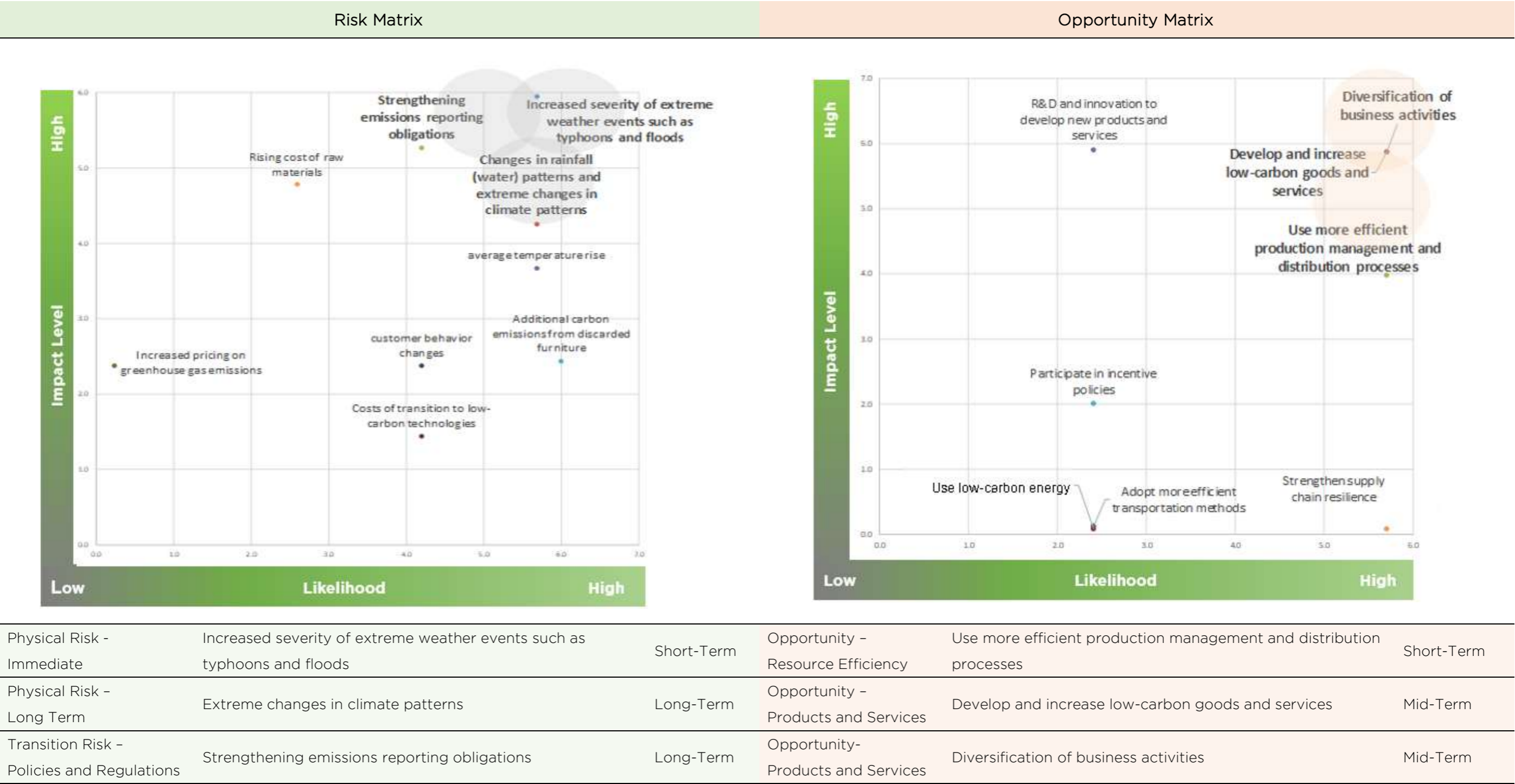
Risks and Opportunities

Adhering to HTC's corporate vision and sustainable responsibilities, HTC includes the risks related to climate change into the scope of assessment and tracking, and continues to pay attention to climate risks that will impact HTC's operations, including international regulations and extreme weather conditions, etc., and according to the climate change recommended by TCFD Climate change risk and opportunity assessment framework, climate change scenario setting and derived risks and opportunities, assess climate change risks and opportunities faced in the operation process, and further discuss relevant coping strategies and target targets for high-impact risks and opportunities, as a climate change specific management measures.

The specific identification process of risks and opportunities related to climate change is as follows :

A. Setting Climate Change Scenarios	B. Assess the impact of the operating environment	C. Identify climate risks and opportunities
Setting up two climate change scenarios : SSP5-8.5 : Warming up to 6°C SBTi 1.5°C, NDC : 1.5°C warming	Assess the impact and impact of climate change on the operating environment and stakeholders	Establish a risk and opportunity matrix to identify climate change risks and opportunities

Three HTC high-risk factors and three high-opportunity factors were identified, and the climate change risk matrix and opportunity matrix are shown in the figure below :



Coping Strategy

For each climate change risk and opportunity, HTC considers the impact of products or services, supply chain or value chain, climate adaptation or mitigation activities, new R&D or investment, and the type of business operation or the location of business operation facilities. Conduct impact assessment, and carry out climate "mitigation" and climate "adaptation" coping strategies for possible shocks.

Risk Response Strategy

Physical Risk – Immediate		Coping Strategy		
Increased severity of extreme weather events such as typhoons and floods				
Impact category	Impact content	Strategy	Time	Evaluate benefits
Product or Service	<ul style="list-style-type: none"> Damage to production base equipment, resulting in interruption of production lines and suspension of services Power outage of IT facilities such as the information room, resulting in the failure of the operating system, resulting in interruption of operations The cloud application software encountered a power outage, resulting in service interruption, affecting continuous update services and maintenance 	<ul style="list-style-type: none"> Add automatic drainage system equipment and water level warning system Remote backup (or partial outsourcing) to support production and service 	2023-2025	<ul style="list-style-type: none"> Reduce personal injury and loss of machinery and equipment
	<ul style="list-style-type: none"> Deterioration of inventory products, resulting in increased costs and additional maintenance costs 	<ul style="list-style-type: none"> Establish contingency plans for production and supply (off-site production and supply) 	2023-2025	<ul style="list-style-type: none"> Lower costs
	<ul style="list-style-type: none"> Decreased work efficiency, employee accidents may increase; it may also affect the manpower deployment of the manufacturing department due to the shutdown, resulting in operational disruption and reduced work efficiency 	<ul style="list-style-type: none"> Long-term readiness for equipment needs from working from home (WFH) Add automated process equipment 	2023-2025	<ul style="list-style-type: none"> Reduce labor costs
Supply Chain or Value Chain	<ul style="list-style-type: none"> Due to the loss of equipment assets in the supply chain, the procurement time is prolonged and the products cannot be supplied on schedule 	<ul style="list-style-type: none"> Carry out risk assessments for operations, warehousing sites, and suppliers located in areas with high flood risk or vulnerable to typhoons, and reduce the impact of disasters through insurance planning, decentralized procurement and other strategies Require suppliers to have safety stock Decentralized supply chain regions 	2025-2050	<ul style="list-style-type: none"> Reduced loss costs Improving supply chain resilience Reduce the probability of supply chain disconnection
	<ul style="list-style-type: none"> Due to the extended delivery time of products or materials, the delivery time is delayed, resulting in damage to corporate image and loss of trust 	<ul style="list-style-type: none"> Monitor locations of suppliers, storage locations, and logistics routes that may be impacted for rapid response and preparation 	2023-2025	<ul style="list-style-type: none"> Reduce downtime costs due to material breaks Increased trust

Physical Risk – Immediate		Coping Strategy		
Increased severity of extreme weather events such as typhoons and floods				
Impact category	Impact content	Strategy	Time	Evaluate benefits
		<ul style="list-style-type: none"> Instantly update the delivery status of raw materials and provide customers with the latest delivery progress 		
Climate adaptation or mitigation activities	<ul style="list-style-type: none"> Transportation carbon emissions are restricted, and logistics and transportation costs are rising Levy carbon fee or carbon tax, increase operating cost 	<ul style="list-style-type: none"> Find low-carbon transport pipelines and optimize delivery routes 	2023-2050	<ul style="list-style-type: none"> Reduce carbon emissions
	<ul style="list-style-type: none"> Increased overhead and production costs to maintain roads and equipment 	<ul style="list-style-type: none"> Regularly strengthen and repair the anti-flooding facilities every year 	2022-2023	<ul style="list-style-type: none"> Reduced risk of climate impacts
R&D or investment	<ul style="list-style-type: none"> Reputational damage due to extended development schedules due to extreme weather requiring temporary or prolonged work from home, resulting in delayed publication schedules If the number of occurrences increases, it may be necessary to invest in additional equipment to support design and development activities for working from home, resulting in extended product development time 	<ul style="list-style-type: none"> Provide necessary hardware for employees to work from home Schedule two two-week work-from-home sessions per quarter 	2023-2025	<ul style="list-style-type: none"> Reduce impact on design development timelines and assess cost of additional equipment purchases
Type of business operation or Business operation facility location	<ul style="list-style-type: none"> Changes in marketing plan due to delay in delivery due to rain 	<ul style="list-style-type: none"> Flexible adjustments to new product promotion plans, or matching accessories discounts Plan for alternate materials to facilitate just-in-time refills on-line 	2023-2025	<ul style="list-style-type: none"> Increase sales and competitiveness

Physical Risk – Long-Term Changes in rainfall (water) patterns and extreme changes in climate patterns		Coping Strategy		
Impact category	Impact description	Strategy	Time	Evaluate benefits
Product or Service	<ul style="list-style-type: none"> Lack of water for people's livelihood caused shutdowns, affecting production capacity and delaying shipments 	<ul style="list-style-type: none"> Deduce the business operation plan every year. Through the business operation plan, familiarize yourself with contingency measures such as heavy rainfall, shortage of parts and components caused by long-term non-rainfall, damage to transportation means, and limited manpower 	2023-2025	<ul style="list-style-type: none"> Improve corporate resilience
Supply Chain or Value Chain	<ul style="list-style-type: none"> The factory is short of water and electricity, which affects the daily operation of production and shipment, resulting in a decline in revenue 	<ul style="list-style-type: none"> Introduce low-energy manufacturing procedures or technologies Contingency plans for suppliers' production and supply (off-site production suppliers), increasing alternative materials and decentralizing supply chain areas 	2023-2025	<ul style="list-style-type: none"> Reduce energy dependence Reduce dependence on a single resource
Climate adaptation or mitigation activities	<ul style="list-style-type: none"> Stakeholders are asking companies to be increasingly committed to climate adaptation or mitigation activities 	<ul style="list-style-type: none"> Plan and execute the company's net-zero emission reduction path and strategy Integrate carbon reduction actions into corporate culture and link with employee performance (Green Seed Collection Project) 	2023-2050	<ul style="list-style-type: none"> Improve reputation Targeted reduction of carbon emissions
	<ul style="list-style-type: none"> Increased overhead and production costs due to water scarcity adaptation measures 	<ul style="list-style-type: none"> Find new water vendors and storage locations 	2023-2025	<ul style="list-style-type: none"> Lower costs Improve operational resilience
New R&D or investment	<ul style="list-style-type: none"> The risk of uncertainty in the supply chain has increased, resulting in delays in the company's new product development progress and increased production costs Unable to meet customer needs and expectations, affecting brand image and reputation 	<ul style="list-style-type: none"> Select domestic material suppliers of the same quality and develop alternative materials 	2025-2050	<ul style="list-style-type: none"> Reduce single resource dependency Improved coping capacity
Type of business operation or Business operation facility location	<ul style="list-style-type: none"> The extreme high temperature of the production base caused an increase in electricity consumption and increased production costs The temperature of the computer room and equipment is too high, and the probability of thermal hazards for personnel work is greatly increased 	<ul style="list-style-type: none"> Incorporate work hazards caused by climate change into safety regulations and conduct hazard notification 	2023-2025	<ul style="list-style-type: none"> Improved coping capacity

Transition Risks - Policies and Regulations Strengthening Emissions Reporting Obligations		Coping Strategy		
Impact category	Impact description	Strategy	Time	Evaluate benefits
Product or Service	<ul style="list-style-type: none"> Develop green products and reduce production carbon emissions, and adopt low-carbon production methods Improve hardware facilities, strengthen carbon emission performance, budget investment may increase operating costs Utilize the carbon management platform to let consumers understand the carbon reduction effect of products, thereby increasing their willingness to purchase 	<ul style="list-style-type: none"> Emphasize the production and packaging of products in line with emissions Air conditioners, air compressors, lighting and other major energy-consuming equipment, replace old ones with new ones Establish a complete inventory of greenhouse gas emissions for HTC manufacturing and global locations 	2023-2050	<ul style="list-style-type: none"> Improve reputation Reduce greenhouse gas emissions Improve equipment performance
	<ul style="list-style-type: none"> The collection of carbon tariffs, the payment of carbon taxes under the control of regulations, resulting in an increase in selling prices 	<ul style="list-style-type: none"> Implement HTC's net zero carbon path and apply to join SBTi 	2022-2023	<ul style="list-style-type: none"> Lower costs
Supply Chain and Value Chain	<ul style="list-style-type: none"> Require upstream to reduce unnecessary packaging and delivery, require recyclable and low-energy design capabilities, resulting in increased costs In order to reduce carbon emissions, the upstream supply chain replaced equipment and increased the selling price of materials Collect raw material carbon emissions from upstream suppliers, increase management costs, and then increase manufacturer's material prices 	<ul style="list-style-type: none"> Negotiate with suppliers to consolidate and promote unnecessary packaging, and select suppliers with carbon reduction plans Plan shipping routes and use packing space efficiently 	2025-2050	<ul style="list-style-type: none"> Lower expenses Reduce transportation and production carbon emissions Control upstream carbon emissions
	<ul style="list-style-type: none"> Carry out product carbon footprint inventory and product energy-saving design to reduce or avoid carbon border tax 	<ul style="list-style-type: none"> Greenhouse gas emission inventory Promote life cycle and low-carbon product concepts and introduce them into design concepts 	2023-2025	<ul style="list-style-type: none"> Reduce or avoid the likelihood of being charged a carbon border tax
Climate adaptation or mitigation activities	<ul style="list-style-type: none"> Carry out the company's internal energy use control and actively achieve the goal of reducing greenhouse gas emissions 	<ul style="list-style-type: none"> Establish a sustainable management platform Increase the temperature of the air conditioner to 28 degrees and force the air conditioner to be turned off after get off work 	2023-2025	<ul style="list-style-type: none"> Reduce carbon emissions
	<ul style="list-style-type: none"> Regulations are constantly being updated, causing unnecessary expenditures if not responded to promptly 	<ul style="list-style-type: none"> Continue to pay attention to government regulations, international and industrial trends, and establish corresponding internal response and adjustment mechanisms 	2023-2025	<ul style="list-style-type: none"> Lower costs Improve corporate resilience

Transition Risks - Policies and Regulations Strengthening Emissions Reporting Obligations		Coping Strategy		
Impact category	Impact description	Strategy	Time	Evaluate benefits
New R&D or investment	<ul style="list-style-type: none"> • Increase online R&D, design and development activities • Introduce low-carbon concepts into R&D design, requiring additional investment in manpower 	<ul style="list-style-type: none"> • Establishment of remote access mechanism and online collaboration related systems • Choose low-carbon or recyclable materials in the development stage to increase the material recyclability rate (currently complies with WEEE regulations) 	2025-2050	<ul style="list-style-type: none"> • Reduce personnel commuting or traffic risks • Reduce product carbon emissions
	<ul style="list-style-type: none"> • Invest in low-carbon energy and actively use more low-carbon energy 	<ul style="list-style-type: none"> • Participate in the green energy industry and develop related value chains 	2023-2025	<ul style="list-style-type: none"> • Reduce carbon emission risks and corresponding costs
	<ul style="list-style-type: none"> • Carbon emissions regulation impacts revenue, which affects investment institutions and increases credit risk 	<ul style="list-style-type: none"> • Set up a carbon reduction research and development plan and obtain bank credit for green energy technology and green industries 	2025-2030	<ul style="list-style-type: none"> • Enhance corporate reputation
Type of business operation or Business operation facility location	<ul style="list-style-type: none"> • Stakeholders focus on net zero commitments, resulting in increased spending to meet stakeholder expectations 	<ul style="list-style-type: none"> • Plan to increase colleagues' attention to ESG in the training of newcomers in Taiwan, and encourage practical actions to reduce carbon emissions 	2023-2025	<ul style="list-style-type: none"> • Enhance corporate reputation
	<ul style="list-style-type: none"> • Reduce carbon emissions from daily operations, increase energy-saving equipment, and green the environment, but the replacement of machines may affect the expansion of production lines • Increased employee commuting and travel carbon emissions and higher spending 	<ul style="list-style-type: none"> • Ways to improve video visits and product presentations • Plan to increase colleagues' attention to ESG in the training of newcomers in Taiwan, and encourage practical actions to reduce carbon emissions 	2025-2050	<ul style="list-style-type: none"> • Reduce carbon emissions • Enhance corporate reputation

Opportunity Coping Strategies

Opportunity - Resource Efficiency Use more efficient production management and distribution processes		Coping Strategy		
Impact category	Impact description	Strategy	Time	Evaluate benefits
Product or Service	<ul style="list-style-type: none"> Establish an overall virtualization platform to improve computing load capacity Shorten the time required for production, efficient production management and distribution process, reduce the cost of carbon emissions, and reduce the waste of ineffective resources 	<ul style="list-style-type: none"> Import automation equipment and cloud platform to reduce manpower demand 	2023-2025	<ul style="list-style-type: none"> Improve production efficiency Reduce resource consumption and waste
		<ul style="list-style-type: none"> Improve factory production process through 5G private network combined with AI automatic identification and screening 	2025-2050	<ul style="list-style-type: none"> Improve production efficiency Reduce resource consumption and waste
Supply Chain and Value Chain	<ul style="list-style-type: none"> Based on the supplier's carbon reduction performance, as the basis for selecting upstream suppliers, and assisting the supply chain to achieve net zero carbon goals Flexible allocation of material supply, reducing excess material inventory 	<ul style="list-style-type: none"> Procurement department explores the feasibility of sustainable design, and continuously strengthens carbon reduction and energy saving in the external and supply chain Promote supplier sustainability projects and introduce component 3R design (Reduce, Reuse, Recycle) Supply chain reduces delivery and material preparation time 	2023-2025	<ul style="list-style-type: none"> Reduce product carbon emissions Reduce inventory rate and increase production efficiency
		<ul style="list-style-type: none"> Adopt low-carbon transportation and green shipping to reduce carbon footprint The carbon reduction transformation of manufacturers in the overall value chain, the creation of a green supply chain and the development of new technologies 	2023-2025	<ul style="list-style-type: none"> Promote greenhouse gas reduction Select manufacturers with carbon reduction performance
Climate adaptation or mitigation activities	<ul style="list-style-type: none"> Through the internal energy control and management platform, monitor the implementation of relevant emission reduction activities and reduce greenhouse gas emissions 	<ul style="list-style-type: none"> Build a sustainable management platform The structure of energy use is shifting towards low carbonization 	2023-2025	<ul style="list-style-type: none"> Energy saving control Low carbon operation
New R&D or investment	<ul style="list-style-type: none"> Respond to domestic and foreign carbon emission disclosure and carbon reduction requirements, and adopt new technologies to improve production management efficiency 	<ul style="list-style-type: none"> Build a carbon management platform to simulate the carbon emission status of low-carbon products 	2023-2025	<ul style="list-style-type: none"> Energy saving control

Opportunity - Resource Efficiency		Coping Strategy		
Use more efficient production management and distribution processes				
Impact category	Impact description	Strategy	Time	Evaluate benefits
	<ul style="list-style-type: none">In the product design stage, products with simplified structure and fewer parts are used to improve production efficiency	<ul style="list-style-type: none">The direction of RD research and development, with factory automation productionProduct design is simplified and the number of parts used is reduced	2025-2030	<ul style="list-style-type: none">Improve factory productivityReduce carbon emissions generated during the manufacturing phase
	<ul style="list-style-type: none">Invest in low-carbon energy. Global operating bases increase the proportion of renewable energy by purchasing green power certificates and direct purchases of green power	<ul style="list-style-type: none">Renewable energy import and purchase of renewable energy certificates	2023-2025	<ul style="list-style-type: none">Reduce carbon emissions
Type of business operation or Business operation facility location	<ul style="list-style-type: none">Stakeholders pay attention to product and service carbon emission information	<ul style="list-style-type: none">Promote the design and substantial benefits of products and services related to low-carbon productsThrough the sustainable management platform, provide stakeholders with information concerned	2023-2050	<ul style="list-style-type: none">Respond to demand for low-carbon productsImprove brand reputation

Opportunity - Products and Services		Coping Strategy		
Develop and increase low carbon goods and services				
Impact category	Impact description	Strategy	Time	Evaluate benefits
Product or Service	<ul style="list-style-type: none"> Develop low-carbon products, low-carbon recycled materials (PCR), and enhance hardware life-cycle Reduce the use of paper, printing and packaging, integrate sustainable design and product appearance into green design, and gain market recognition 	<ul style="list-style-type: none"> Create an ecological chain of low-carbon products and services The product User manual is digitized using QR code 	2023-2025	<ul style="list-style-type: none"> Reduce resource consumption and waste
	<ul style="list-style-type: none"> Replacing outdated and energy-consuming equipment to achieve low-carbon production 	<ul style="list-style-type: none"> Replacing old central air-conditioning equipment (heating, ventilation and air conditioning, HVAC) 	2022-2025	<ul style="list-style-type: none"> Effectively reduce energy consumption and lower electricity bills
Supply Chain and Value Chain	<ul style="list-style-type: none"> Encourage upstream manufacturers to design green, increase the number of green design shipments, reduce carbon emissions, and help achieve the goal of net zero emissions Create a green energy supply chain to achieve net zero emissions 	<ul style="list-style-type: none"> Continuously strengthen the carbon reduction and energy saving of the manufacturing process with the supply chain Promote supplier sustainability projects and introduce 3R design (Reduce , Reuse , Recycle) 	2023-2025	<ul style="list-style-type: none"> Achieve net zero goal Reduce resource consumption and waste
	<ul style="list-style-type: none"> Cooperate with the whole value chain to implement R&D and production of low-carbon products 	<ul style="list-style-type: none"> Encourage suppliers to participate in renewable energy programs 	2025-2050	<ul style="list-style-type: none"> Achieve net zero goal
Climate adaptation or mitigation activities	<ul style="list-style-type: none"> Improve the efficiency of internal energy control, prolong the service life of products, establish a more stable system, and reduce costs in the long run 	<ul style="list-style-type: none"> Adopt green buildings, use renewable energy, switch to energy-saving equipment, and introduce energy management systems 	2023-2030	<ul style="list-style-type: none"> Improve energy efficiency and reduce production and operating costs
New R&D or investment	<ul style="list-style-type: none"> Respond to external requirements, integrate green design principles into products, reduce environmental impact to meet customers' requirements for green and low-carbon products, generate revenue and attract investment willingness Make technical investment in products and services from the perspective of life cycle, and add the concept of carbon emissions, develop low-energy products, and expand the low-carbon market; if a carbon tax is introduced in the future, it can reduce costs for the company 	<ul style="list-style-type: none"> In the product research and development stage, that is to formulate ecological design guidelines, including material research and development and selection, product design, product development evaluation, process research and development design and packaging design, based on the principle of energy saving and carbon reduction 	2022-2050	<ul style="list-style-type: none"> Increase the competitiveness of HTC products Reduced carbon footprint

Opportunity - Products and Services		Coping Strategy		
Develop and increase low carbon goods and services				
Impact category	Impact description	Strategy	Time	Evaluate benefits
Type of business operation or Business operation facility location	<ul style="list-style-type: none">Respond to the requirements of stakeholders for low-carbon products, and promote the promotion of ESG by integrating a full range of products and low-carbon production designDiscuss with customers to merge and promote the concept of sustainable and green consumption, and enhance customers' trust in HTC products	<ul style="list-style-type: none">Strengthen courses and training related to products and services, so that business executives can clearly understand the design and practical advantages of low-carbon products, and then promote them to local customers	2025-2030	<ul style="list-style-type: none">Respond to demand for low-carbon productsImprove brand reputation
	<ul style="list-style-type: none">Electronic internal documents and forms to achieve carbon reduction goalsEncourage employees to take public transportation and walking activities, and reduce high-carbon emission activities such as driving and riding motorcyclesHold large-scale conferences online through the platform to reduce carbon emissions generated by transportation	<ul style="list-style-type: none">Coordinating with the sports season to organize activities to encourage public transportation and walking	2023-2025	<ul style="list-style-type: none">Reduce carbon emissions
		<ul style="list-style-type: none">Continuous innovation/optimization of VIVERSE-related applications, meeting/co-development through online/virtual reality space	2023-2025	<ul style="list-style-type: none">Reduce energy consumption and environmental pollution caused by transportation

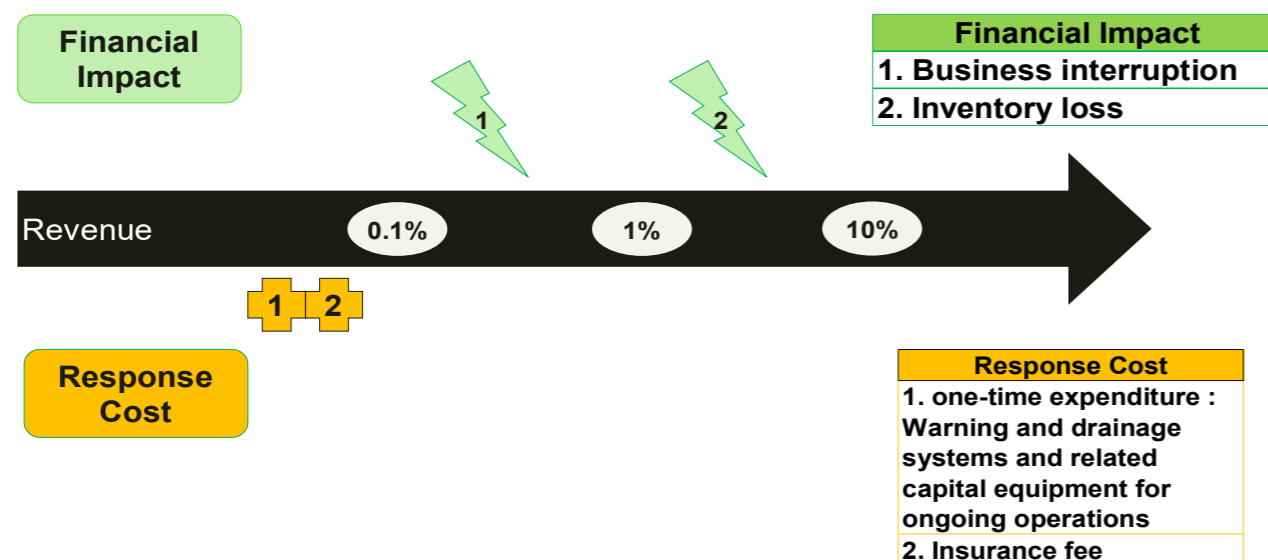
Opportunities - Products and Services Diversification of Business Activities		Coping Strategy		
Impact category	Impact description	Strategy	Time	Evaluate benefits
Product or Service	<ul style="list-style-type: none"> Research and develop low-carbon products and expand the market with diversified sales and operation methods, and establish consumers' image of HTC brand as being friendly to the environment Continue to research and develop products that maintain remote business operations, such as virtual platforms, Mars CamTrack, etc., to effectively reduce energy and resource consumption, enhance market competitiveness, and expand business scope 	<ul style="list-style-type: none"> Products, equipment and traffic management tools related to business use, using products that focus on environmental protection and eco-friendliness and reduce greenhouse gas emissions 	2023-2030	<ul style="list-style-type: none"> Promoting symbiosis and co-prosperity in the development of the park
		<ul style="list-style-type: none"> Cooperate with government departments to build VIVERSE Educational Ecological Park, evaluate the product market and demand, and meet the changing needs of the market through continuous improvement 	2023-2025	<ul style="list-style-type: none"> Increase the competitiveness of HTC products
Supply Chain and Value Chain	<ul style="list-style-type: none"> Suppliers participate in the development of low-carbon products and diversified services, which not only benefit low-carbon products, but also enhance market competitiveness and drive demand for related products Use a common platform solution for remote work, affecting all upstream and downstream manufacturers to use the same platform to communicate Simplify the business and manpower of manufacturers to further reduce greenhouse gas emissions 	<ul style="list-style-type: none"> Diversify the businesses of cleaning, security, catering and other manufacturers to optimize and simplify business content and manpower 	2022-2050	<ul style="list-style-type: none"> Increase revenue Reduce greenhouse gas emissions
		<ul style="list-style-type: none"> Continued development of Vive Sync products to enable remote working solutions 	2023-2025	<ul style="list-style-type: none"> Increase the competitiveness of HTC products
		<ul style="list-style-type: none"> Use zero-carbon cloud services 	2023-2025	<ul style="list-style-type: none"> Net-zero carbon footprint of cloud services
Climate adaptation or mitigation activities	<ul style="list-style-type: none"> Actively seek green transportation to reduce carbon emissions due to increased sales Plan public welfare leave feedback system to encourage employees to participate in energy-saving and carbon-reduction activities Join external ESG and green public welfare foundation initiatives to meet the expectations of stakeholders 	<ul style="list-style-type: none"> Choose a carrier that actively invests in land, sea, air, and green energy transportation Adjust the proportion of sea and air transportation, reduce air transportation and increase sea transportation 	2022-2050	<ul style="list-style-type: none"> Reduce energy consumption and environmental pollution caused by transportation
		<ul style="list-style-type: none"> Public welfare leave feedback system 	2022-2050	<ul style="list-style-type: none"> Respond to demand for low-carbon products Improve brand reputation
New R&D or investment	<ul style="list-style-type: none"> Diversify input products and consider whether the overall benefit meets the economic scale. Develop a working model for business and manpower optimization Expansion of commercial applications of related products helps to enter new markets, increase revenue and obtain investment opportunities 	<ul style="list-style-type: none"> To expand market competitiveness through innovative product design and development 	2023-2030	<ul style="list-style-type: none"> Increase the competitiveness of HTC products
Type of business operation or Business operation facility location	<ul style="list-style-type: none"> Diversified management methods, increase brand value, and stimulate consumer product recognition Strengthen the marketing of green products and overall solutions to increase revenue Cloud solutions to reduce the impact of regional disasters 	<ul style="list-style-type: none"> Strengthen the promotion of green product design and promote MARS and VIVERSE products 	2022-	<ul style="list-style-type: none"> Reflected in revenue

Financial Quantification - Risk

Based on the identified risk/opportunity items, HTC estimates the financial changes that climate change may cause to HTC, and develops various risk response strategies, evaluates and estimates "management costs" and "management benefits", based on each risk/ The short-, medium- and long-term characteristics of opportunities, and the estimated impact of climate change risks/opportunities on HTC's finances.

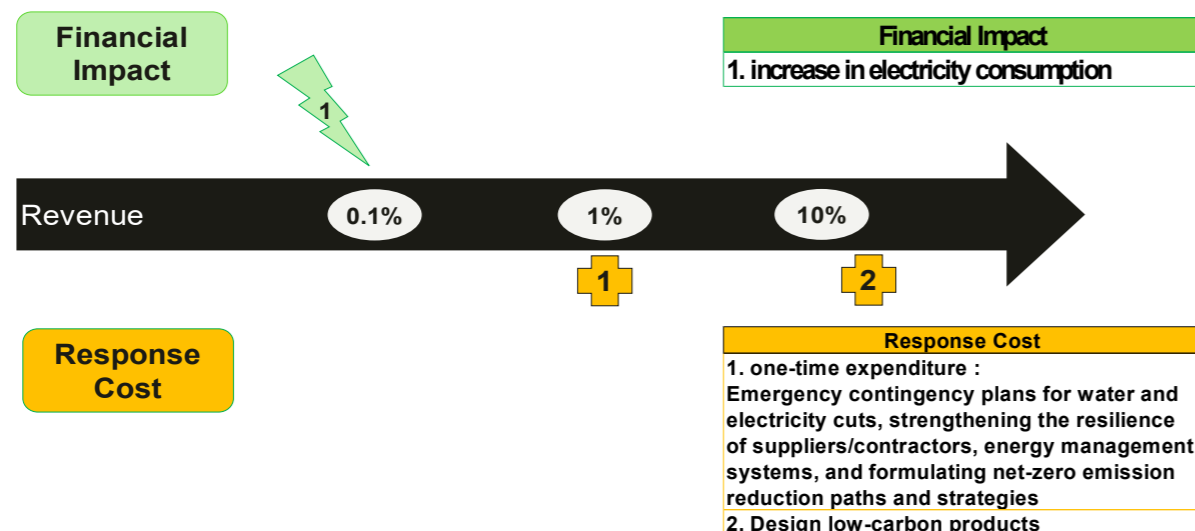
Risk 1: Physical Risk- Immediate: Increased severity of extreme weather events such as typhoons and floods

	Statement of Financial Impact	Calculation of Financial Impact (annualized)
Financial Impact Analysis	<p>In the short-to-medium term (3-8 years), extreme weather events such as typhoons and floods occur, financial data that have an impact on business operations, and conduct risk assessments in the following aspects:</p> <ol style="list-style-type: none"> 1. Operation interruption (decrease in revenue): The occurrence of extreme weather events, resulting in the estimation of the interruption of business operations, and the estimated number of days of potential extreme weather occurrence based on scenario analysis, multiplied by the annual consolidated revenue 2. Inventory loss (decrease in assets): Consider Taiwan, the proportion of inventory at high flood risk (Taoyuan warehouse), and multiply by the number of potential extreme weather occurrences 	<p>Since HTC has not had any interruption of operations due to extreme weather events in the past, the assessment of the relevant financial impact is based on the most serious situation. suffer:</p> <ol style="list-style-type: none"> 1. Operating loss, approximately 0.3% of consolidated operating income 2. Inventory loss, accounting for less than 3% of consolidated operating income
Cost Analysis of Coping Strategies	<p>Actions taken by HTC in response to the above risks, as well as the assessment of executable actions to mitigate or transfer related climate risks:</p> <ol style="list-style-type: none"> 1. Increase early warning capabilities (increased costs and expenses): Capital expenditures for setting up early warning systems and disaster prevention systems 2. Increased ability to continue operations (increased costs and expenses): capital expenditures and expenses for the purchase and use of emergency generators, and the cost of additional equipment for remote office colleagues 3. Insurance costs (increased costs and fees): the cost of purchasing insurance related to natural disasters 	<p>The financial impact of the associated response costs is:</p> <ol style="list-style-type: none"> 1. Purchase of water level warning system, automatic drainage system equipment, and emergency notification system; capital expenditure and expenses for purchasing and using emergency generators; one-time expenditures such as adding equipment for remote office colleagues, accounting for less than 0.1% of consolidated operating income 2. Annual insurance expenses account for less than 0.1% of consolidated operating income



Risk 2: Physical Risk- Long Term: Changes in rainfall (water) patterns and extreme changes in climate patterns

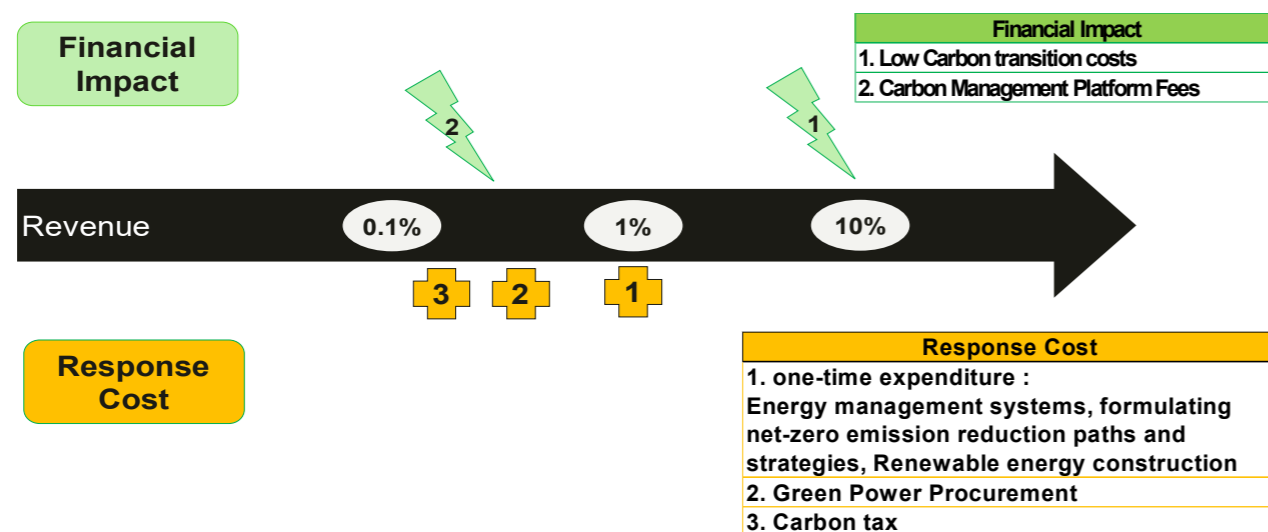
	Statement of Financial impact	Calculation of Financial impact (Annualized)
Financial Impact Analysis	<p>Under the RCP8.5 scenario, the global temperature in 2030 will rise by 0.42-0.77 degrees Celsius compared to 2010, and according to the Taiwan Energy Bureau, every 1 degree Celsius increase will increase electricity consumption by 6%, so the estimated electricity consumption will increase in 2030 2.5%-4.6%, fee increase. The number of high temperature days exceeding 36 degrees Celsius has increased in Taiwan and mainland China, mainly from April to September, and the number of high temperature holidays has increased, which will increase the annual operating costs of suppliers' factories and outdoor work in the future</p> <p>1. Increase in electricity consumption (increase in cost and expense): In 2021, the number of electricity consumption * electricity consumption increase by 2.5%-4.6% * electricity price</p>	<p>1. According to the industry situation, evaluate the power consumption situation in 2030, and consider the number and severity of high temperature days, and the possible increase in expenditure will account for less than 0.1% of the consolidated operating income</p>
Cost Analysis of Coping Strategies	<p>Actions taken by HTC in response to the above risks, as well as the assessment of executable actions to mitigate or transfer related climate risks:</p> <ol style="list-style-type: none"> 1. Increased ability to continue operations (increased costs or expenses) 2. Increase supplier resilience (increased fees) 3. Build an energy management system to increase energy efficiency (cost or expense increase) 4. Implementation of climate adaptation strategies (increased cost or expense) 5. Design low-carbon products (increased costs and fees) 	<p>The financial impact of the associated response costs is:</p> <ol style="list-style-type: none"> 1. Set up emergency contingency plans for water/power rationing; strengthen the resilience of suppliers and contractors; introduce and implement energy-saving measures in the energy management system; formulate net-zero emission reduction paths and strategies, and other one-time expenditures, accounting for about 10% of the consolidated operating income 1% 2. Incorporating low-carbon design concepts or choosing low-carbon emissions/recyclable materials will increase purchase costs, research and development costs, and other derivative costs by 4%-15% after evaluation, accounting for about 11% of consolidated operating income. This response The cost of measures is also identified as the financial impact of risk 3 and the realization cost of opportunity 2, hereby explain



Designing low-carbon products is one of the main axes of HTC's sustainable development, and it is also an important strategy for the net-zero path. The implementation of relevant strategies can mitigate climate risks and realize climate opportunities at the same time. The formulation and implementation of relevant indicators can be determined by Refer to 4.1 Indicator Target Setting and 4.2 Implementation.

Risk 3: Transition Risk- Policies and Regulations: Strengthening Emissions Reporting Obligations

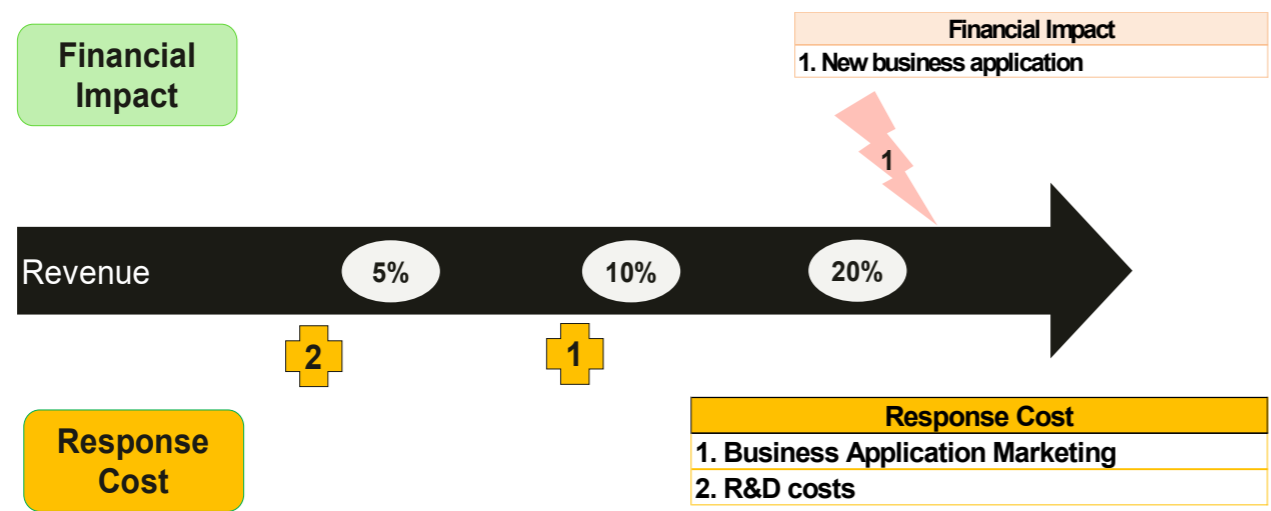
Statement of Financial Impact		Calculation of Financial Impact (Annualized)
Financial Impact Analysis	<p>The world is committed to achieving net zero emissions, and domestic and foreign carbon emission disclosure requirements are becoming more and more clear, and there is an increasing demand for the disclosure and management of carbon emissions of enterprises themselves and the value chain. Enterprises urgently need to establish a complete collection of carbon emission information for new business, including platform and software application service business. Establish and manage carbon emission data of enterprises and value chains, increase management costs, and financial impact includes:</p> <ol style="list-style-type: none"> 1. The cost of investing in the low-carbon transition (increased costs and fees) 2. Greenhouse gas emission disclosure and management (cost increase) 	<ol style="list-style-type: none"> 1. Incorporate low-carbon design concepts or choose low-carbon emission/recyclable materials. After evaluation, it is necessary to increase purchase costs, R&D costs, and other derivative expenses by 4%-15%, and increase the current annual cost, accounting for about 11% of the consolidated operating income. %, this financial impact is also identified as the response cost of risk 2 and the realization cost of opportunity 2, hereby explain 2. The carbon management platform construction cost and annual maintenance cost account for less than 0.2% of the consolidated operating income. This financial impact is also recognized as the realization cost of Opportunity 3. Hereby explain
Cost Analysis of Coping Strategies	<p>Actions taken by HTC in response to the above risks, as well as the assessment of executable actions to mitigate or transfer related climate risks:</p> <ol style="list-style-type: none"> 1. Build an energy management system to increase energy efficiency (cost or expense increase) 2. Implementation of climate adaptation strategies (increased cost or expense) 3. Build renewable energy (increased cost or fee) 4. Procurement of green electricity (increased costs or fees) 5. Purchasing carbon credits (increased costs or fees) 	<p>The financial impact of the associated response costs is:</p> <ol style="list-style-type: none"> 1. Introduce an energy management system; formulate a net-zero emission reduction path and strategy; build renewable energy and other one-time expenditures, accounting for about 1% of consolidated operating income 2. The cost of purchasing green electricity every year accounts for about 0.5% of the consolidated operating income without considering any adjustments and buffering impacts 3. Without considering any adjustments and impact mitigation, it is estimated based on the current year's greenhouse gas emissions that the annual cost of purchasing carbon rights accounts for about 0.2% of the consolidated operating income



Financial Quantification - Opportunity

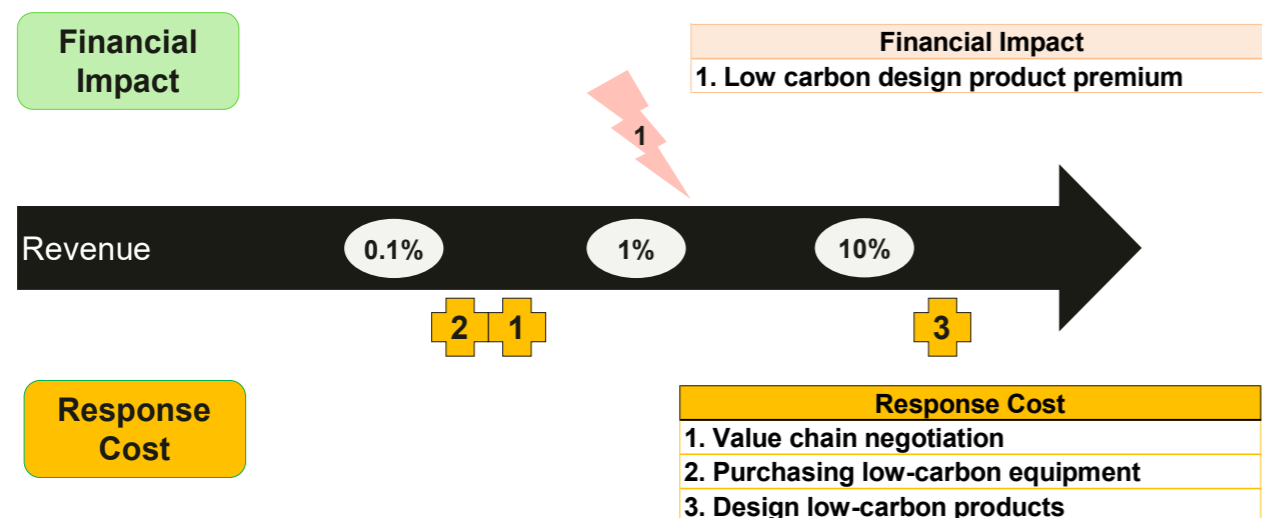
Opportunity 1: Diversification of business activities

	Statement of Financial Impact	Calculation of Financial Impact (Annualized)
Financial Impact Analysis	<p>To avoid operational interruptions caused by extreme weather, the company continues to develop products such as virtual platforms, Mars CamTrack, and remote office to maintain remote business operations, enhance market competitiveness, and expand business scope. The development of related products and the expansion of commercial applications will help enter new markets, increase revenue, and obtain investment opportunities. The financial impact includes:</p> <p>1. Diversification of business applications and expansion of business scope (increased revenue)</p>	<p>1. The growth of new commercial applications can increase the consolidated operating income by 20%-50% after evaluation</p>
Cost Analysis of Coping Strategies	<p>HTC's actions to realize the above opportunities, as well as assessing the actions that can be implemented, include:</p> <p>1. Empower consumers and expand applications (cost increase)</p> <p>2. Invest in research and development to expand commercial applications (cost increase)</p>	<p>The financial impact of the associated input costs is:</p> <p>1. Marketing expenses for promoting the commercial application of the subject product, assessed at 0%-10% of consolidated operating income</p> <p>2. 2. Optimizing the development of new business-related applications and increasing research and development expenses, which is estimated to be 0%-5% of consolidated operating income</p>



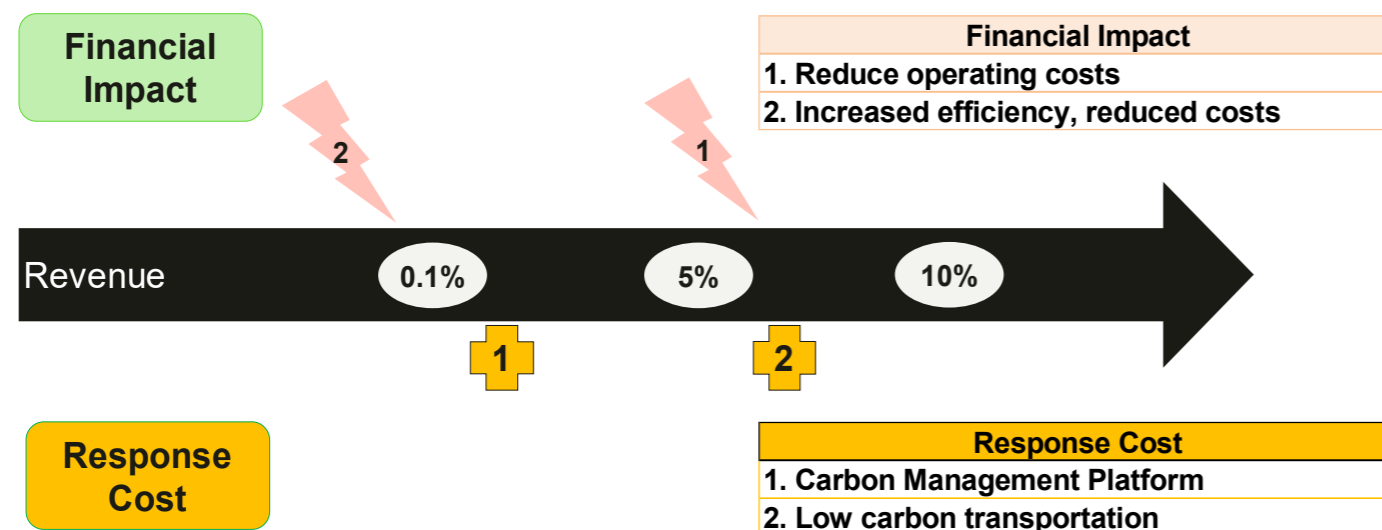
Opportunity 2: Develop and increase low-carbon goods and services

Statement of Financial Impact		Calculation of Financial Impact (Annualized)
Financial Impact Analysis	<p>In response to the trend of carbon reduction, the company invests in the development of low-carbon businesses, including VIVERSE, VIVE Arts, VIVE Originals and G REIGNS; and integrates green design principles into product design to extend product life and reduce environmental impact. The development of low-carbon businesses and green products will attract consumers and investors, help increase revenue and obtain investment opportunities. The financial impact includes:</p> <ol style="list-style-type: none"> Low-carbon products increase product competitiveness (increased revenue) 	<ol style="list-style-type: none"> The percentage of premium that can be charged to customers due to the introduction of low-carbon design is estimated to be about 1.1%.
Cost Analysis of Coping Strategies	<p>HTC's actions to realize the above opportunities, as well as assessing the actions that can be implemented, include:</p> <ol style="list-style-type: none"> Value chain negotiation (increased costs and fees) Empower consumers and expand applications (increased costs and fees) Design low-carbon products (increased costs and fees) 	<p>The financial impact of the associated input costs is:</p> <ol style="list-style-type: none"> The value chain is negotiated to reduce relevant carbon emissions, and the evaluation encourages suppliers to participate in renewable energy projects to increase procurement costs by 0.25%-0.5% and to promote the concept of sustainable and green consumption to customers and suppliers, accounting for about 0.2%-0.3% of consolidated operating income Use low-carbon equipment to reduce carbon emissions in the manufacturing and operation process, and invest in one-time expenditures, accounting for about 0.2% of consolidated operating income 3. Incorporate low-carbon design concepts or choose low-carbon emission/recyclable materials. After evaluation, it is necessary to increase purchase costs, R&D costs, and other derivative costs by 4%-15%, accounting for about 11% of consolidated operating income. This investment The cost is also identified as the response cost of risk 2 and the financial impact of risk 3 at the same time, which is hereby explained.



Opportunity 3: Use more efficient production management and distribution processes

Statement of Financial Impact		Calculation of Financial Impact (Annualized)
Financial Impact Analysis	<p>Carbon emission disclosure and carbon reduction requirements at home and abroad are becoming more and more clear. The company actively invests in and adopts new technologies to improve production management efficiency, such as building a "carbon management platform" to manage and analyze relevant activity data in real time; adopt environmentally friendly transportation with superior performance to improve energy consumption. efficiency. Using a carbon management platform to manage carbon emissions and adopt environmentally friendly transportation can reduce costs and reduce response costs caused by climate impacts.</p> <ol style="list-style-type: none"> 1. Increased operational efficiency and reduced costs (cost reduction) 2. Reduce the impact of carbon tax and carbon fee on operations (cost reduction) 	<ol style="list-style-type: none"> 1. Due to the increase in operating efficiency and cost reduction, it is estimated that the annual reduction in operating costs will account for approximately 5.5% of consolidated operating income 2. To reduce the impact of carbon tax and carbon fee on operations, according to the greenhouse gas emissions corresponding to production management and distribution, evaluate the annual reduction of operating expenses, accounting for less than 0.1% of consolidated operating income
Cost Analysis of Coping Strategies	<p>HTC's actions to realize the above opportunities, as well as assessing the actions that can be implemented, include:</p> <ol style="list-style-type: none"> 1. Investing in costs to increase operating efficiency (increased costs or expenses) 2. Use low-carbon transport (increased costs) 	<p>The financial impact of the associated input costs is:</p> <ol style="list-style-type: none"> 1. The construction cost and annual maintenance cost of the carbon management platform account for less than 0.2% of the consolidated operating income. This response cost is also identified as the financial impact of risk 3, hereby explain 2. Using low-carbon transportation, assess the cost increase of 200%-300% for air and sea transportation using low-carbon transportation, accounting for less than 6% of consolidated operating income



Metrics and Targets

Metric Goal Setting

HTC introduced SBT, set up a net-zero path in line with its own operating conditions, and submitted the SBT commitment for review and approval this year, established future reduction goals, and linked its own core business to construct a clear carbon reduction path from the perspective of overall and specific quantitative management, covering Five major carbon reduction strategies, integrating multiple aspects towards the 2050 net zero goal. HTC set the SBT net-zero target, and set the scope 1 and 2 reduction targets to reduce by 42% in 2030 compared with the base year (2021); and reduce by 90% in 2050 compared to the base year.

Completely Risk Management

HTC plans to formulate global warehouse control plans and off-site office management methods through risk assessment of all operating bases, strengthen corporate resilience in the face of climate risk scenarios, and set up early warning mechanisms in high-risk bases to increase natural disaster risk coverage rate, in order to minimize the interruption of operations or the loss of plant and equipment caused by the weather.

Project	Metrics	Targets
Risk Assessment	The number of risk assessments of operating bases completed	
Risk Mitigation Plan	Develop global cargo warehousing locations Begin to develop basic emergency response / business continuity management plan	
	Formulate remote office management methods (policies, drills)	<ul style="list-style-type: none">By 2025, 100% complete the risk assessment of high flooding of operating bases according to RCP8.5
	Increase the water level warning system of Dongmen River and the installation of manpower support waterproof gates	<ul style="list-style-type: none">Number of risk mitigation plans (or asset value) for 100% of operating bases in 2030
	Adding automatic drainage system equipment	<ul style="list-style-type: none">The number of days of operational interruption caused by weather is 0 days
	Addition of an emergency notification system as a contingency mechanism	<ul style="list-style-type: none">The loss of plant and equipment caused by climate is 0 yuan
	Products transfer	<ul style="list-style-type: none">100% natural disaster insurance coverage
Natural Disaster Insurance	Natural disaster insurance fixed assets and inventory coverage ratio (%)	

Energy-saving and Low-carbon Operation Management

For operational equipment and behaviors, HTC integrates the concepts of energy saving, power saving, and low-carbon into daily operations and management. Through green buildings, energy-saving solutions, and renewable energy purchases, it can effectively reduce carbon emissions and energy use generated by operating behaviors, and establish a carbon Management platform to track carbon emissions, so as to achieve effective operational carbon emissions regulation. In addition, HTC has planned to evaluate carbon rights purchase targets, and build a virtual platform to enhance the intensity of supply chain management, hoping to achieve net zero emissions of HTC Target.

On the other hand, in 2023, HTC will set up a working group for the electrification of shuttle vehicles and transportation vehicles, including low-carrying vehicles as one of the low-carbon management operating guidelines, and plans to encourage colleagues to refer to the Environmental Protection Agency of the Executive Yuan when they are on business trips. The list of environmentally friendly hotels, while taking public transportation more during normal commuting, under the goal of low-carbon operation, at the same time achieve low-carbon commuting for employees.

Item	Metrics	Targets
Green building	Improvement in energy and water efficiency (%)	<ul style="list-style-type: none"> Improve electricity and water efficiency by 30% by 2050
	Whether to carry out energy-saving scheme planning, replace energy-saving lamps or chilled water hosts	<ul style="list-style-type: none"> In 2023, take inventory of lamps and ice water host models and produce a carbon reduction assessment report In 2024, manufacturers negotiate or seek cooperation with manufacturers
Energy saving project	Introduction of energy automation/digital management	<ul style="list-style-type: none"> Formation of an energy saving working group in 2023 Identify the processes that can be automated or digitized in offices and factories by 2023 In 2024, manufacturers negotiate or seek cooperation with manufacturers
	Set up an energy-saving/cloud-based computer room	<ul style="list-style-type: none"> Formation of an energy saving working group in 2023 Identify computer room equipment that can be cloudified in 2023 In 2024, manufacturers negotiate or seek cooperation with manufacturers
Incorporate suppliers' energy-saving measures into procurement criteria	Develop procurement policies and selection criteria	<ul style="list-style-type: none"> Aggregate commodity carbon emission data in 2024 Set a low-carbon commodity definition by 2025
Carbon data management platform	Systematize the carbon inventory process and improve management quality	<ul style="list-style-type: none"> Establish a carbon data collection system and carbon index database in 2023 Connect internal data (domestic & overseas) in 2023 Establish a carbon data tracking and application system in 2023, and establish a carbon data analysis methodology Begin to produce carbon data analysis report every year in 2024
Buy renewable energy	Completion of renewable energy outsourcing	<ul style="list-style-type: none"> Establish a renewable energy working group in 2023 and produce an assessment report on self-generation of renewable energy. Search for and compile a list of renewable energy construction manufacturers in 2023.

Item	Metrics	Targets
Carbon Credits Screening Mechanism	Complete the cost assessment of carbon credits purchase types and purchase targets	<ul style="list-style-type: none">Establish a carbon credits working group in 2023Produce a list of carbon credit purchase types in 2024Produce an assessment report on the purchase of carbon credits in 2025
Low carbon y vehicle	Electrification of the shuttle bus	<ul style="list-style-type: none">Establish a working group on the electrification of shuttle vehicles and transit vehicles in 2023Evaluate cooperative connection vendors in 2024
Low carbon commuting	When staying in an eco-friendly hotel during a business trip, can refer to the list of eco-friendly hotels issued by the Environmental Protection Agency(Taiwan)	<ul style="list-style-type: none">From 2023, colleagues will stay in eco-friendly hotels when traveling on business. You can refer to the list of eco-friendly hotels issued by the Environmental Protection Agency(Taiwan)
	Low Carbon Commuting/Transportation	<ul style="list-style-type: none">Encourage colleagues to take more public transportation when commuting from 2023

Extended Product Life Cycle

Whether it is the product itself or product parts, HTC uses the concept of recycling and shared use to design production components that are easy to disassemble and assemble, and is committed to reducing product waste. life cycle and reduce the use of raw materials.

Item	Metrics	Targets
Extend product life	Provide refurbished and reassembled products	<ul style="list-style-type: none">Increase the number of re-sell products by 30% in 2050Conduct annual reviews on material supply and demand, market prices and inventory starting from 2023
Product Cycle Mechanism	Design products that are easy to disassemble and allow parts to be reused	<ul style="list-style-type: none">Increase the number of DIY repair service purchases by 30% by 2050
	Reduce product material waste	<ul style="list-style-type: none">Increase the number of re-sell products by 30% in 2050Continuously review material supply and demand, market price and inventory
	Use of recycled materials such as recycled plastic	<ul style="list-style-type: none">Count and track the purchase of commodity DIY repair parts in 2025Increase purchases of DIY repair parts by 10% by 2030Increase purchases of DIY repair parts by 30% by 2050
	Use environmentally friendly materials	
	Reduce packaging materials	
	Voluntary Take Back Policy	

Low Carbon Business Model

HTC has planned to carry out low-carbon innovative design, through low-carbon alternative materials and design options, to reduce the carbon footprint of products, and appeal to consumers to rent instead of buy, develop a new low-carbon business model, and expand new consumer groups. In addition, it cooperates with sustainable advocacy organizations to increase sustainability-related content in VIVERSE and increase users' awareness of sustainability; through virtual reality features, users can experience the impact of climate change and motivate customers to act sustainably.

VIVERSE will provide a supply chain management platform to solve the difficulties in sustainable management of small and medium-sized enterprises, and assist enterprises and organizations to manage sustainable and low-carbon related issues, link products/services with sustainable indicators, and expand more diverse business models , and achieve low-carbon operation of the entire value chain.

Item	Metrics	Targets
Low Carbon Innovative Design	Carry out low-carbon innovative design, reduce product carbon footprint, and create new markets	<ul style="list-style-type: none"> Formation of a low-carbon materials and design working group in 2023 Feasibility assessment of low-carbonization of materials used in the process in 202 Low carbon material selection and design by 2025
New market/ Customer Development	<ol style="list-style-type: none"> Cooperate with sustainability advocacy organizations to increase sustainability-related content in VIVERSE and increase users' awareness of sustainability; and through virtual reality features, users can experience the impact of climate change and encourage sustainable actions To assist users and SMEs in sustainable growth, VIVERSE provides a platform to manage the supply chain, and provides specific sustainable suggestions to solve the difficulties in sustainable management of SMEs Assist enterprises and organizations in managing sustainable and low-carbon issues Link products/services with sustainable indicators such as SDGs Build a virtual platform to enhance the strength of supply chain management 	<ul style="list-style-type: none"> The number of VIVERSE subscription users grows by 10% every year
Low Carbon Business Model	Encourage consumers to rent equipment instead of buying	<ul style="list-style-type: none"> Assess the feasibility of launching a rental subscription service in 2024
Formulate and implement low-carbon product management strategies	Complete the carbon footprint inventory of each product line, and set the carbon footprint reduction KPI of the target product	<ul style="list-style-type: none"> In 2023, a series of products that can calculate the carbon footprint of products will be counted (self-counted), and a list of target products will be produced Produce the target product life cycle assessment report in 2024 Complete ISO 14067 for the target product in 2025 Complete the target setting report on product carbon footprint reduction by 2026

Supply Chain Management

The countermeasures related to climate change are not limited to HTC itself. HTC has extended the actions and policies of climate change to the entire value chain, including prioritizing the negotiation of sustainable management with key suppliers; , Water-saving measures and goals are included in procurement standards, etc. In addition to requiring suppliers to take relevant implementation actions, an assistance plan is also set up for suppliers in difficulties, and through counseling, we will work with suppliers to implement carbon reduction goals. At the same time, HTC also considers climate risk events such as heat exhaustion and snowstorms that suppliers' employees may face, and requires identification and provision of safety maintenance for its employees' occupational safety and health.

Item	Metrics	Targets
Supply Chain Negotiation Object Identification	Identify key suppliers and concentrate resources on priority negotiating partners	<ul style="list-style-type: none">Establish key supplier standards by 2023Set standards for supplier classification in 2024
Incorporate suppliers' energy-saving measures into procurement criteria	Develop procurement policies and selection criteria	<ul style="list-style-type: none">Aggregate commodity carbon emission data in 2024Set a low-carbon commodity definition by 2025
Set up a supply chain assistance program	Suppliers with higher power consumption/carbon emissions are required to implement data management and set trackable medium and long-term goals	<ul style="list-style-type: none">Types of Assistance Programs to be Assessed in 2024Establish a working group to implement the plan in 2025
Suppliers are required to set management goals such as power saving and water saving, and obtain third-party verification	Define the scope of management objects and define standard methods, require suppliers to perform data inventory, and report back after completion	<ul style="list-style-type: none">From 2023 onwards, suppliers are required to provide carbon data that has been verified by internal and external inspections
Identification of security protection	Assess the occupational safety and health protection actions of suppliers' employees	<ul style="list-style-type: none">Suppliers are required to add new employees. If they encounter climate risk-related events such as heat exhaustion and blizzards, the company's countermeasuresIncorporate climate-related risk management questions into supplier self-assessment/audit questionnaires

HTC Execution status

Completely Risk Management

With reference to relevant information and laws and regulations, HTC started to formulate a climate change risk management procedure book as an operational basis for internal risk management. It is planned to be completed and published in the company's internal management system before the third quarter of 2023.

Energy-saving and Low-carbon Operation Management

As the basis for setting TCFD goals and indicators so that it can respond early to reduce the risks and challenges of climate change, the company regularly reviews and manages scope 1, scope 2, and scope 3 greenhouse gas emissions, and follows the SBTi 1.5°C climate scenario specification setting Net-zero emission goals and paths, formulate corporate carbon reduction policies and promote carbon emission reductions in a more systematic and scientific manner. At the same time, referring to SBTi's carbon reduction proposals, the carbon reduction practices of peers and domestic and foreign benchmark companies, and considering the results of HTC's annual carbon inventory and current related practices, a blueprint for net zero emission strategies has been developed, and a series of action recommendations have been developed as a basis for various departments. The reference for promotion, and by holding a target meeting, track and review the difference between the actual performance of greenhouse gas emission intensity and the target, and formulate necessary measures.

t-CO ₂ e	2020	2021	2022
Scope 1	372.0549	199.4583	153.6231
Scope 2	9,513.1854	8,124.93	7,559.0649
Scope 3*	375.7955	1,729.3762	1,647.4736
Total	10,261.0358	10,053.7642	9,360.1616
Number of increases and decreases compared to the previous year (t)	-4,551	-207	-694
Increase/decrease compared to the previous year (%)	-31%	-2%	-7%

* HTC conducts an inventory of projects in three parts of the scope. For detailed figures, please refer to the HTC Sustainability Report

The company implements relevant reduction measures for hot spots in the operation process, including the continuous use of green energy, the construction of solar panel power generation capacity, the installation of heat pump systems, the installation of special charging stations for electric vehicles and the provision of bicycle spaces, and the replacement of R22 refrigerants with R410A Refrigerant. In order to reduce electricity consumption, HTC continues to promote various energy performance management, starting from building lighting, air-conditioning equipment and other energy-saving improvement management solutions. In 2022, a total of 164,884.44 degrees of electricity consumption will be saved, equivalent to 593.584GJ, and the total reduction in carbon emissions Up to 83.926 t-CO₂e, saving a total of NT\$494,653. HTC has built a solar installation with a capacity of 180kW. Since September 2018, it has completed parallel trial operation and started wholesale electricity sales. The cumulative total power generation has reached 655,600 kWh, reducing about 333.7 t-CO₂e. For more information, please refer to the HTC Sustainability Report.

Extend Product Life Cycle

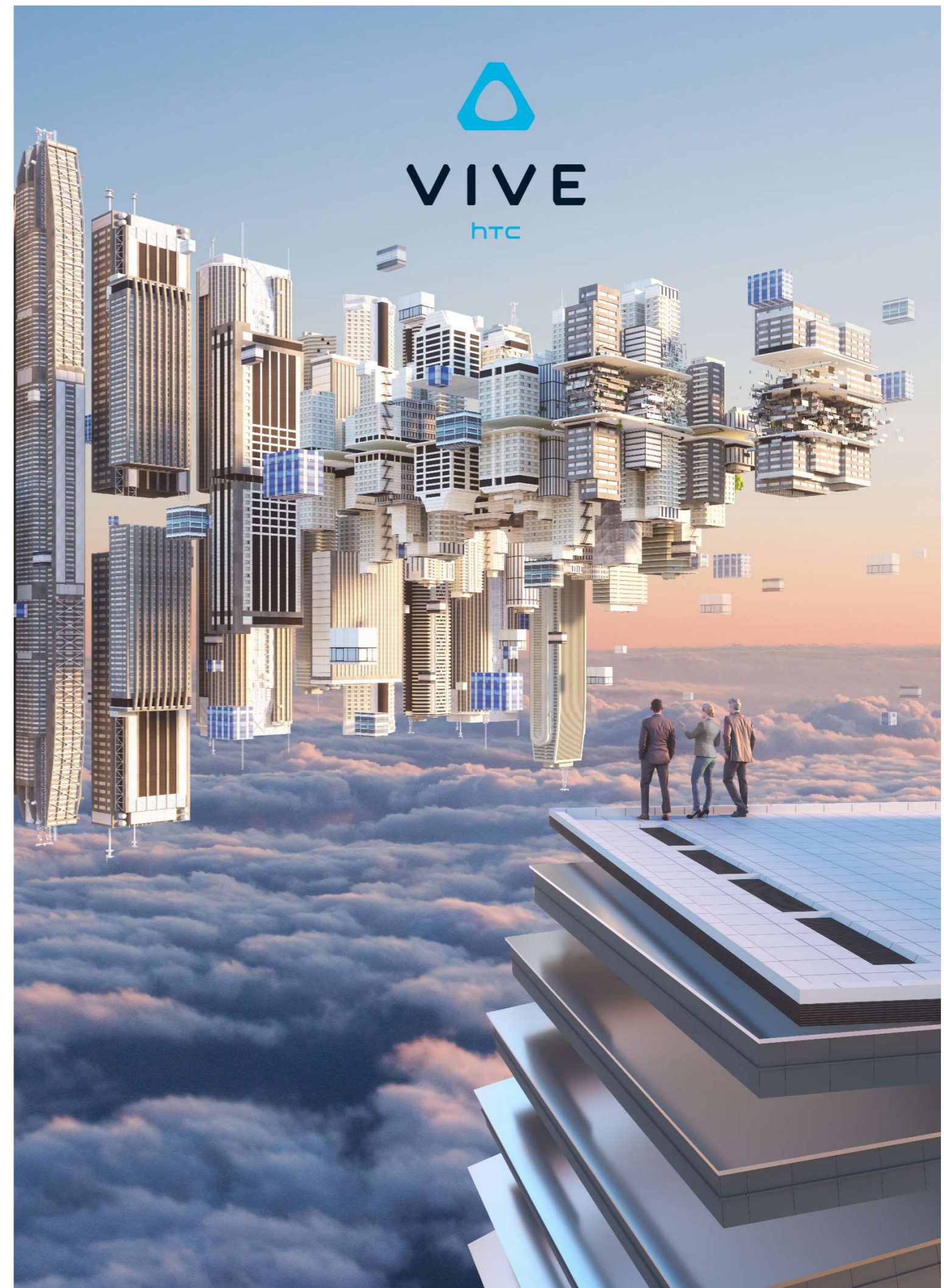
In 2022, HTC conducted a product carbon footprint inspection and verification for the virtual reality product - VIVE Flow, to grasp the carbon content of the product, and build a product carbon footprint inventory mechanism in accordance with ISO 14067. In addition to understanding the carbon emissions of future new products , and then analyze the carbon emissions in each stage of the product life cycle. The HTC design team will consider the use of green materials that are easy to recycle and reuse in the early stage of product design, and the selection of materials is in line with international regulations and customer requirements. In addition to minimizing the carbon emissions of the product, it will also avoid the use of raw materials. The process causes environmental damage and affects the surrounding areas, and actively plans to extend the service life and life cycle of products, avoid using any toxic materials, commit to reducing product energy consumption, increase the proportion of recyclable materials, and reduce the environmental impact of the manufacturing process.

Low Carbon Business Model

Based on the concept of green product design, HTC continues to increase the material recycling ratio of virtual reality products. VIVE Flow does not contain internal control chips, and can directly use mobile phones as controllers, so it can reduce product carbon footprint and power consumption. In addition, the interior of the helmet A battery that only provides power for 5 minutes can be connected to a power bank for normal use, and a 10,000 mAh power bank can provide up to 5 hours of use. In addition, due to the redesigned appearance of VIVE Flow, in addition to saving the number of parts, it is easier to assemble to save time and manpower, which helps to reduce carbon emissions and contribute to the natural environment. HTC usually adopts a waste reduction strategy, and continues to reduce the generation of waste from the source through classification and publicity reduction. At the same time, it prioritizes reuse to increase the efficiency of resource recycling.

Supply Chain Management

HTC has been participating in CDP since 2008. In addition to regularly reporting carbon risk and carbon management plans, systems and achievements, it also joins CDP supply chain project members and invites suppliers to participate in carbon disclosure to clearly understand all suppliers' carbon emissions. In terms of management, HTC will be awarded a leadership level (A-level) in the CDP Supplier Engagement Rating (SER) in 2022, including "Supply Chain Negotiation" and "Greenhouse Gas Scope 3 Emissions" Key scoring items such as CDP are all affirmed by the highest grade (A), which uses companies' responses to selected questions on governance, targets, scope 3 emissions and value chain engagement in the CDP climate change questionnaire to assess supplier engagement performance. HTC also continues to carry out supply chain carbon emission questionnaires, actively exerts corporate influence, and calls on supply chain partners to jointly conduct further assessments and actions for climate change.



Assessment Statement

TCFD Performance Assessment Statement

The process and procedures of

HTC CORPORATION

23 Xinghua Road Taoyuan District,
Taoyuan City 330, Taiwan

have been assessed from 21 April 2023 to 03 May 2023 and demonstrated the
implementation status against the

Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (29 June 2017)

The organization has incorporated climate-related governance organization

The actual and potential impacts of climate-related risks and opportunities has been considered
and identified over the relevant short-, medium-, and long-term time horizons

The resilience of the organization's strategy were taking into consideration with different climate-related scenarios
including SBTi 1.5°C, NDC and RCP8.5 (or SSP5 8.5) scenarios

The methodology of organization's climate-related risk management process has been adequately implement
as well as integrated into organization's overall risk management.

The scope1 and scope 2 greenhouses gas emissions inventory has been conducted and verified annually in Taiwan,
certain metrics and targets have been used by the organization to manage climate-related risks and
opportunities and performance and the SBTi 1.5°C target is under review.

For the following activities

Governance, Strategy, Risk Management, Metrics and Targets

And cover the following operational locations:

Headquarter of HTC CORPORATION .

HTC meets SGS TCFD performance assessment at management level of

"Practitioner"

Authorised by



Stephen Pao

Knowledge Deputy General Manager

Issue Date: 30 May 2023

Valid Date: 29 May 2024

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Disclaimer

The findings recorded herein demonstrated a level of performance against the
Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures
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<p>NATURE AND SCOPE OF THE ASSESSMENT</p> <p>SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by HTC CORPORATION. (hereinafter referred to as HTC) to conduct an independent performance assessment of the Task Force on Climate-related Financial Disclosures, (hereinafter referred to as TCFD).</p> <p>The information in the HTC's TCFD disclosure framework and its presentation are the responsibility of the management of HTC. SGS has not been involved in the preparation of any of the material included in HTC's TCFD disclosure framework.</p> <p>Our responsibility is to express an opinion on the report content within the scope of performance assessment with the intention to inform all HTC's stakeholders.</p> <p>The SGS protocols are based upon the Fundamental Principles for Effective Disclosure contained within the TCFD and SGS Management System Manual and Global System procedures.</p> <p>The performance assessment comprised a combination of pre-assessment research, interviews with relevant employees, superintendents, ESG committee members and the senior management in HTC's Headquarter; documentation and record review and validation with external bodies and/or stakeholders where relevant.</p> <p>SCOPE OF PERFORMANCE ASSESSMENT AND DISCLOSURE CRITERIA</p> <p>The scope of the performance assessment included evaluation of quality, reliability of TCFD disclosure and performance information as detailed below and evaluation of adherence to the four core elements for the management process as well as seven principle for effective disclosures for the information to be disclosed.</p> <p>PERFORMANCE ASSESSMENT METHODOLOGY</p> <p>The assurance comprised a combination of pre-assurance research, interviews with relevant employees, documentation and record review and validation with external bodies and/or stakeholders where relevant.</p> <p>STATEMENT OF INDEPENDENCE AND COMPETENCE</p> <p>The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from HTC, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.</p> <p>The assessment team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, SRA, EMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the TCFD performance assessment service provisions.</p> <p>ASSESSMENT OPINION</p> <p>On the basis of the methodology described and the verification work performed, we are satisfied that the management process and information demonstrated by HTC within the TCFD performance assessment evaluated is reasonable, reliable and provides a sufficient and balanced representation of HTC climate related risks and opportunities management activities and meets SGS TCFD performance assessment at management level of "Practitioner".</p> <p><small>Disclaimer The findings recorded herein demonstrated a level of performance against the Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (29 June 2017) and are only valid at the time of the intervention and only as stated above. This document is not intended to be used for certification purposes or regulatory or contractual use and does not relieve the Client from compliance with any bylaws, federal, national or regional acts and regulations issued pursuant to TCFD. SGS Services are governed by and subject to the General Conditions of Customised Audit Services.</small></p>	 <p>Page 2 of 2</p>
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 VIVE XR ELITE

Feedback _____

If you have any questions about the 2022 HTC Climate-related Financial Disclosure Report, you are welcome to provide feedback to help us continue to improve.

Contact Us _____

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