



Climate-related risks

Governance of climate-related risks and opportunities

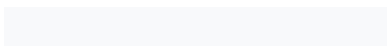
Core elements			
Governance	Strategy	Risk Management	Metrics and Targets
The General Manager of the Board of Directors shall be a member of the CSR Committee and shall review and report regularly to the Board of Directors on CSR-related policies and decisions, including those related to climate change, major risks, and business opportunities. Solutions to climate change and environmental issues and their performance shall be presented in a CSR report, which shall be completed by the end of September each year.	The objectives are: to promote professionalism and environmental protection, to promote lean production, to improve resource efficiency, to use environmentally friendly materials and green equipment, to supply ecologically safe products, to grow sustainably, to meet stakeholders' expectations, and to improve the disclosure of climate information.	Management solutions shall be produced to reduce the risk of loss in the event of a major risk event. All possible options should be analyzed, targets set (elimination of risk, reduction of risk, diversification of risk, etc.) and a meeting held to decide on the final solution to be implemented.	● Improving its own resilience ● Setting impact limits ● Calculating the financial impact ● Promoting a low carbon economy

Actual and potential climate-related impacts

Risk categories	Risk dimensions	Risk	Financial Impact
Transformation risk	Regulations and Policies	Increased demand and regulations related to sustainability	● In terms of operating locations, we may need to increase the cost of building electrical equipment and other costs in response to regulatory changes.

		Increase in greenhouse gas emission costs	In response to Taiwan's greenhouse gas reduction and management regulations, the company has to improve its equipment and energy efficiency. It may be affected by the potential carbon tax and carbon trading system, which may lead to an increase in operating costs.
	Technology	Products and services are now being replaced by lower-carbon alternatives.	The emergence of lower carbon products and services to replace existing products and services may result in a loss of revenue.
	Market	Changing customer behavior	Increased demand for lower carbon products and services due to increased customer awareness of sustainability may result in a shift to lower carbon services, thus impacting revenue.
	Reputation	Shifting customer preferences	Products or services with high carbon emissions and low climate resilience may affect customers' trust in the company, damaging its reputation and further affecting its revenue.
		Eco-friendly corporate image	Ecological conservation: With the development of civic awareness, the corporate environmental image of land development and forestry and agricultural land maintenance will receive more attention from civic groups.
Physical risks	Extreme risks	Typhoons will increase and intensify in strength	Strong winds may cause damage to equipment/assets and increase the number of work stoppages or shutdowns due to weather conditions. This may affect the safety of staff at work and cause loss of business.
		Increased frequency of water shortage and drought	Lack of water and drought will affect the growth of tea trees and affect production capacity.

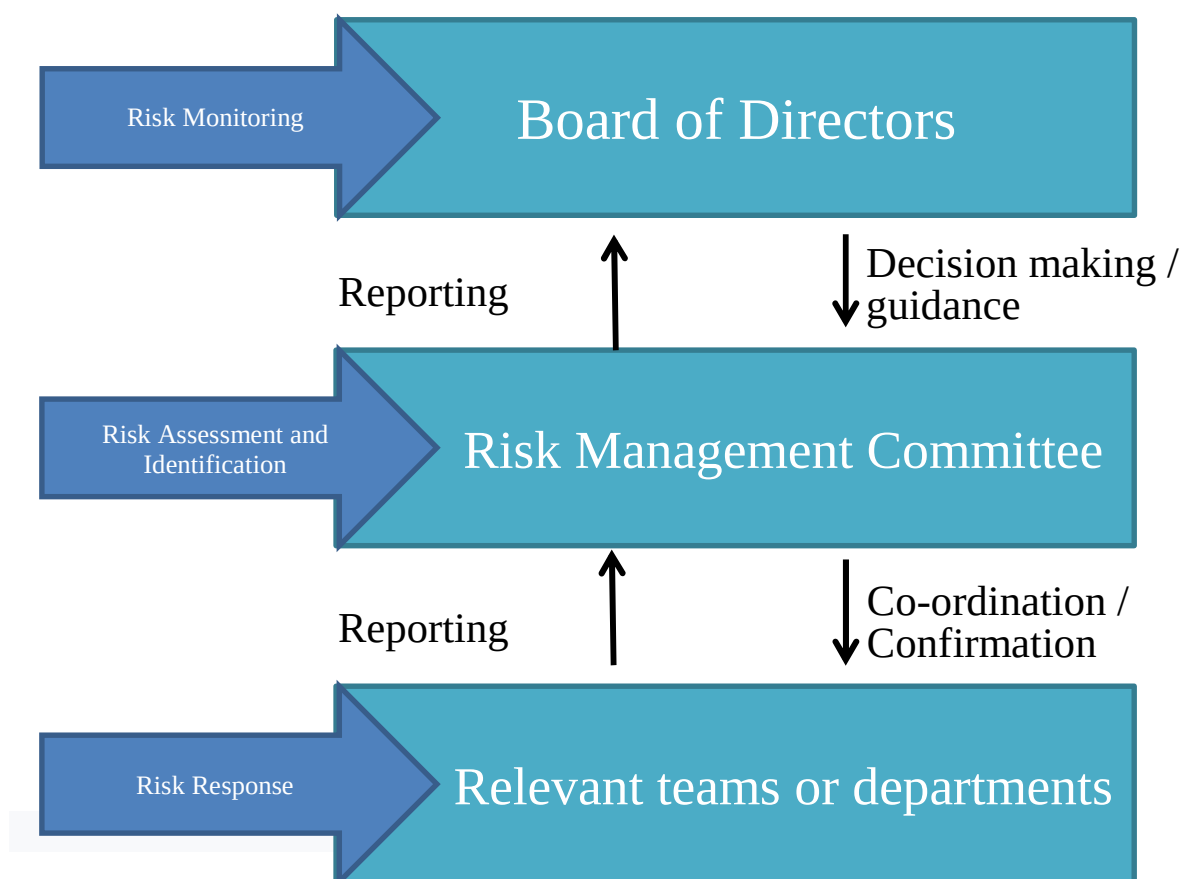
		Earthquake	● Risk of damage to production machinery due to earthquakes ● Earthquakes may affect the electricity and gas supply. ● Severe earthquakes may cause damage to houses and serious injury and loss of life, property and public facilities.
	Long-term risks	Increase in average temperature	● Higher average temperatures will increase the cost of electricity. Electricity shortages will lead to disruptions or increased operating costs and higher carbon emissions.
		Severe weather changes	● Severe changes in temperature (such as an increase in the number of extreme high-temperature days) can lead to prolonged droughts and require companies to invest in water efficiency. ● Drastic changes in temperature can disrupt the growth cycle of tea trees, causing early fibrillation of tea buds, reducing yields.
		Increase in short-duration heavy rainfall	● The increase in the number of hours and days of heavy rainfall in a short period of time is expected to increase the cost of inspection and repair of damage to land and agricultural areas after heavy rainfall. ● Additional costs for environmental maintenance and soil and water conservation facilities are expected on land use and development sites.



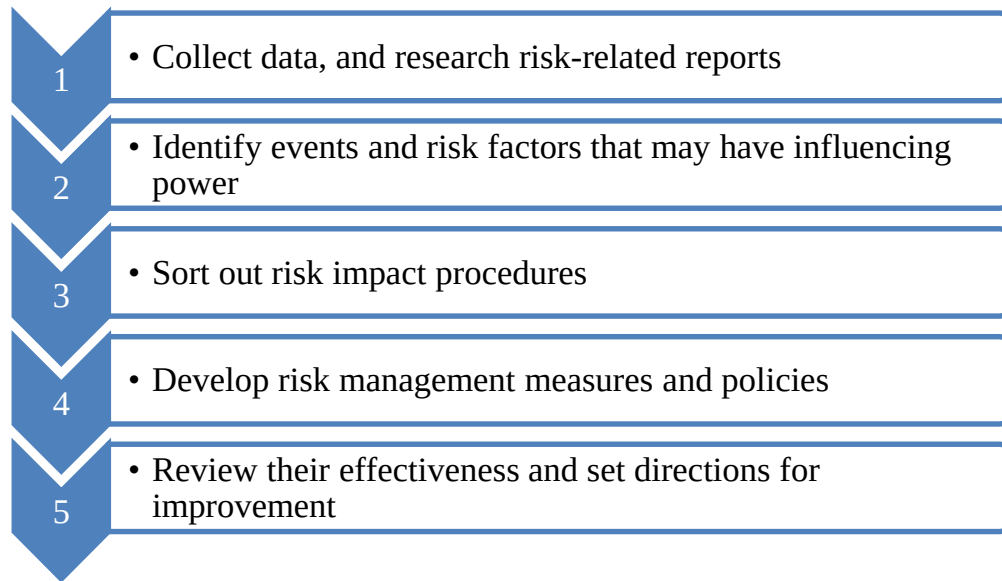
Processes for identifying, assessing and managing climate-related risks

Climate change is having an increasing impact on the world. Natural disasters are also causing increasing loss of life and property. The World Economic Forum's (WEF) Global Risks 2021 report analyses the top five global risks in terms of impact and likelihood of occurrence. Environment-related risks almost dominate the top five global risks. The United Nations calls on countries to declare a state of climate emergency. For people around the world, one of the simplest and most effective ways to help the planet cool down, reduce carbon and make it sustainable is to 'go vegan' and 'go un-plastic', that is, use more vegetables and less disposable plastic or paper products. Another way of saying this is to leave no trace (rubbish) behind. The majority of the healthy meals served at the Daxi Tea Factory and the Sun Moon Lake Antique Assam Tea Farm are made from low-mileage local produce, which is the mainstay of our natural cuisine. The company's main emphasis is on the concept of "Eat at the Right Time," using seasonal and local ingredients to design menus to provide natural and non-toxic fruit and vegetable meals and to implement the low-carbon concept of shortening food miles.

The measures and policies adopted by the Agroforestry to protect the planet are identified through an internal process and the identified risks are as follows. Various working groups have taken up the issue of how to effectively slow down the deterioration of the environment.

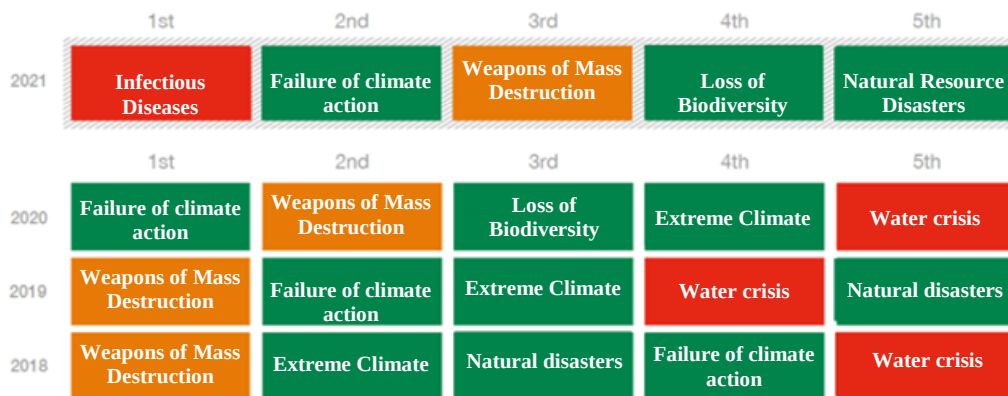


Risk Identification Process



Global Risk Report 2021

Top 5 Global Risks (Impact)



Source: http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf

Indicators and targets for assessing and managing climate-related issues

Risk factors	Risk description	Impact or effect on operations	Management measures / response policies
Climate change	Extreme weather events that cause significant damage to property, infrastructure and life: e.g. drought, high temperatures, power shortages, flooding, wind damage, etc.	Loss of equipment and assets due to strong winds, which may cause impact on staff safety risks and loss of business.	- Strengthen emergency power supply and back-up mechanisms for information systems. Prepare protective measures for stores, factories and offices whenever a strong typhoon warning is issued. - In order to protect the lives of staff and visitors, work and business will be suspended in the event of typhoons or heavy rains that meet

	● Decline in biotic habitats due to land use ● Increase in average temperature. ● Financial impacts on agriculture, forestry, customers and supply chains due to policies that promote adaptation to climate change.	● Short-duration heavy rainfall increases the cost of building and maintaining facilities. ● Disturbance of ecological habitats will result in risks to the environmental image of the business. ● Lack of water or drought affects the growth of tea trees. ● Power shortages will lead to operational disruptions or higher operating costs and higher carbon emissions.	the standards announced by the city/county governments. ● Land and farming areas should be built with enhanced capacity for effective soil and water conservation facilities to improve the ability of land and farming areas to cope with climate risks. ● A consultation mechanism with experts will be introduced for environmental development and utilization so that the concept of environmental conservation is integrated into the operating system at the planning stage. ● Implementing an efficient water-saving system (Israeli drip irrigation), the 14,000 drip holes per hectare are used to precisely inject liquid fertilizer and water into tea seedlings, saving nearly 70% of water and 50% of fertilizer use, reducing water consumption, expanding water storage capacity and achieving precise fertilizer application as an adaptation strategy to climate change in the agricultural sector. ● Implementing internal water conservation and improving water recycling rates ● Pingtung Laopi Tea Factory installed solar panels on the roof of the new factory. ● Switching to LED lighting in the office to reduce electricity consumption ● Switching to production machinery
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Public health	● Risk of contagious or infectious diseases may lead to isolation or reduction in the workforce. ● Factories may be shut down. Tourism and entertainment consumption will be affected.	● Isolation of employees in a pandemic may cause disruption to operations. ● Loss of income may arise due to the prohibition of access for disease control reasons.	● Keep an eye on the trend of the pandemic and develop a notification mechanism and related protective measures. ● Free masks should be provided to leisure stores for their staff to wear, body temperature measurements should be taken and automatic alcohol disinfectant sprays should be installed. ● Health management, back-up mechanisms and off-site offices should be put in place to ensure operational sustainability.