SYSTEX 精誠集團

2022 Task Force for Climate-Related Financial Disclosures Report

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According to the WEF's "Global Risk Report 2023", "Failure to mitigate and adapt climate change" and "Natural disasters and extreme weather events" are once again listed as the highest global risk in the next 10 years, reflecting the need for governments and enterprises to strengthen climate governance while implementing climate actions to prevent ineffective actions.

For a complete assessment of climate-related risks and opportunities, SYSTEX refers to the Task Force on Climate-related Financial Disclosures (TCFD) as an analysis framework and becomes a TCFD supporter in 2023.





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Governance

The Chairman is the highest governance level for sustainable development, and assigns the CSO as the leader of the Sustainability Group to supervise ESG implementation and performance.

Board of Directors

- SYSTEX has set up a "Risk Management Committee" approved by the Board in Dec. 2022. The Board is the highest governance level for risk management and responsible for:
 - Approve risk management policies, procedures and structures
 - Ensure strategic direction is consistent with risk management policies
 - Ensure to establish risk management mechanisms and culture
 - Supervise and ensure the effective implementation of risk management mechanisms
 - Assign and allocate resources to enable risk management e
- In addition to integrating climate risks and opportunities into risk management, the Board holds a meeting on average every two months to discuss business strategy issues and major events of ESG, risks and opportunities.
- The Chairman is the highest governance level for sustainable development to supervise ESG implementation irregularly.

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effectively	Chairman of the Board	
	Chief Sustainability Officer	
	Sustainability Group	
vironment Team	Social Team	Corporate Governa Team
rgy management ter saving and waste uction management bon management zero pathway ewable energy en tech solution	Internal software talent training Comprehensive employee healthcare plan Human rights and OHS Cultivating young software talents Al ecosystem partner	Corporate governance Regulatory compliance Risk management Information security Supplier management CRM

Board of Director

- SYSTEX established the "Sustainability Group" in 2020, with the highest governance level being the Chairman. In 2021, SYSTEX set the CSO as the leader of the Sustainability Group to supervise and coordinate climate risk assessment, formulate climate-related strategies, goals and measures.
 - In accordance with the "SYSTEX Sustainable Development Best Practice Principles", the Board is responsible for the supervision and promotion of sustainable development affairs and the CSO will irregularly report ESG project progress to the Chairman and report the promotion of sustainable affairs to the Board every year.

- **Environment Team**
- The "Environment Team" under the "Sustainability Group" is responsible for identifying climate risks and opportunities, planning related strategies and goals, and implementing relevant projects.

For more details about the Sustainability Team, please refer to "Web Sustainable Governance".

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Formulate the "Environment and Energy Policy" and aim to achieve "Net Zero by 2050", to implement climate risk and opportunity identification, climate scenario analysis and plan related strategies and measures.

Sustainability Group

Environment Team

- The "Environment Team" under the "Sustainability Group" is responsible for identifying climate risks and opportunities, planning related strategies and goals, and implementing relevant projects, so as to address the financial impact of climate-related risks and opportunities.
- SYSTEX uses guestionnaires to understand stakeholders' concern about envrionmental issues, so that members of the "Sustainability Team" evaluate the positive and negative impacts and probability of occurrence of environmental issues, consult external experts for suggestions, and conduct discussions based on the ranking results. Finally, the CSO approves the ranking results.
- Time horizon for climate management: the shortterm is within 2 years, the medium-term is 3-5 years, and the long-term is more than 5 years.

Climate-related Risk and Opportunity Matrix





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Financial Impact and Management Measures of Climate-related Major Issues

- SYSTEX has collected 36 Climate Risk Issues and 22 Climate Opportunity Issues, asking internal stakeholders to conduct assessment based on the degree of impact and probability of occurrence, thus identifying 7 climate risk issues and 7 climate opportunity
 - **issues** to evaluate those financial impacts and formulate relevant mitigation measures.
- All identified climate risk issues are transition risks, covering "Market, Reputation, Policy and Legal, Technology", and they are:

	Туре	Issue	Detail	Impact	Probability	Financial Impact (-)	Mitigation Measures
	Market	Customer behavior change	Due to the rising awareness of global sustainability, customers have different considerations while choosing products or services.		 Reduce re non-low-c Increase t for comm Increase R 	 Reduce revenue from non-low-carbon services 	 Professional training help meet demand for sustainable products and services. Incentives for customers to easily choose SYSTEX.
	Reputation	Customer preferences change	Due to the rising awareness of global sustainability, customers have changed preferences for specific products or services.			 Increase the labor costs for communication Increase R&D costs 	 Increased investment in R&D and marketing of low-carbon products. Higher internal visibility of sustainable products and solutions with seed speakers to address business needs and customer communication.
Transitional Risks Market Policy and Legal	d Legal	GHG mandatory reporting	Companies may be compelled to inventory, report or verify GHG emissions In line with global or domestic laws and regulations.	-vieaium Hign	 Increase the internal or external labor costs for inventory or reporting Penalties for late filing 	 Internal carbon managers are trained for carbon audits, which is done with software to reduce labor costs. 	
	Policy and	Renewable energy regulations	The price of renewable energy or the composition of energy sources may be affected by global or domestic laws and regulations.			 Increase expenditure for RE purchase due to regulations RE supply shortage drives up prices 	 Advance purchase of Renewable Energy Certificates and strategically partnership with providers with solar power plans. Promote energy-saving solutions to reduce reliance on renewable energy.
	Market	Carbon tax	Tax systems related to GHG or climate change are formulated by governments.	Mid-low	High	 Additional tax payment Increase spending on office equipment replacement 	 Monitor international carbon tariffs to meet international market and customer demands in future taxations. Upgraded energy-efficient equipment to lower costs and carbon taxes.
	Technology	New-tech investment	Companies must invest in new technologies due to climate change. Wrong positioning or investment targets as well as tech-bottlenecks can cause losses.			 Increase R&D costs 	 Take stock of core technologies and climate-related products and services. Invest in promising startups for strategic alignment.
Reputation	Reputation	Bad reputation	Due to the rising awareness of global sustainability, products or services that have negative impacts can create bad reputation.	Mid-low	Mid-high	 Reduce product sales affected by negative impacts Increase costs for recruitment and capital borrowing Decrease in brand value 	 Actively engage in sustainability ratings, disclosure of positive results, and continuous improvement to enhance brand image. Work with sustainable suppliers to enhance brand awareness and customer satisfaction.

Financial Impact and Management Measures of Climate-related Major Issues

• The identified climate opportunity issues are covering "Products and Services, Markets, and Resilience", and they are listed below:

	Туре	Issue	Detail	Impact	Probability	Financial Impact (+)	Mitigation Measures	
ortunity	Products and Services	R&D	Adopting innovative processes or changing services can contribute to the mitigation and adaptation of climate change.	Medium		 Increase revenue from new business model Improve customer trust and satisfaction 	 Build a technical barrier with patented sustainable innovations. 	
		Customer behavior change	Customers have different considerations while choosing products or services.			 Low-carbon products generate higher profit Improve corporate brand image 	 Leverage ecosystem partners to offer low-carbon solutions for market differentiation and customer connections. 	
		Operation diversification	Provide more low-carbon products or services to stabilize market position and competitiveness.			 Increase revenue from new business model Leverage key technolog organizational resilience, a 	 Leverage key technologies to develop diversified products or services, organizational resilience, and sustainable competitiveness. 	
		Mitigation action	New products or services help to reduce or adapt to the impact of global climate change risks.		n High	 Increase sales to customers 	 Integrated, low-difficulty energy-saving services help clients towards Net-Zero goals. 	
Орр	Markets	New business opportunity	Increase profits in existing markets, or find new business opportunities in emerging markets.				 Increase revenue from new business model 	 Connect global partners via the internet, expanding client base with diverse sustainable solutions.
		Government cooperation	Participate in government projects related climate change to obtain subsidies or rewards, and to gain popularity for products or services.			 Reduce the costs of initial investment, such as R&D, equipment, etc. Reduce expenditure due to government subsidies 	 Support government policies. Offer relevant services to assist clients with compliance. 	
	Resilience	Alternative or multiple resource	Improve supply chain reliability and operational capabilities under a wide range of conditions.			 Reduce costs through inquiry, price comparison and negotiation 	 Ensure supply chain sustainability management and resilience with risk and opportunity assessments. 	



costs in 2025-2050 through 3 scenarios.

IEA NZE 2050

According to the "2050 Net Zero Emission scenario" of the International Energy Agency, the global warming will be controlled with 1.5°C, and the energy transition will be promoted by replacing fossil fuels with low-emission electricity. It is expected that the carbon price will double in 2050 compared to 2030, and energy intensity will be reduced by 1% per year. Therefore, with an estimated 20% reduction in electricity consumption and a doubling of energy costs, the electricity costs are expected to increase by 60%.

RCP8.5

According to the RCP8.5 scenario, it is estimated that the global mean temperature will increase by about 1.62°C in 2030, which is expected to increase electricity consumption by 9.7%. Therefore, in the case of a 25% increase in electricity prices in 2030, the electricity costs are expected to increase by 37%. Meanwhile, it is estimated that the global mean temperature will increase by about 2.59°C in 2050, which is expected to increase electricity consumption by 15.5%. Therefore, in the case of a 100% increase in electricity prices in 2030, the electricity costs are expected to increase by 131%.

Carbon Tax

Referring to the scenario parameters released by NGFS, SYSTEX has selected carbon pricing in 3 different scenarios of "high-, medium- and low-emissions", with the carbon tax of US\$2.63, US\$231.86, and US\$268.13 per tCO2 respectively, to estimate the future carbon emission growth and related financial impact. The analysis results show that the lowemissions scenario is expected to increase the cumulative carbon tax cost of NT\$464 million, which will cause the greatest financial impact. Metrics and Targets

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The Board of Directors

Risk Management Committee

(General Convenor: President)

Crisis Management Group

Risk Management

The Board of Director is the highest governance level for risk management, and has set up a "Risk Management Committee" under the Board to be responsible for supervise the effective operation of the risk management mechanism.

Risk Management Committee

- SYSTEX has set up a "Risk Management Committee" in 2022 and formulated risk management policy, relevant regulations, management documents and measures. It is clearly stipulated that the Board of Directors is responsible for approving risk management policy, procedures and management structures, ensuring that the direction of operational strategies is consistent with risk management policies, establishing an appropriate risk management mechanism, and supervising the effective operation of the risk management mechanism.
- The Risk Management Committee is accountable to the Board. It not only fully implements risk management policy, but also sets up the "Crisis Management Group" to be responsible for promoting risk related affairs, ensuring that the risk management mechanism is implemented in daily operations. The Risk Management Committee reports to the Board at least once a year on risk-related management performance including strategies, targets, and actions. Besides, the Crisis Management Group is responsible for cross-departmental coordination and risk awareness training.
- The Crisis Management Group is responsible for the identification and assessment of SYSTEX's overall risks, evaluating the impact of various issues from the perspective of the overall business operation to determine the impact of climate-related risks relative to SYSTEX' various risks.

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Sustainability Group

 The Sustainability Group is responsible for identifying climate risks and opportunities, re-evaluating relevant impacts and planning strategies, targets and actions every year. The "Environment Team" under the "Sustainability Group" is responsible for planning and implementing actions and then reporting to the Risk Management Committee on action performance.

 Crisis Resolution Team (Grouping by Events)

 Regulatory Compliance Events
 Disaster Response Events

 Disaster Response Events
 Continuing Operation Events

 IS Protection Events
 Social Media Events

 IS Protection Events
 For more details about the Sustainability Team, please refer to "Web_Risk Management".

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4 categories of actions: emission management, energy management, water stewardship, and environment management. SYSTEX sets short-, mediumand long-term goals respectively and corresponding measures and actions.

Commitment to Net Zero Emissions

SYSTEX Commits to "Net Zero by 2050"

 In order to limit global warming to 1.5°C of the Paris Agreement, the UN has pledged to achieve "Net Zero Emissions by 2050" since 2019. In the face of the global

climate issues, SYSTEX also promises to achieve Net Zero Emissions by 2050, and follow the "Science Based Targets initiative", hoping to become a model for Taiwan's IT service industry to mitigate climate change through the following carbon reduction paths.



Targets of Net Zero Emissions and Performance

²⁰ NET ZER	2022 Performance	2023 Goal	2030 Goal
Emission Management	 Support green energy policy: purchase 83,493 kWh of t-RECs with renewable energy rate of 1.5%. Complete 2022 Greenhouse Gas Inventory and obtain ISO 14064-1 Verification. Plan a "Power Wheeling Contract" program to gradually increase renewable energy consumption. 	 Renewable energy consumptio n: 2% 	 Renewable energy consumption: 10%
Energy Management	 Analyze the AC operation mode through EMS, and reduce the load and operating time of AC system through function of introducing external air, to save energy usage. Conduct and maintain ISO 50001 Certificate. Cumulatively reduce electricity consumption by 3.2% compared to the base year 2020. 	 Cumulatively reduce electricity use by 5% (compared to the base year 2020) 	 Cumulatively reduce electricity use by 25% (compared to the base year 2020)
Water Stewardship	 Check water quality of water dispenser every 3 months. Install water-saving equipment in office toilets and tea rooms. Raise water-saving awareness through promotional signs. Cumulatively reduce electricity consumption by 29% compared to the base year 2020. 	 Cumulatively reduce water use by 30% (compared to the base year 2020) 	 Cumulatively reduce water use by 35% (compared to the base year 2020)
Environment Management	 Conduct and maintain ISO 14001 Certificate. Actively implement garbage classification and recycling. Cumulatively reduce electricity consumption by 0.3% compared to the base year 2020. 	 Cumulatively reduce waste by 3% (compared to the base year 2020) 	 Cumulatively reduce waste by 10% (compared to the base year 2020)

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Environment and Energy Management

• Energy-saving Measures

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Monitoring Plan through	Environment and Energy	Management System
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	 Continue to replace the water pump of AC units at headquarters building (HQ) to effectively improve the energy-saving performance.
	2022 4 energy-consuming AC units in data centers were replaced, with a total of electricity consumption reduction of 100MWh.
Air Conditioners	2023 Plan to replace cooling water pump in data centers, and equips frequency conversion controllers to reduce power usage.
Water	 Through EMS analysis and management, the AC units host capacity of each floor can be used by 2 floors.
Chillers	2022 Every 2-floors AC system was connected in series in May 2022. It's expected to save electricity usage of 4 AC hosts every month, with a total annual electricity consumption reduction of 328.0943MWh.
leasures Energy	2023 Plan to replace HQ-B1 water chiller with EMS management to reduce power usage.
Managem System, E	 SYSTEX analyzed the AC operation mode through EMS, and reduce the load and operating time of AC system through function of introducing external air except in summer, to save energy usage. 2022 A total annual electricity consumption reservation of 70MWh.
Advocacy Sign	 SYSTEX posted the calorie-consuming charts in the HQ-stairwell, and promoted health signs to encourage employees to exercise more in response to energy-saving and carbon reduction.

Monitoring Items	Indicators	Approach	Frequency
Drinking water quality	E. coli	Outsourcing	Quarterly
Greenhouse Gas Inventory	GHG emission	Internal	Annually
Fire Drill	Drill	Internal	Semiannually
Water consumption in offices	Water use	Internal	Monthly
General waste in offices	Waste weight	Outsourcing	Monthly
Recycling waste in offices	Recycling weight	Outsourcing	Quarterly
Identify internal and external issues and stakeholder concerns		Internal	Annually
Environment review	-	Internal	Annually
Energy review and baseline	-	Internal	Annually
Laws and regulations		Internal	Quarterly
Achievement of goals	-	Internal	Quarterly
Achievement of action plans		Internal	Irregularly
Energy data collection plans		Monitoring System	Continuously
Internal audits for ISO 14001, ISO 50001 and ISO 14064-1	-	Internal	Annually
Management review meetings of ISO 14001 and ISO 50001		Internal	Annually
External audits for ISO 14001, ISO 50001 and ISO 14064-1	-	Outsourcing	Annually

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Water Stewardship, Waste Management

Water Stewardship, Waste Management & Paper Management





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Greenhouse Gas Emission Management

Greenhouse Gas Inventory

- In order to measure GHG emissions more accurately, SYSTEX has introduced GHG Inventory since 2021 and conducts GHG Inventory every year according to the guidelines of "ISO 14064-1: 2018", to formulate improvement plans accordingly. For the inventory, SYSTEX has set up a "GHG Inventory Committee" to prepare audit reports and to conduct data audit according to the "Internal Audit Management Procedures", and then entrusted an independent third-party to conduct external audit, ensuring its correctness and completeness. The boundary of GHG inventory is the headquarters building.
- SYSTEX conducts HQ's GHG inventory of category 1-6, using the parameters released by the IPCC, EPA or relevant authorities. The inventory covers:
 - Category 1: •

SYSTEX counts emission sources in the headquarters building, including the sources of stationary combustion, mobile combustion and fugitive.

Category 2-6:

All emission sources of category 2 - 6 have been discussed by the "GHG Inventory Committee" according to the guidelines of "ISO 14064-1: 2018", and should be defined as significant emissions with a score over 30.

Authority GHG Inventory Committee							
*							
Procedure GHG Audit Procedures	 Internal inventory External 3rd-party audit 						
*							
Scope Operational control •SY	'STEX headquarters building						

Cotogony	Emico	Emissions (tCO ₂ e)			
Category	Emiss	ion Source	Subtotal	Total	
	Stationary combustion	0			
Category 1: direct GHG emissions	Mobile combustion	4.9393	11.0019		
	Fugitive (anthropogenic sys	6.0626			
Category 2: indirect GHG emissions from imported Energy	Imported electricity Location-based (Market-based)		2,804.2210 (2,762.892)		
		Business travel by THSR	4.4294		
Category 3: indirect GHG emissions from transportation	Employee commuting and business travels	Business travel by airplanes	19.6538	54.8166	
		Business travel by taxi	30.7334		
Category 4: indirect GHG emissions from products	Purchased goods	Indirect carbon footprint of electricity	499.6612	518 7352	
used by organization	Disposal of waste Disposal of general waste		19.0740	516.7552	
Category 5: indirect GHG emissions associated with the use of products from the organization	No significant emissions				
Category 6: indirect GHG emissions from other sources	No significant emissions				

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Greenhouse Gas Emission Management

Greenhouse Gas Management Performance

- Through the ISO 14064-1 GHG inventory, SYSTEX found that purchased electricity produced the highest proportion of emissions. Therefore, in addition to implementing various environmental and energy management measures, SYSTEX purchases and rents equipment with environmentally-friendly labels, replaces power-consuming equipment every year, regularly checks pipelines, and sets the office temperature to no less than 26°C, thereby reducing electricity consumption and environmental load. Furthermore, SYSTEX also supports the development of renewable energy. In addition to purchasing T-REC every year, SYSTEX plans a "Power Wheeling Contract" program in 2022 and is expected to use green electricity in 2023.
- In 2022, due to the increase in the business scale, SYSTEX increased electricity consumption, which also increased the category 2 emissions compared to the previous year. However, the GHG emissions per unit revenue in the past 3 years has a continuous downward trend, showing that SYSTEX earns more revenue while using each kWh of electricity, thereby utilizing electricity more efficiently. Considering the increased emissions caused by larger business scale, SYSTEX signed a green-energy contract in 2022 to mitigate the impact of power usage.

3-year GHG Emissions of Category 1-2 [Scope: SYSTEX headquarters building]

Item	Base Year 2020	2021	2022	
Category 1 GHG Emissions (tCO ₂ e)	13.7720	7.2465	11.0019	
Category 2				
 Electricity Consumption (kWh) 	5,692,079	5,536,879	5,665,093	
• T-REC (kWh)	100,000	72,000	83,493	
 Location-based GHG Emissions (tCO₂e) 	2,897.2682	2,779.5135	2,804.2210	
 Market-based GHG Emissions (tCO₂e) 	2,846.3684	2,743.3695	2,762.8922	
Category 1-2 GHG Emissions (tCO ₂ e)				
Location-based	2,911.040	2,786.760	2,815.223	
Market-based	2,860.140	2,750.616	2,773.894	
SYSTEX Consolidated Revenue (NT\$100M)	237.35	295.27	331.29	
GHG Emissions per Unit Revenue (tCO ₂ e/NT\$100M)				
Location-based	12.265	9.438	8.498	
Market-based	12.050	9.316	8.373	





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Environment Performance Summary

Key Indicators		2020	2021	2022
GHG Emissions (Category 1 ~ 6)	Location-based	3,609.11	3,353.642	3,388.775
(tCO ₂ e)	Market-based	3,558.208	3,317.498	3,347.446
 Category 1 (tCO₂e) 		13.772	7.246	11.002
	Location-based	2,897.269	2,779.514	2,804.221
• Category 2 (tCO ₂ e)	Market-based	2,846.369	2,743.37	2,762.892
• Category3 ~ 6 (Scope 3) (tCO	2e)	698.068	566.882	573.552
 Date Coverage Rate (%) 		56.50	52.56	58.07
Energy Consumption (GJ) (includi gasoline, nature gas and diesel)	20,642.228	19,989.307	20,461.543	
 Indirect Energy Consumption 	5,692,079	5,536,879	5,665,093	
 Renewable Energy Consumpt 	100,000	72,000	83,493	
 Renewable Energy Consumpt 	1.8	1.3	1.5	
Water Consumption (kL)		22,555	17,426	21,112
• Date Coverage Rate (%)		56.50	52.56	58.07
Total Waste (ton)		67.9	66.9	68.7
 General Waste Disposed (ton)	58.5	56.7	56.1
 Waste Recycled (ton) 		9.4	10.2	12.6
• Waste Recycling Rate (%)		13.8	15.2	18.3
• Date Coverage Rate (%)	56.50	52.56	58.07	
Office Paper Usage (@HQ) (1000	sheets)	2,675	2,497	2,180
Green Procurement (NT\$100 mill	ion)	4.63	3.96	2.95

Climate-related Policy and Report

- Sustainable Development Policy of SYSTEX Corp. and its Affiliated Companies
- SYSTEX Sustainable Development Best Practice
 Principles
- SYSTEX Risk Management Policies and Procedures
- SYSTEX Risk Management Best Practice Principles
- <u>SYSTEX Occupational Health and Safety,</u>
 Environment and Energy Policy and Declaration
- Download SYSTEX Sustainability Report