Task Force on Climate-Related Financial Disclosures

PRIMAX

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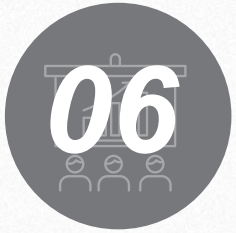

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1 Scope and approach

In the face of global warming, extreme climates and in response to rising awareness of environmental protection, energy efficiency, health and safety and conservation, the Company refers to the Task Force on Climate-Related Financial Disclosures (TCFD) framework published by the Financial Stability Board (FSB) in order to establish a risk framework according to the four core elements for TCFD reporting (i.e., "Governance", "Strategy", "Risk management", and "Metrics and targets"), identify material risks and opportunities for operation and develop corresponding strategies. In October 2021, we became a TCFD Supporter [Note] by signing the Statement of Support form.

The Company keeps a close eye on global climate trends and international responses and includes climate change as one of the material issues and risks in relation to corporate sustainability. Ongoing analysis and control are underway to mitigate and adapt to greenhouse gas (GHG) emissions. Primax started in 2016 to establish its GHG emission inventory and obtained third-party certification. We participate in the voluntary reduction program and disclose the GHG management information for the reference of stakeholders. The inventory details are recorded in the National Greenhouse Gas Registry Platform.

This report covers our main operation premises including Primax's headquarters and R&D center in Taipei, as well as Primax Industries in Dongguan, Chongqing and Kunshan, China. Subsidiaries are excluded.

This report passed the external review by SGS-Taiwan in January 2022 and obtained "TCFD performance assessment as Pioneer". (Appendix 2)

Governance

Governance of climate related risks and opportunities

Strategies

Actual and potential impact of climate related risks and opportunities on the organization's business, strategy and financial planning.

Risk management

The organization's workflows in the identification, assessment and management of climate related risks.

Metrics and targets

Metrics and targets for the assessment and management of climate related risks and opportunities.

(Note) List of TCFD Supporters is available at https://www.fsb-tcfd.org/supporters/

2 Climate change related governance

2.1 Board of Directors responsible for climate change related governance

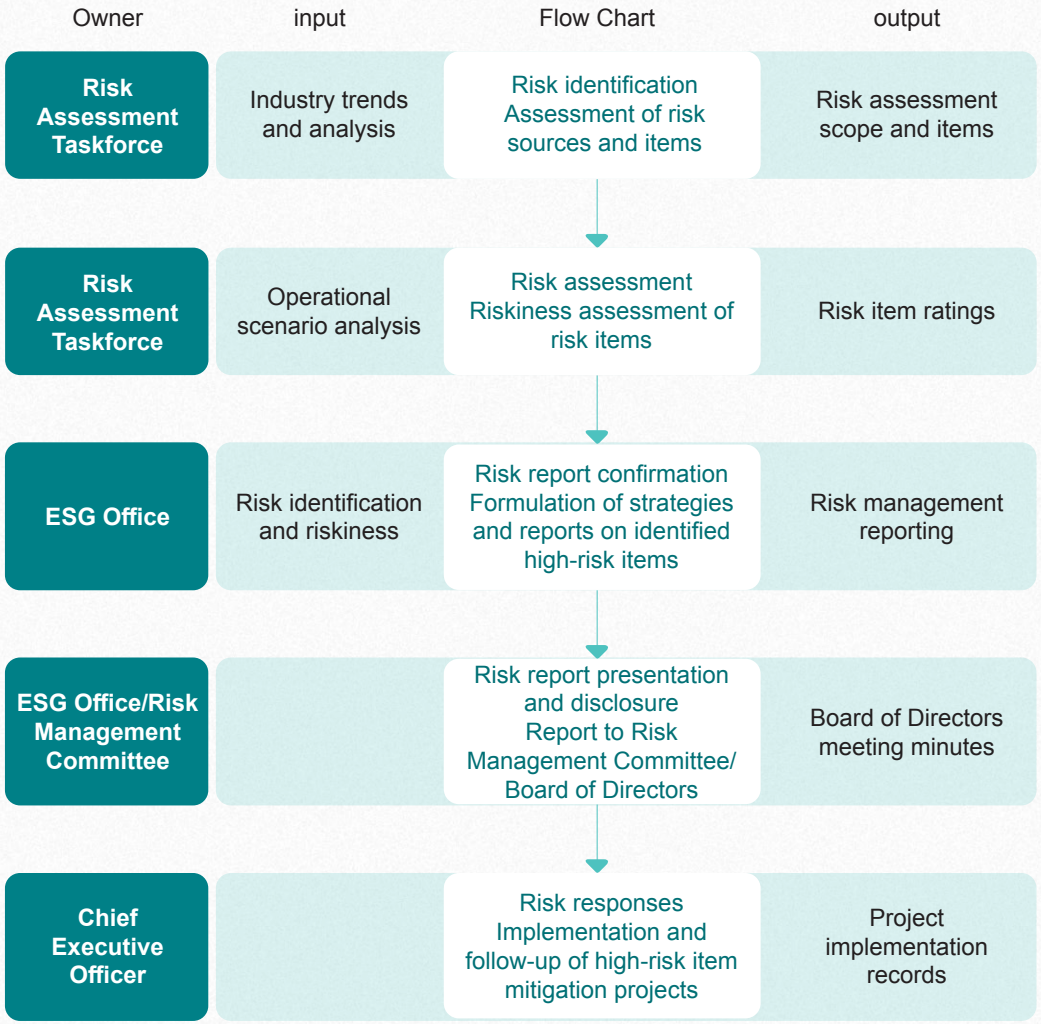
Primax has established ESG Office under the Board of Directors. Chairperson is authorized to designate ESG Office for climate change risk assessment and management. Vice President Chiang, Yen-Ying serves as the chair and established the Risk Assessment Taskforce by pulling together different functions. Risk and opportunity identification in relation to climate change is performed at least once per annum according to Primax's risk management workflows set forth in the "Corporate Risk Management Policies and Procedures". The purpose is to evaluate and manage financial impacts, formulate responding strategies and define the goals of relevant items. Implementation results are reported to the Board of Directors each year. The Board of Directors provides guidance and reviews climate change risks and opportunities, assesses results, responding strategies and management performances. Measures are taken and ongoing monitoring is conducted on high-risk items. Climate change risk management, strategy and targets mentioned in this report were approved by the Board of Directors on November 4, 2021.

Primax established Risk Management Committee in November 2021, as the dedicated unit for climate change issues. Committee members are appointed by the Board of Directors. The current members include Chairman Liang, Li-Sheng, Director Pan, Yung-Chung, Independent Director Duh, Jia-Bin, Independent Director Wu, Chun-Pang and Independent Director Wang, Jia-Qi. The convener is Liang Li-Sheng. ESG Office reports to Risk Management Committee at least once a year. The Risk Management Committee reviews risk assessments, responding strategy and implementation results and its convener reports to the Board of Directors at least once each year. Risk management related information is disclosed as required by competent authorities via the Company's website, sustainability reports and annual reports.

Primax's Organization of Risk Management

This report passed the external review by SGS-Taiwan in January 2022 and obtained "TCFD performance assessment as Pioneer". (Appendix 2)

Primax's Workflows of Risk Management



2.2 Climate change issues under the Board of Directors

With the authorization from the Board of Directors, Primax established the ESG Office under Chairman's Office. Vice President Chiang, Yen-Ying serves as the chair and established the Risk Assessment Taskforce by pulling together different functions. ESG Office acts as the convener, driver and implementer for Risk Assessment Taskforce. The taskforce is designated for the evaluation of the sources, items and indexes of risks in operation, sustainability and climate change and the confirmation of the risk management reports. Corporate risk management reporting is presented to Risk Management Committee and the convener of the latter reports to the Board of Directors at least once a year.

2.3 Climate change issues and reward mechanism

It is undeniable that climate change has given rise to extreme weather conditions throughout the world, and considering how the greenhouse effect plays a major role in this development, immediate actions must be taken to reduce greenhouse gas emission. As a global citizen, Primax stays informed of the SBTi developments. The SBTi methodology was introduced in 2020 for the assessment of the group's GHG emissions. A more systematic method is applied to formulate carbon reduction policies and action plans. These also serve as the basis for TCFD targets and metrics, so as to respond and reduce climate change risks and challenges early. This allows for an objective review of carbon reduction efforts and a better understanding of the carbon reduction effects and results in each element of the value chain. This enables Primax to identify the carbon reduction hotspots and contribute to GHG emission mitigation.

In order to realize green production, we have put in place for all our employees "Management and Control Regulations on Energy Efficiency and Waste Reduction". This includes proposals for energy efficiency and carbon reduction. The proposers will be rewarded with merit points based on project effects. Year-end performance bonuses will be issued according to the Regulations Governing Employee Rewards and Penalties. A total of 16 people received merit points in 2021 and the rewards in January 2022. Going forward, the remuneration to Chief Executive Officer and management will be linked with the operational key performance indicators (KPIs), including GHG reduction targets.

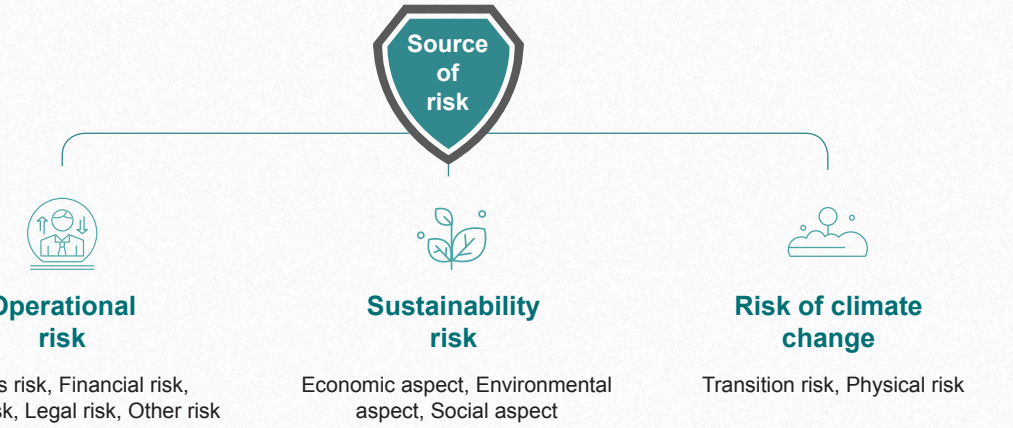
3 Management of climate change related risks and opportunities

3.1 Identification procedures for climate change related risks and opportunities

Primax has established a Risk Management Committee. ESG Office serves as the convener, driver and implementer for Risk Assessment Taskforce. It researches and assesses relevant laws and initiatives domestic and overseas in relation to climate change. The purpose is to serve as a template for the Company's environmental policies to align with domestic development trends and enhance the Company's ability to respond to climate change.

Members of the Risk Assessment Taskforce convene the risk and opportunity identification meetings at least once per annum, to identify risks in corporate operation, sustainability and climate change. The sources of corporate operational risks come from business risks, financial risks, strategy risks, legal risks and other risks. Sustainability risks come from economic, environmental and social aspects. Climate change risks are based on transition risks and physical risks suggested by the TCFD guidance. Also taken into account are the issues of concern for stakeholders, corporate development strategies, regulatory trends and relevant initiatives domestic and overseas. Taskforce members collate and establish Primax Integrated Questionnaire on Risks. All the risk items are asked at the meetings in three aspects: "likelihood", "impact" and "vulnerability".

We have also established the questionnaire to identify climate change rated opportunities by reference to the TCFD sources of opportunities in climate change. The identification of climate change opportunities are conducted on two dimensions: (1) "likelihood"; and (2) "level of financial impact". ESG Office decides on the list of risks and opportunities associated with climate change based on assessment results and after discussion. This is followed by responding strategy formulation.



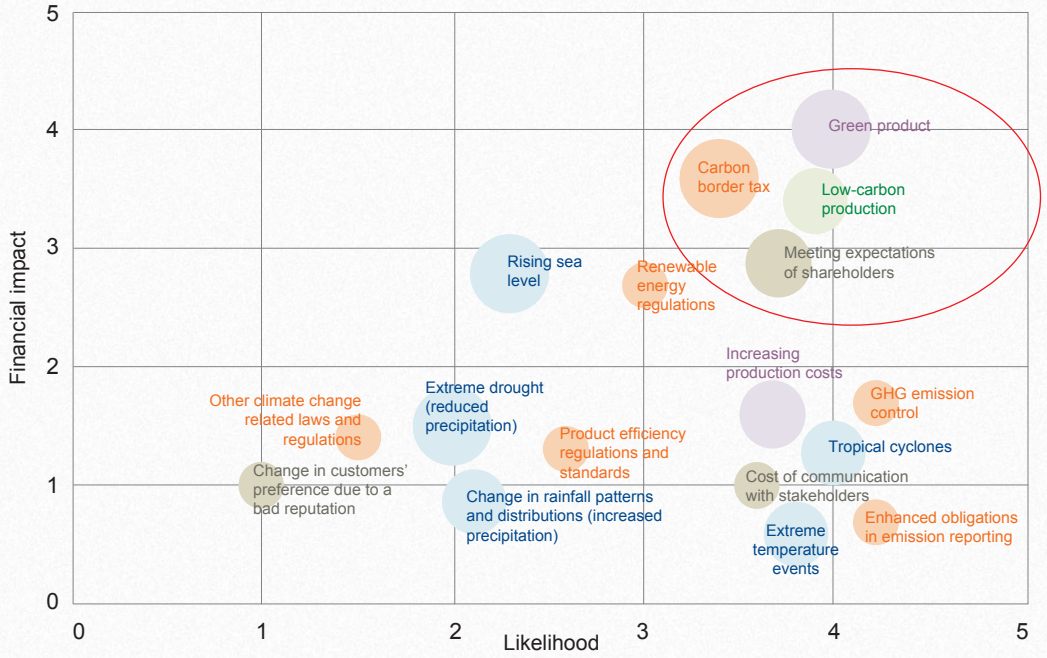
3.2 Climate scenario development

Climate change related risks and opportunities have influence over the Company's strategy and financial planning. We use both quantitative analysis and qualitative analysis on climate change scenarios in order to adopt the responding strategies accordingly. The Company refers to 2°C scenario (2DS), 1.5°C scenario, Nationally Determined Contributions (NDC) scenario and Representative Concentration Pathway (RCP) scenarios for meeting discussions. The tools provided by the National Science and Technology Center for Disaster Reduction (NCDR) and Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) are used to establish benchmarks for the assessment of physical risks in climate change scenarios, in order to ensure the scientific basis and assessment consistency in the reduction target. The Company chooses the beyond 2°C scenario (B2DS) for the description of risks (physical risks and transition risks) and opportunities in relation to climate change. The Company simulates the impact of physical risks under different scenarios. The risk assessments are based on historical circumstances and relevant climate change forecasts such as surging sea levels in the 2°C scenario and the 4°C scenario provided by Climate Central [Note 1] and rainfall forecasts by TCCIP) [Note 2].

3.3 Climate change risk identification results

Risk Assessment Taskforce members assigned scores on the questionnaire results and these scores were forwarded to ESG Office for discussion. A total of four climate change risks were identified in the end. A risk matrix was produced based on the ranking. Then ESG Office convened a meeting to discuss TCFD risks and opportunities, so as to determine the Company's strategies in response to climate change. Below is the matrix of identified climate change risks:

Primax's climate change risk matrix



The Company has identified the types and items of climate change risks as follows:

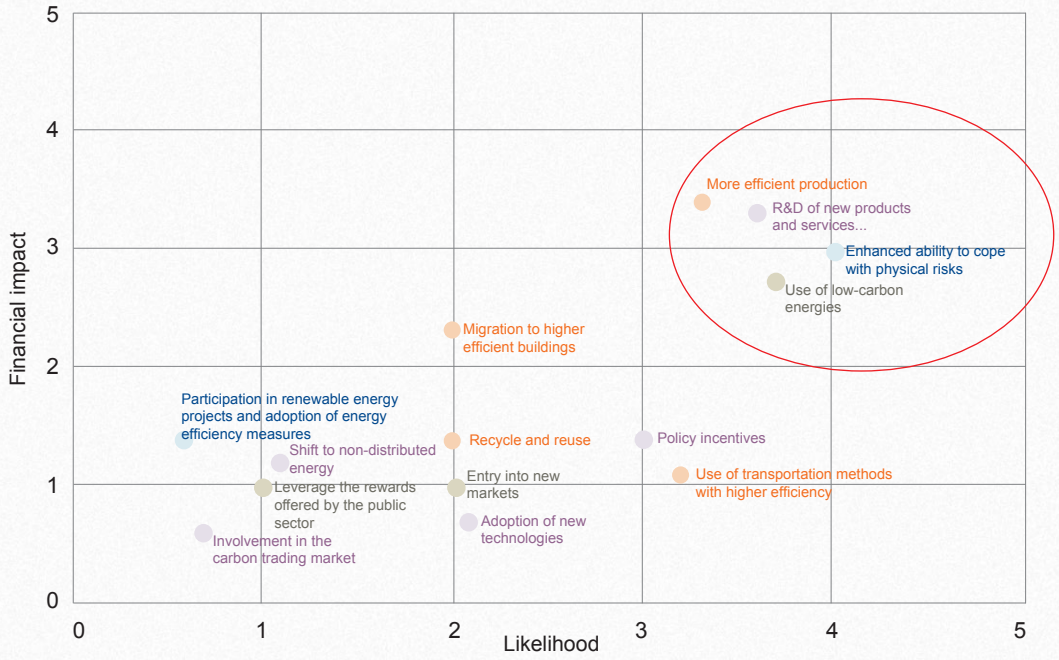
Risk types/ items	Identified risks	Time horizon	Likelihood	Financial impact	Potential vulnerability	Risk ranking
Transition risks/ regulations	Carbon border tax	Short term	Significant	Significant	Significant	4
Transition risks/ technologies	Low-carbon production	Short term	Very significant	Significant	Insignificant	2
Transition risks/market	Green product	Short term	Very significant	Significant	Significant	1
Transition risks/ reputation	Meeting expectations of shareholders	Short term	Very significant	Significant	Insignificant	3

Note 1: The simulation on sea levels covers Primax's main operation premises in Taiwan and China.
Note 2: The rainfall forecasts cover Primax's operations in Taiwan.

3.4 Climate change opportunity identification results

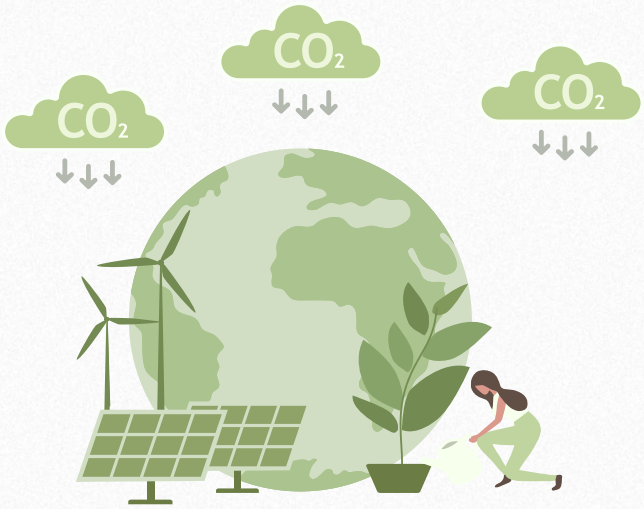
Risk Assessment Taskforce members assigned scores on the questionnaire results and these scores were forwarded to ESG Office for discussion. A total of four climate change opportunities were identified in the end. An opportunity matrix was produced based on the ranking. Then ESG Office convened a meeting to discuss TCFD risks and opportunities, so as to determine the Company's strategies in response to climate change. Below is the matrix of identified climate change opportunities:

Primax's climate change risk matrix



The Company has identified the types and items of climate change opportunities as follows:

Opportunity types/items	Identified opportunities	Time horizon	Likelihood	Financial impact	Opportunity ranking
Products and Services	Development or increase of low carbon products and services	Short term	Very significant	Significant	1
Resource efficiency	More efficient production	Short term	Very significant	Significant	2
Energy sources	Use of low-carbon energies	Short term	Very significant	Significant	3
Resilience	Enhanced ability to cope with physical risks	Short term	Very significant	Significant	4



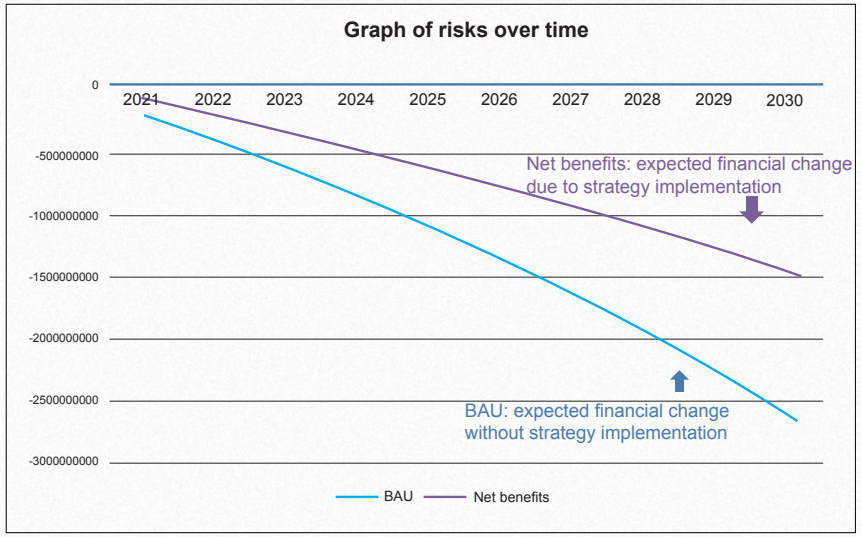
4 Assessment of financial impacts from climate related risks and opportunities

Based on the identified risks and opportunities, the Company estimates the potential changes to its financials due to climate change and formulates responding strategies to individual risks accordingly. “Management costs” and “management benefits” are assessed and calculated, in order to forecast the impact of climate change risks and opportunities on Primax’s financials in 2030 under different scenarios.

Financial scenarios due to climate change risks

Financial change in the “do-nothing” scenario: The expected financial change due to climate change is shown in blue. The total financial impact in 2030 is forecasted to be approximately NT$2.669 billion, consisting of the reduction in revenues by about NT$1.352 billion and the increase in costs by about NT$1.317 billion.

Financial change in the “do-something” scenario: The total financial change after the introduction of responding measures to deal with removable risks of climate change is shown in purple. The financial impact is forecasted to be about NT$1.515 billion in 2030.



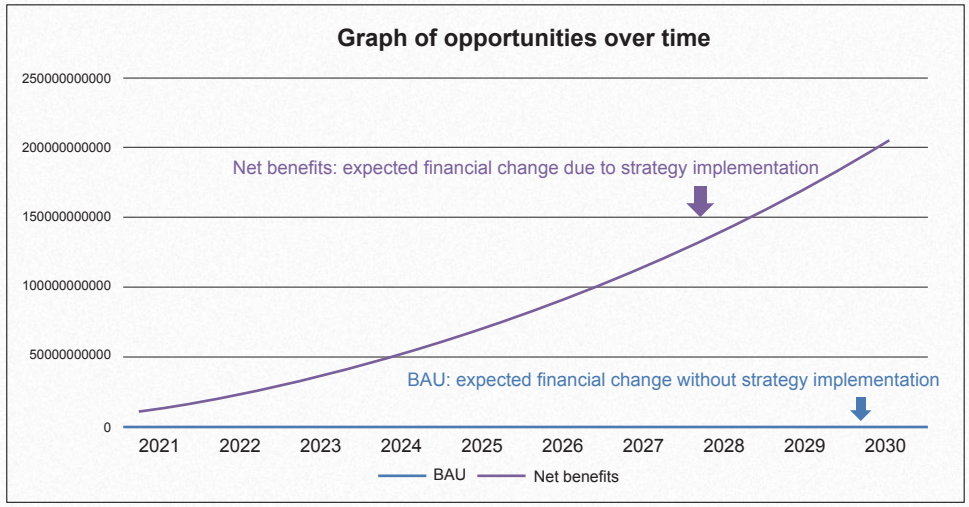
Financial scenarios due to climate change risks

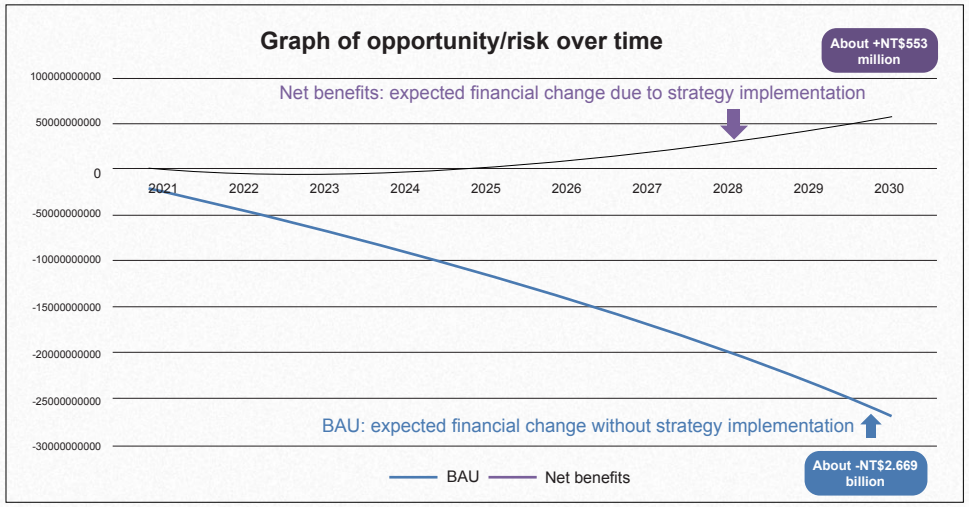
In the face of expected opportunities associated with climate change, Primax forecasts a financial impact of about NT$2.068 billion in 2030, consisting of an increase in revenues by about NT$2.729 billion, a reduction in costs by about NT$1.579 billion and an expansion of costs by about NT$2.241 billion.

Financial scenarios due to climate change opportunities

Financial change in the “do-nothing” scenario: The total expected financial impact (in blue) in 2030 is about NT$2.669 billion due to climate change related risks.

Financial change in the “do-something” scenario: The total financial change (in purple) after the introduction of responding measures to deal with climate change risks is forecasted to be about NT$553 million in 2030. This is the net outcome of NT$2.068 billion due to climate change opportunities and NT$1.515 billion due to climate change risks.





Note: The risks and opportunities are assessed independently in the sections “3.3 Climate change risk identification results and strategies” and “3.4 Climate change opportunity identification results and strategies”. Therefore, there may be double counting with the financial information of certain management costs and management benefits when this section adds all the numbers up.

5 Climate change strategies

Climate change strategies

To address the identified major risks and opportunities, the Company formulates risk mitigation plans for continuous monitoring and improvements according to the risk response steps set forth by its "Corporate Risk Management Policies and Procedures" regarding high-risk items or items required for reporting. The audit unit then incorporates important action plans into periodic inspections under audit plans.

Risk category	Potential financial impacts	Measures in response to risks
Green product	**Reduced revenues** Reduction in orders due to inability to meet customers' needs **Increase in direct costs** Operating costs for the use of recycled materials and green energies	1. Establishment of a comprehensive green design system and implementation of product lifecycle assessments to mitigate the product impact on the environment and climate change. 2. Deepening the design capabilities for recyclability and low energy consumption, to better align with the global demand from customers for green design. 3. Cooperation with customers to enhance product images and values of customers, so that they are willing to accept necessary costs and reflect such costs in selling prices.
Low-carbon production	**Increase in direct costs** Operating costs for new and improved manufacturing processes and technologies.	1. Ongoing implementation of the energy management system and expected introduction of a variety of management and energy efficiency measures to reduce waste. 2. Proactive phase-out of inefficient facilities for main energy consumption such as air-conditioning, air pressure and lighting; active management and necessary phase-out to reduce GHG emissions.
Meeting expectations of shareholders	**Increase in direct costs** Operating costs of borrowing interests	The Company introduces different management systems and enhances management performances in ESG elements in order to reduce risks. ESG information is disclosed in annual sustainability reports and on websites, to respond to the expectations of stakeholders. The TCFD framework was introduced in 2021 for the identification and disclosure of information related to climate change risks and the enhancement of management performances.
Carbon border tax	**Increase in direct costs** Operating costs due to higher taxes	Currently, there is no detail or implementation method of the tax charge. The carbon footprint inventory is calculated first and energy efficiency design is incorporated into products exported to Europe, in order to reduce or avoid the carbon border tax.

Risks from high to low are green products, low carbon production, meeting the expectation of stakeholders, and carbon border tax. Below is a description of the primary risks, financial impact estimates and responding measures .

Risk ranking 1: green products

Risk scenario descriptions	As the market trends evolve, the demand from customers is rising for the use of recyclable and environmental-friendly materials and green energies. If this need is not met, the demand for products and services may decline.
Estimates of potential influence and financial impacts on Primax	Loss of new orders is calculated by assuming that the main customer's demand for green products is not met. It is forecasted that the 2021 revenue will drop by about NT$90 million. Based on this trajectory, a total loss of revenue of about NT$1.3 billion is expected by 2030.
Measures in response to risks	1. A comprehensive green design system is established and product lifecycle assessments are implemented to mitigate the product impact on the environment and climate change. 2. Deepening the design capabilities for recyclability and low energy consumption, to better align with the global demand from customers for green design. 3. Cooperation with customers to enhance product images and values of customers, so that they are willing to accept necessary costs and reflect such costs in selling prices.
Estimates of costs in risk responses and financial impacts	**1. Increase in the use of recycled materials:** **Equation:** Calculation of cost impacts based on the percentage of plastic parts in total procurement and the use of recycled materials. ► The expected increase in costs is NT$10 million for 2021. Based on this trajectory, a total increase of costs by about 160 million is estimated by 2030. **2. Use of green energy:** **Equation:** Calculation by assuming the purchase of renewable certificates for all the electricity consumption of Primax in China (excluding Taiwan and subsidiaries), multiplied by the percentage of sales from the primary customers and new orders. ► The expected increase in costs is NT$8 million for 2021. Based on this trajectory, a total increase in costs by about 10 million is forecasted by 2030. Aggregation of costs in risk response measures: ► The expected increase in costs is about NT$10 million for 2021. ► This adds up to an increase in costs of about NT$170 million by 2030 based on this trajectory.

Risk ranking 2: low carbon production

Risk scenario descriptions	In response to the international trend for carbon reduction and to demand from consumers or customers (e.g., Apple's pledge for carbon neutrality in the supply chain and for products by 2030), energy efficiency measures and equipment are introduced to achieve low carbon production. There are corresponding risks and input costs.
Estimates of potential influence and financial impacts on Primax	Calculation of the costs required for the purchase of extra carbon credits and certificates to meet the demand from customers for low carbon reduction, if Primax is unable to continue the reduction in energy and electricity consumption. The anticipated increase in expenses is about NT$2.1 million for 2021 (consisting of about NT$0.5 million for carbon credits and about NT$1.6 million for certificates). This will accumulate to about NT$150 million (consisting of about NT$8.5 million for car credits and about NT$140 million for certificates) by 2030.
Measures in response to risks	1. Ongoing implementation of the energy management system and expected introduction of a variety of management and energy efficiency measures to reduce waste. 2. Proactive phase-out of inefficient facilities for main energy consumption such as air-conditioning, air pressure and lighting; active management and necessary phase-out to reduce GHG emissions.
Estimates of costs in risk responses and financial impacts	The introduction of energy efficiency equipment for air-conditioners, air compressors and lighting facilities is expected to reduce electricity consumption by about 5 million kWh each year. (The total cost of about NT$15 million incurs the depreciation of about NT$3 million p.a. starting in 2021 and for five years.) Aggregation of costs in risk response measures: ► The expected annual increase in costs is NT$3 million from 2021-2025. This adds up to NT$15 million over the period.

Risk ranking 3: meeting the expectation of stakeholders

Risk scenario descriptions	Stakeholders (e.g., international rating agencies such as MSCI, CDP and DJSI; customers including Apple, HP and Dell conducting audits and questionnaire surveys) demand the disclosure of climate risks information and the improvement of management performances.
Estimates of potential influence and financial impacts on Primax	Corporate reputation has an indirect effect on borrowing rates. All of Primax's borrowing is short-term and hence interest rate is lower (about 0.65% to 1.0%). Its annual interest expense is about NT$40 million. This will increase along with the borrowing rates going forward. (The Fed expects to raise interest rates twice before the end of 2023. Assuming each hike is for 25 basis points, the borrowing rate will probably be 1.15%-1.50% p.a.). This is calculated by multiplying the average borrowing amount, borrowing rates and exchange rates. The anticipated increase in expenses is about NT$38 million for 2021. It will accumulate to about NT$400 million by 2030.
Measures in response to risks	The Company introduces different management systems and enhances management performances in ESG elements in order to reduce risks. ESG information is disclosed in annual sustainability reports and on websites, to respond to the expectations of stakeholders. The TCFD framework was introduced in 2021 for the identification and disclosure of information related to climate change risks and the enhancement of management performances.
Estimates of costs in risk responses and financial impacts	The increase in expenses is forecasted to be 8% p.a. on the basis of the Company's cost of introducing ESG related systems in 2020 to enhance ESG management performances and reduce risks. This will facilitate better access to favorable borrowing rates (based on a reduction of 3 to 5 basic points, one basis point=0.01%). **Equation:** ► The expected increase in costs is about NT$7 million for 2021 and will add to about NT$98 million by 2030. Explanation on limitations of scenario assumptions: ► There is a long list of factors that influence the value of reputation. The only assumption of this scenario is that the more comprehensive the ESG information disclosure, the better access to favorable borrowing rates. The benefits may be underestimated.

Risk ranking 4: carbon border tax

Risk scenario descriptions	To respond to climate change, the European Union intends to gradually implement the Carbon Border Adjustment Mechanism (CBAM) starting in 2023 and levy a carbon border tax in 2026. This will start with the products and industries with high carbon leakage risks. Examples are steel, aluminum, cement, fertilizers and power.
Estimates of potential influence and financial impacts on Primax	Currently, Primax's products are sold to the European Union by customers. This accounts for about 30% of Primax's total sales. The overall levy of the carbon border tax in the future may prompt the customers to transfer the ensuing expenses and bump up costs and risks. In addition, Primax exports directly to Europe for 10% of sales. The carbon tax will increase the cost of goods sold. **Equation:** **Primax's total emissions in China (Scopes 1, 2 & 3)*% of exports to Europe*carbon tax** ► The estimated increase in costs is about NT$150 million for 2021 and will accumulate to about NT$1.5 billion by 2030. If customers transfer 50% of their tax expenses, it will bump up costs by around about NT$780 million.
Measures in response to risks	The carbon border tax is yet to be assessed and Primax is not subject to the initial levy on products and materials. However, its carbon footprint inventory is calculated first and energy efficiency design is incorporated into products exported to Europe, in order to reduce or avoid the carbon border tax when the levy is expanded, or there are requirements from the supply chain. (adjustments after confirmation)
Estimates of costs in risk responses and financial impacts	The calculation of carbon tax expenses is the same as the estimation for "potential impacts and financial influence on Primax".

Opportunities	Potential financial impacts	Measures in response to opportunities
Development or increase of low carbon products and services	**Increase in revenue** Higher revenues due to more demand for products and services.	1. Completion of a green design system and cooperation with customers to enhance the product values and images of customers. 2. Announcement of the carbon neutrality target for better images in front of customers and stakeholders.
More efficient production	**Cost reduction** Improvement of manufacturing process efficiency and reduction of processing costs.	In addition to energy efficiency measures in operation, a variety of design techniques and planning methods is implemented to better production efficiency and reduce the space requirements for production and the complexity of manufacturing processes. In this way, resource efficiency is improved fundamentally.
Use of low-carbon energies	**Increase in capital expenditures** New equipment procurement Solar energy equipment procurement	The Company will evaluate the feasibility of investing in solar energy and other green energy equipment and pursue the use of low carbon energies to reduce emission risks and costs.
Enhanced ability to cope with physical risks	**Increase in revenue** Higher revenues from new operation premises	A manufacturing site was established in Thailand in 2020, to diversify physical risks (e.g., due to natural disasters, pandemics and politics) and enhance the capability in continuous operation. The risk Management Committee will be established under the Board of Directors, to stay better informed and facilitate swift decisions on operational risks and opportunities caused by climate change.

The opportunity includes the development or increase of low carbon products and services, use of more efficient production and low carbon energy, and enhancement of the ability to cope with physical risks. Below is a description of the primary opportunities, financial impact estimates and responding measures.

Opportunity ranking 1: development or increase of low carbon products and services	
Opportunity scenario descriptions	The Company develops new low carbon products and technologies, increases the percentage of recycled materials in use and consumes green energy to meet the demand from customers for low carbon products.
Measures in response to opportunities	1. Completion of a green design system and cooperation with customers to enhance the product values and images of customers. 2. Announcement of the carbon neutrality target for better images in front of customers and stakeholders.
Estimates of costs in opportunity responses and financial impacts	The Company estimates the procurement each year for the customers who demand certifications for environmental-friendly raw materials and for the use of recycled materials and green energy. The calculation is based on recurring orders and new orders. The Company plans to develop new customers and new products, incubate new technologies and apply for relevant intellectual properties. Application for carbon footprint certifications will be submitted for more products. Third-party verification will be obtained for Environmental Product Declarations (EPD). Moreover, our environmental-friendly products will be promoted with marketing campaigns. **Equation:** **Input costs:** **(recurring revenue + revenue from new orders) *R&D expense ratio * green R&D %** ► The input cost is estimated to be NT$79 million for 2021 and will add to about NT$1.4 billion by 2030 on this trajectory. **Increase in revenues:** **Recurring orders (revenue*% from main customers* growth of recurring orders) + new orders (revenue* new customer leads + revenue*new product opportunities)** ► The forecasted increase in revenues is about NT$160 million for 2021. It will accumulate to about NT$2.7 billion by 2030.

Opportunity ranking 2: more efficient production

Opportunity scenario descriptions	Efficiency improvement of the manufacturing process results in more efficient production.
Measures in response to opportunities	In addition to energy efficiency measures in operation, a variety of design techniques and planning methods is implemented to better production efficiency and reduce the space requirements for production and the complexity of manufacturing processes. In this way, resource efficiency is improved fundamentally.
Estimates of costs in opportunity responses and financial impacts	Anchoring on the production experience at factories, DFX (DFM/DFA) is introduced at the beginning of product design. The best manufacturing process is identified before mass production by using ECRS/outsourcing. This enables ramping up with the best yield and the lowest cost and ensures the group's competitiveness. The improvement benefits each year for 2021-2030 with input costs on automation are estimated on the basis of automation spending and the ensuing savings in direct personnel costs in 2017-2020. **Equation:** **Input cost: automation input amount*exchange rate** ► The estimated input cost is about NT$150 million for 2021 and will add up to about NT$800 million by 2030. **Cost savings:** ► The cost saving is estimated to be NT$170 million for 2021 and will run up to about NT$1.5 billion (pretax) cumulatively by 2030.

Opportunity ranking 3: use of low carbon energies

Opportunity scenario descriptions	The Company seeks to reduce carbon emission risks and sensitivity to carbon prices by adopting low carbon energy such as solar.
Measures in response to opportunities	The Company will evaluate the feasibility of investing in solar energy and other green energy equipment and pursue the use of low carbon energies to reduce emission risks and costs.
Estimates of costs in opportunity responses and financial impacts	The Company began in 2021 and expects to complete in 2023, the deployment of solar generation equipment by investing RMB10.5 million (with depreciation over a five-year period). Starting in 2024, this will save electricity bills totaling about RMB3 million p.a. **Equation:** **Input costs: green energy (solar) investment/depreciation p.a. *exchange rate** ► The input cost is about NT$7.5 million in 2021. This will accumulate to about NT$37 million by 2030. **Cost savings: expense savings*exchange rate** ► The installation is scheduled for completion in 2023. Starting in 2024, cost savings are estimated to about NT$13.5 million p.a. and reach a total of about NT$94.5 million (pretax) by 2030.

Opportunity ranking 4: enhanced ability to cope with physical risks

Opportunity scenario descriptions	This is to enhance the Company's and the supply chain's ability to continue operations by coping with a variety of physical risks (e.g., natural disasters, pandemics and geopolitics).
Measures in response to opportunities	A manufacturing site was established in Thailand in 2020, to diversify physical risks (e.g., due to natural disasters, pandemics and politics) and enhance the capability in continuous operation. The risk Management Committee will be established under the Board of Directors, to stay better informed and facilitate swift decisions on operational risks and opportunities caused by climate change.
Estimates of costs in opportunity responses and financial impacts	The Company strives to address different physical risks and enhances its capabilities in doing so. We also keep a close eye on the suppliers' ability to respond to climate change risks, in order to boost the confidence of customers in our operational capabilities. Primax established facilities in Thailand in 2020, to cushion against operational disruption in single locations due to climate issues or natural disasters. Calculation based on the forecast of annual earnings of the factory in Thailand in 2021-2024 (growth expected to be the same as Primax's firm-wide revenue from 2025 and onward) **Equation: earnings = forecasted revenue*exchange rate *margin** ► The expected increase in revenue is about NT$47 million for 2021 and will accumulate to about NT$6.6 billion by 2030.

6 Indicators and targets in relation to climate change

2013 | 2019 | Short term 2019 ~ 2025 | Mid term 2019 ~ 2030 | Long term 2019 ~ 2040

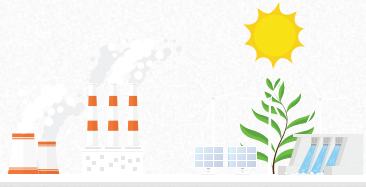
Short term

Reduction of GHG emissions by ▼ 4.17% p.a.

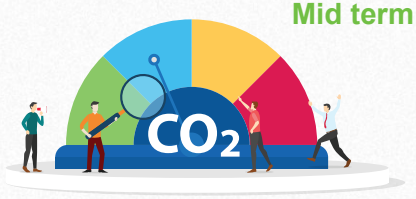
2020: down ▼ 7.53% from 2019 **Targets attained**

Establishment of mid-term and long-term targets with the SBTi approach

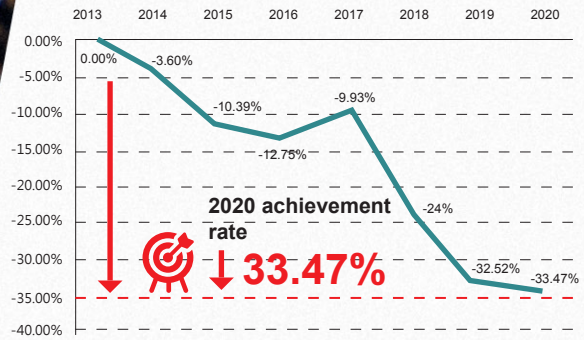
Scope 1 and Scope 2 GHG emissions are down ▼ 25% from the base year of 2019



Mid term 60% renewables in total energy consumption by 2030



Long term Carbon neutral for Scope 1 and Scope 2 by 2040.



Year	GHG emissions (ton CO_2e)	Reduction (%)
2019 (base year)	52,445,938	-
2020 (reported data in the year)	48,498,460	7.53%
2030 (short-term goal)	20,978,375	60%
2050 (midterm and long-term goal)	0	100%

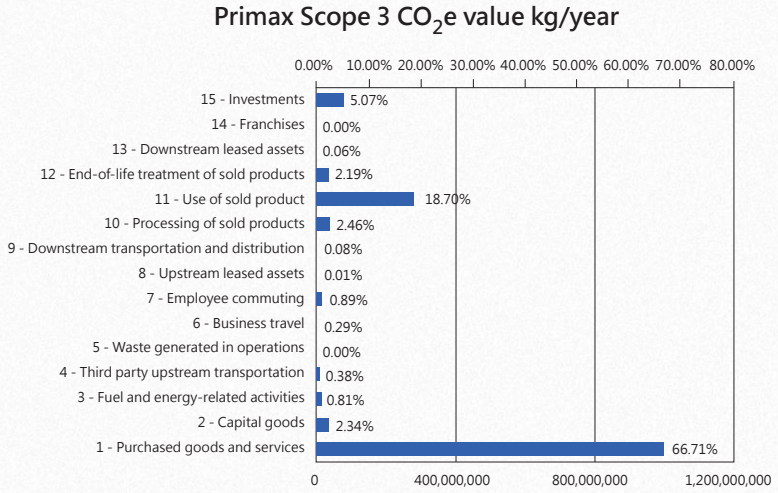
Note: Scope 1 and Scope 2 GHG emissions. Offsetting with renewable energy certificates included.

Science Based Targets initiative (SBTi)

The Company uses the Science Based Targets initiative (SBTi) framework as the assessment basis of its climate change indicators and goals. Target meetings are convened to follow up on the "GHG emission gap between the actual intensity and the target intensity" and to formulate necessary measures accordingly.

Primax's production and manufacturing activities mainly involve assembly and over 90% of GHG emissions come from electricity consumption. Hence, the absolute contraction approach is used to formulate the mid-term and long-term paths and targets of carbon reduction.

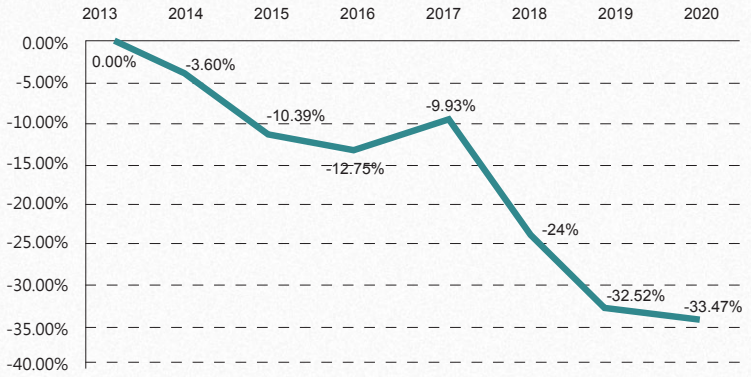
Primax defines specific reduction goals by using the SBTi approach in order to ensure more systematic policy making, action planning and the basis for TCFD targets and indicators. The purpose is to mitigate the risks and challenges associated with climate change early and timely. The SBTi approach also enables Primax to examine carbon-reduction efforts with higher level of objectivity, evaluate the benefits and performance of carbon-reduction efforts at various parts of the supply chain, and identify carbon hotspots for meaningful actions.



GHG emission target

Starting in 2016, Primax has set up specific goals in GHG emissions: a reduction of 25% in GHG emission intensity (CO_2e/sales) in 2020 for the combination of Scope 1 and Scope 2 from the base year of 2013. This was achieved in 2020 with a reduction of 33.47% in GHG emission intensity (CO_2e/sales) from the base year.

Goals Reduction of ↓25% GHG emission intensity (CO_2e/sales) in 2020 from the base year of 2013.



To mitigate the impact of climate change, we take a step further by using the SBTi approach in defining the carbon reduction goals for the next stage: 25% reduction in GHG emissions (CO_2e) for Scope 1 and Scope 2 in 2025 from the base year of 2019. Meanwhile, we will continue to use renewable energies as we aim for 60% renewables in our total used electricity by 2030. We also strive for the long-term target of carbon neutral for Scope 1 and Scope 2 by 2040.

In order to make production sites more energy-efficient, we have been exploring all solutions possible to reduce energy consumption. One of the methods we have taken towards achieving this goal is to continually replace old and power-hungry equipment. These measures include the replacement with energy efficient motors; optimization of air compressor utilization rates; enhancement of ice cooler efficiency by connecting to cool water pipes in the factory; adoption of LED lighting in offices, plants, warehouses and on the street; change of air compressors into the variable-speed drive (VSD) type; and purchase of renewable certificates. The 2020 carbon emissions were reduced by 7.53% from 2019 (after offsetting with renewable energy, based on PMX (excluding TYM) GHG missions), in line with the existing target.

Goals ↓25% reduction in GHG emissions (CO_2e) for Scope 1 and Scope 2 in 2025 from the base year of 2019.

Annual reduction by about ↓4.17% in GHG emissions (CO_2e).

Goals Carbon neutral for Scope 1 and Scope 2 by 2040.

Target for use of renewables

Since 2019, Primax's facilities in China (in Dongguan and Chongqing) began to use renewable energy and purchase renewable certificates. In 2020, a total of 3.5 million kWh of electricity was offset, translating into about. 2,842 tons of emissions (CO_2e). In total, it was about 7,432 tons (CO_2e). Moreover, Primax is proactively evaluating the establishment of solar generation equipment, to reduce GHG emissions and achieve energy efficiency.

Timetable	Goals	Description
Short term 0~3 years	**SBTi carbon reduction target:** Annual reduction of 2.73% GHG emissions measured in carbon dioxide equivalent (CO_2e) from the base year of 2019.	The Company sets up the timeframe for short-term targets in reference to benchmark companies and its own product development cycles, sale strategies and timetables.
Mid term 3~10 years	**SBTi carbon reduction target:** Annual reduction of Scope 1 and Scope 2 GHG emissions by 30% in 2030 measured in carbon dioxide equivalent (CO_2e) from the base year of 2019. **Increase in the percentage of renewable energy consumption:** 50% renewables in total energy consumption by 2030	The Company sets up the timeframe of its mid-term targets according to the net zero (100% carbon neutrality) goal for Apple (the main customer) suppliers in 2030 and the Company's own SBTi carbon reduction target (for 30% reduction in 2030 from 2019).
Long term 10~30 years	**Net zero emissions:** Net zero emissions for Scope 1 and Scope 2 by 2050.	The Company sets up the timeframe of its long-term goal based on the target of net zero emissions for Scope 1 and Scope 2 in 2050.

Goals 60% renewables in total used electricity by 2030Carbon neutral for Scope 1 and Scope 2 by 2040.

Year	Percentage of renewable energy in use	Description
2019 (base year)	8.75%	In 2019, a total of 5.45.5 million kWh of electricity was offset, translating into about 4,590 tons of emissions (CO_2e). During the year, Scope 1 and Scope 2 emissions came to about 52,446 tons of emissions (CO_2e) in total.
2020 (reported data in the year)	5.86%	In 2020, a total of 3.5 million kWh of electricity was offset, translating into about 2,842 tons of emissions (CO_2e). During the year, Scope 1 and Scope 2 emissions added about 48,498 tons of emissions (CO_2e) in total.
2030 (medium-term goal)	60%	60% renewables in total used electricity by 2030

(Note) List of TCFD Supporters is available at https://www.fsb-tcfd.org/supporters/

Appendix 1: TCFD Index
Appendix 2: TCFD Performance Statement

Appendix 1: TCFD Index

Aspect	TCFD recommendations	Corresponding chapters in this report	Page
Governance	Describe the supervision from the Board of Directors on climate change risks and opportunities.	2.1 Board of Directors responsible for climate change related governance	3
	Describe the management's role in the assessment and management of climate change risks and opportunities.	2.2 Climate change issues under the Board of Directors	4
Strategies	Describe the climate related risks and opportunities identified by the organization for short term, midterm and long term.	3.3 Climate change risk identification results 3.4 Climate change opportunity identification results Appendix 1: Explanations about calculations of potential financial impacts	6 7 23
	Describe the impact of climate related risks and opportunities on the organization's business, strategy and financial planning.	3.3 Climate change risk identification results 3.4 Climate change opportunity identification results IV. Assessment of financial impacts from climate related risks and opportunities Appendix 1: Explanations about calculations of potential financial impacts	6 7 8 23
	Describe the organization's strategic resilience by taking into account different climate related scenarios (including 2°C or even harsher scenarios).	3.2 Climate scenario development V. Climate change strategies	6 10
Risk management	Describe the organization's identification and assessment workflows regarding climate related risks.	3.1 Identification procedures for climate change related risks and opportunities	5
	Describe the organization's workflows in the management of climate related risks.	3.3 Climate change risk identification results	6
	Describe how the identification, assessment and management workflows of climate related risks are integrated into the organization's overall risk management system.	3.1 Identification procedures for climate change related risks and opportunities	5
Indicators and targets	Disclose the metrics used by the organization to assess climate related risks and opportunities according to strategies and risk management workflows.	2.3 Climate change issues and reward mechanism VI. Indicators and targets in relation to climate change	4 19
	Disclose Scope 1, Scope 2 and Scope 3 (if applicable) GHG emissions and relevant risks.	VI. Indicators and targets in relation to climate change	19
	Describe the targets set up by the organization in managing climate related risks and opportunities and the performance in achieving such targets.	VI. Indicators and targets in relation to climate change	19

Appendix 2: TCFD Performance Statement

SGS

TCFD Performance Assessment Statement

The process and procedures of

Primax Electronics Ltd.

No. 669, Ruey Kuang Road, Neihu, Taipei, Taiwan, R.O.C.

have been assessed from 07 Jan 2022 to 26 Jan 2022 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 B2DS 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 (GHG) emissions inventory has been conducted and verified annually, the metrics and targets has yet to be used by the organization to manage climate-related risks and opportunities and performance against targets.

For the following activities

Governance, Strategy, Risk Management, Metrics and Targets

And cover the following operational locations:
Headquarter of Primax Electronics Ltd.

Primax meets SGS TCFD performance assessment at management level of **" Pioneer"**

Authorised by

David Huang
Senior Director
Issue Date: 10 February 2022
Valid Date: 09 February 2023

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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 (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.
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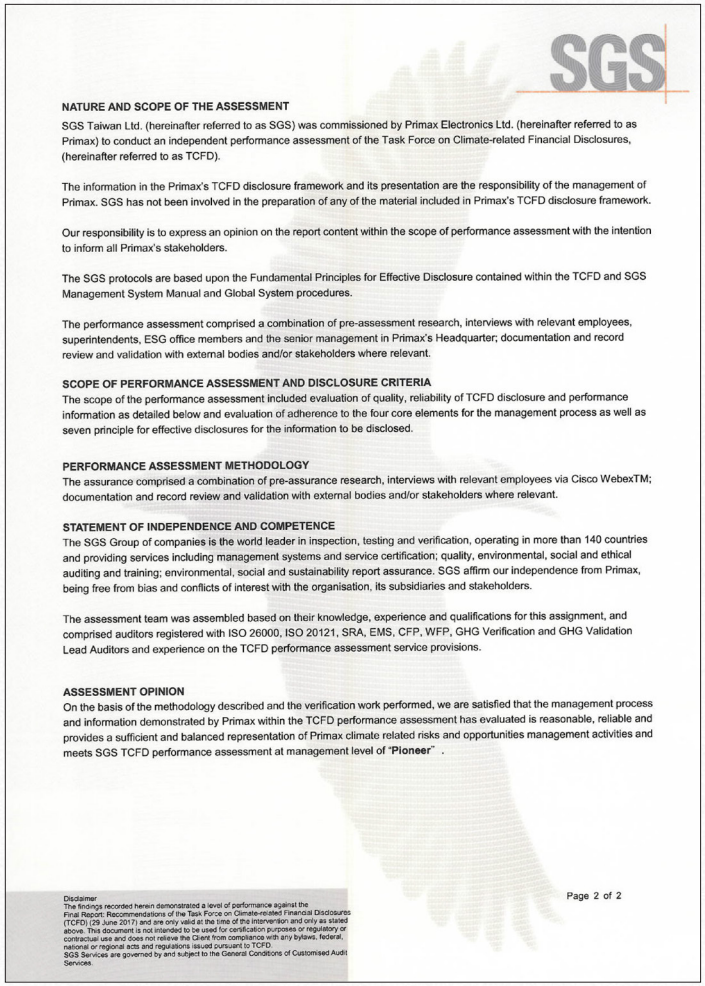

SGS

NATURE AND SCOPE OF THE ASSESSMENT

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Primax Electronics Ltd. (hereinafter referred to as Primax) to conduct an independent performance assessment of the Task Force on Climate-related Financial Disclosures, (hereinafter referred to as TCFD).

The information in the Primax's TCFD disclosure framework and its presentation are the responsibility of the management of Primax. SGS has not been involved in the preparation of any of the material included in Primax's TCFD disclosure framework.

Our responsibility is to express an opinion on the report content within the scope of performance assessment with the intention to inform all Primax's stakeholders.

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.

The performance assessment comprised a combination of pre-assessment research, interviews with relevant employees, superintendents, ESG office members and the senior management in Primax's Headquarter; documentation and record review and validation with external bodies and/or stakeholders where relevant.

SCOPE OF PERFORMANCE ASSESSMENT AND DISCLOSURE CRITERIA

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.

PERFORMANCE ASSESSMENT METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees via Cisco WebexTM; documentation and record review and validation with external bodies and/or stakeholders where relevant.

STATEMENT OF INDEPENDENCE AND COMPETENCE

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 Primax, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

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.

ASSESSMENT OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the management process and information demonstrated by Primax within the TCFD performance assessment has evaluated is reasonable, reliable and provides a sufficient and balanced representation of Primax climate related risks and opportunities management activities and meets SGS TCFD performance assessment at management level of "**Pioneer**" .

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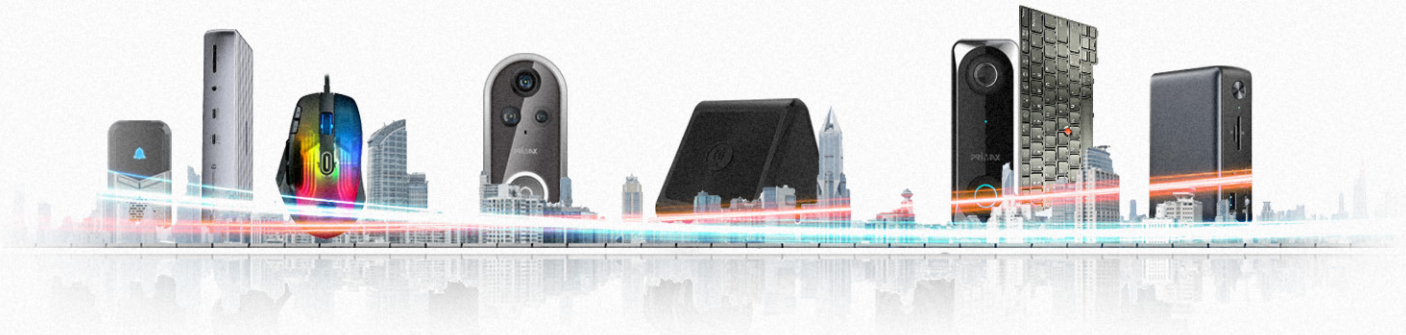

PRIMAX