

5.1 Climate-Related Risks and Opportunities

While expanding access to medicines globally, Lotus also integrates environmental management into its daily operations and decision-making processes. The Company continuously reviews its energy use, greenhouse gas emissions, water resources, and waste management, and implements relevant measures to reduce environmental impacts. The Company’s GHG inventory system was originally established in accordance with ISO 14064-1:2018. To align with international disclosure expectations, the Company has adopted the GHG Protocol Corporate Standard as its primary basis for GHG quantification and disclosure, effective from fiscal year 2025 onwards, establishing the foundation for Scope 1 and Scope 2 emissions management. In addition, a preliminary assessment of Scope 3 emissions has been conducted to support future management planning.

As climate change intensifies and extreme weather events become more frequent, Lotus references the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to continuously identify and assess climate-related risks and opportunities. Climate considerations are progressively integrated into the Company’s risk management and operational decision-making processes to enhance organizational resilience, maintain a stable supply of medicines, and support access to medicines. For detailed TCFD-related information, please refer to Lotus’ 2024 Sustainability Report, p. 72–76.

The Four Pillars of the TCFD

Governance 	Strategy 	Risk Management 	Metrics and Targets 
- The Company has integrated climate-related risks and opportunities into its corporate governance framework. Relevant matters are reviewed by the Audit and Risk Committee, with final oversight by the Board of Directors. - At the management level, the Sustainability and Risk Management Task Force is responsible for the identification, assessment, and management of climate-related issues, as well as the development of response measures. Implementation progress is regularly reported to the Board by the Chief Operating Officer.	Lotus will actively promote green energy and environmental protection policies, reduce electricity consumption and carbon footprint throughout our operations, manufacturing and distribution process. In response to the impact of climate change and greenhouse effect on the environment, measures have been taken to conserve energy, carbon reduction, and implement green procurement, products with energy-saving and environmentally friendly labels are purchased, and energy conservation and carbon reduction are implemented in operations.	The Company has established a climate-related risk management mechanism and integrated climate-related risks into its overall risk management framework. To identify the potential impacts of climate change on operations, the Sustainability and Risk Management Task Force regularly identifies, assesses, and manages climate-related risks and opportunities, and conducts materiality assessments based on the likelihood of occurrence (short-, medium-, and long-term) and the degree of financial impact, in order to formulate corresponding response strategies, targets, and mitigation measures. Relevant risks are managed through the Company’s existing risk management mechanisms, reviewed by the Audit and Risk Committee, and reported to the Board of Directors for oversight.	Short-term Goals (2026) - Expand Scope 1 and Scope 2 GHG inventory coverage across global operations. - Reduce water and electricity intensity in Taiwan and Korea by 1% annually. Mid-term Goals(2028) - Complete GHG inventory and third-party assurance for merged entities. - Reduce GHG emissions at major operating sites (Taiwan and Korea) by 30% compared to the 2022 baseline. - Implement energy efficiency and low-carbon transition measures. Long-term Goals(2030+) - Reduce GHG emissions at major operating sites (Taiwan and Korea) by 36% compared to the 2022 baseline. - Continue evaluating and planning feasible pathways toward long-term net-zero emissions.



5.1.1 Climate Risk Management

To identify and assess significant climate change-related impacts and operational risks, Lotus has established the Sustainability and Risk Management Task Force as the dedicated body responsible for climate risk management. The Task Force conducts regular assessments and internal reviews of climate-related risks to understand potential financial impacts and to support the development of response strategies and related objectives. Through a structured climate risk management process, the Company seeks to mitigate climate-related impacts and regularly reviews the effectiveness of its response measures.

Climate Risk Management Process

Risk Management	Process Content
Risk Identification and Assessment	In accordance with TCFD framework, the Company identifies and evaluates climate risks and responsive measures in a cross-departmental way, invites representatives from each competent department and external experts to evaluate “physical risks”, “transition risks”, and “opportunities” in climate change issues, and generates “Climate Risk and Opportunity Matrix” as an evaluation tool to address the occurrence rate of climate risk incidents and the degree of impact on operations.
Risk Monitoring and Control	Each competent department shall determine the priority of risk control through “Climate Risk and Opportunity Matrix”, establish and execute corresponding climate risk control plans on this basis, and include the effectiveness of risk control in periodic self-evaluation. Relevant implementation results will be reviewed by the Sustainability and Risk Management Task Force and reported to the Board of Directors for verification.
Risk Communication	In accordance with the TCFD framework, the Company evaluates the expected financial impact and potential benefits arising from climate-related risks and opportunities, and regularly discloses them on its annual sustainability report, to maintain continual communication with stakeholders.

Climate Risk and Opportunity Identification Process

Step 1 Establish a list of climate risks	Step 2 Collect, evaluate, and analyze opinions	Step 3 Identify and sort key factors	Step 4 Responsive actions and strategic development
Refer to international trends, conduct extensive industrial research, have insight into climate risks and opportunities, and establish a list to check and confirm eight climate risks and one climate opportunity.	Collect the climate risk issues from main operating sites in Taiwan, Korea, India and Singapore, discuss with external consultants and responsible colleagues from each internal department, and conduct evaluations and analyses of the likelihood of such risks and financial impact.	Through matrix analysis, the climate-related risks and opportunities for Lotus in 2024 were prioritized, and key factors were identified.	Include climate-related risk and opportunity factors in operation decision-making and development projects, check Lotus’ current response measures, and develop future strategies, metrics and targets to thoroughly implement climate risk management.

5.1.2 Climate-Related Risk and Opportunity Assessment

In accordance with the TCFD framework and based on the results of its initial climate risk assessment conducted in 2024, Lotus considered the characteristics of the pharmaceutical industry and the Company’s sustainability strategy and business objectives to identify climate-related material topics, including 4 transition risks, 4 physical risks, and 1 climate-related opportunity.

Climate-Related Risks and Opportunities

Transition Risks	Physical Risks	Climate Opportunities
1 Transition-Policy and Legal (Carbon fees/carbon tax) 2 Transition-Policy and Legal (Net-zero and carbon neutrality policies) 3 Transition-Policy and Legal (Increase in electricity fees due to renewable energy policies) 4 Transition-Market Changes (Increased difficulty in sourcing raw materials)	1 Physical- Immediate (Extreme heat) 2 Physical- Immediate (Delivery delays caused by flooding and heavy rainfall) 3 Physical- Immediate (Increased personnel costs due to typhoon leave) 4 Physical-Long-term (Water shortages in Korea/India, restrictions on water consumption)	1 Resource Efficiency

Climate-Related Risk and Opportunity Matrix (Likelihood * Financial Impact)



Notes:

1. ● Transition risk ● Physical risk ● Opportunity

2. Risk level : ■ High Risk : Above 10 ■ Medium Risk : 6~9 ■ Low Risk : 1~5

Based on the results of the climate risk matrix, all identified climate-related risks and opportunities were assessed as medium or low risk. Following further evaluation by the Sustainability and Risk Management Task Force and external consultants, Lotus identified 2 transition risks and 1 climate-related opportunity as material topics. Financial impacts are further assessed and disclosed through scenario analysis, forming the basis for corresponding response strategies and short-, medium-, and long-term targets. In principle, the Sustainability and Risk Management Task Force reassesses material climate-related risks and opportunities every 2 years and regularly collects relevant information through its annual meetings. If new information indicates potential changes to previously identified material risks or opportunities, the Task Force may initiate a reassessment process as needed.

The Company has established a regular review mechanism and will update the assessment as appropriate in response to significant operational changes or updates in climate scenario assumptions (e.g., climate models or policy developments), to ensure effective climate risk management.

5.1.5 Environmental Management Indicators and Targets

To ensure consistency and traceability of environmental management indicators, Lotus has established a dedicated Environment, Health, and Safety (EHS) unit and formed an Environmental, Health and Safety Management Committee. In accordance with the EHS Guidelines Manual, the Company centrally manages and oversees environmental impacts arising from pharmaceutical manufacturing operations.

The Company continuously conducts systematic inventories and records of greenhouse gas emissions, water consumption, and waste generation at its manufacturing sites and R&D centers. It has also established environmental management indicators and annual targets as the basis for performance tracking, trend analysis, and continuous improvement. All operating sites are required to integrate these environmental management objectives into daily operations and internal management, and to implement relevant action plans. Regarding greenhouse gas management, The Company’s GHG inventory system was originally established in accordance with ISO 14064-1:2018. To align with international disclosure expectations, the Company has adopted the GHG Protocol Corporate Standard as its primary basis for GHG quantification and disclosure, effective from fiscal year 2025 onwards, establishing a foundation for Scope 1 and Scope 2 emissions accounting. A preliminary assessment of Scope 3 emissions has also been conducted to support future management planning in 2025.

Period	SDGs	2025 Status	2026 Targets	2028 Targets	2030 Targets
Greenhouse Gas		☒ Achieved : Completion of inventory and assurance for Taiwan and other Asian regions. ☒ Achieved : 28% reduction in GHG emissions across Taiwan and Korea sites compared to the 2022 baseline. ☒ Achieved : Initiation of training programs related to Scope 3 inventory.	• Expansion of Scope 1 and 2 inventory across global sites to ensure regulatory compliance. • Aim to achieve a 29% reduction in GHG emissions across Taiwan and Korea sites compared to the 2022 baseline. • Assessment of Scope 3 boundaries in Taiwan.	• Disclose 2027 GHG inventory data and assurance results for consolidated companies in 2028 to ensure regulatory compliance. • Aim to achieve a 30% reduction in GHG emissions across Taiwan and Korea sites compared to the 2022 baseline. • Progressively conduct inventories of key Scope 3 categories in Taiwan.	• Aim to achieve a 36% reduction in GHG emissions across Taiwan and Korea sites compared to the 2022 baseline. • Progressively inventory key Scope 3 categories in Taiwan and improve data quality.
Energy (Power Consumption)		Due to the expanded inventory boundary, energy intensity increased slightly by 0.29% in 2025. The Company will continue to improve energy efficiency..	• Reduce electricity intensity by 1% annually.	• Reduce electricity intensity by 1% annually.	• Reduce electricity intensity by 1% annually.
Water Resource		Water intensity in Taiwan and Korea rose by 8.20% YoY in 2025, mainly due to capacity expansion and increased production. We remain committed to monitoring water consumption at each plant site to ensure efficiency.	• Reduce water intensity in Taiwan and Korea by 1% annually.	• Reduce water intensity in Taiwan and Korea by 1% annually.	• Reduce water intensity in Taiwan and Korea by 1% annually.
Waste		Waste intensity per unit of revenue in Taiwan and Korea remained stable in 2025 (compared to 2024).	• Reduce waste generation per unit of revenue in Taiwan and Korea by 2% annually.	• Reduce waste generation per unit of revenue in Taiwan and Korea by 2% annually.	• Reduce waste generation per unit of revenue in Taiwan and Korea by 2% annually.