2025 Avary Technology Holding Limited Environmental Supplementary Disclosure

1. TCFD Disclosure

Task Force on Climate Related Financial Disclosures (TCFD)

Governance	• In climate-risk governance, the **Board of Directors** oversees climate-related risks and opportunities and appoints the ESG Development Committee to supervise climate-risk management. • **ESG Development Committee** is responsible for reviewing the implementation status of climate change-related issues and appoints a project manager to reports to the Board of Directors annually on the strategy and operational direction of climate change related issues, monitor risk events, review energy-saving and carbon reduction targets and annual budgets, and the implementation outcomes of climate change-related initiatives. • **The Chairperson** also serves as the convener of the ESG Development Committee, making them the highest authority responsible for climate-risk management. • At the operational level, the Company has established an **ESG Executive Committee** and designated the **Corporate Governance Working Group** and the **Environmental Protection and Energy Conservation Working Group** as the specialized administrative units responsible for climate risk management. These working groups are responsible for systematically assessing and managing climate-related risks and opportunities, monitoring emerging international climate trends, analyzing stakeholder expectations, and developing climate adaptation policies and implementation plans. • The Environmental Protection & Energy Conservation Working Group periodically reports to the Chairman of the Board to review the operational status of management programs, conducting deep-dive discussions to drive strategic executive decisions. • The Environmental Protection and Energy Conservation Task Force convenes the specialized "Seven Greens Meeting" on a quarterly basis. This cross-functional assembly is structurally responsible for propelling energy-saving initiatives across all industrial parks and conducting rigorous auditing reviews of departmental KPI completions, thereby minimizing greenhouse gas emissions and actively mitigating global climate change.
Strategy	• In line with the TCFD framework, we identify **short- (1–2 years), medium- (3–5 years), and long-term (5+ years)** climate-related risks and opportunities, and assess their impact on our operations, strategy, and financial planning. • Avary conducts climate scenario analysis using the IPCC SSP1-2.6 and SSP5-8.5 pathways to assess physical risks, and the NGFS Net Zero 2050 and GCAM 6.0 scenarios to assess transition risks, thereby evaluating potential impacts under different future climate and transition pathways.
Risk Management	• Following the TCFD guidelines, Avary gathers information on **climate-related risks and opportunities**, identifies those relevant to the company and its entire value chain, and evaluates each item's potential impact, likelihood, and financial effect. • After completing the risk assessment, we develop strategies and take corresponding actions for the prioritized risks and opportunities, maintaining continuous monitoring and management to achieve effective risk control. • Climate-change considerations are integrated into the Group's existing enterprise risk-management framework, facilitating long-term tracking and ensuring the effectiveness of climate-related governance.
Metrics & Targets	• For each identified climate-related risk, we set management indicators covering carbon emissions, energy use, waste, and water resources, and embed them into our sustainability strategy and risk-management system. Avary establishes **short-, medium-, and long-term targets** for these indicators, reviews performance and gaps annually, and continually refines its management measures to mitigate climate risks and demonstrate our commitment to climate action. • In accordance with ISO 14064:2018, we conduct annual greenhouse-gas inventories for Scope 1, Scope 2, and Scope 3 emissions, which are externally verified by a third-party assurance provider. The results give us a clear picture of emissions in each scope and serve as the basis for validating our reduction achievements. • ESG performance—including external ESG ratings and environmental indicators—is incorporated into the variable-compensation evaluation of senior management, aligning their interests with those of the company and making corporate sustainability a shared objective.

Climate Risk Scenario Analysis and Quantified Analysis

To further evaluate the impact of climate change, the Company conducted a climate scenario analysis in 2025 focusing on the most material physical and transition risks. This analysis quantified the potential financial impacts of climate risks, enabling the Company to integrate climate considerations into its future strategic decision-making.

1) Physical Risk Scenario Analysis

The Company designated water resource issues as the primary evaluation target for its physical risk scenario analysis. Recognizing that extreme weather events driven by climate change will disrupt business operations with increasing frequency, the Company selected "Heavy Rainfall and Flooding" events - currently assessed as having the most severe impact - to quantify the potential financial impacts of physical risks under plausible future warming scenarios. The insights derived from this scenario analysis empower the Company to proactively fortify its future operations and strategic planning.

Assessment Assumptions for Water-related Impacts in 2050

Common Assumptions

Extreme Weather Event Scenario Assumptions

1. The Company selected two scenarios, SSP1-2.6 and SSP5-8.5, to analyze the potential scale of financial impact under a worst-case pathway (SSP5-8.5) versus a pathway where global warming aligns with the Paris Agreement targets (SSP1-2.6).
2. Utilizing the CMIP6 climate models from the IPCC WGI Interactive Atlas platform, the Company projected the frequency of extreme weather events by mid-century (2050) based on the average rate of change in future rainy days under the selected scenarios.

Item	Scenarios	2050
Average change of rainfall days (base period: 5 days)	SSP1-2.6	8%
	SSP5-8.5	11%

Extreme Event Impact Assumptions

Financial impacts are assessed using historical flooding events that caused industrial park closures over the past decade. Losses from operational disruptions are projected using 2025 revenue as the baseline:
(1) Shenzhen Park: Experienced 2 flooding events causing half-day closures over the past decade. Under SSP1-2.6, the projected frequency by 2050 is 1.08 times per decade; under SSP5-8.5, it is projected at 1.11 times per decade.
(2) Qinhuangdao Park: Experienced 1 flooding event causing a half-day closure over the past decade. Under SSP1-2.6, the projected frequency by 2050 is 1.08 times per decade; under SSP5-8.5, it is projected at 1.11 times per decade.
(3) Huai'an Park: Has experienced no flooding-induced operational closures over the past decade.

Financial Impact Assessment

Based on the climate scenario modeling, the Company's capital expenditures allocated to water-related issues in 2025 accounted for approximately 0.03% of its annual revenue. Looking forward to mid-century (2050), the potential financial losses stemming from operational disruptions caused by heavy rainfall events are projected to account for 0.11% of 2025 revenue under both the SSP1-2.6 and SSP5-8.5 scenarios.

Flood Prevention Countermeasures and Planning for Across Campuses

For all existing operations, context-specific physical climate risk adaptation plans and measures have already been implemented. All new projects and facilities incorporate physical risk assessments and preventive adaptation measures during the design and construction phase, ensuring 100% coverage of new operations.

Industrial Park	Risk Mitigation					
	Floodwalls	Drainage Pumps	Entrance Flood Barriers	Sandbags	Basement Waterproof Floodgates	Management Measures
Shenzhen Industrial Park	●	●	●	●	●	1. Conduct routine inspections of rooftop and underground stormwater drainage infrastructure. 2. Monitor weather forecasts closely and open stormwater discharge valves immediately upon heavy rainfall alerts. 3. Track river water levels, inspect for blockages, and promptly report to government authorities for assistance when needed. 4. Connect drainage pumps to emergency power supplies and perform periodic functional testing. In the event of intense rainfall that restricts gravity drainage, close the stormwater discharge valves and activate the pumps to actively discharge rainwater outside the campus perimeter.
Huai'an Industrial Park	●	●	●	●	●	
Qinhuangdao Industrial Park	●	●	●	●	●	
Taiwan Industrial Park (Kaohsiung)	Low Risk, Existing stormwater drainage infrastructure is sufficient to handle peak volumes.	Low Risk, Existing stormwater drainage infrastructure is sufficient to handle peak volumes.	●	●	●	

2) Transitional Risk Scenario Analysis

For its transition risks scenario analysis, the Company selected carbon pricing mechanisms as its core evaluation objective, specifically examining the potential financial exposures from Mainland China's Carbon Emissions Trading Scheme (ETS) and Taiwan's Carbon Fee System - including carbon expenditures and the costs of purchasing Green Electricity Certificates (GECs) - across two distinct pathways: the current climate trajectory and a 1.5℃ global warming scenario aligned with the Paris Agreement.

2030 Greenhouse Gas Financial Impact Assessment Assumptions

Regional Assumption

Taiwan Region

1. Carbon Fee Impact Scope Assumption: It is assumed that Taiwan's carbon pricing will be levied in full based on emissions and evaluated against the contracted power capacity of the Kaohsiung Campus, with a target of achieving a 30% carbon reduction through green energy by 2030 and a stretch goal of 52%.
2. Grid Emission Factor Variation Assumption: Considering changes in the grid emission factor, it is assumed that the 2030 assessment will adopt the 2025 electricity emission coefficient target of 0.388 kgCO2e/kWh.

Mainland China

1. Carbon Price Impact Scope Assumption: It is assumed that carbon pricing in Mainland China will be levied in full based on emissions, with a target of achieving a 30% carbon reduction through green energy by 2030 and a stretch goal of 52%.
2. Grid Emission Factor Variation Assumption: Considering changes in the grid emission factor, the assessment adopts the 2030 provincial grid emission factor estimates derived from the Research on Carbon Dioxide Emission Factors of China's Regional Power.

Common Assumptions

Carbon Pricing Scenario Settings

NDCs Scenario Carbon Pricing:

- Taiwan Region: Based on the initial planning of the competent authorities, the carbon fee is expected to gradually increase from the originally set RMB300 to between RMB1,200 and RMB1,800 per metric ton by 2030.
- Mainland China: References a carbon price of approximately RMB 234 per metric ton of CO2equivalent (tCO2e) in the Shenzhen carbon market, alongside recent transaction records of approximately RMB 405 per tCO2e for China Certified Emission Reductions (CCER).

Net Zero Scenario Pricing:

- Evaluated using the "Net Zero 2050" scenario from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), utilizing the average carbon prices projected by the GCAM and REMIND-MAgPIE assessment models.

Project	Unit	Taiwan Region	Mainland Chia
NDCs Scenario Carbon Pricing	RMB/tCO_2e	267-400	51-90
Net Zero Scenario Carbon Pricing	RMB/tCO_2e	908	957

1. In the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) releasedin2021, the international climate change research community integrated the results of multiple research teams to propose the "Shared Socioeconomic Pathways" (SSP) climate scenarios. SSP5-8.5 is a high radiative forcing pathway and the only scenario that can produce a radiative forcing of 8.5 W/m2 by 2100; SSP1-2.6 is a low radiative forcing pathway, and its multi-model simulation results show that the global average temperature rise will be controlled below 2℃ by 2100.
2. 2.Capital expenditures related to water resources cannot be entirely attributed to greenhouse gas categories; therefore, factors such as pollution prevention and control, water-saving cost savings, and flood control water pressure were simultaneously incorporated into the statistics.

Common Assumptions

Company Emission Scale by 2030

Evaluated based on the projected electricity consumption scale for Mainland China and the Taiwan region by 2030.

Company Renewable Energy Utilization

Anchored to the actual self-generated and self-consumed renewable energy from the 2025 fiscal year as a baseline, conservatively assuming further capacity expansion by 2030.

Company Green Electricity Certificate(GEC) Procurement Scenario

Aligned with the Company's 2030 target of achieving a 52% carbon reduction through green energy. It is assumed that if self- generated renewable energy falls short, the Company will implement a strategy to procure Mainland China Green Electricity Certificates to bridge the gap.

Green Electricity Certificate Cost Assumptions

Due to the supply and demand uncertainties in the 2030market, evaluating the future average price of GECs in Mainland China is challenging. For the Taiwan region, GEC pricing references the premium cost of RMB 4.63/kWh from the RE10X10 Corporate Green Power Initiative 2023 Annual Report, alongside Taipower's published 2024 Small-Scale Green Power Sales Q&A floor price of approximately RMB 5–6/kWh. For Mainland China, GEC pricing references the average listed trading prices on the China Green Electricity Certificate Subscription Platform.

Taiwan Region GEC Price	1,029–1,333 RMB/Certificate
Mainland China GEC Price	15-25 RMB/Certificate

Financial Impact Assessment

In 2025, the Company allocated approximately 0.66% of its revenue to carbon management, energy conservation, and environmental protection equipment to address climate change; looking ahead to 2030, climate scenario analysis indicates that potential operational financial impacts from carbon pricing mechanisms will account for 0.06% to 0.15%

of 2025 revenue under the Nationally Determined Contributions (NDCs) scenario, and rise to 0.83% to 2.98% under the Net Zero scenario.

2. Climate-Related Management Incentives (CDP 4.5.1)

Position entitled to monetary incentive	Incentives	Performance Metrics	Further details
CEO	Bonus – set figure	• Progress towards environmental targets • Achievement of climate transition plan • Achievement of environmental targets • Increased share of renewable energy in total energy consumption • Reduction of water withdrawals • Improvements in water efficiency • Reduction of water pollution incidents • Reduction or phase out hazardous substances • Improvements in water accounting, reporting, and third-party verification • Improvements in wastewater quality	The CEO's variable compensation is linked to both financial and ESG performance, with ESG-related performance accounting for 30% of the overall assessment. The ESG performance indicators cover governance, environmental and social factors. Environmental indicators include total water recycled and total green electricity use, thereby linking executive compensation to the Company's environmental and climate-related performance. Performance against these indicators is assessed as part of the CEO's variable compensation evaluation.
Environmental / Sustainability Manager	• Bonus – set figure • Promotion • Salary increase	• Progress towards environmental targets • Achievement of environmental targets • Organization performance against an environmental sustainability index • Reduction in absolute emissions in line with net-zero target • Implementation of an emissions reduction initiative • Reduction in emissions intensity • Increased share of renewable energy in total energy consumption • Reduction in absolute emissions • Improvements in emissions data, reporting, and third-party verification • Energy efficiency improvement • Reduction in total energy consumption	The Environmental/Sustainability Manager is eligible for a set-figure bonus, salary increases, and promotion opportunities based on performance against environmental and climate-related objectives. These incentives are aligned with short- to medium-term targets and assessed annually. Key performance indicators include progress toward company-level GHG reduction goals, implementation of emissions reduction initiatives, increased use of renewable energy, and improvement in the company's external sustainability ratings. These incentives are intended to reward leadership in driving environmental progress and to recognize contributions that directly advance Avary's climate transition plan.
Energy Manager	• Bonus – set figure • Promotion • Salary increase	• Progress towards environmental targets • Achievement of environmental targets • Increased share of renewable energy in total energy consumption • Energy efficiency improvement • Reduction in total energy consumption	The Energy Manager is eligible for both short-term and long-term incentives, including a set-figure bonus, promotion opportunities, and salary increases. These incentives are based on annual and multi-year performance evaluations. Key performance metrics include improvements in energy efficiency, reduction in total energy consumption, and an increased share of renewable energy in overall usage. Progress toward corporate environmental targets and broader climate goals is also considered. This incentive structure rewards sustained energy management performance and reinforces the importance of aligning operational energy use with the company's climate commitments.
All Employees	• Monetary awards • Recognition	• Efficiency improvement	Avary encourages all employees to participate in environmental and operational improvements through a structured proposal improvement mechanism. This initiative enables staff to submit ideas aimed at enhancing efficiency and sustainability in daily operations. To further incentivize participation, the company organizes an annual presentation conference, where outstanding proposals are recognized and eligible for monetary rewards, fostering a culture of continuous improvement and engagement.

*Note: Avary adopts the CDP response submitted by its parent company, Zhen Ding Technology. All climate-related disclosures are integrated under the parent company's CDP report.

3. Financial Risk of Climate Change (CDP 3.1.1)

Risk Type and Primary Environmental Risk Driver	Carbon pricing mechanisms
Organization-specific description of risk	Carbon pricing mechanisms are becoming increasingly stringent across the Group's operating regions, creating potential financial risks through higher compliance costs. Avary's Shenzhen manufacturing site is covered by the Shenzhen Emissions Trading Scheme (ETS) and is subject to mandatory emissions reporting and carbon allowance requirements. If actual emissions exceed the allocated allowances, additional carbon allowances must be purchased, increasing operating costs. In Taiwan, as production capacity at the Kaohsiung facility continues to expand, emissions may exceed the regulatory threshold for carbon fee obligations, resulting in additional carbon costs. As carbon pricing policies continue to evolve, compliance costs are expected to increase and may affect the Group's operating expenses and long-term financial planning.
Primary financial effect of the risk	Increased indirect [operating] costs
Time horizon over which the risk is anticipated to have a substantive effect on the organization	Medium-term
Likelihood of the risk having an effect within the anticipated time horizon	Virtually certain
Magnitude	Medium
Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons	As carbon pricing mechanisms continue to tighten in Taiwan and mainland China through higher carbon prices, reduced free allowances and broader regulatory coverage, Avary is expected to incur higher carbon compliance costs. Any shortfall in allocated emission allowances at the Shenzhen site will require the purchase of additional carbon allowances, while future carbon fee obligations in Taiwan may further increase operating costs. As carbon prices continue to rise over the medium to long term, additional investments in emissions reduction and renewable energy will be required to mitigate future financial impacts.
Anticipated financial effect figure in the medium-term – minimum (currency)	23,488,206
Anticipated financial effect figure in the medium-term – maximum (currency)	58,720,514
Explanation of financial effect figure	The financial impact was estimated under the Nationally Determined Contributions (NDC) scenario based on the Group's projected 2030 emissions. In Taiwan, the carbon price is expected to increase from NTD 300 to approximately NTD 1,200–1,800 per tCO_2e by 2030. In Mainland China, the carbon price is approximately RMB 234 per tCO_2e in the Shenzhen carbon market, while recent CCER transactions reached approximately RMB 405 per tCO_2e. The assessment considers the Group's projected electricity consumption and emissions in Taiwan and mainland China by 2030. Under these assumptions, carbon pricing is estimated to result in additional annual costs equivalent to approximately 0.06–0.15% of the Group's 2025 revenue.
Primary response to risk	Increase environmental-related capital expenditure
Cost of response to risk	258,370,262
Explanation of cost calculation	The cost of response was calculated based on the capital expenditures and operating expenses incurred in 2025 for carbon management, energy efficiency and environmental protection equipment. These expenditures included investments in emissions abatement systems, the adoption of lower-global-warming-potential process gases, and solar power generation and energy storage infrastructure. The total cost represented approximately 0.66% of the Group's 2025 revenue and reflects the resources allocated during the reporting year to reduce greenhouse gas emissions and support the Group's decarbonization objectives.
Description of response	In response to this risk, Avary will focus on the following activities: 1) Pursuing innovative carbon reduction initiatives, including the implementation of abatement systems and the adoption of low GWP (Global Warming Potential) process gases to reduce greenhouse gas emissions. Avary is dedicated to investing in innovative ideas and capital to achieve continuous carbon emission reduction. 2) Exploring the option of purchasing renewable energy or renewable energy certificates to lower emissions. 3) Enlarge solar generation construction and introducing energy storage construction.

Risk Type and Primary Environmental Risk Driver	Heavy precipitation (rain, hail, snow/ice)
Organization-specific description of risk	Avary's manufacturing campuses in southern China are exposed to seasonal typhoons and increasingly intense rainfall events, consistent with regional climate trends. Heavy precipitation can lead to localized flooding, which poses risks to factory access and logistics delays.
Primary financial effect of the risk	Decreased revenues due to reduced production capacity
Time horizon over which the risk is anticipated to have a substantive effect on the organization	Long-term
Likelihood of the risk having an effect within the anticipated time horizon	Very unlikely
Magnitude	Low
Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons	Heavy downpours can overwhelm the local drainage system, flood loading bays and access roads, and force a temporary shutdown of production lines. Flood-related stoppage halts shipments and defers the associated revenue until operations resume, directly reducing sales for the affected period.
Anticipated financial effect figure in the long-term – minimum (currency)	43,061,710
Anticipated financial effect figure in the long-term – maximum (currency)	43,061,710
Explanation of financial effect figure	The financial effect figure is based on estimated disruptions to operations caused by floods, drawing on historical data from the past decade across key operational regions. Using CMIP6 models and IPCC WGI Interactive Atlas projections, the frequency of such events was projected for 2050 under SSP1-2.6 and SSP5-8.5 scenarios. Estimated losses incorporate potential downtime and associated revenue impacts under each scenario.
Primary response to risk	Increase environment-related capital expenditure
Cost of response to risk	11,744,103
Explanation of cost calculation	The cost calculation is based on capital expenses associated with flood risk mitigation measures across key manufacturing sites. This includes the installation of flood walls, pumping systems, flood gates, sandbags, and underground flood barriers, along with ongoing maintenance, drainage upgrades, and coordination with local authorities.
Description of response	To address physical climate risks such as flooding and sea level rise, Avary has implemented a range of site-specific flood protection strategies. These include constructing flood walls, installing water pumps and flood gates, preparing sandbags, and reinforcing underground entrances across facilities in Shenzhen, Huai'an, Thailand, and Taiwan. Risk assessments are conducted regularly to evaluate the adequacy of existing drainage systems and identify areas requiring further mitigation. In low-risk sites such as Kaohsiung and Boardtek, existing elevation and drainage infrastructure have been deemed sufficient. Additional management measures include routine inspections, early warning protocols, and coordination with local governments to strengthen flood resilience and ensure business continuity.

4. Internal Carbon Pricing (CDP 5.10.1)

Type of pricing scheme	Shadow Price
Objectives for implementing internal price	• Conduct cost-benefit analysis • Drive energy efficiency • Drive low-carbon investments • Incentivize consideration of climate-related issues in decision making • Incentivize consideration of climate-related issues in risk assessment • Identify and seize low-carbon opportunities • Influence strategy and/or financial planning • Navigate regulations • Reduce upstream value chain emissions • Setting and/or achieving of climate-related policies and targets • Set a carbon offset budget • Stress test investments
Factors considered when determining the price	• Alignment with the price of allowances under an Emissions Trading Scheme • Scenario analysis
Calculation methodology and assumptions made	In October 2011 China's National Development and Reform Commission approved seven pilot emissions-trading schemes, including Shenzhen. When the Shenzhen carbon market opened on 18 June 2013, Avary's Shenzhen campus became one of the first participating enterprises; its energy-saving and emission-reduction results were recognized by the local government. The campus continued to trade allowances in 2025, further strengthening our carbon-asset management in partnership with the authorities. To internalize the external cost of greenhouse-gas emissions and spur additional abatement, Avary applies an internal carbon price. Because our main production facilities are in mainland China and only the Shenzhen campus is currently covered by a regulatory ETS, we benchmark the internal price to the Shenzhen market. For 2025 the adopted rate is RMB 44.4 per tonne of CO_2e.
Scopes covered	Scope 1, Scope 2
Actual priced used (RMB per metric ton CO2e)	44.4
Application	For all decision-making process

5. Emission Reduction Target (CDP 7.53.1)

Target type and metric	Scope covered	Target Timeframe	Baseline year emissions covered and as a % of total base year emissions	% reduction target from base year	Is this a science-based target?
Absolute target	• Scope 1 • Scope 2	• **Base Year:** 2021 • **Target Year:** 2026	• **Base year emissions:** 948,593 • **Percentage of total base year emissions:** 100%	23	No, but we have publicly committed to seek validation to the target by the SBTi
Absolute target	• Scope 1 • Scope 2	• **Base Year:** 2021 • **Target Year:** 2050	• **Base year emissions:** 948,593 • **Percentage of total base year emissions:** 100%	90	No, but we have publicly committed to seek validation to the target by the SBTi