

# FET Incorporates Biodiversity Issues Into Its Risk Assessment Project

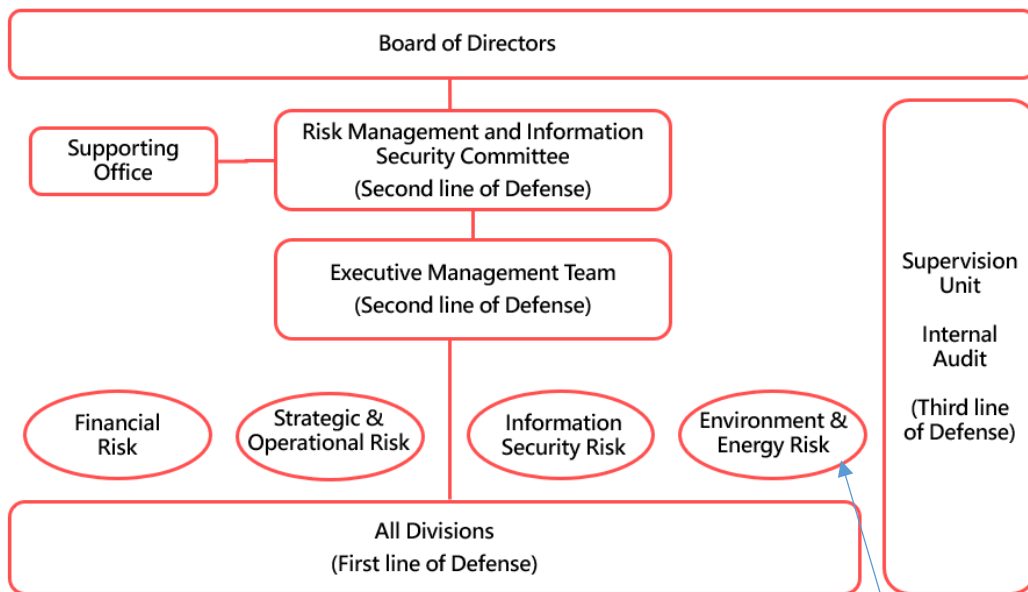
FET categories and implements risk management in the following areas: Financial Risk, Strategic and Operational Risk, Information Security Risk, and Environment and Energy Risk. FET takes into account the global long-term and short-term risks identified by the World Economic Forum. It also includes biodiversity loss in its multi-disciplinary company-wide risk management processes, recognizing the growing significance of this issue on a global scale.

Despite the fact that biodiversity risks have been considered relatively low among all other risks, FET still incorporates biodiversity relevant considerations in our operations to respond to our [biodiversity commitments](#). Please see details in “Take Action”.

- Water Resources: water related considerations and evaluations included in cloud computing room site selection process
- Biodiversity: biodiversity-related considerations and evaluations included in base station site selection process

	<i><b>Water Resources</b></i>	<i><b>Biodiversity</b></i>
<i><b>Responses</b></i>	<ol style="list-style-type: none"> <li>1. Maintain water tower/reservoir for at least 38 hours of water supply.</li> <li>2. Investigation of the flooding potential of the core computer room and improvement of weaknesses / year.</li> <li>3. Update the site selection specification for low-carbon cloud computer rooms, and incorporate continuous and reliable water sources into important considerations for site selection.</li> </ol>	<ol style="list-style-type: none"> <li>1. Include the superimposed map of the living area of endangered organisms in the evaluation of ground-based base stations.</li> <li>2. Analyze the behavioral characteristics of the affected endangered species in order to further improve or reduce the impact.</li> <li>3. Continue to increase the types of biodiversity assessments.</li> </ol>

## FET Telecom's Risk Management Organization



FET incorporates biodiversity issues in the risk identification

Refer to: <Global risks ranked by severity over short and long term>

Long term (10 years)		
1 <sup>st</sup>	Extreme weather events	極端氣候事件
2 <sup>nd</sup>	Critical change to Earth systems	地球系統巨變
3 <sup>rd</sup>	Biodiversity loss and ecosystem collapse	生物多樣性損失與生態系統崩潰
4 <sup>th</sup>	Natural resource shortages	自然資源短缺
5 <sup>th</sup>	Misinformation and disinformation	虛假訊息
6 <sup>th</sup>	Adverse outcomes of AI technologies	人工智慧技術的不良結果
7 <sup>th</sup>	Involuntary migration	非自願性移民
8 <sup>th</sup>	Cyber insecurity	網路不安全
9 <sup>th</sup>	Societal polarization	社會兩極分化
10 <sup>th</sup>	Pollution	污染

Source: <https://www.weforum.org/publications/global-risks-report-2024/digest/>

After conducting risk assessments considering the operational impacts and possibilities by different business groups within the company, the following risk items have been identified for the company's operations: "Cyberattacks", "System Failures", "Climate Change", "Geopolitics", and "Energy Shortages" (as disclosed on pages 46-48 of the 2023 Sustainability Report). The issue of biodiversity has been assessed as a low-risk item.

Despite this, FET continues to adhere to the Natural Capital Protocol (NCP) in order to evaluate the potential impact of its operations on biodiversity at its various locations and with its suppliers.

## Methodology

We use the NCP to assess; therefore, the assessment method will follow the relevant steps to analyze and value. The natural capital valuation method has a total of eight steps, which is one of the main natural resource valuation methods today; these steps start with defining the goal and scope, then determining the impact and dependency, and finally evaluating the changes in the current status of natural capital and the impact. With this approach, we were able to estimate the value of natural capital based on distant demand.

## Process

### 1. Pre-Assessment

In order to evaluate the natural capital, FET evaluates the natural resources that may be relied on and affected at present. Natural capital includes renewable and non-renewable natural resource stocks and services; therefore, before the evaluation, it is also necessary to take stock of the company's operations Desired stocks of natural resources, and potentially affected ecosystems.

### 2. Clarify The Dependency-Related and Impact-Related Biodiversity Risks of FET

The target audience is divided into internal and external stakeholders; and the applicability analysis is carried out according to the distance of the topic; the current applicability is defined as follows:

High Applicability: related to performance and investment targets;

Medium Applicability: Concerned about this topic, but no relevant performance and investment targets;

Low Applicability: no need to care, and no relevant performance and investment targets

Based on the above definition, the relevant evaluation table after adding interested parties:

	Internal Stakeholder	External Stakeholders
High Applicability	Sustainable department, asset department	Supplier
Medium Applicability	Shareholders, senior management	Investors, external institutions, surrounding residents
Low Applicability	Other departments	Other external stakeholders

Of this assessment is to "clarify the dependency and impact of corporate entities on natural capital".

	<b>Non-Biological</b>	<b>Biology</b>
<b>Dependency</b>	Water	None
<b>Impact</b>	None	Indicative endangered species: Taiwan Leopard Cat, Australasian Grass-Owl, Otter, Russet Sparrow

### 3. Determining The Scope of Assessment

The most crucial aspect in this section is defining the scope of "how to achieve assessment objectives." The scope for this assessment encompasses "own operations/ adjacent areas of FET and upstream and downstream value chain," considering the impact on "corporate value" and "social value" during stages such as equipment supply, product provision, and corporate operations. The assessment scope is established, taking into account the following considerations:

Corporate Value: Is the supply chain or operation affected?

Social Value: Are external stakeholders in the vicinity affected?

	<b>Corporation value</b>	<b>Social value</b>
Valuation category of assessment	Monetization Evaluation: Considering Impacted Revenues and Associated Natural Capital	Qualitative evaluation: Consider the affected operating points and list the impact methods.
Consider other technical issues (i.e. baseline, context, spatial boundaries and time horizons)	Baseline 2020 usage; scenario is 2DS	Baseline with 2023 assessment volume; scenario is 2DS

### 4. Identify Impacts and/or Dependencies

In order to build upon prior research findings and achieve consistency standards, FarEasTone Corporation is linking the concept of natural capital with the results of risk assessments. This linkage is intended to incorporate quantitative indicators and financial metrics into relevant projects. Our approach involves connecting elements related to natural capital within FET's company-wide climate risk matrix assessment and management processes, and the estimation of financial indicators is informed by the assessment content of the risk matrix. Combining these concepts, the following matrix diagram is depicted:

Impact	High			
	Middle	A	C	
	Low	B		
		Low	Middle	High
		Likelihood		

Serial Number	Risk statement	Natural Capital Related Indicators
A	Stakeholder (manufacturer) concerns and increasing negative feedback leading to reduced available capital	Impact on endangered species
B	Industry stigma impacts workforce management and planning (e.g. employee recruitment and retention)	Impact on endangered species
C	Rising average temperatures leading to higher infrastructure costs (e.g. facility performance and protection)	water resources

	<i>Department of Non-Biology</i>	<i>Department of Biology</i>
<i>Dependency</i>	Water (Used unit: KL)	None
<i>Impact</i>	None	Indicative endangered species (Overlapping areas)

## 5. Determine Impact and/or Dependency

Correspondence between various business activities and impact drivers and/or dependencies

	<i>Department of Non-Biology</i>	<i>Department of Biology</i>
Value Chain Upstream: Manufacturing	Water (Utilization rate)	Non-indicator Endangered Species (Areas overlapping with the Supplier Regions)
Corporate Operation :Use	Water (Utilization rate)	Indicative endangered species (Areas overlapping with the ground base station)
Downstream of The Value Chain: Application Services	Water (Utilization rate)	Indicative endangered species (Areas overlapping with downstream manufacturers )

Define the impact drivers and/or dependencies you will measure

Dependency: Water usage (degrees/year)

Impact: Whether the species overlaps with the base station

## 6. Measuring Changes in The State of Natural Capital

In order to measure the changing state of natural capital, it is necessary to identify the driving factors. The relevant natural capital changes have been determined to be water resources and the amount of endangered species. The changes are as follows:

	<i>Characteristic</i>	<i>Variation</i>
<i>Water Resources</i>	Dependency	-15,622 tons (2021 – 2022)
<i>Biodiversity</i>	Impact	Since 2023 is the base year, comparisons will be made in the future.

## 7. Assess Impact and/or Dependency

Dependency: Water is used to cool down the machine, which will affect the main operating activities, so it is defined as "revenue/water consumption".

Impact: Location-specific approach- If the base station is built within the living range of the species, it will be included in the relevant assessment, defined as "whether the species overlaps with the base station".

## 8. Interpret And Test Assessment Results

Before testing, it is necessary to confirm the premise assumptions of the assessment. The assumptions and assessment results of the water resources and biodiversity indicators are as follows:

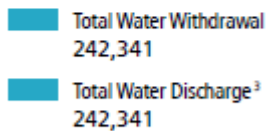
### Water Dependency Indicators

- Assessment assumptions: It is assumed that ground-based base stations will cease to operate when affected by water shortages.
- Evaluation method: Take stock of the areas where the company uses water resources each year, the proportion of general water intake areas and pressure water intake areas, and clarify the degree of possible impact.
- Evaluation results:  
Due to the normal operation of the current water supply system, there is no "area with water resource stress" in the current analysis of water consumption. At the same time, FET strives to improve every year to reduce water consumption year by year.

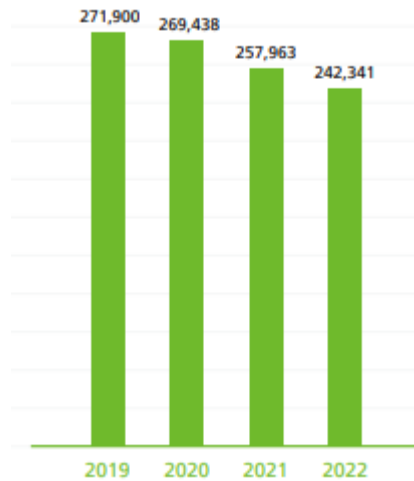
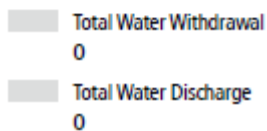


unit: kL

All area



Areas with Water Resource Pressure



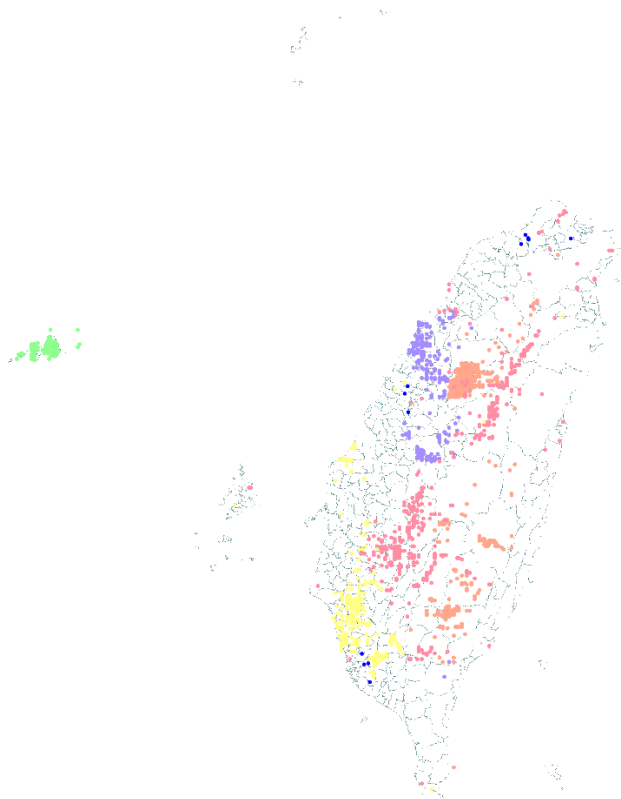
### Species Impact Indicators

- Assessment assumptions: It is assumed that when a base station overlaps with an endangered species, it will definitely affect it; this assumption ignores the mobile migratory nature of the animals.
- Evaluation method: The analysis process is as follows:



1. Confirm the distribution of ground base stations.
2. List the distribution map of endangered species; the species are selected from the list of endangered species listed by the Forest Service, and the well-known and indicative species are screened out through conditions.
3. Complete the overlay of the distribution of ground-based base stations and the distribution map of endangered species to understand the impact of species.

- Evaluation results: As shown below  
Overlay map of upstream suppliers and index endangered species



Dark blue: FET upstream suppliers

FET Enterprise





## Species Impact Assessment Results

<b>Value Chain</b>	<b>Affected Species</b>
<b>Upstream Suppliers</b>	None
<b>Far Eastone Enterprise</b>	Taiwan Leopard Cat: Miaoli, Yunlin Australasian Grass-Owl: Tainan, Kaohsiung Otter: Kinmen Russet Sparrow: Chiayi
<b>Downstream Manufacturers</b>	None

## 9. Take Action:

According to the results of the aforementioned research, water-saving measures and habitats of endangered organisms are included in the evaluation indicators to reduce the dependency and impact.

	<b><i>Water Resources</i></b>	<b><i>Biodiversity</i></b>
<b><i>Responses</i></b>	<ol style="list-style-type: none"> <li>4. Maintain water tower/reservoir for at least 38 hours of water supply.</li> <li>5. Investigation of the flooding potential of the core computer room and improvement of weaknesses / year.</li> <li>6. Update the site selection specification for low-carbon cloud computer rooms, and incorporate continuous and reliable water sources into important considerations for site selection.</li> </ol>	<ol style="list-style-type: none"> <li>4. Include the superimposed map of the living area of endangered organisms in the evaluation of ground-based base stations.</li> <li>5. Analyze the behavioral characteristics of the affected endangered species in order to further improve or reduce the impact.</li> <li>6. Continue to increase the types of biodiversity assessments.</li> </ol>

## Conclusion:

This study is the starting point for natural capital-related assessments. In the future, it is expected to expand the types of resources to be assessed, and to assess the dependency and impact of related resources in a more real-time manner, so that the impact and risks can be predicted in advance from the resource stock of natural capital.