4. Environmental Sustainability

4.1 Climate Change Response

Performance Results

- Upgraded a 400-ton chiller, improving single-unit energy efficiency by 38.2% and achieving energy-saving goals.
- 80% of photocopy paper, napkins, and toilet paper used are internationally certified.
- Over 70% implementation rate of large-capacity refillable bottles for toiletries.
- Utilizing AI food waste machines to monitor and optimize product processes, reducing food waste generation.

Single-unit energy efficiency improvement	International certification percentage	Implementation rate of large-capacity toiletries
38.2 %	80 %	70 %

Future Goals

Short-term Goals	Medium to Long-term Goals

- Prioritize purchasing electrical equipment with international energy-saving labels.
- Promote renewable energy: Evaluate the feasibility of installing solar panels at various hotels within the Group.
- Fully switch to large-capacity refillable bottles for toiletries by the end of 2024.
- Use 5% to 10% renewable energy by 2026 and increase low-carbon and carbon footprint products by 3%.

Future Goals

Short-term Goals	Medium to Long-term Goals

- Achieve 20% renewable energy usage by 2030.
- Develop new products using local raw materials and reduce the proportion of imported raw material procurement by 5% before 2026.

Impact

Following the TCFD's recommendations for climate-related financial disclosures, Silks Hotel Group has identified five key risk management issues related to climate change: environmental regulations and policies, increased costs of low-carbon energy, raw material shortages and price increases, changes in market demand and consumer preferences, and product and service transformation. The impact on operations includes increased compliance costs and low-carbon energy costs, raw material shortages and price increases, and the growing consumer focus on environmental protection and sustainability, which influences their hotel choices. Hotels may need to pass on some costs to consumers, potentially affecting their competitiveness and market demand.

Policy Commitment

Silks Hotel Group aligns with the national overall greenhouse gas reduction strategy to achieve sustainable development goals of energy conservation and carbon reduction. We are concerned about global climate change and adapt to international environmental trends, effectively utilizing resources and fulfilling corporate social responsibility. In response to the international net-zero sustainability trend, we participate in the 1.5°C Climate Action Declaration signed by the Chinese National Association of Industry & Commerce, formulating climate action policies and environmentally friendly measures to take practical action towards low-carbon transformation and contribute to mitigating global warming.

Actions Taken

- The Environmental Sustainability Committee is responsible for environmental risk assessment and establishing preventive measures for environmental hazards, as well as supervising and implementing daily operations.
- We encourage employees to implement energy-saving practices in their daily work, implementing concrete measures for energy conservation, carbon reduction, and environmental protection.

- **Improving energy efficiency**
  Replacing air conditioning systems with magnetic levitation chillers, adding air conditioning monitoring equipment systems, installing LED lighting and intelligent temperature control systems in hotel rooms and public areas, and using R-717 refrigerant for all storage equipment.
- **Water resource management**
  Installing low-flow faucets and showerheads, collecting swimming pool overflow wastewater, and treating and recycling it for cooling tower water usage.
- **Waste management**
  Implementing waste sorting, recycling, and reuse programs to reduce landfill waste.

Evaluation Mechanisms

- **Reduction effectiveness evaluation**
  The energy management team regularly reviews statistical data of various equipment and facilities daily and evaluates reduction effectiveness monthly, adjusting reduction strategies in a timely manner.
- **Supply chain evaluation**
  Regularly review the sustainability performance of major suppliers.
- **ESG team meetings**
  Conduct discussions quarterly to ensure that all measures are effectively implemented and achieve the expected results, and regularly report the effectiveness to the Board of Directors.

Stakeholder Engageme

Based on the stakeholder engagement mechanism, Silks Hotel Group upholds the concept of sustainable development, actively addresses the challenges brought by climate change, encourages customers to participate in our environmental protection programs, and provides employees with training on sustainable development and climate action to enhance environmental awareness. We also disclose the results of our efforts to all stakeholders through sustainability reports.

Silks Hotel Group is committed to the concept of sustainable development and the challenges posed by climate change, as well as the realization of the United Nations Sustainable Development Goals (SDGs), including Goal 7 (Affordable and Clean Energy), Goal 12 (Responsible Consumption and Production), and Goal 13 (Climate Action), etc. SHG is also committed to the implementation of the UN's Sustainable Development Goals (SDGs).

Governance

The Environmental Sustainability Team of the Sustainability Development Committee at Silks Hotel Group is responsible for identifying potential climate change risks and opportunities. We have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to facilitate stakeholders and management in understanding the impacts and financial implications of climate change. The management evaluates and approves response strategies, relevant risk indicators, and targets for climate change risks and opportunities based on the discussions of the Environmental Sustainability Team, and regularly reports the implementation effectiveness to the Board of Directors annually.

Strategy

Silks Hotel Group has identified climate change-related risks and opportunities through "transition risks" associated with the low-carbon economy and "physical risks" related to the impact of climate change. We have listed five key risk management issues, including environmental regulations and policies, increased costs of low-carbon energy, raw material shortages and price increases, changes in market demand and consumer preferences, and product and service transformation.

Transition Risks Physical Risks Opportunities

Identified Risks and Opportunities	Risk Description	Potential Impact on Operations and Finances	Impact Level / Timeframe	Response Strategies and Goals
Policies and regulations	Subject to the Energy Management Act, 1% energy saving is required annually. The scope of carbon fee and carbon tax collection may expand.	• If the annual energy saving rate does not reach 1%, the competent authority may not approve the submitted implementation plan. • Changes in government policies and regulations on carbon reduction and promoting sustainable development may affect operating methods and cost structures, and increase sustainability-related expenses.	High / Long-term	• Actively promote various environmental protection, energy conservation, and carbon reduction measures, adopt low-energy-consuming equipment, and reduce greenhouse gas emissions; observe changes in environmental policies and formulate response measures. • Adopt environmentally friendly and low-energy-consuming equipment, review and optimize product processes to achieve energy-saving goals.

Technical risks Increased costs of low-carbon technology transformation	• Government and consumer concerns about carbon footprint may drive emission reduction measures.	Product and service changes to low-carbon options lead to increased costs.	Medium / Medium-term	Improve energy management performance and energy use efficiency, formulate short, medium, and long-term high-efficiency equipment purchase plans; choose low-carbon transportation tools and optimize the supply chain to enhance product quality.
Market risks • Changes in customer behavior • Rising material costs	• Increased consumer awareness of environmental sustainability leads to changes in demand for products and services. • Extreme weather causes reduced raw material production.	Due to raw material shortages, product supply falls short, leading to decreased revenue.	Medium / Long-term	• Strengthen product research and development, enhance cooperation plans with the supply chain, and adopt low-carbon footprint products. • Reduce the use of imported raw materials and establish long-term cooperative relationships with local suppliers.

Reputational risks Corporate image	Damage to reputation reduces consumer trust.	Increased labor recruitment costs and decreased revenue.	Medium / Long-term	• Comply with regulatory policies, implement product and service standards and supervision. • Implement sustainable management and ESG goals.

Transition Risks | Physical Risks | Opportunities

Identified Risks and Opportunities	Risk Description	Potential Impact on Operations and Finances	Impact Level / Timeframe	Response Strategies and Goals
Immediate (Extreme) Risks Typhoons, Floods	• Extreme weather events can lead to power and water supply disruptions or restrictions, causing business interruptions. Flooding can also result in property	Increased operating costs and reduced operational performance, frequent claims, and the need to pay higher premiums for	Medium/Long-term Response	• Implement relevant response measures according to disaster emergency handling procedures to minimize property damage. • Install generators and uninterruptible power supply (UPS) systems to prevent business

	damage to equipment. • Climate change may affect the supply chain, leading to raw material shortages.	enhanced insurance coverage.		interruptions. • Establish water resource transportation vendor data management, obtain adequate insurance, transfer risks, and compensate for losses.
Long-term Risks Heavy rain/drought/infectious diseases	Heavy rain may cause equipment damage and reduce revenue. Drought may lead to power and water supply interruptions, affecting operations.	• Increased capital expenditures, and decreased revenue. • Increased costs for purchasing raw materials. • The spread of global pandemics impacts operational performance.	High/Long-term Response	• Activate backup mechanisms in case of disasters to protect customer rights and interests and minimize company financial losses. • Conduct regular disaster education and training. • Implement supply chain management to select suppliers with stable supply and excellent quality.

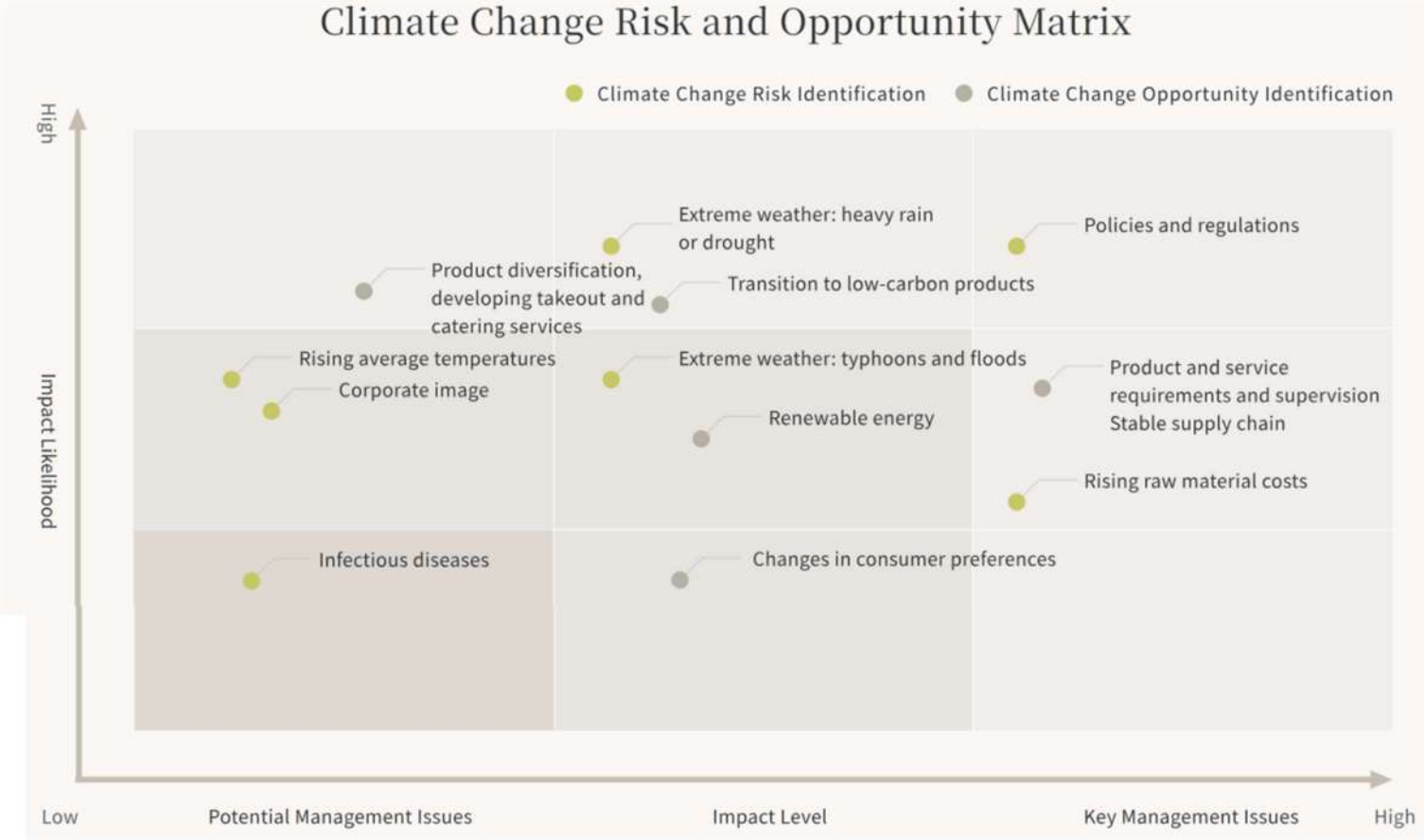
Rising Average Temperatures	• More energy is required to maintain operating temperatures. • Impacts customer consumption habits and willingness to go out and spend.	• Increased carbon emissions and energy costs, reduced operating revenue./li> • New equipment purchases lead to increased operating costs.	Medium/Long-term Response	• Implement air conditioning equipment efficiency analysis, replace old equipment to improve equipment utilization efficiency; formulate corresponding strategies based on changes in consumption patterns, such as transitioning to off-site catering and delivery. • Purchase energy-efficient equipment. • Develop takeout and retail product channels.

Identified Risks and Opportunities	Risk Description	Potential Impact on Operations and Finances	Impact Level / Timeframe	Response Strategies and Goals
Resource Use Efficiency	Use more efficient LED lighting, replace old system pumps, and adopt dual-effect energy-saving equipment such as heat pump systems.	• Introduce high-efficiency production equipment, reduce energy expenditure. • Increase fixed asset value.	Medium/Mid-term Response	• Recycle and reuse waste, require suppliers to use recyclable transportation tools and containers, reduce garbage incineration, lower carbon emissions, and implement water-saving strategies. • Set a goal of reducing greenhouse gas emissions by 3% within 3 years.

Energy Sources	• Utilize new technologies and energy-efficient equipment to reduce energy costs. • Purchase renewable energy.	• Innovate product research and development to lower operating costs. • Purchase renewable energy, which leads to increased energy costs.	Medium/Long-term Response	• Use low-carbon product raw materials for production • Set a goal of purchasing 5% to 10% renewable energy by 2026 and increasing low-carbon and carbon footprint products by 3% • Enhance product and service competitiveness, carefully select packaging materials, promote plastic reduction activities, and expand the customer base for takeout and delivery markets • Implement sustainable
Products and Services Consumer Preference Shifts	Innovate products and develop low-carbon, carbon footprint products to enhance product competitiveness; adopt digital marketing to expand the customer base	• Increasing consumer preference for sustainable and environmentally friendly products may necessitate adjusting product portfolios and supply chains to meet these demands.	Medium/Long-term Response	

		• Increased purchase costs		environmental practices and enhance brand awareness • Increase revenue and improve operational performance
Market	• In response to rising raw material costs, develop alternative raw materials and new products • Promote accelerated low-carbon economic transformation and develop a diversified supply chain	Control raw material costs and create operational performance	Medium/Long-term Response	• Ensure supply chain stability to avoid disruptions due to shortages • Diversify product operations and develop new markets to improve operational performance
Resilience	In response to the risks arising from climate change, cultivate adaptability, decision-making capabilities, and identify opportunities in the face of extreme weather	-	Medium/Long-term Response	Formulate emergency response measures based on materiality risks to reduce losses and improve operational performance

Silks Hotel Group uses a risk matrix to assess significant climate change events and impacts. Identify the financial impact of priority entity and transformational risks. Implement mechanisms to monitor and control risks. To cooperate with the competent authorities in the promulgation of laws and regulations to formulate energy-saving and carbon reduction policies. Based on the TCFD assumptions about the impact of different warming scenarios on the business model, we conduct a climate change scenario analysis, which serves as a basis for us to consider our response strategies and adjustments in the face of climate change.



..5°C Warming Scenario Assumptions (Occurring within 3-5 years) Temperature Increase >2.8°C Scenario Assumptions (10 years l

Category	Impact Description and Financial Impact	Opportunities	Response Strategies
Policies and regulations	In response to new policies and regulations, carbon credits and equipment updates will lead to increased compliance costs and low-carbon energy costs. Some costs will be passed on to consumers, affecting market competitiveness. Energy purchase costs will increase by at least 10% or more, approximately NT$10 million.	Purchase high-efficiency equipment to improve energy use efficiency. Implement water, electricity, wastewater, and waste management policies to reduce resource waste and create operational performance.	• Set water and electricity saving targets of 1%, collect swimming pool overflow wastewater for treatment and reuse as cooling tower water. • Use renewable energy to achieve carbon reduction goals.
Heavy rain, drought	May affect the supply chain, leading to raw material shortages and increased purchase costs. Power and water supply interruptions or restrictions due to extreme weather may cause business interruptions and increase insurance premiums. Raw material purchase costs are estimated to increase by more than 5%, approximately NT$30-40 million.	Enhance product competitiveness, adopt digital marketing to expand the customer base, and establish long-term customers to stabilize revenue.	• Establish water resource transportation vendor data management, obtain adequate insurance, transfer risks, and compensate for losses. • Implement supply chain management to select suppliers with stable supply.

1.5°C Warming Scenario Assumptions (Occurring within 3-5 years) | Temperature Increase >2.8°C Scenario Assumptions (10 years l

Category	Impact Description and Financial Impact	Opportunities	Response Strategies
Rising raw material costs	Temperature rise exceeding expectations, fluctuations in crop supply and demand, and transportation costs will lead to increased raw material costs, raising operating expenses.	Carefully select suppliers to maintain stable supply quality and develop new products using local raw materials.	Adopt readily available raw materials to develop new products, increase local procurement, cultivate a stable supply chain, and cooperate with small farmers on contract farming.
Changes in consumer habits	Increased consumer awareness of sustainability leads to changes in demand for products and services.	Diversify product research and development, undergo technological transformation, and purchase low-carbon products.	Implement diversified marketing strategies, improve product quality, and attract consumers. Expand off-site catering, takeout, and delivery business models.

We have formulated adaptation strategies based on the identified climate change risks and opportunities, such as regulatory compliance, resource recycling and reuse, improving operational efficiency, energy conservation and carbon reduction, low-carbon product diversification, and greenhouse gas emission reduction measures, in order to mitigate the operational risk impact caused by global extreme climate and gradually incorporate the assessment of financial impact.

Through these strategies, Silks Hotel Group not only reduces the burden on the environment but also enhances its adaptability to climate change challenges, demonstrating its commitment and actions as a responsible company.

Greenhouse Gas Inventory

Due to the nature of hotel operations, the main types of energy used are purchased electricity and natural gas. The carbon emissions from purchased electricity account for the highest proportion at 60%, with air conditioning and refrigeration equipment being the primary sources of electricity consumption, followed by kitchen cooking gas at 30% and waste at 3%.

Silks Hotel Group established a greenhouse gas inventory promotion organization and formulated standard operating procedures for greenhouse gas emission control in 2023 to facilitate the implementation of greenhouse gas inventory and carbon reduction measures by each hotel.

Greenhouse Gas Inventory Promotion Organization and Structure

The responsibilities of the greenhouse gas inventory promotion organization are as follows:

Manager – Approves the greenhouse gas inventory report and the identification results of indirect significant greenhouse gas emissions, and supervises the operation of the inventory team

Executive Secretary - Supervises and provides human resource support for conducting the greenhouse gas inventory, convenes and forms an internal verification team, and reviews indirect significant greenhouse gas emissions.

Inventory Team Leader - Serves as the primary contact window for each hotel or department, handles the identification of indirect significant greenhouse gas emissions, collects greenhouse gas emission factors, prepares the greenhouse gas emission inventory and inventory report, and develops and revises relevant procedural documents and regulations for greenhouse gas inventory.

Financial Committee Member - Responsible for all accounts, provides data and receipts to the inventory team leader, and assists in verification and reimbursement.

The implementation status of greenhouse gas inventories of the Company and consolidated financial reporting subsidiaries (including the Parent Company and certain subsidiaries) is described below:

	Scopes	Unit	2022	2023
Company	Scope 1 direct emissions	Metric Ton CO2e	3,481.092	6,719.230
	Scope 2 indirect emissions	Metric Ton CO2e	15,663.288	16,858.040
	Scope 3 indirect emissions	Metric Ton CO2e		281.810
	Sub Total	Metric Ton CO2e	19,144.380	23,859.080
Certain Subsidiaries in the Consolidated Financial Statements	Scope 1 indirect emissions	Metric Ton CO2e	1,017.750	1,070.220
	Scope 2 indirect emissions	Metric Ton CO2e	2,938.030	2,999.079
	Sub Total	Metric Ton CO2e	3,955.780	4,069.299
	Grand Total	Metric Ton CO2e	23,100.160	27,928.379

4.2 Energy Resources Management

In a rapidly changing global environment, sustainability has become an important goal for all industries and SHG is actively responding to the United Nations Sustainable Development Goals (SDGs) through the implementation of innovative energy management strategies.
The company has been actively responding to the United Nations Sustainable Development Goals (SDGs), in particular Goal 7 (Affordable and Clean Energy) and Goal 13 (Climate Action), by implementing innovative energy management strategies. Effective energy management not only reduces energy consumption and carbon emissions, but also improves energy efficiency and lowers operating costs, further promoting environmental protection and social responsibility. Effective energy management can reduce energy consumption, lower carbon emissions, improve energy management performance, and decrease operating costs. In the past three years, Regent Taipei has successively replaced two older, less efficient screw chillers and absorption chillers with high-efficiency magnetic levitation centrifugal chillers. We have also installed an energy management information system (EMS) to monitor and collect equipment operation data in real-time. After the new machines were put into use, energy consumption decreased significantly. Silks Place Taroko has planned to replace inefficient cooling towers and heat pumps, while Silks Place Tainan and Just Sleep are also evaluating the establishment of energy management systems.

For the operation of the hotel, the main sources of energy are purchased electricity and natural gas, and the main energy-consuming items are air-conditioning and lighting equipment, which account for 60% to 70% of the total energy consumption.

Therefore, improving energy efficiency and upgrading equipment to minimize energy waste is the primary goal of carbon reduction. In order to enhance the energy efficiency of our equipment, the Group has strengthened the review and evaluation of the performance of important equipment and prioritized the procurement of high-efficiency equipment. In the past three years, the Group has successively replaced two old screw-type chiller and absorption-type chiller with lower power and replaced them with high-efficiency magnetic levitation centrifugal chiller, and has also installed the Energy Management Information System (EMIS) to monitor and collect data on the operation of the equipment in real time, which has significantly reduced energy consumption after the commissioning of the new machines. The energy consumption of the new machine has been significantly reduced after its installation.

■ Water Resource Management

Water resource management is overseen by the Energy Management Team, which is responsible for monitoring and implementing energy management plans, conducting regular inspections of work sites, and reviewing energy-saving performance.

In response to potential flooding or drought caused by extreme weather, the Disaster Response Team is responsible for establishing standard operating procedures for various disaster prevention and control measures and conducting regular disaster prevention drills to mitigate operational risks associated with flooding. Regarding water conservation policies, in addition to strengthening employee implementation of energy-saving plans and measures, we have also established standard operating procedures for water resource risk control to monitor and manage water resource usage. The Energy Management Team regularly inspects work sites for water resource usage and reviews water-saving performance.

Silks Hotel Group's various hotel brands maintain the long-standing "Green Leaf Card" program to encourage travelers to value environmental awareness. For guests staying multiple nights, linens and bed sheets are not changed daily to reduce water waste. This program has been promoted for many years with remarkable energy-saving results, saving nearly 40% of water, energy, and detergent usage, achieving energy conservation and carbon reduction goals. More importantly, it has received recognition and support from numerous travelers, leading them to join us in protecting the Earth.

Specific Management Measures

01

Routine inspections

Inspect facilities such as pipes, faucets, and toilets, and promptly address any abnormal water meter readings or leaks.

02

Water flow adjustment

Install water-saving certified bathroom fixtures and pressure reducing valves on water supply lines to effectively adjust water flow and avoid waste.

03

Recycled water reuse

- Enhance the recovery and reuse of condensate water from steam lines.
- Implement water recycling systems, such as collecting swimming pool overflow water for reuse in chillers, and utilize recycled water for irrigation and cooling towers.

04

Changes in ingredient water usage

Modify chefs' water usage practices when handling ingredients, and change the way ingredients requiring soaking are handled, such as using multiple short soaks instead of prolonged running water, and avoid prolonged running water when washing vegetables and fruits.

05

Sleep mode

Set water dispensers to sleep mode during non-working hours.

06

Water pressure adjustment

Adjust water pressure during peak and non-peak business hours to avoid waste.

07

Wastewater discharge treatment

Conduct legal treatment in accordance with local government regulations based on the hotel's location.

08

Strengthen water conservation measures

Enhance employee implementation of water conservation measures and encourage guests to participate in protecting the Earth.

4.3 Waste Management

In the face of global environmental challenges and resource pressures, implementing an effective waste management strategy is not only a corporate responsibility, but also an important way to promote sustainable development. We are dedicated to achieving the United Nations Sustainable Development Goals (SDGs), particularly Goal 12 (Responsible Consumption and Production) and Goal 13 (Climate Action). Through stringent waste segregation, recycling and reuse, and innovative food waste management techniques, not only reduces its burden on the environment, but also enhances the efficiency of resource utilization.

Silks Hotel Group's primary operations focus on accommodation and catering, and we do not generate waste that causes significant harm to the environment. During the provision of products and services, the types of waste generated include general waste, food waste, recyclable waste, and waste cooking oil. Our waste management adheres to the "Methods for Storage, Clearance, and Treatment of Industrial Waste" and the "Regulations for Permit Management of Public and Private Waste Clearance and Treatment Institutions," as well as our self-established "Waste Management Plan." We carefully categorize the waste generated daily and conduct irregular promotions to various departments on waste reduction and recycling measures. The Stewarding Department of each hotel records the weight of waste daily, and the waste reduction results and effectiveness evaluations are included in meeting minutes.

Procurement Policies within the Waste Management Plan

01 Purchase concentrated cleaning products	02 Purchase products containing recycled content
03 Prioritize purchasing products with minimal packaging	04 Purchase fresh food or goods packaged in reusable, non-plastic crates and containers
05 Collaborate with suppliers and waste contractors to minimize waste reception and maximize reuse and recycling opportunities	06 Ensure perishable products are stored as soon as possible after delivery to avoid spoilage and waste, as well as unnecessary waste disposal costs
07 Reuse or recycle empty cartons	

Waste Management Performance Results

AI Food Waste System "Winnow"

The AI food waste system "Winnow" introduced at Regent Taipei's Brasserie buffet restaurant comes from the UK and has successfully reduced food waste by up to 70% or more in over 30 countries. The short-term goal is to achieve a 15% reduction in food waste, from 0.22 kg per person in 2023 to 0.18 kg. The system includes a scale, screen, scanner, and data recording equipment, which can instantly record the weight of food waste and display the cost, raising employee awareness of waste reduction. Daily reports help restaurant managers optimize dishes and portion sizes.

Herb Garden

Brasserie serves four meal periods daily, and through data analysis of hundreds of dishes, managers and the team adjust the menu content and portion sizes weekly to reduce unnecessary food waste. The "Urban Herb Garden" in the backyard cultivates various edible herbs, which the chefs flexibly incorporate into dishes, providing fresh, delicious, and diverse meals.

Urban Farmer Activities

We believe that sustainable dining is both a concept and an action. In the future, in addition to continuing to promote food waste reduction, the "Herb Garden" will also plan "Urban Farmer Activities," allowing the public to participate in picking herbs and creating dishes, combining actions and concepts to create a friendly food ecosystem. We hope this initiative can be extended to various restaurants, hotels, and even the entire Group, setting an industry benchmark and realizing the sustainable goals of coexistence, co-prosperity, and mutual benefit with the environment.