

Transition Risk – Financial Impact Analysis of Energy and Carbon Reduction Policies on Portfolios

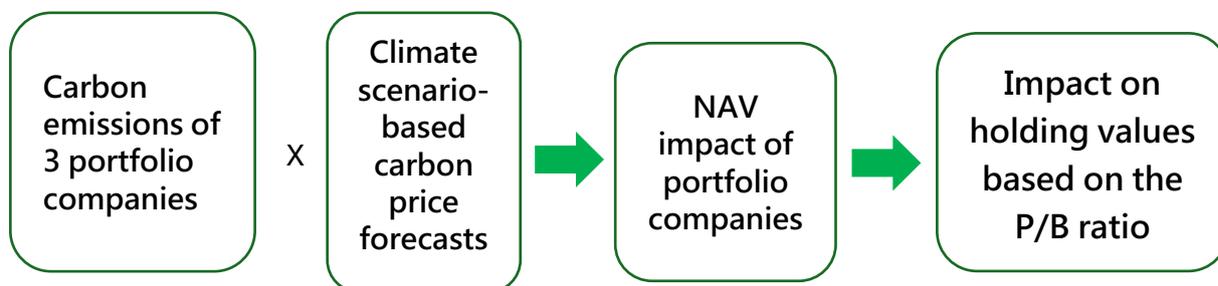
In 2015, the Taiwan government proposed its Intended Nationally Determined Contribution (INDC) and in 2023 officially passed the Climate Change Response Act, which stipulates the national target of achieving net-zero greenhouse gas emissions by 2050. Although Taiwan’s current carbon fee is set at NT\$300 per ton, it is expected that, in order to meet the national net-zero target, the carbon fee will gradually increase in the future.

To assist portfolio companies manage potential future carbon fee risks under energy and carbon reduction policies, **Diamond Biofund leverages its existing workforce to strengthen engagement and provide guidance (with no estimated increase in operating costs)**. This support assists portfolio companies in establishing carbon reduction targets, thereby mitigating risks associated with energy and carbon reduction policies.

1. Estimation Method and Relevant Assumptions:

The Company has invested in a total of 13 portfolio companies. Among them, CHO Pharma Inc., StemCyte International Inc., and Sinew Pharma Inc. together accounted for 93.87% of the Company’s Scope 3 financed emissions in 2024. Therefore, these three higher-emission companies were selected to estimate the potential impact on Diamond Biofund’s investment gains and losses.

(1) Illustration of Estimation Method—Quantitative assessment of the investment portfolio’s carbon fee impact :



(2) Assumptions:

A. Carbon price projections for each year and under each scenario were

obtained from the **Central Banks and Supervisors Network for Greening the Financial System (NGFS)**. Four scenarios were applied: Current Policies, Below 2°C, Nationally Determined Contributions (NDCs), and Net Zero 2050. Estimated annual incremental costs were calculated for 2030 (5 years) and 2050 (10 years).

- B. Price-to-Book (P/B) values were based on Q2 2025 book value per share and the average share price in August 2025.
- C. Assume that the Scope 1 and Scope 2 emissions of the portfolio companies remain unchanged.
- D. Assume that, once the carbon fee is expanded, the exemption for small emitters will be abolished.

2. Estimated Results of Portfolio Impact under Different Scenarios:

Estimation Table of Carbon Fee Impact on the Cost (or the Operating Expense) of Three Companies

Carbon Fee Impact on the Cost (or the Operating Expense) of Three Companies (NTD: dollar)	Medium-term 2030	Long-term 2050
Current Policies	68,734.45	113,676.73
Nationally Determined Contributions (NDCs)	1,122,772.74	1,687,889.92
Below 2 °C	1,444,489.23	3,239,614.13
Net Zero 2050	7,429,943.61	13,326,661.67

Table of estimated Diamond Biofund’s financial impact from carbon fees of portfolio companies:

Impact of carbon fees on the market value of the Company’s holdings (NTD: dollar)	Medium-term 2030	Long-term 2050
Current Policies	25,218.61	41,707.89
Nationally Determined Contributions (NDCs)	411,944.28	619,285.26
Below 2 °C	529,981.77	1,188,611.44
Net Zero 2050	2,726,039.47	4,889,539.89

3. Conclusion:

Taking into account Taiwan’s policy trend of gradually increasing carbon fees, as well as the NGFS carbon price projections under various climate scenarios, Diamond Biofund conducted a financial impact assessment on its investment portfolio. The analysis focused on three companies—CHO Pharma Inc., StemCyte International Inc., and Sinew Pharma Inc.—which together accounted for 93.87% of the Fund’s Scope 3 financed emissions in 2024. Using projected carbon prices under different scenarios (Current Policies, Nationally Determined Contributions, Below 2°C, and Net Zero 2050), and applying the P/B ratio calculated based on Q2 2025 book value and the August average share price, the results indicate that carbon fee-related costs would have an impact on the market value of the Fund’s holdings.

In the medium term (2030), the estimated impacts across the scenarios range from NT25,219 under the Current Policies scenario to NT\$2.73 million under the Net Zero 2050 scenario. By the long term (2050), the impacts expand further, ranging from NT\$41,708 to as high as NT\$4.89 million. The results suggest that while short- to medium-term financial exposure remains relatively limited, under more ambitious decarbonization pathways—particularly the Net Zero 2050 scenario—portfolio companies would face significantly higher carbon fee costs, thereby affecting the Fund’s investment value. This highlights the importance of continuously engaging with portfolio companies to set carbon reduction targets and strengthen their resilience to transition risks arising from future energy and carbon reduction policies.