

# **E.SUN Coal and Unconventional Oil & Gas Phase-Out Policy**

2022.4.14 approved

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## **Article 1 (Purpose and Basis)**

- I. In response to the Paris Agreement, E.SUN Financial Holding Company and its subsidiaries have set a goal of achieving net-zero emissions within scopes 1, 2, and 3 by 2050. E.SUN also aims to implement the COP26 commitment to accelerate the phase-out of coal and elimination of subsidies of inefficient fossil fuels.
- II. To strengthen management and propose a phase-out plan for high GHG emitting coal and unconventional oil & gas related companies in accordance with the “E.SUN Financial Holding Company Sustainable Finance Policy” and “E.SUN Financial Holding Company Sustainable Development Engagement Guidelines,” E.SUN guides financial resources to achieve the goal of energy transition. E.SUN thus formulates guidelines for the phase-out of coal and unconventional oil & gas industries (hereinafter referred to as the “Guidelines”).

## **Article 2 (Applicability and Definitions)**

- I. The Guidelines apply to E.SUN Financial Holding Company and its subsidiaries, including E.SUN Securities Investment Consulting Co., Ltd., E.SUN Bank (China), Ltd., and Union Commercial Bank Public Limited Corporation. (hereinafter referred to as “E.SUN”)
- II. All years referenced in these Guidelines shall be deemed as ending on December 31 of each respective year.

## **Article 3 (Business Coverage)**

- I. Finance Services: Project finance, corporate credit lines/lending provided by E.SUN.

- II. Investment Services: All active investments, all passive investments, and all third-party managed investments by E.SUN.
- III. Subsidiaries are authorized to formulate the scope coverage details of each service listed above. The scope details shall be submitted to E.SUN for record-keeping upon establishment.

Article 4 (Phase-out Plan)

- I. E.SUN shall cease all project-specific finance for any newly developed thermal coal mining, new thermal coal power, and new thermal coal infrastructure projects. Furthermore, E.SUN shall cease corporate finance and investments for coal companies that are expanding their coal production capacity.
- II. E.SUN will fully divest from thermal coal mining, thermal coal power, and thermal coal infrastructure companies in OECD member countries by 2030. For non-OECD countries and regions, E.SUN will complete full divestment from these coal-related companies by 2040.
- III. E.SUN has fully divested from unconventional oil & gas companies, including those deriving more than 10% of their revenue from unconventional oil & gas extraction and related infrastructure activities, such as tar sands, shale oil & gas, Arctic oil & gas, and ultra-deep-water oil & gas.

Article 5 (Roles and Responsibilities)

The General Administration Division of E.SUN is responsible for managing and supervising related business activities and coordinating with subsidiaries to jointly develop the management of investment and financing positions in coal companies and unconventional oil & gas companies. It shall regularly review the progress of divestment commitments of subsidiaries.

Article 6 (Management Entities)

- I. Coal Companies:
  - i. Coal Mining: Companies with greater than 5% of revenues derived from

extraction of thermal coal, including surface (open pit) and subsurface coal mining; or annual fuel coal production greater than 5 million tons.

- ii. Coal-fired Power: Companies with greater than 10% revenue derived from coal-fired power generation; or companies whose energy generated through coal accounts for greater than 10% of total energy production; or total installed capacity of coal-fired power generation is greater than 1 GW.
- iii. Coal Infrastructure: Companies with greater than 5% revenue derived from coal processing or coal transportation infrastructure, including coal processing plants, coal terminals, pipelines, etc.

II. Unconventional Oil & Gas Companies:

Companies with greater than 10% of revenue derived from the unconventional oil & gas business activities listed below, including extraction and related infrastructure.

- i. Tar Sands
- ii. Shale Oil & Gas
- iii. Arctic Oil & Gas
- iv. Ultra-deep-water Oil & Gas (water depth over 5,000 feet)
- v. Liquefied Natural Gas (LNG) derived from unconventional fossil fuels as mentioned above.

III. In cases where it is not possible to identify based on revenue due to data limitations, subsidiaries may establish their own suitable procedures.

Article 7 (Support for Decarbonization and Just Transition)

- I. To support the management entities, if the entities already have concrete decarbonization actions or a low-carbon transition plan, including but not limited to meeting local sustainable classification standards, achieving the Science Based Targets Initiative (SBTi), proposing decarbonization targets consistent with the Paris Agreement, or if the use of funds is for green expenditures or a subsidiary's transition credit, then business transactions shall

only be approved.

- II. For the preceding point, if the entity is an OECD enterprise, this applies until 2030; for other regions, it applies until 2040.

Article 8 (Engagement)

- I. Subsidiaries shall engage with all Phase-outs before 2030 following the “E.SUN Financial Holding Company Sustainable Development Engagement Guidelines”.
- II. Annually track the effectiveness of engagement. If the engaged party fails to establish a low-carbon transition plan within 3 years from the date of engagement, subsidiaries shall reduce and ultimately exit investment and financing positions.

Article 9 (Information Disclosure)

E.SUN shall regularly disclose business undertakings with Phase-outs listed in Article 6 and business undertakings of decarbonization and just transition listed in Article 7.

Article 10 Subsidiaries may develop separate management procedures based on these Guidelines to manage business undertakings with Phase-outs, and regularly report to E.SUN.

Article 11 The Guidelines have been implemented with the approval of the President.