Guidelines for the Phase-Out of Coal and Unconventional Oil & Gas of E.SUN Financial Holding Company

2022.4.14 Implemented with the approval of the President

2023.6.29 revised

2024.6.26 revised

Article 1 (Reasons)

I. In response to the Paris Agreement, E.SUN Financial Holding Company (hereinafter referred to as the Company) has set a goal of achieving net-zero emissions within scopes 1, 2, and 3 by 2050. The Company also aims to implement the COP26 goals of accelerating the phase-out of coal and eliminating the subsidy 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 guide financial resources to achieve the goal of energy transition. Thus formulating guidelines for the phase-out of coal and unconventional oil & gas industries (hereinafter referred to as the Guidelines).

Article 2 (Purpose)

The Company's targets are set as follows:

I. Complete divestment from thermal coal mining, thermal coal power, and thermal coal infrastructure before 2035.

II. Complete divestment from unconventional oil & gas extraction, production, and infrastructure of tar sands, shale oil & gas, Arctic oil & gas, ultra-deep-water oil & gas (water depth over 5,000 feet/1,500 meters), and the liquefied natural gas derived from unconventional fossil fuels as listed before 2035.

III. Assist coal companies and unconventional oil & gas companies in low-carbon transition.

Article 3 (Applicability and Definitions)

I. The Guidelines are applicable to the Company and its subsidiaries, including overseas branches.

II. The years mentioned in the Guidelines all refer to December 31st of that year.

Article 4 (Roles and Responsibilities)

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

Article 5 (Business Coverage)

I. Finance Services: Project finance, corporate credit lines/lending provided by the Company and its subsidiaries.

II. Investment Services: All active investments, all passive investments, and all third-party managed investments by the Company and its subsidiaries.

III. Underwriting services provided by the Company and its subsidiaries.

IV. Advisory: Services Wealth management, private banking, and securities brokerage services provided by the Company and its subsidiaries.

V. Subsidiaries are authorized to formulate the scope coverage details of each service listed above. Scope coverage details must be submitted to the Company for record-keeping once established.

Article 6 (Management Entities)

The following types of companies (hereinafter referred to as Phase-outs) must comply with Article 7 of the Guidelines.

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 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 30% of revenue derived from the unconventional oil & gas business activities listed below, including extraction, production, and infrastructure such as pipelines, terminals, refineries, and storage facilities:

i. Tar Sands

ii. Shale Oil & Gas

iii. Arctic Oil & Gas

iv. Ultra-deep-water Oil & Gas (water depth over 5,000 feet/1,500 meters)

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 (Phase-out Plan)

I. Coal-related Financing Activities

i. Project Finance:

(1) New projects: Ceased financing for new projects or provide additional finance for existing project cases related to coal mining, coal-fired power, or coal-related infrastructure projects.

(2) Existing projects: the Company shall reduce exposure to coal mining, coal-fired power, and coal-related infrastructure project financing each year. Using the exposure to coal companies of 2022 as the

baseline, the exposure shall reach a 50% reduction by 2030 and complete divest by 2035.

ii. Coal Company Credit Lines/Lending:

(1) New Positions: No longer financing to coal companies, including new loan cases or increasing existing loan cases.

(2) Existing Positions: the Company shall reduce exposure to coal companies each year. With the exposure to coal companies of 2022 as the baseline, the exposure shall reach a 50% reduction by 2030 and complete exit by 2035.

II. Coal-related Investment Activities

i. All active investments, all passive investments, and all third-party managed investments

(1) New Positions: No longer investing in coal companies or investing in projects related to coal mining, coal-fired power generation, or coal-related infrastructure.

(2) Existing Positions: the Company shall reduce investment exposure to coal companies each year. Using the exposure to coal companies of 2022 as the baseline, the exposure shall reach a 50% reduction by 2030 and complete exit by 2035.

(3) Investments in domestic state-owned companies that have provided transition plans are exempt from the above restrictions.

III. Coal-related Underwriting: No longer underwriting activities involving coal companies. However, this restriction does not apply when companies issue sustainable development bonds and ESG-related securities that are approved by Taipei Exchange (TPEx).

IV. Unconventional Oil & Gas-related Financing Activities

i. Project Finance:

(1) New projects: Ceased financing for new projects or provide additional

finance for existing project cases related to unconventional oil & gas extraction, production, and infrastructure.

(2) Existing projects: The Company shall reduce exposure to unconventional oil & gas extraction, production, and infrastructure project financing each year. With the exposure to unconventional oil & gas companies of 2022 as the baseline, the exposure shall reach a 50% reduction by 2030 and complete exit by 2035.

ii. Unconventional Oil & Gas Company Credit Lines/Lending:

(1) New positions: Ceased financing for new projects or provide additional finance for existing loan cases related to unconventional oil & gas extraction, production, and infrastructure.

(2) Existing positions: The Company shall reduce credit exposure unconventional oil & gas extraction, production, and infrastructure project financing each year. Using the exposure to unconventional oil & gas companies of 2022 as the baseline, the exposure shall reach a 50% reduction by 2030 and complete exit by 2035.

V. Unconventional Oil & Gas-related Investment Activities

i. Banking investment, securities investment, and venture capital investment

(1) New Positions: No longer investing in unconventional oil & gas companies or investing in projects related to unconventional oil & gas extraction, production, and infrastructure.

(2) Existing positions: The Company shall reduce credit exposure unconventional oil & gas extraction, production, and infrastructure each year. Using the exposure to unconventional oil & gas companies of 2022 as the baseline, the exposure shall reach a 50% reduction by 2030 and complete exit by 2035.

VI. Unconventional Oil & Gas-related Underwriting: Ceased underwriting activities involving unconventional oil & gas companies. However, this restriction does not apply when companies issue sustainable development bonds and ESG-related securities that are approved by Taipei Exchange (TPEx).

VII. Advisory

i. Wealth management and private banking services: Bond products that are provided and recommended to customers shall be clearly labeled if the issuer is a coal company or unconventional oil & gas company before 2030. Sales of these bond products shall cease before 2035.

ii. Brokerage Services: Bond products that sold to customers shall be clearly labeled if the issuer is a coal company or unconventional oil & gas company before 2030. Provision of investment information to investors shall cease before 2035.

Article 8 (Support for Decarbonization and Just Transition)

I. To support the low-carbon transition of companies, if a Phase-out has a clear and measurable low-carbon transition plan set before 2035, business transactions may be approved after confirming that the use of funds is for said company's low-carbon transition plan. Such business transactions are not included in the exposure positions as listed in Article 7.

II. This article is applicable until 2035.

Article 9 (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 consider joint engagement or reducing investment and financing positions.

Article 10 (Information Disclosure)

The Company shall regularly disclose business undertakings with Phase-outs listed in Article 6 and business undertakings of decarbonization and just transition listed in Article 8.

Article 11 Subsidiaries may develop separate management procedures based on the Guidelines to manage business undertakings with Phase-outs, and regularly report to the Company.

Article 12 The Guidelines have been implemented with the approval of the President.