Guidelines for the Phase-Out of Fossil Fuel Industries of E.SUN Financial Holding Company

2022.4.14 Implemented with the approval of the President

Article 1 (Purpose)

For the active response to the Paris Agreement, the Company has set the goal of GHG net zero emission within the scopes of 1, 2, and 3 by 2050. And to further actively implement the COP26 goals of accelerating the phase-out of coal and eliminating the subsidy of inefficient fossil fuel, the Company has proposed a Phase-out Plan of coal and fossil fuel industries in accordance with the E.SUN Financial Holding Company Sustainable Finance Policy and formulated the Guidelines for the Phase-Out of Fossil Fuel Industries (hereinafter referred as the Guidelines) to guide financial resources and achieve the goal of social energy transition.

Article 2 (Applicability)

These Guidelines are for the Company and its subsidiaries, including oversea branches.

Article 3 (Division of Responsibilities)

These guidelines were co-formulated by the Overall Management Division of the Company and the relevant departments of the subsidiaries for the purpose of mid to long-term management of the investment and finance services of coal and fossil fuel enterprises. The relevant departments of the subsidiaries are responsible for the execution of the mid to long-term management and the periodic reviews of progress of objective achievement.

Article 4 (Definitions of Fossil Fuel)

Fossil fuel refers to natural fuel resources associated with coal, petroleum, and natural gas. The following two types of operational activities are the primary targets of the Phase-out Plan in accordance with these Guidelines.

I. Service activities related to coal: including coal power, coal mining and equipment, coal sales, and transportation of coal.

II. Extractions of unconventional fossil fuel: including the extractions of tar sands, shale oil & gas, arctic oil & gas, ultra-deep-water oil & gas (5,000 feet or more below water surface), and liquified natural gas from unconventional fossil fuels.

Article 5 (Scope)

I. Investment and financing services, including the project financing, general credit extension, investment services (stocks and bonds), wealth management services, and underwriting services of the Company and its subsidiaries. Operational activities of customers/transaction counterparties associated with fossil fuels.

II. The details of each service can be formulated by each department, but generally, services require the review of each individual targets, or long-term provided services, or services that provides funds should be included.

Article 6 (Principles of Coal Management)

I. Coal enterprises refer to the enterprises whose coal related services account for over 5% of the revenue. Including enterprises with coal power, coal mining and equipment, coal sales, and coal transportation services exceeding 20% of the revenue as well as enterprises whose coal related services account for over 5% of the revenue but the aforementioned activities are not their primary services.

   (I) For enterprises whose coal related services account for over 20% of the revenue, the balance of the end of 2022 should be set as the base period, and the current services should be phased out. By the end of 2030, the balance should be reduced by 50%, and 100% by the end of 2035.

   (II) For non-coal focused enterprises yet their coal related services account for over 5% of their revenue, funds must not be invested in operational activities related to coal and no new transactions should be made by the end of 2030, and the Company should completely withdraw from those enterprises by the end of 2035.

II. Bonds sold to customers by the Company and its subsidiaries that involve companies related to the above-mentioned activities shall all be labeled by the end of 2030 and will cease to be sold by the end of 2035.

III. If the above-mentioned enterprises have taken substantial carbon reduction actions or specific transition plans, including carbon reduction actions approved by Science-Based Targets (SBT), removal of carbon emission via carbon capture technology, or other carbon reduction actions approved by a third-party institution, individual assessments can be conducted and authorization can be given to each department managers to maintain their service relationships with the said enterprises.

Article 7 (Management principles for the extractions of unconventional fossil fuels)

I. For enterprises with over 5% of revenue come directly from the extractions of unconventional fossil fuels, funds must not be invested in operational activities related to the extractions of unconventional fossil fuels and no new transactions should be made by the end of 2030, and the Company should completely withdraw from those enterprises by the end of 2035.

II. Bonds sold to customers by the Company and its subsidiaries that involve companies related to the above-mentioned activities shall all be labeled by the end of 2030 and will cease to be sold by the end of 2035.

III. If the above-mentioned enterprises have taken substantial carbon reduction actions or specific transition plans, including carbon reduction actions approved by Science-Based Targets (SBT), removal of carbon emission via carbon capture technology, or other carbon reduction actions approved by a third-party institution, individual assessments can be conducted and authorization can be given to each department managers to maintain their service relationships with the said enterprises.

Article 8 The Company and its subsidiaries may formulate a separate set of management rules, periodically manage the investments and financing of fossil fuel industries, and report to the President in accordance with these Guidelines.

Article 9 The Guidelines have been implemented with the approval of the President.