# First Financial Holding Sustainable Finance Engagement Strategy

## I. Foreword

As a multi-national bank, investor, and life insurance company, First Financial Holding (hereinafter referred to as the Company) understands that linking the core of its business to environmental, social, and governance (ESG) issues can reduce the Company's risks and capture opportunities arising from lending, investment, life insurance management, and financial product development. Therefore, the Company pays attention to ESG issues and actively links them to its core business and sustainable development strategies. Through stakeholder engagement, the Company ensures that it continues to identify and manage potential risks, demonstrate ESG responsibility, promote sustainable development, and implement the sustainable development goal of being "the No. 1 Brand in Green Finance."

1. Commitment

(I) Comply with the “Stewardship Principles for Institutional Investors.”

(II) Conduct ESG engagement with customers and investment and financing companies. In addition to actively promoting and guiding customers to sign sustainable development commitments to enable them to understand the importance of ESG issues, the Company also works with customers and investment and financing companies to increase attention to ESG issues, manage risks, and develop solutions. In the decision-making process of risk management, credit extension and investment, carbon reduction performance, climate change, water, forest, biodiversity and other related factors are taken into consideration.

(III) In response to the Coalition of Movers and Shakers on Sustainable Finance plan, by the end of 2025, more than half of the companies with high carbon emissions in major domestic investment and financing sectors will be selected for engagement. The parties to the engagement will be prompted to set net-zero emission targets by 2050.

## II. Engagement Strategy

1. Credit extension
   (1) Practice procedures such as Client Due Diligence (CDD) and Know Your Customer (KYC) in business dealings and utilize the "ESG Risk Factor Checklist" to review the ESG related risks of borrowers and conduct scoring and grading.
   (2) If a customer has a history of environmental pollution, infringement of human rights/labor rights, negative corporate internal control issues, or other ESG controversies, the Company will first understand the reasons and the customer's improvement situation, and state improvement measures or plans when applying for the quota. If it is evaluated to involve major risks, the Company may refuse to undertake the work or adopt methods such as reducing the quota or adding restrictive conditions to encourage the customer to pay attention to ESG issues.
   (3) In the event of an increase in greenhouse gas emissions for two consecutive years, an impact from the EU carbon border tax, or high climate change risks upon assessment, borrowers in industries with high pollution (carbon emissions) are required to explain their climate transition plan in order to evaluate climate risks and strengthen the climate change adaptation resilience of customers.
   (4) If the Equator Principles are applied to credit extension cases, the dedicated “Environmental and Social Risk Task Force” will classify risks to the environment and society of the project into three levels: A, B and C. Upon evaluation, A and B level cases require an “Environmental and Social Risk Assessment Report” issued by a third-party independent institution, and must fill in the “Environmental and Social Risk Review Report” accordingly. Borrowers are also required to submit management action plans.
   (5) The “Golden Diamond Enterprise Seminar” is held free of charge every year by the Company through the industrial zone with many suppliers, proposing green financing solutions face to face to those enterprises who have loan demands, and enabling enterprises in the industrial park to understand that green finance can lead to triple-win outcomes for the environment,

businesses, and banks. The Company regularly invites domestic corporate borrowers to participate in special lectures on climate-related topics to guide them to pay attention to ESG risks and management.

(6) For its SBTi targets, the Company actively promotes the establishment of carbon risk management capabilities and the implementation of a low-carbon transition by providing consultations and guidance on the use of relevant resources (e.g., sustainability-linked loans that link ESG performance indicators with financial incentives).

2. Investments

(1) When an investee company is potentially in serious violation of corporate governance or may impair sustainability value on certain issues, the management team of the investee company will be contacted for updates from time to time, and other investors with similar views may be brought in to express similar concerns, so as to enhance the sustainable development of the investee company. The Company understands the ESG-related opportunities and risks of investee companies through emails, phone interviews, shareholders' meetings, investor conferences, questionnaires or physical factory visits.

(2) Identify the customer's ESG risk level before investing. If the target of the investment has been involved in ESG controversial events in the past year, the controversial events and related handling measures must be explained in the ESG risk assessment. In addition, investee companies in high-pollution and high-carbon emission industries are required to explain their process of transformation or improvement measures. The Company's investment decisions are not only based on operational and financial performance; such decisions also take into consideration ESG issues to guide investee companies to pay attention to ESG actions.

(3) Urge investing clients to take corrective measures through review of engagement results and regular management follow-ups.

(4) Join the engagement projects of international advocacy organizations (such as CDP Non-Disclosure Campaign or CDP Science Based Target Campaign) to expand ESG influence through joint engagement.

3. Product business

(1) Insurance companies selling insurance products through the channels of First Bank and First Securities, as well as fund companies for new fund custody or listing selection, are required to issue a sustainable development commitment or prepare a sustainable development report in accordance with the regulations of the competent authority.

(2) Provide inclusive financial products and services and hold financial management seminars to increase people’s capital lending channels, insurance protection, and financial product knowledge in disadvantaged and remote areas.

(3) Invite customers to participate in activities such as organic farm cooperation, coastal protection, tree planting for carbon emission reduction, and environmental education, and continue to hold the "First Financial Green Living Fun" carnival and environmental education promotion activities at the Green Finance Education Hall to enable more customers to experience the Company’s green finance and environmental education concepts.

## III. Reporting and Disclosure

The Company regularly reports the engagement results to the Group's Sustainable Development Committee and discloses them in the chapters headed responsible finance and investment and financing decarbonization strategy of the Company's ESG Sustainability Report, as well as on the websites of each subsidiary (as shown below).

1. First Bank:
https://www.firstbank.com.tw/sites/fcb/1565696653302#atab4-tab
2. First Securities:
https://www.firstsec.com.tw/Pages.html?id=32&tn_id=229
3. First Securities Investment Trust:
https://www.fsitc.com.tw/Template1.aspx?fID=1545
4. First Life Insurance:
https://www.firstlife.com.tw/FirstWeb/download/file/DOCUMENT/8032/2022%E8%AD%B0%E5%90%88%E7%B4%80%E9%8C%84

5. First Financial AMC:
   https://www.firstholding.com.tw/sites/amc/news