富邦金控

Fubon Financial Holding Co., Ltd. and Subsidiaries

Sustainable Finance Policy

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Article 1 Purpose

The "Fubon Financial Holding Co., Ltd. and Subsidiaries Sustainable Finance Policy" (the "Policy") is being established to guide Fubon Financial Holding Co., Ltd. ("Fubon Financial Holdings") and the subsidiaries listed on its business license ("subsidiaries") in incorporating environmental, social, and corporate governance ("ESG") factors into their business development decisions, and shall be complied with. The Policy is based on the United Nations Principles for Responsible Investment ("PRI") and Principles for Sustainable Insurance ("PSI") as well as the Equator Principles, a voluntary code of conduct for global financial institutions.

Article 2 Applicable Scope

The Policy is applicable to the Company and its subsidiaries.

The Company and its subsidiaries shall view the Policy's provisions as the most important guiding principles in promoting and guiding sustainable finance initiatives, and devise and implementing investment, credit, and insurance business strategies in line with those provisions.

Subsidiaries can establish separate guidelines or propose adjustments because of the scale or nature of their businesses or based on external ESG standards and guidelines such as, but not limited to, Taiwan's "Stewardship Principles for Institutional Investors" and "Bankers Association Credit Guidelines" or the international "Principles for Responsible Banking." Subsidiaries that want to adopt their own guidelines or make revisions should first get approval from the Company's Risk Management Division. Subsidiaries should provide guidance to their subsidiaries based on the principles in this Policy.

Article 3 Responsibility Framework

The Corporate Governance and Sustainability Committee under the Company's board of directors oversees the implementation of corporate social responsibility and sustainability tasks and assesses their execution. The ESG Task Force set up under the Corporate Governance and Sustainability Committee is led by the Company's president.

The Responsible Finance Team set up under the ESG Task Force encourages the Company and its subsidiaries to develop and use sustainable investment and credit planning and management mechanisms, and submits a report on related action plans and results every six months to the Corporate Governance and Sustainability

Committee and then to the board of directors.

The convener of the ESG Task Force appoints the Company's chief risk officer as the leader of the Responsible Finance Team. The Risk Management Division assists the Responsible Finance Team in handling the sustainable finance initiatives of the Company and its subsidiaries and guiding subsidiaries in managing sustainable finance issues. It submits a report on these activities to the Corporate Governance and Sustainability Committee on a regular basis.

Article 4 General Principles

The general principles of the Policy are described below:

1. The Company and Subsidiaries shall comply with the Policy and promote a governance culture by operating ethically, being open and transparent, and complying with applicable laws. They shall also create shared values with society, the environment, and customers as part of their CSR commitments.
2. When subsidiaries promote sustainable finance and sustainable credit, they shall consider whether the investment target or loan client actively supports and promotes the achievement of United Nations sustainable development goals (SDGs), based on any of, but not limited to, the following conditions:
   (1). The capital will be used to fund a low-carbon transition, green energy development, forest-water management, environmental pollution controls, or carbon reduction;
   (2). The capital will be used to finance infrastructure that will make a tangible social contribution, such as a loan to build social housing;
   (3). The target or client is a potential bond investment target/bond issuer, guarantor, or parent company/stock issuer that is a constituent of a low-carbon or sustainability index;
   (4). The target or client has proactively established ESG performance goals or embraces corporate sustainability, as demonstrated by issuing a sustainability report, receiving a domestic or international ESG award or outstanding ESG rating, filling out the CDP questionnaire, setting science-based targets (SBT) for carbon emissions or joining the SBT Initiative, or participating in or supporting ESG initiatives.
3. When subsidiaries consider potential investments or loans, they shall carefully assess companies involved in controversial situations, including but not limited to those that:
   (1). Have a record of material environmental violations, human rights violations

(such as forced labor, illegal use of child labor), occupational safety or food safety problems, labor-management disputes, or corporate governance issues, and no tangible plans to address the problem(s) have been proposed;

(2). Have violated anti-money laundering/combating the financing of terrorism regulations or engaged in other material violations of the law, and no tangible plans to address the problem(s) have been proposed;

(3). Are engaged in highly controversial activities such as the sex trade, the killing of wild animals or destruction of their habitats, or the production of internationally banned or restricted chemicals/drugs/pesticides/herbicides or radioactive materials, and have not proactively taken actions described in Paragraphs 1 and 2 of this Article; or

(4). Are engaged in high carbon industries (such as power plant, coal mining, cement, petrochemicals, and steel) and have not proactively taken actions described in Paragraphs 1 and 2 of this Article.

4. Subsidiaries shall develop products, services, and action plans that promote financial inclusion through the identification, assessment, management, and monitoring of ESG risks and opportunities, and shall continue to leverage their influence as financial institutions to lead their customers and supply chains and their industries toward the goal of a sustainable future.
5. The Company and its subsidiaries' Science-Based Targets for Investment and Financing of Scope 3 and Standards for Investment and Financing of Specific Industries are as attached.

Article 5 Sustainable Investment Management

The Company and its subsidiaries shall follow the six Principles of Responsible Investment, listed below, when making use of capital and developing responsible investment strategies and corresponding action plans.

1. Incorporate ESG issues into investment analyses and decision-making processes;
2. Be active owners and incorporate ESG issues into ownership policies and practices;
3. Seek appropriate disclosure on ESG by companies in which they invest;
4. Promote implementation and acceptance of the PRI within the investment sector;
5. Develop mechanisms for cooperation to strengthen the implementation of the PRI; and
6. Report on their efforts and progress in implementing the PRI.

When the Company or its subsidiaries make an investment or engage in a transaction, they should not only incorporate ESG risks into pre-investment assessments but also continue to closely monitor the company invested in after the investment is made. That includes holding an appropriate dialogue or interaction with the investee depending on the nature of the investee's business and the feasibility of such communications, and occasionally reviewing whether the company invested in is fulfilling its environmental, ethical management and social responsibilities. If the investment could have an adverse impact on the sustainable development of society, Fubon shall find out if the company invested in has a plan in place to make improvements. If no such plans exist, the investment shall be reduced or withdrawn.

Article 6 Sustainable Credit Management

Banking subsidiaries shall comply with the Equator Principles and carefully assess whether each loan client or the transaction involved carries ESG risks and whether the risks can be mitigated.

When soliciting loans, special support shall be given to companies that promote the achievement of SDGs, including through appropriate financing assistance and preferential conditions. For loan clients that are heavy polluters, high carbon emitters, or mired in controversy, they should be guided toward making improvements, and no new additional loans should be granted or their loans should be gradually pulled back.

Article 7 Sustainable Insurance Management

Insurance subsidiaries shall comply with the four main Principles for Sustainable Insurance, and incorporate ESG issues into their daily operations and management in areas such as the development and design of insurance policies, underwriting and claims operations, risk management, and digitalization and decarbonization processes. They shall also reduce the adverse effects of their operations on the environment, and cooperate with the private and public sectors and academia to develop integrated risk management mechanisms and risk transfer solutions to optimize their operations. The key principles involve:

1. Considering ESG issues in the decision-making process;
2. Working together with clients and business partners to effectively strengthen the management of ESG issues and develop solutions;
3. Working with the government, insurance regulators, and other key stakeholders to promote widespread action on ESG issues; and
4. Regularly disclose progress in implementing the PSI to demonstrate the Company's accountability and transparency on ESG issues.

Article 8 Additional Provisions

Other matters not covered in the Policy should be handled in accordance with the relevant laws and regulations and the Company.

Article 9 Implementation and Amendment

The Policy should be approved by the Board of Directors and published and implemented pursuant to "The Policy for the Formulation of the Internal Rules and Regulations" of the Company. The foregoing shall be applicable to amendments thereof. If, however, a revision only involves the change of the appendix, the Chairman of the Company is authorized to approve the change before it is announced and implemented.

Table: Revision

Version	Approved Date	Effective Date	Approved Level	Notes
01	2021/11/22	2021/12/01	Board of directors	The 8th term and the 9th regular meeting
02	2023/01/12	2023/02/01	Board of directors	The 8th term and the 17th regular meeting
03	2023/06/12	2023/06/20	Chairman of the Board	According to Article 9 of this policy, the Chairman of the Board is authorized to approve the amendment to the appendix.

Appendix

1. Fubon Financial Holding Co., Ltd. and Subsidiaries' Science-Based Targets for Investment and Financing of Scope 3

Asset classes	Science based Targets ("SBT")
Investment	**SBT Portfolio Coverage method：** 40% of its listed equity and bonds portfolio by invested value will have set science-based targets by 2027.
Loan	**Sectoral Decarbonization Approach(" SDA") method：by 2030 from a 2019 base year** 1. reduce Fubon's electricity generation project finance portfolio GHG emissions 52% per MWh 2. reduce GHG emissions from the commercial real estate within Fubon's corporate loan portfolio 59% per square meter 3. reduce GHG emissions from the electricity generation sector within Fubon's corporate loan portfolio 49% per MWh 4. reduce GHG emissions from the finance, retail, service, food and lodging, real estate development sector within Fubon's corporate loan portfolio (long-term debt) 58% per square meter **SBT Portfolio Coverage method：by 2027 from a 2019 base year** 5. 38% of its corporate loan portfolio (long-term debt) by loan value within the fossil fuel sector will have set science-based targets by 2027. 6. 38% of its corporate loan portfolio (long-term debt) by loan value within the electronic manufacturing sectors will have set science-based targets by 2027. The electronic manufacturing sectors include semiconductor packing and testing sector, printed circuit board sector, LCD panel and component sector, and computer manufacturing sector, etc.

2. Fubon Financial Holding Co., Ltd. and Subsidiaries' Standards for Financing, Investment, and Underwriting of Specific Industries

(1) Financing

Industries	Standards
Power plant	● New financing in power plants with more than 50% of their power generated from coal no longer allowed ● No financing allowed for new coal-fired power plants
Coal mining	No additional loans allowed to be made to companies with 100% revenue from coal
Cement industry	● No new financing allowed for open-pit mining operations ● No new financing allowed for cement companies that produce cement clinker in a rotary kiln
Petrochemicals	● No new financing allowed for overseas customers' oil exploration and drilling operations ● No new financing allowed for overseas customers' vertical integration (including oil exploration/drilling/refining and product sales) ● No new financing allowed for overseas customers' oil field services and pipelines ● No new financing allowed for overseas customers' refineries
Steel industry	● No new financing allowed for a new blast furnace for a steel plant ● No new financing allowed for capital expenditures to expand steel producing capacity in facilities where blast furnaces account for 50% or more of capacity

Note：

1. High carbon industries and types of transactions mentioned above that cannot be underwritten, unless the purpose of the investment/loan is to fund a low-carbon transition, green energy development, or a carbon emission reduction project and gets the approval on the delegation of responsibility and authorization by each company.
2. Regarding the delimit of project finance, the subsidiary may set its own applicable standards according to its business characteristics.

(2) Investment

By 2040, no longer make new investments in companies involved in thermal coal mining/transportation, coal power, and unconventional oil and gas sectors that have not presented a carbon-reduction transition plan that is aligned with the Paris Agreement.

Industries	Strategies
Thermal Coal Mining/ Transportation	● By 2025, no longer make new investment in companies that derive more than 50% of their revenues from thermal coal mining or transportation.
	● By 2030, no longer make new investment in companies that derive more than 30% of their revenues from thermal coal mining or transportation.
	● By 2040, no longer make new investment in companies that derive more than 5% of their revenues from thermal coal mining or transportation.
Coal Power	● Starting in 2021, no longer made new investment in power plants that generate more than 50% of their power from coal.
	● By 2030, no longer make new investment in power plants that generate more than 30% of their power from coal.
	● By 2040, no longer make new investment in power plants that generate more than 5% of their power from coal.
Unconventional Oil and Gas	● By 2025, no longer make new investment in companies whose share of revenue from unconventional oil and gas sectors is continuing to rise.
	● By 2030, no longer make new investment in companies that derive more than 30% of their revenue from unconventional oil and gas sectors.
	● By 2040, no longer make new investment in companies that derive more than 5% of their revenue from unconventional oil and gas sectors.

Note：

1. The above restrictions do not apply if a potential investment target has developed a low-carbon transition plan that is aligned with the Paris Agreement or a state-owned enterprise controlled by governments that have signed the Paris Agreement or committed to achieving net-zero emissions.
2. If an issuing/managing institution of funds (including funds and venture capital products formed by limited companies or limited partnerships) or ETFs, or a group or discretionary investment institution it owns, has signed the Principles for Responsible Investment or has publicly committed on its website or in a company report to voluntarily comply with the PRI or put in place an ESG management mechanism, then its fund and ETFs are not subject to the above restrictions.
3. Unconventional oil and gas sectors refer to upstream extraction businesses involved in tar sands, shale oil and gas, arctic oil and gas, ultra-deep-water oil and gas and the production of liquefied natural gas derived from these unconventional oil and gas sources.
4. Under this strategy, the GICS categories used include (1) 10102010 Integrated Oil & Gas, (2) 10102020 Oil & Gas Exploration & Production, (3) 10102050 Coal & Consumable Fuels, (4) 15104020 Diversified Metals & Mining, (5) 20304010 Rail Transportation, (6) 55101010 Electric Utilities, (7) 55103010 Multi-Utilities, (8) 55105010 Independent Power Producers & Energy Traders, and investment targets recognized by the financial holding company or subsidiaries as meeting the conditions.
5. This strategy covers investments made with Fubon's own capital.

(3) Underwriting

By 2050, Fubon Insurance will no longer underwrite companies involved in coal mining/related infrastructure, coal power, and unconventional oil and gas that have not taken concrete carbon reduction actions or undertaken low-carbon transition plans.

Industries	Standards
Coal Mining/Related Infrastructure	● By 2025, no new underwriting of companies that derive more than 50% of their revenues from coal mining or related infrastructure.
	● By 2030, no new underwriting of companies that derive more than 30% of their revenues from coal mining or related infrastructure.
	● By 2050, no new underwriting of companies that derive more than 5% of their revenues from coal mining or related infrastructure.
Coal Power	● By 2025, no new underwriting of power plants that generate more than 50% of their power from coal.
	● By 2030, no new underwriting of power plants that generate more than 30% of their power from coal.
	● By 2050, no new underwriting of power plants that generate more than 5% of their power from coal.
Unconventional Oil and Gas	● By 2025, no new underwriting of companies that derive more than 50% of their revenue from unconventional oil and gas sectors.
	● By 2030, no new underwriting of companies that derive more than 30% of their revenue from unconventional oil and gas sectors.
	● By 2050, no new underwriting of companies that derive more than 5% of their revenue from unconventional oil and gas sectors.

Note：

1. The share of existing policies in these sectors in 2023 will be the baseline; these shares will not be increased.
2. If a potential insurance client has publicly disclosed specific carbon reduction actions or a low-carbon transition plan, including adopting science-based targets, joining the RE100/EP100 initiatives, developing renewable energy, using carbon capture technology to mitigate emissions, or engaging in other carbon reduction actions verified by a third-party organization, or the purpose of the insurance is clearly related to a low-carbon transition, green energy development or carbon emissions reduction, the underwriting opportunity can be assessed and if approved at the company's required level of authority it will not be subject to the above restrictions.
3. Unconventional oil and gas sectors refer to upstream extraction businesses involved in tar sands, shale oil and gas, arctic oil and gas, ultra-deep-water oil and gas and the production of liquefied natural gas derived from these unconventional oil and gas sources.
4. If a company provides carbon reduction services to a company in the coal industry or unconventional oil and gas sectors, and its related revenues exceed the limits set above, it is not subject to the above restrictions.
5. The carbon reduction actions or low-carbon transition plans mentioned above also cover subsidiaries that comply with plans and initiatives in parent company policies.