E.SUN Financial Holding Co., Ltd. Sustainable Finance Policy

Approved on June 16, 2023 during the 3rd Meeting of the 8th Board of Directors

Approved on June 24, 2024 during the 13th Meeting of the 8th Board of Directors

Article 1 (Purpose)

This Sustainable Finance Policy (the Policy) has been established to ensure that sustainability values are incorporated into financial services and the risk evaluation process, thereby enabling the Company to exert financial influence in ways that direct attention from businesses and customers toward corporate responsibilities such as environmental protection, climate change, human rights protection etc. for the sustainability of business activities, the society, and the environment.

Article 2 (Applicable Targets)

This Policy applies to the Company and subsidiaries, including offshore branches.

Article 3 (Responsibilities)

Sustainable Development Committee of the Company shall be responsible for the supervision and coordination of various policies, measures, and mechanisms that are relevant to the Policy. The Sustainable Development Committee shall appoint the Chief Sustainability Officer to coordinate sustainability-related departments of subsidiaries on how to incorporate sustainability values and execution plans into financial services, and to oversee execution by various subsidiaries.

Article 4 (Implementation Directions and Principles)

I. Sustainable finance covers several topics including responsible lending, responsible investment, costumer engagement, underwriting business and management of high-risk businesses; it requires adequate understanding and assessment of environmental, social, and governance (ESG) issues that may cause significant impact, so that the Company may reduce ESG risks and capitalize on ESG opportunities for sustainable growth.

II. To grasp the risks and opportunities of sustainable finance, environmental, social, and corporate governance-related factors should be incorporated into investment and financing analysis and decision-making processes. The definition of ESG factors (ESG Factors) is as follows:

(I) Environment (E): Consider the risks of the investee and corporate clients in terms of carbon emission reduction, climate change, biodiversity, environmental pollution and waste management, nature reserve development, and water stress (e.g., high water consumption), and evaluate the environmental investment and lending business opportunities brought by carbon reduction, circular economy, renewable energy, and green construction.

(II) Social (S): Consider the investee and corporate clients in terms of employee health and safety, labor management, human rights protection, community relations, and the rights of indigenous peoples.

(III) Corporate Governance (G): Consider the investee and corporate clients in terms of board governance and operation, shareholder rights protection and fair treatment, risk control, and anti-corruption.

III. To promote positive environmental (E) and social (S) development, relevant factors should be considered and incorporated into sustainable finance products and service development processes, as follows:

(I) Environment (E): Aspects beneficial to environmental sustainability, such as assisting companies' carbon reduction and transformation, biodiversity, as well as promoting energy conservation and carbon reduction, green lifestyle transformation, and ecological conservation among individual customers.

(II) Social (S): Aspects beneficial to social sustainability, such as encouraging companies to enhance employee wellbeing and promote DEI (diversity, equity, and inclusiveness); providing accessible financial services for individual customers and promoting social participation.

IV. Customer Engagement

The Company and subsidiaries shall develop proper process that facilitate more effective engagement and financial influence with corporate clients and individuals. Through communication and interaction, the Company and subsidiaries shall develop understanding of ESG performances and plans of their counterparties, and offer incentives or assistance as deemed appropriate to promote ESG awareness, ESG actions, and sustainable growth among counterparties.

V. Management of High-Risk Sectors and Businesses

The Company and subsidiaries shall develop management practices for industries and businesses that have direct or potential negative impact on the environment or the society, including:

(I) Direct impact: the Company no longer finance to businesses involved in adult entertainment, controversial weapons, illegal logging, endangerment of rare species, coal mining, and project finance of coal-fired power plants.

(II) Potential impact: Businesses involved in tobacco, gambling, mining, leather and fur production shall undergo rigorous assessments and monitored on a regular basis.

Industries and businesses	Evaluation criteria
Tobacco	・ Tobacco manufacturing or trading should comply with the World Health Organization Framework Convention on Tobacco Control (FCTC).
Gambling	・ Compliance with international anti-money laundering and counter-terrorism financing regulations.
Leather and fur production	・ Compliance with relevant environmental regulations and assessment of any significant pollution records, with explanation of subsequent improvement measures if applicable.
Mining	・ Prohibition of mountaintop removal mining (MTR) or other non-conventional mining methods. ・ Compliance with local government regulations regarding mining site location and environmental management mechanisms ・ Prohibition of new coal mining operations. ・ Diamond mining or trading must comply with the Kimberley Process Certification Scheme (KPCS).

(III) If a company violates internationally recognized standards or engages in unethical behavior, including but not limited to the United Nations Global Compact, Convention on Biological Diversity, International Labor Organization Standards, UN Declaration of Human Rights, UN Convention against Corruption, OECD Guidelines for Multinational Enterprises, The UN Guiding Principles on Business and Human Rights, UN Declaration on the Rights of Indigenous Peoples, International Labour Organization Convention 169, etc., while the misconduct is significant and incurred administrative sanctions without subsequent improvement measures, the business dealing should all be avoided.

VI. Responsible Lending

(I) When evaluating lending business with customers, the Company and subsidiaries should conduct due diligence on clients' environmental, social, and corporate governance aspects (ESG Factors) as a reference for lending decisions.

(II) Support green energy industries such as renewable energy, water resources and pollution control and provide appropriate financing and support in favorable terms to businesses with strong prospects that are committed to reducing energy consumption, pollution, or the introduction of environmental protection facilities

(III) The corporate clients that generate high levels of pollution and fined with environmental protection shall be classified as divest prospects until feasible improvement plans are proposed. Existing business partners that exhibit the above shall be given improvement guidance and have further loan increments suspended or existing balances recovered.

(IV) The corporate clients that do not operate in the green energy industry shall be encouraged to invest into environment-friendly products or equipment, energy conservation or energy storage equipment, green production process, and pollution reduction, and offered appropriate financing assistance in favorable terms as an incentive for contributing to the sustainability of the society.

(V) For project financing cases that have been granted based on the Equator Principles, the borrowers would be required to fulfill environmental and social sustainability commitments according to the Equator Principles and related international rules.

(VI) When obtaining collaterals in the form of land and buildings, the Company and subsidiaries shall encourage customers to place collaterals that have positive benefits on the environment or natural resources, such as green buildings and green factories.

VII. Responsible Investment

As an asset owner or manager, the Company and subsidiaries shall direct adequate attention to how investee fulfill their corporate social responsibilities, and in doing so increase long-term value of themselves as well as capital providers. In addition to considering the United Nations Principles for Responsible Investment (PRI), the international ESG ratings of investment targets (such as Sustainable Fitch, S&P ESG Rating, etc.) and their inclusion in international sustainable indices (such as DJSI, MSCI ESG, etc.) should also be taken into account and incorporated into the investment analysis and decision-making process. The policy covers all AuM of active investments, passive investments and externally managed assets of the Company and subsidiaries.

(I) Securities investment: All public-listed/OTC-traded equities and fixed income investments shall be reviewed regularly for ESG risks according to related rules. Any violation that renders the holding position no longer in conformity with relevant investment guidelines shall be responded with reductions of the holding position if no feasible improvement plan is proposed.

(II) Investment advisory: All financial products or services offered through wealth management shall undergo rigorous product review and selection, and cater for customers' investment interests and sustainability values. The Company and subsidiaries shall examine the ESG conducts of business partners, and engage them in the promotion of ESG-related financial products for low-carbon economy, green investment practices, and green environment.

(III) Sustainable financing: As a response to the United Nations' Sustainable Development Goals (SDGs) of supporting green and society-beneficial projects, the Company and subsidiaries may issue sustainable bonds (including Green Bonds, Social Bonds, and Sustainability Bonds) as a way of supporting sustainable investment projects and help enterprises to raise medium-term and long-term capital or funding, thus E.SUN can contribute our effort to the earth's sustainability.

(IV) Outcome identification & measurement: The Company and subsidiaries shall adhere to the United Nations Principles for Responsible Investment (PRI) and relevant domestic regulations regarding responsible investment, regularly review the fund utilization plan and target achievement status of the products, as well as measuring positive contributions to the environment and society of the bonds by specific indicators, including but not limited to carbon emission reduction, biodiversity conservation, human rights, equality and diversity, etc.

VIII. Underwriting business: The Company and subsidiaries shall offer guidance to businesses on the issuance of sustainable bonds, conduct due diligence on clients in terms of environmental, social, and corporate governance (ESG Factors) before issuance, and meet clients' financing requirements while catering for the sustainability of the environment. The Company and subsidiaries shall also strive to fulfill corporate social responsibilities by exerting greater market influence within their respective areas of financial expertise.

Article 5: The Company and subsidiaries may develop separate management rules based on the Policy, and incorporate them into the financial service execution process while taking into consideration the sustainable financing guidelines, ESG risks, and opportunities.

Article 6: The Policy shall become effective upon approval of the Board of Directors.