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

2022.4.14 Implemented with the approval of the President

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Article 1 (Purpose)

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 (O&G) related industries in accordance with the "E.SUN Financial Holding Company Sustainable Finance Policy" and guide financial resources and 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 (Applicability)

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

Article 3 (Responsibilities)

The Guidelines are co-formulated by the General Administration Division of the Company and the relevant departments of the subsidiaries for the purpose of managing investment and Financing Activities for coal and unconventional oil and gas companies. The relevant departments of the subsidiaries are responsible for executing management duties and periodically reviewing objective achievement progress.

Article 4 (Phase-Out Targets)

The Guidelines focuses on the following types of enterprises (hereinafter referred to as Phase-Outs) to carry out priority phase-out plans.

I. Coal Company: Companies with greater than 5% of revenues from thermal coal related activities listed below:
   i. Coal Mining: The extraction of thermal coal, includes both surface (open pit) and subsurface mines.
   ii. Coal Power: The burning of coal at coal-fired power plants for the generation of energy. Includes electricity, steam, etc.
   iii. Coal Infrastructure: Infrastructure used to process or transport coal, such as coal processing plants, railway lines and trains used to transport coal, coal terminals, pipeline, etc.
II. Unconventional Oil & Gas Company: Companies with greater than 30% of revenues from unconventional O&G activities listed below. Includes extraction, production, and infrastructure, such as pipelines, terminals, refineries, and storage etc.:
   i. Tar Sands
   ii. Shale Oil & Gas
   iii. Arctic Oil & Gas
   iv. Ultra-deep-water Oil & Gas, where water depth is greater than 1,500m (5,000ft.)
   v. Liquefied Natural Gas (LNG) derived from unconventional fossil fuels
III. If the Phase-Outs cannot be identified by revenue due to data limitations, business management units may establish their own suitable procedure .

Article 5 (Management Scope)

I. Financing Activities: Includes project-specific financing, general corporate credit lines/lending.
II. Investment Services: Includes proprietary trading, underwriting, and other financial business investment clients that can be considered Phase-Outs.
III. Wealth Management Services
IV. Brokerage services
V. Subsidiaries are authorized to formulate the scope coverage details of each service listed above. If the business involves customer and product assessment, correspondence for over one year, or if funding is provided, it should be

included within the scope.

Article 6 (Management Principles of Coal Companies)

I. Financing Activities

i. Project-Specific Finance: The Company and its subsidiaries should cease/avoid financing for new projects or provide additional finance of existing projects for coal companies. The amount of project-specific finance positions in coal companies should be reduced annually using the end of 2022 as the exposure baseline. The positions should reach a 50% reduction by the end of 2030 and complete exit by the end of 2035.

ii. General Corporate Credit Lines/Lending: The Company and its subsidiaries should cease/avoid new general corporate credit line/lending cases or extend credit/lending of existing cases for coal companies. The amount of corporate finance positions in coal companies should be reduced annually using the end of 2022 as the exposure baseline. The positions should reach a 50% reduction by the end of 2030 and complete exit by the end of 2035.

II. Investment Activities

i. Proprietary Trading: The Company and its subsidiaries should cease/avoid investing in coal companies that are expanding. The amount of investment positions in coal companies should be reduced annually using the end of 2022 as the exposure baseline. The positions should reach a 50% reduction by the end of 2030 and complete exit by the end of 2035.

ii. Underwriting: The Company and its subsidiaries should cease/avoid underwriting business for coal companies.

III. Wealth Management Services: Bond products that are provided and recommended to customers should be clearly labeled if the issuer is a coal company before the end of 2030. Sales of these bond products should cease before the end of 2035.

IV. Brokerage services: Bond products that sold to customers should be clearly labeled if the issuer is a coal company before the end of 2030. Provision of investment information to investors should cease before the end of 2035.

Article 7 (Management Principles of Unconventional Oil & Gas Companies)

I. Financing Activities

The Company and its subsidiaries should cease/avoid new financing cases and cease expanding finance for existing cases of unconventional O&G companies. The amount of finance positions in unconventional O&G companies should be reduced annually using the end of 2022 as the exposure baseline. The positions should reach a 50% reduction by the end of 2030 and complete exit by the end of 2035.

II. Investment Activities

   i. Proprietary Trading: The Company and its subsidiaries should cease/avoid investing in unconventional O&G companies.

   ii. Underwriting: The Company and its subsidiaries should cease/avoid underwriting for unconventional O&G companies.

III. Wealth Management Services: Bond products that are provided and recommended to customers should be clearly labeled if the issuer is an unconventional O&G company before the end of 2030. Sales of these bond products should cease before the end of 2035.

IV. Brokerage Services: Bond products that sold to customers should be clearly labeled if the issuer is an unconventional O&G company before the end of 2030. Provision of investment information to investors should cease before the end of 2035.

Article 8 (Baseline Change)

If a business client undergoes a shift in operation that causes it to fall within the definition of Phase-Outs in Article 4, it should be managed under this guideline. The latest exposure position information available should be used as its management baseline. Subsequent management principles should pertain to Article 6 and 7.

Article 9 (Support for Decarbonization and Just Transition)

I. To support the low-carbon transition of enterprises, the Company and its subsidiaries may agree to business transactions only after confirming that the use of funds is for the enterprise’s low-carbon transition and that the Phase-Outs has a clear and measurable low-carbon transition plan set before 2035.

II. Positions that support low-carbon transition are not included in exposure baseline as listed in Article 6 and 7.

III. This article is not applicable after 2035.

Article 10 (Engagement)

Subsidiaries should engage with all coal or unconventional O&G companies that are involved in finance or investment activities before 2030 by following the "E.SUN Financial Holding Company Sustainable Development Engagement Guidelines".

Article 11 (Information Disclosure)

The Company should regularly disclose positions of Phase-Outs listed in Article 4. The business balance in support of decarbonization and just transition listed in Article 9 should be disclosed separately.

Article 12

The Company and subsidiaries may develop separate management procedures based on the Guidelines, and regularly report to the President.

Article 13

All matters not specified in the Guidelines may be dealt with in accordance with applicable regulations of the competent authority and the Company.

Article 14

The Guidelines shall become effective upon approval of the President.