

E.SUN FHC Sustainable Lending Policy

2021.06

I. Purpose

E.SUN FHC is committed to pursue balance between business growth, environmental and social development. E.SUN realizes its corporate social responsibility (CSR), and incorporate sustainable development and credit risk assessments in order to align the borrowers in environmental, climate change and social responsibilities. The mission is to enable the bank and the borrowers to work together and achieve greater benefits in environmental (E), social (S) and governance (G), and meeting the international ESG standards for corporate citizens.

II. Lending Policy

1. Lending should support green energy industries such as alternative energies, water resources, and environmental pollution control. Companies that are committed to reducing energy consumption and pollution or installing environmentally friendly facilities should be given suitable financing and preferential terms.
2. High pollution companies that are not compliant with environmental regulations should be denied if they are unable to propose detailed plans for improvement. Companies above that have existing business relationships with the bank should be guided to make improvements, denied additional loans, or have loans gradually recalled.
3. Loan applicants outside green energy industries should be encouraged to invest in environmentally friendly products or equipment, energy saving or storage equipment, green production facilities, and applications to reduce pollution. The bank will provide suitable financing and preferential terms as contribution to a sustainable society.
4. Financing applications subject to the Equator Principles have to meet the requirements of the Equator Principles and other applicable international regulations in order to fulfill the commitment to environmental sustainability.
5. Regarding the land and fixed asset as collateral, E.SUN encourage clients to provide those collateral with positive impact to the environment, such as green building. If collateral has potentially negative impact to the biophysical environment, E.SUN will evaluate it carefully and avoid lending if needed.

III. Counterparty Management

1. **General Principles (Cross Sectors Exclusion)**
 - (1) Counterparties must comply with the relevant environmental and social principles of the international community. If the counterparty is involved in the following matters with high risks or severe violations, any transactions or businesses with E.SUN Bank shall be avoided.

Environmental Aspect	<ul style="list-style-type: none"> • Violation of domestic laws or international bans on use of hazardous substances such as asbestos, chlorofluorocarbons (CFCs), and polychlorinated biphenyl (PCB) • Being involved in the violation of illegally gathering plants or poaching animals, or trading or producing the products made of the specimens set forth in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) • The business premises are situated on wetlands set forth in the Ramsar Convention
Social Aspect	<ul style="list-style-type: none"> • Violation of the UN Universal Declaration of Human Rights • Being involved in child labor employment, human trafficking, or forced labor in violation of the International Labour Convention • Compulsory land expropriation and involuntary relocation • Damaging any of the UNESCO World Heritage Sites

2. Controversial Industries Management

(1) Any businesses with controversial industries or enterprises shall be avoided, such as the sex industry, controversial arms trading companies, coal-fired plants, and nuclear power plants, all of which cause direct environmental and social impacts.

(2) Any businesses with the following industries that could cause potential impacts on the environment and society shall be inspected and reviewed diligently, such as tobacco and liquor, national defense, gambling, mining, leather dyeing & finishing, fishery, or deforestation. If the company violates the following regulations, business shall be avoided.

Tobacco and Liquor	<ul style="list-style-type: none"> • Tobacco production or trade shall conform to the World Health Organization Framework Convention on Tobacco Control (FCTC)
National Defense	<ul style="list-style-type: none"> • Controversial weapons such as nuclear weapons or biochemical weapons cannot be produced or traded
Gambling	<ul style="list-style-type: none"> • Gambling shall comply with the international regulations governing anti-money laundering and terrorism financing
Mining	<ul style="list-style-type: none"> • The use of mountaintop removal (MTR) or other illegitimate mining methods is prohibited • Mine sites and environmental management mechanisms shall comply with the local laws and regulations • New addition of coal mining grounds is not allowed

	<ul style="list-style-type: none"> • Diamond mining or trading shall conform with the Kimberley Process Certification Scheme
Fishery	<ul style="list-style-type: none"> • Destructive fishing such as the use of explosives or poisons, or illegal drift netting is prohibited • Engaging in illegal, unreported, and unregulated (IUU) fishing activities is prohibited • Engaging in commercial whaling or providing vessels for whaling and other related activities is prohibited
Forest Resources	<ul style="list-style-type: none"> • Illegal logging or trading illegally produced timber is prohibited • Palm oil producers, manufacturers or traders must comply with relevant regulations formulated by the Roundtable on Sustainable Palm Oil (RSPO)

(3) As for high-carbon emission industries above designated size, such as chemical, plastic, petrochemical, steel, shipping, air freight, pulp and paper, cement, and wafer fabrication suppliers, relevant plans for climate action shall be factored into the credit assessment.

3. Should counterparties be involved in major negative environmental or social events, the facts of the event and plans for subsequent improvement shall be detailed.

III. Lending Review Process

1. The potential impact of an applicant's business activities on the environment should be identified and evaluated. Regarding information with negative effects on sustainability, business units should exercise due diligence and make detailed disclosure before the loan officers at the head office verify the information.
2. The degree of risk associated with an applicant should be based on a combination of environmental and social risks, such as implementation of the applicant's environmental policy and its investments in charities, and the 5P rules.

IV. Post-loan Management

1. The bank should follow up on progresses of loan account holders on an ongoing basis. The bank should investigate from time to time to see whether loan account holders are fulfilling their commitments in terms of environmental protection, ethical management, and corporate social responsibility. The bank should find out about a loan account holder's plan for improvement if a potential impact on social sustainability is identified.
2. Improvement measures in financing cases subject to the Equator Principles should be followed up in accordance with the items and schedules specified in respective loan contracts in order to alleviate environmental and social risks.

V. Others

The bank follows corporate sustainability issues on an ongoing basis. The bank is constantly monitoring changes in sustainability systems and taking into account the evolution of business models and changes in the macro environment in Taiwan in order to facilitate more efficient sustainable lending practices.