Approved at the 17th Meeting of 7th Board of Directors on January 14, 2022

Climate Change Risk Management Policy

I. Purpose

Pursuant to the E.SUN FHC Sustainable Finance Policy and recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), this Policy is adopted to ensure that the Company can effectively assess the potential risks and opportunities presented by climate change and develop climate mitigation and adaptation measures, thereby enhancing its capacity for managing climate change risk (hereafter “climate risk”).

II. Scope of Application

This Policy applies to all the business operations of the Company and its subsidiaries.

III. Article 3 Definitions

1. Subsidiaries refer to business units or sub-subsidiaries wholly owned by the Company.
2. Climate risk refers to risks related to the transition to a lower-carbon economy and the physical impacts of climate change on the Company’s assets (such as investment, lending balance, and premises and equipment) or day-to-day operations.
3. Physical risks refer to acute risks resulting from extreme weather events (e.g. typhoons and extreme rainfall) and chronic risks derived from longer-term shifts in climate patterns (e.g. sustained higher temperatures and rising sea levels).
4. Transition risks refer to those resulting from policy, legal, technology, and market changes entailed by moving toward a lower-carbon economy.

IV. Article 4 Authority and Responsibility

The Company’s climate risk-related organizational structure and division of authority and responsibility shall be as follows:

1. The Company

(1) Board of Directors

a. As the Company’s highest decision-making body for creating an effective climate risk management mechanism, the Board of Directors shall shoulder the ultimate responsibility for its climate risk management policy.

b. Based on the Company's overall strategy and business environment, the Board of Directors shall approve its climate risk management policy and other key decisions to ensure an effective climate risk management mechanism.

(2) Risk Management Committee

The Risk Management Committee (RMC) shall implement the climate risk management policy and other key decisions approved by the Board of Directors and oversee the establishment of a climate risk management mechanism for both the Company and its subsidiaries. It shall also review internal climate risk control reports hierarchically presented, address issues related to climate risk management, and supervise internal implementation and coordination on this front.

(3) Climate Change Task Unit

A climate change task unit shall be established under the Sustainable Development Committee to identify and evaluate the risks and opportunities of climate change, assist the development of quantified methods and indicators, further developing related management measures, and striving to mitigate or adapt to the impact of climate change.

2. Subsidiaries

(1) All subsidiaries shall incorporate business procedures, analyses, decisions, and implementations into climate change issues applicable to their respective business endeavors. These include identification and assessment of risks and opportunities, evaluation of possible impacts on businesses, strategies, and financial planning, setting of management metrics and objectives, and introduction of proper procedural adjustment or mitigation/adaptation measures.

(2) The risk management departments of all subsidiaries shall report to the Company's RMC as well as their own companies.

3. Audit Division of the Company and its subsidiaries

All such Division shall audit the climate risk management of their respective companies to ensure compliance with existing policies and control guidelines.

V. Climate Risk Management Mechanism

1. The Company and its subsidiaries shall take their lead from domestic and overseas laws and regulations, guidelines, and research reports with regard to climate change, identify the channels and mechanisms through which the physical and transition risks of climate change may aggravate traditional risks, and develop countermeasures accordingly.
2. The Company and its subsidiaries may take account of the possible impact on day-to-day operations and business development associated with climate risk during different periods of time and adopt a risk-oriented, differentiated management approach accordingly.

VI. Monitoring, Reporting, and Internal Control

1. The Company and its subsidiaries shall routinely track climate risk threatening their day-to-day operations and business development during different periods of time, adjust management modes when warranted, and report their climate risk sources and management thereof to the RMC.
2. The Company and its subsidiaries shall establish a process of routine reporting and inspection; this process shall include a mechanism for inspecting their compliance with their existing policies and the aforesaid requirement for routine reporting.
3. The RMC shall present a climate risk report to the Board of Directors at least every six months; it shall adopt proper countermeasures and report to the Board of Directors immediately in the event of climate risk impacts that threaten to undermine overall or business operations.
4. The audit departments of the Company and its subsidiaries shall implement audits of climate risk management procedures to ensure the effectiveness of their assessment and control of such management.

VII. This Policy shall undergo review at least once a year, when warranted, in accordance with changes in internal and external conditions, international trends, business objectives, and applicable laws and regulations.

VIII. If a subsidiary adopts a related policy or regulations of its own, these shall prevail.

IX. All matters not specified in this Policy shall be dealt with in accordance with applicable regulations of the competent authority and the Company.