



# **E.SUN Financial Holding Company, Ltd.**

## FY2023 Tax Contribution Report



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# Introduction

Tax is one of the most important contribution companies make to shape a better society. Tax can be used as a policy tool that enhance public services and infrastructure. To strengthen transparency and completeness of sustainability report, E.SUN has already published tax reports for 6 consecutive years. We expect that stakeholders can better understand our contribution through this profile. We keep learning from benchmark companies and exchanging ideas with peers. In 2023, we also participated in peer tax review program held by NGO to interact with foreign companies. E.SUN responds to sustainable tax issue through advocacy. We believe the imperative of being net positive. We will keep bringing our positive thoughts to the stakeholders.

## Key figures 2023

**TWD 89,419 M**

Net revenue

**TWD 26,512 M**

Profit before tax

**TWD 4,330 M**

Income tax paid

**TWD 2,841 M**

Withholding tax

## Key figures 2022

**TWD 71,723 M**

Net revenue

**TWD 19,903 M**

Profit before tax

**TWD 3,956 M**

Income tax paid

**TWD 2,439 M**

Withholding tax



## A.Tax Strategy and Governance

GRI 207-1~207-3

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# Tax Strategy and Governance

Tax governance policy and transfer pricing policy are the formal policy serving to guide company practices. The policies are approved and overseen by the board of directors. All of the entities among E.SUN group follow the principles in the policies. In response to the changes in the tax standards issued by governments and tax initiative, the policies are reviewed every year to ensure the articles are in line with global tax trends. Below are the principles of our policies.

## A.1 Tax principles

### Tax Compliance

We comply with the letter and the spirit of tax laws and regulations to file tax returns accurately and prepare related documents timely.

### Comprehensive Decision

We make tax strategies comprehensively in accordance with local and international tax trends.

### Transparency

We disclose tax information in financial reports and annual reports regularly and publicly.

### Proactive communication

We develop open and transparent dialogues with tax authorities and work together with governments to improve tax systems.

### Tax incentives

We only accept legal and transparent tax incentives. We don't seek abusive tax results violating the spirit of tax laws to decrease tax burden.

### Business structure

Business structure and transactions are aligned with economic substance. We don't make special arrangements to avoid paying tax.

### Risk management

We evaluate potential tax risks before making tax strategies.

### Commercial substance

Related-party transactions shall reflect economic reality and the decision-making party shall take the profits correspondingly.

### Arm's length principle

The condition of the commercial and financial relations of related-party transactions shall be similar to non-related-party's.

Our tax governance policy and transfer pricing policy are disclosed publicly, please click on the links for more information.

[Tax governance policy](#)

[Transfer pricing policy](#)

**Note:** The board is the highest governance body in tax governance framework. Our tax governance policy and transfer pricing policy are approved by the Board.



## A.2 Anti-tax avoidance declaration

The Board reviews and approves tax governance report every 6 months and ensures that our tax policy is in accord with international tax trends and OECD standards. To support the development of a fair tax system, we put anti-tax avoidance articles into our internal tax governance guidance. The outline of the guidance are as follows:

### 1. A commitment to compliance with the spirit as well as the letter of the tax laws

We are committed to complying with the letter as well as the spirit of the tax laws in the tax jurisdictions we operate. “Tax compliance” is listed in article 4 of E.SUN tax governance policy. To ensure that we always comply with the spirit of the laws, we discuss with the tax authorities, peers and consultants when there are grey areas in laws.

### 2. A commitment not to transfer value created to low tax jurisdictions. / A commitment not to use tax havens/secretary jurisdictions for tax avoidance

Based on article 4 of the transfer pricing policy, we are committed to not transferring value to the low-tax jurisdictions and not using secrecy jurisdictions or so-called tax havens for tax avoidance.

According to the tax laws in Taiwan, low tax jurisdiction is regarded as a place whose income tax rate is lower than 70% of Taiwan's statutory income tax rate. Based on the standard, we don't have any branches, subsidiaries or multiple layers of SPVs located in low tax jurisdictions. Since Honk Kong was a jurisdiction on the grey list before, the details of the business in Hong Kong will be disclosed in Chapter B.

### 3. A commitment not to use tax structure without commercial substance

Based on article 4 of tax governance policy, we are committed to not using tax structures for tax avoidance. From the shareholding structure to the transactions, we don't seek abusive tax results and we also don't hide specific information from the tax authorities. We only make transactions that are in line with commercial substance. We pay reasonable tax in every tax jurisdiction we operate.

### 4. A commitment to undertake transfer pricing using the arm's length principle

In Taiwan, every transaction between related parties should be in line with the arm's length principle in accordance with Financial Holding Company Act. The conditions of the commercial and financial relations shall be determined by market forces which is same as the principle of OECD's. Based on article 5 of E.SUN transfer pricing policy, every related-party transaction should reflect the economic reality and the trade terms should be similar to those non-related-party's.

### A.3 Tax governance mechanism

Under tax governance mechanism, the Board and responsible division oversee tax matters and propose possible plans to strengthen internal control.



#### The Board of directors

The Board is the highest governance body of E.SUN tax governance mechanism, including but not limited to reviewing and approving tax governance reports, developing tax strategy, and modifying the mechanism.



#### Financial Management Division (tax function unit)

Financial Management Division reviews tax self-assessment of every entity in the group and evaluates tax burden and tax risk regularly. The Division prepares tax governance report to the Board every 6 months.



#### All Entities of E.SUN

All entities of E.SUN comply with internal tax policy and provide tax self-assessment to parent company every 6 months. Besides, to ensure all the tax treatments are in accord with the letter as well as the spirit of the laws, the entities would discuss with Financial Management Division when they are not sure about the proper tax treatments.



**Q: How can the board of directors oversee and control tax risk?**

**A:** The board reviews tax reports every 6 months. Besides, tax function unit would be asked to evaluate tax risk for significant transactions

**Q: How do we ensure the tax personnel equipped with right level of expertise?**

**A:** We employed qualified tax staff having tax background. Tax function unit also holds online tax seminar or provides tax training materials every quarter.

## A.4 Tax risk management

E.SUN built risk control mechanism to decrease the damage of tax controversial cases and the likelihood of occurrence. The Board reviews tax governance report to oversee the effectiveness of management and knows the potential tax risks.

For **SPECIAL OR SIGNIFICANT** transactions/arrangements, we put the following components into consideration when we evaluate tax risk.

1. If the amount of the transaction is significant
2. If similar transactions were made before
3. If it is a cross-border transaction
4. If it is a related-party transaction
5. If the tax authorities audited similar transaction or issue before
6. Others

### Q&A

**Q: Does E.SUN have whistleblower mechanism?**

**A:** Yes, we have internal and external mailbox for reporting unethical or unlawful behavior related to tax.

The external mailbox: AuditCommittee@esunbank.com

**Q: Please indicate the procedure after identifying tax risks.**

**A:** We evaluate tax impacts immediately, and make improvement plans to decrease the likelihood of occurrence of controversial cases.

For **ROUTINE** tax matters, we use the following steps to control tax risk:

#### step 1

### Risk identification

The responsible division identifies risks and makes improvement plans based on the historical records of the occurrence time and reason of controversial cases.

#### step 2

### Risk assessment

We use a standard tax risk evaluation process to evaluate the likelihood of occurrence and extent of damage.

#### step 3

### Risk monitoring

Through internal risk control mechanism, the Board and relevant senior workers assess tax risks regularly.

#### step 4

### Stakeholder engagement

We exchange opinions about tax risks with stakeholders to develop tax strategies to reduce risks.



## A.5 Potential Tax Impacts

For Taiwan tax law, Taiwan tax authority implemented CFC in 2023 to respond to the base erosion and profit shifting action plan. Since we don't have subsidiary located in low tax jurisdiction, we don't have any concern toward this issue. For the global tax law, some of the countries have already announced the implementation of global minimum tax, but have not yet released the details. Therefore, we use the data from geographical tax reporting to evaluate the potential tax impacts of this issue.

### Global Minimum Corporate Tax

E.SUN has operating sites in 10 tax jurisdictions. Australia, Vietnam and Japan where we run our business will first implement IIR in 2024. The assessment result of the group is disclosed in the following table.

Tax jurisdictions	ETR	ETR test	Note
Taiwan	17.11%	V	
Hong Kong	16.58%	V	
Singapore	17.03%	V	
Japan	41.94%	V	
Australia	35.86%	V	
Vietnam	20.51%	V	
The United States	28.29%	V	
Myanmar	22.43%	V	
Cambodia	8.44%	X	Note 1
China	13.77%	X	Note 2

1. Cambodia: The amounts here we use for ETR test are from financial statements (IFRS basis). There is a huge difference (USD 5.9 million) of recognizing bad debt expense between IFRS and Cambodia local tax law, causing the profit before tax on financial statements is much higher than the taxable income. Rule out the IFRS impact, the ETR would be more than 100% because Cambodian companies have to pay minimum tax every month (1% of the monthly revenue) which is not matched with the profit of the year.
2. China: China hasn't officially announced local tax law toward this issue. Therefore, the amounts here we use for ETR test are based on the tax reporting information which is disclosed in accordance with GRI 207. GRI requires consolidated data, which eliminates transactions between related parties. However, when tax authority levies taxes, they use local tax data. The data on China's financial report is CNY 22,781,737.69/93,330,986.61=24.41% (current tax/profit before tax=local ETR), which is higher than global minimum tax rate 15%.



## A.6 Advocacy - Stakeholder engagement related to tax

**To reinforce public trust, we proactively contact stakeholders to discuss tax issues and engage in public policy advocacy on tax to build a better tax environment.**

### Tax authorities

Our withholding and filing cases increased significantly in 2023 because of rising interest rate. When the tax authorities asked the reason of the changes, we cooperated with the authorities and provided supplemental information to let the authorities understand the industry trends and realize supervision.

### Peers and Banker Association

Since Taiwan government is going to amend the articles related to financial industry in value added tax act in 2024, we proactively discussed the possible supplementary measures with Banker Association in 2023 and then proposed financial white paper together to make effort in the rationality of tax laws.

### Independent Directors and Investors

Independent directors specialized in accounting and tax oversee our tax burden and risk through financial reports every quarter. We also disclose the changes in tax rates and tax information to the public to enhance tax transparency.

### Public advocacy -NGO

In 2023, it was our first time to participate in peer review held by international tax advocacy organization-The B Team. Companies were assessed in 7 different aspects. After 3-month assessment, we got upper-average rating, showing that we put responsible tax principle into practice.





## B.Tax reporting

GRI 207-4

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# B

## Tax reporting

### B.1 Financial & tax data by tax jurisdiction

Our main revenue (86.58%) come from Taiwan, where the headquarters are located. We have adequate number of employees and physical offices in each jurisdiction. We believe that public reporting on a country-by-country basis would help stakeholders better understand our tax profile and worldwide tax contribution.

#### Financial figures of E.SUN FHC-2023

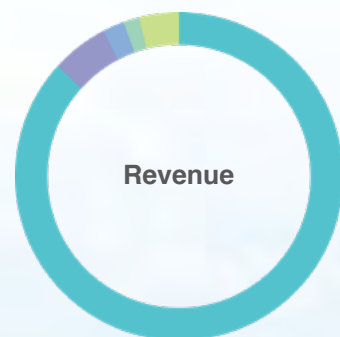
Unit: TWD millions/person

Tax jurisdictions	Revenue	Profit before tax	Income tax accrued (current year)	Income tax paid	Other taxes paid	Number of employees
Taiwan	\$,77,414	\$17,296	\$2,960	\$3,011	\$2,847	8,944
Hong Kong	5,214	4,530	751	360	1	222
China	1,423	726	100	106	165	275
Cambodia	777	290	24	138	35	438
Singapore	1,873	1,585	270	82	5	79
United States	959	788	223	242	-	23
Australia	849	647	232	224	7	38
Myanmar	273	214	48	46	-	29
Japan	250	124	52	63	4	28
Vietnam	387	312	64	58	1	60
Total	\$89,419	\$26,512	\$4,716	\$4,330	\$3,065	10,136

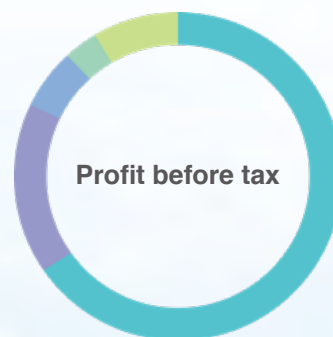
**Note:** The data in the table is reported on consolidated basis, except that the revenue and income tax accrued are reported on aggregated basis.



## The proportions of revenue, profit before tax and income tax paid by tax jurisdiction-2023



86.58%	Taiwan
5.83%	Hong Kong
2.09%	Singapore
1.59%	China
3.91%	Others



65.24%	Taiwan
17.09%	Hong Kong
5.98%	Singapore
2.97%	The United States
8.72%	Others



69.54%	Taiwan
8.31%	Hong Kong
5.59%	The United States
5.17%	Australia
11.39%	Others



## Names of all the resident entities &amp; primary activities

Tax jurisdictions	Statutory tax rate	Name of the resident entities	Primary activities
<b>Taiwan</b>	20%	1.E.SUN Financial Holding Company, Ltd. 2.E.SUN Commercial Bank, Ltd. ( E.SUN Bank) 3.E.SUN Securities Co., Ltd. 4.E.SUN Venture Capital Co., Ltd. 5.E.SUN Investment Consulting Co., Ltd. 6.BankPro e-Services Technology Co., Ltd.	1.Holding shares 2.Banking 3.Securities 4.Venture Investment 5.Consulting 6.Information industry
<b>Cambodia</b>	20%	1.Union Commercial Bank Plc. 2. URE Land Holding Co., Ltd.	1. Banking 2. Leasing industry
<b>China &amp; Hong Kong</b>	China 25% Hong Kong 16.5%	1. E.SUN Bank (China) 2. E.SUN Bank- Hong Kong Branch	Banking
<b>Singapore</b>	17%	E.SUN Bank - Singapore Branch	Banking
<b>United States</b>	21%	E.SUN Bank - Los Angeles Branch	Banking
<b>Vietnam</b>	20%	E.SUN Bank - Dong Nai Branch	Banking
<b>Japan</b>	30.62%	E.SUN Bank - Tokyo & Fukuoka Branch	Banking
<b>Australia</b>	30%	E.SUN Bank - Sydney Branch & Brisbane Branch	Banking
<b>Myanmar</b>	22%	E.SUN Bank - Yangon Branch	Banking



## B.2 Tax jurisdiction highlights

### Taiwan

E.SUN bank was established in 1992. To expand the business in financial industry, E.SUN FHC was established in 2002 and the shares have been listed on the Taiwan Stock Exchange since then. In order to provide comprehensive financial services, E.SUN FHC integrates the resources of E.SUN bank, E.SUN Securities, and E.SUN Venture Capital.

Taiwan is the major tax jurisdiction for business development. 86.58% of the group net revenue and 65.24% profit before tax came from Taiwan in 2023. The 21.34% difference between revenue and profit before tax is because E.SUN FHC conducted cash capital increase in 2023, leading the recognition of a huge amount of salary cost from employee share purchase plan.

### Hong Kong

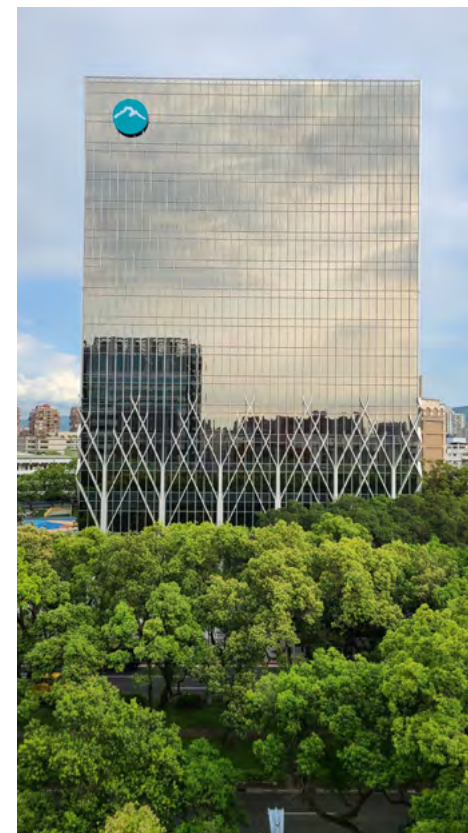
To develop financial business in Asia-Pacific, Hong Kong is one of the most important regional financial center. Therefore, we have run business in Hong Kong for more than 20 years. In response to our clients' needs, we provide corporate banking services and wealth management services there.

Hong Kong was added to the grey list by European Union in 2021 because of Foreign-Source Income Exemption Regimes and removed by EU in 2024. Although we have operating site in Hong Kong, the profit we earn in Hong Kong are from local business which is in accord with economic substance. We don't have foreign-source exempt income in Hong Kong, so there is no concern using the controversial tax incentive that may facilitate tax avoidance.

### Singapore, Vietnam

Jurisdictions are screened in 3 main aspects (tax transparency, fair taxation and measures against base erosion and profit shifting) by EU to be considered cooperative for tax purposes.

Singapore ranks top 5 on the revenue among the group. Our business in Singapore is similar to Hong Kong. Although Singapore was once temporarily added on the grey list because of tax transparency issue, government of Singapore improved the tax system immediately. For Vietnam, we only conduct corporate banking business, accounting for 0.43% of the revenue in the group. The government of Vietnam committed to implementing tax exchange and asked companies to file CbC information already. The profit we earn in abovementioned 2 jurisdictions are from local business. We don't have foreign-source exempt income and tax incentive, therefore there is no concern on tax avoidance issue.





## C. Effective Tax Rate

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# C

## Effective tax rate

### C.1 Two-year income tax information

In the following table, we reconcile the reported tax rate with effective tax rate. The adjustments are based on the Income Tax Act in Taiwan.

Unit: TWD millions/%

	2023	2022	Calculated averages	Reference
<b>Earnings before tax (a)</b>	\$26,512	\$19,903	\$23,208	Appendix F.3
<b>Reported taxes (b)</b>	4,764	4,122	4,443	Appendix F.3
<b>Reported tax rate (b) / (a)</b>	17.97%	20.71%	19.14%	
<b>Adjustments (c)</b>				
Timing -Deferred tax	(219)	(329)		Financial statements p.65
Major issue	136	163		
Tax-exempt income	819	74		
<b>Effective tax rate (b+c) / (a)</b>	20.75%	20.25%	20.54%	
<b>Cash taxes paid (d)</b>	4,330	3,956	4,143	Appendix F.4
<b>Cash tax rate (d) / (a)</b>	16.33%	19.88%	17.85%	

## C.1 Two-year income tax information

### The reconciliation of income tax rates of E.SUN FHC-2023 and 2022

Unit: TWD millions/%

Reconciliation	The proportions on earnings before tax(%) Tax impacts (millions)		Note
	2023	2022	
Timing difference -deferred tax	4.13% / 219	8.27% / 329	Causing the increase in income tax rate
Major issues	- / 136	- / 163	Causing the decrease in income tax rate
Tax-exempt income	15.45% / 819	1.86% / 74	Causing the decrease in income tax rate
1. The difference between the effective tax rate and cash tax rate 2. The cash tax rate difference between 2023 and 2022.	According to the Income Tax Act in Taiwan, companies file and pay the assessed income tax in May of the following year. Therefore, the income tax we paid in May is based on the taxable income of previous year, leading the calculation basis year of profit before tax and income tax paid is inconsistent.		

Note:

#### 1. Timing difference-deferred tax

The deferred tax liabilities in 2023 and 2022 are both timing difference from unrealized revaluation adjustments of financial instruments.

#### 2. Major issue

In 2023, overseas subsidiary loss carryforward was approved by the tax authority, we then recognized it accordingly. In 2022, the major issue is because of the payment of pension, which is the item that can be recognized on tax return.

#### 3. Tax-exempt income

Offshore banking unit (OBU) income is tax-exempt as per the Income Tax Act in Taiwan, leading a decrease in the income tax rate.

According to CSA Handbook 2024, the global average effective tax rate of banking industry is 21.29% and cash tax rate is 19.94%. The effective tax rate of E.SUN is 20.75% and the cash tax rate is 16.33% in 2023. The reconciliation is showed in the above table. The effective tax rate is close to the global average after the reconciliation. The cash tax rate difference is because of the inconsistency of basis year of profit before tax and income tax paid.



## C.2 Tax incentive

### Offshore banking unit:

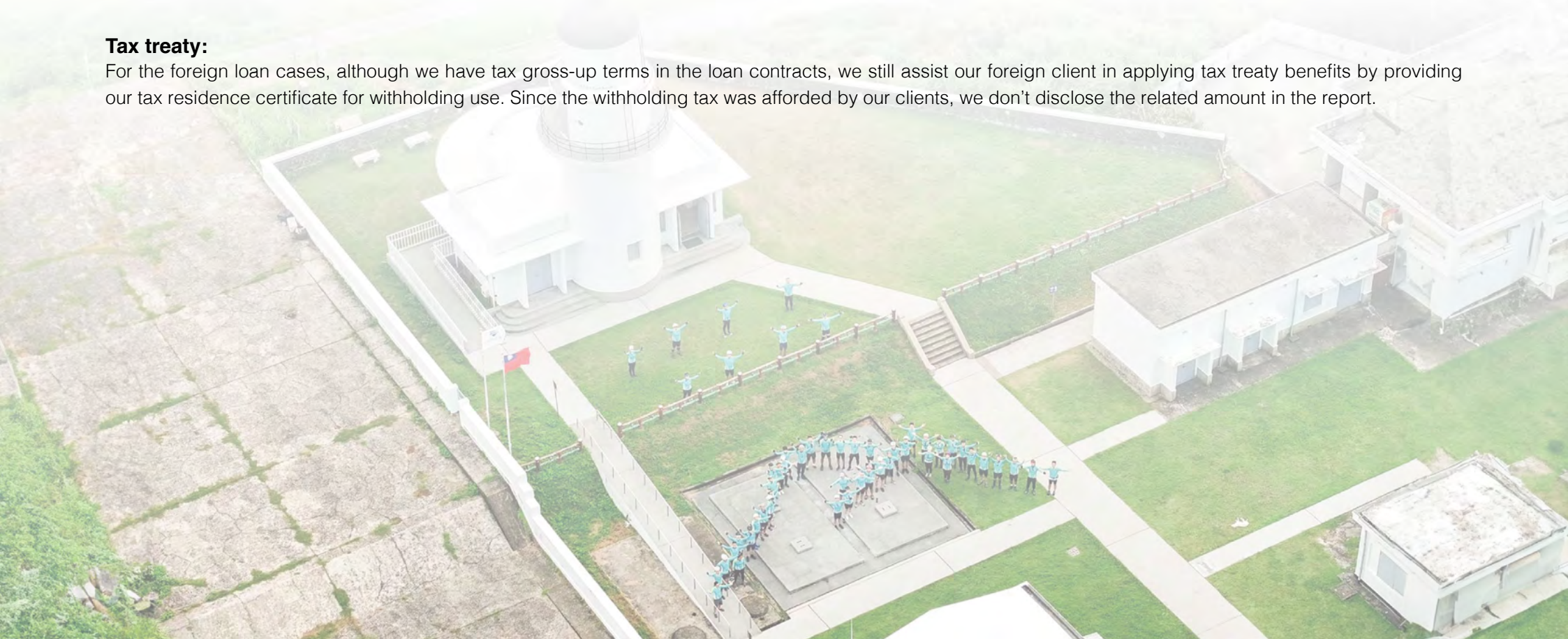
To facilitate financial activities, income from OBU is regarded as tax-exempt income as per Income Tax Act in Taiwan. However, unlike other controversial tax incentive, companies still have to put the income from OBU into the taxable income base when calculating local minimum tax. Taiwan local minimum tax rate is 12%. In 2023, we claimed 819 million tax-exempt income.

### R&D Expenditures:

Taiwan government provides R&D tax incentive to companies to encourage developing innovative technology. In response to the policy, we put efforts into developing innovative methods and patents which enhance financial service quality. We then claimed 23 million tax credit in 2023. 15% of the R&D expenditure can be used as tax credit for the taxable year and the tax credit should be less than 30% of the income tax payable. The application of R&D Expenditures tax benefit will be end in 2029.

### Tax treaty:

For the foreign loan cases, although we have tax gross-up terms in the loan contracts, we still assist our foreign client in applying tax treaty benefits by providing our tax residence certificate for withholding use. Since the withholding tax was afforded by our clients, we don't disclose the related amount in the report.





## D. Self-Assessment

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# D

## Self-Assessment

### D.1 Responsible tax principles

The B Team Responsible Tax Principles was developed through dialogue with a group of leading companies. It aims to establish the principles and an approach to taxation that companies can endorse to demonstrate responsibility and play their part in creating a stable, secure and sustainable society.

#### Principle

- Accountability & Governance
- Compliance
- Business Structure
- Relationships with Authorities
- Seeking & Accepting Tax Incentives
- Supporting Effective Tax Systems
- Transparency

In 2023, we participated in the peer review program held by The B Team. They organized a mechanism for companies endorsed responsible tax principles to review each other's involvement. There are 37 items under 7 principles in the assessment. The whole assessment lasted for 3 months in 2023. From the geographic location, industry to scale, we have so much difference with our paired company. Therefore, we could review each other from different perspective and gave each other advice on tax disclosure. For 34 out of 37 items, our paired company thought that our disclosure fully matched the requirement of responsible tax principles. For the other 3 items, they discussed the possible way of adjustment with us. We therefore put new chapter or disclosure in this report.

1. [The description of tax personnel](#)

We employ qualified and trained tax staff to deal with tax matters, and hold online tax meeting or release online tax courses every quarter to enhance tax understanding.

2. [The disclosure of tax incentive](#)

In response to the stakeholders' needs, we put a new section disclosing the tax incentives this year to enhance tax transparency.

3. [The disclosure of low-tax jurisdiction](#)

We didn't illustrate the business of overseas operating sites in last year's report because no operating sites is regarded as low-tax jurisdiction under Taiwan tax law. However, after the discussion with paired company, we put a new section disclosing highlights of several operating sites this year to realize tax transparency.

## D.2 GRI-207 – Tax standard

GRI Sustainability Reporting Standards are designed to be used by organizations to report their impacts on the economy, environment, and society. GRI 207 addresses the topic of tax. It illustrates the disclosure standard. Organizations have an obligation to comply with tax legislation, and a responsibility to their stakeholders to meet expectations of good tax practices.

Tax disclosures	Requirement	Remarks
Disclosure 207-1 Approach to tax	A description of the approach to tax, including: <ul style="list-style-type: none"> <li>i. Whether the company has a tax strategy which is publicly available.</li> <li>ii. The governance body within the organization reviews the strategy.</li> <li>iii. The approach to regulatory compliance.</li> <li>iv. How the approach is linked to the business and sustainable development.</li> </ul>	Yes, we meet this requirements.
Disclosure 207-2 Tax governance, control, and risk management	The reporting organization shall report the following information: <ul style="list-style-type: none"> <li>i. The tax governance and control framework.</li> <li>ii. The mechanism for reporting unethical and unlawful behavior.</li> <li>iii. The assurance process for disclosure on tax.</li> </ul>	Yes, we meet this requirements.
Disclosure 207-3 Stakeholder engagement and management of concerns related to tax	The reporting organization shall report the following information: <ul style="list-style-type: none"> <li>i. The approach to engagement with tax authorities.</li> <li>ii. The approach to public policy advocacy on tax.</li> <li>iii. The processes for collecting the views and concerns of stakeholders.</li> </ul>	Yes, we meet this requirements.
Disclosure 207-4 Country-by-country reporting	The reporting organization shall report the following information: <ul style="list-style-type: none"> <li>i. All tax jurisdictions where the entities included in the organization's audited consolidated financial statement.</li> <li>ii. The requirement of disclosure (country-by-country disclosure)</li> <li>iii. The time period covered by the information reported in this disclosure.</li> </ul>	Yes, we meet the reporting requirements of GRI 207. For the reporting recommendation, we put it as future disclosing item.



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# E

## Appendix

### E.1 Glossary

Principle	Item
SDGs	Sustainable Developments Goals of the United Nations
The B Team	The NGO publishing Responsible tax principles at the United Nations.
OECD	Organization for Economic Cooperation and Development
GRI	Global Reporting Initiative
Reported tax rate	Income tax expense/earnings before tax
Effective tax rate	Adjusted reported taxes/earnings before tax
Cash tax rate	Cash tax paid/earnings before tax
MOF	Ministry of Finance in Taiwan
The Board	The board of directors
CSA companion	Corporate sustainability assessment published by S&P Global

## E.2 Responsible tax principle peer review

For the peer review, we follow the assessment list organized by The B Team to review paired company. There are 37 items under 7 principles.

Principle	Item
Governance	A. We have a tax strategy and set of principles approved by the Board
	B. The Board is accountable for the tax strategy and responsibility for tax risk management is clearly delegated to key individuals.
	C. We put mechanisms in place to ensure awareness of and adherence to our tax strategy and principles and provide opportunities for employees to raise confidentially any issues of concern.
	D. We have clear procedures in relation to tax risk management and carry out risk assessments before entering into any tax planning on significant transactions.
	E. We report at least annually to the Board on tax risks and adherence to the tax strategy.
	F. Our tax strategy and principles apply to all our local tax practices in all jurisdictions, subsidiaries and entities.
	G. We employ appropriately qualified and trained tax professionals with the right levels of expertise and understanding.
Compliance	A. We prepare and file all tax returns required, providing complete, accurate and timely disclosures to all relevant revenue authorities.
	B. Our tax planning is based on reasonable interpretations of applicable law and is aligned with the substance of the economic and commercial activity of our business.
	C. We will not undertake transactions whose sole purpose is to create a tax benefit which is in excess of a reasonable interpretation of relevant tax rules.
	D. We aim for certainty on tax positions, but where tax law is unclear or subject to interpretation, we evaluate the likelihood and where appropriate seek an external opinion, to ensure that our position would, more likely than not, be upheld.
	E. We use the arm's length principle, pricing in-line with best practice guidelines issued by the OECD, and apply this consistently across our businesses.

(Continued)

Principle	Item
Business structure	<p>A. The Group is transparent about the entities that it owns around the world and about who owns them.</p> <p>B. We do not use so-called 'tax havens' to avoid taxes on activities which take place elsewhere. Entities which are based in low or nil-rate jurisdictions exist for substantive and commercial reasons.</p> <p>C. We pay tax on profits according to where value is created within the normal course of commercial activity; we do not use artificially fragmented structures or contracts to avoid establishing a taxable presence in jurisdictions where we do business.</p> <p>D. Our tax principles extend to our relationships with employees, customers and contractors. We will not engage in arrangements whose sole purpose is to create a tax benefit.</p>
Relationships with tax authorities	<p>A. We follow established procedures and channels for all dealings with tax authorities, government officials, ministers and other third parties, in a professional, courteous and timely manner.</p> <p>B. We are open and transparent with tax authorities, responding to relevant tax authority enquiries in a straightforward and timely manner to assist in the evaluation of tax liability.</p> <p>C. We endeavour to build relationships of cooperative compliance with tax authorities where both parties engage in a proactive and constructive dialogue to discuss tax planning strategy, risks and significant transactions.</p> <p>D. Where there are misunderstandings of fact or law, we will seek to work with tax authorities to identify the issues and explore options to resolve any misunderstandings or disagreements.</p> <p>E. If we seek rulings from tax authorities to confirm an applicable tax treatment, we do so based on full disclosure of all of the relevant facts and circumstances.</p> <p>F. We will seek to enter into an early dialogue with tax authorities, wherever possible, where there is significant uncertainty about how the tax rules apply to our business.</p> <p>G. We will not bribe or otherwise induce tax officials, government officials or ministers with the aim of obtaining more beneficial outcomes with respect to tax matters.</p>

(Continued)



Principle	Item
Business structure	<ul style="list-style-type: none"> <li>A. Where we accept tax incentives offered by a Government authority, we will seek to implement these in the manner intended by the relevant statutory, regulatory or administrative framework.</li> <li>B. We will only use tax incentives where they are aligned with our business and operational objectives and where they require economic substance.</li> <li>C. Ideally, tax exemptions and reliefs should be specified by law and generally available to all market participants. Where there are exceptions, we will work with relevant authorities to encourage publication of those incentives and contracts.</li> <li>D. We will make data available for governments to assess the revenue and economic impacts of specific tax concessions.</li> </ul>
Relationships with tax authorities	<ul style="list-style-type: none"> <li>A. We give constructive input to industry groups, governments and other external bodies and engage with civil society on tax issues in order to contribute to the development of future tax legislation and practice.</li> <li>B. We support initiatives to help develop the capability of tax authorities and systems if requested.</li> <li>C. We promote responsible tax practices which are in line with The B Team Responsible Tax Principles through our relationships with suppliers, contractors and customers and so on.</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>A. A tax strategy or policy, including details of governance arrangements, our tax risk management strategy and our approach to dealing with tax authorities.</li> <li>B. A regular update on our progress and key issues related to our tax strategy and principles.</li> <li>C. An overview of our group structure and a list of all entities, with ownership information and a brief explanation of the type and geographic scope of activities.</li> <li>D. An explanation of why we have subsidiaries, branches and joint ventures operating in low tax jurisdictions.</li> <li>E. Annual information that explains our overall effective tax rate and gives information on the taxes we pay at a country level, together with information on our economic activity.</li> <li>F. Information on financially-material tax incentives, where appropriate, including an outline of the incentive requirements and when it expires.</li> <li>G. An outline of the advocacy approach we take on tax issues, the channels through which we engage in regard to policy development and the overall purpose of our engagement.</li> </ul>

## E.3 Consolidated statements of comprehensive income and cash flows

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
<b>INTEREST REVENUE (Notes 4, 33 and 40)</b>	\$84,436,464	127	\$35,482,114	98	57
<b>INTEREST EXPENSE (Notes 4, 33 and 40)</b>	(55,336,285)	(83)	(9,497,790)	(44)	128
<b>NET INTEREST</b>	29,100,179	44	25,984,324	54	(2)
<b>NET REVENUES AND GAINS OTHER THAN INTEREST</b>					
Service fee and commission income, net (Notes 4, 34 and 40)	21,518,021	32	19,279,510	35	12
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 35)	14,421,132	22	3,355,794	6	330
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	1,254,070	2	1,484,231	3	(16)
Foreign exchange gains, net (Note 4)	192,344	-	903,319	2	(79)
Reversal of impairment losses (impairment losses) on assets (Notes 4 and 17)	13,197	-	(26,897)	-	149
Other noninterest gains, net (Note 4)	196,628	-	191,599	-	3
Total net revenues and gains other than interest	37,595,392	56	25,187,556	46	49
<b>TOTAL NET REVENUES</b>	66,695,571	100	54,805,919	100	22
<b>BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 13)</b>	(2,681,784)	(4)	(2,076,541)	(4)	29
<b>OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 30, 36 and 40)</b>					
Employee benefits	(16,544,257)	(25)	(14,310,631)	(26)	16
Depreciation and amortization	(3,889,085)	(6)	(3,769,340)	(7)	3
General and administrative	(17,068,434)	(25)	(4,746,209)	(27)	16
Total operating expenses	(37,501,776)	(56)	(32,826,180)	(60)	14

(Continued)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
<b>INCOME BEFORE INCOME TAX</b>	\$26,512,011	40	\$19,903,198	36	33
<b>INCOME TAX EXPENSE (Notes 4 and 37)</b>	(4,764,244)	(7)	(4,121,857)	(7)	16
<b>NET INCOME FOR THE YEAR</b>	21,747,767	33	15,781,341	29	38
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 30 and 37)					
Remeasurement of defined benefit plans	108,836	-	145,707	-	(25)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	2,814,101	(4)	6,445,728	12	(144)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	3,089,326	4	(3,080,932)	(6)	200
Income tax relating to items that will not be reclassified subsequently to profit or loss	(3,356)	-	66,565	-	(105)
Items that will not be reclassified subsequently to profit or loss, net of income tax	380,705	-	3,577,068	6	(89)
Items that may be reclassified subsequently to profit or loss (Notes 4 and 37)					
Exchange differences on the translation of financial statements of foreign operations	(493,434)	(1)	2,899,399	5	(117)

(Continued)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	\$4,092,690	6	\$(12,025,992)	(22)	134
s)Income tax relating to items that may be reclassified subsequently to profit or loss	(436,215)	-	827,235	2	(153)
Items that may be reclassified subsequently to profit or loss, net of income tax	3,163,041	5	(8,299,358)	(15)	138
Other comprehensive loss for the year, net of income tax	3,543,746	5	(4,722,290)	(9)	175
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	\$25,291,513	38	\$11,059,051	20	129
<b>NET INCOME ATTRIBUTABLE TO</b>					
Owners of ESFHC	\$21,726,249	33	\$15,759,000	29	38
Non-controlling interests	21,518	-	22,341	-	(4)
	\$21,747,767	33	\$15,781,341	29	38
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>					
Owners of ESFHC	\$25,269,230	38	\$11,035,019	20	129
Non-controlling interests	22,283	-	24,032	-	(7)
	\$25,291,513	38	\$11,059,051	20	129
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 38)</b>					
Basic	\$1.41		\$1.06		
Diluted	\$1.41		\$1.06		

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$26,512,011	\$19,903,198
Adjustments for:		
Depreciation expenses	3,182,130	3,038,701
Amortization expenses	706,955	730,639
Expected credit losses/bad-debt expenses	2,753,486	2,107,950
Gains on financial assets and liabilities at fair value through profit or loss	(14,421,132)	(3,355,794)
Interest expense	55,336,285	24,235,627
Interest revenue	(84,436,464)	(53,853,990)
Dividend income	(1,010,347)	(1,423,492)
Provision for losses on guarantees	(71,403)	(20,149)
Salary expenses on share-based payments	1,110,295	455,528
Gains on disposal of properties and equipment	927	(4,858)
Gains on disposal of investments	(243,723)	(60,739)
Others	(29,922)	(6,140)
<b>Net changes in operating assets and liabilities</b>		
Due from the Central Bank and call loans to other banks	(23,658,881)	(15,370,086)
Financial assets at fair value through profit or loss	125,770,398	126,013,160
Financial assets at fair value through other comprehensive income	(5,994,475)	(18,548,934)
Investments in debt instruments at amortized cost	(74,061,896)	(90,997,141)
Receivables	(11,625,235)	2,871,697
Discounts and loans	(131,798,420)	(168,556,221)
Other financial assets	(492,952)	4,170,212
Other assets	(29,180)	7,588,645

(Continued)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023	2022
<b>Net changes in operating assets and liabilities</b>		
Deposits from the Central Bank and other banks	(27,045,739)	(10,966,724)
Financial liabilities at fair value through profit or loss	(10,546,451)	(39,325,777)
Securities sold under repurchase agreements	6,183,427	1,846,656
Payables	2,746,843	899,877
Deposits and remittances	118,447,645	207,536,615
Provision for employee benefits	54	23
Other financial liabilities	13,664,838	27,957,603
Other liabilities	(390,011)	(7,393,569)
Cash generated from (used in) operations	(29,440,937)	19,472,517
Interest received	83,955,132	52,625,546
Dividends received	1,149,238	1,522,753
Interest paid	(53,788,120)	(21,551,022)
Income tax paid	(4,330,355)	(3,956,370)
Net cash generated from operating activities	(2,455,042)	48,113,424
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for properties and equipment	(2,373,703)	(2,759,121)
Proceeds from disposal of properties and equipment	269	36,320
Increase in operating deposits	(20,000)	-
Increase in settlement fund	(1,554)	(28,082)
Decrease in settlement fund	7,621	14,327
Increase in refundable deposits	(3,677,574)	(7,282,532)
Payments for intangible assets	(360,187)	(316,624)
Payments for right-of-use assets	(1,800)	(102)
Increase in other assets	(871)	(1,627)
Net cash used in investing activities	(6,427,799)	(10,337,441)

(Continued)



(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023	2022
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	2,382,393
Decrease in short-term borrowings	(3,154,872)	-
Decrease in due to the Central Bank and other banks	-	(14,021,010)
Increase in commercial paper issued	7,360,000	-
Decrease in commercial paper issued	-	(3,050,000)
Proceeds from issue of corporate bonds	3,000,000	-
Repayments of corporate bonds	-	(1,100,000)
Proceeds from issue of bank debentures	2,900,000	13,400,000
Repayments of bank debentures	(1,500,000)	(9,820,000)
Repayments of long-term borrowings	(8,908)	(11,495)
Increase in financial liabilities designated at fair value through profit or loss	1,575,323	-
Increase in guarantee deposits received	-	5,249,187
Decrease in guarantee deposits received	(4,783,105)	-
Repayments of the principal portion of lease liabilities	(1,166,372)	(1,125,426)
Cash dividends paid	(2,855,020)	(8,947,582)
Proceeds from issuance of shares	16,000,000	-
Cash dividends paid to non-controlling interests	(12,933)	(18,107)
Net cash used in financing activities	17,354,113	(17,062,040)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,117,493	(9,676,069)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,588,765	11,037,874
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	115,750,099	104,712,225
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$125,338,864	\$115,750,099

(Continued)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	December 31	
	2023	2022
<b>RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022</b>		
Cash and cash equivalents in the consolidated balance sheets	\$67,575,304	\$76,217,644
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	49,666,263	31,650,624
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	8,097,297	7,881,831
Cash and cash equivalents at the end of the year	\$125,338,864	\$115,750,099

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

