

3.1.3 Responsible Investment

SASB: FN-IB-410a.3

■ ESG Investment and Decision-Making Process

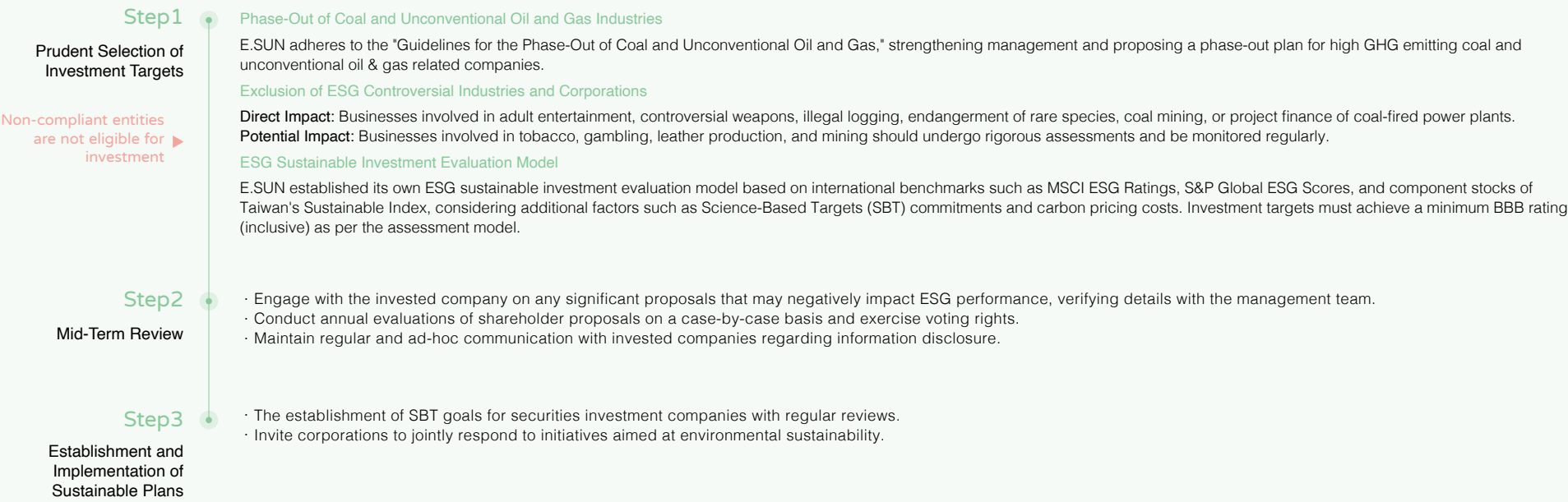
Referencing the Principles for Responsible Investment (PRI), E.SUN FHC follows "Sustainable Finance Policy" that integrates environmental, social, and governance (ESG) issues into the decision-making processes and management procedures for both equity and fixed income investments as well as underwriting activities. As of 2024, E.SUN Bank's bond investments have a 97.56% allocation in the low-to-medium risk category for ESG, while equity investments stand at 95.75%, demonstrating our commitment to sustainable development.

	Negative Screening	Norms-Based Exclusions	Internal Evaluation Model ¹	High-risk Businesses Management ²	Asset Class and Sector Specific Guidelines	Engagement and Shareholder Activism	Outcome Identification & Measurement
Listed Equity ³	V	V	V	V	V	V	V
Fixed Income ³	V	V	V	V	V		V

Note:

- E.SUN incorporates ESG indicators from reputable institutions such as MSCI ESG rating, S&P Global ESG score into the internal investing evaluation model, as well as companies' SBT commitments and carbon price costs.
- E.SUN sets up a management mechanism for high ESG risk enterprises that have direct or potential negative impact on the environment or the society.
- The investing activities of E.SUN include active investments and externally managed assets. E.SUN has no passive investments. The "Sustainable Finance Policy" covers all AuM.

Investment Analysis and Decision-Making Process



■ Sustainable Bond Issuance and Advisory Services

Sustainable Bond Issuance

E.SUN continues to allocate funds towards environmentally and socially friendly projects. Following the issuance of Taiwan's first green bond in 2017 with a total issuance amount of approximately NT\$26 billion, making it the largest issuer of sustainable bonds among local banks. Funds raised are directed towards green investment projects related to renewable energy, greenhouse gas reduction, and water resource conservation, as well as social impact investment projects supporting basic service needs, affordable housing, socio-economic development, and rights protection, fostering long-term sustainable value and social impact.

On April 10, 2024, E.SUN Bank issued its first sustainable bond focusing on renewable energy, biodiversity, and forestry conservation, allocating raised funds to renewable energy development, resource conservation, and biodiversity maintenance projects, integrating biodiversity issues within the investment plans of bond proceeds while promoting sustainable investments through concurrent conservation and restoration efforts.

2024 Sustainable Bond Issuance Volume		AUM
Sustainable Bond Issuance Volume	TWD	2,700,000,000
Sustainability Bond	TWD	2,700,000,000
Bond Issuance Volume	TWD	4,437,650,000
Percentage over Total Bond Issuance		63.91%

Sustainable Bond Underwriting

E.SUN also collaborates with clients interested in sustainability topics to assist in raising funds for sustainable development goals. By the end of 2024, E.SUN Bank had acted as an underwriter for 27 green bonds, 12 sustainable bonds, 2 social bonds , and 1 sustainability-linked bond with a total amount exceeding NT\$27 billion.

2024 Sustainable Bond Underwriting Volume		AUM
Sustainable Bond Underwriting Volume	TWD	1,183,700,000
Green Bond	TWD	200,000,000
Sustainability Bond	USD	30,000,000
Total Value of Advisory	TWD	23,988,860,000
Percentage of Sustainable Revenues over Total Revenue		4.93%

100 % of fixed income products verified

E.SUN continues to support sustainable-themed investment and financing as well as project hedging advisory services, leveraging financial support for environmentally friendly project. In 2024, E.SUN added 8 new cases, totaling NT\$12 billion in interest rate swap (IRS) hedging services for offshore wind power, onshore wind power, and solar energy investment projects. By the end of 2024, the accumulated amount is approximately NT\$42 billion. E.SUN will continue to exert its financial influence to assist enterprises in advancing environmentally friendly projects and building a sustainable finance ecosystem.

■ Proprietary Sustainable Investment Products

Investment Approaches		AUM
Total Sustainable AuM	TWD	7,889,746,086
Best-in-Class Screening	TWD	5,189,746,086
Thematic Investing	TWD	2,700,000,000
Total AuM	TWD	13,948,320,423
Percentage of Sustainable AuM over Total AuM		56.56%

Note:

- Best-in-Class Screening: Invest in the company with positive ESG performance relative to industry peers.
- Thematic Investing: Invest in certain environmental or social issues, such as energy transition, climate change, promotion of equality, and so on.

■ Impact Investing Results

To maximize its financial impact, E.SUN actively expands its impact investment portfolio using the United Nations Sustainable Development Goals (SDGs) contribution as the evaluation criterion. Funds are allocated to enterprises that address specific social or environmental challenges positively and whose contributions or impacts can be quantitatively measured. In 2024, E.SUN Venture Capital completed two investments in the green industry sector. The first investment is in a company engaged in the production and sales of functional fabrics. This enterprise utilizes oyster shell powder, derived from recycled and calcined oyster shells, combined with PET from discarded plastic bottles to produce yarn, fabric, and insulation cotton. The products are marketed globally under the company's proprietary brand and have obtained Bluesign® environmental certification. Recently, the company has actively expanded the application of its products to fields such as notebook computer casings, stone-plastic flooring, and automotive parts. The second investment targets a company dedicated to the design and manufacturing of zero-carbon emission vessels. The company's propulsion systems leverage renewable energy sources including solar, wind, and hydrogen power, achieving net-zero carbon emissions to support marine sustainability goals.

■ Sustainable Stewardship

Engagement and Voting Assessment Methods and Processes

1. E.SUN FHC thoroughly considers ESG sustainability factors and adheres to the principles of responsible investment. Since signing and declaring adherence to the "Stewardship Principles for Institutional Investors" in 2018, E.SUN has regularly disclosed its annual due diligence governance reports. Following the "Sustainable Development Engagement Guidelines," E.SUN engages in active shareholder actions, communicates with invested companies through participation in shareholder meetings or roadshows, and exercises voting rights, collaborating with like-minded enterprises to join the cause.

Definition of criteria for ESG resolutions

E.SUN follows "Sustainable Development Voting Guidelines" and supports ESG resolutions that can promote the investee companies' performance in environment, society, and corporate governance, such as resolutions addressing climate change, biodiversity and gender equality. In 2024, E.SUN Bank voted for 233 shareholder resolutions and supported 99.57% of the ESG resolutions.

2. Engagement Process and Progress Tracking: The evaluation process and progress tracking for equity and bond investments are conducted in accordance with the "Sustainable Development Engagement Guidelines" and the "Securities Sustainable Investment Management Principles." The steps include:
 - (1)Setting Engagement Themes: Assess whether the ESG quantitative indicators of the invested company meet the rating set by E.SUN Bank, primarily based on the self-constructed model, supplemented by ESG ratings from MSCI and Sustainalytics ESG indicators. If no quantitative indicators are available, a review of the last six months' ESG-related negative news will serve as a basis for engagement judgment.
 - (2)Selection of Engagement Companies: During quarterly reviews, compare the quantitative indicators at the time of investment; engage with those companies that have lowered their ratings by two tiers. Review shareholder meeting minutes and financial reports, seeking clarification and engagement when doubts arise.
 - (3)Assessment of Engagement Effectiveness and Behavioral Tracking: The engagement period is set at five years. During this time, no new exposure to the engaged companies will be added, and every quarter, assessments will be conducted to determine if the engaged companies are showing positive development or lack clear progress regarding engagement demands. At the end of the five-year observation period, an evaluation will be made to determine whether the engagement was successfully concluded or not.
 - (4)Post-Engagement Potential Actions/Influence on Future Investment Decisions: Possible actions may include adjusting investment limits, not adding new positions, reducing holdings, or placing the company on an exclusion list.
3. Stewardship objectives: Share insights on international sustainable development trends while encouraging invested companies to actively participate in relevant initiatives and carbon reduction commitments. Enhance the transparency of relevant information disclosures and third-party certifications.

■ Engagement Results

1. Individual Engagement

Engaged Entity	Asset Class	Engagement Content	Engagement Process and Responses	Outcomes and Impact on Investment Decisions
A Company, invested by E.SUN Bank, engagement at the shareholder meeting	Equity	1. SBT Carbon Reduction Pathway 2. Biodiversity Disclosure	1. The company established a target to reduce carbon emissions by 40% by 2030 based on a 2020 baseline, incorporating renewable energy and carbon capture technologies, with a carbon neutrality goal by 2050. 2. The company committed to join SBTi in March 2023 and expects to complete the process within two years. 3. The company's TCFD and sustainability reports disclose information on biodiversity. 4. The company's commitment to low-carbon transformation and transparency will enhance stakeholders' perception and trust, including shareholders/investors, suppliers, customers, and the community.	1. The company's disclosures in 2023 TCFD and sustainability reports were deemed sufficient. 2. Maintain investment.

B Company, invested by E.SUN Securities, engagement at the shareholder meeting	Equity	1. Biodiversity Disclosure	1. The company committed to actively plan for biodiversity information disclosure.	1. The company subsequently published a commitment to on its website and released a TNFD report. 2. Acknowledged the company's actions and increased investment position.
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2. Collaborative Engagement

Engaged Entity	Asset Class	Engagement Content	Engagement Process and Responses	Outcomes and Impact on Investment Decisions
C Company, invested and engaged jointly by E.SUN Bank and E.SUN Securities	Equity	1. A domestic telecommunications company expressed high recognition and responded positively to E.SUN Bank's letter regarding the "Joining Hands for Net Zero Transformation" theme sent at year-end, and arranged a visit for feedback. 2. E.SUN Bank collaborated with E.SUN Securities, a fellow institutional investor, to engage with the company on carbon reduction and sustainability transformation issues.	1. Both parties signed an MOU focusing on biodiversity, forestry resource conservation, digital empowerment for community coexistence, integrating telecom and finance to combat fraud, jointly promoting dual transformation for SMEs, and advancing green finance. 2. The company's investment in biodiversity will elevate stakeholders' perception and trust, including shareholders/investors, suppliers, customers, and the community.	1. Continued tracking of the effectiveness of the collaboration. 2. Maintain investment.