



The Equator Principles At ESUN 2019

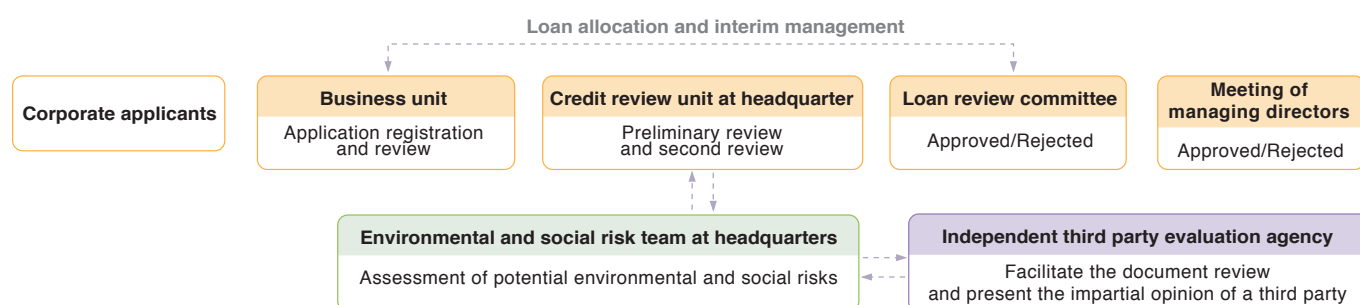


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[Equator Principles]

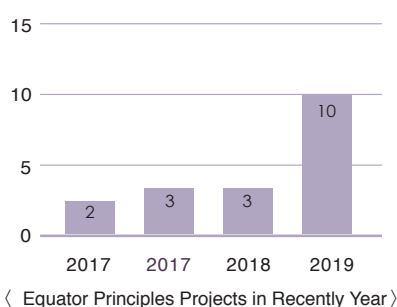
Project finance in electricity, energy, mining, fundamental construction, and oil and natural gas exploring industries may have significant impact on environment and society. Since E.SUN become a bank of Equator Principles in 2015, it has conformed with international standard of The Equator Principles Association. It manages risks of project finance by a classification method, and assists in evaluation on the effectiveness of plans proposed by project developers to monitor and alleviate environmental and social impacts.

- Through the establishment of a task force for Equator Principles, E.SUN evaluates and reviews relevant projects case by case, and continues to accumulate risk management expertise so as to pursue sustainable development.
- Equator Principles IV framework was disclosed in November 2019. E.SUN conforms with latest international trend and pays attention to the impacts caused by projects in climate change, human right, and relevant aspects. Besides, E.SUN also cooperates with third party agency to strengthen risk management ability.



■ Outcome in 2019

After considering potential risk of environment and social issue, 10 EP compliant financing deals were approved and 3 deals were rejected according to credit policy and risk appetite of E.SUN in 2019.



Note: As of 2019, there were 18 projects, including 1 coal-fired project, which the Bank is no longer transacting with.

| | A | B | C |
|----------|---|---|---|
| Projects | 3 | 6 | 1 |

〈 Risk Category 〉

| | Projects |
|------------------------|----------|
| Electrical energy | 8 |
| Infrastructure | 2 |
| Oil and gas extraction | 0 |
| Mining | 0 |

〈 Industry 〉

| | Projects |
|--------------|----------|
| Taiwan | 3 |
| Asia Pacific | 4 |
| US | 3 |
| China | 0 |

〈 Region 〉

{ Project Finance Transactions }

Total number that reached financial close in the reporting period.

10

| Sector | Category A | Category B | Category C |
|----------------|------------|------------|------------|
| Mining | 0 | 0 | 0 |
| Infrastructure | 0 | 2 | 0 |
| Oil & Gas | 0 | 0 | 0 |
| Power | 2 | 5 | 1 |
| Others | 0 | 0 | 0 |
| Sub Total | 2 | 7 | 1 |

| Region | Category A | Category B | Category C |
|------------------------------|------------|------------|------------|
| Americas | 0 | 3 | 0 |
| Europe, Middle East & Africa | 0 | 0 | 0 |
| Asia Pacific | 2 | 4 | 1 |
| Sub Total | 2 | 7 | 1 |

| Country Designation | Category A | Category B | Category C |
|------------------------|------------|------------|------------|
| Designated Country | 0 | 5 | 0 |
| Non-Designated Country | 2 | 2 | 1 |
| Sub Total | 2 | 7 | 1 |

| Independent Review | Category A | Category B | Category C |
|--------------------|------------|------------|------------|
| Yes | 2 | 6 | 1 |
| No | 0 | 1 | 0 |
| Sub Total | 2 | 7 | 1 |

| | |
|-------------------------------------|---|
| Total Number of Category A Projects | 2 |
| Total Number of Category B Projects | 7 |
| Total Number of Category C Projects | 1 |

[Project finance case studies]

Regarding industries with a greater impact on the environment or the society, E.SUN will handle the loan applications by classifying the risks and help clients implement plans to monitor and improve the social and environmental impact.

The projects information and E.SUN's approved loan amount to the 10 EP projects in 2019 are listed below:

| Project | Description | Risk Category | Project Capital (USD billion) | Project | Description | Risk Category | Project Capital (USD billion) |
|---------|--|---------------|-------------------------------|---------|--|---------------|-------------------------------|
| A | 700MW Natural gas power plant in USA | B | 0 | F | Nature gas pipeline construction in Asia Pacific | A | 0 |
| B | 470MW gas power plant ship in Asia Pacific | B | 0 | G | 91MW Onshore wind farm in Australia | B | 0 |
| C | 70MW solar power station in Taiwan | C | 0 | H | 940MW CCGT (Combined Cycle Gas Turbine) plant in USA | B | 0 |
| D | 640 MW offshore wind farm in Taiwan | A | 1 | I | 488MW CCGT (Combined Cycle Gas Turbine) plant in USA | B | 1 |
| E | 376 MW offshore wind farm in Taiwan | A | 0 | J | Rail and subway construction in Australia | B | 0 |

■ Project C

Project C is a 70MW (28 cases) solar power station in Taiwan, which includes vessels and shipyards of CSBC Corporation(19.5MW; rooftop), and will includes detention pond of Chiayi Xinwen(36MW; buoyant), Kaohsiung shipyards of CSBC(15.7MW; rooftop), and detention pond of Kaohsiung Chien Feng Tzu(7MW; buoyant). This project has consisted of BIPV(Building-integrated photovoltaic) modules and inverters provided by CanadianSolar and Huawei. The project is sponsored by BlackRock(100%), with capital is 460 million NTD, and cooperate with local developer J&V Energy Technology and local EPC as well as O&M New Green Power.

Considering characteristic and location of the project, consultants from Mott MacDonald audited that all items are riskless, that is, not all EPs(equator principle) and IFC PS(international finance corporation's performance standard) are applicable. Therefore, E.SUN categorized this project as Category C. We mainly focused on social and environmental risks, since the potential impacts of solar power plant always relate to obtain land-use rights and pass EIAs(environmental impact assessment). On the social aspect, the main construction sites are on vessels and shipyards, which have no residents. Moreover, on the environmental aspect, this project has obtained EIA certificates and the impacts from construction are easily resolved by appropriate mitigation measures ahead.

■ Project D

Project D is a 640 MW offshore wind farm in Taiwan, which will be built 8~11 kilometers off the Taiwanese west coast. The project will consist of 80 wind turbines of the 8MW class provided by Siemens. The project capital is 3.07 billion USD.

During the due diligence and credit risk assessment of this project, E.SUN considered a wide range of social and environmental matters, and eventually categorized this project as Category A. We mainly focused on biological and cultural resources protections, since the wind farm is near the conservation area of the endangered Chinese White Dolphins. Moreover, on the cultural aspect, this project also requires certain compensation agreements with local fishermen. We considered that the experienced developer has performed several adequate mitigations and thus approved the loan application, but will monitor these issues carefully to meet requirements of the EP.

■ Project E

Project E is a 376 MW offshore wind farm in Taiwan, which will be built 3.8~9.5 kilometers off the Taiwanese west coast. The project includes 47 wind turbines of the 8MW class provided by Siemens. The project is sponsored by Australian developer Macquarie Group(75%) and local developer Swancor(25%), with capital 1.8 billion USD.

The project is categorized as Category A, due to the impact from interfering birds migration route, underwater mammals, and the social issues related to the fishermen group. Although the developers have investigated the ecosystem around this wind farm and provided several evidences showing the limited harm to the living area of these animals, the banks still asked for enough protections during the construction phase. In addition, the developers have promised to set up the environmental committee to monitor the marine ecosystem and the fishery yield after the COD(commercial operating date).