E.SUN Coal and Unconventional Oil & Gas Phase-Out Policy

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Article 1 (Purpose and Basis)

I. In response to the Paris Agreement, E.SUN Financial Holding Company (the Company) and its subsidiaries have set a goal of achieving net-zero emissions within scopes 1, 2, and 3 by 2050. The Company also aims to implement the COP26 commitment to accelerate the phase-out of coal and elimination of subsidies of inefficient fossil fuels.

II. To strengthen management and propose a phase-out plan for high GHG emitting coal and unconventional oil & gas related companies in accordance with the "E.SUN Financial Holding Company Sustainable Finance Policy" and "E.SUN Financial Holding Company Sustainable Development Engagement Guidelines," The Company guides financial resources to achieve the goal of energy transition. The Company thus formulates E.SUN Coal and Unconventional Oil & Gas Phase-Out Policy (the Policy) for the phase-out of coal and unconventional oil & gas industries.

Article 2 (Applicability and Definitions)

I. The Policy applies to the Company and subsidiaries, including offshore branches.
II. All years referenced in the Policy shall be deemed as ending on December 31 of each respective year.

Article 3 (Business Coverage)

I. Credit Business: Project finance, corporate credit lines/lending.
II. Investment Business: All active investments, all passive investments, and all third-party managed investments undertaken by the Company.
III. Underwriting Business
IV. Subsidiaries are authorized to formulate the scope coverage details of each service listed above. The scope details shall be submitted to the Company for record-keeping upon establishment.

Article 4 (Phase-out Plan)

I. The Company shall cease all project-specific financing for new thermal coal mining, new thermal coal power, and new thermal coal infrastructure projects. Furthermore, the Company shall cease credit business, investment, and underwriting activities for coal companies that are expanding their coal production capacity.

II. The Company will fully divest from thermal coal mining, thermal coal power, and thermal coal infrastructure companies in OECD member countries by 2030. For Non-OECD countries and regions, the Company will complete full divestment from these coal-related companies by 2040.

III. The Company shall cease all project-specific finance for any newly developed Tar Sands, Shale Oil & Gas, Arctic Oil & Gas, Ultra-deep-water Oil & Gas, and Liquefied Natural Gas derived from unconventional fossil fuels. The Company shall cease credit business, investment, and underwriting activities for unconventional Oil & Gas companies that are expanding their unconventional Oil & Gas production capacity.

IV. The Company will fully divest from unconventional Oil & Gas companies by 2040, including Tar Sands, Shale Oil & Gas, Arctic Oil & Gas, and Ultra-deep-water Oil & Gas.

Article 5 (Roles and Responsibilities)

I. Sustainable Development Division: Responsible for the revision of this policy and matters related to information disclosure.

II. Subsidiaries: Manage the business activities involving the subjects regulated by the Policy, and periodically report the management status to the Company.

Article 6 (Management Entities)

I. Coal Companies:

   i. Coal Mining: Companies with greater than 5% of revenues derived from extraction of thermal coal, including surface (open pit) and subsurface coal mining; or annual fuel coal production greater than 5 million tons.

   ii. Coal Power: Companies with greater than 10% revenue derived from coal-fired power generation; or companies whose energy generated through coal accounts for greater than 10% of total energy production; or total installed capacity of coal-fired power generation is greater than 1 GW.

iii. Coal Infrastructure: Companies with greater than 5% revenue derived from coal processing or coal transportation infrastructure, including coal processing plants, coal terminals, pipelines, etc.

II. Unconventional Oil & Gas Companies:
Companies with greater than 10% of revenue derived from the unconventional oil & gas business activities listed below, including extraction and related infrastructure, such as pipelines, terminals, refineries, and storage facilities.

i. Tar Sands
ii. Shale Oil & Gas
iii. Arctic Oil & Gas
iv. Ultra-deep-water Oil & Gas (water depth over 5,000 feet)
v. Liquefied Natural Gas (LNG) derived from unconventional fossil fuels as mentioned above.

III. The identification of coal and unconventional Oil & Gas companies may refer to the Global Coal Exit List (Urgewald GCEL) and the Global Oil & Gas Exit List (Urgewald GOGEL), or be determined based on assessment mechanisms separately established by the relevant business units of subsidiaries.

Article 7 (Support for Decarbonization and Just Transition)

I. To support the management entities, if the entities already have concrete decarbonization actions or a low-carbon transition plan, including but not limited to meeting local sustainable classification standards, achieving the Science Based Targets Initiative (SBTi), proposing decarbonization targets consistent with the Paris Agreement, or if the use of funds is for green expenditures or a subsidiary's transition credit, then business transactions shall only be approved.

II. Business transactions may be approved where the management entity is a state-owned enterprise and its activities contribute to national or regional energy transition.

III. For the preceding two points, if the management entity is an OECD coal company, this applies until 2030. For coal companies in other regions and unconventional Oil & Gas companies, this applies until 2040.

Article 8 (Engagement)

I. Subsidiaries shall engage with all Phase-outs before 2030 following the “E.SUN Financial Holding Company Sustainable Development Engagement Guidelines”.

II. Annually track the effectiveness of engagement. If the engaged party fails to establish a low-carbon transition plan within 3 years from the date of engagement, subsidiaries shall reduce and ultimately exit investment and financing positions.

Article 9 (Information Disclosure)

The Company shall regularly disclose information on its business undertakings of coal and unconventional Oil & Gas activities.

Article 10 Subsidiaries may develop separate management procedures based on the Policy.

Article 11 The Policy have been implemented with the approval of the President