

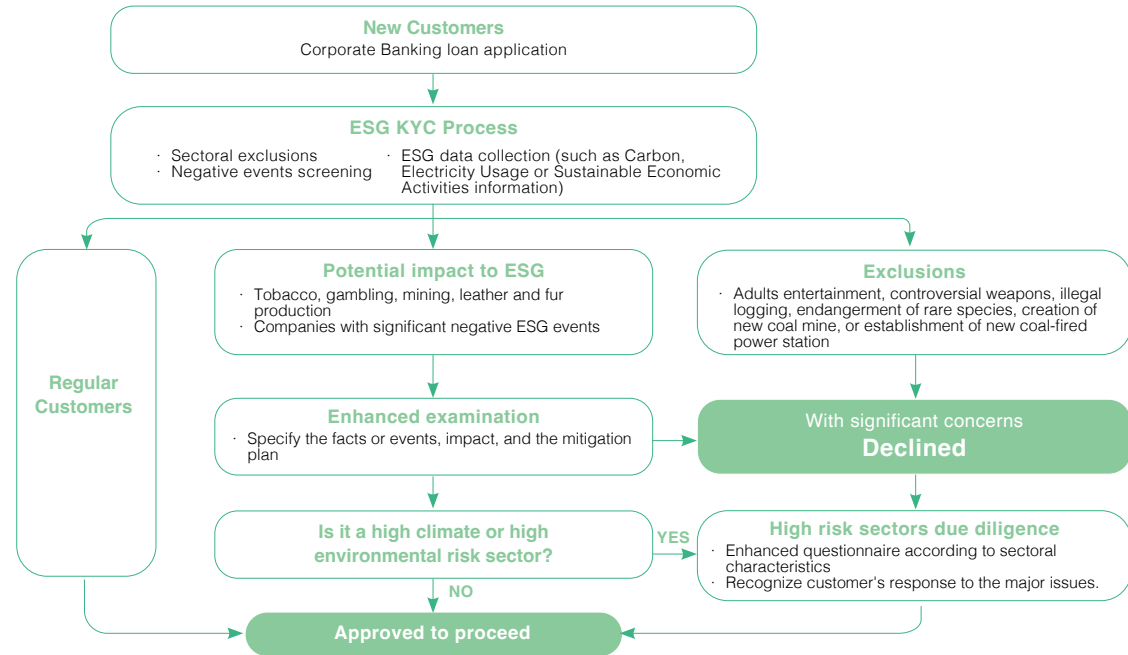
3.1.2 Responsible Lending

SASB: FN-CB-410a.1, FN-CB-410a.2

■ Exercising Internal and External Influence

ESG Risk Management in Credit Process

E.SUN Bank has developed a responsible lending business process and "E.SUN Bank Credit Policy" to evaluate the implementation and investment of borrowers in environmental and social initiatives. Each new credit application must undergo ESG assessment, including sensitivity industry checks, major environmental/social negative event evaluations, and collection of sustainability-related information based on different sectoral characteristics. If the counterparty is involved with arms production, pornography, illegal logging, harmful endangered wildlife, coal-fired power generation, or coal mining, the deal should be avoided. For companies related to tobacco, gambling, or those with significant past environmental and social negative events, enhanced explanations are required. Additionally, E.SUN Bank also has mechanisms for climate risk and environmental risk checks in the credit process. For borrowing enterprises operating in industries with significant environmental or climate risks, detailed explanations tailored to the specific characteristics of the industry are needed to better understand how the company respond to such challenges.



Collection of Corporate ESG Data

Using the credit system's 'Corporate ESG Assessment Form,' E.SUN Bank continues to collect corporate sustainability information, reinforcing the assessment of sustainable processes in credit evaluations. In terms of risk management, pertinent situations of borrowing enterprises are disclosed on a case-by-case basis, considering sustainability-related policies set by the financial holding company, such as the divestment guidelines for coal and non-traditional oil and gas. In response to the regulatory authorities' 'Green Finance Action Plan,' E.SUN Bank also encourages the evaluation of sustainable economic activities during the credit process.

Corporate ESG Evaluation Form

1. Financial data
2. Negative ESG event scanning
3. ESG data
4. Sustainable economic activities
5. High risk sectors checklist



Internal Carbon Pricing

Since 2022, E.SUN Bank implemented internal carbon pricing in its loan portfolio. This pricing mechanism refers to international carbon trading mechanisms, taking into account the weighted average price in the global carbon trading market provided by the World Bank, as well as international decarbonization pathways. The annual carbon reduction targets are set for each business unit following the decarbonization pathway, aiming to guide business units to consider the transformation risks faced by credit companies and the impact of international carbon prices.

Execution for the past 3 years

2022

- Implemented internal carbon pricing for credit portfolio with the status dashboard to business units starting in July.
- Disclosed the carbon emissions, internal carbon costs and decarbonization target associated with credit borrowers.
- Encouraged green credit and sustainable linked loan businesses through internal carbon costs exemption mechanisms.

2023

- Established an online version of carbon dashboard and related charts for tracking and monitoring carbon emissions.
- Provided a "credit-related carbon calculator" for business units to estimate internal carbon costs.

2024

- Planned the carbon emissions information in the internal carbon pricing report to align with the in-house carbon emissions system, ensuring data consistency.
- Added a carbon emissions calculation feature within the "Loan Carbon Emissions Calculator" for corporate customers to assist business units in managing carbon risk.

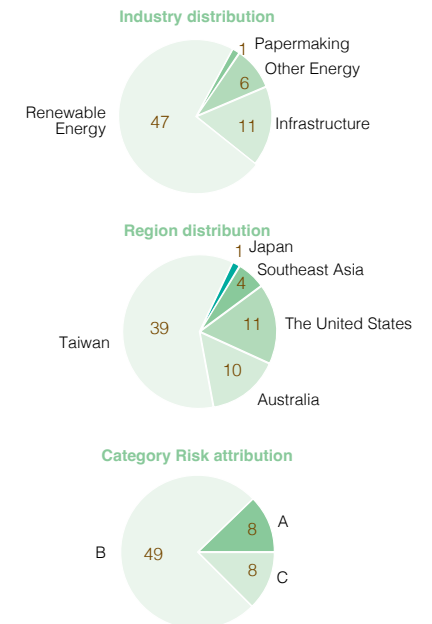
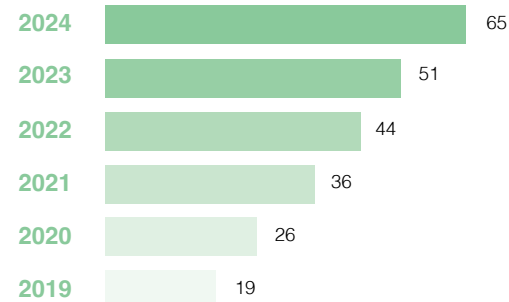
Equator Principles

In accordance with the 4th edition of the Equator Principles framework, each project financing case is systematically assessed on the environmental and social risks – such as climate change, human rights, and biodiversity—may be confronted to or generate during the project timeline. The objective is to enhance our capabilities in managing those risks, and to continuously improve the control and monitoring processes, as well as strengthen post-loan management in our effort to more responsible lending.

Our development progress during 2024 is as followed

- 1 We actively participated in Equator Principles conferences, and attended the Training and technical workshops in Bangkok, Thailand. This permitted us to have in-depth knowledge about specific topics, especially on social and biodiversity issues, and to engage as an Asian-Pacific EPFI in discussions on improvement and future guidance.
- 2 In our operations, we pursued improvement in our biodiversity and social risks scanning, and mapping aptitudes to cross-check different databases within internal reporting. We also assertively engage with borrowers to understand how projects can address those concerns.
- 3 In 2024, a total of 14 financing project cases were signed following the Equator Principles; 3 cases were declined, making a total of 17 cases assessed.

65 Equator Principles cases cumulated till 2024



Note: According to the EPs, the risk level is divided into categories A, B and C.

■ Sustainable Lending Business

E.SUN Bank has a long-standing commitment to environmental sustainability and responds to international trends and domestic policies. We continuously support the sustainable transformation of corporate clients through green lending, sustainability-linked loans, and lending to ESG-friendly industries. By taking tangible actions, we aim to facilitate corporate clients in their journey toward achieving their net-zero emissions goal.

Balance unit: NT\$ million

Sustainable lending	Balance as of 2023	Balance as of 2024
Green loans	80,926	107,189
Sustainability-Linked Loans	60,062	76,846
SME-Tailored Sustainability Loan**	-	37,204
Total value of sustainable lending	140,988	221,239
Total value of corporate lending	904,244	1,005,515
Percentage over total corporate lending	15.59%	22.00%

*The overlapped amount has been deducted when calculating the total value.

**SME-Tailored Sustainability Loan refers to the "Assistance for SMEs Low-Carbon and Smart Transformation Development and Regulated Factory Infrastructure Optimization Project Loan," which is a government specialized credit guarantee fund designed to support SMEs.



Loans to ESG-friendly Industries

E.SUN Bank continues to allocate resources to environmentally and socially friendly industries, supporting green energy, energy storage, circular economy, healthcare, and education sectors.

Balance unit: NT\$ million

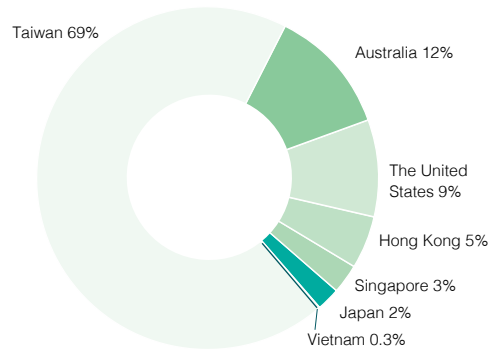
Lending to ESG-friendly industries	Industry categories	Balance as of 2023	Balance as of 2024
Environmental-friendly Industries	Solar power	1,114	1,597
	Bicycles	5,128	5,168
	LED	887	735
	Batteries	3,014	5,928
	Electric vehicles	92	15
	Circular economy	4,241	4,445
Social-friendly Industries	Medical care	25,728	30,841
	Education	5,688	6,278
	Sports & Fitness	3,440	3,362
	Telecommunications	4,994	5,583
	Network communication equipment	6,005	5,857
	Industrial robots	48	100
Innovative Industries*	5+2 Innovative Industries and supply chains	215,532	227,130
Total value of loans to ESG-friendly industries		275,912	297,039

* Based on the definition of the government's 5+2 Innovative Industries, while excluding the national defense sector and sub-industries with higher sustainability risks in the related supply chain (such as cement, plastic, steel, etc.). Overlapped lending has been excluded.

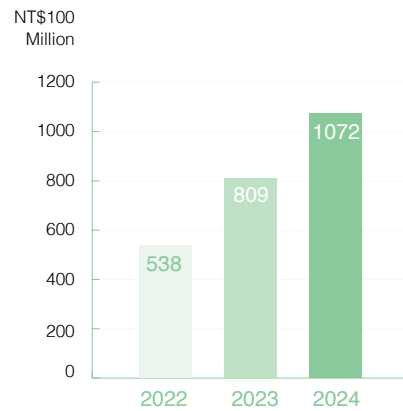
Green Loan

In order to support the sustainable development of businesses, we provide green credit to assist businesses in financing green energy projects, energy storage systems, green buildings, energy-saving equipment, and other projects specifically used for green initiatives. In 2022, E.SUN Bank adopted the Green Loan Principles of the Loan Market Association (LMA) and formulated relevant regulations and operating procedures. As of the end of 2024, the balance of green credit totaled NT\$107.2 billion, with an annual growth rate of approximately 32%.

Proportion of Green loans by region (based on the balance in 2024)



Green Loans' balance for the past three years



(1) Green Project Financing

E.SUN Bank supports the development of domestic and international enterprises, as well as the renewable energy industry by providing ongoing support for Taiwan's solar power sector, spanning from rooftop, ground-mounted, and floating solar installations, along with the government's dual land-use policy with fishery-solar projects. Through initiatives that offer refinancing options for operational solar assets, E.SUN Bank enables green energy developers to reinvest their capital into further development and construction, thus creating a positive cycle of green investment and financing. Additionally, E.SUN Bank engages in international financing for key wind, solar, and energy storage projects through our green energy expert team. Our regional involvement extends to countries including Australia, the United States, China, Japan, and Vietnam. As of the end of 2024, E.SUN Bank's balance of financing related to renewable energy and energy storage reached a total of NT\$76 billion, marking a YOY growth of 48% compared to 2023.

Important Milestones

- 2021**
 - Fully committed to developing project finance for renewable energy and diversifying our portfolio to domestic fishery-solar and overseas geothermal energy projects.
- 2022**
 - Launched a financing campaign for solar projects that have already reached commercial operation.
 - Led a syndicated loan for a large-scale domestic solar photovoltaic asset pool.
 - Financed 1st solar photovoltaic project in Vietnam.
- 2023**
 - Financed 1st solar photovoltaic project in the United States.
 - Became the only financial institution in Taiwan to respond to The Global Renewables Alliance's 3xRenewables initiative.
- 2024**
 - Financed 1st solar photovoltaic project in Japan.
 - Financed 1st energy storage project in Australia and the United States .

The Global Renewables Alliance launched the '3x Renewables Initiative' in 2023, aiming to coordinate private sector organizations worldwide to collectively achieve the goal of tripling renewable energy and doubling energy efficiency by 2030. E.SUN Financial Holdings is among the first to respond to this initiative, with our 2024 renewable energy financing balance reaching 2.23 times the baseline year of 2022.

2022 Renewable Energy Financing Balance	Growth multiples compared to 2022 base year	2023 Renewable Energy Financing Balance	Growth multiples compared to 2022 base year	2024 Renewable Energy Financing Balance	Growth multiples compared to 2022 base year
TWD 33,956 million	-	TWD 51,413 million	1.51 times	TWD 75,870 million	2.23 times

Carbon Social Cost refers to the long-term economic losses caused by global warming and climate change due to greenhouse gas emissions. As of 2024, E.SUN Bank has participated in wind and solar power installations with cumulative capacities of 802 MW and 1,417 MW, respectively, which corresponds to avoiding a total carbon social cost of US\$288 million. This reflects E.SUN Bank's commitment and dedication to environmental sustainability.

2024	Total capacity installed	Growth rate	Estimated carbon reduction	Avoided Carbon Social Cost
Wind Energy	802 MW	+ 80%	830,000 tons	US\$158 million
Solar Energy	1,417 MW	+ 37%	690,000 tons	US\$130 million

* Installed capacity: Starting from 2022, the disclosure method was adjusted to recognize E.SUN Bank's project capacity based on the participation ratio of the credit limit per case (i.e., allocated quota / total project capacity). Calculations are made accordingly.

* Expected carbon reduction: Calculated based on participated project capacity (including projects under construction) x 80% (financing ratio) x 8,760 (hours) x wind power capacity factor of 30% (or 14% for solar photovoltaic capacity) x 0.494 (electricity carbon emission factor).

* Calculated based on the electricity carbon emission factor of 0.494 kilograms per kilowatt-hour, as published by the Energy Administration of Taiwan.

* The social cost of carbon is calculated based on \$190 per metric ton, as listed in the "Report on the Social Cost of Greenhouse Gases," published by the US Environmental Protection Agency (EPA) in November 2023.

Collaborating with international investors to create green energy innovations that provide both environmental and social protection

In 2024, E.SUN Bank served as a joint Mandated Lead Arranger (MLA) and Green Loan Coordinator for the 149 MW solar power and 20 MW/80 MWh energy storage project developed by the international investor, K Group. The project site is located in the intertidal zone of Taiwan's central region, an area recently developed through land reclamation. This project is not only one of the few floating solar installations in Taiwan, but it is also the first project that combines solar power with a battery energy storage system. Since the site is located in a natural waterway and is also a fishing and oyster farming area for fishermen, the development process has fully taken into account the opinions of stakeholders. Agreements were reached with local fishery organizations to preserve part of the natural waterway, allowing for the coexistence of renewable energy development and local ecology.

Responding to local policies, participating in the largest clean energy project in U.S. history

The government of California has committed to achieving Net-Zero carbon emissions target by 2045. In 2024, E.SUN Bank participated in the financing of a 3.5 GW onshore wind power project and associated transmission facilities project in New Mexico, which will interconnect to the California grid upon commercial operation. The estimated annual electricity generation would reach 13.2 billion kilowatt-hours, contributing to approximately 5% of California's annual electricity supply, sufficient to meet the electricity needs of 1.22 million households. This project is the largest onshore wind and transmission project in U.S. history and has also been awarded the title of Best Renewable Energy Asset Financing Deal of the Year. E.SUN Bank collaborates with international investors and financial institutions to promote energy transition and realize a sustainable future of Net-Zero emissions.

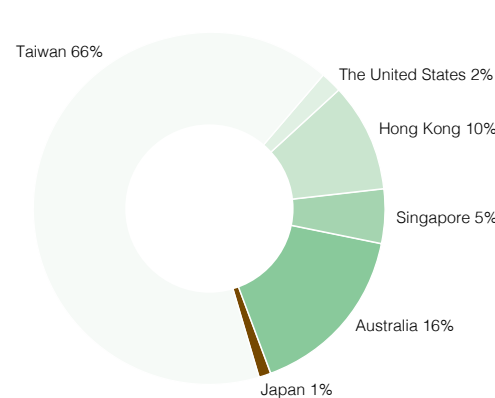
(2) Green Buildings and Energy-saving Equipment

E.SUN Bank responds to Taiwan's 2050 Net-Zero Emissions Strategy by not only assisting businesses in their 'energy transition' but also supporting the promotion of 'industrial transformation.' This includes guiding enterprises to invest in green buildings, eco-friendly offices, energy-saving equipment, and more to reduce their energy consumption and consequently decrease their operational carbon emissions. By 2024, the balance for green buildings has increased to NT\$26.1 billion (NT\$23.5 billion in 2023), with a growth rate of 11%. Energy-saving equipment (and others) have increased to NT\$13.4 billion, with a remarkable growth rate of 49%.

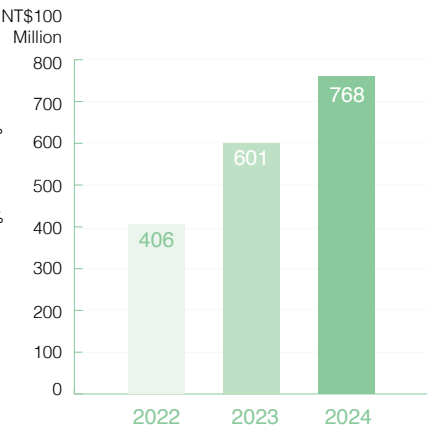
Sustainability Linked Loan

To encourage businesses to establish and achieve their ESG development goals and continue investing in sustainability, E.SUN Bank has referred to the Sustainability Linked Loan Principles (SLLP) of the Loan Market Association (LMA) to formulate relevant regulations and operating procedures. We evaluate the company's actual investment in ESG, set sustainable development goals through joint discussions with companies, and provide financial service benefits if the company achieves those goals. As of the end of 2024, the balance was NT\$76.8 billion (NT\$60.1 billion in 2023). The balance of sustainability linked loans accounts for 6.80% of total corporate lending. Additionally, E.SUN Bank incorporates the sustainability linked loans into the annual performance evaluations to business units, using reward mechanisms to guide business units in understanding customer sustainability development processes and enhance their impact on the environment and society.

Proportion of Sustainability Linked loans by region (based on the balance in 2024)



Sustainability Linked loans' balance for the past three years



■ Supporting SMEs' Sustainability Development

E.SUN Bank has long been committed to supporting small and medium-sized enterprises (SMEs) by providing a range of measures, including sustainable-related credit, consulting services, and guarantee funds, aimed at assisting SME customers in achieving sustainable operations.

In 2024, E.SUN Bank assisted small and medium-sized enterprises (SMEs) in various sustainable developments, such as renewable energy, green buildings, and energy-efficient equipment. As of the end of 2024, the balance of sustainable-related credit for SMEs (including green credit and sustainability-linked loans) reached TWD88.2 billion (58 billion in 2023), accounting for 13.59% of the total SME loan balance (10.36% in 2023).

Balance unit: NT\$ million

	Balance as of 2024
Sustainable SME loans	82,240
SME-Tailored Sustainability Loan	37,204
Total value of SME lending	605,250
% over total SME lending	20%

E.SUN Bank has long supported the development of small and medium-sized enterprises (SMEs), with the loan balance for SMEs accounting for approximately 53.6% of the total corporate credit balance. The BANK also assists SMEs through guarantee funds and has been honored with the highest accolade of a performance excellence award for guarantee funds for 20 consecutive years. Additionally, it has secured first place for six consecutive years in the 'Outstanding Financial Institutions and Credit Managers in SME Credit Guarantee Financing Business' awards, achieving the best record in the entrepreneurial sector.

E.SUN Bank continues to engage in sustainable exchanges and on-site visits with small and medium-sized enterprises (SMEs) and hidden champions through its dedicated ESG team. The BANK assists these enterprises in understanding industry trends and the supply chain's ESG requirements. Additionally, by collaborating with sustainability transformation platform consultants and connecting with relevant governmental incentive resources, E.SUN Bank actively supports SMEs in their journey toward sustainability.



■ Overseas Achievements in Sustainable Finance

Hong Kong Branch

The Hong Kong branch received four awards in the "HKQAA Hong Kong Green and Sustainable Finance Awards 2024" from the Hong Kong Quality Assurance Agency (HKQAA), highlighting recognition of E.SUN's performance in green and sustainable development by local institutions. In addition to continuously expanding sustainable loans, the Hong Kong branch also innovatively linked ESG with financial derivatives by completing an ESG-linked Interest Rate Swap (IRS) transaction. ESG metrics were embedded into the IRS hedge mechanism, with rate adjustments based on the achievement of green indicators during each pricing period. This enriched the features of sustainable-linked products, fulfilled both financing and hedging needs, and encouraged clients to partner with E.SUN in advancing ESG practices.

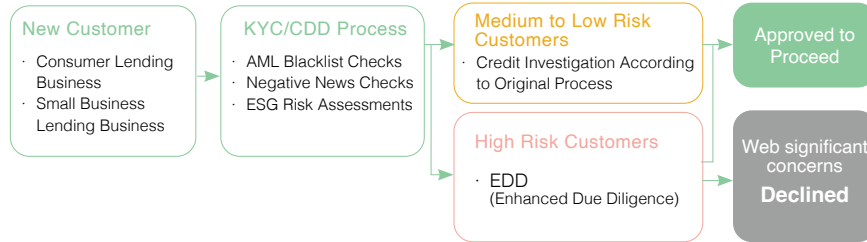
China Subsidiary

The China subsidiary received the "Green Finance Governance Model Award" from the Shenzhen Green Finance Association, becoming the first foreign bank to earn this honor. The subsidiary has actively promoted green finance to assist enterprises in transitioning toward sustainability and has responded to China's dual-carbon goals, exerting financial influence. It completed three innovative cases: (1) the first carbon emission allowance pledge loan, using carbon allowances as collateral and integrating carbon asset valuation into credit management; (2) the first "solar-storage integration" project financing, using revenue streams from solar power and storage systems as both collateral and repayment sources; (3) the first "fishing-solar complementarity" project financing, achieving a win-win for ecology and economy.



■ Retail Banking Lending

ESG Risk Management in Credit Approval Process



E.SUN Bank conducts automatic checks on consumers and small businesses against the AML (Anti-Money Laundering) blacklist and negative news during the lending process for new credit cases. This ensures that all cases adhere to rigorous KYC (Know Your Customer) and CDD (Customer Due Diligence) procedures. If a customer is identified as a high-risk customer or belongs to a high-risk industry (such as gambling or arms), enhanced due diligence (EDD) will be further executed. In 2024, a total of 143,344 cases underwent CDD review, where approximately 11.1% of the cases resulted in EDD reviews. After verification, those found to have substantial concerns will have their loan applications declined to mitigate potential negative impacts on society.

E.SUN also proactively investigates the potential ESG (Environmental, Social, and Governance) risks of customers when processing credit applications. If a small business has previously been involved in environmental or social violations or penalties, the customer will be asked to provide reasonable explanations and submit relevant improvement measures. Credit approval will only be granted after confirming that the customer has made the necessary improvements, thereby encouraging customers to pay attention to environmental and social issues. In 2024, 7,440 cases underwent ESG risk assessment, and 38 cases were declined due to violations of ESG principles, such as environmental pollution and labor laws.

Regarding climate risk management of collateral, E.SUN has integrated its valuation system with an internal physical risk database, identifying flood risk levels for each case. This assists appraisers in evaluating the impact of climate risks and making adjustments in property valuation. In the post-lending management process, new management measures for high-flood-risk collateral have been implemented. As of 2024, approximately 0.196% of the collateral is located in high flood-risk areas. Additionally, high-risk marks have been added to collateral that is situated in flood-prone areas and has a higher loan-to-value ratio, allowing for regular assessment and monitoring of potential risks to property value due to climate change.

Sustainable Lending Business

E.SUN consistently launches diversified sustainable loan projects, including "green building mortgage," "electric vehicle loan," "reconstruction of urban unsafe and old building loan," and other loans to meet customers' needs. As of the end of 2024, E.SUN has assisted 13,801 customers in realizing their sustainable ideals. The balance of sustainable loans reached NT\$163.5 billion, accounting for 13.94% of the total individual customers' loan balance ^{Note 1}.

Dimensions	Projects	As of the end of 2024	
		Number of Cases	Loan Balance
Environmental	Green Building Mortgage Encourages the purchase certified green buildings	1,403	21,830
	Rooftop Solar Loan Assists individual households, or small business in installing rooftop solar power generation equipment	15	28
	Electric Vehicle Loan Encourages the purchase of electric vehicles	144	214
Total number of cases and loan balance		1,562	22,072
Social	Care-free Mortgage Assists young individuals, low- to middle-income families, or customers facing economic challenges in realizing their dream of homeownership with affordable housing solutions	12,697	140,685
	Reconstruction of Urban Unsafe and Old Building Loan In response to the government's policy, assists customers in rebuilding unsafe or old buildings to improve living safety	45	768
Total number of cases and loan balance		12,742	141,453
Total number of cases and loan balance		13,801	163,524

Note 1: As of the end of 2024, the total loan balance amounted to NT\$1,173,174 million.

Green Loans

E.SUN accompanies individual customers in practicing a green lifestyle by planning green credit in accordance with the Loan Market Association (LMA) and the Green Loan Principles. E.SUN encourages customers to adopt renewable energy and clean transportation methods in their daily lives, and to choose environmentally friendly green buildings when purchasing homes. As of 2024, the remaining balance of individual green credit reached 27.5 million USD, accounting for 1.05% of the personal financial loan balance.