

Union Bank of Taiwan Sustainable Lending and Investment Policy

Passed by the 4th meeting of the 12th Board of Directors on November 11 , 2024

Article 1 Purpose

In order to be committed to the sustainable development of Union Bank of Taiwan(UBOT) and our subsidiaries , and to implement the spirit of environmental protection, social responsibility and corporate governance (ESG) into the financial business and risk assessment process, exert financial influence to achieve This policy is specially formulated for the goal of sustainable development .

Article 2 Scope of application

This policy applies to the credit extension, medium- and long-term investment and underwriting business of the Bank (including overseas branches) and subsidiaries with its own funds .

Article 3 Management Structure

We promotes the sustainable finance system with the Board of Directors as the highest guiding unit.

Article 4 General Principles

We (including overseas branches and subsidiaries) should incorporate ESG principles into decision-making and process evaluation factors according to their business scope, with refer to relevant domestic and foreign principles and norms, such as: "United Nations Principles for Responsible Banking (PRB)"), "Equator Principles (EPs)", "TCFD (Task Force on Climate-related Financial Disclosures)", " TNFD (Task Force on Nature-related Financial Disclosures) ", "Bankers Association of ROC's Credit Criteria" and "Reference Guidelines for the Certification of Sustainable Economic Activities", etc., we practice such as integrity management, openness and transparency, and compliance with laws, through multiple communication methods and ensuring the quality of information

disclosure, and fulfilling corporate social responsibilities , moving towards sustainable development.

Article 5 Business Promotion and Management Principles

1. Credit business

- (1). When evaluating credit transactions, due diligence should be conducted on the client's environmental, social and corporate governance aspects (ESG Factors) as a reference for the credit decision-making process. We also make a comprehensive judgment on the risk level of credit-granting enterprises based on the assessment of borrowers, fund usage, repayment sources, credit protection, and credit prospects.
- (2). We support green energy industries such as alternative energy, water resources and environmental pollution control . Appropriate financing assistance and preferential conditions will be provided to enterprises with good prospects that are committed to reducing energy consumption, reducing pollution, or using environmental protection facilities .
- (3). For enterprises that are highly polluting and do not comply with environmental protection standards, if they fail to propose specific improvement plans, they should be listed as unsuitable recipients; the above-mentioned enterprises that have dealt with them should be provided with guidance for improvement, no increase in loans, or gradual recalling the loans.
- (4). Regarding non-green energy industry , we encourage them to invest in environmentally friendly products or equipment, energy-saving or energy storage equipment , green production mechanisms, and pollution reduction, by providing appropriate financing assistance and preferential conditions.
- (5). Project financing that applies the Equator Principles must comply with the requirements of international norms such as the Equator Principles to implement environmental and social sustainable development commitments.
- (6). Regarding secured loan , we encourage customers to provide guarantees that have positive benefits for the environment or resource utilization,

such as green buildings , green factories, etc.

(7). Post-loan management

A. We should continue to pay attention to the current status of customers, and review from time to time whether they are fulfilling their corporate responsibilities, committed to environmental protection, and implementing corporate governance. If a major negative impact ESG event occurs, we should understand the customers' improvement plan and track the implementation. , if there isn't significant improvement, the transaction strategy may be adjusted when necessary, including but not limited to measures such as changing credit conditions, accelerating maturity, recalling loans, and implementing ESG negotiation actions .

B. For large-scale project financing that apply the Equator Principles, after issuing the loan, we will continue to monitor and manage the improvement of the enterprise by the environmental and social risk tracking projects stipulated in the contract .

C. If corporate customers continue to be unable to comply with this policy, transactions should be terminated if necessary.

2. Investment and non-captive underwriting business

- (1). We support the government's net-zero policies , such as the "Twelve Key Strategic Industries" plan.
- (2). ESG evaluation factors can be based on whether the invested company is a component stock of relevant domestic and foreign sustainability indices (such as the ESG/OTC Climate Index of the stock exchange or OTC, DJSI, MSCI ESG...), or refer to the ESG rating fraction of the invested target.
- (3). In addition to complying with the " Union Bank of Taiwan Institutional Investor Due Diligence Policy" , we should regularly review OTC equity and fixed income investment positions in accordance with relevant regulations. If there is a violation of ESG risk conditions that does not comply with relevant investment regulations with no obvious improvement plan, we should gradually reduce their investment positions.
- (4). When investing in sustainable development bonds (including green

bonds, social responsibility bonds, sustainable development bonds, sustainability-linked bonds, etc.), we should regularly review the capital utilization plan after the bond issuance, set the achievement of goals, and use specific indicators Measure its positive contribution to the environment and society, including but not limited to carbon emission reduction , biodiversity maintenance, human rights, equity, diversity and inclusion, etc.

- (5). For commercial promissory note underwriting business that is not self-guaranteed , relevant assessments and quota adjustments should be made based on aspects such as ESG and high carbon emissions .

Article 6 High-risk industries and enterprise management mechanisms

1. Establish an exclusion list for industries or countries with high ESG risks and should not deal with them.
 - (1). Engaged in illegal weapons manufacturing and trading, pornography industry, and drug industry.
 - (2). countries and regions listed in our list of high-risk countries/regions for money laundering and terrorism financing .
2. Controversial industries, such as tobacco (except for state-owned enterprises), gaming (except for those with legal gaming licenses), fur trading, tropical rainforest logging industry, etc., should be carefully evaluated for the companies they deal with.
3. For industries with high carbon emissions, we should carefully examine customers' risks and negative impacts on climate change, and proactively take negotiation actions to encourage them to take relevant mitigation action to reduce climate risks.
4. Strengthen the control of coal and unconventional oil and gas related industries and take the following relevant actions:
 - (1). Definition of coal and unconventional oil and gas industries
 - A. Coal-related industries: including coal mining, coal-fired power (using coal for power generation and heating), and coal infrastructure (such as transportation , processing, storage, receiving stations, pipelines, etc.).
 - B. Unconventional oil and gas related industries: including oil sands ,

shale oil and gas, Arctic oil and gas, deep sea oil and gas (water depth above 5,000 feet) , coal bed methane, heavy crude oil , and liquefied natural gas derived from the above atypical methods . The mining and production process derived from unconventional fossil fuels).

(2). The scope and threshold of identification objects are as follows:

- A. The products of the companies listed on the "TDCC Investor Relations Platform" of the Taiwan Depository & Clearing Corporation are involved in the definition of point (1), and the revenue from coal related industries for more than 5% or the revenue from unconventional oil and gas related industries for 25% or above.
- B. Those listed on the NGO Urgewald's Global Coal Exit List (GCEL) and Global Oil & Gas Exit List (GOGEL) .

(3). We will gradually withdraw from coal, unconventional oil and gas related industries before the end of 2040. The phased commitments are:

- A. From now on, we will not approval new projects for newly built coal-fired power plants, coal-related infrastructure and mining enterprises .
- B. Before the end of 2030, withdraw from coal, unconventional oil and gas enterprise cases from member countries of the Organization for Economic Cooperation and Development (OECD).
- C. Before the end of 2035, withdraw from cases involving companies whose revenue from coal or power generation accounts for more than 25%, or whose revenue from unconventional oil and gas industries for more than 25%.
- D. By the end of 2040, withdraw from all coal, unconventional oil and gas enterprise cases listed in item (2) above.
- E. Exclusions: If the above-mentioned enterprises have specific carbon emission reduction actions (including approval by third-party organizations) or clear transformation plans (including but not limited to conform to Science Based Target initiative (SBTi), or proposing low-carbon emission transformation plans match the

Paris Agreement, etc.) , it can be transferred without above restrictions, and can be approved in accordance with our layered responsibility regulation.

Article 7 Negotiation Policy

1. Purpose: To further exert financial influence, encourage or assist counterparties to pay attention to ESG issues, take ESG actions, carry out low-carbon emission transformation, set net-zero emission goals and carbon reduction pathways before 2050 , etc. to improve sustainable performance, we establish negotiation mechanisms with enterprise customers to drive the industry toward sustainable development.
2. negotiation may focus on, but are not limited to, the following topics:
 - (1). Environmental aspects: climate change, greenhouse gas emissions, environmental damage and pollution, biodiversity, etc.
 - (2). Social aspect: human rights, labor rights, product safety, etc.
 - (3). Corporate governance aspect: integrity management, risk management, salary and benefits, etc.
3. Methods: including but not limited to in-person visits, telephone interviews, emails, questionnaires; participating in or holding physical/ online interviews , meetings, lectures, education and training, participating in shareholder meetings or legal meetings of the parties to be discussed , giving speeches or exercising voting rights, etc .; credit business considers the intention of the enterprise and negotiates loan application conditions (which may be but not limited to : perpetually linked loans, contracts incorporating Equator Principles clauses, etc.); and other public sectors, private sectors, financial institutions and domestic and foreign Initiative organizations to discuss together .
4. Track the effectiveness of the negotiation :
 - (1). Obtain improvement: After negotiate and obtain the customer's response or commitment, continue to track it and confirm that the customer has made actions or commitments in response to the negotiation content after the negotiation . If the object of negotiation has been evaluated to have reached the quite improvement , the negotiation action can be terminated.
 - (2). Not as good as expected: If the result of the negotiation after

communication is not as expected (such as no response, unwillingness to communicate, or failure to achieve results, etc.), the intensity of the negotiation can be increased (such as increasing the frequency of discussions , raising the level of communication, etc.). Or evaluate and adjust the contract conditions and positions of the transaction partners, or terminate the negotiation action .

Article 8 Supplementary Provisions

1. If there are any matters not covered in this policy, they will be handled in accordance with the relevant laws and regulations of the competent authorities and the relevant regulations of Union Bank.
2. This policy will be implemented after approval by the board of directors; the same applies when revised.