

## **Yuanta Commercial Bank Company**

### **Guidelines for Managing Equator Principles Financing Cases**

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**Article 1** In order to realize the importance of environmental and social sustainable development, and to fulfill the corporate social responsibility of the Yuanta Commercial Bank Company, Ltd. (hereinafter: Yuanta Bank), through the judgment, assessment and control of environmental and social risks, to encourage Yuanta Bank's clients to pay attention to environmental protection and social responsibility, in accordance with the Equator Principles set by the Equator Principles Association, Yuanta Bank establishes these Guidelines.

**Article 2** The term "project finance" in these Guidelines refers to the need for creditors to apply for financing from Yuanta Bank for specific investment projects, which are used only for the construction or acquisition of machinery, equipment, buildings (including bases) and ancillary facilities and technology related to the project, and the main source of repayment of the financing is the cash flow generated from the project in the future.

**Article 3** When providing client credit or related financial advisory services, sales/business units are required to verify whether the business to be transacted falls under any of the following case categories and to complete the "Equator Principles Applicability Checklist" to verify applicability. If the Equator Principles are applicable, the case must comply with the Equator Principles and be processed using the Equator Principles Credit Flow Chart:

- (1) Project Finance -- the creditor is a project company (special purpose entity (SPE)/special purpose vehicle (SPV)) and both of the following conditions are met:
  1. The creditor is planning, developing, and operating the project on an ongoing basis or is expected to do so in the future.
  2. The total capital cost of the project amounted to over USD 10

million equivalent.

- (2) Project-Related Corporate Loans (PRCLs) -- creditors are not project companies (SPE/SPV) and whose credit applications meet all of the following conditions:
  - 1. The funds are mainly used for the development and operation of specific projects, and the creditors have more than 50% control over the project rights and interests.
  - 2. The amount of the loan application is over USD 50 million equivalent.
  - 3. The credit term is at least two (2) years (inclusive).
- (3) Bridge Loans -- both of the following conditions are met:
  - 1. The credit term is less than two (2) years.
  - 2. Future repayments are expected to be made with the aforementioned Project Finance in Subparagraph 1 or PRCLs in Subparagraph 2.
- (4) Project-Related Refinance or Project-Related Acquisition Finance -- a loan from another financial institution to Yuanta Bank that meets all of the following conditions:
  - 1. The Equator Principles apply and are followed when the project is financed by other financial institutions.
  - 2. There have been no significant changes in the scale and scope of the project.
  - 3. The project has not yet been completed before Yuanta Bank enters into the loan financing contract.
- (5) Project Finance Advisory Services -- providing financial advisory services to project companies (SPE/SPV) with total project finance costs of USD 10 million or more.

If a credit case falls under one of the aforementioned case categories of the Equator Principles, the sales/business unit shall explain the Equator Principles and related regulations to the client before processing the business application, confirm the client's willingness to comply with the Equator Principles, and provide relevant assistance to enable the client

to comply with the requirements of the Equator Principles before the business application and during the business transaction. If a client who meets the applicability of the Equator Principles does not fully comply with the Equator Principles, he or she shall be declined.

**Article 4** Yuanta Bank has established the “Environmental and Social Risk Team” by task grouping, and its members include branch supervisors, district supervisors, and department supervisors of sales/business units, heads of the corporate product department, and heads of the operations services department. In the event of a case where the Equator Principles are applied, an “Environmental and Social Risk Team” will be formed, and the team members will be responsible for reviewing the documents and forms submitted by the sales/business units and issuing relevant opinions.

**Article 5** If the credit case is within the scope of application of the Equator Principles in Article 3, Paragraph 1, Subparagraphs 1 and 2, the sales/business unit in charge of the case shall assess the impact of the case on environmental and social risks according to the source of the case and complete the “Environmental and Social Risk Assessment Form” to confirm the environmental and social risk level of the case, which shall be classified into A, B and C categories according to the risk level. Subsequent review units are classified according to the source of the case:

- (1) Institutional Investor Financial Services Division cases: reviewed by the department heads/district heads of the Environmental and Social Risk Team - Institutional Investor Financial Services Division.
- (2) International Financial Business Branch cases: reviewed by the heads of the Environmental and Social Risk Team - International Financial Business Branch.
- (3) Overseas Branch cases: reviewed by the heads of the Environmental and Social Risk Team - Overseas Branch.

The environmental and social risk classification of the Equator Principles cases is as follows:

- (1) Category A: High-risk cases, where the project is assessed to have potentially significant adverse and/or multiple, irreversible or

unprecedented environmental and social impacts.

- (2) Category B: Medium-risk cases, where the project is assessed to have limited potential for environmental and social harm, where impacts are limited to specific sites, and where impacts can be reduced or eliminated through mitigation measures.
- (3) Category C: Low-risk cases, where the project is assessed to have minimal or no adverse social and environmental risks and/or impacts.

**Article 6** For credit cases rated as Category A or B, the creditors shall be required to commission an independent third-party institution to perform environmental and social risk assessments and issue an “Environmental and Social Risk Assessment Report,” which shall include an Environmental and Social Impact Assessment (ESIA) to confirm compliance with the Equator Principles. The operation process and requirements are as follows:

- (1) According to the source of the case, the sales/business unit in charge of the case shall collect the “Environmental and Social Risk Assessment Report” from the creditor and complete the “Environmental and Social Risk Review Report,” and the subsequent review unit shall be divided into the following according to the source of the case:
  1. Institutional Investor Financial Services Division cases: reviewed by the heads of the Environmental and Social Risk Team - Corporate Product Department.
  2. International Financial Business Branch cases: reviewed by the heads of the Environmental and Social Risk Team - International Financial Business Branch.
  3. Overseas Branch cases: reviewed by the heads of the Environmental and Social Risk Team - Overseas Branch.
- (2) The applicable environmental and social risk assessment standards are described as follows:
  1. If the project is located in a designated country, the assessment process shall comply with the relevant local laws, regulations,

and permits.

2. If the project is located in a non-designated country, the assessment process shall comply with the applicable International Finance Corporation (IFC) Performance Standards (PS) on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines).
3. A list of designated countries can be found on the official website of the Equator Principles Association at:

<https://equator-principles.com/designated-countries/>

(3) Independent third-party institutions must also meet the following conditions:

1. Professional certification or license: such as ISO 14001, ISO 45001, OHSAS 18001, TOSHMS leading auditor certification, Grade A air pollution, Grade A wastewater, Grade A toxic chemicals, Grade A waste, etc. environmental specialist certification or labor safety manager, labor hygiene manager certification, etc.
2. Practice experience: e.g. past participation in the Equator Principles, local environmental and social impact assessments, etc.
3. Disinterest: No interest in the assessed creditors or projects, including but not limited to business relationships other than normal transactions, cross-shareholding, etc.

(4) In addition to the above conditions, the content of the report of the independent third-party institution shall be free of falsification or concealment and shall be based on factual description and analysis, and the issuance of relevant opinion shall be based on an impartial, objective, and professional assessment.

The assessment report issued by an independent third-party institution shall include at least the following assessment elements, and the relevant supporting information shall be provided to Yuanta Bank for inspection and storage:

- (1) In accordance with the second of the Equator Principles, the human rights assessment is carried out based on the *Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework* (UNGPs).
- (2) In accordance with the second of the Equator Principles, the climate change risk assessment is carried out based on the Climate-related Financial Disclosures (TCFD).
- (3) In accordance with the second of the Equator Principles, the assessment of risks related to the natural environment is carried out based on the Nature-related Financial Disclosures (TNFD).
- (4) In accordance with the second of the Equator Principles, for projects with total annual greenhouse gas (GHG) emissions estimated to exceed 100,000 metric tons in Scope 1 and Scope 2, an alternative analysis shall be conducted to assess alternatives for reducing GHG emissions. The aforementioned Scope 1 (hereinafter the same) refers to direct GHG emissions, for sources directly owned or controlled by the organization. Scope 2 (hereinafter the same) for energy indirect emission sources, refers to the indirect GHG emissions caused by the input of electricity, heat, or steam. (Source: Environmental Protection Administration, Executive Yuan, R.O.C. (Taiwan)).
- (5) The applicable environmental and social standards are assessed in accordance with the third of the Equator Principles.
- (6) In accordance with the fourth and seventh of the Equator Principles, the Environmental and Social Management System (ESMS) and the Environmental and Social Management Plan (ESMP) that shall be established for the projects related to credit cases are assessed.
- (7) In accordance with the fifth of the Equator Principles, the stakeholder consultation, participation, and decision-making mechanism, including the application of free, prior and informed consent (FPIC) under the condition of complete information by indigenous people (if applicable), are assessed.
- (8) In accordance with the sixth of the Equator Principles, the grievance mechanism for projects related to credit cases is assessed.

Yuanta Bank's "Environmental and Social Risk Review Report" shall provide the following descriptions:

- (1) To explain the findings of the survey on the background of independent third-party institutions and express opinions on their independence.
- (2) To briefly explain the compliance of the Equator Principles according to the assessment results of independent third-party institutions.
- (3) To propose conditions for post-loan environmental and social risk monitoring with reference to the opinions of independent third-party institutions.

For B-Category credit cases, if due diligence has been conducted by multilateral or bilateral financial institutions (e.g. World Bank, Asian Development Bank, etc.) or official export credit insurance agencies of the Organisation for Economic Cooperation and Development (OECD) (e.g. UK Export Finance, the Export-Import Bank of the United States, etc.), the results of such due diligence may be used to assess whether additional due diligence by independent third-party institutions is required.

**Article 7** For credit cases assessed as Category A or B, the "Environmental and Social Risk Assessment Report" issued by an independent third-party institution commissioned by the creditor and Yuanta Bank's "Environmental and Social Risk Review Report," shall be attached to the case for reference in the assessment of environmental and social risks, and shall also be reviewed in accordance with Yuanta Bank's relevant credit granting guidelines.

**Article 8** For cases that meet the applicability of the Equator Principles, creditors shall sign a separate Equator Principles Covenant to meet the requirements of the eighth of the Equator Principle in accordance with the following case categories:

- (1) For cases assessed as Category A or B, creditors shall sign a separate "Equator Principles Covenant - Equator Principles for Category A/B Cases." The terms shall include at least the following:
  1. Complying with all environmental and social laws, regulations, and permits of the country in which the project is located with

respect to materiality issues.

2. During construction and operation, all projects are required to comply with the Environmental and Social Management System (ESMS) and Management Plan (ESMP) and the Equator Principles Action Plan (EPAP).
  3. Monitoring reports prepared by an independent third-party institution are submitted regularly (at least once a year) in accordance with the agreement with Yuanta Bank.
  4. Related equipment decommissioning plan.
- (2) For bridge loan cases (i.e. Article 3, Paragraph 1, Subparagraph 3 of these Guidelines), creditors shall sign a separate “Covenant to Follow the Equator Principles - Dedicated to Equator Principles Bridging Finance Cases.”
- (3) For project finance advisory cases (i.e., Article 3, Paragraph 1, Subparagraph 5 of these Guidelines), the client shall sign a separate “Covenant to Follow the Equator Principles - Dedicated to Equator Principles Project Finance Advisory Services.”

**Article 9** If the “Environmental and Social Risk Review Report” of the Equator Principles credit case includes the condition of post-loan monitoring, the creditors shall be required to commission an independent third-party institution to perform environmental and social risk monitoring on a regular basis (at least once a year) and issue an “Environmental and Social Risk Monitoring Report” to confirm the compliance with the Equator Principles. The operation process is as follows:

- (1) According to the source of the case, the sales/business unit in charge of the case shall collect the “Environmental and Social Risk Monitoring Report” from the creditor and complete the “Environmental and Social Risk Monitoring Form,” which will then be reviewed by the heads of the Environmental and Social Risk Team - Operations Services Department, who will express their opinion on the achievement of each monitoring.
- (2) If the creditors fail to meet the requirements of the post-loan monitoring conditions, the Environmental and Social Risk Team - Operations Services Department shall notify the sales/business



units to investigate the reasons and issue an Equator Principles Action Plan (EPAP) acceptable to Yuanta Bank. After confirmation by the Environmental and Social Risk Team - Operations Services Department, the EPAP will be added as a post-loan monitoring condition and the progress will be continuously tracked until complete improvement.

- (3) If a creditor does not meet the post-loan monitoring conditions after receiving Yuanta Bank's action improvement plan, it shall be reported to the sales/business unit for change of conditions or follow-up.

For B-Category credit cases, if there is already a monitoring report conducted by a multilateral or bilateral financial institution or an official export credit insurance agency of the OECD, the monitoring report can also be used as a reference, and the need to engage an independent third-party institution to conduct additional monitoring reports can be assessed.

**Article 10** If a credit case falls within the scope of the Equator Principles and is a joint credit case in which Yuanta Bank participates, if the joint lending sponsor is a member bank of the Equator Principles Association, the sales/business unit responsible for the case shall handle the various stages of operations as follows:

- (1) At the stage of environmental and social risk classification, if the relevant environmental and social risk classification form issued by the host bank or by an independent third-party institution is obtained, the completion of the "Environmental and Social Risk Assessment Form" in accordance with Paragraph 1 of Article 5 of these Guidelines is exempted.
- (2) At the stage of environmental and social risk review, for credit cases assessed as Category A or B, if the relevant environmental and social risk assessment report issued by an independent third-party institution and the relevant environmental and social risk review report issued by the host bank are obtained, the completion of the "Environmental and Social Risk Review Report" in accordance with Paragraph 1 of Article 6 of these Guidelines is exempted.
- (3) Before signing the contract, it shall be reviewed whether the joint

credit agreement and/or its annexes contain the terms of the Equator Principles compliance covenant, and if not, the host bank shall be consulted to provide the relevant contracts of the Equator Principles compliance covenant.

- (4) In the post-loan control stage, if the environmental and social risk monitoring report issued by an independent third-party institution and the relevant environmental and social risk monitoring form issued by the host bank are obtained, the completion of the “Environmental and Social Risk Monitoring Form” in accordance with Paragraph 1 of Article 9 of these Guidelines is exempted. However, if the monitored items do not meet the standards and the creditors do not propose improvement measures, the sales/business unit shall contact the host bank to follow up on the improvement situation.

**Article 11** In accordance with the requirements of the tenth of the Equator Principles, for credit cases assessed as Category A or B, creditors shall be required to disclose the following items on a public website:

- (1) A summary of the Environmental and Social Impact Assessment (ESIA), which shall include a summary of the risks and impacts of human rights and climate change.
- (2) For projects with total annual GHG Scope 1 and Scope 2 emissions expected to exceed 100,000 metric tons (if applicable), the total annual GHG Scope 1 and Scope 2 emissions and GHG efficiency ratio (e.g., average GHG emissions per production unit or per employee) during the project’s operating period shall be publicly disclosed.
- (3) Creditors are encouraged to share commercially insensitive, project-specific biodiversity data with the Global Biodiversity Information Facility (GBIF) and related national and global data repositories (e.g., the Taiwan Biodiversity Database of the Construction and Planning Agency of Taiwan’s Ministry of the Interior or the Endemic Species Research Institute of the Council of Agriculture of Taiwan’s Executive Yuan). Project-specific biodiversity data are shared in reusable formats and conditions, so that such data can be used in future decision-making and research.

**Article 12** In accordance with the requirements of the tenth of the Equator

Principles, Yuanta Bank is required to report annually to the Equator Principles Association and the official website the number of cases and the process and experience in implementing the Equator Principles for that year up to the official effective date of the financing, with the total number of cases broken down as follows:

- (1) Project Finance Advisory Services, the total number of cases will be broken down by industry and region;
- (2) For Project Finance and Project-Related Corporate Loans, the total number of cases in each category will be broken down by environmental and social risk categories (Category A, B, or C) and by industry, region, country, and independent review implementation;
- (3) For Project-Related Refinance and Project-Related Acquisition Finance, the total number of cases in each category will be broken down by industry, region, country, and independent review implementation.

**Article 13** According to the content of the Equator Principles Association updated from time to time, Yuanta Bank shall examine whether the relevant procedures need to be amended.

If there is an obvious conflict between the regulations related to financial supervision and the official requirements of the Equator Principles, the regulations of the competent authorities shall take precedence.

**Article 14** Matters not covered in these Guidelines shall be handled in accordance with relevant laws and regulations and Yuanta Bank's regulations.

**Article 15** These Guidelines shall come into force upon the approval of the president and shall be amended accordingly.