Equator Principles Section

May 5th, 2025

I. Equator Principles and Participation of Domestic Banks

(I) The Equator Principles (EP) are a risk management framework for large-scale international financial institutions to identify, assess, and manage environmental and social risks when financing projects. They are voluntary guidelines signed by financial institutions for compliance. Countries across the world encourage financial institutions to sign the Equator Principles but do not set up mandatory requirements. Financial institutions may gradually implement the Equator Principles in their business operations based on the category and scale of their business.

(II) The FSC's implementation of Equator Principles

1. Supervise the adoption of the Equator Principles by the Bankers Association of the Republic of China

The Bankers Association of the Republic of China (Bankers Association) added the provision "when the bank organizes corporate credit extension and loan reviews, it is advisable to review whether borrowers have their fulfilled environmental protection, ethical corporate management, and social responsibilities" in Article 20, Paragraph 5 of the "Regulations Governing Members' Credit Extension" on April 29, 2014. It also adjusted the scope of application on July 5, 2017 and expanded it from "project financing" to all "corporate loans" to help direct investments to environmentally friendly green energy industries.

2. Inclusion of important guidelines in the Equator Principles 4.0 into the Regulations Governing Members' Credit Extension

The Bankers Association referenced the main contents of the Equator Principles 4.0 (EP4) published by the Equator Principles Association including climate change, disclosure of greenhouse gas emissions, and enhanced management of environmental and social risks into Article 20- 5 of the Regulations Governing Members' Credit Extension, which were approved and registered by the FSC on April 11, 2022. The financial regulations were established to encourage financial institutions to focus on environmental protection, society, and corporate governance, and encourage industries to pursue sustainable development and carbon reduction targets. The key points of the Regulations are as follows:

(1) Banks shall set up internal project evaluation teams for large-scale financing projects to conduct project evaluations, reviews, and post-loan monitoring of their environmental and social impact.

(2) Banks must verify that the borrowers have analyzed and assessed the potential climate-related physical risks of large-scale financing projects with high environmental and social risks as well as the climate-

related transitional risks for large-scale financing projects with high carbon emissions in accordance with the Climate-related Financial Disclosures (TCFD) framework.

(3) Banks must verify that the borrowers have assessed and surveyed the potential impact of large-scale financing projects on related stakeholders (including local communities, residents, and employees) in accordance with United Nations Guiding Principles on Business and Human Rights (UNGP) framework.

(4) Banks must verify whether borrowers of large-scale financing projects implement greenhouse gas inventories for the projects in accordance with regulations of the competent authority.

(5) The loan agreements for large-scale financing projects must include the terms and conditions of the borrower's commitment to environmental and social issues as well as measures for processing the borrower's failure to meet the terms and conditions of its commitment.

(6) If a large-scale financing project is processed through a syndicated loan, the lead arranger or the facility agent shall assist the participating banks in obtaining information on the project's environmental and social impact assessment and post-loan monitoring reports.

(7) When banks process large-scale financing projects,

they may, based on the needs of individual cases, ask borrowers to appoint professional third-party institutions or independent professional consultants to assist in the evaluation process.

(III) Signature and Participation of Domestic Banks

As of April 30, 2025, 21 domestic banks and 1 financial holding company have signed the Equator Principles. Other banks that have not yet become signatories are also required to incorporate the spirit of the Equator Principles in accordance with the aforementioned Regulations when they review corporate financing projects. The FSC will continue to encourage financial institutions' participation, signature, or compliance with international initiatives and principles for sustainable finance.

II. Reference Information for the Implementation of Corporate Governance and Environmental Sustainability by Domestic Companies:

To help the banking industry implement the Equator Principles, we provide the following links to information on the penalties imposed for violation of environmental protection laws by domestic companies and the results of the corporate governance evaluation (including social responsibility) as references for banks in their business operations.

(I) Corporate Social Responsibility: Corporate Governance

Evaluation

Corporate Governance Center, Taiwan Stock Exchange Corporation

Corporate Governance Section, Securities and Futures Institute

(II) Environmental Sustainability

"Pollutant Release and Transfer Register Database" of the Environmental Information Open Platform, Environmental Protection Administration