

O-Bank Co., Ltd. Engagement Guidelines for Sustainable Investing and Financing

8 March 2024, approved by the O-Bank president

Article 1 Purpose

To encourage O-Bank investees and financing recipients to improve their environmental, social, and governance (ESG) performance and other types of sustainability performance, and to move forward step by step in meeting the global goal of achieving net-zero carbon emissions by 2050, O-Bank seeks by engaging with investees and financing recipients to spur the latter to improve their sustainability performance and long-term value, and takes concrete action to promote transition to sustainability.

Article 2 Applicability of these Guidelines

These Guidelines apply to the credit deals as well as equity and bond investments of all domestic and overseas O-Bank business units, including offshore banking unit (OBU) branches.

Article 3 Engagement principles

The term "engage" as used in these Guidelines means to communicate (through dialogue and interaction with financing recipients and investees) about potential sustainability-related risks and opportunities, and to guide enterprises to develop a sustainability roadmap within their industrial value chain, which at the same time will provide O-Bank with reference as we make investment and financing decisions, carry out position management, and evaluate risks and opportunities.

When O-Bank engages with its investees and financing recipients, it is advisable to act in line with the four principles of materiality, effectiveness, flexibility, and respect, and to engage on investment and financing deals on a case-by-case basis, allowing for any measures to be phased in gradually and voluntarily.

Article 4 Topics of engagement

To improve the ESG performance and long-term value of engagement

targets, O-Bank intends to use the power of finance to spur investees and financing recipients to work toward sustainability. Topics of engagement include, without limitation, the following:

(1) Environmental protection:

1. Climate change: O-Bank encourages or requests investees and financing recipients to introduce climate-related response measures, including the following: adoption of a transition plan for climate-related physical risks and transition risks; disclosure of Scope 1 through Scope 3 emissions under the GHG Protocol; setting of GHG reduction targets; making of disclosures in line with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); setting of science-based targets (SBTs); improvement of energy efficiency; and increased usage of renewable energy.

2. Biodiversity: O-Bank encourages or requests investees and financing recipients to promote or disclose information on the conservation of flora and fauna, habitat preservation, deforestation, pollution control, waste management, biotech development, and the like, all of which directly or indirectly affect policies related to genetic diversity, species diversity, and ecosystem diversity.

3. Water resources management: O-Bank encourages or requests investees and financing recipients to promote or disclose information on water resources management mechanisms, such as reduced water usage, recycling, allocation and integration of water resources, and participation in water resource-related questionnaires and international ratings.

(2) Social inclusion:

1. Workplace equality: O-Bank encourages or requests investees and financing recipients to promote or disclose information on hiring diversity, fair compensation, sexual harassment prevention programs, establishment of transparent communication channels, and identification of human rights risks, and on that basis adopt mitigation or compensation measures designed to create workplaces characterized by diversity, equity, and inclusion (DEI).

2. Workplace safety: O-Bank encourages investees and financing recipients to promote occupational safety and health systems, employee healthcare measures, etc.

(3) Corporate governance:

1. Structure of the boards of directors and supervisors: O-Bank encourages investees and financing recipients to promote or disclose information on the diversity, independence, and functioning of directors and supervisors in order to establish effective corporate governance.
2. Information transparency: O-Bank promotes ethical best practice and a linkage between sustainability performance and executive compensation, and more transparent disclosures of company information.

Article 5 How we engage

- (1) O-Bank intends to use the power of finance to spur investees and financing recipients to work toward sustainability. O-Bank carries out both independent engagements and collaborative engagements, the latter of which include, without limitation, ESG-related engagements (in which O-Bank has participated either in Taiwan or overseas) and collaborative engagements (in which O-Bank has participated together with other financial institutions).
- (2) Our engagement methods include, without limitation: in-person visits; taking part in or holding physical/online visits, meetings, lectures, and training courses; providing written/electronic/voice notifications; questionnaire surveys; attending the shareholders meetings of engagement targets and expressing views, submitting motions at shareholders meetings, and exercising voting rights; and including ESG-related commitments in credit agreements.
- (3) When investees or financing recipients become engagement targets, if they are "carbon-intensive industries" or "enterprises in industries that have a harmful environmental impact" as defined in the O-Bank "Guidelines for Promoting Sustainability of Corporate Loans" environmental protection issues shall be the top priority of engagements.
- (4) O-Bank shall encourage all corporate customers and investee companies to make carbon reduction efforts, set science-based targets (SBTs), and communicate our policy at least once per year.

Article 6 Management of progress through engagement

- (1) O-Bank's Treasury Department and Financial Business Division are responsible for engaging with investees and corporate borrowers, respectively. Early each year they submit to O-Bank's ESG Development

Working Committee annual plans for engagement targets, engagement topics (including the types of topics set out above in Article 4) and quantitative engagement goals, and the two aforementioned departments report at end of each year to the ESG Development Working Committee on engagement results. In addition, engagement-related documentation shall be retained for future reference (the retention period shall be five years) to facilitate management and tracking of ongoing progress (e.g. plans for post-engagement action, and tracking of goal achievement) and to review engagement results, to provide a basis for adjustments to ongoing engagements and business dealings.

(2) If an engagement target's post-engagement corrective actions fail to meet engagement goals, O-Bank shall continue to dialogue with the engagement target's management team, emphasize O-Bank's position regarding engagement content, and actively demand improvement. If the engagement target is still unable to meet expectations, measures to be taken by O-Bank may include, without limitation: reduction or elimination of its investment position; and implementation of the financing management and control measures set out in the "Guidelines for Promoting Sustainability of Corporate Loans."

Article 7

All matters on which these Guidelines are silent shall be dealt with in accordance with applicable laws, rules, and O-Bank's "Sustainable Credit and Investment Policy," "Climate Risk Management Policy," and other applicable requirements.

Article 8

These Guidelines, and any amendments hereto, shall be implemented following approval by the O-Bank president.