Mega Holdings Group Guidelines for the Management of ESG/Sustainability-Related and High-Risk Businesses

Article 1 (Formulation purpose)

These Guidelines are established to support industries that focus on green and sustainable development and to guide subsidiaries of Mega Holdings Group in monitoring the ESG risks of counterparties, in considering ESG factors when making decisions about business activity.

Article 2 (Responsible Unit)

The responsible department of the Guidelines is the Business Development Department

Article 3 (Applicability)

These Guidelines are applicable to the subsidiaries of the Company.

"Subsidiaries" in the preceding paragraph refers to other companies in which the Company directly holds over 50% of shares with voting rights or total capital, or over half of all directors are directly appointed by the Company.

Article 4 (Applicability)

These Guidelines are applicable to new or renewal applications received by the subsidiaries, and the businesses categories include lending, investment, trust fund, and insurance underwriting.

Article 5 (Applicable Directions and Issues)

To support sustainability-related business activity and grasp related risks, Environmental(E), Social(S), and Governance(G) should be incorporated into assessment as necessary when the analysis and design of the business in corporate and consumer finance. The definition of ESG issues is as follows:

I. Environmental (E): Issues that are beneficial to environmental sustainability, such as the achievement of corporates in climate change, biodiversity, environmental pollution and waste management, nature reserve development, water stress, energy management, and carbon reduction transformation, as well as the action of consumer in energy conservation and carbon reduction, lifestyle transformation, and ecological conservation.

II. Social (S): Issues that are beneficial to social sustainability, such as employee health and safety, labor management, human rights protection, gender equality, community relations, indigenous rights, enhancement of employee well-being, promotion of DEI (diversity and inclusion), promotion of public welfare participation, and affordable financial services for consumers.

III. Governance (G): Issues that are beneficial to corporate governance, such as board governance and mechanism, shareholder rights protection and fair treatment, business integrity management, risk management, information security, legal compliance and anti-corruption.

Article 6 (Supporting industries or entities involved in green and sustainable development)

Each subsidiary shall proactively support the following environmental friendly or socially responsible businesses in developing and providing products and services relevant to green and sustainable development:

I. Industries involved in solar energy, wind energy, geothermal energy, hydroelectric power, and ocean energy, etc.
II. Industries focused on increased electricity generation efficiency or renewable electricity generation, and relevant power transmission, power distribution, and energy storage facilities.
III. Transportation industry involved in public transports and improving the efficiency and conversion of electric-, hydrogen-, and other alternative fossil fuel-powered modes of transportation and passenger and cargo transportation systems.
IV. Businesses involved in water monitoring smart network and early warning system, water storage, water recycling, flood control/water saving, and other water infrastructure.
V. Construction industry involved in green buildings or energy-saving systems or products for buildings.
VI. Industries involved in energy efficiency, reduction of non-energy related greenhouse gas emissions, and clean production, etc.
VII. Businesses involved in waste removal and recycling, pollution control, and carbon sequestration.
VIII. Businesses involved in information and communication technologies, such as fiber optic Internet, data centers, and smart grids.
IX. Businesses adopting measures for sustainable agricultural, forestry, fishery, animal husbandry, and aquaculture sectors with verifiable carbon reduction benefits.
X. Businesses with MSCI ratings of AA or higher, selected as a constituent of DJSI, ranked in the top 20% of the Corporate Governance Evaluation, in line with the " Taiwan Sustainable Taxonomy ", and passed the Science Based Target Set (SBT Target Set).
XI. Other businesses engaging in operations or activities that contribute to carbon emissions reduction, circular economy, and ESG enhancement.

Article 7 (Industries or entities exposed to high ESG risks)

Industries or entities exposed to high ESG risks in these Guidelines refer to any of the following:

I. Industries or entities with which business dealings are prohibited.
II. Sensitive industries or entities: These are classified as emission-intensive industries and industries or entities that exert a high level of environmental and social impact.

Article 8 (Industries or entities with which business dealings are prohibited)

All subsidiaries shall be prohibited from engaging in the following which are hazardous to environmental sustainability, endanger human health, and fail to implement social responsibility:

I. Illegal products or activities that violate local laws and regulations or international conventions and agreements.

II. Products or activities subject to domestic or international bans.

III. Dealings with entities that have been sanctioned by the competent authority in accordance with the Money Laundering Control Act and the Counter-Terrorism Financing Act.

IV. Activities that are hazardous to humans and the ecology, such as the manufacturing or sale of narcotics, controversial weapons (e.g., nuclear weapons), illegal weapons, and ammunition, illegal gambling (including underground and online), pornography, the use of gillnetting with a gillnet length of more than 2.5 km or longer, and commercial logging in tropical rain forests, etc.

Article 9 (Sensitive industries or entities)

All subsidiaries shall perform exception management in accordance with Article 10 of these Guidelines when processing credit or investment applications from the following businesses that are hazardous to environmental sustainability, endanger human health, and fail to implement social responsibility:

I. Industries or entities that exert a high level of environmental and social impact:

(I) Those that have been sanctioned by the competent authority for harming or exploiting workers but have not yet taken corrective actions.

(II) Those that have been sanctioned by the competent authority for sustainability matters related to environmental pollution and harm to biodiversity, water and marine resources but have not yet taken corrective actions.

(III) Those that have been sanctioned by the competent authority for violating ethical management principles but have not yet taken corrective actions.

(IV) Mining and quarrying.

(V) Remediation of wild animal leather and fur and trading of fur clothing.

(VI) Dyeing and finishing.

(VII) Genetic engineering for non-medical or harmful human development.

(VIII) Manufacture of pesticides and environmental agents.

(IX) Chemical products containing heavy metals that are harmful to the human health, such as cadmium, mercury, lead, arsenic, nickel, etc.

II. Emission-intensive industries: Emission-intensive industries refer to industries that have completed inventory registration by Taiwan’s Ministry of Environment, as well as greenhouse gas-intensive industries that European Union’s Carbon Border

Adjustment Mechanism (CBAM) plan to levy carbon taxes on. Industry categories are classified according to "Statistical Classification of Industries" of the Directorate-General of Budget, Accounting and Statistics of Executive Yuan.

(I) 0500 Extraction of Crude Petroleum and Natural Gas
(II) 1500 Manufacture of Paper and Paper Products
(III)1700 Manufacture of Petroleum and Coal Products
(IV)1810 Manufacture of Raw Chemical Material
(V) 1841 Manufacture of Plastic Materials
(VI)2331 Manufacture of Cement
(VII)2410 Manufacture of Basic Iron and Steel
(VIII)2420 Manufacture of Aluminum
(IX) 3510 Electricity Supply (excluding renewable energy)

Article 10 (Matters to be handled)

The positions in investments and credits which all subsidiaries are prohibited by Article 8 shall be cleared within three months from the date of knowledge or six months from the date of occurrence, or recovered when contract expiration. However, the restriction does not apply to those who are designated for sanctions under the Counter-Terrorism Financing Act and required to handle in accordance with Article 6 of the Counter-Terrorism Financing Act.

All subsidiaries shall adopt differentiated risk management measures before and after credit lending to or investment in sensitive industries or entities defined in Article 9 of these Guidelines:

I. When processing applications for credit extension or investment, subsidiaries shall perform due diligence and prudent evaluation and approve such applications for processing only if evaluations indicate that an application poses no adverse effect on sustainable development or specific terms and conditions (e.g., ESG risk improvement plans are included in credit or investment conditions or commitments) are adopted to reduce any adverse impact on ESG and exception management mechanism has been established.

II. If a customer or counterparty violates the credit or investment conditions or commitments after a subsidiary extends credit to or invests in that customer or counterparty, the subsidiary shall engage with the violator and request the violator to provide an explanation and specific corrective action. If unable to provide it, public information on relevant corrections shall be attached. If the aforementioned information cannot be obtained or correction cannot be made effectively, the subsidiary shall not grant increased credit line or shall gradually withdrawal the credit line or investment.

III. The subsidiary shall establish a control mechanism to gradually reduce its asset portfolio and shall set credit line or investment limits for industries or entities that exert a high level of environmental and social impact and for emission-intensive industries.

Article 11 (Industry-specific principles)

Subsidiaries should follow the progress of the implementation of the technical screening criteria for " Ordinary Economic Activities " in the industries listed in the "Taiwan Sustainable Taxonomy " issued by the competent authority, and gradually use specific economic activities rather than the entire enterprise as the measurement to determine the degree of sustainability of counterparties' main economic activities for investment and financing assessment and decision-making, product design, and engagement with enterprises to encourage enterprises to transform towards sustainable development and carbon reduction.

Subsidiaries should encourage investment and financing counterparties to disclose their economic activities in accordance with the " Taiwan Sustainable Taxonomy ", as well as the proportion of revenue from "Taxonomy-eligible activities" and "Taxonomy-aligned activities". Subsidiaries should also support their counterparties to commit to " Supportive Economic Activities " that can achieve low-carbon or carbon-reduction effects.

Article 12 (Exemption)

Subsidiaries may classify and manage their investment portfolios based on business characteristics. Investments with one year or less tenor and financial assets classified as those measured at fair value through profit or loss may be exempted from these Guidelines.

Business undertaken by Items 4 to 9 of Subparagraph 1 and Subparagraph 2, Paragraph 1 of Article 9, and such corporate meets any of the following conditions, may be exempted from the Paragraph 2 of Article 10.

I. Funds are clearly used for energy transformation.
II. Carbon reduction "transformation plan" has been formulated or adopted.
III. Carbon reduction "adaptation plan" has been formulated or adopted.
IV. A voluntary greenhouse gas reduction plan, voluntary reduction or offset project approved by the Ministry of Environment.

Article 13 (Other Matters)

Matters not specified in these Guidelines shall be governed by applicable laws and regulations and the Company's regulations.

Article 14 (Level of approval authority)

The Guidelines shall become effective following the approval of the President. The same procedures shall apply to all future amendments or abolishment.

Article 15 (Revision history)

This Guideline was formulated on May 25, 2022. The first amendment was on January 26, 2024. The second amendment was on May 22, 2025.