

# Practice Principles of Sustainability Development of CSBC Corporation, Taiwan

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## Chapter 1 General Provisions

1. To fulfill its Sustainability Development and promote economic, environmental and social advancement for the purpose of sustainable development, the Company has laid down these Principles pursuant to the Sustainability Development Best Practice Principles for TWSE/GTSM-Listed Companies, as a basis for compliance.

The Company established these Principles to manage economic, environmental and social risks and impacts.

2. These Principles apply to the overall operational activities of the Company and the Group enterprises. While the Company is engaged in business operation, it shall actively fulfill its Sustainability Development in correspondence with international trends in development. Moreover, by acting as a responsible corporate citizen, the Company is expected to enhance its contribution to the national economy, improve the quality of life among the employees and in communities and societies, and gain competitive edge from Sustainability Development.
3. The Company shall fulfill its Sustainability Development with respect for social ethics and attention to other stakeholders' rights. At the same time of pursuing sustainable operation and profitability, emphasis should be placed on the environment, society and corporate governance factors, which should be incorporated in the Company's management guidelines and operations.

The Company shall conduct the risk assessment about the Company's managing environment, society and the Company's governance, thus establish risk management policies or strategies basic on Substantial Principle.

4. The Company shall fulfill its Sustainability Development according to the following principles:

- (1) Exercising corporate governance
- (2) Creating a sustainable environment
- (3) Maintaining social welfare
- (4) Strengthening disclosure of Sustainability Development information

5. The Company shall take into consideration the correlation between domestic and international development trends in Sustainability Development and core business of the Company, as well as the effect of the overall operational activities of the Company on stakeholders, in establishing its Sustainability Development policies and systems or relevant management guidelines and specific implementation plans which shall be approved by the board of directors and then reported at the shareholders' meeting.

When a shareholder proposes a motion involving Sustainability Development, the board of directors of the Company is advised to consider including it in the shareholders' meeting agenda.

## **Chapter 2 Exercising Corporate Governance**

6. The Company shall establish effective corporate governance frameworks and relevant ethical standards in accordance with the Corporate Governance Best Practice Principles, the Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct, so as to enhance corporate governance.

7. The Company's directors shall exercise due care of good administrators, urging the Company to fulfill its Sustainability Development, reviewing the results of implementation from time to time, and making continuous improvement, to ensure that the Sustainability Development policy is put into practice.

The board of directors of the Company is advised to include the following matters in the Company's performance of its Sustainability Development:

- (1) Identifying the Company's Sustainability Development mission or vision, and establishing Sustainability Development policies and systems or relevant management guidelines;
- (2) Incorporating Sustainability Development into the Company's operational activities and development guidelines, and ratifying specific implementation plans for Sustainability Development;

- (3) Ensuring the timeliness and accuracy of disclosed information regarding Sustainability Development.

The board of directors shall authorize high-level executives to handle economic, environmental and social issues resulting from operational activities of the Company, and to report the handling of the issues to the board of directors. The handling procedures and assignment of relevant responsibilities shall be concrete and clear. To ensure sound management of the Sustainability Development, the Company's Department of Planning is put in charge of the proposal and implementation of the Sustainability Development policies and systems. The fulfillment status of the Sustainability Development shall be disclosed in the annual report.

8. The Company shall organize education and training on the promote Sustainable Development on a regular basis, including promotion of the matters prescribed in Paragraph 2 of the preceding article.
9. To ensure sound management of the Sustainability Development, the Company's Department of Planning is put in charge of the proposal and implementation of the Sustainability Development policies and systems or relevant management guidelines and specific implementation plans, as well as reporting of the same to the board of directors on a regular basis.

The Company shall formulate reasonable remuneration policies to ensure that remuneration arrangements conform to the strategic goals of the organization and the interests of stakeholders.

The employee performance evaluation system shall be combined with the Sustainability Development policies, and a clear and effective incentive and discipline system shall be established.

10. The Company shall, based on respect for the rights of stakeholders, identify stakeholders of the Company and set up a designated section for stakeholders on the official website. Moreover, the Company shall understand the reasonable expectations and needs of stakeholders through appropriate modes of communication, and properly respond to the important Sustainability Development issues that concern stakeholders.

### **Chapter 3 Creating a Sustainable Environment**

11. The Company shall abide by the environment-related laws, regulations and international norms and standards, and appropriately protect the natural

environment. When carrying out its operational activities and internal management, the Company shall endeavor to achieve the goal of keeping the environment sustainable.

12. The Company shall make effort to enhance the Energy Used efficiency, and make good use of recycled materials that have lower environmental impacts, so that the earth resources may be sustainably used.
13. The Company shall build a proper environment management system in accordance with the industry's characteristics. Such a system shall include the following items:
  - (1) Collecting sufficient and timely information to evaluate the impact of the operational activities on the natural environment;
  - (2) Establishing measurable objectives for environmental sustainability, and regularly reviewing the continuity and relevance of the development of those objectives;
  - (3) Developing enforcement measures such as specific plans or action plans, and reviewing the implementation results on a regular basis.
14. The Company's Department of Environmental Protection and Public Utilities is the dedicated unit for environment management, responsible for establishing, promoting and maintaining environment management-related systems and specific action plans, and for offering environmental education courses to the managers and employees on a regular basis.
15. The Company shall consider the impact of its operations on eco-efficiency, promote and advocate the concept of sustainable consumption, and engage in operational activities such as R&D, procurement, production, operation and service based on the following principles, to reduce the impact of its operations on the natural environment and mankind:
  - (1) Reduce resource and energy consumption of its products and services;
  - (2) Reduce emission of pollutants, toxins and wastes, and dispose of wastes appropriately;
  - (3) Improve recyclability and reusability of raw materials and products;
  - (4) Maximize sustainability of renewable resources;
  - (5) Make use of energy-saving and environment-friendly raw materials;
  - (6) Improve efficiency of products and services.

16. To improve the utilization efficiency of water resources, the Company shall properly and sustainably use water resources, and establish relevant management measures.

The Company shall construct and improve environmental protection and treatment facilities to avoid polluting water, air and land. The Company shall also use its best efforts to reduce adverse impact on human health and the environment by adopting the best and most feasible pollution prevention and control measures.

17. The Company shall evaluate the potential risks and chances with climate changes , and adopt relevant countermeasures about weather issues.

The Company shall conduct corporate greenhouse gas inventories and make disclosures thereof in accordance with universal standards or guidelines. The scope shall include the following:

- (1) Direct greenhouse gas emissions: greenhouse gas emissions from sources that are owned or controlled by the Company
- (2) Indirect greenhouse gas emissions: emissions from consumption of energy such as input electricity, heat or steam
- (3) Other indirect emissions: Emissions from company activities that are not indirect emissions from energy sources but originate from sources owned or controlled by other companies.

The Company shall compute greenhouse gas emission, water consumption and total weight of waste, thus establish policies about energy saving and carbon reduction, greenhouse gas reduction ,water reduction or other waste management.Acquisition of carbon credits shall be included in the Company's carbon reduction strategies and plans for implementation accordingly, in order to reduce the impact of the Company's operations on climate change.

#### **Chapter 4 Maintaining Social Welfare**

18. The Company shall comply with applicable laws and regulations, as well as the International Bill of Human Rights with respect to gender equality, the right to work, prohibition of discrimination and other rights.

In order to fulfill its responsibility to protect human rights, the Company shall establish relevant management policies and procedures, including:

- (1) Presenting a corporate policy or statement on human rights;

- (2) Evaluating the impact of the Company's operational activities and internal management on human rights, and setting up corresponding handling procedures;
- (3) Reviewing the effectiveness of the corporate policy or statement on human rights on a regular basis;
- (4) Disclosing the handling procedures concerning the stakeholders in the event of an infringement of human rights.

The Company shall comply with internationally recognized labor rights, including freedom of association, collective bargaining, focus on vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, and elimination of recruitment and employment discrimination, and shall ensure that its human resource policies are rid of differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in regard to employment, hiring conditions, remuneration, benefits, training, evaluation and promotion opportunities.

The Company shall offer an effective and appropriate grievance mechanism for matters jeopardizing the rights and interests of laborers, thus ensuring equality and transparency of the grievance process. Channels through which a grievance may be raised shall be simple, convenient and unobstructed. The Company shall respond to its employees' grievance in an appropriate manner. The Company shall comply with applicable labor laws and regulations to protect employees' legal rights. The human resource policies shall be formulated with respect for the principles of basic labor rights protection, including freedom of association, collective bargaining, focus on vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, and elimination of recruitment and employment discrimination. The Company shall also make sure its employment policy is free from differential treatments in terms of gender, race, age, and marital and family status, so as to foster equality in remuneration, hiring conditions, training and promotion opportunities. Furthermore, suitable management methods and procedures shall be established. Matters that may jeopardize the basic rights of laborers shall be prohibited.

19. The Company shall provide its employees with information to help them understand the labor laws and the rights they are entitled to in the country where the Company operates.
20. The Company shall provide its employees with a safe and healthy working environment, including the provision of necessary health and first aid facilities. It shall also strive to reduce hazards that endanger the employees' safety and health, thus preventing occupational injuries and accidents. Safety and health education and training shall also be conducted for the employees.
21. The Company shall create a good environment for its employees' career development, and organize effective career competence development and training programs.

The Company shall establish and conduct reasonable employee benefits measures(including salary, vacation, and other benefits),and the employee remuneration policy of the Company shall appropriately reflect its operational performance or achievements, so as to ensure the recruitment, retention and motivation of human resources, and achieve the objective of sustainable operations.

22. The Company shall establish channels of communication with the employees, so that the employees enjoy the rights of obtaining information and expressing opinions on the Company's operational and management activities and decisions.

The Company shall respect employee representatives' rights to bargain over the working conditions, and shall provide the employees with necessary information and facilities to promote the negotiation and cooperation among the employer, employees and employee representatives.

The Company shall, by reasonable means, inform the employees of any operational changes that may have a significant impact on them.

23. The Company shall take responsibility for its products and services, and place importance on marketing ethics. In the processes of research, development, procurement, production, operations and services, the Company shall ensure the information transparency and safety of its products and services. In addition, the Company shall establish and disclose policies on the rights and interests of its customers, and enforce them in the course of operations, to

prevent its products or services from adversely impacting the rights, interests, health or safety of customers.

24. The Company shall ensure the quality of its products and services by following government laws and regulations as well as relevant industrial standards.

The Company shall comply with applicable laws and regulations as well as international standards while the consumers' health, safety, privacy, marketing and labelling of our products and services. No fraudulent, misleading or deceptive acts, or any other acts that spoil consumers' trust or adversely impact consumers' rights and interests are allowed.

25. The Company shall evaluate and manage all types of risks that are likely to interrupt operations, thus reducing their impact on consumers and society.

The Company shall provide a transparent and effective procedure for consumer complaints against its products and services, to handle consumer complaints in a fair and timely manner. Moreover, the Company shall comply with the Personal Information Protection Act and other applicable laws and regulations to enforce respect for consumers' rights to privacy and protect the personal information provided by consumers.

26. The Company shall assess the impact of its procurement on the environment of sourcing communities and society, and shall cooperate with the suppliers to jointly fulfill the Sustainability Development.

The Company shall establish suppliers' management policies, to claim the suppliers shall comply with applicable regulations related to environment-friendly, occupational safety and health, or labor rights. Prior to business dealings, the Company shall assess whether there is any record showing its suppliers have caused an impact on the environment and society to avoid doing business with those who contradict its Sustainability Development policy.

When the Company enters into a contract with a major supplier, the content shall include terms stipulating mutual compliance with the Sustainability Development policies and termination or dissolution of the contract at any time if the supplier has violated such policies and caused a significant adverse impact on the environment of sourcing communities and society.

27. The Company shall assess the impact of its operations on the community and properly employ personnel from the location of its operations, to enhance



community recognition.

The Company shall promote community development by means of business activities, in-kind donations, corporate volunteer service or other charitable professional services, and by participating in community development and community education-related activities held by civil organizations, charitable and public welfare organizations, as well as local government agencies.

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The company should continue to pour resources into cultural and artistic activities or cultural and creative industries through donation, sponsorship, investment, procurement, strategic cooperation, corporate voluntary technical services or other support modes to promote cultural development.

**Chapter 5 Strengthening Disclosure of Sustainability Development Information**

28. The Company shall disclose information pursuant to applicable laws and regulations as well as the Corporate Governance Best Practice Principles, and shall fully disclose Sustainability Development information with the qualities of relevance and reliability, to increase information transparency.

The Company shall disclose the following information relating to Sustainability Development:

- (1) The policies, systems or relevant management guidelines and specific implementation plans concerning Sustainability Development, as adopted by the board of directors;
- (2) The risk and impact on the Company's operation and financial status caused by such factors as exercising corporate governance, creating a sustainable environment and maintaining social welfare;
- (3) The objectives and measures drafted by the Company for performing its Sustainability Development, and the promote results;
- (4) Major stakeholders and their concerns, as well as the performance of the Sustainability Development;
- (5) Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues;
- (6) Other information relating to Sustainability Development.

29. The Company shall adopt internationally recognized standards or guidelines when compiling its Sustainability Reports, to disclose its promotion of the

Sustainability Development. It is advisable to obtain third-party assurance or verification in order to enhance the reliability of the information. The reports shall include the following:

- (1) The implementation of the policies, systems or relevant management guidelines and specific implementation plans concerning Sustainability Development;
- (2) Major stakeholders and their concerns;
- (3) Results and reviews of the Company's performance in exercising corporate governance, creating a sustainable environment, maintaining social welfare, and promoting economic development;
- (4) Directions and goals for future improvement.

#### **Chapter 6 Supplementary Provisions**

30. The Company shall always keep an eye on the development of domestic and international standards relating to Sustainability Development and changes in the corporate environment, which will form the basis for reviewing and improving the Sustainability Development system instituted by the Company, in order to promote effectiveness in fulfilling its Sustainability Development.

Note : This English version is a translation of the Principles of Sustainability Development in Chinese. In case of any discrepancy, the Chinese version shall prevail.