

Sustainable Development Best Practice Principles for Chang Hwa Commercial Bank, Ltd.

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Chapter I General Principles

Article 1 In order to fulfill the corporate social responsibility initiatives which promotes economic, environmental, and social advancement for purposes of sustainable development, the Bank hereby adopt “ Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” as reference to promulgate the Principles to follow.

Article 2 The Bank shall actively fulfill its sustainable development in the course of its business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on sustainable development.

Article 3 In fulfilling sustainable development initiatives, the Bank shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

The Bank shall proceed with business operation risk assessment relating to topics about environment, society, and corporate governance under the materiality principle, and formulate related risk management policies or

strategies as well.

Article 4 To implement sustainable development initiatives, the Bank is advised to follow the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of sustainable development information.

Article 5 The Bank shall take into consideration the correlation between the development of domestic and international sustainable development principles and corporate core business operations, and the effect of the operation of the Bank as a whole on stakeholders, in establishing its policies, systems or relevant management guidelines, and concrete promotion plans for sustainable development programs, which shall be approved by the board of directors.

Chapter 2 Exercising Corporate Governance

Article 6 The Bank shall follow the Corporate Governance Best Practice Principles for the Bank, the Ethical Corporate Management Best Practice Principles for the Bank, and the Code of Ethical Conduct for the Bank to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

Article 7 The directors of a the Bank shall exercise the due care of good administrators to urge the company to perform its sustainable development initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to implement its sustainable development policies.

The board of directors is advised to take interests of stakeholders and items as below into consideration when promoting goals of sustainable development:

1. Presenting the mission or vision of sustainable development, and establishing policies, system or relevant managing guidelines of sustainable development.

2. Bringing sustainable development into the Bank's daily operation and development direction, and forming a concrete plan of sustainable development.
3. Ensuring relevant information immediacy and accuracy of the disclosure of the Bank's sustainable development.

The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Bank, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8 The Bank is advised to, on a regular basis; organize education and training on the implementation of sustainable development initiatives.

Article 9 For the purpose of managing sustainable development initiatives, and enhancing governance structure, the Bank established its Sustainable Development Committee as the dedicated unit for sustainable development implementation, and a task force was assembled under the Committee to be in charge of proposing and enforcing the sustainable development policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the executive directors on a periodic basis.

The Bank shall adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with sustainable development policies, and that a clear and effective incentive and discipline system be established.

Article 10 The Bank shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the Bank, and establish a designated section for stakeholders on the Bank's website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and

adequately respond to the important sustainable development issues which they are concerned about.

Chapter 3 Fostering a Sustainable Environment

Article 11 The Bank shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12 The Bank is advised to endeavor to utilize energy more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13 The Bank is advised to establish proper environment management systems based on the financial industry. Such systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
2. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article 14 The Bank is advised to establish a dedicated unit for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for its managerial officers and other employees on a periodic basis.

Article 15 The Bank is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and reduce the impact on the natural environment and human beings from its business operations in accordance with the following principles:

1. Reduce resources and energy consumption.

2. Dispose of waste properly.
3. Improve recyclability and reusability of resources.
4. Maximize the sustainability of renewable resources.
5. Improve efficiency of financial products and services.

Article 16 To improve water use efficiency, the Bank shall properly and sustainably use water resources and establish relevant management measures.

Article 17 The Bank shall evaluate the potential present and future risks and opportunities caused by climate change, and take related measures in response to it.

The Bank are advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Bank.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally input or acquired electricity, heating, or steam.
3. Other indirect Greenhouse gas emission: emissions, which is not indirect Greenhouse gas emission, resulting from the Banks's operation, but its emission source owned or controlled by other companies.

The Bank is advised to calculate the total greenhouse gas emission, water consumption, and weight of waste, and should establish company policies for energy conservation, carbon and greenhouse gas reduction, water and waste reduction. Such strategies should minimize the impact of its business operations on climate change.

Chapter 4 Preserving Public Welfare

Article 18 The Bank shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The Bank, to fulfill its responsibility to protect human rights, shall adopt

relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the Bank's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the bank's policy or statement on human rights.
4. In the event of any infringement of human rights, the Bank shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The Bank shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Bank shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. The Bank shall respond to any employee's grievance in an appropriate manner.

Article 19 The Bank shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy.

Article 20 The Bank is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor

to curb dangers to employees' safety and health and to prevent occupational accidents.

The Bank is advised to organize training on safety and health for their employees on a regular basis.

Article 21 The Bank is advised to create an environment conducive to the development of its employees' careers and establish effective training programs to foster career skills.

The Bank shall formulate and implement reasonable employee welfare measures, including remuneration, vacation, and so on, and appropriately reflect the corporate business performance in the employee remuneration to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22 The Bank shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Bank's operations, management and decisions.

The Bank shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Bank shall, by reasonable means, inform employees of operation changes that might have material impacts.

Article 22-1 The Bank is advised to treat customers during trading process for its financial products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons, etc. The Bank shall also develop the relevant strategies and

specific measures for implementation.

Article 23 The Bank shall take responsibility for its financial products and services, and take marketing ethics seriously. In the related operation process, the Bank shall ensure the transparency and safety of its financial products and services. It further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the financial products or services from adversely impacting the rights, interests, health, or safety of consumers.

Article 24 The Bank shall ensure the quality of its financial products and services by following the laws and regulations of the government and relevant standards of their industries.

The Bank shall follow relevant laws, financial regulations and international guidelines about customers' health, safety, and privacy, when marketing or labeling its products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25 The Bank is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The Bank is advised to provide a clear and effective procedure for accepting consumer complaints of its financial products and services, and to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26 The Bank is advised to assess the impact its procurement has on society as well as the environment of the community that it is procuring from, and shall cooperate with its suppliers to jointly implement the sustainable development initiative.

Prior to engaging in commercial dealings, the Bank is advised to assess whether there is any record of a supplier's impact on the environment and society, and

avoid conducting transactions with those against sustainable development policy.

The Bank shall formulate supplier management policies to ask suppliers to follow related regulations about environment protection, occupational safety and health, or labor rights. When the Bank enter into a contract with any suppliers, the content should include terms stipulating mutual compliance with sustainable development or corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27 The Bank shall evaluate the impact of its business operations on the community to enhance community acceptance.

The Bank is advised to, through equity investment, business activities, donation-in-kind, volunteering service or other charitable professional services, etc. dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

The Bank is advised to, through donations, sponsorships, investment, procurement, strategic cooperation, and corporate voluntary technology services or other support models, continuously pour resources into cultural and artistic activities or cultural and creative industries, so as to promote cultural development.

Chapter 5 Enhancing Disclosure of Sustainable Development Information

Article 28 The Bank shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to its sustainable development initiatives to improve information transparency.

The Bank shall disclose relevant sustainable development information as

below :

1. Sustainable development policies, systems, or relevant management guidelines, and concrete promotional plans, which shall be approved by the board of directors.
2. Risk and impact of the Bank's operation and finance resulting from exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare.
3. Promoting goals and measures of the Bank's sustainable development and their performance.
4. Major stakeholders and related topics of concern.
5. Disclosure of information about management and performance of main suppliers for major environmental and social topics.
6. Other relevant information about sustainable development.

Article 29 The Bank shall adopt internationally widely recognized standards or guidelines when producing sustainable development reports, to disclose the status of its implementation of the sustainable development policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing sustainable development initiatives.
2. Major stakeholders and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
4. Future improvements and goals.

Chapter 6 Supplementary Provisions

Article 30 The Bank shall at all times monitor the development of domestic and foreign sustainable development standards and the change of business environment so

as to examine and improve its established sustainable development framework and to obtain better results from the implementation of the sustainable development policy.

Article 31 The Principles and any amendments hereto, shall be implemented after first adoption by the Sustainable Development Committee and final adoption of the Board of Directors and disclosed in Market Observation Post System.