



Sustainable Development Best Practice Principles

Note: The original version of this regulation is published in Chinese. In case of discrepancy between the Chinese and English versions the Chinese version shall prevail.

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Chapter 1 General Principles

Article 1 The Taiwan High Speed Rail Corporation (hereinafter referred to as "the Corporation"), based on the principle of corporate sustainability, holds sustainable development as one of the major core value. To fulfill corporate social responsibility, and to promote economic, social, environmental, and ecological balance and sustainable development, and achieve sustainable operations, the Corporation adopts these Principles for compliance, taking into reference to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and relevant laws and regulations.

Article 2 The Principles apply to the Corporation's entire operations and activities. The Corporation shall actively practice sustainable corporate development in line with international trends, as it engages in business operations. It shall also act as a responsible corporate citizen to contribute to the economic development of the country, improve the quality of life of employees, the community, and society, and enhance its competitive advantages on the foundation of corporate sustainable development.

Article 3 In fulfilling sustainable development initiatives, the Corporation shall, in its corporate operational strategies and management objectives, 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 Corporation shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.

Article 4 To implement sustainable development, the Corporation shall abide by the following principles:

1. Implement corporate governance.
2. Foster a sustainable environment.
3. Maintain public interest of society.
4. Disclosure of sustainable development information.

Article 5 The Corporation shall consider the sustainable development subjects and trends domestically and abroad and its core business operations, as well as the overall operational activity effects on stakeholders, and adopt sustainable development policies, systems or guiding management principles, and concrete proposals for promoting sustainable development programs.

Chapter 2 Implementing Corporate Governance

Article 6 The Corporation complies with relevant domestic laws and regulations and the Corporation's Articles of Incorporation. To establish effective governance frameworks and relevant ethical standards to enhance corporate governance.

Article 7 The Corporation's Directors shall exercise the due care and diligence of good administrators. The Board of Directors ("Board") may authorize management department to handle economic, environmental, and social issues arising from operational activities.

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Management department shall report to the Board on the status of handling such issues. The operational and handling procedures related thereto and the individual personnel responsible for each relevant issue shall be concrete and clear.

Article 8 The Corporation may, on a regular basis, hold education and training courses on the implementation of sustainable development.

Article 9 For sound management of sustainable development, the Corporation may establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and implementing sustainable development policies and concrete promotional plans, and reporting on the same to the Board on a regular basis.

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

The employee performance evaluation system may comply with sustainable development policies, and a clear and effective incentive and discipline system shall be established.

Article 10 The Corporation, based on respect for the rights and interests of stakeholders, shall establish a designated section on corporate website for stakeholders. It shall use appropriate means of communication to gain an understanding of the reasonable expectations and demands of stakeholders, and adequately respond to important sustainable development issues that they may be concerned about.

Chapter 3 Fostering a Sustainable Environment

Article 11 The Corporation shall comply with relevant laws, regulations and international standards to properly protect the natural environment. It shall make the most of the core capabilities of the transportation industry, offer green service, enhance the efficient use of equipment and energy, and establish environmental management systems, to promote a smart and low-carbon society, and achieve the goal of sustainability.

Article 12 The Corporation may endeavor to utilize all resources more efficiently, to use renewable materials with low environmental impact, and to enable sustainable use of earth's resources.

Article 13 The Corporation may establish a suitable environmental management system based on the characteristics of its industry. This system shall include the following:

1. Collecting sufficient and timely information to evaluate the impact of the Corporation's business operations on the natural environment.
2. Establishing measurable goals for environmental sustainability, and regularly examining the continuity and relevance of the goals and developments with respect thereto.
3. Adopting implementation measures such as concrete programs or action plans, and examining the results on a regular basis.

Article 14 The Corporation may establish a dedicated unit or assign dedicated personnel to draft, promote, and maintain relevant environment management systems and concrete action plans, and shall regularly hold environmental education courses.

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Article 15 The Corporation may consider the environmental benefits of its operations, and promote and advocate the concept of sustainable consumption. It shall also conduct research and development, procurement, production, operations, and services in accordance with the following principles, to reduce the impact of the Corporation's operations on the natural environment, creature and the public.

1. Reduce the resource and energy consumption of transportation services.
2. Reduce the emission of pollutants, toxins, and waste, and dispose of waste properly.
3. Improve the recyclability and reusability of materials.
4. Maximize sustainability in the use of renewable resources.
5. Increase the durability of equipment.
6. Increase the efficiency of services.
7. Enhance the conservation, sustainable use of resources, and equitable benefits of marine or terrestrial biodiversity and ecosystems.

Article 16 The Corporation shall construct and strengthen environmental protection and treatment facilities to avoid creating water pollution, waste, air and land pollution, noise, and vibration. It shall also use its best efforts to reduce adverse impact on human health and the environment, and adopt the best practical measures and technology for pollution prevention and control.

Article 17 The Corporation may assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures.

The Corporation shall adopt standards or guidelines generally used domestically and abroad to implement 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 company.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

The Corporation shall compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes.

Chapter 4 Upholding Public Welfare

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

The Corporation shall adopt relevant management policies and processes to fulfill its responsibility to protect human rights.

The Corporation shall comply with internationally recognized human rights of labor, such as freedom of association, right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, and eliminating

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recruitment and employment discrimination. The Corporation shall also ensure that its human resource policies do not involve differential treatment 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 Corporation shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, and ensure equality and transparency in the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed, and the Corporation shall respond to an employee's grievance in an appropriate manner.

Article 19 The Corporation shall provide information to its employees to familiarize the employees with the labor laws and the rights they may have in the countries where the Corporation has business operations.

Article 20 The Corporation may provide a safe and healthy work environment for employees, including necessary health and first-aid facilities. It shall endeavor to reduce hazards to employees' safety and health and to prevent occupational accidents.

The Corporation may organize safety training and health education for employees on a regular basis.

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

Depending on business needs, the Corporation may establish industry-academia collaboration programs to cultivate potential industry talents.

The Corporation shall establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect corporate business performance or results in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and to achieve the objective of sustainable operations.

Article 22 The Corporation shall establish channels for regular two-way communication between management and employees, and entitle employees to be informed about and express their opinions on the Corporation's operations, management, and decisions.

The Corporation shall respect the rights of employee representatives to bargain with respect to working conditions, and shall provide employees with necessary information and hardware equipment to improve negotiation and cooperation among employer, employees, and employee representatives.

The Corporation shall, by reasonable means, inform employees of operational changes that might have a material impact.

Article 22-1

The Corporation shall treat customers or consumers of its 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 Corporation shall also develop the relevant strategies and specific

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measures for implementation.

Article 23 The Corporation shall take responsibility for its products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Corporation shall ensure the transparency and safety of its products and services. It shall also establish and disclose policies on consumer rights and interests and enforce them in the course of business operations, to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

Article 24 The Corporation shall ensure the quality of its products and services by following government laws and regulations and the relevant standards of its industry.

The Corporation shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their 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 Corporation may evaluate and manage all types of risks that may cause interruptions in operations, to reduce the impact on consumers and society.

The Corporation may provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, and shall comply with the Personal Information Protection Act and related laws and regulations, and shall scrupulously respect consumers' right of privacy, and protect personal data provided by consumers.

Article 26 The Corporation may establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights. Prior to engage in commercial dealings, the Corporation shall assess whether there is any record of a supplier's impact on the environment and society, and avoid business cooperation with suppliers who present any conflict with corporate social responsibility policy.

When the Corporation enters into a contract with any major supplier, the content may include terms stipulating mutual compliance with each other's corporate social responsibility policy. The contract may be terminated or rescinded at 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 Corporation shall evaluate the impact of its business operations on the community, and adequately employ personnel from the locale of the business operations, to enhance community acceptance.

The Corporation may, through commercial activities, endowments, volunteer service, or other public-interest professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in community development and community education related events held by citizen organizations, charitable groups, and local government agencies, to promote community development.

Article 27-1

The Corporation may, through endowments, sponsorship, procurement, strategic cooperation, volunteer technical service, or other supporting models etc., dedicate

resources to cultural art activities or cultural creativity industry to promote cultural development.

Chapter 5 Enhancing Disclosure of Sustainable Development Information

Article 28 The Corporation shall disclose information in accordance with relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and shall fully disclose relevant and reliable sustainable development information, to improve information transparency.

Article 29 The Corporation shall adopt internationally recognized standards or guidelines to produce sustainable development reports, to disclose the status of its implementation of sustainable development. It also may obtain third-party assurance or verification of reports, to enhance the reliability of the information in the reports. The content of reports should include:

1. Policy, system, or relevant management guidelines and concrete promotion plans for implementing sustainable development.
2. Major stakeholders and related concerns.
3. Performance results and review of the implementation of corporate governance, fostering of a sustainable environment, preserving of public welfare, and promoting of economic development.
4. Future directions for improvement and goals.

Chapter 6 Supplementary Provisions

Article 30 The Corporation shall continually monitor the development of relevant domestic and foreign sustainable development standards and changes in the business environment, as a basis for examining and improving its established sustainable development system, to obtain better results from its implementation of sustainable development.

Article 31 These Principles and any amendments hereto, shall be implemented after they have been passed by a resolution of the Board and submitted in a report to a shareholders' meeting.