



## Charter of the Special Committee

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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# Taiwan High Speed Rail Corporation Charter of the Special Committee

## Article 1 Basis for Adoption

To ensure the soundness of the Corporation's governance system; strengthen the supervisory capabilities of the Board of Directors ("Board") toward major legal and contract disputes of the Corporation, changes in important management systems, and proposals relating to procurement matters; and enhance the quality of board meetings, this Charter (hereinafter referred to as "Charter") of the Special Committee (hereinafter referred to as "Committee") is adopted pursuant to Article 27 of the Corporation's Articles of Incorporation and Article 5-1-01 of the Corporation's Guidelines for Corporate Governance.

## Article 2 Scope of Application

Matters concerning Committee composition, member numbers, term of office, powers, rules of procedure for meetings, and resources to be provided by the Corporation when the Committee implements its duties shall be handled in accordance with this Charter, except where otherwise provided by laws and regulations or the Corporation's Articles of Incorporation and Guidelines for Corporate Governance.

## Article 3 Main Committee Tasks

Committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed below; they shall be accountable to the Board and shall submit their proposals to be resolved by the Board.

1. Provide counsel and suggestions in accordance with Board resolutions on major legal or contractual disputes of our company with external parties, significant labor-management disputes or agreements, and important institutional changes of the Corporation, and assist the Board in supervising the implementation of said resolutions by managerial departments.
2. Review proposals relating to procurement matters (hereinafter referred to as "procurement proposals") that should be submitted to the Board by managerial departments according to Corporation bylaws, excepting procurement proposals between the Corporation and related parties, which shall be reviewed by the Audit Committee according to the stipulations of this Charter as per Article 8-05 of the Corporation's Guidelines for Corporate Governance.
3. Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.

## Article 4 Committee Structure

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The Committee shall be composed of 5 to 7 members. Recommendations on member composition shall be submitted to the Board by the Sustainable Development & Nominating Committee, and at least one member shall be an independent director.

**Article 5 Term of Office for Committee Members**

The term of Committee members, except as otherwise provided by laws and regulations or the Corporation's Articles of Incorporation and bylaws, shall extend from the date of the director's selection as Committee member by the Board to the date of expiration of the director's term, the director's resignation from the Committee or the directorship, or the director's replacement by another director selected as Committee member by the Board.

When a member of the Committee is dismissed for any reason, resulting in there being fewer than the number of members stated in the preceding article, the vacancies shall be filled in accordance with the election procedures stipulated in the preceding article. In the event, however, that an independent director is dismissed and there is no other independent director, the Corporation may appoint someone who is not qualified to act as independent director to be a member of the Committee prior to appointment of independent director at a by-election in accordance to the regulations, who will be replaced by the independent director elected in the by-election

**Article 6 Convener**

The Committee shall call one member selected by the members from among themselves to serve as convener for the purposes of overseeing meeting matters.

Committee meetings shall be called by the convener, who shall serve as the meeting chair. When the Committee convener is dismissed for any reason, the Committee shall immediately select another convener according to the procedures stipulated in the preceding article, and shall submit the results to the Board.

The convener of this Committee shall represent the Committee to the public.

When the convener is on leave or for any reason unable to exercise the powers of chairperson, the convener shall appoint another Committee member to act as a convener. If the convener does not make such an appointment, the other Committee members shall select a member from among themselves to serve as acting convener.

**Article 7 Meeting Procedures**

The designated unit responsible for handling Committee meeting affairs shall be the Secretariat Division of the Board of Directors (hereinafter abbreviated as the Secretariat Division).

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Matters relating to meeting convening, attendance, resolutions, and records shall adhere to the Corporation's Rules of Procedure for Board of Directors Meetings, except where otherwise provided by Board or Committee resolutions or this Charter.

If any Committee member, or a government or a juristic person represented by a Committee member is an interested party in relation to an agenda item, said Committee member shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Corporation, said member shall not participate in discussion and voting on that agenda item and shall recuse himself or herself from the discussion and the voting on the item, and shall not exercise the voting right as proxy on behalf of another Committee member.

Where the spouse or a blood relative within the second degree of kinship of a Committee member, or any company which has a controlling or subordinate relation with a Committee member, is an interested party in relation to an agenda item, such Committee member shall be deemed to be a personal interested party in relation to that agenda item.

The Secretariat Division shall stay abreast of any matters presenting conflicts of interest for Committee members, and shall remind them of such.

Except as otherwise provided by laws and regulations or the Corporation's Articles of Incorporation and bylaws, a resolution of a Committee meeting requires the approval of more than one-half of Committee members present at the meeting that shall be attended by two-thirds or more of Committee members. When a matter comes to a vote at a Committee meeting, if upon inquiry by the meeting chair no member voices an objection, the matter will be deemed approved, with the same effect as approval by vote. The result of a vote shall be made known immediately and recorded in writing.

When the Committee convener or Committee members are unable to exercise their duties due to absence, recusal, or other reasons, resulting in failure to convene a meeting or inability to reach a resolution under the stipulations of the preceding paragraph, the Corporation Chairperson shall adopt the following response measures based on suggestions provided by the Committee convener or Committee members:

1. Submit the matter under review to the Board.
2. Invite Committee members to provide individually or jointly prepared written recommendations for submission to the Board.

The Committee may request directors, management-level personnel of relevant departments, internal auditors, certified public accountants, legal consultants or other personnel to attend the meeting as non-voting participants and provide related information as required.

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Article 8 Meeting Minutes

Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:

1. The session, time, and place of the meeting.
2. The name of the meeting chair.
3. Attendance by Committee members, including the names and the number of members present, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: For each proposal, the method of resolution and the result; a summary of the comments made by the Committee members, experts and other persons; the name of any Committee member who is an interested party, explanation of the important aspects of the relationship of the interest held by the Committee member, the reason why said member should or should not recuse himself or herself, and recusal status; and any objections or reservations expressed.
8. Extraordinary motions: The name of the mover; the method of resolution and the result; a summary of the comments made by the Committee members, experts, and other persons; the name of any Committee member who is an interested party, explanation of the important aspects of the relationship of the interest held by the Committee member, the reason why said member should or should not recuse himself or herself, and recusal status; and any objections or reservations expressed.
9. Other matters required to be recorded.

The Committee shall base its resolutions for procurement proposals on the information and explanations submitted by management. If Committee members claim a need to suspend submission of Committee resolutions to the Board, the evidences and reasons for said suspension shall be specified in the minutes for the Committee meeting.

The Committee attendance book constitutes part of the minutes for each meeting. Where a Committee meeting is held by videoconference, the video and audio documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the Corporation.

The minutes of a Committee meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each

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Committee member within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Corporation.

The meeting minutes may be produced and distributed in electronic form.

**Article 9 Resources Provided by the Corporation for Implementation of this Committee Duties**

The Committee may retain the services of an attorney, certified public accountant, or other professionals to provide advice with respect to matters conducive to implementation of Committee tasks. The costs of these services shall be borne by the Corporation.

**Article 10 Duty of Management to Provide Information**

Management shall proactively provide necessary and sufficient information to the Committee under any of the following circumstances:

1. Where necessary for meeting proposals put forth by management.
2. Where necessary due to sudden major events relating to Committee duties.
3. Where necessary due to updates made to information previously provided to the Committee.
4. All documentation relating to tendering, bidding, and tender review of procurement proposals (including all meeting minutes, internal RFAs, and evaluation reports) shall be compiled at the Corporation prior to the meeting, and may be displayed, perused, or used to provide necessary explanation upon the request of Committee members during the meeting, excepting information relating to proposed pricing for procurement proposals.

The Committee may, via the Secretariat Division, require management to provide necessary and sufficient information conducive to the implementation of Committee tasks, and may confer with related personnel to better understand the operations of the Corporation.

Except where disclosure is required by laws and regulations or Corporation bylaws, Committee members, non-voting participants, and other personnel participating in review tasks shall bear a duty of confidentiality toward the information obtained as a result of participation in meeting proceedings or deliberations.

**Article 11 Duty of Due Diligence and Care by Management and the Trust in Good Faith by the Committees**

When management prepares any proposal that is to be submitted to the Committee, it shall, based on objective and professional due diligence and care and subjective good

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faith conviction, and after thorough and prudent evaluation, submit concrete and specific recommendations, and specify the method and basis of the evaluation, the reasons for the recommendations, and other matters meriting attention. If the content of a proposal involves any economic interests connected with major shareholders, directors, managerial officers, or departmental employees, or the family members of any of the above, or any other stakeholders, the specifics thereof shall be stated along with the proposal.

“Objective and professional due diligence and care” in the preceding paragraph includes, without limitation, exerting the utmost professional ability to prudently evaluate and confirm that the content of the proposal and recommendations are legal, appropriate, necessary, feasible, and consistent with the rights and interests of the Corporation and its shareholders. If there is any involvement of any economic interest connected with any stakeholder under the preceding paragraph, management shall furthermore evaluate and confirm that there is no conflict of interest with, or other circumstance prejudicial to, the rights and interests of the Corporation and shareholders.

“Subjective good faith conviction” in Paragraph 1 means the conviction, based solely on concern for the rights and interests of the Corporation and its shareholders, that the content of the proposal and recommendations are consistent with the duty of due diligence and care under the preceding paragraph, and the willingness to take responsibility for the content of the proposal and the results of its execution, and not to look to the deliberations and resolutions by the Committee as a release from responsibility. This shall not apply, however, where the Committee's deliberation or resolution differs from the content proposed or recommended by management and management does not express support and affirmation on the spot.

When reviewing management proposals in accordance with the procedures of this Charter, the Committee shall adopt an attitude of trust in good faith toward the professional insights of management and the authenticity and comprehensiveness of their evaluations, judgment, and information provided. The scope of the Committee's review responsibilities shall be limited to the proposals and recommendations submitted by management and materials provided for perusal.

**Article 12 Adoption and Amendment of this Charter**

This Charter, and any amendments hereto, shall be drafted by the Committee; shall take effect following approval by the Sustainable Development & Nominating Committee and the Board.