

# **Taiwan High Speed Rail Corporation**

## **Minutes for 2023 Annual Shareholders' Meeting**

Date and Time: 9:00 a.m., May 25, 2023

Venue: Cathay Financial Conference Hall (1F., No. 9, Songren Rd., Xinyi Dist., Taipei City)

Attending directors: Chairman Yao-Chung Chiang, Independent Director Duei Tsai (Convener of Audit Committee), Independent Director Kenneth Huang-Chuan Chiu (Convener of Remuneration Committee), Independent Director Yung-Cheng (Rex) Lai, Independent Director Pai-Ta Shih, Director Chin-Hong Pan, and Director Shien-Quey Kao. (A total of 7 directors attended the Annual Shareholders' Meeting, representing more than half of all 13 Corporation directors.)

Other attendees:

Deloitte & Touche: Jui-Hsuan Ho

Baker McKenzie: Mark Tu

Railway Bureau, Ministry of Transportation and Communications guidance personnel: Chief Secretary Kang Lee, Chief Wen-Mei Chen, Officer I-Wen Weng.

Chairman: Yao-Chung Chiang

Recorded by: Barret Wang

Attending shareholders: Total number of outstanding Corporation shares amounted to 5,628,293,058 shares, with 0 shares holding no voting rights. Of these, holders of 4,734,049,056 common shares attended in person, holders of 4,254,781,693 common shares attended electronically, 0 common shares were publicly solicited proxies, and 20,397,857 common shares were non-solicited proxies. The total number of participating common shares was 4,754,446,913 shares; the attendance rate was 84.47%.

Meeting commencement: The Chairman announced the commencement of the meeting as shares represented by attending shareholders had reached the number legally required for the shareholders meetings.

Chairman's opening speech:

Good morning to all our shareholders and honored guests.

I welcome you all to the THSRC 2023 Annual Shareholders Meeting. On behalf of all Corporation directors, I would like to offer sincere thanks to all of you for your long-term support, and for taking time out of your schedules to personally attend this shareholders meeting and provide us with guidance and encouragement.

The pandemic has finally come to an end after three years, and the government is gradually lifting epidemic prevention restrictions. THSRC's passenger volumes have grown steadily since last July, and our monthly passenger volumes for December reached 6.214 million passengers, equivalent to an average of 200,000 daily passengers. These encouraging results have continued to this day, helped by various festivals, vacations, large-scale events, and strong domestic tourism demand. This year, our passenger volumes grew steadily from January to April, and our daily passenger volumes for April reached 207,000 passengers, setting a record for the highest average daily passenger volumes seen in for one month. Today, we can confidently announce to all shareholders that our passenger volumes and revenues have returned to pre-pandemic levels, and the joint efforts of all colleagues during the pandemic increased revenues and cut costs, such that we were able to successfully weather the challenges of the pandemic.

Looking to the rest of the year, we plan to proactively improve our digital services and convenience of mobile ticket purchases, expand promotion of TGo membership, and refine the quality of travel products and services. We are cautiously optimistic regarding passenger volumes and revenues for the year. Additionally, after more than 4 years and 3 rounds of bidding, we have finally signed a contract to procure new-generation THSRC trainsets. All 12 new trainsets are scheduled to commence operations in 2027, which will expand our capacity and provide passengers with more comfortable and convenient travel services.

Despite our current revenue performance, I have warned our management team to proceed cautiously in the face of unpredictable and unknown post-pandemic challenges. In recent years, the entire globe has suffered from extreme climate threats, and many unprecedented disasters have occurred. THSRC will continually refine operational efficiency and risk management to prevent problems and we are also in the midst of corporate digital transformations. Demographic and technological trends are changing rapidly, reminding us

that we must refine all services and technologies to ensure sustainable development. Faced with new environments and high passenger volumes, we are carefully considering advance responses that will enable us to fulfill passenger needs and increase revenues using innovative services, as well as fulfill our corporate social responsibilities through supply chain management.

Implementing carbon reductions and fulfilling corporate social responsibilities is our goal, as well as a consensus and commitment of many countries and enterprises in the world. We have planned out our strategies and will initiate our second “5-Year Medium to Long Term Strategic Plan” this year in combination with the United Nations Sustainable Development Goals, incorporating ESG concepts into various business targets and strengthening corporate governance. In 2027, we hope our safe, excellent, and innovative passenger services can further enhance life in Taiwan.

I would like to take this opportunity to inform our shareholders that THSRC possesses the capabilities to maximize shareholder benefits while pursuing ESG and sustainability targets. Earlier this year, Corporate Knights, an internationally renowned sustainability research institute, selected THSRC as one of the top 100 most sustainable global enterprises out of 6,720 companies with annual revenues surpassing 1 billion USD. We were ranked at ninth place in the world’s most sustainable companies, the highest ranking out of the 19 companies in Asia. The results of the 9th Corporate Governance Evaluations recently released by the Taiwan Stock Exchange shows that we have maintained our excellent corporate governance performance for six consecutive years and remained in the top 5% of listed companies.

Based on these recognitions from domestic and foreign institutes, we firmly believe that THSRC is capable of strong operational resilience, can overcome various challenges in the face of rapid changes, and holds the abilities to find new business opportunities in new environments. We believe that many more high-quality enterprises and institutes will choose to work with THSRC in future, giving us the opportunity to become a leading benchmark enterprise for ESG implementations in Taiwan.

THSRC is fully prepared to find an optimal balance between “profits” and “sustainability.” In addition to providing considerate, safe, and satisfactory travel experiences for our passengers, we also create real and sustainable profits for our shareholders by pursuing environment sustainability, social sustainability, and corporate sustainability goals. I hope all of you can continue to support THSRC so that we can continue to move forward and

improve society. Thank you!

There are four management presentations and two proposals on the agenda for today's shareholders meeting. Please refer to the Meeting Handbook for more information. We will also elect the 10th Board of Directors (15 directors, including 5 independent directors) at today's meeting and lift director non-competition restrictions. We hope all of you can provide your support for this meeting.

I would like to report to all shareholders that we posted public notice for shareholder proposals relating to this meeting in accordance with Article 172-1 of the Company Act, and no shareholders submitted proposals during the notice period.

THSRC adopts a candidate nomination system for director election, and announcements for director candidate nominations were handled in accordance with Article 192-1 of the Company Act. Apart from the candidates nominated by the 36th meeting of the 9th Board on March 15, 2023, no other candidates were nominated during the announcement period. Please refer to Appendix II of the Meeting Handbook for the list of nominated director candidates.

According to FSC regulations, companies which have adopted electronic voting procedures at shareholder meetings are required to vote on motions for which shareholders with electronic voting rights have expressed objections or abstentions. To save time, we will vote on each respective motion after discussions for all proposal and discussion motions have concluded, and then move on to director elections and removal of non-competition restrictions against directors.

I will now ask the master of ceremonies to continue with the proceedings for today's shareholders meeting. Thank you.

#### I. Management Presentations:

Report No. 1: Report on Corporation Execution of Corporate Governance (Please refer to Appendix I).

Report No. 2: Report on Allocation of 2022 Remuneration to Board of Directors and Employees (Please refer to Appendix II).

Report No. 3: Report on Director Remuneration for 2022 (Please refer to Appendix III).

Report No. 4: Revision of Sustainable Development Best Practice Principles (Please refer to Appendix IV).

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Following the first to fourth management presentations, the Chairman received no objections from all shareholders present, and the reports were acknowledged by the shareholders

## II. Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposal of 2022 Annual Business Report and Financial Statements of the Corporation.

Explanation: The Corporation's 2022 Business Report (please refer to Appendix V) and Financial Statements (please refer to Appendix VI) were approved on February 22, 2023 at the 35th meeting of the 9th Board. The financial statements were audited by certified public accountants, and an audit report thereto was issued on February 22, 2023 (please refer to Appendix VII), distributed to the Audit Committee for review (please refer to Appendix VIII), and is hereby submitted for adoption at shareholders' annual general meeting.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

(For proposals, holders of 4,734,045,874 common shares attended in person, holders of 4,254,781,693 common shares attended electronically, 0 common shares were publicly solicited proxies, and 20,397,857 common shares were non-solicited proxies. The total number of participating common shares was 4,754,443,731 shares, amounting to 84.47% of all outstanding common shares.)

Total number of shareholder votes present during vote: 4,754,443,731

| Voting results    | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|-------------------|---|---|
| Approval votes    | 4,562,130,432<br>(Including 4,062,585,693 electronic votes) | 95.95%  |
| Disapproval votes | 602,434<br>(Including 602,434 electronic votes)             | 0.01%   |
| Invalid votes     | 17,000  | 0.00%   |

|                                      |   |       |
|--------------------------------------|---|-------|
| Abstention<br>votes/no votes         | 191,693,865<br>(Including 191,593,566 electronic votes) | 4.03% |
| The motion was approved as proposed. |   |       |

Proposal No. 2: Proposed by the Board

Proposal: Proposal of 2022 Profit Distributions of the Corporation.

Explanation:

1. As of year-end 2022, our distributable earnings amounted to NT\$ 6,244 million.
2. In order to stabilize and balance payout policies and in consideration of long-term corporate financial planning, the Corporation proposes cash dividends of NT\$0.67 per share for 2022 profit distribution, amounting to NT\$3,770,956,349 on a basis of 5,628,293,058 common shares outstanding.
3. The Corporation's profit distribution table for 2022 was approved at the 36th meeting of the 9th Board on March 15, 2023, circulated to the Audit Committee for review (please refer to Appendix IX), and is hereby submitted to the shareholders' annual general meeting for approval.

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PROFIT DISTRIBUTION TABLE

| Fiscal Year 2022  | Unit: NT\$      |
|---|-----------------|
| Unappropriated retained earnings at the beginning of the period | 2,843,270,184   |
| Add: Net income for 2022  | 3,769,337,761   |
| Add: Re-measurements of defined benefit plan                    | 9,004,800       |
| Undistributed earnings  | 6,621,612,745   |
| Less: 10% legal reserve   | (377,834,256)   |
| 2022 distributable earnings                                     | 6,243,778,489   |
| Distributable items:  |                 |
| Cash dividends (NT\$0.67 per share)                             | (3,770,956,349) |
| Current-year undistributed earnings                             | 2,472,822,140   |

4. Following approval from the 2023 shareholders' annual general meeting, the cash dividends will be distributed on an ex-dividend date payment date to be determined by the Board.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,754,443,731

| Voting results                       | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|--------------------------------------|---|---|
| Approval votes                       | 4,559,411,172<br>(Including 4,059,875,158 electronic votes) | 95.89%  |
| Disapproval votes                    | 4,038,135<br>(Including 4,038,135 electronic votes)         | 0.08%   |
| Invalid votes                        | 17,000  | 0.00%   |
| Abstention votes/no votes            | 190,977,424<br>(Including 190,868,400 electronic votes)     | 4.01%   |
| The motion was approved as proposed. |   |   |

### III. Election Matters

#### Election of the Corporation's 10th Board of Directors

1. According to Article 17 and 17-1 of the Corporation's Articles of Incorporation, the Corporation's Board shall be composed of 9 to 17 directors, with the number of independent directors being no less than 3 and no less than one-third the number of directors. The total number of directors (including independent directors) is determined by the Board. Furthermore, the candidate nomination system stipulated in Article 192-1 of the Company Act is adopted for election of directors.

2. The quota of 15 directors (including 5 independent directors) to be elected was approved at the 35th meeting of the 9th Board dated February 22, 2023. Following election, the newly appointed directors will assume office after this shareholders' general meeting, with their three-year term starting on May 25, 2023 and ending on May 24, 2026.

3. Nomination of director (and independent director) candidates was carried out from March 17 to March 29, 2023. A list of nominated directors (and independent directors) was submitted at the 36th meeting of the 9th Board on March 15, 2023, and no other director (or independent director) candidates were nominated by shareholders.

4. The candidate nomination system is adopted for election of directors (and independent

directors) and the shareholders shall elect directors from among the nominees listed in the roster of director candidates. Please refer to Attachment II for education backgrounds, past work experience, and other relevant information of the candidates (p.61-p.73 of the Annual Meeting Handbook).

5. Please refer to Appendix II for the Corporation's Rules for the Election of Directors (p.91-p.94 of the Annual Meeting Handbook).

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Election results:

(For elections, holders of 4,734,045,874 common shares attended in person, holders of 4,254,781,693 common shares attended electronically, 0 common shares were publicly solicited proxies, and 20,397,857 common shares were non-solicited proxies. The total number of participating common shares was 4,754,443,731 shares, amounting to 84.47% of all outstanding common shares.)

Listed of elected directors:

| Shareholder No. | Account or Name   | Votes Received (Including Electronic Votes)                 |
|-----------------|---|---|
| 51400           | China Aviation Development Foundation<br>Representative: Yao-Chung Chiang                           | 8,286,687,288<br>(Including 7,736,352,399 electronic votes) |
| 92268           | Ministry of Transportation and Communications<br>Representative: Chin-Hong Pan                      | 6,993,506,866<br>(Including 6,472,420,311 electronic votes) |
| 92268           | Ministry of Transportation and Communications<br>Representative: Cheng-Chung Young                  | 6,747,830,719<br>(Including 6,226,865,669 electronic votes) |
| 51400           | China Aviation Development Foundation<br>Representative: Yu-Fen Hung                                | 6,381,780,049<br>(Including 5,860,973,874 electronic votes) |
| 51400           | China Aviation Development Foundation<br>Representative: Wei-Cheng Hsieh                            | 6,139,593,851<br>(Including 5,618,813,851 electronic votes) |
| 43831           | China Steel Corporation<br>Representative: Chao-Tung Wong   | 5,731,891,224<br>(Including 5,470,808,424 electronic votes) |
| 5762            | Taiwan Sugar Corporation<br>Representative: Chao-Yih Chen   | 5,492,770,308<br>(Including 2,231,993,908 electronic votes) |
| 38578           | Management Committee of National Development Fund, Executive Yuan<br>Representative: Shien-Quey Kao | 5,260,616,524<br>(Including 4,999,815,819 electronic votes) |



| Shareholder No. | Account or Name   | Votes Received (Including Electronic Votes)                 |
|-----------------|---|---|
| 11              | TECO Electric & Machinery Co., Ltd.<br>Representative: Mao-Hsiung Huang | 5,003,849,863<br>(Including 4,565,352,863 electronic votes) |
| 6               | Taipei Fubon Commercial Bank Co., Ltd.<br>Representative: Chu-Min Hong  | 4,830,533,035<br>(Including 4,569,523,035 electronic votes) |

List of elected independent directors:

| Personal Identification No. | Name                     | Votes Received (Including Electronic Votes)                 |
|-----------------------------|--------------------------|---|
| E10058XXXX                  | Kenneth Huang-Chuan Chiu | 1,143,642,326<br>(Including 1,020,288,041 electronic votes) |
| L10093XXXX                  | Duei Tsai                | 1,065,700,918<br>(Including 965,936,765 electronic votes)   |
| H10179XXXX                  | Ming-Teh Wang            | 1,022,950,553<br>(Including 948,137,982 electronic votes)   |
| U12015XXXX                  | Pai-Ta Shih              | 943,710,937<br>(Including 893,475,498 electronic votes)     |
| M12152XXXX                  | Yung-Cheng (Rex) Lai     | 870,766,546<br>(Including 845,686,964 electronic votes)     |

#### IV. Other Discussion Items: Proposed by the Board

Proposal: Removal of Non-Competition Restriction Against the Corporation's 10th Board of Directors

Explanation:

1. According to Paragraph 1, Article 209 of the Company Act, a director who does anything for themselves or on behalf of another person that is within the scope of the company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure approval to conduct the same.
2. In view of the fact that director (and independent director) candidates nominated by the Board hold concurrent positions in enterprises whose business is partly the same or similar with the Corporation, we have prepared a list of directors to release from non-

competition restrictions according to the foregoing stipulation of Article 209 of the Company Act (please refer to Attachment III on p.74-p.76 of the Annual Meeting Handbook), and submit this to the shareholders' general meeting for approval to release prohibition on newly elected directors and their representatives from participation in competing business on the condition that such participation will not jeopardize the interests of the Corporation.

3. This proposal requests on-the-spot approval regarding directors and scope of noncompetition restrictions in accordance with the election results for directors of the 10th Board.
4. The proposal was approved at the 37th meeting of the 9th Board dated April 12, 2023 and is hereby submitted to the shareholders' annual general meeting for approval.

Supplementary explanations from the Chairman:

Attending shareholders who are listed as directors seeking removal of non-competition restrictions under this proposal are not allowed to participate in the vote for removal of their non-competition restrictions in accordance with articles 178 and 180 of the Company Act, and will not be included in the number of shareholder votes present during the vote.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

(For other discussion items, holders of 4,734,049,056 common shares attended in person, holders of 4,254,781,693 common shares attended electronically, 0 common shares were publicly solicited proxies, and 20,397,857 common shares were non-solicited proxies. The total number of participating common shares was 4,754,446,913 shares, amounting to 84.47% of all outstanding common shares.)

(1) Removal of non-competition restrictions for China Aviation Development Foundation and representative director Yao-Chung Chiang:

Number of shareholder votes present after deducting abstaining votes in accordance with article 178 and 180 of the Company Act: 4,494,406,913

| Voting results                       | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|--------------------------------------|---|---|
| Approval votes                       | 4,266,736,065<br>(Including 4,027,874,632 electronic votes) | 94.93%  |
| Disapproval votes                    | 1,765,143<br>(Including 1,743,837 electronic votes)         | 0.03%   |
| Invalid votes                        | 0   | 0.00%   |
| Abstention votes/no votes            | 225,905,705<br>(Including 225,163,224 electronic votes)     | 5.02%   |
| The motion was approved as proposed. |   |   |

(2) Removal of non-competition restrictions for China Steel Corporation and representative director Chao-Tung Wong:

Number of shareholder votes present after deducting abstaining votes in accordance with article 178 and 180 of the Company Act: 4,512,298,913

| Voting results                       | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|--------------------------------------|---|---|
| Approval votes                       | 4,284,563,395<br>(Including 3,785,661,962 electronic votes) | 94.95%  |
| Disapproval votes                    | 1,872,906<br>(Including 1,851,600 electronic votes)         | 0.04%   |
| Invalid votes                        | 0   | 0.00%   |
| Abstention votes/no votes            | 225,862,612<br>(Including 225,120,131 electronic votes)     | 5.00%   |
| The motion was approved as proposed. |   |   |

(3) Removal of non-competition restrictions for Taiwan Sugar Corporation and representative director Chao-Yih Chen:

Number of shareholder votes present after deducting abstaining votes in accordance with article 178 and 180 of the Company Act: 4,554,446,913

| Voting results                       | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|--------------------------------------|---|---|
| Approval votes                       | 4,326,704,998<br>(Including 4,027,803,565 electronic votes) | 94.99%  |
| Disapproval votes                    | 1,867,079<br>(Including 1,845,773 electronic votes)         | 0.04%   |
| Invalid votes                        | 0   | 0.00%   |
| Abstention votes/no votes            | 225,874,836<br>(Including 225,132,355 electronic votes)     | 4.95%   |
| The motion was approved as proposed. |   |   |

(4) Removal of non-competition restrictions for TECO Electric & Machinery Co. Ltd. and representative director Mao-Hsiung Huang:

Number of shareholder votes present after deducting abstaining votes in accordance with article 178 and 180 of the Company Act: 4,564,386,335

| Voting results                       | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|--------------------------------------|---|---|
| Approval votes                       | 4,336,490,046<br>(Including 3,837,568,613 electronic votes) | 95%   |
| Disapproval votes                    | 1,897,059<br>(Including 1,884,478 electronic votes)         | 0.04%   |
| Invalid votes                        | 0   | 0.00%   |
| Abstention votes/no votes            | 225,999,230<br>(Including 225,268,024 electronic votes)     | 4.95%   |
| The motion was approved as proposed. |   |   |

(5) Removal of non-competition restrictions for Taipei Fubon Commercial Bank Co., Ltd. and representative director Chu-Min Hong:

Number of shareholder votes present after deducting abstaining votes in accordance with article 178 and 180 of the Company Act: 4,734,169,313

| Voting results                       | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|--------------------------------------|---|---|
| Approval votes                       | 4,506,391,341<br>(Including 4,007,469,908 electronic votes) | 95.18%  |
| Disapproval votes                    | 1,889,825<br>(Including 1,877,244 electronic votes)         | 0.03%   |
| Invalid votes                        | 0   | 0.00%   |
| Abstention votes/no votes            | 225,888,147<br>(Including 225,156,941 electronic votes)     | 4.77%   |
| The motion was approved as proposed. |   |   |

(6) Removal of non-competition restrictions for Independent Director Duei Tsai:

Number of shareholder votes present after deducting abstaining votes in accordance with article 178 and 180 of the Company Act: 4,754,446,913

| Voting results                       | Number of shareholder votes                                 | Proportion of shareholder votes present during vote (%) |
|--------------------------------------|---|---|
| Approval votes                       | 4,526,846,012<br>(Including 4,027,924,579 electronic votes) | 95.21%  |
| Disapproval votes                    | 1,713,252<br>(Including 1,700,671 electronic votes)         | 0.03%   |
| Invalid votes                        | 0   | 0.00%   |
| Abstention votes/no votes            | 225,887,649<br>(Including 225,156,443 electronic votes)     | 4.75%   |
| The motion was approved as proposed. |   |   |

V. Extraordinary Motions:

✧ Chairman's statement: Shareholder No. 216447 submitted a request to speak at the meeting, so we will now open the floor to Shareholder No. 216447.

Summary of shareholder inquiries:

✧ Shareholder No. 216447: This is the first time I have attended a THSRC shareholders

meeting, but I feel dissatisfied. Even though I am a small shareholder, I feel that shareholders should hold the highest rights at a shareholders meeting. Most shareholders are government officials, so shareholders' meetings should be attentive of shareholder convenience and opinions, and not guard against us. I feel that the voting strategy is strange and suggest that the Chairman and directors change it next year. When I attended the Chunghwa Telecom shareholders meeting, it was like we were getting ready to fight a war, as there were many burly men in attendance due to long-term accumulations of conflicts between employees and current management. I hope that the high-speed rail industry, which is a monopoly industry, will not become the same as Chunghwa Telecom. Looking over the financial statements, I see that revenues increased by NT\$7 billion last year, but profits only increased by NT\$160 million. Where is the remaining NT\$6.84 billion? Why have profits only increased by 2% even though revenues have increased by 20%? I feel that the CPAs, audit personnel, and the Audit Committee should give more thought to this discrepancy. During the pandemic, chairmen, presidents, and directors of many foreign enterprises took pay cuts of one-half or one-third due to poor business performance, but THSRC is a monopoly, so I do not think this happened. I often take the HSR, so I know that the number of passengers definitely declined, but revenues increased by NT\$7 billion, so I feel that the Chairman and CPAs should provide explanation regarding the remaining NT\$ 6.8 billion to shareholders. I worked in R&D and therefore know that this is not an easy path. I often take the HSR and find the attendants to be considerate, but there seems to be little innovation in the form of patents or trademarks disclosed in the THSRC financial statements. I feel that even monopoly companies require sound internal controls and operations to advance. I think THSRC is well-operated, which makes me happy. I hope to see you again next year.

※Chairman's statement: Thank you. I will invite our CPA, Mr. Ho, to provide a brief explanation regarding our financial statements.

※CPA Jui-Hsuan Ho: Responding to the shareholder's question in accordance with the Chairman's directive, the shareholder mentioned that revenues for 2022 increased by NT\$7 billion compared with 2021, which was mainly due to changes in pandemic conditions. Not considering the financial stabilization mechanism (FSM), in 2021, when pandemic

conditions were severe, THSRC experienced losses, and in 2022, after the pandemic eased and passenger volumes increased, revenues rose, resulting in positive before-tax profits. The FSM is detailed on Page 246 of the THSRC Annual Report. Before the pandemic, THSRC allocated full amounts to the FSM for use during loss periods under the pandemic. As can be seen from the comprehensive income statement on Page 210 of the Annual Report and Page 34 of the Meeting Handbook, nearly NT\$400 million was deposited from the FSM reserve in 2022, and NT\$6.5 billion was deposited in 2021 when pandemic conditions were severe. Funds are deposited from the FSM reserve when after-tax profits fall below NT\$3.5 billion, regardless of whether THSRC was profitable. I believe that with the pandemic easing and passenger volumes rising in 2023, after-tax profits for this year will be very different from 2022 and 2021.

✧Chairman: Thank you for also expressing an interest in our intellectual properties. In terms of patents, we have obtained approval for 60 patents as of year-end 2022, with one new patent application in 2022 and one invention patent currently under review. We have obtained 168 trademarks, and received approval for 2 new trademarks in 2022. We have gained a total of NT\$1.47 million through value-added utilizations of these intellectual properties; relevant information is recorded on Page 174 of our Annual Report for your reference. Thank you.

The Chairman provided full explanation and response to the above inquiries, and these were acknowledged by the shareholders.

VI. Meeting closed: May 25, 2023 at 10:21 a.m.

Notes:

1. The proportion of shareholder votes present during vote for approval votes, disapproval votes, abstention votes, invalid votes, and no votes were automatically calculated and were rounded unconditionally to the second decimal place; this difference in decimal points may cause the total proportion to be unequal to 100.00%.
2. These meeting minutes only provide a summary of shareholder inquiries; full inquiries and responses taken from on-site audio and video recordings shall prevail.

# Appendix I

## **Report No. 1: Report on Corporation Execution of Corporate Governance**

According to Paragraph 3, Article 5-2-02 of the Corporation's "Guidelines for Corporate Governance" (GCG), the Corporate Governance and Nominating Committee should prepare a report on the Corporation's implementation of corporate governance prior to each shareholders' annual general meeting. Following review by the Board, said report shall be included in the Annual Meeting Handbook. The Corporation's report on corporation execution of corporate governance for the current year was approved at the 35th meeting of the 9th Board on February 22, 2023, and is hereby presented to the shareholders' general meeting.

### I. Background

For the purpose of sound corporate governance, as well as assurance of shareholders' equity, consolidation of the Board of Directors' function, promotion of information transparency, and fulfillment of corporate social responsibility, our Guidelines for Corporate Governance were formally passed with a resolution at the May 28, 2003 shareholders' general meeting. Additionally, independent directorship was introduced so as to establish an infrastructure for corporate governance. Accordingly, relevant corporate governance systems and measures have been initiated and executed in the last 20 years with considerable effectiveness.

### II. Corporate Governance Guidance

On the principle of enterprise autonomy, we comprehensively refer to important corporate governance principles both at home and abroad, as well as corporate governance experience of leading enterprises. Furthermore, we complied with domestic applicable laws and regulations when formulating our Guidelines for Corporate Governance (hereinafter "GCG"). These standards were established and amended at 2003, 2004, 2006, 2007, 2012, 2013, 2019, 2021, and 2022 shareholders' general meetings, as well as the 2016 extraordinary general meeting, and serve as the guiding principles for our corporate governance system and implementation of governance measures.



# Appendix I

## III. Execution of Corporate Governance System

In addition to the stipulation of independent directorship in the Articles of Incorporation, we have also established relevant functional committees in a sequential manner, depending on our actual business and stage-task requirements. Currently, our Board of Directors established Corporate Governance & Nomination, Audit, Remuneration, and Special Committees for functional purposes. The Board formulated applicable by-laws and adopted specific corporate governance measures to establish a robust corporate governance system.

### 1. Establishment of Independent Directorship

In light of the observable effectiveness of our corporate governance system, the ability of independent directorship to progressively bring the functions set out in GCG into play, and for the purpose of alignment with legalization of independent directorship, we acted in concert with the amendment to the Securities and Exchange Act by adding provisions in the Articles of Incorporation for establishing independent directorship at the 2006 shareholders' general meeting. Accordingly, following election of the 4th directors and supervisors at the 2007 shareholders' general meeting, two or more independent directors have been elected each year according to laws and regulations and the Articles of Incorporation. Article 24 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" was amended on December 8, 2021 to stipulate that the number of independent directors shall be no less than one-third the number of directors. In accordance with the Financial Supervisory Commission's Corporate Governance 3.0 Blueprint for Sustainable Development, laws will be amended beginning in 2024 to require that the number of independent directors at listed companies with paid-in capital of more than NT\$ 10 billion be no less than one-third the number of directors. In consideration of Board terms, the Corporation has amended Article 17-1 of the "Articles of Incorporation" to stipulate that, starting from the 10th Board, the number of independent directors shall be no less than three and no less than one-third the number of directors. This amendment was approved by the 2022 shareholders general meeting.

### 2. Restructuring of Board of Directors According to Shareholder Structure

# Appendix I

In consideration of appropriate Board scale, representation of shareholder interests, business nature of BOT, and corporate development, as well as shareholder structure and discussion efficiency, there are 13 number of directors serving on the 9th Board, including 4 independent directors and 9 non-independent directors elected at the shareholders' general meeting held on May 21, 2020.

### 3. Institution of Functional Committees of Board of Directors for Business and Legal Compliance Needs

To implement efficient decision-making and robust supervision, since the 4th Board of Directors, we established the Corporate Governance Committee and quasi Audit Committee in accordance with Article 5-1-01 of the GCG, and thereafter established other functional committees such as the Procurement Committee, Finance Committee, Remuneration Committee, and Special Committee in line with business and regulatory demands. These committees preview relevant affairs and proposals prior to discussion at Board meetings. Additionally, in compliance with public listing regulations, the shareholders' extraordinary general meeting held on March 18, 2016 discussed and approved revisions to our Articles of Incorporation and GCG, wherein the Audit Committee was established to replace supervisors and the Corporate Governance Committee was renamed the Corporate Governance & Nominating Committee; the former quasi Audit Committee ceased to exist upon the amendment of the above by-law and guidelines.

Furthermore, the 13 directors comprising the 9th Board were elected for three years of office (May 21, 2020 to May 20, 2023). The current Board oversees the Corporate Governance & Nominating Committee, Audit Committee (encompassing the duties of the Finance Committee), Remuneration Committee, and Special Committee (encompassing the duties of the Procurement Committee); of these, the Audit Committee and Remuneration Committee are convened by independent directors, and the members of each functional committee should include at least two independent directors.

### 4. Primary tasks and execution responsibilities for Board of Directors and functional committees (from January 2022 to March 2023)

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## (1) Board of Directors

- ① Composition: 13 directors.
- ② Number of meetings: 15.
- ③ Primary tasks (see Schedule for details):

The Board of Directors are responsible for major Corporation finance, business, and operation decisions, and oversee the duties performed by the Management.

- ④ Execution:

The Board of Directors applies applicable laws and regulations, resolutions of shareholders' meetings, and the Corporation by-laws to faithfully perform the foregoing primary tasks. Board duties are diverse and therefore not enumerated here. In the event of major resolutions, the Board of Directors consistently announces and discloses these on the Market Observation Post System as required. Functional committees bring their respective preview function into play, and independent directors also exert their independence and professionalism, enhancing Board discussions and promoting professionalism.

## (2) Corporate Governance & Nominating Committee

- ① Composition: 5 directors (including the Chairman), convened by the Chairman who was elected by all committee members.
- ② Number of meetings: 15.
- ③ Primary tasks (see Schedule for details):

Review diverse background including professional knowhow, technical knowledge, expertise, and gender and independent standards of independent directors, non-independent directors, and managers; plan composition of the Board and functional committees; review succession plans for directors and managers; conduct performance evaluations of the Board, committees, directors, and managers; nominate independent directors and non-independent directors; research and analyze corporate governance systems; and review effectiveness of corporate governance systems and implementation of information disclosures.

- ④ Execution:

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- 1) Discuss proposals for evaluation of implementation of Board of Directors and functional committees and annual work plans.
- 2) Discuss executive report on corporate governance.
- 3) Discuss renewal of Directors and Officers Liability Insurance.
- 4) Discuss corporate organizational structure adjustments and procedural amendments.
- 5) Discuss amendments or amendment proposals to internal rules and regulations relating to corporate governance.
- 6) Discuss director and manager succession plans.
- 7) Discuss Corporation corporate governance implementation performance, execution of corporate social responsibilities and ethical management, and implementation of information disclosures.

## (3) Audit Committee

- ① Composition: Composed of all 4 independent directors, with the committee being convened by 1 of the independent directors.
- ② Number of meetings: 15.
- ③ Primary tasks (see Schedule for details):  
Review and oversee corporate financial statements and risk control/management affairs.
- ④ Execution:
  - 1) Review annual budget, budget implementation report and financial statements.
  - 2) Discuss amendments to or formulation of regulations relating to Audit Committee duties, including the “Charter of the Audit Committee,” “Regulation for Accounting Treatments,” “Assets for Operation and Equipment Management Regulation,” “Internal Control System,” “Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior,” “Operational Procedures for Endorsements and Guarantees,” and “Operational Procedures for Loaning Funds to Others.”
  - 3) Review results of annual self-evaluations of internal control system and

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statements of internal control system at all levels of the organization. The “Internal Control System Self-Assessment Results Final Report” for 2022 and results of all self-assessments implemented by each unit were completed through cyclical procedures. The “Internal Control System Self-Assessment Results for 2022” were submitted to the 9th Board at the 33th Audit Committee Meeting held on February 20, 2023, and were approved by the 9th Board at the 35th Board Meeting on February 22, 2023, confirming that the Corporation’s internal control systems for 2022 includes understanding of operational performance, efficiency, and goal attainment rates; reliability, timeliness, transparency, and legal compliance of reporting measures; and efficient implementation to ensure that relevant goals are met.

- 4) Review transactions involving directors’ conflicts of interest subject to recusal of exercise of voting rights, transactions with related parties, and transactions requiring prevention of conflicts of interest. The Corporation did not conduct any non-operating activities involving transactions with related parties in 2022 and only made donations to related parties. Related proposals for 2022 (including the Corporation's “Donation and Sponsorship Plan for 2022,” Corporation donations for the “2022 Go Green Together” sustainable development and forestry adoption plan, and the Corporation's “Donation and Sponsorship Plan for 2023”) were all approved by the Board following prior review by the Audit Committee in accordance with the regulations of the “Rules of Procedure for Board of Directors Meetings.”
- 5) Review assessments of Certified Public Accountants. Please refer to Sub-Item (6) Periodic Independence Assessments of Public Accountant (CPA) under Item 5 Measures Specific to Corporate Governance in Management Presentations for primary assessment results.
- 6) Review annual audit plans and executive reports thereof.
- 7) Periodically communicate with internal audit managers and accountants. Main communication items are as shown in the Schedule.
- 8) Assess the Corporation’s risk management policies and risk evaluation criteria, and monitor existing and potential risks to the Corporation. The Audit

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Committee and the Board periodically review the Corporation's risk management implementations. The "2022 annual progress report of risk management implementations" was submitted to the 28th Audit Committee meeting of the 9th Board on September 13, 2022 and the 30th meeting of the 9th Board on September 14, 2022 to confirm that all units responsible for risk management have adopted appropriate response measures, and have made appropriate records of risk management procedures and implementation results.

## (4) Remuneration Committee

① Composition: Composed of all 3 independent directors, with the committee being convened by 1 of the independent directors.

② Number of meetings: 14.

③ Primary Tasks (see Schedule for details):

Formulate and regularly review the evaluation of directors and managers' performance and salary and compensation.

④ Execution:

The Remuneration Committee applies the foregoing primary tasks when considering the Corporation's proposals for performance management and compensation. For more information regarding director and manager remuneration policies, and connection between and reasonableness of remuneration and performance assessment results, please refer to Sub-Item (5) Formulation of Reasonable Remuneration Policies and Evaluation of Connection Between Reasonableness of Remuneration and Performance Assessment Results under Item 5 Measures Specific to Corporate Governance in Management Presentations.

## (5) Special Committee

① Composition: 6 directors, convened by 1 director elected by committee members.

② Number of meetings: 11.

③ Primary Tasks (see Schedule for details):

Provide advice on the Corporation's major legal or contractual disputes and important system reforms, assist the Board of Directors in supervising managers'

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execution of decisions, and review the Corporation's procurement-related proposals to be submitted to the Board of Directors as required by the by-laws.

④ Execution:

The Special Committee applies the foregoing primary tasks when considering major legal or contractual disputes and procurement-related proposals.

## 5. Measures Specific to Corporate Governance

### (1) Formulation and Revision of Relevant Corporate Governance Rules:

In 2022, in order to strengthen our corporate governance system, the functional committees of the Corporation pre-assessed proposals to establish or revise basic and management bylaws relating to corporate governance, and submitted these to the Board for approval; the corporate bylaws concerned included the "Articles of Incorporation," "Guidelines for Corporate Governance," "Rules of Procedure for Shareholders' Meetings," "Corporate Social Responsibility Best Practice Principles" (which has been renamed the "Sustainable Development Best Practice Principles"), "THSRC Organizational Regulation," and "Rules of Procedure for Board of Directors Meetings."

### (2) Establishment of succession plan for Board members:

Unless otherwise stipulated by law or the Corporation's Articles of Incorporation, selection and appointment of Directors are based on regulations regarding Board diversity, succession plans, and overall Board capabilities in the Corporation's "Charter of the Corporate Governance & Nominating Committee," and also reference evaluations of Board performance.

Director candidates are nominated for election by the Board or shareholders who hold more than 1% of shares; the professional backgrounds and skills of potential candidates are carefully considered prior to nomination. At re-elections, major shareholders recommend candidates based on relevant qualification criteria for Board reference and discussion, and candidates are then nominated in accordance with the Corporation's diversity policies and succession plans.

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Before recommending Chairman candidates for selection and appointment, major shareholders reference selection, management, and assessment guidelines set out by the Corporation to conduct comprehensive evaluation, review, and confirmation of candidate qualifications and experience, as well as the responsibilities required for corporate operations, adhering to the highest principle of appointing appropriate talent to appropriate positions when recommending successors for Chairman. The President is also appointed in accordance with the aforementioned principles. Additionally, the Corporation arranges for senior managers to sit in on Board meetings so they can familiarize themselves with Board operations, and also helps senior managers expand their participation and work rotation experience in different operational units.

## (3) Demarcation of Authority Between Board of Directors and Management:

By reference to the spirit of the corporate governance initiatives, the demarcation of authority for business decision-making is as follows: in principle, the Board of Directors is responsible for making decisions pertaining to the Corporation's major operations and development, as well as matters relating to major financial and business conduct; other affairs are delegated to the Chairman and Management, and the Board of Directors takes responsibility for supervision thereof. The table governing the foregoing principle of Delegation of Responsibility and Authority of the Corporation's business was revised accordingly.

## (4) Purchase of Directors and Officers Liability Insurance (D&O):

- ① Purchase of D&O is a part of implementation of corporate governance initiatives. From the Corporation's perspective, D&O not only facilitates the acquisition of talent, but also encourages dauntless service, thus contributing to corporate governance. For directors and officers, D&O can help to avoid damages due to legal liability from fault or neglect related to performance of duties.
- ② The current insured D&O amount is NT\$ 900 million.

## (5) Formulation of Reasonable Remuneration Policies and Evaluation of Connection Between Reasonableness of Remuneration and Performance Assessment Results:



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Article 27-1 of the Corporation's "Articles of Incorporation" stipulates that the pay to the Directors for their services as Directors shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry. Additionally, if the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not more than 1 percent as profit-sharing compensation to Directors according to Article 35-1 of the Corporation's "Articles of Incorporation." Independent directors receive a fixed sum of monthly compensation as determined by the Board of Directors, and are not entitled to profit-sharing compensation when the Corporation is profitable.

Employee compensation is determined by individual work experience, work position and work duties, work abilities and work performance, and the Corporation's financial status and business operations, and has a positive correlation with the Corporation's business performance. In addition, according to Article 35-1 of our "Articles of Incorporation," if the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees. Compensation standards for Corporation managers shall consider individual performance, contribution to overall operations, and stipulations of relevant Corporation by-laws, and are determined by the Board of Directors with reference to market standards for such compensation.

The remuneration of the Corporation's Chairman and President is determined in reference to the "Reference Table of Remuneration Standards for Heads of Public Institutes under the Ministry of Transportation and Communications" and is submitted to the Board for approval. In order to fully reflect achievement of operational performance indicators, performance assessments criteria for the Chairman are based on annual Corporation performance relating to operations, governance, and finances, and include four assessment items: net income before tax, credit ratings or Taiwan ratings, customer satisfaction, and corporate governance evaluations. Performance assessment items for the President include: management of operational safety,

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supervision of financial plan execution, revenue management, promotion of autonomous maintenance capabilities, strengthening of internal controls, and implementation and management of quality assurance.

Performance evaluations of Corporation directors and managers reference our “Regulation of Self-Evaluation of the Board of Directors” and our “Performance Appraisal Regulation” (applicable to managers and employees). Reasonable compensation is provided to directors and managers, and takes into account the Corporation’s overall business performance, future industrial risks, and development trends, as well as individual performance achievement rates and level of contribution to the Corporation. Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors; our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current corporate governance trends so as to balance sustainable operations and risk management.

Results of performance self-assessments for the Corporation’s Board of Directors, Board members, and functional committees in 2022 all significantly exceeded standards. Additionally, results of performance assessments for managers in 2022 showed that all managers either met or exceeded set targets. Compensation for the Corporation’s Chairman, Board directors, President, and managers fully consider the professional capabilities of these individuals and Corporation operations and finances, and are linked to individual performance management and evaluation results.

The Corporation distributes year-end bonuses and performance bonuses according to business performance and has set salary adjustment policies to enhance compensation and welfare for all employees.

## (6) Periodic Independence Assessments of Certified Public Accountant (CPA):

According to Article 5-3-06 of the Corporation’s GCG, the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and these assessments shall be submitted to

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the Board of Directors. The Corporation's CPA assessment results for 2022 were approved by the 9th Board at the 33th Audit Committee Meeting held on February 20, 2023 and the 9th Board at the 35th Board Meeting on February 22, 2023, confirming that the accountants fulfilled assessment standards for independence and competency:

| No. | Evaluation Item   | Evaluation Results | Passed Independence Assessment |
|-----|---|--------------------|--------------------------------|
| 1   | As of the most recent audit, there have been no instances where CPA remained unchanged for 7 years, or where CPA was reassigned to the Corporation within 2 years.  | Yes                | Yes                            |
| 2   | CPA has no direct or indirect major financial stake in the Corporation.   | Yes                | Yes                            |
| 3   | CPA is not involved in any financing or financial guarantee agreements involving the Corporation or Corporation directors.  | Yes                | Yes                            |
| 4   | CPA does not have any potential employment relationship with the Corporation.   | Yes                | Yes                            |
| 5   | Accounting firm of CPA is not overly reliant on funds from the Corporation as a single client .   | Yes                | Yes                            |
| 6   | CPA and members of the audit team are not currently serving as Corporation directors, managers, or in positions that have major impact on Corporation audits, and have not done so over the past 2 years. | Yes                | Yes                            |
| 7   | Non-audit services provided by CPA to the Corporation have no direct impact on the major items of audit services provided.  | Yes                | Yes                            |

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| No. | Evaluation Item  | Evaluation Results | Passed Independence Assessment |
|-----|--|--------------------|--------------------------------|
| 8   | CPA does not promote or sell shares or other securities issued by the Corporation.   | Yes                | Yes                            |
| 9   | CPA is not representing the Corporation in litigation with a third party or other disputes.  | Yes                | Yes                            |
| 10  | CPA and members of the audit team have no familial relationships with directors, managers, or people in positions that have major impact on Corporation audits at the Corporation. | Yes                | Yes                            |
| 11  | CPA has not served as company director, manager, or in positions that have major impact on Corporation audits within 1 year of termination.  | Yes                | Yes                            |
| 12  | The Corporation has not requested that members of the audit team accept improper accounting practices or improper disclosures on financial statements made by the Corporation.     | Yes                | Yes                            |
| 13  | The Corporation has not exerted pressure on accountants and facilitated improper reduction of audit duties in order to reduce audit fees.  | Yes                | Yes                            |
| 14  | CPA is not involved in decision-making managerial duties at the Corporation.   | Yes                | Yes                            |

## IV. Effectiveness of Corporate Governance System

### 1. Preliminary Review by Functional Committees

In accordance with the GCG, functional committees deliberate the respective proposals submitted by the Management, perform relevant duties, and actively fulfill their preview role for the Board of Directors.

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## 2. Independence and Professionalism of Independent Directors

When discussing official business with the Board of Directors and functional committees, independent directors promptly express their opinions, exert their independence and professionalism, and contribute to discussion efficiency and quality of decision making.

## 3. Management Implementation

The Management fully understands the framework and spirit of corporate governance, and complies with applicable by-laws and regulations and resolutions of shareholder and Board meetings when performing their duties and fulfilling their duty of care.

## 4. Strengthen Information Disclosure

For the convenience of shareholders and stakeholders, our corporate governance information is disclosed on the Market Observation Post System (<https://mops.twse.com.tw>). In addition, we release our corporate governance information on our corporate website (<https://www.thsrc.com.tw>) in both Chinese and English to further enhance transparency. Material information is disclosed on the Market Observation Post System in both Chinese and English so that domestic and overseas investors can receive timely updates on the latest Corporation information. Furthermore, we not only communicate all issues of concern to our stakeholders through multiple channels, but also established a stakeholder section and stakeholder contacts on our corporate website. Appropriate communication allows us to understand the reasonable expectations and needs of our stakeholders and respond accordingly to major issues of concern.

## 5. Corporate Social Responsibility and Social Contribution

The Corporation has viewed realization of corporate social responsibilities as the foundation of our core services since our establishment. We continuously committed to social care, environmental protection and corporate governance, and consider corporate social responsibility as one of our core values, to promote balance and sustainable development on economic, social and ecological in order to achieve the goal of sustainable management.

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The Corporation follows the spirit of the international human rights conventions, and the characteristics of rail transportation industry. In 2018, we formulated our “Human Rights Policy” which adheres to labor laws and other relevant regulations, and supports and complies with the principles and essence of international human rights conventions such as the United Nation’s Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, the UN Global Compact, and the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work. We also ensure that our human resource policies do not discriminate based on gender, race, social status, age, marital status, religion, or political affiliation. We have formulated clear regulations in accordance with the demands of human rights policies, and we identify important human rights issues to serve as a reference for promoting risk-mitigating measures. Furthermore, the Corporation’s Supplier Management Policy shows that apart from quality, cost, delivery date, and services, the Corporation also considers issues relating to reasonable profits, social responsibility, worker safety, human rights, and environmental protection when making management decisions and implementing procurement procedures.

## V. Future Plans for Corporate Governance

In 2017, we drafted a sustainability strategy blueprint using our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our sustainable management strategy. In order to pursue greater excellence in sustainable implementations, we continue to review the Corporate Governance 3.0 Strategic Development Blueprint and strive to achieve corresponding UN SDGs to strengthen and implement corporate governance and sustainable operations. In future, we will continue to reference international trends and local demands, using our 4Ts to formulate our short-, mid-, and long-term goals and action plans while incorporating ESG (Environment, Social, Governance) concepts into our operational plans and actively implementing sustainable actions in our business operations. We use various assessment mechanisms to periodically track the development and performance of various issues, and to promote and implement our sustainable concepts as we gradually solidify our

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determination and commitment to sustainable operations to realize our corporate vision “To be the platform for advancement and enjoyment.”

## VI. Concluding Remarks

Since going public, the Corporation has participated in the TWSE Corporate Governance Evaluations for five consecutive years (from 2017 to 2021) and was ranked among the top 5% of publicly listed companies. In future, we will focus on the continuous functioning of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, in order to improve the corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

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Supporting table

Main duties of the Board of Directors and functional committees:

| Item               | Primary Tasks  |
|--------------------|--|
| Board of Directors | <p>As per Article 3-02 of the Guidelines for Corporate Governance of the Corporation, the Board of Directors has the following primary tasks:</p> <ol style="list-style-type: none"> <li>1). Reviewing and deliberating the adoption and amendment of an internal control system, and evaluation of effectiveness of an internal control system.</li> <li>2). Reviewing and deliberating significant bylaws and rules.</li> <li>3). Reviewing and deliberating the Corporation’s significant financial plans, long-term and short-term goals, business plans, and budgets and final accounts.</li> <li>4). Drawing up proposals for the distribution of profits and offsetting of losses and for increases or decreases in capital.</li> <li>5). Reviewing and deliberating the setting up, closing down, or change of branches.</li> <li>6). Reviewing and deliberating matters that may involve the personal interest of a Director.</li> <li>7). Reviewing and deliberating material asset or derivatives transactions and material loans of funds or endorsements or guarantees.</li> <li>8). Reviewing and deliberating any offering, issuance, or private placement of securities.</li> <li>9). Reviewing and deliberating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).</li> <li>10). Appointing, dismissing, and supervising senior managerial officers and the chief financial officer, chief accountant, and chief internal auditor.</li> <li>11). Reviewing and deliberating any matter presented by the Chairman, or submitted by a functional committee, or submitted by a Managerial Officer and then presented by the Chairman.</li> </ol> |



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| Item   | Primary Tasks  |
|--|--|
|  | <p>12). Supervising the Corporation’s operating results and risks, and ensuring compliance with relevant laws and regulations.</p> <p>13). Planning directions for future development.</p> <p>14). Enhancing the Corporation’s image and fulfilling social responsibility.</p> <p>15). Reviewing and deliberating other significant matters requiring resolution by the Board as provided by laws and regulations, the Articles of Incorporation, shareholders’ meeting resolutions, these Guidelines, or other relevant bylaws of the Corporation.</p>  |
| <p>Corporate Governance &amp; Nominating Committee</p> | <p>As per Article 3 of the Charter of the Corporate Governance &amp; Nominating Committee, the Corporate Governance &amp; Nominating Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> <li>1). Review the diversified backgrounds of independent directors, non-independent directors, and managerial officers in terms of professional and technical knowledge, past experiences, and gender as well as standards of impartiality, and use these criteria to seek out, assess, and nominate candidates to serve as directors, independent directors, and managerial officers.</li> <li>2). Plan composition of the Board and its functional committees and evaluate performance of the Board, committees, all directors, and managerial officers, and the independence of the independent directors.</li> <li>3). Be responsible for nominations of independent directors and non-independent directors.</li> <li>4). Identify and evaluate potential candidates for independent and non-independent directors.</li> <li>5). Review the basis programs for director continuing education and succession plans of directors and managerial officers (succession planning).</li> </ol> |

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| Item            | Primary Tasks  |
|-----------------|--|
|                 | <ul style="list-style-type: none"> <li>6). Plan and review implementation performance of the Board and its committees.</li> <li>7). Devise and review liability insurance plans for directors and managerial officers.</li> <li>8). Review status of information disclosures.</li> <li>9). Analyze, implement, and provide recommendations relating to the Corporation's corporate governance system, and review the Corporation's Guidelines for Corporate Governance and relevant bylaws.</li> <li>10). Review implementation performance of the corporate governance system, including execution of corporate social responsibilities, ethical management, and stakeholder communication.</li> <li>11). Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</li> </ul>  |
| Audit Committee | <p>As per Article 3 of the Charter of the Audit Committee, the Audit Committee is responsible for the following tasks:</p> <ul style="list-style-type: none"> <li>1). Adopt or amend the internal control systems pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>2). Evaluate the effectiveness of the Corporation's internal control system.</li> <li>3). Adopt or amend the procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, monetary loans to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.</li> <li>4). Review matters that may involve the personal interest of directors.</li> <li>5). Review material asset and derivatives transactions.</li> <li>6). Review material monetary loans or endorsement, or provision of guarantees.</li> </ul> |

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| Item                   | Primary Tasks   |
|------------------------|---|
|                        | <p>7). Review the public offering, issuance, or private placement of equity-type securities.</p> <p>8). Evaluate the appointment, dismissal, or compensation of attesting CPAs.</p> <p>9). Evaluate the appointment and dismissal of the Corporation's chief financial officer, chief accountant, or chief internal auditor.</p> <p>10). Review annual and quarterly financial reports, which are signed or sealed by the Corporation Chairperson, managerial officer, and certified public accountant.</p> <p>11). Review the Corporation's accounting system and financial condition.</p> <p>12). Evaluate the Corporation's risk management policies and risk measurement standards.</p> <p>13). Review the procedures for material financial and operational acts</p> <p>14). Evaluate, examine, and monitor any existing or potential risks to the Corporation.</p> <p>15). Examine the Corporation's compliance with laws, regulations and rules.</p> <p>16). Review the Corporation's capital, financing, and credit plans.</p> <p>17). Assess the Corporation's tax planning and compliance with tax laws and regulations.</p> <p>18). Other major matters as required by the Corporation or the competent authority.</p> <p>19). Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</p> |
| Remuneration Committee | <p>As per Article 3 of the Charter of the Remuneration Committee, the Remuneration Committee is responsible for the following tasks:</p> <p>1). Formulate and regularly review the performance assessment standards,</p>  |

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| Item              | Primary Tasks   |
|-------------------|---|
|                   | <p>performance goals, and the policies, systems, standards, and structure for the compensation of directors and managerial officers of the Corporation.</p> <p>2). Regularly assess the degree to which performance goals for directors and managerial officers of the Corporation have been achieved, set the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment criteria.</p>   |
| Special Committee | <p>As per Article 3 of the Charter of the Special Committee, the Special Committee is responsible for the following tasks:</p> <p>1). Provide counsel and suggestions in accordance with Board resolutions on major legal or contractual disputes and important changes in Corporation management mechanisms, and assist the Board in supervising the implementation of said resolutions by managerial departments.</p> <p>2). Review proposals relating to procurement matters that should be submitted to the Board by managerial departments according to Corporation bylaws.</p> <p>3). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</p> |

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Communication items between independent directors and chief internal auditor for 2022:

| Date       | Communication Method (Audit Committee Term-Sitting)  | Report Highlight                                     | Communication Results   | The Corporation's Responses to Independent Director Opinions |
|------------|--|--|---|--|
| 2022/2/23  | Audit Committee Meeting (9-21)   | 2021 Q4 audit office project implementation report   | Approved and acknowledged by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/5/4   | Audit Committee Meeting (9-24)   | 2022 Q1 audit office project implementation report   | Approved and acknowledged by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/8/3   | Audit Committee Meeting (9-27)   | 2022 Q2 audit office project implementation report   | Approved and acknowledged by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/10/7  | Audit report (Independent report made by internal audit managers to independent directors) | Audit plans for 2023                                 | Acknowledged by independent directors.                                  | No objections from independent directors.                    |
| 2022/10/12 | Audit Committee Meeting (9-29)   | Formulation of 2023 audit report for auditing office | Approved and acknowledged by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/11/2  | Audit Committee Meeting (9-30)   | 2022 Q3 audit office project implementation report   | Approved and acknowledged by all Audit Committee members in attendance. | No objections from independent directors.                    |

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## Communication items between independent directors and CPAs for 2022:

| Date      | Communication Method (Audit Committee Term-Sitting)                         | Report Highlight   | Communication Results   | The Corporation's Responses to Independent Director Opinions |
|-----------|---|--|---|--|
| 2022/2/23 | Audit Committee Meeting (9-21)  | <ol style="list-style-type: none"> <li>1. Summary of audits on financial report for 2021</li> <li>2. Statement of Independence</li> <li>3. Key audit items</li> <li>4. Other disclosures for 2021</li> </ol>   | Approved after discussion by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/5/4  | Audit Committee Meeting (9-24)  | <ol style="list-style-type: none"> <li>1. Summary of audits on financial report for first quarter of 2022</li> <li>2. Statement of Independence</li> </ol>   | Approved after discussion by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/8/3  | Audit Committee Meeting (9-27)  | <ol style="list-style-type: none"> <li>1. Summary of audits on financial report for second quarter of 2022</li> <li>2. Statement of Independence</li> </ol>  | Approved after discussion by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/11/2 | Audit Committee Meeting (9-30)  | <ol style="list-style-type: none"> <li>1. Summary of audits on financial report for third quarter of 2022</li> <li>2. Statement of Independence</li> <li>3. Explanation of new disclosures in financial report for third quarter of 2022</li> </ol> <p>Audit plans and key audit items for 2022 financial report</p> | Approved after discussion by all Audit Committee members in attendance. | No objections from independent directors.                    |
| 2022/11/2 | CPA audit report (Independent report made by CPAs to independent directors) | Report of audits on financial statements and audit plans   | Acknowledged by independent directors.                                  | No objections from independent directors.                    |

# Appendix II

## **Report No. 2: Report on Allocation of 2022 Remuneration to Board of Directors and Employees.**

1. According to Article 235-1 of the Company Act and Letter No. 10402413890 dated June 11, 2015 issued by the Ministry of Economic Affairs, a fixed amount or ratio of profit of the current year distributable as employees' compensation as well as remuneration to directors and supervisors shall be stipulated in the Articles of Incorporation. However, the Corporation's accumulated losses should be offset prior to distribution. Distribution of director and employee compensation shall be undertaken by a resolution adopted by a majority vote at a Board meeting attended by at least two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.
2. Furthermore, according to Article 35-1 of the Articles of Incorporation, "If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation."
3. The Corporation's profit for 2022 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NT\$4,375,000,000 (no accumulated losses offset). In accordance with the provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution was reached at the 34th meeting of the 9th Board on January 18, 2023, and the 35th meeting of the 9th Board dated February 22, 2023 for the distribution of 2022 director and employee compensation, with the percentage and amount to be allocated as follows:

# Appendix II

- (1) For directors' compensation:
  1. Percentage allocated: 0.5%.
  2. Amount allocated: NT\$ 21,875,000.
- (2) For employees' compensation
  1. Percentage allocated: 2 %.
  2. Amount allocated: NT\$ 87,500,000.



# Appendix III

## **Report No. 3: Report on Director Remuneration for 2022.**

1. According to Article 10-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, TWSE/TPEX listed companies shall report on director remuneration at shareholders' general meetings, including remuneration policies and the relationship between individual remuneration, remuneration amounts, and performance evaluation results.
2. The Corporation's director remuneration distribution policies adhere to Article 27-1 of the Articles of Incorporation, which stipulates that the pay to the Directors for their services as Directors shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry. Additionally, according to Article 35-1 of the Articles of Incorporation, if the Corporation is profitable in a given year, it should allocate not more than 1 percent as profit-sharing compensation to Directors. Independent Directors receive a fixed amount of remuneration every month as determined by the Board of Directors, and do not receive profit-sharing compensation.
3. Details of the Corporation's director remuneration and remuneration amounts for 2022 are shown in the following table.

# Appendix III

## Remuneration to directors and independent directors (names and method of payment disclosed)

Unit: NT\$ thousands (as of 2022/12/31)

| Title   | Name | Remuneration          |  |                   |  |                            |  |                         |  | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) |  | Relevant Remuneration Received by Directors Who are Also Employees |  |                   |  |                           |       |  |       | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) |  | Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company |       |      |      |      |
|---|------|-----------------------|--|-------------------|--|----------------------------|--|-------------------------|--|---|--|--|--|-------------------|--|---------------------------|-------|--|-------|---|--|--|-------|------|------|------|
|   |      | Base Compensation (A) |  | Severance Pay (B) |  | Directors Compensation (C) |  | Allowances (D) (Note 1) |  |   |  | Salary, Bonuses, and Allowances (E)                                |  | Severance Pay (F) |  | Employee Compensation (G) |       |  |       |   |  |  |       |      |      |      |
|   |      | The Corporation       | All companies included in financial statements | The Corporation   | All companies included in financial statements | The Corporation            | All companies included in financial statements | The Corporation         | All companies included in financial statements | The Corporation   | All companies included in financial statements | The Corporation  | All companies included in financial statements | The Corporation   | All companies included in financial statements | The Corporation           |       | All companies included in financial statements |       | The Corporation   | All companies included in financial statements |  |       |      |      |      |
|   |      |                       |  |                   |  |                            |  |                         |  |   |  |  |  |                   |  | Cash                      | Stock | Cash   | Stock |   |  |  |       |      |      |      |
| China Aviation Development Foundation                 |      | 0                     | 0  | 0                 | 0  | 4,861                      | 4,861  | 0                       | 0  | 4,861   | 4,861  | 0.13   | 0.13   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 4,861  | 4,861 | 0.13 | 0.13 | None |
| Chairman Representative: Yao-Chung Chiang             |      | 6,605                 | 6,605  | 0                 | 0  | 0                          | 0  | 481                     | 481  | 7,086   | 7,086  | 0.19   | 0.19   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 7,086  | 7,086 | 0.20 | 0.20 | None |
| Director Representative: Lee-Ching Ko                 |      | 0                     | 0  | 0                 | 0  | 0                          | 0  | 96                      | 96   | 96  | 96   | 0.00   | 0.00   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 96   | 96    | 0.00 | 0.00 | None |
| Ministry of Transportation and Communications, R.O.C. |      | 0                     | 0  | 0                 | 0  | 4,861                      | 4,861  | 68                      | 68   | 4,929   | 4,929  | 0.13   | 0.13   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 4,929  | 4,929 | 0.13 | 0.13 | None |
| Director Representative: Wen-Jong Chi                 |      | 0                     | 0  | 0                 | 0  | 0                          | 0  | 96                      | 96   | 96  | 96   | 0.00   | 0.00   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 96   | 96    | 0.00 | 0.00 | None |
| Director Representative: Chin-Hong Pan                |      | 0                     | 0  | 0                 | 0  | 0                          | 0  | 101                     | 101  | 101   | 101  | 0.00   | 0.00   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 101  | 101   | 0.00 | 0.00 | None |
| China Steel Corporation                               |      | 0                     | 0  | 0                 | 0  | 2,431                      | 2,431  | 88                      | 88   | 2,519   | 2,519  | 0.07   | 0.07   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 2,519  | 2,519 | 0.07 | 0.07 | None |
| Director Representative: Chao-Tung Wong               |      | 0                     | 0  | 0                 | 0  | 0                          | 0  | 0                       | 0  | 0   | 0  | 0.00   | 0.00   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 0  | 0     | 0.00 | 0.00 | None |
| Taiwan Sugar Corporation                              |      | 0                     | 0  | 0                 | 0  | 2,431                      | 2,431  | 136                     | 136  | 2,567   | 2,567  | 0.07   | 0.07   | 0                 | 0  | 0                         | 0     | 0  | 0     | 0   | 0  | 2,567  | 2,567 | 0.07 | 0.07 | None |



# Appendix III

| Title  | Name | Remuneration          |  |                   |  |                            |  |                         |  | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) |  | Relevant Remuneration Received by Directors Who are Also Employees |  |                   |  |  |  |                 |  | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) |  | Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company |
|--|------|-----------------------|--|-------------------|--|----------------------------|--|-------------------------|--|---|--|--|--|-------------------|--|--|--|-----------------|--|---|--|--|
|  |      | Base Compensation (A) |  | Severance Pay (B) |  | Directors Compensation (C) |  | Allowances (D) (Note 1) |  |   |  | Salary, Bonuses, and Allowances (E)                                |  | Severance Pay (F) |  | Employee Compensation (G)                      |  |                 |  |   |  |  |
|  |      | The Corporation       | All companies included in financial statements | The Corporation   | All companies included in financial statements | The Corporation            | All companies included in financial statements | The Corporation         | All companies included in financial statements | The Corporation   | All companies included in financial statements | The Corporation  | All companies included in financial statements | The Corporation   |  | All companies included in financial statements |  | The Corporation | All companies included in financial statements |   |  |  |
| <p>to MOTC remuneration standards for privatized state-owned enterprises and is based on overall operational performance, future industrial risks, and development trends and in reference to the Corporation's "Regulation of Self-Evaluation of the Board of Directors." Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors; our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current corporate governance trends so as to balance sustainable operations and risk management. The Corporation's independent directors are not entitled to profit shares.</p> <p>2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as non-employee consultants and others) other than disclosed in the table above: None.</p> |      |                       |  |                   |  |                            |  |                         |  |   |  |  |  |                   |  |  |  |                 |  |   |  |  |

Note 1: Includes expenses for meeting attendances and company cars, but not driver remuneration.

Note 2: The remuneration disclosed in this table uses a different concept to that of the Income Tax Act, and therefore the purpose of this table is merely to disclose the information. This information should not be used for tax purposes.

Note 3: The Corporation has no subsidiaries and therefore does not disclose any consolidated financial reports.

# Appendix IV

## **Report No. 4: Revision of Sustainable Development Best Practice Principles.**

1. In accordance with amendments made to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” by the Taiwan Stock Exchange on December 23, 2022, and in consideration of the Corporation’s operations, amendments are proposed to the Corporation’s “Sustainable Development Best Practice Principles.”
2. A comparison of amended articles in the “Sustainable Development Best Practice Principles” is shown in Attachment I (please refer to p.59-p.60 of the Annual Meeting Handbook).
3. This proposal was approved at the 36th meeting of the 9th Board dated March 15, 2023, and is hereby presented to the shareholders’ annual general meeting.

**Taiwan High Speed Rail Corporation  
Comparative Table for the Current and Amended  
Sustainable Development Best Practice Principles**

| Amended Articles  | Current Articles   | Description  |
|---|--|--|
| <p>Article 10<br/>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.</p>   | <p>Article 10<br/>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.</p>  | <p>Amended Chinese wording according to actual Corporation operations.</p> |
| <p>Article 27<br/>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.<br/>The Corporation may, through commercial activities, <u>endowments</u>, 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.</p> | <p>Article 27<br/>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.<br/>The Corporation may, through commercial activities, <u>in-kind donations</u>, 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.</p> | <p>Amended according to actual Corporation operations.</p>                 |

| Amended Articles   | Current Articles     | Description  |
|--|----------------------|--|
| <p>Article 27-1<br/> <u>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.</u></p> | <p>(New article)</p> | <p>Amended to add Article 27-1 in accordance with revisions made to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” issued by the Taiwan Stock Exchange Corporation (TWSE) on December 23, 2022.</p> |

# Appendix V

## **Business Report for 2022**

### **Business report and future prospects**

Since the outbreak of the COVID-19 in early 2020, passenger volumes have declined in recent years. With the slowdown of the epidemic, various control measures have been relaxed, and ridership recovered slowly since July 2022. As one of the main transportation means in Taiwan's western corridor, Taiwan High Speed Rail Corporation (THSRC) has continuously implemented various preventive measures to ensure the safety and well-being of our customers and employees during this difficult time.

Looking ahead to the future, we hope the global pandemic will come to an end soon for normalcy to resume. We will continue to deliver on our commitment to provide excellent service, comfortable travel, and customer satisfaction, adhering to the principle of "To be the Platform for Advancement and Enjoyment" for every action we take.

### **1. Business report for 2022**

#### (1) Operational performance

##### 1) Rail Operations

Due to the impact of the epidemic during the first half of 2022, ridership remained low. However, with epidemic slowing and control measures relaxing, ridership gradually recovered since July. A total of 54,054 train services were provided during the course of the year, an increase of 7,262 train services compared to 46,792 trains in 2021. Our loading factor was 53.31% (up by 3.43% compared to 49.88% in 2021) and passenger volume increased to 54.16 million, up by 10.70 million compared to 43.46 million in 2021. Our total passenger-kilometers were 9,388 million km, up by 23.38% compared to 7,569 million km in 2021. Average daily ridership was 148,389 passengers, an increase of 29,322 passengers compared to 119,067 passengers in 2021.

In terms of operational safety, no accidents or injuries occurred in 2022. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.47%, higher compared to 2021, and our average reliability rate (excluding delays due to force majeure) was 99.99%.



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## Operational Statistics

| Indicators   | 2021   | 2022   | Change  |
|--|--------|--------|---------|
| 1. Train Services  | 46,792 | 54,054 | +15.52% |
| 2. Ridership (in millions)                               | 43.46  | 54.16  | +24.62% |
| 3. Seat-Kilometers (in millions)                         | 15,175 | 17,517 | +15.43% |
| 4. Passenger-Kilometers (in millions)                    | 7,569  | 9,338  | +23.38% |
| 5. Punctuality Rate (as % of trains arriving within five | 99.00% | 99.47% | +0.47%  |
| 6. Loading Factor (Passenger-km/Seat-km)                 | 49.88% | 53.31% | +3.43%  |

### 2) Marketing and Passenger services

Products, services, and activities launched in 2022:

#### A. Epidemic Prevention Measures

THSRC has implemented the following preventive measures in response to the COVID-19 pandemic:

- (a) Required passengers to wear masks and measure body temperature at HSR stations.
- (b) Enhanced cleaning and disinfection measures on trains and at HSR stations.
- (c) Adjusted regulations regarding eating and drinking on trains according to epidemic conditions and required passengers to wear face masks at all times, except when eating or drinking in train compartments.

#### B. Product Promotions

- (a) We launched a series of promotions to welcome the new post-pandemic lifestyle.
- (b) We launched the T Holiday and combo tickets for hotels, transportation, and various travel commodities, based on different customer characteristics to satisfy different customer segments.
- (c) We launched the regular promotions such as Early Bird Discount, College Student Discount, Credit Card Discount and Periodic / Multi-Ride Ticket, to meet different customer needs.

#### C. Service Diversification

- (a) We continued to recruit TGo members through exclusive member benefits and

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various activities for members to redeem TGo points for rewards, in order to increase numbers and contributions from TGo members.

- (b) We continued to launch cumulative rewards activities to encourage corporate members to increase ridership.
- (c) THSRC is the first public transportation company to launch the voice booking service on the “T Express” app.
- (d) With increasingly aging population, we continue to improve each HSR station facilities, by adding movable barrier-free ramps at taxi area and barrier-free extension on bus platforms, and replacing hydraulic elevators, etc.
- (e) Reducing plastic of service products.

## (2) Budget Implementation

In 2022, our estimated operating revenue was NT\$45.64 billion, but due to the continuous impact of the COVID-19 pandemic, actual operating revenue was NT\$37.13 billion. Our budget achievement rate was 81.4% and our actual net income was NT\$3.77 billion.

## (3) Revenue, Expenditure, and Profitability Analysis

Our revenue was NT\$37.13 billion, up by 22.8% compared to 2021 and net income before tax was NT\$4.27 billion in 2022. An injection of stabilization fund NT\$0.399 billion was included in net income before tax.

Due to the increase of domestic COVID-19 cases in the second quarter of 2022, ridership declined sharply. However, as normalcy returned, ridership and revenue showed an upward trend during the third quarter.

## Financial Data

Unit: NT\$ in billions

| Indicators               | 2021  | 2023  |
|--------------------------|-------|-------|
| Operating Revenue        | 30.23 | 37.13 |
| Gross Profit             | 4.53  | 11.24 |
| Operating Income         | 3.32  | 9.92  |
| Income Before Income Tax | 4.27  | 4.27  |

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|                               |        |        |
|-------------------------------|--------|--------|
| Income Tax (Expense) Benefits | (0.65) | (0.49) |
| Net Income                    | 3.61   | 3.77   |

## (4) Research and Development

Main research and development activities in 2022 were as follows:

### 1) Civil Facilities:

- A. Establishment of artificial intelligence drone for HSR viaduct inspections.
- B. Update and upgrade of slope real-time monitoring system.
- C. Conducting research on amplification of seismic responses at viaducts in the Chiayi section.
- D. Research on the reduction of seismic displacement after implementation of dampers on viaducts in the Tainan area (including construction improvements and analysis of quantitative feedback).
- E. Rectification of differential vertical settlements between adjacent piers using pot bearings.

### 2) Operation and Maintenance System:

- A. Increased bandwidth of free Wi-Fi services at HSR stations and on trains.
- B. Development of Intelligent Passenger Information System (PIS).
- C. Addition of CCTV surveillance system in front of THSR trains.
- D. Development of Railway Turnout Monitoring System (TMS).
- E. Development of Bogie Running Tester (BRT).

### 3) Information Systems:

- A. Development of Advanced Open Reservation System (AORS) Phase 2.
- B. Optimization of AI voice booking service on T Express.
- C. Development of THSRC Digital Cloud Platform Service.
- D. Establishment of Malware Scan Kiosk.

### 4) Information Technology:

Localization of maintenance materials and equipment and continue to collaborate with major industries, academic units, and research institutions to develop related materials and equipment, including to cooperate with Taiwan Rolling Stock Co., Ltd. to design of the

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“HSR Diesel-Hydraulic Locomotive.”

## 2. Business Plan for 2023

### (1) Business Strategy

THSRC will continue to adhere to the vision of "To be the Platform for Advancement and Enjoyment" in 2023 and implement ESG and strengthen corporate governance. In addition, THSRC strives to provide a safe, high-quality, and innovative transportation service to promote Taiwan towards a better life, as well as implement major plans based on the following “six strategies directions:”

- 1) To reduce risk of disaster in response to external environment change.
- 2) To increase digital optimization and achieve digital transformation.
- 3) To improve service and operational management in response to population and technological change.
- 4) To create demand and increase revenue in the post-pandemic era.
- 5) To strengthen supply chain management and establish partnership.
- 6) To implement energy saving and carbon reduction, as well as to fulfill social responsibilities.

### (2) Main Strategies and major projects on 4T

#### 1) Transportation

Continue to improve operational safety, actively face the impact of climate change on transportation, establish relevant early warning mechanisms. In addition, in response to the characteristics of passenger demand and the competition of smart vehicle, we are optimizing the quality of software and hardware services of travel services, enhancing the competitiveness of high-speed rail, and providing a sense of security for passengers. Major implementation items include:

- A. To implement the slope safety assessment, as well as to carry out the upgrade and update of automatic slope monitoring system, in response to the threat of extreme weather.
- B. To assess the impact of the Chekulin Fault on the structural safety of viaducts and adopt drones for inspection and survey civil structures to strengthen disaster tolerance and early warning capabilities.

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- C. To improve and optimize service facilities at HSR stations and on trains.
- D. To promote and develop T-MaaS for improving the convenience and experience of passengers.

## 2) Technology

Actively innovate and enhance technical capabilities, adopt new technologies and promote intelligent transportation, continue to improve operations, services, safety, and the efficiency and quality of emergency response, as well as adopt big data and digitalization to optimize customer experience and create a more convenient life. Major implementation items include:

- A. To develop Advanced Open Reservation System (AORS).
- B. To establish new AFCS cloud-based equipment at HSR stations and to digitalize Multi-Ride, Periodic Ticket, and E-Coupon Systems.
- C. To implement mobile payment function for fare adjustment and cart sales on trains.
- D. To implement the expansion plan of Data Transmission System (DTS) and Fiber Optic System (FOC) for optimizing the software and hardware of management information and travel services.

## 3) Taiwan

To promote local economic growth through collaboration with local enterprises or institutions. Major implementation items include:

- A. To promote the localization of the rail industry, such as OCS maintenance vehicle and foster the development capabilities of local rail industry.
- B. To promote local culture and activities, as well as to develop national tourism for invigorating local economy.
- C. To promote green procurement, such as plastic reduction for on-board service products, thermal paper magnetic tickets, etc. to achieve sustainable development and fulfill corporate social responsibility.
- D. To revitalize affiliated businesses and strengthen the cooperation with local brands and social enterprises.

## 4) Touch

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Continue to cultivate talents, promote employee development, establish a sustainable supply chain management mechanism, and implement energy conservation and carbon reduction measures to create positive environment benefits. Major implementation items include:

- A. To manage database of potential upper management talents and develop key position plans to enhance the competitiveness and output value of employees.
- B. To establish a sustainable supply chain management mechanism and collaborate with suppliers to create value for society and the environment.
- C. To improve energy efficiency, THSRC installed battery energy storage equipment in Yanchao Main Workshop, electrical storage equipment in BSS, and solar power equipment in the parking lots of HSR stations.
- D. To issue green lending of financial product for enhancing the competitiveness of environmental protection.

### (3) Ridership Forecast

The global economy is slowly recovering from the pandemic, yet the impact is expected to last until 2024. Due to steady domestic economic growth after the pandemic, increasing convenience of digital ticket purchase services, promotion of membership services and improvement of travel products, we estimate that the annual ridership volume for 2023 will exceed 64.61 million passengers.

## **3. Future Outlook**

THSRC will continue to implement the “4T” strategy into daily operations through proactive actions such as improving travel quality and innovative services. Facing the rapidly changing external environment, THSRC will continue to advance with the times and continue to build a more inclusive, resilient and sustainable transportation means.

## **4. Impacts of External Environment, Legal Environment, and Overall Business Environment**

According to domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics on November 29, 2022, cross-border travel is expected to rise with the

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easing of pandemic conditions; recovery of consumption volumes; and resumption of shopping, travel, and dining activities. Economic growth for 2023 is estimated to be 2.75%. Faced with challenges in external economic environments, the Corporation will continue to respond to market changes, formulate the best business strategies, and work to achieve all business goals.

In terms of the legal environment, the Ministry of Transportation and Communications recently amended Railway Act and a number of sub laws. In 2022, the “Railway Act”, “Railway Operating Regulations”, and “State-owned and Private Railway Train Driver Certification Management Rules” have been revised successfully, and led to a positive effect on ensuring the safety of railway operations and protecting the rights and interests of passengers. THSRC is optimistic about the outcomes and abides by relevant laws and regulations, and will adjust the company’s internal by-laws accordingly to ensure regulatory compliance.

THSRC regularly identifies applicable laws and complies with relevant regulations where necessary. We have an effective grasp on and appropriate response measures to changes in legal environments. Throughout the year 2022, all the relevant law amendments had no significant impacts to our business operations. We will continue to stay abreast of legislative updates, refine our operations, strengthen our corporate governance, integrate legal compliance into our corporate culture, and adhere to the highest safety standards so as to provide high-quality passenger services as we strive for long-term sustainability and generate value for our shareholders.

Looking at overall operational condition in 2022, the world’s major economies have raised interest rate to curb inflation. Challenges from ongoing stalemate in the Russia-Ukraine war and the US-China technology war are affecting global economic growth. Global forecasting institutions predicted that the global economic and trade growth rate in 2023 are expected to be lower than that in 2022. The slowdown of global economy will impact Taiwan’s import, export, and investment performance. Fortunately, with local epidemic slowing and government control measures relaxing, domestic consumption and related industries have been improved to support Taiwan economy in 2023. However, we will continue to focus on developing smart transportation, increasing safety and efficiencies of emergency responses, establishing local maintenance capabilities, developing localization materials, and formulating other strategic plans. Additionally, we will continue to enhance our strengths through industry cooperation and integrate local cultures to provide our passengers with better transportation quality.

# Appendix VI

## TAIWAN HIGH SPEED RAIL CORPORATION

### BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

|   | December 31           |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
|   | 2022                  |            | 2021                  |            |
| ASSETS  | Amount                | %          | Amount                | %          |
| <b>CURRENT ASSETS</b>                               |                       |            |                       |            |
| Cash and cash equivalents (Note 6)                  | \$ 16,558,946         | 4          | \$ 21,619,496         | 5          |
| Financial assets for hedging (Note 7)               | 72                    | -          | -                     | -          |
| Notes and accounts receivable (Note 21)             | 413,946               | -          | 665,957               | -          |
| Current tax assets (Note 4)                         | 180,600               | -          | 9,646                 | -          |
| Inventories (Note 8)                                | 2,425,999             | 1          | 2,345,998             | 1          |
| Other financial assets (Notes 9 and 28)             | 11,496,900            | 3          | 24,126,307            | 6          |
| Other current assets (Notes 13 and 27)              | 1,060,231             | -          | 1,206,592             | -          |
| Total current assets                                | 32,136,694            | 8          | 49,973,996            | 12         |
| <b>NON-CURRENT ASSETS</b>                           |                       |            |                       |            |
| Property, plant and equipment (Notes 10 and 27)     | 128,514               | -          | 109,162               | -          |
| Right-of-use assets (Note 11)                       | 405,315               | -          | 574,841               | -          |
| Operating concession assets (Notes 12 and 27)       | 359,479,197           | 90         | 367,972,348           | 86         |
| Computer software, net (Note 12)                    | 134,962               | -          | 113,113               | -          |
| Deferred tax assets (Notes 4 and 23)                | 6,174,444             | 2          | 6,997,477             | 2          |
| Other financial assets (Notes 9 and 28)             | 2,079,603             | -          | 2,163,774             | -          |
| Other non-current assets (Note 13)                  | 1,403                 | -          | 2,330                 | -          |
| Total non-current assets                            | 368,403,438           | 92         | 377,933,045           | 88         |
| <b>TOTAL</b>  | <b>\$ 400,540,132</b> | <b>100</b> | <b>\$ 427,907,041</b> | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>                       |                       |            |                       |            |
| <b>CURRENT LIABILITIES</b>                          |                       |            |                       |            |
| Short-term borrowings (Note 14)                     | \$ 5,737              | -          | \$ 16,142             | -          |
| Short-term bills payable (Notes 14 and 27)          | 21,960,820            | 6          | 14,982,445            | 4          |
| Financial liabilities for hedging (Note 7)          | -                     | -          | 512                   | -          |
| Accounts payable                                    | 403,869               | -          | 533,336               | -          |
| Operating concession liabilities (Notes 16 and 27)  | 426,563               | -          | 8,049,281             | 2          |
| Other payables (Notes 14 and 18)                    | 3,418,404             | 1          | 3,033,767             | 1          |
| Payable for construction (Note 27)                  | 941,566               | -          | 952,575               | -          |
| Current tax liabilities (Note 4)                    | -                     | -          | 10,813                | -          |
| Provisions (Notes 17 and 27)                        | 284,781               | -          | 1,169,273             | -          |
| Other current liabilities (Notes 11, 18, 21 and 27) | 1,508,643             | -          | 1,277,565             | -          |
| Total current liabilities                           | 28,950,383            | 7          | 30,025,709            | 7          |
| <b>NON-CURRENT LIABILITIES</b>                      |                       |            |                       |            |
| Bonds payable (Note 15)                             | 27,473,537            | 7          | 27,469,258            | 6          |
| Long-term debt (Notes 14 and 27)                    | 217,622,140           | 54         | 242,614,407           | 57         |
| Provisions (Notes 17 and 27)                        | 3,149,335             | 1          | 3,548,102             | 1          |
| Lease liabilities (Notes 11 and 27)                 | 238,113               | -          | 395,011               | -          |
| Long-term interest payable (Note 14)                | 5,390,517             | 1          | 6,494,430             | 2          |
| Operating concession liabilities (Notes 16 and 27)  | 49,759,974            | 13         | 48,991,747            | 11         |
| Other non-current liabilities (Notes 18, 19 and 23) | 666,066               | -          | 590,406               | -          |
| Total non-current liabilities                       | 304,299,682           | 76         | 330,103,361           | 77         |
| Total liabilities                                   | 333,250,065           | 83         | 360,129,070           | 84         |
| <b>EQUITY (Note 20)</b>                             |                       |            |                       |            |
| Capital stock                                       |                       |            |                       |            |
| Common stock  | 56,282,930            | 14         | 56,282,930            | 13         |
| Capital surplus                                     | 172,981               | -          | 172,981               | -          |
| Retained earnings                                   |                       |            |                       |            |
| Legal reserve                                       | 4,212,542             | 1          | 3,852,440             | 1          |
| Unappropriated earnings                             | 6,621,614             | 2          | 7,469,620             | 2          |
| Total retained earnings                             | 10,834,156            | 3          | 11,322,060            | 3          |
| Total equity  | 67,290,067            | 17         | 67,777,971            | 16         |
| <b>TOTAL</b>  | <b>\$ 400,540,132</b> | <b>100</b> | <b>\$ 427,907,041</b> | <b>100</b> |

The accompanying notes are an integral part of the financial statements.



**TAIWAN HIGH SPEED RAIL CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | <b>For the Years Ended December 31</b> |             |                     |             |
|---|--|-------------|---------------------|-------------|
|   | <b>2022</b>                            |             | <b>2021</b>         |             |
|   | <b>Amount</b>                          | <b>%</b>    | <b>Amount</b>       | <b>%</b>    |
| OPERATING REVENUE (Notes 21 and 27)   | \$ 37,133,233                          | 100         | \$ 30,227,887       | 100         |
| OPERATING COSTS (Notes 22 and 27)   | <u>(25,890,103)</u>                    | <u>(70)</u> | <u>(25,702,330)</u> | <u>(85)</u> |
| GROSS PROFIT  | 11,243,130                             | 30          | 4,525,557           | 15          |
| OPERATING EXPENSES (Notes 22 and 27)  | <u>(1,322,722)</u>                     | <u>(4)</u>  | <u>(1,207,675)</u>  | <u>(4)</u>  |
| INCOME FROM OPERATIONS  | <u>9,920,408</u>                       | <u>26</u>   | <u>3,317,882</u>    | <u>11</u>   |
| NON-OPERATING INCOME AND EXPENSES   |  |             |                     |             |
| Interest income (Note 22)   | 205,005                                | 1           | 95,430              | -           |
| Interest expense (Notes 14, 22 and 27)  | (6,231,824)                            | (17)        | (5,757,241)         | (19)        |
| Stabilization reserve reverse (Note 17)   | 398,767                                | 1           | 6,451,898           | 21          |
| Other gains and losses (Notes 22 and 27)  | <u>(26,731)</u>                        | <u>-</u>    | <u>157,656</u>      | <u>1</u>    |
| Total non-operating income and expenses   | <u>(5,654,783)</u>                     | <u>(15)</u> | <u>947,743</u>      | <u>3</u>    |
| INCOME BEFORE INCOME TAX  | 4,265,625                              | 11          | 4,265,625           | 14          |
| INCOME TAX EXPENSE (Note 23)  | <u>(496,288)</u>                       | <u>(1)</u>  | <u>(654,703)</u>    | <u>(2)</u>  |
| NET INCOME  | <u>3,769,337</u>                       | <u>10</u>   | <u>3,610,922</u>    | <u>12</u>   |
| OTHER COMPREHENSIVE INCOME  |  |             |                     |             |
| Items that will not be reclassified subsequently to profit or loss:                                 |  |             |                     |             |
| Remeasurement of defined benefit plan   | 11,256                                 | -           | (12,374)            | -           |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23) | <u>(2,251)</u>                         | <u>-</u>    | <u>2,475</u>        | <u>-</u>    |
| Other comprehensive income (loss) for the year, net of income tax                                   | <u>9,005</u>                           | <u>-</u>    | <u>(9,899)</u>      | <u>-</u>    |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>\$ 3,778,342</u>                    | <u>10</u>   | <u>\$ 3,601,023</u> | <u>12</u>   |
| EARNINGS PER SHARE (Note 24)  |  |             |                     |             |
| Basic earnings per share  | <u>\$ 0.67</u>                         |             | <u>\$ 0.64</u>      |             |

The accompanying notes are an integral part of the financial statements.

**TAIWAN HIGH SPEED RAIL CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

|   | Capital Stock        |                   | Capital Surplus     | Retained Earnings   |                         | Total                | Total Equity |
|---|----------------------|-------------------|---------------------|---------------------|-------------------------|----------------------|--------------|
|   | Common Stock         |                   |                     | Legal Reserve       | Unappropriated Earnings |                      |              |
| BALANCE AT JANUARY 1, 2022                                      | \$ 56,282,930        | \$ 172,981        | \$ 3,852,440        | \$ 7,469,620        | \$ 11,322,060           | \$ 67,777,971        |              |
| Appropriations of 2021 earnings                                 |                      |                   |                     |                     |                         |                      |              |
| Legal reserve   | -                    | -                 | 360,102             | (360,102)           | -                       | -                    |              |
| Cash dividends to stockholders - NT\$0.758 per share            | -                    | -                 | -                   | (4,266,246)         | (4,266,246)             | (4,266,246)          |              |
|   | -                    | -                 | <u>360,102</u>      | <u>(4,626,348)</u>  | <u>(4,266,246)</u>      | <u>(4,266,246)</u>   |              |
| Net income for the year ended December 31, 2022                 | -                    | -                 | -                   | 3,769,337           | 3,769,337               | 3,769,337            |              |
| Other comprehensive income for the year ended December 31, 2022 | -                    | -                 | -                   | 9,005               | 9,005                   | 9,005                |              |
| Total comprehensive income for the year ended December 31, 2022 | -                    | -                 | -                   | <u>3,778,342</u>    | <u>3,778,342</u>        | <u>3,778,342</u>     |              |
| BALANCE AT DECEMBER 31, 2022                                    | <u>\$ 56,282,930</u> | <u>\$ 172,981</u> | <u>\$ 4,212,542</u> | <u>\$ 6,621,614</u> | <u>\$ 10,834,156</u>    | <u>\$ 67,290,067</u> |              |
| BALANCE AT JANUARY 1, 2021                                      | \$ 56,282,930        | \$ 172,981        | \$ 3,270,422        | \$ 10,360,323       | \$ 13,630,745           | \$ 70,086,656        |              |
| Appropriations of 2020 earnings                                 |                      |                   |                     |                     |                         |                      |              |
| Legal reserve   | -                    | -                 | 582,018             | (582,018)           | -                       | -                    |              |
| Cash dividends to stockholders - NT\$1.05 per share             | -                    | -                 | -                   | (5,909,708)         | (5,909,708)             | (5,909,708)          |              |
|   | -                    | -                 | <u>582,018</u>      | <u>(6,491,726)</u>  | <u>(5,909,708)</u>      | <u>(5,909,708)</u>   |              |
| Net income for the year ended December 31, 2021                 | -                    | -                 | -                   | 3,610,922           | 3,610,922               | 3,610,922            |              |
| Other comprehensive loss for the year ended December 31, 2021   | -                    | -                 | -                   | (9,899)             | (9,899)                 | (9,899)              |              |
| Total comprehensive income for the year ended December 31, 2021 | -                    | -                 | -                   | <u>3,601,023</u>    | <u>3,601,023</u>        | <u>3,601,023</u>     |              |
| BALANCE AT DECEMBER 31, 2021                                    | <u>\$ 56,282,930</u> | <u>\$ 172,981</u> | <u>\$ 3,852,440</u> | <u>\$ 7,469,620</u> | <u>\$ 11,322,060</u>    | <u>\$ 67,777,971</u> |              |

The accompanying notes are an integral part of the financial statements.

**TAIWAN HIGH SPEED RAIL CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

|  | <b>For the Years Ended</b> |                    |
|--|----------------------------|--------------------|
|  | <b>December 31</b>         |                    |
|  | <b>2022</b>                | <b>2021</b>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |                            |                    |
| Income before income tax                                       | \$ 4,265,625               | \$ 4,265,625       |
| Adjustments for:   |                            |                    |
| Depreciation   | 223,028                    | 218,862            |
| Amortization   | 13,412,502                 | 14,039,807         |
| Reversal of write-downs of inventories                         | (8,285)                    | (15,361)           |
| Interest expense   | 6,231,824                  | 5,757,241          |
| Interest income  | (205,005)                  | (95,430)           |
| Loss (gain) on foreign currency exchange, net                  | 39,847                     | (24,078)           |
| Stabilization reserve reverse                                  | (398,767)                  | (6,451,898)        |
| Loss on disposal of intangible assets, net                     | 179,046                    | 47,934             |
| Others   | 25,531                     | 7,126              |
| Changes in operating assets and liabilities                    |                            |                    |
| Financial assets at fair value through profit or loss          | -                          | 15,218,000         |
| Financial liabilities for hedging                              | (584)                      | 512                |
| Notes and accounts receivable                                  | 252,011                    | (447,865)          |
| Inventories  | (71,716)                   | (269,780)          |
| Other current assets   | 164,523                    | 170,619            |
| Other non-current assets                                       | (471)                      | (700)              |
| Accounts payable   | (140,111)                  | 263,622            |
| Other payables   | 268,275                    | (220,239)          |
| Provisions   | (885,959)                  | -                  |
| Other current liabilities                                      | 236,965                    | 445,583            |
| Other non-current liabilities                                  | (5,897)                    | (5,747)            |
| Cash generated from operations                                 | 23,582,382                 | 32,903,833         |
| Interest received  | 188,183                    | 96,073             |
| Interest paid  | (6,035,505)                | (5,503,516)        |
| Interest paid with respect to operating concession liabilities | (8,049,281)                | (541,931)          |
| Income tax refunded (paid)                                     | 141,601                    | (78,402)           |
| Net cash generated from operating activities                   | <u>9,827,380</u>           | <u>26,876,057</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |                            |                    |
| Decrease (increase) in other financial assets                  | 12,705,174                 | (5,125,115)        |
| Acquisition of property, plant and equipment                   | (46,898)                   | (36,199)           |
| Acquisition of intangible assets                               | (5,191,424)                | (3,664,773)        |
| Proceeds from disposal of intangible assets                    | <u>100</u>                 | <u>207</u>         |
| Net cash generated from (used in) investing activities         | <u>7,466,952</u>           | <u>(8,825,880)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |                            |                    |
| Net decrease in short-term borrowings                          | (10,922)                   | (40,470)           |
| Proceeds from short-term bills payable                         | 7,000,000                  | 15,000,000         |

(Continued)

**TAIWAN HIGH SPEED RAIL CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

|   | <b>For the Years Ended</b> |                      |
|---|----------------------------|----------------------|
|   | <b>December 31</b>         |                      |
|   | <b>2022</b>                | <b>2021</b>          |
| Proceeds from issuance of bonds   | \$ -                       | \$ 9,000,000         |
| Repayment of long-term debt   | (25,000,000)               | (15,000,000)         |
| Repayment of the principal portion of lease liabilities                               | (165,693)                  | (164,415)            |
| Increase in other non-current liabilities   | 93,945                     | 32,220               |
| Cash dividends  | <u>(4,266,246)</u>         | <u>(5,909,708)</u>   |
| Net cash (used in) generated from financing activities                                | <u>(22,348,916)</u>        | <u>2,917,627</u>     |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>(5,966)</u>             | <u>(77)</u>          |
| NET (DECREASE) INCREASE IN CASH AND CASH<br>EQUIVALENTS                               | (5,060,550)                | 20,967,727           |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                             | <u>21,619,496</u>          | <u>651,769</u>       |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                      | <u>\$ 16,558,946</u>       | <u>\$ 21,619,496</u> |

The accompanying notes are an integral part of the financial statements.

(Concluded)

# Appendix VII

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan High Speed Rail Corporation

### Opinion

We have audited the accompanying financial statements of Taiwan High Speed Rail Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### Basis of Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matter of the 2022 financial statements are as follows:

#### Provision for Stabilization Reserve

Refer to Note 4.o. of the financial statements for further information on accounting policy on provision for stabilization reserve; Note 5.a. of the financial statements for further information on the accounting uncertainty associated with the judgments, and estimates and assumptions about provision for stabilization reserve. Refer to Note 17 of the financial statements for the details of such provision.

According to the Taiwan North-South High Speed Rail Construction and Operation Agreement ("C&O Agreement"), which was amended on July 27, 2015, the Corporation established the financial stabilization mechanism ("FSM") in 2016 in order to serve the purpose of returning the major portion of the excess earnings, which is defined under the C&O Agreement, to the ROC government. Started in 2017, the Corporation reports the status of the implementation of the aforementioned FSM to the Ministry of Transportation and Communications ("MOTC"), including the provision, contribution, and accumulated balance of the stabilization reserve in accordance with the C&O Agreement.

# Appendix VII

Because 1) the provision for the stabilization reserve is related to the profitability of the remaining concession period under the C&O Agreement, 2) the reserve amount is material and can vary significantly, depending on the expiration or termination of the C&O Agreement, and 3) the implementation of the FSM involves critical accounting judgments and estimates, the recognition of provision for stabilization reserve is deemed a key audit matter.

Since earnings to be made in the remaining concession period, which will end in the year 2068 or any year where the C&O Agreement might be early terminated, cannot be reliably estimated, the stabilization reserve, totaling NT\$3,150,817 thousand as of December 31, 2022, was provided based on the earnings achieved in 2022 and on the requirements as stipulated in the C&O Agreement.

We evaluated that the measurement method used by the management for making the accounting estimates related to the abovementioned provision was reasonable. In addition, on a sampling basis, we: (1) reviewed the C&O Agreement related to the movement of the provision, (2) recalculated the amount of the provision and confirmed the accuracy of the balance, and (3) inspected the movement of the provision from the balance sheet date to the report date and verified that the balance of the provision at the balance sheet date was appropriately accrued.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Appendix VII

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2022 financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Appendix VII

The engagement partners on the audit resulting in this independent auditors' report are Jui-Hsuan Ho and Kuo-Tyan Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 22, 2023

## Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*



# Appendix VIII

## **Audit Committee's Review Report on 2022 Financial Statements**

### Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2022 Business Report and Financial Statements. The CPA of Deloitte & Touche, Jui-Hsuan Ho and Kuo-Tyan Hong, were retained to audit the Financial Statements of Taiwan High Speed Rail Corporation and have issued an audit report relating to the Financial Statements. The Business Report and Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan High Speed Rail Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai

February 22, 2023

# Appendix IX

## Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2022 proposal for allocation of profits, and the proposal has been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan High Speed Rail Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai

March.15.2023