

2021
ANNUAL
REPORT



Headquarters

Address : 13F., No.66, Jingmao 2nd Rd., Nangang District, Taipei ,
Taiwan, R.O.C.

Website : www.thsrc.com.tw

Tel : +886-2-8789-2000

THSRC Spokesperson : Rae Chung

Title : Vice President

Tel : +886-2-8789-2000 Ext. 72710

Email : Spokesman_MBOX@thsrc.com.tw

THSRC Deputy Spokesperson : Elaine Tsou

Title : Vice President

Tel : +886-2-8789-2000 Ext. 72710

Email : Spokesman_MBOX@thsrc.com.tw

Share Transfer Agent and Registrar

Company : Fubon Securities Transfer Agency Department

Address : 2F., No.17, Shu Chung St., Chungchen District, Taipei, Taiwan,
R.O.C.

Website : www.fubon.com.tw

Tel: +886-2-2361-1300

Auditors of Current Financial Report

Auditor Names : Mei-Yen Chiang, Kuo-Tyan Hong

Company : Deloitte & Touche

Address : 20F., No.100, Sung Ren Rd., Hsinyi District, Taipei, Taiwan,
R.O.C.

Website : www.deloitte.com.tw

Tel : +886-2-2725-9988

Note: Following approval granted by the Board of Directors on
February 23, 2022, the CPAs were changed to Jui-Hsuan Ho and
Kuo-Tyan Hong. Please refer to the information on CPA changes
in Chapter Four of this annual report.

Public listings and securities trading in overseas stock exchanges :

None.

THSRC Milestones

Date of Incorporation: **May 1998**

Construction Stage: **March 2000 – December 2006**

Operation Stage: **Started in January 2007**

Capitalization: **NT\$56.28 billion**

Key Operating Statistics for 2021

Number of Train Services: **46,792**

Punctuality (defined as arrival within five minutes of scheduled time): **99.00%**

Annual Ridership: **43.46 million passengers**

Annual Revenues: **NT\$30.23 billion**

Loading Factor: **49.88%**

Passenger Kilometers: **7,569 million km**

Total Route Length: **350 km**

Number of Cities/Counties Passed Through: **11**

Maximum Operating Speed: **300 km/hr**

Number of Seats Per Train: **977** (911 in standard and 66 in business carriages)

Stations in Service: **12** (Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying)

Maintenance Depots in Service: **5** (Liujiia/Hsinchu, Wuri/Taichung, Taibao/Chiayi, Zuoying/Kaohsiung, and Yanchao Main Workshop/Kaohsiung)

Note:

$$\text{Loading Factor} = \frac{\text{Passenger-kilometers}}{\text{Seat-kilometers}} \times 100\%$$

Passenger-Kilometers = Sum of the mileage traveled by each passenger

Seat-Kilometers = \sum (Number of seats per trainset x sum of the mileage of trains operated in revenue service)



Table of Contents

One	Letter to Shareholders	004		
	Business Report for 2021	006	Replacement of CPA	137
	Business Plan for 2022	010	Information on Employment of Corporation Chairman, President, or Financial Manager at CPA Firms or Affiliated Businesses Within Past Year	138
Two	Company Profile	014	Information on Share Transfers and Pledge Changes	138
	Business Strategy and Vision	016	Information Disclosing the Spouse, Kinship within the Second Degree, and Relationship between any of the Top Ten Shareholders	139
	Historical Milestones	018	Shareholding of Single Invested Companies Held by Company Insiders	140
Three	Corporate Structure	023	Five	Financing Information
	Organizational Structure	024	Capital and Shares Information	142
	Board of Directors	030	Information on Corporate Debt	147
	Management Team	042	Information on Preferred Stock	150
	Remuneration to Directors and Department Heads	048	Information on Global Depository Receipts	150
	Human Resources	057	Information on Employee Stock Options	150
			Information on New Restricted Employee Shares	150
Four	Corporate Governance	062	New Shares Issuance in Connection with Mergers and Acquisitions	150
	Corporate Governance Status	064	Implementation of Capital Utilization Plans	150
	Implementation Status of Internal Control System	131		
	Important Governance Information for 2021 and as of Publication Date of This Annual Report	132		
	Information on CPA Professional Fees	136		

Six	Operational Overview	151	Audit Committee's Review Report for Most Recent Financial Statement	209	
	Operations Scope and Review of Current Operations	152	Financial Statements and Independent Auditors' Report in the Most Recent Year	211	
	Industrial Overview & Development	162	Financial Difficulties of the Corporation and its Affiliates, if Any, and Impacts on the Corporation Financial Status	279	
	Analysis of Macroeconomic Environments	168	Review of Financial Conditions, Financial Performance, and Risk Management	279	
	Long and Short-Term Business Development Plans	168	Analysis of Risk Management	281	
	Important Contracts	171	Other Important Disclosure Items	292	
	Status of Technological Research and Development	173	Nine	Special Disclosures	293
	Information and Communication Security Management	177	Information on Affiliated Businesses	294	
	The Company's Intellectual Property Management Plan and Its Implementation	179	Information on Private Placement Securities	294	
Seven	Value Propositions	183	Information on Shares Held or Sold by Subsidiaries	295	
	Establishing a Sustainable Environment	184	Other Supplementary Information Required	295	
	Quality Services	188	Major Impacts to Shareholder Equity or Share Prices Due to Events Described in Article 36, Paragraph 3, Item 2 of the Securities and Exchange Act	295	
	Friendly Work Environment	192			
	Mutually Beneficial Society	196			
	Effectiveness of Corporate Governance System	202			
Eight	Financial Overview	204			
	Five-Year Financial Summary	205			
	Five-Year Financial Analysis	207			



1



Southbound platform
南下月台





1

Letter to Shareholders



Chairman *Y. C. Chiang*

Business Report and Future Prospects

Due to the outbreak of COVID-19 in early 2020, passenger volumes declined in both 2020 and 2021. However, as one of the main means of transportation 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 and normalcy will 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 2021

(1) Operational Performance

1) Rail Operations

Due to the impacts of the COVID-19 pandemic in 2021, ridership declined sharply after the nationwide level 3 epidemic alert was announced in mid-May. In response to the impacts of the epidemic, a short-term plan to reduce train services was imposed. With the epidemic slowing and ridership gradually recovering, train services were restored to pre-pandemic levels during the first half of November. A total of 46,792 train services were provided during the course of the year, a decrease of 6,284 train services compared to 53,076 trains in 2020. Our loading factor was 49.88% (down by 7.06% compared to 56.94% in 2020) and passenger volume decreased to



President

James J.

43.46 million, down by 13.78 million compared to 57.24 million in 2020. Our total passenger-kilometers were 7,569 million km, down by 23.64% compared to 9,912 million km in 2020. Average daily ridership was 119 thousand passengers, a decrease of 37 thousand passengers compared to 156 thousand passengers in 2020.

In terms of operational safety, no accidents or injuries occurred in 2021. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.00%, slightly lower than 2020 (99.71%), and our average reliability rate (excluding delays due to force majeure) was 100%.

Operational Statistics

Indicators	2020	2021	Change
1.Train Services	53,076	46,792	-11.84%
2.Ridership (in millions)	57.24	43.46	-24.07%
3.Seat-Kilometers (in millions)	17,407	15,175	-12.82%
4.Passenger-Kilometers (in millions)	9,912	7,569	-23.64%
5.Punctuality Rate (as % of trains arriving within five minutes of scheduled time)	99.71%	99.00%	-0.71%
6.Loading Factor (Passenger-km/Seat-km)	56.94%	49.88%	-7.06%

2) Marketing and Passenger Services

Products, services, and activities launched in 2021:

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

- (a) Required passengers to wear masks and measure body temperatures at HSR stations.
- (b) Enhanced cleaning and disinfection measures on trains and at HSR stations.
- (c) Implemented "Social Distancing Seating" measures for ticket bookings and seat allocations.
- (d) Adjusted train schedules in response to the pandemic and required seat reservations for all holiday train runs to reduce risk of infection.
- (e) 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.
- (f) Implemented governmental "SMS contact tracing system" since May 19. QR codes are available at HSR station ticket counters, vending machines, service counters, and entrance gates for passengers to scan before entering and leaving stations.
- (g) The majority of THSRC front-line staff have received two doses of vaccination to ensure a reliable and safe service for passengers.

B. In response to the government's anti-epidemic campaigns, THSRC launched a series of promotions based on different customer characteristics to satisfy different customer segments, e.g. buy one get one 50% discount on T Holiday packages, T Holiday self-guided luxury tour packages, T Holiday upgraded road trip packages, 40% discount on travel packages, free gift with minimum purchase for 5,000 Quintuple Stimulus Vouchers, two for 45% discount packages, and discounts for students to encourage travel, increase ridership, and achieve revenue targets.

C. We continued to recruit TGo members through exclusive member benefits and various activities. We launched the "TGo 365" platform for members to redeem TGo points for rewards and a reward program for designated items in convenience stores in order to increase TGo member numbers and contributions.

D. We continued to launch cumulative reward activities for corporate members and special discounts for designated off-peak train services to increase ridership.

E. In addition to the regular promotions such as Early Bird Discounts, College Student Discounts, Credit Card Discounts, and Periodic/Multi-Ride Tickets, a series of programs were launched to increase ridership and revenues in response to the government-issued 5000 Quintuple Stimulus Voucher released on October 8.

(2) Budget Implementation

In 2021, our estimated operating revenue was NT\$46.78 billion, but due to the continuous impacts of the COVID-19 pandemic, actual operating revenue was NT\$30.23 billion. Our budget achievement rate was 64.6% and our actual net income was NT\$3.61 billion.

(3) Revenue, Expenditure, and Profitability Analysis

In 2021, our revenue was NT\$30.23 billion and income before tax was NT\$4.27 billion, down by 22.8% and 21.3% compared to 2020 due to the continuous impacts of the COVID-19 pandemic. Net income before tax was NT\$ 6.45 billion including stabilization fund inflows.

Due to severe impacts from the COVID-19 pandemic in 2021, ridership declined sharply after the nationwide level 3 epidemic alert was announced in mid-May. With the epidemic slowing and ridership gradually recovering, train services were restored to pre-pandemic levels during the first half of November and normalcy was resumed. In addition to maintaining punctuality and service quality, THSRC continues to provide passengers with heartwarming and safe travel experiences while working to minimizing pandemic impacts on operations.

Financial Data

Unit: NT\$ in billions

Indicators	2020	2021
Operating Revenue	39.14	30.23
Gross Profit	13.04	4.53
Operating Income	11.81	3.32
Income Before Income Tax	5.42	4.27
Income Tax (Expense) Benefits	0.42	(0.65)
Net Income	5.84	3.61

(4) Research and Development

Main research and development activities in 2021 were as follows:

1) Civil Facilities:

- A. Establishment of artificial intelligence drone service platform for HSR viaduct inspections.
- B. THSR Seismic Analysis for Bridges with Dampers and Data Analysis Research for Preventive Measures with Monitoring System in Tainan Section.
- C. Rectification of differential vertical settlements between adjacent piers using pot bearings.

2) Signaling and Communications:

- A. Development of Intelligent Passenger Information System (PIS).
- B. Development of Railway Turnout Monitoring System (TMS).

3) Rolling Stock: Addition of CCTV surveillance system and luggage placement area in train compartments.

4) Information Technology:

- A. Phase 1 of Advanced Open Reservation System (AORS).
- B. Work Train Diagram System (WTDS).
- C. Electronic Commerce Transaction Controller (ETRAC).
- D. Continuous Integration Continuous Delivery (CICD).

5) Localization of Maintenance Materials and Equipment:

In order to expand localization of materials and equipment and to enhance development of the local railway industry, we have established a "Railway Industries Localization Project Team," and the following is a brief summary of our localization efforts:

A. Signaling and Communication

- (a) Maintenance parts for End Position Detectors.
- (b) Localized alternative materials for Point Machine Detectors.
- (c) UPS equipment for Signaling and Communications Huts (SCHs).

B. Rolling Stock

- (a) Train air conditioning system compressors.
- (b) Vending machines on trains.
- (c) Lavatory water heater system.
- (d) Internal/external Passenger Information Display.
- (e) Business class carriage seatback tables and seat covers.

C. Track and Power Systems

- (a) OCS maintenance vehicles.
- (b) Automatic vibration measurement system for rolling stock.
- (c) Substation B&C long life battery.
- (d) 8R-N base plate & supplementary parts (include SMC-N insulated baseplate pad).

6) Electronic Service Center: We established an electronic maintenance center in mid-2008 to reduce dependence on original manufacturers and to increase our maintenance capabilities. The number of repairs for circuit boards and components from all systems has increased year over year.

7) Industry-Academia Collaboration Projects: We continue to collaborate with major research institutions to develop the following materials and equipment:

- A. Intelligent rail scooter (phase 2).
- B. Development of rail lubricator instrument.
- C. Analysis of aging OCS composite insulator and polluted mainline area.
- D. Development of Wayside RTU System.
- E. Train SACU air conditioner control unit test equipment.
- F. Train PSSC control unit function test equipment.
- G. Train auxiliary power supply unit function test equipment.
- H. Train eddy current brake control test equipment.
- I. Point machine maintenance management system.
- J. Case study on track bolt signaling improvements.

2. Business Plan for 2022

(1) Management Guidelines

With 2022 filled with uncertainties due to the ongoing COVID-19 pandemic, we plan to increase train services during off-peak hours, improve convenience of ticketing services, strengthen digital customer services, and collaborate with transportation partners and other industries to supply travel packages for enhanced revenue management. In addition, we also plan to integrate innovative technology and applications that increase operational and management efficiency to ensure our service quality.

We will continue to offer a series of promotions in accordance with policies set in 2021 and in response to border controls. We plan to enhance digital HSR services and convenience of ticket purchasing as well as promote our membership program to ensure our operational performance.

(2) Expected Sales Volumes

Due to steady domestic economic growth after the pandemic, increasing convenience of digital ticket purchase services, and promotion of membership services and travel products, we estimate that the annual ridership volume for 2022 will exceed 66.07 million passengers.

(3) Major Production and Marketing Initiatives

Major Initiatives for 2022:

- 1) In response to the ongoing COVID-19 pandemic, THSRC has implemented preventive measures to ensure passenger safety.
- 2) Facilitation of timely train service adjustments and adaptability of seating supply and demand, as well as improvement of revenue management efficiency to increase the output value of seats and fulfillment of revenue targets.
- 3) Development of diversified products based on diverse needs to satisfy different customer segments and promotions based on epidemic conditions to achieve sales potential, build the HSR tourism brand, and ensure fulfillment of revenue targets.
- 4) Promotion of the "Journey with THSR, Discover Taiwan" brand through T Holidays and combo tickets for hotels, transportation, and events that increase sales and attract passengers.
- 5) Continued promotion of the TGo membership program to build TGo membership economy, encourage cross-industry cooperation, and increase ticket and non-ticket revenues.
- 6) We continue to enhance our ticketing services through our online-offline integration strategy, and work with different industries to increase ticket utilization and enhance ticketing convenience. Additionally, we continue to discuss convenient mechanisms for and feasibility of mobile payments, travel cards, and cloud-based ticketing systems. For elderly and disabled passengers, we plan to provide a digital interactive ticketing system which uses Natural Language Processing (NLP) to increase convenience of ticketing services.

3. Future strategies

THSRC's vision is "To be the platform for advancement and enjoyment," and we continue to implement the strategies of our 4T program: Transportation, Technology, Taiwan, and Touch:

(1) Transportation: To build professional transportation systems that provide high quality services and products.

- 1) To implement comprehensive safety and emergency measures.
- 2) To enhance operational equipment at stations, build friendly travel environments, increase customer service equipment, and enhance service quality.
- 3) To improve operational processes and ensure maximum train capabilities.
- 4) To improve revenue management efficiency, provide a variety of products, and increase ridership during off-peak hours.
- 5) To strengthen maintenance equipment (and self-maintenance capabilities), so as to ensure system stability and accountability.

(2) Technology: To implement intelligent transportation that improves operational efficiency and quality, and enhances service, safety, and emergency responses.

- 1) To digitalize ticketing channels.
- 2) To utilize big data in the promotion of our membership economy.
- 3) To implement information technology that strengthens operational, maintenance, and service quality to improve efficiency.
- 4) To research and enhance core system capabilities.

(3) Taiwan: To combine unique local cultures and landscapes to create a multicultural and progressive platform.

- 1) To enhance local development capabilities and increase the percentage of local equipment and materials.
- 2) To promote localization for the railway industry.
- 3) To develop multiple products that combine local culture and activities and enhance common prosperity.
- 4) To develop affiliated businesses and optimize quality.
- 5) To integrate technical railway resources and evaluate possibilities for re-investment or technical exportation.

(4) Touch: To establish brand culture, enhance talent skills and corporate efficiency, and participate in social caring and environmental protection.

- 1) To build talent development plans.
- 2) To enhance management capabilities of managers.
- 3) To combine the Corporation's brand with arts and culture, broadening our cultural scope and depth.
- 4) To optimize long term financial structure.
- 5) To build a corporate governance culture that serves as an example to all other businesses, and carry out corporate social responsibilities.
- 6) To promote environmental protection, energy efficiency, and carbon reduction goals.

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

Domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 26, 2021 indicate that gradual vaccine popularization is bringing the COVID-19 pandemic under control. Countries are relaxing epidemic prevention measures and promoting infrastructure construction, which benefits global economic recovery. Domestic economic activities are returning to normal; demand is strong for emerging applications such as 5G mobile communication, automotive electronics, high performance computing, and IoT; domestic and returning Taiwanese semiconductor companies are expanding production capacity; exports of competitively advantageous technological products are growing; and demand for traditional goods are also rising continually in line with global economic recovery. The government is implementing a series of timely stimulus measures and pandemic-suppressed consumer demand is gradually being released. As the global economy is projected to recover in 2022, manufacturers are expected to expand, leading to labor demands and salary increases. However, the cost of goods is expected to increase due to rising costs of international oil and raw material prices, as well as strains placed on global supply chains. The annual growth rate of the consumer price index (CPI) in Taiwan for 2022 is estimated to be 1.61%, with an annual GDP growth rate of 4.15%. Despite these changes in our external economic environment, we will continue to formulate suitable operational strategies to achieve our business targets.

In terms of the legal environment, the Ministry of Transportation and Communications recently amended the "Railway Act" and a number of sub laws, which had a positive effect on railway operational safety and passenger rights. THSRC is optimistic about the outcomes of this change and abides by relevant regulations.

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 2021, the aforementioned amendments had no significant impacts to our business operations. In future, as rail transportation networks continue to expand, we anticipate that legal measures will become more comprehensive. 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 conditions, THSRC faces ongoing challenges from the COVID-19 pandemic, which greatly affected the tourism and transportation industries. In addition, decreasing birth rates and aging populations are slowing our passenger growth, and challenges such as extreme climate and aging operation equipment are causing maintenance costs to increase. However, we will collaborate closely and efficiently with the tourism and transportation industries to achieve mutual benefits and to offer a series of flexible products for passengers to meet the safety requirements of the pandemic.

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 and safer transportation quality and establish a foundation for long-term sustainability. With 4T-Transportation, Technology, Taiwan, and Touch as our core strategy, we not only promise to provide a safe, comfortable, and convenient journey, but also strive to realize our vision "To be the platform for advancement and enjoyment."





7



0881號
對號座



2

Company Profile



1. Business Strategy and Vision

In order to become the symbol of Taiwan progress, THSRC has set its vision, mission, and core values to carry out the commitment to the society, shareholders, customers, partners, and our employees, as the highest guiding principles for implementation.

Our Vision

"To be the platform for advancement and enjoyment"

THSRC is committed to provide convenient, comfortable and considerate service during the high speed rail journey, and strive to provide a pleasant customer experience.

THSRC not only provides passengers with safe, fast, and punctual transportation services, but also cooperates and builds alliances with external industries to enhance our railway capabilities. THSRC also strive to provide passengers with comprehensive, high-quality life experiences through integration of advanced technology, local culture, and environmental protection.

Our Values



Discipline

Discipline is the cornerstone of our work habits. Discipline binds individuals and teams to rigorous safety standards, and demands adherence to standardized processes and regulations when completing tasks.



Integrity

Integrity means compliance with ethical, moral, professional, and corporate principles, courage to bear responsibilities and do the right thing, and displaying behaviors consistent with corporate values even when faced with pressures or challenges.



Efficiency

Efficiency means appropriate time management and resource utilization, using quick and flexible methods to complete tasks, and ensuring performance.



Innovation

Innovation means thinking outside the box, using new methods to solve problems, and generating value for both internal and external clients.



Sensibility

Sensibility starts with a humane approach, paired with rational thinking and communication, to bring warmth during interactions with others.

Our Attributes

Real

We encourage all employees to be realistic in their approach to life, identifying that which is substantive when addressing the facts in each encounter with problems or adverse circumstances.

Progressive

By taking a measured and progressive approach to achieving improvement in all our activities, we aim to meet customers' needs and provide a railway with world-class standards.

Premium

In pursuing the highest standards of quality in all our activities and provision of rail services, we are determined to demonstrate true "Value for Money" for each high-speed rail journey.

Passionate

We are driven by a passionate desire to succeed in our goals of making each passenger experience memorable and encouraging public use of the high-speed rail.

2. Historical Milestones

Incorporated on May 11, 1998

Development Stage

November 1996	The Taiwan High Speed Rail Consortium was established.
September 1997	The Ministry of Transportation and Communications (MOTC) awarded the Taiwan High Speed Rail Consortium with a concession to build and operate THSR.
May 1998	THSRC was incorporated.
July 1998	THSRC and the MOTC signed the Taiwan North-South High Speed Rail Construction and Operation Agreement, the Taiwan North-South High Speed Rail Station Zone Development Agreement, the Memorandum on Government Commitment Matters, and the Memorandum on Contract Execution.
February 2000	THSRC entered into a syndicated loan agreement with 25 banks in order to obtain credit facilities of NT\$323.3 billion. A tripartite agreement was signed by THSRC, the syndicate, and the MOTC.

Construction Stage

March 2000	THSRC commenced construction of the high-speed rail project.
December 2000	THSRC entered into the Core System Supply Contract and the Core System Integration and Installation Contract with Taiwan Shinkansen Corporation and Taiwan Shinkansen International Engineering Corporation.
April 2001	The Securities and Futures Bureau approved THSRC's re-registration as a public company.
September 2003	THSRC applied to the Gre Tai Securities Market for permission to trade on the Emerging Stock Market.
January 2004	THSRC held a ceremony to unveil the THSR 700T trainset at Kawasaki's manufacturing facilities in Kobe, Japan.
October 2005	A train to be delivered to THSRC achieved a top speed of 315 km/hr on a test run.
July 2006	THSRC entered into a second syndicated loan agreement with seven banks to secure credit facilities of NT\$40.7 billion.
October 2006	THSRC launched a new corporate identity system.

Operation Stage

January 2007	THSRC began operating the rail line between Banqiao and Zuoying.
March 2007	THSRC officially commenced operations over its entire line (Taipei to Kaohsiung), and the number of daily train services was increased to 50 north- and south-bound trains.
May 2007	Lehman Brothers Asia and the parties to the second syndicated loan agreement agreed to raise credit facilities to NT\$65.5 billion.
September 2007	THSRC launched a 24-hour online reservation system.
November 2007	THSRC began offering non-reserved seats on its trains.
January 2010	THSRC entered into another syndicated loan agreement with eight banks to secure NT\$382 billion in credit facilities for refinancing its existing two syndicated loans. THSRC, the syndicate, and the MOTC also renewed their tripartite agreement.
February 2010	THSRC began allowing passengers to book, pay for, and collect train tickets at partnering convenience stores.
May 2010	THSRC drew down the facilities designated as tranches A, B, and C of its new loan of NT\$382 billion to repay the outstanding balance of its first syndicated loan of NT\$323.3 billion and tranches A, B, and C of its second loan.
August 2010	The Taiwan North-South High Speed Rail Project received the Outstanding Civil Engineering Project Award from the Asian Civil Engineering Coordination Council. THSRC carried its 100 millionth passenger.
February 2011	THSRC topped an online poll conducted by the Public Construction Commission, Executive Yuan, which allowed the public to select Taiwan's most important 100 public works.
October 2011	THSRC launched T Express, a new ticketing system that enabled customers to book and purchase tickets using their smartphones.
November 2011	THSRC's entrepreneurship achievements received recognition from the Gre Tai Securities Market at the 1st Golden Laurel Awards.
April 2012	THSRC and the International Union of Railways (UIC) held the 2nd UIC World High Speed Interaction Workshop to offer a global platform for exchanges between experts and institutions in the area of high-speed rail system maintenance.

July 2012	THSRC became an overall winner across all categories at the 2012 Golden Service Awards hosted by Commonwealth Magazine.
November 2012	THSRC participated in the 14th UIC Regional Assembly for Asia and Oceania and the 11th Asian Management Committee (AMC) in Moscow, and was recognized as a member of the AMC effective from 2013. Lloyd's Register Quality Assurance issued an ISO 9001 compliance certificate for THSRC's rail operation, maintenance, and passenger service. All audited items conformed with ISO 9001 Quality Management System standards. National Geographic editors selected one of THSRC's T Holiday packages as the Best Winter Trip for 2013.
January 2013	THSRC held groundbreaking ceremonies for new stations in Yunlin, Miaoli, and Changhua.
October 2013	THSRC raised passenger fares using a formula approved by the MOTC.
November 2013	THSRC received the R.O.C. Enterprise Environmental Protection Award from the Environmental Protection Administration for the third consecutive year.
December 2013	THSRC and the JR Kyushu Railway Company hosted a work practices exchange for train attendants to observe and learn different service cultures.
April 2014	THSRC won first place in the Ground Transportation category of Commonwealth Magazine's Golden Service Awards.
May 2014	THSRC and the UIC jointly organized a series of conferences that included the 6th UIC Asia-Pacific Technical Directors Meeting, the 17th Asia-Pacific Regional Assembly, and the 1st UIC Conference on Natural Disaster Management of Railway Systems at Le Meridien Taipei.
January 2015	THSRC received a carbon footprint certificate for high-speed rail service from the Environmental Protection Administration, Executive Yuan.
July 2015	THSRC and the MOTC entered into two agreements: the Fourth Supplement to Taiwan North-South High Speed Rail Construction and Operation Agreement, and the Termination of Taiwan North-South High Speed Rail Station Zone Development Agreement.
September 2015	THSRC established a Muslim prayer room at Taichung HSR Station in order to better cater to the needs of Muslim passengers.

December 2015	Three new HSR stations in Miaoli, Changhua, and Yunlin opened for traffic. THSRC also announced schedule adjustments in the same month. Train fares were rolled back to the level they were before a hike was implemented.
March 2016	Shareholders, at an extraordinary general meeting, approved plans formulated by the THSRC Board for an initial public offering (IPO).
April 2016	Changhua HSR Station was named a Popular Choice Winner by the Architizer A+ Awards in the Bus & Train Station category. THSRC won a Gold Award in the Transportation category from Commonwealth Magazine's 2016 Golden Service Awards.
May 2016	THSRC and the International High-Speed Railway Association (IHRA) held their 5th annual meeting in Taipei.
July 2016	A new HSR station was opened in Nangang District of Taipei City. The new Yunlin HSR station was awarded the Gold Level Green Building Certificate by the MOI and received a green building placard.
August 2016	The new Miaoli HSR station was awarded the Diamond Level Green Building Certificate by the MOI and received a green building placard. The new Changhua HSR station was awarded the Gold Level Green Building Certificate by the MOI and received a green building placard.
October 2016	THSRC received an ITS World Congress Hall of Fame Award at the 2016 ITS World Congress in Melbourne, Australia. THSRC became the first listed rail operator in Taiwan to debut on the stock market of the Taiwan Stock Exchange.
November 2016	THSRC received a Silver Award from the 2016 Enterprise Project Management Benchmarking Awards for its three new stations.
January 2017	The THSR Museum was inaugurated at the Operation Management Center in Taoyuan City. THSRC hosted a signing ceremony marking the issuance of a NT\$20-billion two-year commercial paper managed by Mega Bills Finance Co. and nine other financial institutions.
April 2017	An E-Ticket Reader was established for multiple ticket types.
July 2017	Lloyd's Register Quality Assurance issued a TOSHMS and OHSAS 18001 dual compliance certificate to THSRC; the certificate verified THSR stations, depots, facilities along the line, and office environments.

August 2017	<p>The iTaiwan free Wi-Fi network was made available along HSR line.</p> <p>THSRC hosted the "Business Opportunity Seminar for Taiwan Track Industry Localization" at Yanchao Main Workshop.</p>	March 2019	<p>THSRC launched ticket pick-up services for senior/disabled concession tickets on the mobile ticketing app and from automatic ticketing machines.</p> <p>THSRC launched smart online ticketing services on Facebook Messenger.</p>
October 2017	<p>THSRC won the first Transportation Award of Service hosted by Next Magazine.</p> <p>THSRC launched the "TGo" and THSRC App.</p>	April 2019	<p>THSRC participated in the 5th (2018) Corporate Governance Evaluations and again ranked among top 5% of listed companies.</p> <p>THSRC won the exclusive "FTSE4Good TIP Taiwan ESG Index" badge certification for financial indicators.</p>
November 2017	<p>THSRC won Global Views Magazine's 15th Five-Star Service Award.</p>	October 2019	<p>THSRC participated in National Day Parade Float for the first time with the theme of "Journey with THSR, Discover Taiwan."</p> <p>THSRC launched automatic inspection mechanism services for senior/disabled concession tickets, allowing passengers to purchase tickets without documentation at convenience stores.</p>
December 2017	<p>THSRC won the Ministry of Culture's 13th Art & Business Award.</p>	November 2019	<p>THSRC won the "Technology Management Award 2019" from the Chinese Society for Management of Technology.</p> <p>THSRC won the "14th Arts and Business Awards (Permanent Awards Category)" from the Ministry of Culture.</p> <p>THSRC participated in the "2019 TCSA Awards" and won the Gold "Corporate Sustainability Report Award" and the "Top 50 Corporate Sustainability Award" from the Taiwan Institute for Sustainable Energy.</p>
May 2018	<p>THSRC participated in the Corporate Governance Evaluation for the first time and received a "Top 5% of the 4th Corporate Governance Evaluation Award."</p>	January 2020	<p>THSRC carried its 600 millionth passenger.</p>
June 2018	<p>THSRC participated in the Taiwan Corporate Governance Association's corporate governance evaluations and received a CG6011 (2017) Corporate Governance System Assessment Certificate with an "Excellent" ranking.</p>	April 2020	<p>THSRC was ranked the most desirable traditional corporation for new graduates in yes123 Job Bank's "Career Development Plan for Graduates and New Recruits for Corporations" survey for two consecutive years.</p> <p>Received top 5% ranking in the Corporate Governance Evaluations hosted by TWSE for three consecutive years, and was ranked in top 10% of publicly listed "non-financial or electronic companies with market values of 10 billion and above" for two consecutive years.</p>
July 2018	<p>THSRC carried its 500 millionth passenger.</p>	May 2020	<p>"Road ~ Taiwan Express," the first TV drama with Taiwan High Speed Rail construction and operation period as its backstory, was broadcast in Taiwan and Japan.</p>
August 2018	<p>THSRC was listed in the MSCI Taiwan index, the FTSE TWSE Taiwan 50 Index, the FTSE Emerging Markets Index, the TWSE CG 100 Index, and the FTSE4Good Emerging Index.</p> <p>THSRC was awarded the 2018 "Corporate Social Responsibility Excellence Award" by CommonWealth Magazine.</p>		
September 2018	<p>THSRC received the German "Red Dot Award: Communication Design 2018" for its T Express mobile ticket purchasing app.</p>		
November 2018	<p>THSRC obtained twAA+ and AA+ excellent credit rating from Taiwan Ratings and Fitch Ratings for the third consecutive year.</p> <p>THSRC tickets were redesigned for the first time.</p> <p>THSRC won three major awards at the "Taiwan Corporate Sustainability Awards," namely the Corporate Sustainability Report Transportation Industry Top 50 Platinum Award, Creativity in Communication Award, and Growth through Innovation Award.</p> <p>THSRC's rolling stock locomotive path confirmation system obtained international IEC61508 certification.</p>		
December 2018	<p>THSRC won the "Critical Infrastructure and Security Protection Practice Award" given by the British Standards Institution (BSI) InfoSec Standards.</p>		

June 2020	THSRC was informed of inclusion in the Taiwan Sustainability Index and was awarded the "Taiwan Sustainability Index Label" by Taiwan Index, highlighting the Corporation's efforts in maintaining E (Environmental), S (Social), and G (Governance) sustainability.
July 2020	THSRC was notified of inclusion in the TWSE RA Taiwan Employment Creation 99 Index by Taiwan Index. Received "Excellent" certification under the Corporate Governance Evaluations hosted by the Taiwan Corporate Governance Association.
August 2020	Received "2020 Excellence in Industrial-Academic Cooperation Award" from the Chinese Institution of Engineers. THSRC "Occupational Health and Safety Management System" was accredited by the British Standards Institution (BSI) with "ISO 45001" standards and was certified by the Taiwan Occupational Safety and Health Management System (TOSHMS).
September 2020	Participated in 1111 Job Bank's 2020 Most Touching Work Contribution Awards and took first place in the "Transportation and Logistics Category."
October 2020	Won "Outstanding Enterprise Category" at the National Brand Yushan Awards.
November 2020	THSRC participated in the "2020 Taiwan Corporate Sustainability Awards (TCSA)" and won the "Top 10 Domestic Companies Sustainability Model Awards (Service Industry)" and the "Corporate Sustainability Report Awards" from the Taiwan Institute for Sustainable Energy (TAISE). THSRC introduced the AI Customer Service (AICS) to provide passengers and customer service staff with a faster and more direct communication channel.
December 2020	Obtained "ISO 14001:2015 Environmental Management System (EMS)" certification from the British Standards Institution (BSI). Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index." Won the 2020 Epidemic Prevention Award from Taiwan Immunization Vision and Strategy (TIVS). Obtained "ISO 27001 Information Security Management System (ISMS)" certification from the British Standards Institution (BSI).
January 2021	The THSRC e-Procurement, as part of the Procurement Management System (PMS), was introduced and launched for vendors to access online bidding.

April 2021	In accordance with the humanitarian assistance and corporate social responsibility, THSRC donated an amount of NTD 5 million to victims and families of the 0402 Taroko Train Accident. The Taiwan Ratings Corporation (Taiwan Ratings) has raised THSRC credit rating to the highest level of twAAA, while the outlook on the long term rating maintained "stable." THSRC received top 5% ranking in the Corporate Governance Evaluation hosted by TWSE for the fourth consecutive year, and was also ranked in top 10% of publicly listed "non-financial or electronic companies with market values of NTD 10 billion and above" for three consecutive years.
June 2021	Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index," and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Mark" from now until December 19, 2021.
July 2021	Continued to be selected as a constituent of the "TWSE RA Taiwan Employment Creation 99 Index." "The Integrated Information Platform for Cloud Smart Power System Maintenance" received a bronze award from the 2021 Future Commerce Awards in the category of Best Management Innovation hosted by Business Next Magazine.
August 2021	THSRC has issued a Sustainability Bond for the first time to raise an amount of NTD 1 billion, with a maturity of 3 years and a fixed annual interest rate of 0.3 percent. It is also the first domestic transportation service provider to issue a Sustainability Bond.
October 2021	THSRC won the 18th National Brand Yushan Award in the following categories: Outstanding Enterprise, Best Popular Brand, and Best Product, as well as received the first prize in Outstanding Enterprise Category.

November 2021	<p>In accordance with the humanitarian assistance and corporate social responsibility, THSRC donated an amount of NTD 5 million to Social Affairs Bureau of Kaohsiung City Government to help victims and families of the "1014 Fire Tragedy in Yancheng District" to get through the hardships together.</p> <p>THSRC won the "Three-Star Medal Excellence Management Quality Award" in Enterprise Category from the Chinese Society for Quality.</p> <p>THSRC participated in the "2021 Taipei International Travel Fair (ITF)" and was once again awarded with the "Best Pavilion Award" by the ITF-organizer.</p> <p>The Agriculture and Food Agency Council of Agriculture hosted the award ceremony for the "2021 Enterprises appreciation to support Taiwan's fruits and encourage public to consume Taiwan's agricultural products," and presented THSRC with the Certificate of Appreciation and a Trophy.</p> <p>THSRC hosted the "High Speed Rail Catenary Maintenance Vehicle Commissioning Ceremony" at Zuoying Depot to promote the "Railway Industries Localization."</p>
December 2021	<p>Awarded with the top prize of "Buying Power - Social Innovation Products and Services Procurement" by the Ministry of Economic Affairs.</p> <p>THSRC introduced the "Taiwan Intellectual Property Management System (TIPS)" and awarded with the TIPS A-level Certification on first-time application for relevant verification.</p> <p>Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index," and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Mark" for the period ended June 19, 2022.</p>
January 2022	<p>THSRC won the "15th Arts and Business Awards (Permanent Award Gold Award)" from the Ministry of Culture and was honored of receiving the Arts and Business Awards for the third consecutive time.</p>
March 2022	<p>Donated NT\$ 3 million to the Ukrainian Refugee Assistance Program for humanitarian aid.</p>

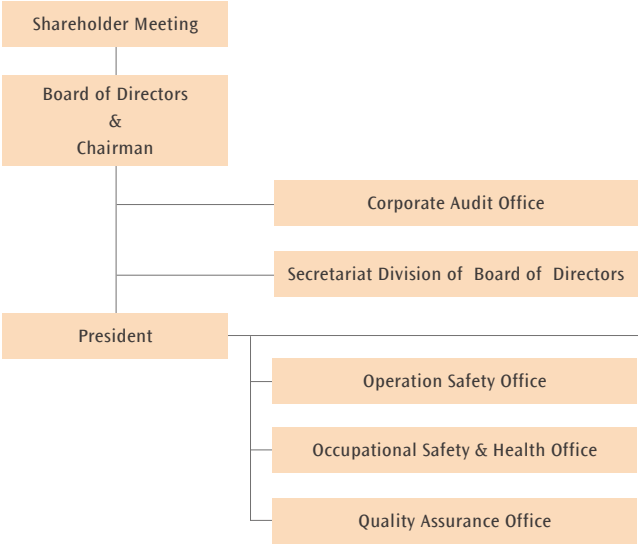
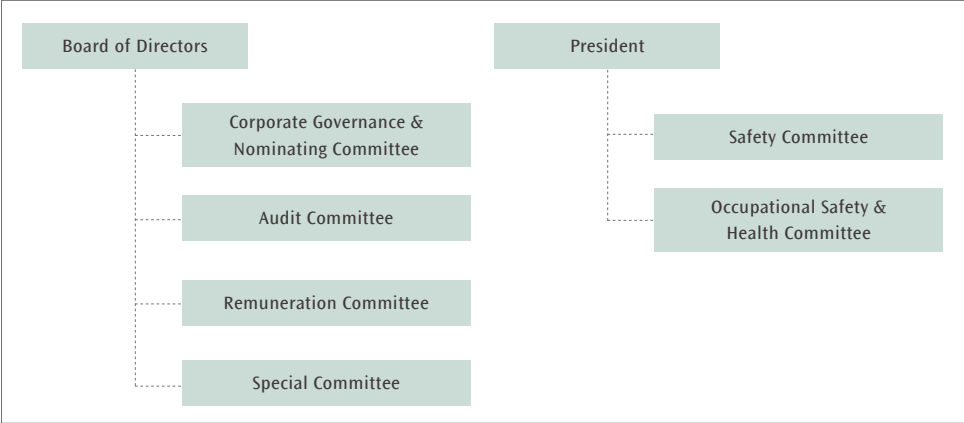


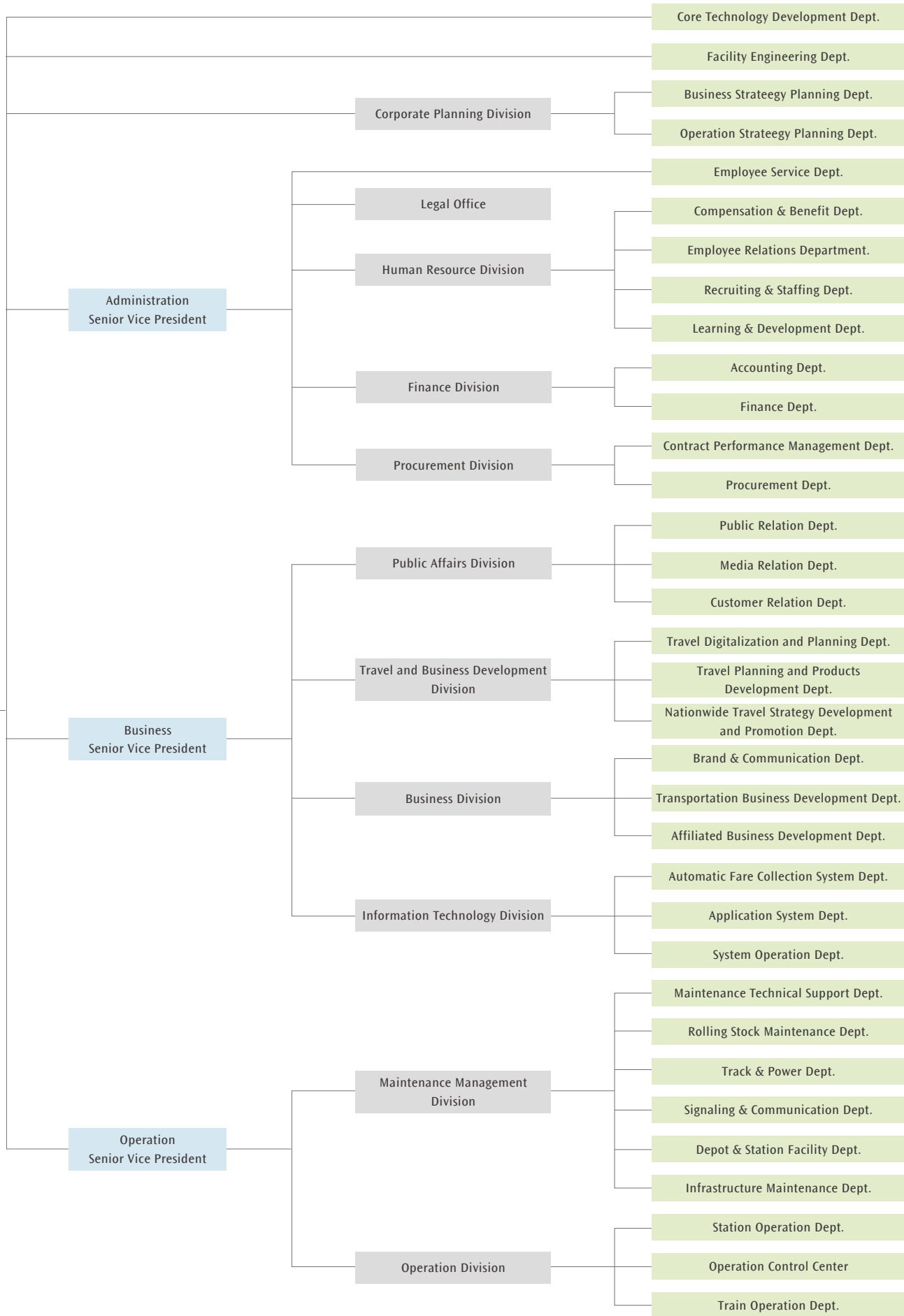
Corporate Structure

3

1. Organizational Structure

(1) Corporation Organizational Structure





(2) Business Operations of Major Departments

Main duties of functional committees overseen by the Board of Directors

1) Corporate Governance & Nomination Committee

- A. 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.
- B. 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. This Committee shall explore the willingness of potential candidates to serve on committees and consider candidate backgrounds and the duties of the respective committees before presenting its plans and suggestions regarding the composition of the committees to the Board.
- C. Be responsible for nominations of independent directors and non-independent directors.
- D. Identify and evaluate potential candidates for independent and non-independent directors.
- E. Review the basic programs for director continuing education and succession plans of directors and managerial officers (succession planning).
- F. Plan and review implementation performance of the Board and its committees.
- G. Devise and review liability insurance plans for directors and managerial officers.
- H. Review status of information disclosures.
- I. 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.
- J. Review implementation performance of the corporate governance system, including execution of corporate social responsibilities, ethical management, and stakeholder communication.
- K. Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.

2) Audit Committee

- A. Adopt or amend the internal control systems pursuant to Article 14-1 of the Securities and Exchange Act.
- B. Evaluate the effectiveness of the Corporation's internal control system.
- C. 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.
- D. Review matters that may involve the personal interest of directors.
- E. Review material asset and derivatives transactions.
- F. Review material monetary loans or endorsement, or provision of guarantees.
- G. Review the public offering, issuance, or private placement of equity-type securities.
- H. Evaluate the appointment, dismissal, or compensation of attesting CPAs.
- I. Evaluate the appointment and dismissal of the Corporation's chief financial officer, chief accountant, or chief internal auditor.
- J. Review the annual financial report and the first to third quarter financial reports, which are signed or sealed by the Corporation Chairperson, managerial officer and chief accountant.

- K. Review the Corporation's accounting system and financial condition.
 - L. Evaluate the Corporation's risk management policies and risk measurement standards.
 - M. Review the procedures for material financial and operational acts.
 - N. Evaluate, examine, and monitor any existing or potential risks to the Corporation.
 - O. Examine the Corporation's compliance with laws, regulations and rules.
 - P. Review the Corporation's capital, financing, and credit plans.
 - Q. Assess the Corporation's tax planning and compliance with tax laws and regulations.
 - R. Other major matters as required by the corporation and competent authority.
 - S. Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.
- 3) Remuneration Committee
- A. Formulate and regularly review the performance assessment criteria, performance goals, and the policies, systems, standards, and structure for the compensation of directors and managerial officers of the Corporation.
 - B. Regularly assess the degree to which performance goals for the 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.
- 4) Special Committee
- A. Provide counsel and suggestions in accordance with Board resolutions on major legal or contractual disputes and important institutional changes of the Corporation, and assist the Board in supervising the implementation of said resolutions by managerial departments.
 - B. Review proposals relating to procurement matters that should be submitted to the Board by managerial departments according to Corporation bylaws.
 - C. Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.

Main operational scope and duties of each department/unit

1) Corporate Audit Office

Plans and implements annual audit plans and issues audit reports in accordance with the "Internal Audit Procedures" and related laws and regulations, and executes project audits according to the instructions of the Board of Directors or Board-authorized personnel.

2) Secretariat Division of the Board of Directors

Established under the Board of Directors, the Secretariat Division provides relevant resources or assistance for the Board of Directors and its committees to perform their duties in order to facilitate the smooth operation of the Corporation's corporate governance system.

3) Corporate Planning Division

Responsible for the overall operation of the company, corporate governance, international affairs, important case business, industry-academia culture and implementation and responsibility, business performance control management, cooperation strategy, business specific planning, social strategy integration risk and tracking analysis.

4) Occupational Safety and Health Office

Formulates and promotes safety and health management procedures, and guides relevant departments in implementation of said procedures. Performs identification, statistical analysis, and management of occupational hazards. Plans and implements health checks, health management, health promotion, and occupational disease prevention activities. Establishes occupational safety audit procedures and implements occupational safety and health audits to ensure the effective operation and continuous improvement of various operating procedures.

5) Operation Safety Office

Responsible for formulating the Corporation's safety management system, management policies and management systems for personal information, safety policies, and safety objectives, and assessing the effectiveness of safety management procedures based on the "Railway Act," the "Disaster Prevention and Protection Act," the "All-out Defense Mobilization Readiness Act" and related laws and regulations. Main duties include three main aspects: investigation, operation maintenance, and disaster prevention.

6) Quality Assurance Office

Responsible for planning and management of the Corporation's quality management system in accordance with the requirements of international quality management system ISO 9001 and European railway application EN50126, as well as full implementation and continuous improvement to ensure the Corporation's quality policies and objectives. Main duties include: quality management, coordination with government audits, form management, system assurance, and internal control.

7) Core Technology Development Department

Responsible for the planning and design of core electromechanical systems for new high-speed railway projects, and discussions for system renewal and improvement.

8) Facility Engineering Department

Responsible for planning and design of subsequent station sites and civil construction works; technical support for environmental assessments; and budget management.

9) Operation Division

Responsible for the planning and execution of train maintenance, train operations, traffic monitoring, station management, passenger services, ticketing operations, and trolley sales.

10) Maintenance Management Division

Responsible for maintenance of core electromechanical systems for rolling stock, track, power, signaling, and communication systems, and maintenance of infrastructure, depot facilities, and station facilities.

11) Business Division

Mainly responsible for market research and analysis, planning of transportation business products and services, planning and management of affiliated businesses, corporate brand management, communication management, and promotion of other businesses to maximize Corporation revenues.

12) Travel and Business Development Division

Mainly responsible for planning and development of travel products, digital transformation, system integration, digitalization of travel coupons, and other business promotions to enhance diversification of the Corporation's travel packages and products.

13) Information Technology Division

The Information Division is responsible for the planning, development, operation and maintenance of the Corporation's overall information system, including formulation of information development strategies, planning of information system architecture,

evaluation and introduction of application systems, maintenance and management of automatic fare collection system, maintenance and operation of computer room host equipment, education and training for information promotion, management of information security, and execution of various information management procedures.

14) Public Affairs Division

Builds internal and external stakeholders communication channels to communicate accurate corporate messages; plans and implements corporate image projects, major milestones, ceremonies, and charity events.

15) Human Resources Division

Responsible for integrated management and planning of human resources, and establishment of related systems.

16) Finance Division

Responsible for the Corporation's financial planning and execution, securing of long-term and short-term funds, capital utilization and management, financial risk management, land and share management, general accounting, management accounting, tax accounting and revenue checking, as well as formulation, revision, and implementation of financial procedures; preparation of reports relating to corporate budgets, accounting, taxation, revenues, and business performance; and research on accounting related matters.

17) Procurement Division

Establishes fair and open procurement procedures to improve procurement efficiency and functionality and ensure procurement quality; establishes procurement policies and strategies; establishes/maintains/manages procurement procedures that are most efficient for Corporation operations and management; develops business sources, suppliers, and management for materials contracts; reduces costs and ensures stable supply of materials; strengthens inventory management for materials; provides contract management and claims management assistance and advice to contract management units; and ensures Corporation interests.

18) Legal Office

Provides legal advice and legal counseling for all types of Corporation business; records, classifies, stores, disseminates, and updates relevant legal documents; assists in the planning, promotion, and execution of corporate governance systems and corporate governance evaluations; handles application, maintenance, protection, and authorized use of intellectual property rights; reviews formulation and revision of Corporation contracts and contract templates; establishes and promotes legal compliance system; plans and coordinates the handling of engineering, operation, and asset insurance, claims, or third-party claims cases; provides counseling on matters relating to Corporation insurance; and reviews insurance contract clauses and insurance policies.

19) Employee Service Department

Responsible for operation planning, resource integration, and management system formulation for general logistics affairs; coordination and supervision of execution of general logistics affairs at each station; planning and control of Corporation by-laws; and management of seals, archives, and documents.

2. Board of Directors

(1) Directors

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	China Aviation Development Foundation	—	2020/05/21	2023/05/20	2006/01/20	260,040	4.62	260,040	4.62	0	0
	R.O.C.	Representative: Yao-Chung Chiang	Male/ 61-70	2020/05/21	2023/05/20	2016/10/18	0	0	0	0	0	0
Director	R.O.C.	Representative: Lee-Ching Ko	Female/ 71-80	2020/05/21	2023/05/20	2001/07/13	0	0	0	0	0	0
Director	R.O.C.	Ministry of Transportation and Communications, R.O.C.	—	2020/05/21	2023/05/20	2017/05/24	2,420,000	43.00	2,420,000	43.00	0	0
	R.O.C.	Representative: Wen-Jong Chi	Male/ 61-70	2021/04/26	2023/05/20	2021/04/26	0	0	0	0	0	0
	R.O.C.	Representative: Chin-Hong Pan	Male/ 51-60	2021/07/19	2023/05/20	2021/07/19	0	0	0	0	0	0
Director	R.O.C.	China Steel Corporation	—	2020/05/21	2023/05/20	2009/11/10	242,148	4.30	242,148	4.30	0	0
	R.O.C.	Representative: Chao-Tung Wong	Male/ 61-70	2020/05/21	2023/05/20	2018/03/31	0	0	0	0	0	0

Thousands of shares; % (as of 2022/03/28)

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
Shares	%			Title	Name	Relation	
0	0	—	—	None	None	None	
0	0	Ph. D. in Engineering Mechanics, University of Wisconsin, Madison M.S. in Mechanical Engineering, National Cheng Kung University • Independent Director, Tyntek Corporation • Chairman, China Steel Chemical Corporation • Chairman, Kaohsiung Rapid Transit Corporation • Chairman, China Steel Corporation. • Chairman, China Airlines • Deputy Minister, Public Construction Committee, Executive Yuan. • Director-General, Department of Rapid Transit System, Taipei City Government. • Technical Supervisor, Researcher, National Chung-Shan Institute of Science and Technology	• Director, China Aviation Development Foundation • Independent Director, Radiant Opto-Electronics Corporation	None	None	None	
0	0	• Second Vice Group Chairman of Evergreen Group	• Chairman, Evergreen (Shanghai) Hotel Limited • Director, Evergreen Marine Corp. (Taiwan) Ltd. • Director, EVA Airways Corporation • Director, Evergreen International Storage & Transport Corporation • Director, Evergreen Steel Corporation.	None	None	None	
0	0	—	—	None	None	None	
0	0	M.S. in Institute of Traffic and Transportation, National Chiao Tung University. B.M. in Department of Traffic and Transportation Engineering, National Chiao Tung University. • Director General, Institute of Transportation, MOTC • Director General, Maritime and Port Bureau, MOTC • Director, Department of Navigation and Aviation, MOTC • Director, Department of Railways and Highways, MOTC • Director, Transportation Bureau, Taichung City Government • Director General, Transportation Bureau, Taichung City Government • Deputy Chief Engineer, Taiwan Area National Freeway Bureau, MOTC • Director, Taiwan Area National Freeway Bureau, MOTC • Chief Engineer, Taipei City Traffic Engineering Office	• Administrative Deputy Minister, Ministry of Transportation and Communications • Chairman, Vehicle Safety Certification Center. • Director, Taiwan-Hong Kong Economic and Cultural Co-operation Council.	None	None	None	
0	0	B.A. in Department of Accounting, Chung Hsing University • Director, Budget, Accounting and Statistics Department, Yilan County • Section Chief, Specialist, Chief, Directorate General of Budget, Accounting and Statistics, Executive Yuan	• Deputy Director, Department of Accounting, Ministry of Transportation and Communications	None	None	None	
0	0	—	—	None	None	None	
0	0	Ph.D. in Resources Engineering, National Cheng Kung University • President, Vice President, China Steel Corporation	• Chairman, China Steel Corporation • Executive Director, Industrial Technology Research Institute • Chairman, China Prosperity Development Corporation • Director, China Ecotek Corporation • Director, China Steel Chemical Corporation • Director, Chung Hung Steel Corporation • Director, Dragon Steel Corporation	None	None	None	

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Director	R.O.C.	Taiwan Sugar Corporation	—	2020/05/21	2023/05/20	2000/06/27	200,000	3.55	200,000	3.55	0	0
	R.O.C.	Representative: Chao-Yih Chen	Male/ 61-70	2020/05/21	2023/05/20	2013/05/30	0	0	0	0	0	0
Director	R.O.C.	TECO Electric & Machinery Co., Ltd.	—	2020/05/21	2023/05/20	1998/04/13	190,060	3.38	190,060	3.38	0	0
	R.O.C.	Representative: Mao-Hsiung Huang	Male/ 81-90	2020/05/21	2023/05/20	2011/03/14	0	0	0	0	0	0
Director	R.O.C.	Management Committee of National Development Fund, Executive Yuan	—	2020/05/21	2023/05/20	2009/11/10	120,000	2.13	120,000	2.13	0	0
	R.O.C.	Representative: Shien-Quey Kao	Female/ 61-70	2020/05/21	2023/05/20	2016/10/14	0	0	0	0	0	0
Director	R.O.C.	Taipei Fubon Commercial Bank Co., Ltd.	—	2020/05/21	2023/05/20	1998/04/13	20,277	0.36	20,277	0.36	0	0
	R.O.C.	Representative: Kuo-Chih Liu	Male/ 71-80	2020/05/21	2023/05/20	2010/05/24	45	0	45	0	0	0
Independent Director	R.O.C.	Kenneth Huang-Chuan Chiu	Male/ 61-70	2020/05/21	2023/05/20	2017/05/24	0	0	0	0	0	0

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
Shares	%			Title	Name	Relation	
0	0	—	—	None	None	None	
0	0	Ph. D., Institute of Agricultural Chemistry, National Taiwan University. • Chairman, Automotive Research & Testing Center • Professor Emeritus, China University of Science and Technology. • Chairman, Taiwan Sugar Corporation • Chief Executive Officer of the Sinotech Engineering Consultants, Inc. • Vice Chairperson of the State-owned Enterprise Commission, Director General of the Industrial Development Bureau, Director General of the Department of Investment Services, Executive Secretary of the Bureau of Energy, Director General of the Department of Industrial Technology, Ministry of Economic Affairs • Vice Director, Department Development Department, Council for Economic Planning And Development, Executive Yuan	• Chairman, Taiwan Sugar Corporation • Director, Industrial Technology Research Institute • Director, Central Bank of the Republic of China (Taiwan)	None	None	None	
0	0	—	—	None	None	None	
0	0	MBA, The Wharton School, University of Pennsylvania Bachelor of Economics, Keio University	• Chairman, Century Development Corporation • Director, An-Shin Food Services Co., Ltd • Honorary Chairman, Chinese National Association of Industry & Commerce, Taiwan	None	None	None	
0	0	—	—	None	None	None	
0	0	M.S. in Economics, National Taiwan University Bachelor's Degree in Economics, National Taiwan University. • Secretary General, National Development Council, Executive Yuan. • Secretary General, Council for Economic Planning and Development, Executive Yuan. • Director, Department of Economics Research, CEPD. • Deputy Director, Department of Overall Planning, CEPD.	• Deputy Minister, National Development Council, Executive Yuan	None	None	None	
0	0	—	—	None	None	None	
0	0	Ph.D. in Physics, Massachusetts Institute of Technology • Chairman, Fubon Land • Chairman, Fubon Real Estate Management • President, Taiwan High Speed Rail Corporation • President, Taiwan Aerospace Corp.	• Director, Wealth Media Co., Ltd.	None	None	None	
0	0	LL.M, University of Cambridge LL.B, National Taiwan University • Managing Partner, Kew & Lord • Partner, Taiwan Commercial Law Offices • Attorney, Baker & McKenzie • Attorney, Huang & Associates	• Independent Director, ShunSin Technology Holdings Limited • Director, Ju-Kao Engineering Co., Ltd. • Independent Director, Chunghwa Precision Test Tech. Co., Ltd. • Independent Director, Lungteh Shipbuilding Co., Ltd.	None	None	None	

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Independent Director	R.O.C	Duei Tsai	Male/ 71-80	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0
Independent Director	R.O.C	Pai-Ta Shih	Male/ 51-60	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0
Independent Director	R.O.C	Yung-Cheng (Rex) Lai	Male/ 41-50	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0

Note 1: Representative of institutional director Ministry of Transportation and Communication, R.O.C. Mr. Kwo-Tsai Wang, was elected on 2020/05/21; the representative was changed to Mr. Wen-Jong Chi on 2021/04/26, and Mr. Kwo-Tsai Wang was relieved of office on the same day.

Note 2: Representative of institutional director Ministry of Transportation and Communication, R.O.C. Ms. Yueh-Hsiang Chen was otherwise appointed on 2020/07/23; the representative was changed to Mr. Chin-Hong Pan on 2021/07/19, and Ms. Yueh-Hsiang Chen was relieved of office on the same day.

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
Shares	%			Title	Name	Relation	
0	0	Ph.D. from the Graduate Institute of Electrical Engineering, National Taiwan University <ul style="list-style-type: none"> Adjunct professor, Department of Electronics Engineering, National Taiwan University of Technology Minister, Ministry of Transportation and Communications Political Deputy Minister, Public Construction Commission, Executive Yuan Political Deputy Minister, Administrative Deputy Minister, Technical Supervisor, Ministry of Transportation and Communications Director General, Civil Aeronautics Administration, Ministry of Transportation and Communications Deputy Director General, Directorate General of Telecommunications, MOTC 	<ul style="list-style-type: none"> Adjunct Professor Rank Specialist, Department of Electrical Engineering, National Taipei University of Technology Independent Director, Compal Electronics, Inc. Independent Director, TTY Biopharm Company Limited Public Welfare Independent Director, STARLUX Airlines 	None	None	None	
0	0	Ph.D. in Economics, University of Texas at Austin <ul style="list-style-type: none"> Independent Director, Edison Opto Corp. Associate Professor, Department of Finance, National Taiwan University Assistant Professor, Associate Professor, Department of Economics, National Dong Hwa University 	<ul style="list-style-type: none"> Professor, Department of Finance, National Taiwan University Director, Digital Finance and Industry Development Research Center, College of Management, National Taiwan University Independent Director, Nan Shan Life Insurance Co., Ltd. Director, Financial Engineering Association of Taiwan Advisory Committee Advisory Committee Member, Taiwan, Insurance Guaranty Fund Director, Taiwan Risk and Insurance Association 	None	None	None	
0	0	Ph.D., Railroad Engineering Program, University of Illinois at Urbana-Champaign <ul style="list-style-type: none"> Associate Professor, Assistant Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University Chairman, Railroad Operating Technologies Committee, Transportation Research Board (TRB), USA Committee Member, Academic Committee, Railway Engineering Society of Taiwan (RESOT), Taiwan Committee Member, Review Committee for Technical Standards of High-Speed Rail Rolling Stock Committee Member, Executive Yuan Investigative Team for 1021 Puyuma Incident Board Member, Railway Operational Safety Board, Taiwan Railways Administration (TRA), Taiwan Visiting Professor, Faculty of Societal Safety Science, Kansai University, Japan Visiting Professor, Research Institute for Sustainable Urban Development (RISUD), Hong Kong Polytechnic University (PolyU), Hong Kong Visiting Scholar, TOMII Lab, Chiba Institute of Technology, Japan 	<ul style="list-style-type: none"> Professor, Railway Technology Research Center, National Taiwan University Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University Director, Railway Technology Research and Certification Center Co-Chair, SIG A3 Rail Transport, World Conference on Transport Research Society (WCTRS) Associate Editor, Transportation Research Record (TRR) Associate Editor, Journal of Rail Transport Planning & Management (JRTPM) Board Member, International Association of Railway Operations Research (IAROR) Director, Railway Engineering Society of Taiwan (RESOT), Taiwan Executive Supervisor, Chinese Institute of Transportation, Taiwan Committee Member, Review Committee for Mass Rapid Transit System Construction and Peripheral Land Development Plans, Ministry of Transportation and Communication (MOTC), Taiwan Committee Member, Railway Accident Investigation Team, MOTC, Taiwan Committee Member, Safety Management Committee, Taiwan Railways Administration (TRA), Taiwan 	None	None	None	

(2) Major Shareholders of Institutional Shareholders

List of major shareholders of institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
China Aviation Development Foundation	A non-corporate organization. In February 1988, all 27 shareholders of the Corporation donated shares held and 100% of shareholder equity to set up this Foundation, which was reported to the Ministry of Transportation and Communications on March 2 of the same year. Its establishment was approved on July 6 (Note 5).
Ministry of Transportation and Communications, R.O.C.	Governmental institute
China Steel Corporation	Ministry of Economic Affairs (20%), Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. (2.53%), Fubon Life Insurance Co. Ltd. (2.50%), Transglory Investment Corporation (1.63%), New Labor Pension Fund (1.47%), Labor Retirement Fund (1.10%), Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.08%), Winning Investment Corporation (1.01%), Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.01%), Public Service Pension Fund Management Board (0.74%)
Taiwan Sugar Corporation	Ministry of Economic Affairs (86.15%), Northern Region Branch, National Property Administration, MOF (9.92%), First Commercial Bank (0.75%), Chang Hwa Commercial Bank (0.41%), Bank of Taiwan (0.36%), Taiwan Business Bank Co., Ltd. (0.30%), Hua Nan Commercial Bank (0.14%), Central Investment Co. (0.14%), Mega International Commercial Bank Co., Ltd. (0.13%), Land Bank of Taiwan (0.08%), Taiwan Cooperative Commercial Bank (0.08%)
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (10.77%), Jaryuan Investment Co. Ltd (6.34%), Creative Sensor Co., Ltd. (3.62%), He Yuan International Investment Co., Ltd. (2.14%), Silchester International Investors International Value Equity Group Trust (2.11%), Tong Kuang Investment Co., Ltd. (1.50%), WGI Emerging Markets Smaller Companies Fund, LLC (1.44%), Norges Bank (1.35%), Kuan Yuan Industrial Co., Ltd. (1.25%)
Management Committee of National Development Fund, Executive Yuan	Governmental institute
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)

Note 1: Names of institutional shareholders with representatives serving on the Board of Directors should be listed here.

Note 2: The major (top ten) shareholders of said institutional shareholders should be listed here.

Note 3: The aforementioned disclosures of shareholder names and shareholding should be replaced by investor or donor names and ratio of investments or donations for institutional directors which are not enterprises.

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2022, while some is sourced from the Commerce Industrial Services Portal or shareholder websites.

Note 5: Taken from the China Aviation Development Foundation website.

Major shareholders of the Corporation's major institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
Ministry of Economic Affairs	Governmental institute
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co., Ltd. (100%)
China Steel Corporation	China Steel Express Corporation (49.89%), Chung Hung Steel Corporation (40.91%), China Steel Chemical Corporation (9.20%)
Winning Investment Corporation	Gains Investment Corporation (49%), Maruichi Steel Tube Ltd. (42%), Transglory Investment Corporation (9%)

Name of institutional shareholders (Note 1)		Major shareholders (Note 2)
Taiwan Sugar Corporation	Ministry of Economic Affairs	Governmental institute
	Northern Region Branch, National Property Administration, MOF	Governmental institute
	First Commercial Bank	First Financial Holding Co. Ltd. (100%)
	Chang Hwa Commercial Bank	Taishin Financial Holding Co., Ltd (22.55%), Ministry of Finance (12.19%), Chunghwa Post Co., Ltd. (6.00%), First Commercial Bank (3.86%), Excel Chemical Corporation (2.76%), National Development Fund, Executive Yuan (2.75%), Taiwan Tobacco & Liquor Co., Ltd (2.27%), Mega International Commercial Bank Co., Ltd., Head Office, Treasury Department (1.93%), Taiwan Cooperative Bank, Ltd. (1.45%), Hua Nan Commercial Bank, Ltd. (1.45%)
	Bank of Taiwan	Taiwan Financial Holdings Co., Ltd (100%)
	Taiwan Business Bank Co., Ltd.	Bank of Taiwan (16.21%), Management Committee of National Development Fund, Executive Yuan (5.87%), Land Bank of Taiwan (2.29%), Ministry of Finance (2.08%), HSBC Bank Custodian Morgan Stanley International Limited Account(1.73%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds (0.93 %), Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds (0.92%), BES Engineering Corporation (0.87%), Taiwan Business Bank Trust Account for Employee Stock Ownership of Taiwan Business Bank (0.80%), Citibank (Taiwan) Hosting Swiss Bank European SE Investment Account (0.76%)
	Hua Nan Commercial Bank	Hua Nan Financial Holding Co Ltd. (100%)
	Central Investment Co.	Kuomintang (100%)
	Mega International Commercial Bank Co., Ltd.	Mega Financial Holding Co Ltd. (100%)
	Land Bank of Taiwan	Ministry of Finance (100%)
TECO Electric & Machinery Co., Ltd.	Taiwan Cooperative Commercial Bank	Taiwan Cooperative Financial Holding Co., Ltd. (100%)
	PJ Asset Management Co., Ltd.	Ho Yang Management Consulting Co. (94.95%), Other (5.05%)
	Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of Business Department, Standard Chartered Bank (Taiwan) Ltd. (7.33%), Winbond Electronics Corporation (6.47%), Chin-Xin Investment Co., Ltd. (6.41%), TECO Electric and Machinery Co., Ltd. (5.98%), Rong Jiang Co., Ltd. (4.31%), Huali Investment Corp. (2.91%), Patricia Chiao (2.72%), Investment Account of Banque Pictet & Cie SA under the custody of HSBC (1.80%), Yu-Heng Chiao (1.78%), Norges Bank Investment Fund under the custody of Citibank, Taipei Branch (1.52%)
	Jaryuan Investment Co. Ltd.	He Yuan International Investment Co., Ltd. (100%)
	Creative Sensor Co., Ltd.	TECO Image Systems Co. Ltd. (17.26%), TECO Capital Investment Co., Ltd. (6.23%), TECO International Investment Co., Ltd. (4.13%), Koryo Co., Ltd. (2.98%), TECO Electric & Machinery Co., Ltd. (1.68%), A-Chung Hou (1.35%), Chun-Hsien Chang (1.14%), Employee Stock Ownership Trust Asset Account of CREATIVE SENSOR INC. managed by CTBC Bank in trust (0.82%), Jui-Shih Jao (0.74%), Fidelity Funds investment account of Credit Suisse Group AG managed by Business Development Department of Standard Chartered Bank in trust (0.73%)
	He Yuan International Investment Co., Ltd.	Shu-Chiung Tseng (98%), Shu Chen Pai (2%)
	Tong Kuang Investment Co., Ltd.	Kuang Yuan Industrial Co., Ltd. (39.28%), Huo-Huei Lin Huang (35.01%), Bright Lane Investments, Ltd. (12.73%), Tong Ho Global Investment Co., Ltd (6%), Other (6.98%)
Taipei Fubon Commercial Bank Co., Ltd.	Kuang Yuan Industrial Co., Ltd.	Tong Kuang Investment Co., Ltd. (33.86%), Huo-Huei Lin Huang (51.58%), Bright Lane Investments, Ltd. (10%), Tong Ho Global Investment Co., Ltd (0.74%), Other (3.82%)
	Fubon Financial Holding Co., Ltd.	Taipei City Government (13.07%), Ming Dong Co., Ltd. (8.34%), Dao Ying Co., Ltd. (7.62%), Richard M. Tsai (3.15%), Daniel M. Tsai (2.98%), Hung Fu Investment Co., Ltd. (2.59%), New Labor Pension Fund (2.16%), Chung Shing Development Co., Ltd. (1.40%), Investment account of Norges Bank managed by Citibank Taiwan (1.12%), Tsai Yang Shiang-Shun (1.12%)

Note 1: Names of institutional shareholders with representatives serving on the Board of Directors should be listed here.

Note 2: The major (top ten) shareholders of said institutional shareholders should be listed here.

Note 3: The aforementioned disclosures of shareholder names and shareholding should be replaced by investor or donor names and ratio of investments or donations for institutional directors which are not enterprises.

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2022, while some is sourced from the Commerce Industrial Services Portal or shareholder websites.

(3) Professional Expertise, Diversification Policy, and Independence Analysis of the Board of Directors

1) Disclosure of director qualifications and independence analysis of independent directors :

Criteria Name	Professional qualifications and experience	Independence status	Concurrent independent director position at other public companies
Chairman Yao-Chung Chiang	1.Area of expertise: Mechanical engineering, business management 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Relevant industry experience in transportation 3.No violations of Article 30 of the Company Act	The chairman, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	1
Independent Director Kenneth Huang- Chuan Chiu	1.Area of expertise: Law 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Experience in other industries 3.No violations of Article 30 of the Company Act.	1.The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2.The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3.The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4.The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	3
Independent Director Duei Tsai	1.Area of expertise: Electrical engineering, transportation management 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Relevant industry experience in transportation (4)An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3.No violations of Article 30 of the Company Act	1.The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2.The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3.The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4.The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	2
Independent Director Pai-Ta Shih	1.Area of expertise: Economics, finance 2.Experience: (1)Board member of other public companies (2)Professor at Department of Finance, National Taiwan University 3.No violations of Article 30 of the Company Act	1.The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2.The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3.The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4.The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	1

Criteria Name	Professional qualifications and experience	Independence status	Concurrent independent director position at other public companies
Independent Director Yung-Cheng (Rex) Lai	1.Area of expertise: Civil engineering, transportation 2.Experience: (1)Relevant industry experience in transportation (2)Professor at Railway Technology Research Center, National Taiwan University 3.No violations of Article 30 of the Company Act	1.The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2.The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3.The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4.The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	0
Director Wen-Jong Chi	1.Area of expertise: Transportation 2.Experience: Relevant industry experience in transportation 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Chin-Hong Pan	1.Area of expertise: Accounting 2.Experience: (1)Prior position at Directorate General of Budget, Accounting and Statistics, Executive Yuan (2)Director of Yilan County Budget, Accounting and Statistics Department 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Lee-Ching Ko	1.Area of expertise: Business management 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Relevant industry experience (shipping and engineering) 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Chao-Tung Wong	1.Area of expertise: Resource engineering, business management 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Relevant industry experience (steel and engineering) 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Chao-Yih Chen	1.Area of expertise: Agricultural chemistry, business management 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Relevant industry experience (4)An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Mao-Hsiung Huang	1.Area of expertise: Business management 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Relevant industry experience 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0

Criteria Name	Professional qualifications and experience	Independence status	Concurrent independent director position at other public companies
Director Shien-Quey Kao	1.Area of expertise: Economics 2.Experience: (1)Prior position at Council for Economic Planning and Development, Executive Yuan (2)Prior position at National Development Council 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Kuo-Chih Liu	1.Area of expertise: Physics, business management 2.Experience: (1)Board member of other public companies (2)Board/committee leadership experience (3)Relevant industry experience (transportation and construction) 3.No violations of Article 30 of the Company Act	The director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0

2) Diversification and Independence of the Board of Directors:

A. Diversification of the Board of Directors:

Article 14 in Chapter 2 of the Corporation's "Charter of the Corporate Governance & Nominating Committee" (Structural Composition of the Board and its Committees and Performance Assessments) stipulates a diversification policy for Board member composition and overall capabilities of Board members.

- (a) Composition of Board members shall be diverse, and appropriate diversification standards shall be set according to Corporation operations, mode of operation, and development needs, including but not limited to the following:
- I. Basic qualifications and values: gender, age, nationality, and culture.
 - II. Level of contribution to businesses or in other professional areas.
 - III. Personality, professional expertise and skills. Professional expertise and skills include professional backgrounds (such as in finance, accounting, legal practice, marketing, technology, business management, and so on), as well as professional skills and industry experience.
 - IV. Willingness and time to participate in corporate affairs.
 - V. Concurrent director and managerial officer positions held at other companies.
- (b) THSRC has established a Corporate Governance & Nominating Committee which is responsible for reviewing the diversified standards of professional knowledge, techniques, experience, and gender distribution required by directors to ensure that the Board possesses appropriate professional knowledge and expertise. The Committee is also responsible for conducting regular evaluations of Board performance, reviewing director training plans, and reviewing manager succession plans.
- (c) Composition of the Corporation's 9th Board complies with our "Articles of Incorporation"; nominated candidates are selected, nominated, and elected through the rigorous processes stipulated in the Corporation's "Charter of the Corporate Governance & Nominating Committee" and "Rules for the Election of Directors," thus ensuring diversification and independence of Board members.
- (d) The Board is currently composed of 13 directors, including 4 independent directors and 9 non-independent directors. Our current directors are all industrial or academic experts with management experience in listed companies or in government institutes. Apart from possessing leadership and decision-making capabilities, crisis management capabilities, and an international outlook, our 4 independent directors also have expertise in legal affairs, finance and accounting, industrial knowledge, and operational insights: Independent Director Kenneth Huang-Chuan Chiu is a partner at Kew & Lord, Independent Director Duei Tsai served as the Minister of Transportation and Communications, Independent Director Pai-Ta Shih is a full-time professor at the National

Taiwan University Department of Finance, and Independent Director Yung-Cheng (Rex) Lai is a professor at the National Taiwan University Railway Technology Research Center. Additionally, of the other 9 non-independent directors, directors Chin-Hong Pan and Shien-Quey Kao both have finance and accounting expertise; Director Wen-Jong Chi is currently the Administrative Deputy Minister of Transportation and Communications; and Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Chao-Tung Wong, Chao-Yih Chen, Mao-Hsiung Huang, and Kuo-Chih Liu all have significant management experience as a chairperson or president of listed companies in industries spanning from technology, construction, automobiles, steel, airlines, manufacturing, and services; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight.

- (e) The Corporation sets the 4Ts (Transportation, Technology, Taiwan, and Touch) as our main developmental goal and selects directors based on their management experience and expertise. Our current directors possess knowledge on corporate governance, the latest industrial insights, and expertise in business, finance, accounting, and corporate matters, fulfilling the goals set out by our 4Ts.
- (f) The Corporation strives to maintain gender equality in the composition of Board members. Our goal is to increase our ratio of female directors to 1/3 (33%). Currently, we have 85% (11) male directors and 15% (2) female directors. In future, we hope to add other female directors to achieve our goal.
- (g) Currently, one of our four independent directors was reelected following a full term and the remaining three are all newly appointed independent directors. We currently have 13 Board members, of which 23% (3) are under 60 years old, 15% (2) are between 60 to 65 years old, and 62% (8) are over 65 years old.

B. Independence of the Board of Directors:

The Corporation's 9th Board is composed of 13 directors, 4 of which are independent directors, accounting for approximately 31% of Board members.

All Corporation directors are elected following nomination, with nomination, election, and other compliance matters adhering fully to the relevant regulations of securities authorities. Members of the Corporation's 9th Board were submitted to the Board for discussion and approval by the Corporate Governance & Nominating Committee in accordance with the aforementioned regulations. Documentation relevant to nomination matters were submitted to the Corporation during the announced period for accepting nominations. Directors were elected from the list of nominees at the Shareholders General Meeting held on May 21, 2020. Documentation provided by Board members during the nomination process confirmed there were no violations of paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, and none of the directors/independent directors had spousal relations or were relatives within second degree of kinship.

3. Management Team

Information on President, Vice Presidents, Assistant Vice Presidents, and all Departments heads

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
President	R.O.C.	James Jeng	Male	2014/03/14	21	0	0	0	0	0
Administration Senior Vice President	R.O.C.	Barret Wang	Male	2006/12/01	12	0	3	0	0	0
Operation Senior Vice President	R.O.C.	James Shi	Male	2007/01/02	21	0	0	0	0	0
Vice President, Finance Division	R.O.C.	Allen Wang	Male	2020/01/15	0	0	0	0	0	0
Vice President, Corporate Planning Division Spokesperson Head of Business Division	R.O.C.	Rae Chung	Female	2005/06/06	0	0	0	0	0	0
Vice President, Operation Division	R.O.C.	Andy Lu	Male	2006/12/01	0	0	0	0	0	0
Vice President, Procurement Division Human Resources Division	R.O.C.	Tim Fu	Male	2014/01/01	25	0	0	0	0	0
Vice President, Information Technology Division	R.O.C.	Calvin Yen	Male	2016/04/01	7	0	0	0	0	0
Vice President, Travel and Business Development Division	R.O.C.	Todd Hsiao	Male	2021/06/01	0	0	0	0	0	0
Vice President, Maintenance Management Division	R.O.C.	Bob Chen	Male	2014/01/01	0	0	0	0	0	0

Unit: Thousands of shares; % (as of 2022/03/28)

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Ph.D. in Transportation Management, National Chiao Tung University. M.S. in Ocean Systems Management, Massachusetts Institute of Technology, USA. Master of Engineering in Transportation, National Chiao Tung University, Taiwan • Chairman/Vice Chairman/President, EVA Airways Corporation • Chairman/President/Vice President, UNI Airways Corporation • Vice Chairman, Italia Marittima S.p.A, a wholly-owned subsidiary of Evergreen Group. • Executive Vice President, Evergreen Marine Corporation.	None	None	None	None	
Bachelor of Law, National Taiwan University. • Attorney-at-Law, Chun He Law Firm.	None	None	None	None	
M.S. in Electrical Engineering, Northeastern University, Boston Massachusetts, USA. • Director of Affiliated Business Development Department, Taipei Rapid Transit Corp. • Deputy Director of Maintenance Department, Taipei Rapid Transit Corp. • Assistant Vice President, Head of Maintenance Sub-Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Head of Operation Division, Taiwan High Speed Rail Corporation. • Vice President, Head of Maintenance Management Division, Taiwan High Speed Rail Corporation	None	None	None	None	
EMBA, National Taiwan University. EMBA, National Chengchi University. MSc., International Banking and Financial Studies, University of Southampton, UK. • CFO, IME Group Beijing. • Vice President, IBF Securities Co., Ltd. • Associate Director, Standard Chartered Bank Beijing Branch.	None	None	None	None	
B.A. in Economics, Tamkang University. • Marketing Manager, New Zealand Milk Products (Far East) Ltd., Taiwan Branch.	None	None	None	None	
Executive MBA, College of Management, National Sun-Yat-Sen University. Executive MBA (Asia-Pacific), the Chinese University of Hong Kong. • Assistant Manager, EVA Airways Corporation. • Assistant Vice President, Operation Sub-Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Head of Maintenance Management Division, Taiwan High Speed Rail Corporation.	None	None	None	None	
B.S. in Computer Science, Tamkang University. • Manager, Pfizer Inc. • Assistant Vice President, Corporate Audit Office, Taiwan High Speed Rail Corporation. • Assistant Vice President, Procurement Division, Taiwan High Speed Rail Corporation.	None	None	None	None	
B.S. in Computer Science, Tamkang University. • Project Engineer, EVA Air. • Manager of Information Office, Ever Rich Group Corp. • Manager of Warehouse Management Department, Ever Rich Group Corp. • Project Manager, NCR Corp. • Assistant Vice President, Information Technology Division, Taiwan High Speed Rail Corporation.	None	None	None	None	
Kaohsiung City Sanmin Family Business Vocational School/Tourism Division. • Vice President/Chief Strategy Officer, ezTravel Co., Ltd. • Assistant Vice President, StarTravel Canxing Travel Agency. • Consultant, HH Travel Agency. • Vice President, National Federation of Tourism Associations, Domestic Tourism Committee. • Vice Chairman, Research and Development Committee of Travel Industry Quality Assurance Association. • Deputy Chairman, National Tourism Committee, Taipei Travel Business Association.	None	None	None	None	
Executive MBA, National Sun-Yat-Sen University. • Section Chief, EVA Air.	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Vice President, Public Affairs Office	R.O.C.	Elaine Tsou	Female	2016/07/15	14	0	0	0	0	0
Assistant Vice President, Quality Assurance Office	R.O.C.	Max Liu	Male	2008/06/16	12	0	0	0	0	0
Assistant Vice President, Accounting Department of Finance Division	R.O.C.	Griffin Huang	Male	2017/10/19	0	0	0	0	0	0
Assistant Vice President, Business Division	R.O.C.	Simon Chen	Male	2008/09/01	15	0	0	0	0	0
Assistant Vice President, Affiliated Business Development Department of Business Division	R.O.C.	Wilson Ting	Male	2008/02/25	0	0	0	0	0	0
Assistant Vice President, Train Operation Department of Operation Division	R.O.C.	Paul Hwang	Male	2006/11/06	0	0	0	0	0	0
Assistant Vice President, Operation Control Center of Operation Division	R.O.C.	Alpha Lin	Male	2006/11/06	0	0	0	0	0	0
Assistant Vice President, Station Operation Department of Operation Division	R.O.C.	Paul Yang	Male	2016/04/01	14	0	0	0	0	0
Assistant Vice President, Signaling & Communication Department of Maintenance Management Division	R.O.C.	Eric Cheng	Male	2006/11/06	11	0	0	0	0	0
Assistant Vice President, Rolling Stock Maintenance Department of Maintenance Management Division	R.O.C.	Vincent Huang	Male	2016/04/01	42	0	0	0	0	0
Assistant Vice President, Track & Power Department, Maintenance Management Division	R.O.C.	Marion Chi	Male	2021/10/16	1	0	0	0	0	0
Assistant Vice President, Depot & Station Facility Department, Maintenance Management Division	R.O.C.	Edward Chen	Male	2021/10/16	3	0	0	0	0	0
Assistant Vice President, Core Technology Development Department and Chief Engineer	R.O.C.	Sheng-Hsin Yu	Male	2015/01/01	6	0	0	0	0	0
Assistant Vice President, Core Technology Development Department	R.O.C.	Gavin Tsou	Male	2006/5/15	0	0	0	0	0	0
Assistant Vice President, Facility Engineering Department	R.O.C.	Tom Tsai	Male	2016/04/01	61	0	40	0	0	0

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
B.A. in Mass Communication, Fu Jen Catholic University. • Assistant Vice President, Public Affairs Department, Wei Chuan Foods Corporation. • Manager, Public Affairs Department, KFC of Yum Brands Inc.	None	None	None	None	
B.E. in Mechanical Engineering, National Chiao Tung University. EMBA, National Chengchi University. • Special Assistant to the Chairman, DJ Auto Components Corporation (an investee company of Germany-based Hella KGaA Hueck & Co.) • Director, International High-Speed Rail Association (IHRA).	None	None	None	None	
Master of Business Administration, National Taipei University. • Senior Manager, Deloitte Taiwan.	None	None	None	None	
Ph.D., Division of Transportation Engineering, Institute of Civil Engineering, National Taiwan University.	None	None	None	None	
Master of Science in Finance, Golden Gate University. • Sales / Channel Management Director, Far EastTone Telecommunications Co., Ltd.	None	None	None	None	
M.S. Transportation and Communication Management Science, National Cheng Kung University. • Vice President of Figaro Philippine Holdings Inc. • Director of Training Center, Deputy Director of OCC, Taipei Rapid Transit Corp. • Engineer/Junior Engineer, Department of Rapid Transit Systems, Taipei City Government, R.O.C.	None	None	None	None	
Master of Systems Analysis Group, Institute of Management Science, Tamkang University. • Director of OCC and Director of Train Operation Center, Taipei Rapid Transit Corp.	None	None	None	None	
Electronic Computer Science, Tamkang University. • Programmer of Panasonic Taiwan. • Deputy Engineer of Chang-Lung Information. • Engineer of EVA Air. • Senior Manager, Station Operation Department, Taiwan High Speed Rail Corporation.	None	None	None	None	
Master's Degree in Department of Electrical Engineering, National Taiwan University of Science and Technology. • Electrical Engineering Plant Director & Power Supply Plant Director, Taipei Rapid Transit Corp.	None	None	None	None	
MBA, National Sun Yat-Sen University. Mechanical Department, St. John's and St. Mary's Institute of Technology. • Deputy Section Chief, Evergreen Steel Corp. • Section Chief, Evergreen Steel Corp. (Malaysia). • Section Chief, Evergreen Steel Corp. • Assistant Manager, Manager, Senior Manager, Taiwan High Speed Rail Corp.	None	None	None	None	
Department of Civil Engineering, National Cheng Kung University. • Chief of Civil Engineering Works, Taipei Rapid Transit Corp. • Deputy Manager/Manager/Senior Manager, Taiwan High Speed Rail Corporation.	None	None	None	None	
Department of Social Work, Tunghai University. • Assistant Deputy Section Chief, Evergreen Airlines Co., Ltd. • Station Masters of Taipei/Zuoying/Taoyuan, Taiwan High Speed Rail Corporation. • Manager of Station Operation Department, Operation Division, Taiwan High Speed Rail Corporation. • Senior Manager of Operation Planning Department, Taiwan High Speed Rail Corporation.	None	None	None	None	
Master of Electrical Engineering, University of Memphis, USA. • Electronics Engineering Plant Director, Taipei Rapid Transit Corp.	None	None	None	None	
B.A. in Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology • Electronics Engineering Plant Director, Taipei Rapid Transit Corp	None	None	None	None	
Master of Culture Planning Institute, Chinese Culture University. Department of Architecture, Tamkang University. • Manager, Kangshe Construction Corp.	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Assistant Vice President, System Operation Department, Information Technology Division	R.O.C.	Beatrice Tsai	Female	2020/06/01	0	0	0	0	0	0
Assistant Vice President, Operation Safety Office	R.O.C.	Paul Hsu	Male	2020/11/16	0	0	0	0	0	0
Assistant Vice President, Legal Office	R.O.C.	Mandy Ko	Female	2021/04/01	1	0	0	0	0	0
Assistant Vice President, Travel Planning and Products Development Department, Travel and Business Development Division	R.O.C.	Athena Pao	Female	2021/05/01	16	0	0	0	0	0
Senior Manager, Corporate Audit Office	R.O.C.	Roger Chu	Male	2017/02/15	1	0	0	0	0	0
Senior Manager, Occupational Safety & Health Office	R.O.C.	Chris Lee	Male	2016/02/15	1	0	0	0	0	0

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Master of Science, Applied Chemistry National Chiao Tung University • CTO, AFE-Solutions Corporation, HK • Director, SYSTEX Corporation	None	None	None	None	
MD, Department of Civil Engineering, National Chung Hsing University. • Assistant Researcher, National Disaster Prevention and Technology Center. • Disaster Response Team Head of the Taipei City Government. • MRT Planner, Taipei Rapid Transit Corporation.	None	None	None	None	
Master of Law Institute of Chinese Culture University • Manager of EASYCARD Co., Ltd.	None	None	None	None	
EMBA, National Chiao Tung University Department of Business Administration, National Chung Hsing University • Senior Manager of Customer Relations Department, Taiwan High Speed Rail Co., Ltd. • Manager of Ticketing Section, Station Operation Department, Taiwan High Speed Rail Co., Ltd. • Assistant Deputy Section Chief of Evergreen Airlines Co., Ltd.	None	None	None	None	
B.A. in Accounting, National Chengchi University. • Audit Manager, Deloitte Taiwan. • Assistant Vice President, Accounting Department, New Century InfoComm Tech Co., Ltd. • Assistant Vice President, Worldwide Semiconductor Manufacturing Co., Ltd. (WSMC).	None	None	None	None	
Ph.D., Program of Technology Management, Chung Hua University M.Sc. in Construction Management at USC, USA. M.Sc. in Environmental Engineering at National Taiwan University R.O.C. • Engineer Director, Senior Engineer, and Director Engineer, Taiwan High Speed Rail Corporation. • Commissioner, Fubon Land Inc. • Engineer, Kajima Eng. & Construction Inc. in USA. • Deputy Engineer, Taiwan Building and Urban Developing Bureau.	None	None	None	None	

4. Remuneration to Directors and Department Heads

(1) Remuneration to Directors (Including Independent Directors), President, Vice Presidents, and Others in the Most Recent Year

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

Title	Name	Remuneration							
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)	
		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
China Aviation Development Foundation		0	0	0	0	4,861	4,861	0	0
Chairman Representative: Yao-Chung Chiang		6,849	6,849	0	0	0	0	458	458
Director Representative: Lee-Ching Ko		0	0	0	0	0	0	80	80
Ministry of Transportation and Communications, R.O.C.		0	0	0	0	4,861	4,861	68	68
Director Representative: Wen-Jong Chi		0	0	0	0	0	0	64	64
Director Representative: Chin-Hong Pan		0	0	0	0	0	0	41	41
Director Former Representative: Kwo-Tsai Wang		0	0	0	0	0	0	24	24
Director Former Representative: Yueh-Hsiang Chen		0	0	0	0	0	0	59	59
China Steel Corporation		0	0	0	0	2,431	2,431	80	80
Director Representative: Chao-Tung Wong		0	0	0	0	0	0	0	0
Taiwan Sugar Corporation		0	0	0	0	2,431	2,431	136	136
Director Representative: Chao-Yih Chen		0	0	0	0	0	0	0	0
TECO Electric & Machinery Co., Ltd.		0	0	0	0	2,431	2,431	0	0
Director Representative: Mao-Hsiung Huang		0	0	0	0	0	0	168	168
Management Committee of National Development Fund, Executive Yuan		0	0	0	0	2,431	2,431	53	53
Director Representative: Shien-Quey Kao		0	0	0	0	0	0	99	99

Unit: NT\$ thousands (as of 2021/12/31)

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
		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	
						Cash	Stock	Cash	Stock			
4,861 0.13	4,861 0.13	0	0	0	0	0	0	0	0	4,861 0.13	4,861 0.13	None
7,307 0.20	7,307 0.20	0	0	0	0	0	0	0	0	7,307 0.20	7,307 0.20	None
80 0.00	80 0.00	0	0	0	0	0	0	0	0	80 0.00	80 0.00	None
4,929 0.14	4,929 0.14	0	0	0	0	0	0	0	0	4,929 0.14	4,929 0.14	None
64 0.00	64 0.00	0	0	0	0	0	0	0	0	64 0.00	64 0.00	None
41 0.00	41 0.00	0	0	0	0	0	0	0	0	41 0.00	41 0.00	None
24 0.00	24 0.00	0	0	0	0	0	0	0	0	24 0.00	24 0.00	None
59 0.00	59 0.00	0	0	0	0	0	0	0	0	59 0.00	59 0.00	None
2,511 0.07	2,511 0.07	0	0	0	0	0	0	0	0	2,511 0.07	2,511 0.07	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
2,567 0.07	2,567 0.07	0	0	0	0	0	0	0	0	2,567 0.07	2,567 0.07	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
2,431 0.07	2,431 0.07	0	0	0	0	0	0	0	0	2,431 0.07	2,431 0.07	None
168 0.00	168 0.00	0	0	0	0	0	0	0	0	168 0.00	168 0.00	None
2,484 0.07	2,484 0.07	0	0	0	0	0	0	0	0	2,484 0.07	2,484 0.07	None
99 0.00	99 0.00	0	0	0	0	0	0	0	0	99 0.00	99 0.00	None

Title	Name	Remuneration							
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)	
		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
	Taipei Fubon Commercial Bank Co., Ltd.	0	0	0	0	2,431	2,431	0	0
Director Representative:	Kuo-Chih Liu	0	0	0	0	0	0	176	176
Independent Director	Kenneth Huang-Chuan Chiu	720	720	0	0	0	0	376	376
Independent Director	Duei Tsai	288	288	0	0	0	0	368	368
Independent Director	Pai-Ta Shih	720	720	0	0	0	0	376	376
Independent Director	Yung-Cheng (Rex) Lai	720	720	0	0	0	0	360	360

1. Please describe policies, systems, standards, and structures for independent director remuneration, and connection between remuneration amounts and borne duties, risks, time invested, and other factors:

According to Article 2-07 of the Corporation's "Guidelines for Corporate Governance," the remuneration paid to Directors for their services as Directors, including Board meeting attendance fees, salary and pay, and profit-sharing compensation paid to Directors as set out in the Articles of Incorporation, shall be discussed and determined by the Board separately for each Director, in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines, with consideration to the level of involvement and value of the contribution of each Director, and taking into reference the usual pay level in the industry domestically and abroad. Remuneration for independent directors is determined according to the reasonable compensation is provided in consideration of the Corporation's overall business 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.

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.

Note 1: Includes expenses for company cars, but not driver remuneration of NT\$ 775 thousand.

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.

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
		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	
						Cash	Stock	Cash	Stock			
2,431 0.07	2,431 0.07	0	0	0	0	0	0	0	0	2,431 0.07	2,431 0.07	None
176 0.00	176 0.00	0	0	0	0	0	0	0	0	176 0.00	176 0.00	None
1,096 0.03	1,096 0.03	0	0	0	0	0	0	0	0	1,096 0.03	1,096 0.03	None
656 0.02	656 0.02	0	0	0	0	0	0	0	0	656 0.02	656 0.02	None
1,096 0.03	1,096 0.03	0	0	0	0	0	0	0	0	1,096 0.03	1,096 0.03	None
1,080 0.03	1,080 0.03	0	0	0	0	0	0	0	0	1,080 0.03	1,080 0.03	None

2) Remuneration of President and vice presidents

Title	Name	Base Compensation (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Allowances (C) (Note 4)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
President	James Jeng						
Senior Vice President	Barret Wang						
Senior Vice President	James Shi						
Vice President	Allen Wang						
Vice President	Rae Chung						
Vice President	Andy Lu						
Vice President	Tim Fu	Total amount 33,750	Total amount 33,750	Total amount 1,114	Total amount 1,114	Total amount 15,320	Total amount 15,320
Vice President	Calvin Yen						
Vice President	Todd Hsiao						
Vice President	Bob Chen						
Vice President	Elaine Tsou						
Former Senior Vice President	Johnson Sun						

Note 1: The number of people with decision-making management authority and people who were appointed to ranks of vice president and above following Board approval was 12; of these, 4 was changed during the year (Vice President Todd Hsiao was hired on 2021/6/1, and Bob Chen was promoted to Vice President on 2021/6/16, and Elaine Tsou was promoted to Vice President on 2021/9/16, and Senior Vice President Johnson Sun retired on 2022/1/15).

Note 2: Remuneration (A) includes basic salaries and food allowances. The amount of employee compensation and bonuses for 2021 are disclosed as estimated figures.

Note 3: Actual amounts of retirement pay for 2021 came to a total of NT\$0 and retirement pensions expenses came to NT\$1,114 thousand, making a total of NT\$1,114 thousand.

Note 4: The remuneration, retirement pay, bonuses and special disbursements in this table are disclosed in accordance with regulations regarding information to be disclosed in annual reports. Special leave liability and non-business travel of NT\$ 3,607 thousand is not included. Includes expenses for company cars, but not relevant remuneration paid to drivers of NT\$ 972 thousand.

Note 5: Article 35-1 of the Articles of Incorporation states that "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." Employee compensation for 2021 was calculated based on profits for the year (pre-tax profits minus profits prior to distribution of employee and director compensation), and were estimated to be 2% of NT\$4,375,000 thousand (no accumulated losses to be offset). This proposal will be carried out in accordance with regulations following approval from the shareholders' meeting.

Unit: NT\$ thousands (as of 2021/12/31)

Employee Compensation (D) (Note 5)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company
The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements	
Cash	Stock	Cash	Stock			

Total amount	0	Total amount	0	51,671	51,671	None
1,487		1,487		1.43	1.43	

3) Remuneration range table

Unit: NT\$

Range of Remuneration	Names of President and Vice Presidents	
	The Corporation	All companies included in financial statements
Lower than 1,000,000	-	-
1,000,000 (Included) ~ 2,000,000 (Not included)	-	-
2,000,000 (Included) ~ 3,500,000 (Not included)	Todd Hsiao, Elaine Tsou	Todd Hsiao, Elaine Tsou
3,500,000 (Included) ~ 5,000,000 (Not included)	Rae Chung, Andy Lu, Tim Fu, Allen Wang , Calvin Yen, Bob Chen	Rae Chung, Andy Lu, Tim Fu, Allen Wang , Calvin Yen, Bob Chen
5,000,000 (Included) ~ 10,000,000 (Not included)	James Jeng, Barret Wang, Johnson Sun, James Shi	James Jeng, Barret Wang, Johnson Sun, James Shi
10,000,000 (Included) ~ 15,000,000 (Not included)	-	-
15,000,000 (Included) ~ 30,000,000 (Not included)	-	-
30,000,000 (Included) ~ 50,000,000 (Not included)	-	-
50,000,000 (Included) ~ 100,000,000 (Not included)	-	-
Above 100,000,000	-	-
Total	12	12

Note 1: 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.

4) Names of managers who received employee compensation and status of distribution

Unit: NT\$ thousands (as of 2021/12/31)

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	James Jeng				
	Senior Vice President	Barret Wang				
	Senior Vice President	James Shi				
	Vice President	Allen Wang				
	Vice President	Rae Chung				
	Vice President	Andy Lu				
	Vice President	Tim Fu				
	Vice President	Calvin Yen				
	Vice President	Bob Chen				
	Vice President	Elaine Tsou				
	Vice President	Todd Hsiao				
	Former Senior Vice President	Johnson Sun				
	Assistant Vice President	Max Liu	0	Total amount 3,405	Total amount 3,405	0.09
	Assistant Vice President	Griffin Huang				
	Assistant Vice President	Simon Chen				
	Assistant Vice President	Wilson Ting				
	Assistant Vice President	Paul Hwang				
	Assistant Vice President	Alpha Lin				
	Assistant Vice President	Paul Yang				
	Assistant Vice President	Eric Cheng				
Assistant Vice President	Vincent Huang					
Assistant Vice President	Sheng-Hsin Yu					
Assistant Vice President	Gavin Tsou					
Assistant Vice President	Tom Tsai					
Assistant Vice President	Beatrice Tsai					

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	Assistant Vice President	Paul Hsu				
	Assistant Vice President	Mandy Ko				
	Assistant Vice President	Athena Pao				
	Assistant Vice President	Marion Chi				
	Assistant Vice President	Edward Chen				
	Principal Specialist	Shirley Lai				

Note: The aforementioned employee compensation for 2021 are estimated figures.

(2) The Ratio of Total-Remuneration-to-Net-Income for Remuneration Paid to Corporation Directors, President, and Vice Presidents for the Most Recent Two Fiscal Years, Remuneration Policy, Standards, Combinations, Manner of Determining Remuneration, and Relationship between Operational Performance and Future Risks

- 1) The ratio of total-remuneration-to-net-income for remuneration paid to directors and managers ranked above vice presidents:

Unit: NT\$ thousands

Item	2020	2021
Total remuneration paid to directors	41,805	34,158
Ratio of total remuneration paid to directors (Note 1)	0.72%	0.95%
Total remuneration paid to managers ranked above vice president (Note 2)	47,848	51,671
Ratio of total remuneration paid to managers ranked above vice president (Note 1)	0.82%	1.43%

Note 1: Information for 2020 was calculated based on after-tax profits of NT\$ 5,843,037 thousand, and information for 2021 was calculated based on aftertax profits of NT\$ 3,610,922 thousand.

Note 2: Remuneration for managers ranked above vice presidents represents the total remuneration for the president, executive vice presidents, senior vice presidents, and vice presidents.

- 2) Remuneration policies, standards, and packages

According to Article 27-1 of the Articles of Incorporation, remuneration for individual board directors should be determined by the Board based on the level of participation, value contributed, and remuneration levels of similar companies. Additionally, if the Corporation is profitable in a given year, it shall allocate not more than 1% of the net profit as profit-sharing compensation to Directors according to Article 35-1 of the Articles of Incorporation. Independent directors receive fixed monthly compensation as determined by the Board and are not entitled to profit shares.

The Corporation's employee remuneration levels are set according to individual work experience, positions and job duties, work skills and work performance, and the Corporation's financial and operational status, and have a positive correlation with operational performance. Additionally, if the Corporation is profitable in a given year, it shall allocate not less than 1% of the net profit as profitsharing compensation to employees according to Article 35-1 of the Articles of Incorporation. Remuneration levels for Corporation managers are determined by the Board based on individual performance, contribution to Corporation operations, relevant regulations, and market standards. The Corporation's "Salary Payment Regulation" stipulates salary allowances and bonuses to reward employees for their hard work. Bonus levels are based on the Corporation's annual business performance, financial status, operating conditions, and individual work performance. Remuneration as defined by the Charter of Remuneration Committee includes cash remuneration, stock options, dividends, retirement or redundancy benefits, allowances, and other substantial incentives; the scope of remuneration is consistent with that set out for director and manager remuneration in our publicly issued annual report.

- 3) Procedures for determining remuneration

We regularly evaluate the remuneration of directors and managerial officers, the performance evaluations of Corporation directors and managers refer to our "Regulation of Self-Evaluation of Board of Directors" and our "Performance Appraisal Regulation"

(applicable to managers and employees). Evaluation items for director performance include: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations engagement and communication, director knowledge and continued training, and internal control. Evaluation items for annual performance of managers and employees adhere to performance indicators for their main work duties and include evaluations of management capabilities and core capabilities. Manager assessment items include: the knowledge, techniques and behavioral items required for managers, planning and organizational capabilities, mentoring abilities, customer-oriented improvement capabilities, continuous improvement capabilities, performance improvement capabilities, and safety awareness. Employee assessment items include: the knowledge, techniques and behavioral items required by employees, problem analysis and resolution capabilities, work management capabilities, proactive capabilities, adaptive capabilities, and capability to pursue excellence. Additionally, 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 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, supervision of financial plan execution, revenue management, promotion of autonomous maintenance capabilities, strengthening of internal controls, and implementation and management of quality assurance. Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors, 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. 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. Performance self-evaluations of the Board, Board members, and functional committee members for 2021 all significantly exceeded standards. Though the level 3 epidemic alert in 2021 greatly impacted passenger volumes and revenues, all of our employees continued to maintain heightened epidemic prevention measures while gradually resuming operational capacity after the epidemic slowed in September. Manager performance evaluations for 2021 showed that all managers reached or exceeded predetermined target requirements, and the Corporation received "Excellent" ratings on evaluations relating to annual operating targets. Director and manager remuneration fully consider individual professional expertise and the Corporation's operational and financial conditions, and are also linked to overall corporate operational performance, management of individual performance goals, and evaluation results.

4) Linkage to operating performance and future risk exposure

Assessments of remuneration standards and systems consider the Corporation's overall operational status, individual performance achievement rates, and contribution levels to enhance overall organizational efficiency of the Board and managerial departments. Additionally, we reference industrial remuneration standards to ensure that the remuneration of managers is competitive within the industry and can help to retain talent.

Establishing linkages between remuneration levels and the Corporation's operational results and managerial performance have had positive effects on the Corporation's overall performance and are helping to maximize shareholder interests.

Performance goals for managers integrate risk management consideration to ensure management and prevention of potential risks within each manager's scope of responsibility. Evaluation results are based on actual performance and are linked to relevant human resource and remuneration policies. Important decisions are only undertaken by managers following balanced consideration of all risk factors. Performance indicators for relevant decisions impact corporate profits, which in turn are linked to targets related to manager remuneration and risk management performance.

5. Human Resources

(1) Human Resources Structure: An Overview of Employee Numbers, Seniority, Age, and Education Qualifications for the Past Two Years and up to the Publication Date of the Annual Report

Year		2020 (Until 2020/12/31)	2021 (Until 2021/12/31)	2022 As of 2022/03/31
Employee Numbers	General Staff	4,630	4,632	4,607
	Compulsory Employment	62	33	3
	Expats	3	3	31
	Total	4,695	4,668	4,641
Average Age		38.3	38.1	39.4
Average Seniority		9.6	10.4	10.7
Education Distribution Ratios (%)	Doctorate	0.3	0.3	0.3
	Master	13.0	13.2	13.3
	Undergraduate	82.3	82.4	82.3
	High School	4.0	3.8	3.8
	Below High School	0.4	0.3	0.3

(2) Employee Benefits and Rights

1) Employee benefits

Friendly environment and establishing a win-win solution

Apart from employee labor and health insurance, vacation days, retirement, injury compensation, health checks, and other benefits stipulated by law, we believe that only happy employees can provide quality passenger services, and therefore we are committed to establishing a friendly work environment and competitive salaries and benefits. Due to the ongoing COVID-19 pandemic, we included new items in our group insurance plan for specific periods of time in order to take care of our employees. Employees who have childcare needs, major disaster needs, and personal turmoil can also apply for leave without pay to take care of their personal and family care needs.

We are attentive to the work-life balance of employees and encourage our employees to participate in activities that enhance their mental and physical health in their free time. Our "HSR tournament" contains a series of softball, basketball, badminton competitions, and is an important annual event for THSRC. In order to curb the spread of the coronavirus, the "HSR Tournament" was suspended in 2021, but we launched online activities such as the "Summer Marathon" and "iEpidemic Prevention" events to encourage our employees to exercise, strengthen their immune systems, and avoid getting sick.

In 2021, a total of 113 clubs were registered with the employee welfare committee, including the archery club, walking clubs, softball clubs, billiard clubs, etc. Exercise-type clubs made up 60% of all clubs. The corporate sports certification mark issued by the Sports Department of the Ministry of Education continues to be valid.

Additionally, we provide dorms, shuttle buses, exercise equipment at specific locations, and also provide registered childcare facilities, special promotions, uniform cleaning services, and catering including providing dinner and breakfast for night workers.

THSRC Employee Benefits and Work Support Items

Work-Life Balance	Club activity subsidies, travel activity subsidies, annual promotional tickets, sports events, art appreciation activities
Childcare Support	Childcare leave without pay, registered contract childcare facilities, lactation room facilities
Daily Support	Group insurance, funeral subsidies and bereavement support, wedding couplets and funeral scrolls, wedding subsidies, annual holiday bonuses, birthday bonuses, major disaster assistance, illness subsidies and care, hospitalization subsidies
Work Assistance	Counseling, healthcare assistance, relocation subsidies, travel insurance, catering
Others	Spring party activities; commendation of senior staff; parent days; gym and entertainment facilities; library services; quality merchant discount deals with entertainment, dining, travel, lodging, and bulk purchasing of consumer products businesses

Note: The benefits mentioned above include benefits and facilities provided by both the Corporation and the employee welfare committee.

2) Education, training, and retirement systems:

A. Education and training:

- (a) To develop, cultivate, and evaluate talent, we have optimized management and core competencies and professional training for technical and service employees of all levels and all departments.
- (b) Safety, service, and quality are the core competencies of all employees. Through routine promotion and implementation of safe driving procedures and physical and mental health, the Corporation has built up a corporate culture which believes that "a focus on personal safety is the best safeguard of passenger safety and peace of mind."
- (c) We planned training programs for management and maintenance of regulated professional certifications and licenses to achieve various functional and strategic operational goals and cultivate and explore potential talent.
- (d) We established mobile learning services to enhance employee learning motivations and effectiveness, allowing employees to complete training through personal mobile devices, shortening training schedules and strengthening timeliness and convenience of personnel training.

B. Implementation of retirement plan system:

To provide stable lifestyles for employees after retirement, the Corporation has set retirement procedures in accordance with law, and has established a Pension Reserves Supervisory Committee which convenes every quarter to discuss distribution of pensions and other matters.

The Corporation has established a retirement benefits plan according to the Labor Standards Act and the Labor Pension Act:

- (a) Defined benefit plan: Includes pension plans under the Labor Standards Act and the Labor Pension Act, as well as prior pension plans where tenure of services rendered was retained. The Corporation places 2% of employee monthly salaries into pension funds, and these are turned over to the Pension Reserves Supervisory Committee and deposited in a special savings account at the Bank of Taiwan in the Committee's name. Qualified actuaries review pension reserves every year and the Pension Reserves Supervisory Committee convenes periodically in accordance with relevant laws to protect the pensions and rights of our employees.
- (b) Defined contribution plan: Includes pension plans under the Labor Pension Act. The Corporation places 6% of employee monthly salaries in individual labor insurance accounts to serve as pension reserves.

(c) Pension distribution table

Pension Plan	Defined benefit plan	Defined contribution plan
Applicable Law	Labor Standards Act	Labor Pension Act
Pension Contributions	We contribute 2% of employee salaries into pension funds each month	We contribute 6% of employee salaries into pension funds each month
	We contributed a total of NT\$ 15,750 thousand to pension funds in 2021	We contributed a total of NT\$ 199,576 thousand to pension funds in 2021

Retirement conditions:

- (a) Voluntary retirement: An employee may apply for voluntary retirement under any of the following conditions:
 - I. Has reached the age of fifty-five and has worked for fifteen years.
 - II. Has worked for more than twenty-five years.
 - III. Has reached the age of sixty and has worked for ten years.
- (b) Forced retirement:
 - I. Has reached the age of sixty-five.
 - II. Is unable to perform his/her duties due to disability.
- (c) Pension payments and standards:
 - I. Defined benefit plan: Employers shall pay employee pensions within 30 days from the day of retirement. According to Article 55 of the Labor Standards Act, pensions are calculated according to bases of tenure of services rendered and the six-month average salary amount following approval of retirement application. Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. An additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers forced to retire due to disability incurred from the execution of their duties.
 - II. Defined contribution plan: According to the Labor Pension Act and relevant regulations, employees under the new pension system can collect pensions from their pension reserve accounts directly from the Bureau of Labor Insurance.

(3) Labor-Management Negotiations

1) Labor-management negotiations:

- A. In order to enhance labor relations, the Corporation management holds monthly discussions with labor unions and works with various departments to handle and respond to issues.
- B. The Corporation began conducting group negotiations of labor-management agreements with the THSRC Labor Union in July 2015. Following two phases of negotiations over six years, a consensus and balance between the interests of both parties were reached under principles of fairness and reasonableness, and in consideration of the interests of all stakeholders. An agreement signed between Corporation Chairman Yao-Chung Chiang and THSRC Labor Union Chairman is set to take effect on March 31, 2022, setting a new milestone for our labor-management relations.

2) Legal compliance:

A. Convening of labor-management conferences:

Our first labor-management conference was held on December 24, 2003, and our first labor-management conference at headquarters was held on July 1, 2016, after which labor-management conferences were held quarterly and changes in labor representative were reported to relevant authorities according to law.

B. Establishment of the grievance appeals system:

We established and implemented our "Grievance Handling Procedures" on December 13, 2005 and revised these procedures on November 19, 2018 in order to effectively implement policies and maintain employee relations.

C. Sexual harassment prevention and appeals system:

We established and implemented our "Sexual Harassment Prevention and Handling Regulations" on May 14, 2015 in accordance with the Act of Gender Equality in Employment and Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace to ensure physical and mental safety of all employees in the workplace, strengthen prevention of sexual harassment incidents, and disseminate related information. Revisions were made to our "Sexual Harassment Prevention and Handling Regulations" on January 07, 2022. We promote relevant information through the training program for new employees and the E-learning platform and also display our appeals hotline and fax number on our corporate website, stations, and workplaces to effectively prevent external and internal incidences of sexual harassment.

D. Promotion of work equality:

Starting from June 2005, the Corporation established lactation rooms for passengers and staff to encourage and support breastfeeding policies.

E. Healthcare management:

Infirmaries have been established at corporate headquarters, the OMC building, and all maintenance bases in accordance with the Labor Health Protection Regulations, and health stations of higher quality than stipulated by law have been established at all HSR stations and are equipped with nursing staffs that provide emergency medical assistance to passengers and employees to enhance and manage employee health.

- F. The Corporation has formulated the "Health Management Regulation," "Prevention Program of Human Factors Hazard," "Abnormal Workload Trigger Disease Prevention Plan," "Prevent Plan for Wrongful Physical or Mental Harm During the Execution of Job Duties," and "Maternal Health Protection Plan" in accordance with government labor laws to ensure the physical and mental health of employees and workplace safety through measures that protect the psychological health of employees.

- 3) Losses sustained as a result of labor disputes (including results of labor inspections found to be in violation of provisions in the Labor Standards Act, specifying the disposition date, disposition reference number, provisions of the regulations breached, description of the violation, and the disposition) in the most recent fiscal year and up to publication date of this annual report, disclosure of estimated losses incurred to date or likely to be incurred in the future, and indication of mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect:
- A. The Corporation incurred a total of one administrative penalty as of the publication date of this annual report, encompassing a fine of NT\$ 200,000 by the Taipei City Government Labor Bureau on March 30, 2021 for delaying national holiday overtime payments, constituting a violation of Article 39 of the Labor Standards Act.
 - B. The Corporation reached an agreement with the THSRC Labor Union on January 21, 2016 on overtime payments and confirmed calculation of payments in July 2016. Appropriate measures were implemented based on the content of this agreement and the decision of the administrative court. As of December 31, 2020, the Corporation has placed NT\$ 283,279 thousand in debt reserves. The aforementioned decision of the administrative court refers to the appeal filed in November 2015 by the Corporation against the Taipei City Government's claim of failure to provide overtime payments and vacation days according to law. The Taipei High Administrative Court dismissed the Corporation's case on June 7, 2018, and the Corporation filed an additional appeal on July 6, 2018. The Supreme Administrative Court issued a judgment on October 17, 2019, abolished the original judgment, and remanded to the Taipei High Administrative Court for trial. On December 23, 2020, the Taipei High Administrative Court revoked "the appeal decision and the original sanctions concerning the plaintiff's violation of Article 24 of the Labor Standards Law of NT\$150,000." On January 15, 2021, THSRC filed an appeal against the original decision pronounced by the Taipei City Government, which stated that THSRC had violated Article 37 of the Labor Standards Law.





4

Corporate Governance

1. Corporate Governance Status

(1) Status of Board Operations

1) The Board of Directors convened 12 times in 2021. Board operations are as detailed below:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Actual Attendance Rate (%)	Remarks
Chairman	China Aviation Development Foundation Representative: Yao-Chung Chiang	12	0	12	100	
Director	Ministry of Transportation and Communications Representative: Wen-Jong Chi	8	0	8	100	Took office on 2021/4/26
Former Director	Ministry of Transportation and Communications Representative: Kwo-Tsai Wang	3	1	4	75	Left office on 2021/4/26
Director	Ministry of Transportation and Communications Representative: Chin-Hong Pan	5	0	5	100	Took office on 2021/7/19
Former Director	Ministry of Transportation and Communications Representative: Yueh-Hsiang Chen	7	0	7	100	Left office on 2021/7/19
Director	China Aviation Development Foundation Representative: Lee-Ching Ko	10	2	12	83	
Director	China Steel Corporation Representative: Chao-Tung Wong	10	2	12	83	
Director	Taiwan Sugar Corporation Representative: Chao-Yih Chen	11	1	12	92	
Director	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	12	0	12	100	
Director	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	12	0	12	78	
Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	12	0	12	100	
Independent Director	Kenneth Huang-Chuan Chiu	12	0	12	100	
Independent Director	Duei Tsai	12	0	12	100	
Independent Director	Pai-Ta Shih	12	0	12	100	
Independent Director	Yung-Cheng (Rex) Lai	12	0	12	100	
Average actual director attendance rates of the 9th Board in 2021 (%) (Total actual attendances/Total required attendances)		150	6	156	96	

Attendances of Independent Directors at Board Meetings of the 9th Board of Directors in 2021: (⊙: Attended in person; ☆: Proxy attendance; △: Did not attend)

Name/Date Session (Term-Sitting)	2021/1/20 (9-10)	2021/2/24 (9-11)	2021/3/17 (9-12)	2021/4/14 (9-13)	2021/5/5 (9-14)	2021/6/16 (9-15)	2021/7/14 (9-16)	2021/8/4 (9-17)	2021/9/15 (9-18)	2021/10/13 (9-19)	2021/11/3 (9-20)	2021/12/22 (9-21)
Kenneth Huang-Chuan Chiu	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Duei Tsai	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Pai-Ta Shih	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Yung-Cheng (Rex) Lai	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

2) Combined average actual director attendance rate of the 9th Board was 96% in 2021.

Other matters required to be recorded:

1. If any of the following circumstances occur during board meetings, the date of said meeting, session number, proposal content, all independent director opinions, and the Corporation's responses to said independent director opinions:

(1) Items listed according to Article 14-3 of the Securities and Exchange Act:

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2021/1/20	9-10	Suggestions for expansion of HSR meal box procurement agreement (Contract number: PCDD-19-1413)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/1/20	9-10	Procurement and bid selection suggestions for "Construction of Yanchao Main Workshop automated painting plant equipment consulting services contract" (Contract number: C2-19-002) and "Construction of Yanchao Main Workshop automated painting plant equipment contract" (Contract number: T2-20-009)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/2/24	9-11	Procurement strategy suggestions for localization of "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-20-014)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/2/24	9-11	Procurement and bid selection suggestions for "Research and development of ATP6 electrical substation control & relay panel" (Contract number: E4-20-005)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/6/16	9-15	Procurement and bid selection suggestions for "Station Electronic Draft Capture (EDC) Replacement Project" (Contract number: T7-20-007)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2021/6/16	9-15	Extension or transfer of letters of credit that expired during the second half of 2021	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/7/14	9-16	Procurement and bid selection suggestions for "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-21-001)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/8/4	9-17	Suggestions for supplementary agreements to HSR station shopping mall lease contract with catering corporations affiliated with the TECO Group	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/8/4	9-17	Revision of the Corporation's "Internal Control System" and "Regulations Governing Self-Evaluations of Internal Control System"	Approved.	Approved by the Board.	Approved by all directors in attendance.
2021/9/15	9-18	Suggestions for renewal of director and officer liability insurance	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/12/22	9-21	Renewal of operating insurance for 2022	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/12/22	9-21	The Corporation's quota for derivative assets that expired during the first half of 2022	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/12/22	9-21	Extension or transfer of letters of credit that expired during the first half of 2022	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

(2) Other instances where an independent director expressed objections or reservations on record or through written opinions regarding board meeting proposals, apart from the aforementioned matters: None.

2. Implementation of director recusals on proposals due to conflicts of interest, including director names, proposal content, reasons for recusal, and participation in voting procedures:

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2021/1/20	9-10	Suggestions for expansion of HSR meal box procurement agreement (Contract number: PCDD-19-1413)	Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Kwo-Tsai Wang, Yueh-Hsiang Chen, and Shien-Quey Kao	More than 50% of company shares at Kaohsiung Airport Catering Services Ltd., the company that was awarded this contract, are held by China Airlines. The majority of directors at China Airlines are representatives of the China Aviation Development Foundation, and THSRC Chairman Yao-Chung Chiang also serves as a representative of the China Aviation Development Foundation. Additionally, Director Kwo-Tsai Wang is the Chairman of the China Aviation Development Foundation, Director Yueh-Hsiang Chen is a representative of the Ministry of Transportation and Communications, and Director Shien-Quey Kao is a representative of the Management Committee of National Development Fund (Executive Yuan), which has a representative who serves as a director at China Airlines, necessitating recusal of voting rights to avoid conflicts of interest. Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Kwo-Tsai Wang, Yueh-Hsiang Chen, and Shien-Quey Kao absented from the proceedings and were recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Duei Tsai to serve as deputy chair for the meeting.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/1/20	9-10	Procurement and bid selection suggestions for "Construction of Yanchao Main Workshop automated painting plant equipment consulting services contract" (Contract number: C2-19-002) and "Construction of Yanchao Main Workshop automated painting plant equipment contract" (Contract number: T2-20-009)	Directors Chao-Tung Wong and Chao-Yih Chen	The Industrial Technology Research Institute (hereafter referred to as ITRI), the company which was awarded this contract, is a foundation established by the Ministry of Economic Affairs, and is a government-related entity under the Executive Yuan. Therefore, THSRC is affiliated with ITRI, and THSRC directors Chao-Tung Wong and Chao-Yih Chen are ITRI's managing director and director, necessitating recusal of voting rights to avoid conflicts of interest. Directors Chao-Tung Wong and Chao-Yih Chen absented from the proceedings and were recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/2/24	9-11	Procurement strategy suggestions for localization of "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-20-014)	Director Mao-Hsiung Huang	TECO Electric & Machinery Co. Ltd., one of the potential bidders for this project, is a legal entity represented by THSRC Director Mao-Hsiung Huang, making this proposal a transaction with a related party and necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2021/2/24	9-11	Procurement and bid selection suggestions for "Research and development of ATP6 electrical substation control & relay panel" (Contract number: E4-20-005)	Director Chao-Tung Wong	InfoChamp Systems Corporation, one of the potential bidders for this project, is a reinvested company of China Steel Corporation, a legal entity represented by THSRC Director Chao-Tung Wong, making this proposal a transaction with a related party and necessitating recusal of voting rights to avoid conflicts of interest. Director Chao-Tung Wong absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/3/17	9-12	Review of Corporation president performance evaluation results and suggestions, and perusal of Corporation chairman self-evaluation results for 2020	Chairman Yao-Chung Chiang	This proposal involved the personal interests of a director. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Duei Tsai to serve as deputy chair for the meeting.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/5/5	9-14	Suggestions regarding annual performance bonuses for 2020	Chairman Yao-Chung Chiang	This proposal involved the personal interests of a director. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Duei Tsai to serve as deputy chair for the meeting.	The managerial department was instructed to reference suggestions proposed by attending directors, draft a more comprehensive proposal, and then submit said proposal to the Remuneration Committee and the Board for review.
2021/6/16	9-15	Suggestions regarding distributions of chairman and president bonuses for 2020	Chairman Yao-Chung Chiang	This proposal involved the personal interests of a director. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Duei Tsai to serve as deputy chair for the meeting.	Attending directors discussed and decided that chairman and president bonuses should adhere to the same amount distributed to vice presidents and senior vice presidents (NT\$ 16,500 per month). The managerial department was instructed to clarify and confirm distribution standards and guidelines for chairman and president bonuses as soon as possible for subsequent discussion with the Ministry of Transportation and Communications (a majority shareholder). If there is a possibility of raising chairman and president bonuses, a proposal shall be submitted to the Board for review, and the difference between the current amount and the amount passed at said Board meeting shall be retroactively distributed.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2021/6/16	9-15	Procurement and bid selection suggestions for "Station Electronic Draft Capture (EDC) Replacement Project" (Contract number: T7-20-007)	Director Chao-Tung Wong	InfoChamp Systems Corporation, the company awarded this contract, is a reinvested company of China Steel Corporation, a legal entity represented by THSRC Director Chao-Tung Wong, making this proposal a transaction with a related party and necessitating recusal of voting rights to avoid conflicts of interest. Director Chao-Tung Wong absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/6/16	9-15	Extension or transfer of letters of credit that expired during the second half of 2021	Director Shien-Quey Kao	The Executive Yuan Management Committee of National Development Fund, which is represented by THSRC Director Shien-Quey Kao, is a director of Chang Hwa Bank, the bank involved in this proposal, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/6/16	9-15	Donation of retired THSRC trailers and track inspection vehicles to the National Railway Museum Preparatory Office	Independent Director Kenneth Huang-Chuan Chiu	According to the Interim Organizational Charter for the Preparatory Office of the National Railway Museum, the National Railway Museum was established under the Ministry of Culture. THSRC Independent Director Kenneth Huang-Chuan Chiu serves as a legal consultant to the Ministry of Culture, and therefore absented from the proceedings and was recused during the review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/7/14	9-16	Procurement and bid selection suggestions for "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-21-001)	Director Mao-Hsiung Huang	TECO Electric & Machinery Co. Ltd., the company awarded this contract, is a legal entity represented by THSRC Director Mao-Hsiung Huang, making this proposal a transaction with a related party and necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/8/4	9-17	Suggestions for supplementary agreements to HSR station shopping mall lease contract with catering corporations affiliated with the TECO Group	Director Mao-Hsiung Huang	TECO Electric & Machinery Co. Ltd., the transaction party in this proposal, is a legal entity represented by THSRC Director Mao-Hsiung Huang, and other companies awarded this contract belong to the same business group as TECO Electric & Machinery Co., Ltd., necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/9/15	9-18	Suggestions for renewal of director and officer liability insurance	Director Kuo-Chih Liu	Fubon Insurance Co., Ltd., one of the potential underwriters for this proposal, belongs to the same business group as Taipei Fubon Commercial Bank Co., Ltd., a legal entity represented by THSRC Director Kuo-Chih Liu, necessitating recusal of voting rights to avoid conflicts of interest. Director Kuo-Chih Liu absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2021/10/13	9-19	Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	Directors Wen-Jong Chi and Chin-Hong Pan	The Ministry of Transportation and Communications, the counterparty to this proposal, has appointed director representatives who serve on the THSRC Board, necessitating recusal of voting rights to avoid conflicts of interest. According to the stipulations of the Corporation's "Charter of the Audit Committee," this proposal was pre-reviewed by the Audit Committee before it was submitted for Board review. Directors Wen-Jong Chi and Chin-Hong Pan absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/12/22	9-21	Renewal of operating insurance for 2022	Directors Kuo-Chih Liu and Shien-Quey Kao	Fubon Insurance Co., Ltd., one of the reinsurance companies awarded this contract, belongs to the same business group as Taipei Fubon Commercial Bank Co., Ltd., a legal entity represented by THSRC Director Kuo-Chih Liu. Additionally, the Executive Yuan Management Committee of National Development Fund, a legal entity represented by THSRC Director Shien-Quey Kao, has appointed a director representative who serves on the board of Mega Financial Holding Co Ltd., the parent company of Chung Kuo Insurance Co., Ltd., another reinsurance company awarded this contract. Therefore, this proposal necessitates recusal of voting rights to avoid conflicts of interest. Directors Kuo-Chih Liu and Shien-Quey Kao absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/12/22	9-21	Extension of quota for derivative assets that expired during the first half of 2022	Director Shien-Quey Kao	THSRC and Mega Bank are related parties. Additionally, the Executive Yuan Management Committee of National Development Fund, a legal entity represented by THSRC Director Shien-Quey Kao, has appointed director representatives at Mega Financial Holding Co Ltd., the parent company of Mega Bank, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/12/22	9-21	Extension or transfer of letters of credit that expired during the first half of 2022	Director Shien-Quey Kao	THSRC and Mega Bank are related parties. Additionally, the Executive Yuan Management Committee of National Development Fund, a legal entity represented by THSRC Director Shien-Quey Kao, has appointed director representatives at Mega Financial Holding Co Ltd., the parent company of Mega Bank, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

3. Disclosures of exchange-listed or OTC-listed company self-evaluations (or peer evaluations) of the Board, including information on evaluation cycle and duration, scope of evaluation, method of evaluation, and content of evaluation, as well as implementation status of Board evaluations:

Implemented in accordance with the "Regulation of Self-Evaluation of the Board of Directors" approved by the 27th meeting of the 7th Board held on March 21, 2017, and the amendments approved by the 18th meeting of the 9th Board on September 15, 2021. For more information regarding results of external evaluations on board performance, please refer to (6) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" in this same chapter. The information has also been disclosed on our corporate website.

Evaluation Cycle	Evaluation Duration	Scope of Evaluation	Method of Evaluation	Content of Evaluation
Internal Board performance evaluations: implemented once every year.	January 1, 2021 to December 31, 2021	Includes performance evaluations of the Board, individual directors, and functional committees.	Internal self-evaluations were conducted on the Board, Board directors, and members of functional committees.	Assessment items for Board performance evaluations included 25 indicators across five main aspects: participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control. Assessment items for Board director performance evaluations included 25 indicators across six main aspects: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations and communication, director knowledge and continued training, and internal control. Assessment items for functional committee member performance evaluations included 25 indicators across five main aspects: participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.

4. Strengthening of functional goals (for example establishment of audit committee and enhancement of information transparency) for the Board for this year and in the most recent year, and assessment of implementation:

(1) In consideration of appropriate Board scale, representation of shareholder interests, business nature of BOT projects, and corporate development, as well as implementation of Board diversification policies, shareholder structure, and meeting efficiency, the number of directors serving on the 9th Board were elected at the shareholders' general meeting held on May 21, 2020. There are 13 directors on the Board; the number of independent directors were increased to 4 from the original 3, and the remaining 9 directors were non-independent directors. Functional committees such as the Corporate Governance & Nominating Committee, Audit Committee, Remuneration Committee, and Special Committee were established under the 9th Board. The Audit Committee and the Remuneration Committee are convened by independent directors, while more than half of the members in the Corporate Governance & Nominating Committee are independent directors. The composition of these committees, their duties, and implementation status are disclosed in this annual report and on the Corporation website. All functional committees have a duty of pre-assessment and help to enhance meeting efficiency and quality. Independent directors exercise their independence and professionalism by sharing their professional opinions during meetings.

- (2) The Corporation has taken out a total of NT\$ 0.9 billion in D&O liability insurance for directors and important managerial officers to help reduce risk of legal liability and to enhance corporate governance capabilities.
- (3) In 2021, 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 Corporate Social Responsibility Best Practice Principles, Rules of Procedure for Shareholders' Meetings, Rules for the Election of Directors, Regulations of Disclosure Information, Regulation of Self-Evaluation of the Board of Directors, Regulations for Management of the Prevention of Insider Trading, Internal Control System, Regulations Governing Self-Evaluations of Internal Control System, and Distribution Table of Responsibility & Authority.
- (4) Our corporate governance information is disclosed on the Market Observation Post System in accordance with relevant regulations, and we have also established corporate social responsibility, investor relations, and corporate governance sections on our corporate website to provide detailed and timely disclosures of information that are of concern to our stakeholders. Additionally, we regularly review our "Regulations of Disclosure Information," "Guidelines for Disclosure of Material Information and Major News Submitted to Directors," "Regulation for Posting Information on 'Market Observation Post System,'" and "Media Management Procedure" and other regulations relating to information disclosures, and make timely adjustments based on the latest laws and regulations and our actual operations.
- (5) Since going public, THSRC has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for four consecutive years (from 2017 to 2020). Additionally, we were awarded an "Platinum" certification by the Taiwan Corporate Governance Association under the CG6012 (2019) Corporate Governance System Assessment on July 28, 2020, the certification period being from July 9, 2020 to July 8, 2022.

(2) Operational Status of Audit Committee

- 1) The Corporation's Audit Committee was established on March 18, 2016 to replace our supervisor system, and the committee is composed of the independent directors on our Board of Directors. The number of committee members cannot be fewer than three, and at least one of them has to have professional expertise in accounting or finance. Following election of Board members by the shareholders' general meeting on May 24, 2017, the 8th committee members served until May 23, 2020; there were three members on the committee and Independent Director Kung-Wha Ding was elected as convener. Additionally, following election of Board members by the shareholders' general meeting on May 21, 2020, the 9th committee members will serve until May 20, 2023; there are four members on the committee and Independent Director Duei Tsai was elected as convener by all committee members. The committee operates according to the "Charter of the Audit Committee" and convenes at least once every quarter.
- 2) The main duties of the committee and focuses for 2021 included review and supervision of financial reports, risk management items, and financial proposals, as well as the auditing of: financial reports; accounting and internal control systems; transactions of major assets or derivatives; offering and issuance of securities; appointment, dismissal, or compensation of Certified Public Accountants (CPAs); matters involving director conflicts of interest; and appointment, dismissal and performance of financial, accounting, or internal audit directors. (Please refer to Chapter Three of this report for details regarding the main duties of the Audit Committee).
 - A. Review financial reports: The Corporation's business reports, annual financial reports, and surplus distribution proposals all have to be reviewed by the Audit Committee before submission to the Board for approval and the shareholders' general meeting for recognition. The Corporation's 2021 financial report was submitted to the 9th Board at the 21th Audit Committee Meeting held on February 21, 2022, was approved by the 9th Board at the 23th Board Meeting on February 23, 2022, and will be submitted to the 2022 shareholders' general meeting for recognition. Additionally, all quarterly financial reports also have to be discussed and approved by the Audit Committee before submission to the Board.
 - B. Assess efficiency of internal control system: The self-assessment results for the Corporation's internal control system are completed by all units through cyclical procedures and submitted to the Audit Committee for confirmation of internal control systems, which 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. Results of self-assessments for our internal control system in 2021 were submitted to the 9th Board at the 21th Audit Committee Meeting held on February 21, 2022, and were approved by the 9th Board at the 23th Board Meeting on February 23, 2022.

C. Appoint and evaluate CPAs: The Audit Committee periodically assesses the professionalism, independence, and audit fees of CPAs at the end of each year. CPA assessment results for 2021 were approved by the 9th Board at the 21th Audit Committee Meeting held on February 21, 2022 and the 9th Board at the 23th Board Meeting on February 23, 2022, confirming that accountants Mei-Yen Chiang and Kwan-Chung Lai of Deloitte & Touche both fulfilled assessment standards for independence and competency.

3) The Audit Committee convened 12 times in 2021, and the operational status of the committee was as follows:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Duei Tsai	12	0	12	100	
Independent Director	Kenneth Huang-Chuan Chiu	12	0	12	100	
Independent Director	Pai-Ta Shih	12	0	12	100	
Independent Director	Yung-Cheng (Rex) Lai	12	0	12	100	
Average actual attendances of 9th Audit Committee members in 2021 (%) (Total actual attendances/Total required attendances)		48	0	48	100	

4) Combined average 9th Audit Committee member attendance rate was 100% in 2021.

Other matters required to be recorded:

1. If any of the following circumstances occur during Audit Committee meetings, the date of said meeting, session number, proposal content, Audit Committee resolutions, and the Corporation's responses to Audit Committee opinions should be recorded:

(1) Items listed according to Article 14-5 of the Securities and Exchange Act: As detailed in the following table.

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2021/1/20 (9-10)	Suggestions for expansion of HSR meal box procurement agreement (Contract number: PCDD-19-1413)	2021/1/19 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2021/1/20 (9-10)	Procurement and bid selection suggestions for "Construction of Yanchao Main Workshop automated painting plant equipment consulting services contract" (Contract number: C2-19-002) and "Construction of Yanchao Main Workshop automated painting plant equipment contract" (Contract number: T2-20-009)	2021/1/19 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2021/2/24 (9-11)	2020 financial report	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None.
2021/2/24 (9-11)	Submitted applications for import duty guarantees to be submitted to the Ministry of Finance Customs Administration Kaohsiung Customs due to the Corporation's need for post-release duty payments when handling imported cargo	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None.
2021/2/24 (9-11)	Self-assessment results of internal control system for 2020	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None.
2021/4/14 (9-13)	Formulation of plans for issuance of unsecured ordinary corporate bonds	2021/4/12 (9-11)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None.
2021/4/14 (9-13)	Formulation of plans for issuance of non-guarantee commercial paper	2021/4/12 (9-11)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None.
2021/6/16 (9-15)	Extension or transfer of letters of credit that expired during the second half of 2021	2021/6/15 (9-13)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None.
2021/6/16 (9-15)	Extension of quota for derivative assets that expired during the second half of 2021	2021/6/15 (9-13)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None.

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2021/7/14 (9-16)	Procurement and bid selection suggestions for "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-21-001)	2021/7/13 (9-14)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None.
2021/8/4 (9-17)	Revision of the Corporation's "Internal Control System" and "Regulations Governing Self-Evaluations of Internal Control System"	2021/8/3 (9-15)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None.
2021/8/4 (9-17)	Suggestions for supplementary agreements to HSR station shopping mall lease contract with catering corporations affiliated with the TECO Group	2021/8/3 (9-15)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None.
2021/9/15 (9-18)	Changed Corporation CPAs starting from 2021 Q3 in accordance with internal adjustments at Deloitte & Touche.	2021/9/13 (9-16)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None.
2021/12/22 (9-21)	Extension of quota for derivative assets that expired during the first half of 2022	2021/12/20 (9-19)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None.
2021/12/22 (9-21)	Extension or transfer of letters of credit that expired during the first half of 2022	2021/12/20 (9-19)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None.

(2) Other instances apart from the aforementioned matters where the Audit Committee did not approve a proposal, but more than two-thirds of directors approved said proposal: None.

2. Implementation of independent director recusals on proposals due to conflicts of interest, including independent director names, proposal content, reasons for recusal, and participation in voting procedures:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Independent Director Name	Reasons for Recusal and Participation in Voting Procedures	Audit Committee Meeting and Board Resolutions
2021/6/16 (9-15)	Donation of retired THSRC trailers and track inspection vehicles to the National Railway Museum Preparatory Office	2021/6/15 (9-13)	Independent Director Kenneth Huang-Chuan Chiu	According to the Interim Organizational Charter for the Preparatory Office of the National Railway Museum, the National Railway Museum was established under the Ministry of Culture. THSRC Independent Director Kenneth Huang-Chuan Chiu serves as a legal consultant to the Ministry of Culture, and therefore absented from the proceedings and was recused during the review of this proposal.	1. Audit Committee: Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal. 2. Board: Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

3. Communication status between independent directors, chief internal auditor, and certified public accountants (CPAs) (should include communication of major items, methods, and results relating to corporate finance and business affairs):

- (1) THSRC's chief internal auditor periodically presents internal audit reports to the Audit Committee and fully communicates audit implementation, follow-up of improvements to errors, and implementation results. The chief internal auditor not only periodically provides independent directors with written audit reports, but also presents business reports based on suggestions from independent directors.
- (2) CPAs periodically present annual and quarterly audits of financial reports and audit reports to the Audit Committee, and also communicate other matters according to relevant laws.
- (3) Individual meetings between independent directors, the chief internal auditor, and CPAs are convened at least once a year. The chief internal auditor and CPAs respectively make independent reports to the independent directors regarding audit items, annual plans, financial reports, and details of annual audit plans.
- (4) The aforementioned chief internal auditor and CPAs directly communicate with independent directors via email, phone, or face-to-face meetings as necessary; periodically review the Corporation's financial and business conditions according to regulations; and directly communicate with management and governance units.

- 1) The independent directors communicated well with the chief internal auditor; a list of reported items for 2021 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2021/2/23	Audit Committee Meeting (9-9)	2020 Q4 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/5/4	Audit Committee Meeting (9-12)	2021 Q1 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/8/3	Audit Committee Meeting (9-15)	2021 Q2 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/10/12	Audit report (Independent report made by chief internal auditor to independent directors)	Audit plans for 2022	Acknowledged by independent directors.	No objections from independent directors.

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2021/10/12	Audit Committee Meeting (9-17)	Formulation of 2022 audit report for auditing office	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2021/11/2	Audit Committee Meeting (9-18)	2021 Q3 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

2) The independent directors communicated well with CPAs; a list of reported items for 2021 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2021/2/23	Audit Committee Meeting (9-9)	1.2020 financial report 2.Statement of Independence 3.Key audit items 4.New disclosures in 2020 financial report	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2021/5/4	Audit Committee Meeting (9-12)	1.2021 Q1 financial report 2.Statement of Independence	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2021/8/3	Audit Committee Meeting (9-15)	1. 2021 Q2 financial report 2. Statement of Independence	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2021/11/2	Audit Committee Meeting (9-18)	1.2021 Q3 financial report 2.Statement of Independence 3.Explanation of new disclosures in 2021 Q3 financial report 4.Audit plans and key audit items for 2021 financial reports	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2021/11/2	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.

(3) Composition, Duties, and Operational Status of Remuneration Committee

1) Remuneration Committee Members

2022/03/31

Title	Name	Criteria	Independence status	Number of other public companies in which the individual is concurrently serving as an remuneration committee member
		Professional qualifications and experience		
(Convener) Independent Director	Kenneth Huang-Chuan Chiu	1. Area of expertise: Law 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Experience in other industries 3. No violations of Article 30 of the Company Act.	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	3

Criteria		Professional qualifications and experience	Independence status	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Title	Name			
Independent Director	Duei Tsai	1. Area of expertise: Electrical engineering, transportation management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in transportation (4) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3. No violations of Article 30 of the Company Act.	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	2
Independent Director	Pai-Ta Shih	1. Area of expertise: Economics, finance 2. Experience: (1) Board member of other public companies (2) Professor at Department of Finance, National Taiwan University 3. No violations of Article 30 of the Company Act.	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	1

2) Operational Status of Remuneration Committee

A. The Corporation's Remuneration Committee is composed of three to five people, and committee members are appointed in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." Following election of Board members by the shareholders' general meeting on May 24, 2017, the 8th committee members served until May 23, 2020. The three members of the committee were all independent directors, and Independent Director Kenneth Huang-Chuan Chiu was elected as convener by all committee members. Additionally, following election of Board members by the shareholders' general meeting on May 21, 2020, the 9th committee members will serve until May 20, 2023; there are three members on the committee and Independent Director Kenneth Huang-Chuan Chiu was elected as convener by all committee members. The committee operates according to the "Charter of the Remuneration Committee" and convenes at least twice every year.

B. The main duties of the committee and focuses for 2021 included formulating and regularly reviewing policies, systems, standards, and structure of evaluations on director and manager performance, salaries, and compensation, as well as regular assessment and formulation of director and manager salaries and compensation. (Please refer to Chapter Three of this report for details regarding the main duties of the Remuneration Committee).

C. The Remuneration Committee convened 12 times in 2021, and the operational status of the committee was as follows:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Kenneth Huang-Chuan Chiu	12	0	12	100	
Independent Director	Duei Tsai	12	0	12	100	
Independent Director	Pai-Ta Shih	12	0	12	100	
Average actual attendances of 9th Remuneration Committee members in 2021 (%) (Total actual attendances/Total required attendances)		36	0	36	100	

3) Combined average 9th Remuneration Committee member attendance rate was 100% in 2021.

Other matters required to be recorded:

1. Matters discussed and resolved during Remuneration Committee meetings in 2021, and the Corporation's responses to Remuneration Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2021/1/20 (9-10)	Report on self-evaluations of Board performance for 2020 (Note)	2021/1/19 (9-9)	Acknowledged by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/1/20 (9-10)	Distribution suggestions for 2020 employee compensation and bonuses (Note)	2021/1/19 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/1/20 (9-10)	Distribution suggestions for 2020 director remuneration (Note)	2021/1/19 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/1/20 (9-10)	Implementation status of Remuneration Committee in 2020	2021/1/19 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Actual distributions of director remuneration and employee compensation in 2020 (Note)	2021/2/23 (9-10)	Acknowledged by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Results of manager performance audits for 2020 (Note)	2021/2/23 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Suggestions regarding performance goals for new managers, dismissal of part-time workers, and optimization of manager performance management procedures in 2021	2021/2/23 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Revision of the Corporation's "Consultant Management Regulation"	2021/2/23 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2021/3/17 (9-12)	Review of Corporation president performance evaluation results and suggestions, and perusal of Corporation chairman self-evaluation results for 2020	2021/3/16 (9-11)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/3/17 (9-12)	Suggestion for official appointment and promotion of acting Legal Office manager	2021/3/16 (9-11)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/4/14 (9-13)	Appointed vice president for the Corporation's Travel and Business Development Division to serve as the head of the division	2021/4/12 (9-12)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/5/5 (9-14)	Suggestions regarding annual performance bonuses for 2020 (Note)	2021/5/4 (9-13)	Approved by all committee members in attendance.	Approved by the Board.	The managerial department was instructed to reference suggestions proposed by attending directors, draft a more comprehensive proposal, and then submit said proposal to the Remuneration Committee and the Board for review.
2021/6/16 (9-15)	Review report of compensation competitiveness (including manager compensation) for 2021 (Note)	2021/6/15 (9-14)	Acknowledged by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/6/16 (9-15)	Continued appointment of Corporation Core Technology Development Department foreign personnel	2021/6/15 (9-14)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/6/16 (9-15)	Renewal of President's Office senior consultant contract	2021/6/15 (9-14)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/6/16 (9-15)	Suggestion for official appointment and promotion of acting Maintenance Division manager	2021/6/15 (9-14)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2021/6/16 (9-15)	Suggestions regarding annual employee performance bonuses for 2020 (Note)	2021/6/15 (9-14)	The 2% difference in performance bonuses for managers and section chiefs were not implemented, and the excess funds were distributed to other colleagues (adhering to the performance bonus distribution standards previously approved in 2019). The proposal was submitted to the Board for review.	Handled in accordance with Remuneration Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/6/16 (9-15)	Suggestions regarding distributions of chairman and president bonuses for 2020	2021/6/15 (9-14)	Apart from the specific amount for chairman and president bonuses, which was submitted to the Board for review, the remainder of the proposal was approved and also submitted to the Board for review.	Handled in accordance with Remuneration Committee resolutions and submitted to the Board for approval.	Chairman and president bonuses should adhere to the same amount distributed to vice presidents and senior vice presidents (NT\$ 16,500 per month). The managerial department was instructed to clarify and confirm distribution standards and guidelines for chairman and president bonuses as soon as possible for subsequent discussion with the Ministry of Transportation and Communications (a majority shareholder). If there is a possibility of raising chairman and president bonuses, a proposal shall be submitted to the Board for review, and the difference between the current amount and the amount passed at said Board meeting shall be retroactively distributed.
2021/7/14 (9-16)	Suggestions regarding performance goals for newly transferred managers in 2021	2021/7/13 (9-15)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/8/4 (9-17)	Renewal of President's Office consultant contract	2021/8/3 (9-16)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/9/15 (9-18)	Suggestions regarding promotion of Public Affairs Division manager	2021/9/13 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/9/15 (9-18)	Continued appointment of Corporation Core Technology Development Department foreign personnel	2021/9/13 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/9/15 (9-18)	Revisions to the Corporation's "Regulations Governing Board Performance Evaluations"	2021/9/13 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/10/13 (9-19)	Remuneration Committee work plans for 2022	2021/10/12 (9-18)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2021/11/3 (9-20)	Continued appointment of Corporation Core Technology Development Department consultant	2021/11/2 (9-19)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Continued appointment of Corporation Core Technology Development Department foreign personnel	2021/11/2 (9-19)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Suggestions regarding performance goals for managers in 2022 (Note)	2021/11/2 (9-19)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Suggestions regarding distribution of in-work compensation for the Chinese New Year national holiday in 2022	2021/11/2 (9-19)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/12/22 (9-21)	Suggestions regarding year-end bonuses for 2021	2021/12/20 (9-20)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/12/22 (9-21)	Suggestions for 2022 salary adjustments	2021/12/20 (9-20)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/12/22 (9-21)	Appointment of important operations manager as senior consultant for the President's Office following retirement	2021/12/20 (9-20)	Approved by all committee members in attendance.	Approved by the Board.	The managerial department was asked to draft a new proposal based on the suggestions of attending directors, and subsequently submit said proposal to the Board for review.
2021/12/22 (9-21)	Renewal of President's Office senior consultant contract	2021/12/20 (9-20)	Approved by all committee members in attendance.	Approved by the Board.	The proposal was approved. Additionally, directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.

Note: Proposals that are periodic reviews of performance evaluations or remuneration.

- If the Board declines to adopt, or modifies, a recommendation of the Remuneration Committee, the date of said Board meeting, session number, proposal content, Board resolutions, and the

Corporation's responses to Remuneration Committee opinions should be recorded:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Disparities Between Board Resolutions and Remuneration Committee Suggestions and Reasons for Said Disparity	The Corporation's Responses to Remuneration Committee Opinions
2021/5/5 (9-14)	Suggestions regarding annual performance bonuses for 2020 (Note)	2021/5/4 (9-13)	<ol style="list-style-type: none"> Disparities: The Remuneration Committee approved the original proposal, but the Board instructed the managerial department to reference suggestions proposed by attending directors, draft a more comprehensive proposal, and then submit said proposal to the Remuneration Committee and the Board for review. Reasons for said disparity: Following discussion of this proposal, the Board instructed the managerial department to draft a more comprehensive proposal. This resolution did not exceed the suggestions made by the Remuneration Committee. 	Handled in accordance with the resolutions of the Board.
2021/12/22 (9-21)	Appointment of important operations manager as senior consultant for the President's Office following retirement	2021/12/20 (9-20)	<ol style="list-style-type: none"> Disparities: The Remuneration Committee approved the original proposal, but the Board instructed the managerial department to formulate a new proposal based on the suggestions of attending directors for submission to the Remuneration Committee and Board for review. Reasons for said disparity: Following discussion of this proposal, the Board instructed the managerial department to formulate a new proposal. This resolution did not exceed the suggestions made by the Remuneration Committee. 	Handled in accordance with the resolutions of the Board.

Note: Proposals that are periodic reviews of performance evaluations or remuneration.

- Other instances where committee members expressed objections or reservations on record or through written opinions regarding Remuneration Committee proposals, and date of said Remuneration Committee meeting, session, proposal content, opinions of all committee members, and response to committee member opinions: None.

(4) Operational Status of Corporate Governance & Nominating Committee

- The Corporation's Corporate Governance & Nominating Committee is composed of five to seven committee members, and more than half of committee members should be composed of independent directors. Following election of Board members by the shareholders' general meeting on May 24, 2017, the 8th committee members served until May 23, 2020. There were five committee members, three of which were independent directors, and Chairman Yao-Chung Chiang was elected as convener by all committee members. Additionally, following election of Board members by the shareholders' general meeting on May 21, 2020, the 9th committee members will serve until May 20, 2023; there are five members on the committee, three of which are independent directors, and Chairman Yao-Chung Chiang was elected as convener by all committee members. The committee operates according to the "Charter of the Corporate Governance & Nominating Committee" and convenes at least four times every year.
- More than half of Corporate Governance & Nominating Committee members are independent directors. Of the five committee members, excepting the three independent directors who respectively possess expertise in legal affairs, finance and accounting, industrial knowledge, and operational insights, Chairman Yao-Chung Chiang and Director Kuo-Chih Liu both have significant management experience as a chairperson or president of publicly listed companies, possess professional corporate governance and management capabilities, have sufficient experience to assess the professional criteria necessary for directors and managers, and are capable of planning and reviewing implementation of corporate governance, thereby meeting the professional requirements for this committee.

Title	Name	Area of expertise:
Chairman (Convener)	Yao-Chung Chiang	Corporate governance, operational management
Independent Director	Kenneth Huang-Chuan Chiu	Law
Independent Director	Pai-Ta Shih	Finance
Independent Director	Yung-Cheng (Rex) Lai	Industry knowledge
Director	Kuo-Chih Liu	Corporate governance, operational management

3) The main duties of the committee and focuses for 2021 included: Review diverse background and independent standards including professional knowhow, technical knowledge, expertise, and gender 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. (Please refer to Chapter Three of this report for details regarding the main duties of the Corporate Governance & Nominating Committee).

4) The Corporate Governance & Nominating Committee convened 11 times in 2021, and the operational status of the committee was as follows:

Title	Name	Professional qualifications and experience	Actual Attendances (B)	By Proxy	Actual Attendances (%) (B/A)(Note)	Remarks
Convener	Yao-Chung Chiang	1.Area of expertise: Mechanical engineering, business management 2.Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in transportation 3.No violations of Article 30 of the Company Act.	11	0	100	
Member	Kenneth Huang-Chuan Chiu	1. Area of expertise: Law 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Experience in other industries 3. No violations of Article 30 of the Company Act.	11	0	100	
Member	Pai-Ta Shih	1.Area of expertise: Economics, finance 2.Experience: (1) Board member of other public companies (2) Professor at Department of Finance, National Taiwan University 3.No violations of Article 30 of the Company Act.	11	0	100	
Member	Yung-Cheng (Rex) Lai	1.Area of expertise: Civil engineering, transportation 2.Experience: (1) Relevant industry experience in transportation (2) Professor at Railway Technology Research Center, National Taiwan University 3.No violations of Article 30 of the Company Act.	11	0	100	
Member	Kuo-Chih Liu	1.Area of expertise: Physics, business management 2.Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (transportation and construction) 3.No violations of Article 30 of the Company Act.	10	1	91	

5) Average actual attendance rate of 9th Corporate Governance & Nominating Committee members was 98% in 2021.

Other matters required to be recorded:

1. Matters discussed and resolved during Corporate Governance & Nominating Committee meetings in 2021, and the Corporation's responses to Corporate Governance & Nominating Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2021/1/20 (9-10)	Implementation status of Corporate Governance & Nominating Committee in 2020	2021/1/19 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/1/20 (9-10)	Evaluation and suggestions regarding Board and Committee performance in 2020	2021/1/19 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Results of manager performance audits for 2020	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Suggestions regarding performance goals for new managers in 2021	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Revision of the Corporation's consultant appointment guidelines	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Revisions to the Corporation's "Distribution Table of Responsibility & Authority"	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Revisions to the Corporation's Corporate Social Responsibility Best Practice Principles	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/2/24 (9-11)	Report of implementation status of corporate governance	2021/2/23 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/3/17 (9-12)	Review of Corporation president performance evaluation results and suggestions, and perusal of Corporation chairman self-evaluation results for 2020	2021/3/16 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/3/17 (9-12)	Suggestion for official appointment and promotion of acting Legal Office manager	2021/3/16 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/3/17 (9-12)	Submission of proposal to revise the Corporation's Guidelines for Corporate Governance to the shareholders' general meeting for discussion on May 27, 2021	2021/3/16 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/3/17 (9-12)	Submission of proposal to revise the Corporation's Rules of Procedure for Shareholders' Meetings to the shareholders' general meeting for discussion on May 27, 2021	2021/3/16 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2021/3/17 (9-12)	Submission of proposal to revise the Corporation's Rules for the Election of Directors to the shareholders' general meeting for discussion on May 27, 2021	2021/3/16 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/3/17 (9-12)	Revisions to the Corporation's Regulations of Disclosure Information	2021/3/16 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/4/14 (9-13)	Appointed vice president for the Corporation's Travel and Business Development Division to serve as the manager for the division	2021/4/12 (9-11)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/4/14 (9-13)	Revisions to the Corporation's THSRC Organizational Regulation and Organizational Structure	2021/4/12 (9-11)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/6/16 (9-15)	Continued appointment of Corporation Core Technology Development Department foreign personnel	2021/6/15 (9-12)	All attending committee members provided suggestions regarding Remuneration Committee and Special Committee members for the 9th Board.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/6/16 (9-15)	Renewal of President's Office senior consultant contract	2021/6/15 (9-12)	All attending committee members provided suggestions regarding Remuneration Committee and Special Committee members for the 9th Board.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/6/16 (9-15)	Suggestion for official appointment and promotion of acting Maintenance Division manager	2021/6/15 (9-12)	All attending committee members provided suggestions regarding Remuneration Committee and Special Committee members for the 9th Board.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/7/14 (9-16)	Suggestions regarding performance goals for newly transferred managers in 2021	2021/7/13 (9-13)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/8/4 (9-17)	Renewal of President's Office consultant contract	2021/8/3 (9-14)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/8/4 (9-17)	Suggestions for Special Committee member composition as THSRC Institutional Director Ministry of Transportation and Communications appointed a new director representative, resulting in Director Yueh-Hsiang Chen leaving office and resigning as a member of the Special Committee.	2021/8/3 (9-14)	All attending committee members nominated Director Chin-Hong Pan as a Special Committee member, with term of office set to conclude at the end of the 9th Board's term.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/9/15 (9-18)	Suggestions for renewal of director and officer liability insurance	2021/9/13 (9-15)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2021/9/15 (9-18)	Suggestions regarding promotion of Public Affairs Division manager	2021/9/13 (9-15)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/9/15 (9-18)	Continued appointment of Corporation Core Technology Development Department foreign personnel	2021/9/13 (9-15)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/9/15 (9-18)	Revisions to the Corporation's "Regulations Governing Board Performance Evaluations"	2021/9/13 (9-15)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/10/13 (9-19)	Formulation of Corporate Governance & Nominating Committee work plans for 2022	2021/10/12 (9-16)	Attending committee members recommended that the managerial department revise the content of this proposal and submit the revised proposal to the Board for review.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/11/3 (9-20)	Personnel adjustments following retirement of the Corporation's senior operations vice president and Operations Division manager.	2021/11/2 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Continued appointment of Corporation Core Technology Development Department consultant	2021/11/2 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Continued appointment of Corporation Core Technology Development Department foreign personnel	2021/11/2 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Suggestions regarding performance goals for managers in 2022	2021/11/2 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Proposal for approval to sign agreement with THSRC Labor Union	2021/11/2 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/12/22 (9-21)	Appointment of important operations manager as senior consultant for the President's Office following retirement	2021/12/20 (9-18)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/12/22 (9-21)	Renewal of President's Office senior consultant contract	2021/12/20 (9-18)	Attending committee members recommended that the managerial department revise the content of this proposal and submit the revised proposal to the Board for review.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	The managerial department was asked to draft a new proposal based on the suggestions of attending directors, and subsequently submit said proposal to the Board for review.
2021/12/22 (9-21)	Revisions to the Corporation's THSRC Organizational Regulation and Organizational Structure	2021/12/20 (9-18)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

2. If the Board declines to adopt, or modifies, a recommendation of the Corporate Governance & Nominating Committee, the date of said Board meeting, session number, proposal content, Board resolutions, and the Corporation's responses to Corporate Governance & Nominating Committee opinions should be recorded:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Disparities Between Board Resolutions and Remuneration Committee Suggestions and Reasons for Said Disparity	The Corporation's Responses to Remuneration Committee Opinions
2021/12/22 (9-21)	Appointment of important operations manager as senior consultant for the President's Office following retirement	2021/12/20 (9-18)	1.Disparities: The Corporate Governance & Nominating Committee approved the original proposal, but the Board instructed the managerial department to formulate a new proposal based on the suggestions of attending directors for submission to the Board for review. 2.Reasons for said disparity: Following discussion of this proposal, the Board instructed the managerial department to formulate a new proposal. This resolution did not exceed the suggestions made by the Corporate Governance & Nominating Committee.	Handled in accordance with the resolutions of the Board.

3. Other instances where committee members expressed objections or reservations on record or through written opinions regarding Corporate Governance & Nominating Committee proposals: None.

(5) Operational Status of Special Committee

- 1) The Corporation's Special Committee is composed of five to seven members, at least one of whom must be an independent director. Following election of Board members by the shareholders' general meeting on May 24, 2017, the 8th committee members served until May 23, 2020. There were seven committee members, and all committee members elected Independent Director David Da-Wei Poo as convener. Additionally, following election of Board members by the shareholders' general meeting on May 21, 2020, the 9th committee members will serve until May 20, 2023; there are six members on the committee and Director Mao-Hsiung Huang was elected as convener by all committee members. The committee operates according to the "Charter of the Special Committee."
- 2) The main duties of the committee and focuses for 2021 included providing advice on the Corporation's major legal or contractual disputes and important system reforms; assisting the Board in supervising implementation of decisions by managers; and reviewing the Corporation's procurement-related proposals to be submitted to the Board as required by Corporation bylaws. (Please refer to Chapter Three of this report for details regarding the main duties of the Special Committee).
- 3) The Special Committee convened 12 times in 2021, and the operational status of the committee was as follows:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Director (Convener)	Mao-Hsiung Huang	9	1	10	100	
Independent Director	Duei Tsai	10	0	10	100	
Independent Director	Yung-Cheng (Rex) Lai	10	0	10	100	
Director	Chin-Hong Pan	6	0	6	100	Elected to office 2021/8/4
Former Director	Yueh-Hsiang Chen	3	0	3	100	Left office 2021/7/19
Director	Chao-Yih Chen	6	4	10	43	
Director	Shien-Quey Kao	7	3	10	57	
Average actual attendances of 9th Special Committee members in 2021 (%) (Total actual attendances/Total required attendances)		51	8	59	86	

- 4) Average actual attendance rate of 9th Special Committee members was 86% in 2021.

Other matters required to be recorded:

1. Matters discussed and resolved during Special Committee meetings in 2021, and the Corporation's responses to Special Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2021/1/20 (9-10)	Procurement procedures and bid review results for HSR trainset retendering (Contract number: E321)	2021/1/15 (9-8)	Approved by all committee members in attendance; the managerial department was instructed to propose an alternate solution (such as adjustments to future procurement strategies or contacting a third party for procurement) based on the suggestions of attending committee members. Said proposal should be submitted to the Board for discussion when appropriate.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/1/20 (9-10)	Procurement and bid selection suggestions for "Construction of Yanchao Main Workshop automated painting plant equipment consulting services contract" (Contract number: C2-19-002) and "Construction of Yanchao Main Workshop automated painting plant equipment contract" (Contract number: T2-20-009)	2021/1/15 (9-8)	Approved by all committee members in attendance; the managerial department was instructed to reference the suggestions of attending committee members, assess feasibility of autonomous development of relevant technical capabilities, and consider self-handling of similar contracts in future.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/2/24 (9-11)	Procurement and bid selection suggestions for "Research and development of ATP6 electrical substation control & relay panel" (Contract number: E4-20-005)	2021/2/20 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/2/24 (9-11)	Procurement strategy suggestions for train cleaning services contract for HSR Nangang Station, Zuoying Station, and Taichung Station from 2021 to 2024	2021/2/20 (9-9)	Approved by all committee members in attendance; the managerial department was instructed to reference the suggestions of attending committee members and assess feasibility of multiple bids for similar contracts in future.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/2/24 (9-11)	Third supplementary agreement of train cleaning services contract for HSR Nangang Station, Zuoying Station, and Taichung Station from 2019 to 2021	2021/2/20 (9-9)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/3/17 (9-12)	Procurement strategy suggestions for HSR shuttle bus affiliated marketing services from 2021 to 2022	2021/3/12 (9-10)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/4/14 (9-13)	Tender strategies for HSR station parking lot outsourcing management contract	2021/4/12 (9-11)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/5/5 (9-14)	Proposal for recommendation of candidates for 11th HSR Coordination Committee members	2021/5/5 (9-12)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2021/7/14 (9-16)	Suggestions for supplementary agreements to upgrading of mainframe for Traffic Control System (TCS) Package 2 (Contract number: E221)	2021/7/9 (9-13)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/8/4 (9-17)	Suggestions for supplementary agreements to HSR station shopping mall lease contract with catering corporations affiliated with the TECO Group	2021/7/30 (9-14)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2021/8/4 (9-17)	Reductions and deferred payment plans for HSR station parking lot outsourcing management fixed payments in response to the COVID-19 pandemic	2021/7/30 (9-14)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/8/4 (9-17)	Procurement strategy suggestions for "Transfer and establishment of second phase core functions for new generation ticketing system"	2021/7/30 (9-14)	Approved by all committee members in attendance; additional explanations should be provided to the Board regarding the necessity of restricted tendering for this contract.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2021/10/13 (9-19)	Procurement strategy suggestions for management and supervisor consultant services for track and core mechanical and electrical equipment for second train inspection and maintenance plant at Zuoying maintenance depot	2021/10/8 (9-16)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/10/13 (9-19)	Suggestions regarding adjustment of HSR trainset requirements	2021/10/8 (9-16)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Proposal for approval to sign agreement with THSRC Labor Union	2021/10/29 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2021/11/3 (9-20)	Proposal for approval to sign E101 and E102 contract rights transfer agreement and guarantee for payment of contractor retained funds and return of advance payments	2021/10/29 (9-17)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

- If the Board declines to adopt, or modifies, a recommendation of the Special Committee, the date of said Board meeting, session number, proposal content, Board resolutions, and the Corporation's responses to Special Committee opinions should be recorded: None.
- Other instances where committee members expressed objections or reservations on record or through written opinions regarding Special Committee proposals: None.

(6) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies":

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		<p>■ The Corporation has established "Guidelines for Corporate Governance" which are disclosed on the "Investor Relations" and the "Corporate Governance" sections of our corporate website, as well as on the Market Observation Post System. Revisions to our "Guidelines for Corporate Governance" were approved at the 12th meeting of the 9th Board (convened on March 17, 2021) and a shareholders' general meeting (convened on August 12, 2021).</p>	■ None.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		<p>■ The Corporation has a shareholder services unit that is responsible for providing shareholder services, handling shareholder recommendations, and responding to shareholder queries, while our legal unit handles shareholder disputes and litigation matters. All related matters are handled according to our operating procedures.</p>	■ None.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		<p>■ The Corporation regularly maintains a list of its major shareholders as well as the ultimate owners of those shares. At present, most of our major shareholders are board members or financial institutions, and the list of major shareholders and ultimate owners can be viewed at any time to ensure the stability of the Corporation's operating policies.</p>	■ None.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		<p>■ The Corporation currently has no affiliated businesses. Additionally, to avoid conflicts of interest, the Corporation has established "Regulation of Related Party Transaction" and our Audit Committee is responsible for auditing transactions of related parties and other avoidances of conflicts of interest.</p>	■ None.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		<p>■ The Corporation has established "Regulations for Management of the Prevention of Insider Trading" and "Procedures for Share Transferring of the Prevention of Insider Trading" which stipulate that corporate insiders, quasi-insiders, and tippees must abide by the provisions of the Securities and Exchange Act, and any trade of securities conducted using undisclosed information is prohibited. Additionally, Article 11 of our "Code of Ethical Conduct"; Subparagraph (d), Paragraph 3, Article 6.1.2 of our "Code of Conduct"; and Article 13 of our "Procedures for Ethical Management and Guidelines for Conduct" also contains stipulations inhibiting insider trading.</p>	■ None.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		<p>■ Article 14, Chapter 2 of the Corporation's "Charter of the Corporate Governance & Nominating Committee" (Structural Composition of the Board and its Committees and Performance Assessments) stipulates a diversification policy for board member composition and overall capabilities of board members. Article 17 of the Charter also stipulates succession plans for directors.</p> <p>■ The Corporation's diversification policy for board member composition states that appropriate diversification standards for the Board should be set according to operations, mode of operation, and development needs, including but not limited to the following:</p> <ol style="list-style-type: none"> 1. Basic qualifications and values: gender, age, nationality, and culture. 2. Level of contribution to businesses or in other professional areas. 3. Personality, professional expertise and skills. Professional expertise and skills include professional backgrounds (such as in finance, accounting, legal practice, marketing, technology, business management, and so on), as well as professional skills and industry experience. 4. Willingness and time to participate in corporate affairs. 5. Concurrent director and manager positions held at other companies. 	■ None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p> ■ Overall, the Board as a whole should possess the following capabilities: 1. Operational insight capabilities. 2. Accounting and financial analysis capabilities. 3. Management capabilities. 4. Crisis management capabilities. 5. Industry knowledge. 6. International outlook. 7. Leadership and decision-making ability. </p> <p> ■ THSRC has established a Corporate Governance & Nominating Committee which is responsible for reviewing the diversified standards of professional knowledge, techniques, experience, and gender distribution required by directors to ensure that the Board possesses appropriate professional knowledge and expertise. The committee is also responsible for conducting regular evaluations of Board performance, reviewing director training plans, and reviewing manager succession plans. </p> <p> ■ Composition of the Corporation's 9th Board complies with our "Articles of Incorporation"; nominated candidates are selected, nominated, and elected through the rigorous processes stipulated in the Corporation's "Charter of the Corporate Governance & Nominating Committee" and "Rules for the Election of Directors," thus ensuring diversification and independence of board members. </p> <p> ■ The Board is currently composed of 13 directors, including 4 independent directors and 9 non-independent directors. Our current directors are all industrial or academic experts, with management experience in listed companies or in government institutes. Apart from possessing leadership and decision-making capabilities, crisis management capabilities, and an international outlook, our four independent directors also have expertise in legal affairs, finance and accounting, industrial knowledge, and operational insights: Independent Director Kenneth Huang-Chuan Chiu is a partner at Kew & Lord, Independent Director Duei Tsai served as the Minister of Transportation and Communications, Independent Director Pai-Ta Shih is a full-time professor at the National Taiwan University Department of Finance, and Independent Director Yung-Cheng (Rex) Lai is a professor at the National Taiwan University Railway Technology Research Center. Additionally, of the other nine non-independent directors, directors Chin-Hong Pan and Shien-Quey Kao both have finance and accounting expertise; Director Wen-Jong Chi is currently the Administrative Deputy Minister of Transportation and Communications; and Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Chao-Tung Wong, Chao-Yih Chen, Mao-Hsiung Huang, and Kuo-Chih Liu all have significant management experience as a chairperson or president of listed companies in industries spanning from technology, construction, automobiles, steel, airlines, manufacturing, and services; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight. The Corporation sets the 4Ts (Transportation, Technology, Taiwan, and Touch) as our main developmental goal and selects directors based on their management experience and expertise. Our current directors possess knowledge on corporate governance, the latest industrial insights, and expertise in business, finance, accounting, and corporate matters, fulfilling the goals set out by our 4Ts. </p> <p> ■ The Corporation strives to maintain gender equality in the composition of Board members. Our goal is to increase our ratio of female directors to 1/3 (33%). Currently, we have 85% (11) male directors and 15% (2) female directors. In future, we hope to add other female directors to achieve our goal. </p> <p> ■ Currently, one of our four independent directors was reelected following a full term (approximately five years) and the remaining three are all newly appointed independent directors who have served for approximately two years. We currently have 13 Board members, of which 23% (3) are under 60 years old, 15% (2) are between 60 to 65 years old, and 62% (8) are over 65 years old. </p> <p> ■ Board members are all active in attending Board meetings, with average attendance rates for 2021 and 2020 reaching 92%, showing that our Board is indeed exercising its supervisory duties. </p>	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>■ Overall, our Board possesses capabilities aligned with the Corporation's future development, and our policy of board diversification has been well implemented. (For details on the implementation status of our board diversification policy, please refer to Note 1 and Chapter 3 (3) Professional Expertise, Diversification Policy, and Independence Analysis of the Board of Directors.) Additionally, the "Corporate Governance Implementation Status" subsection under the "Corporate Governance" section of our corporate website has also disclosed details of our board diversification policy and implementation status.</p>
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		<p>■ The Corporation has established a Remuneration Committee and Audit Committee in accordance with law, and we have also voluntarily established other functional committees including our Corporate Governance & Nominating Committee and Special Committee in consideration of corporate matters and development. The Audit Committee and Remuneration Committee are convened by independent directors. The Audit Committee and Remuneration Committee are composed of independent directors, while more than half of the members in the Corporate Governance & Nominating Committee are independent directors. All functional committees are well operated, exercise sound supervisory duties, and strengthen the functions of the Board.</p> <p>■ None.</p>
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		<p>■ On March 21, 2017, the Corporation's "Regulation of Self-Evaluation of the Board of Directors" was passed at the 27th meeting of the 7th Board and amendments were approved at the 18th meeting of the 9th Board on September 15, 2021. The Corporation's Corporate Governance & Nominating Committee serves as the implementation unit for these evaluations, and the Secretariat Division of the Board of Directors assists the Corporate Governance & Nominating Committee in collecting information on Board activities at the end of each year for internal self-assessments of Board performance. Self-assessments on Board operations, Board members, and all functional committees (including the Corporate Governance & Nominating Committee, Audit Committee, Remuneration Committee, and Special Committee) are conducted via surveys. Survey results are organized and submitted to the Board as a basis for review and improvement. Additionally, assessment results on the Board and its functional committees serve as a reference for selecting or nominating directors (and independent directors), while assessment results on individual directors may be used in future as a reference when setting salaries and remuneration. Furthermore, the aforementioned Corporation bylaw stipulates that an external assessment should take place at least once every three years.</p> <p>■ Assessment indicators for the Corporation's Board includes the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in corporate operations. 2. Enhancement of Board decision-making quality. 3. Board composition and structure. 4. Director elections and continued training. 5. Internal control. <p>■ Assessment indicators of the Corporation's directors includes the following six aspects:</p> <ol style="list-style-type: none"> 1. Understanding of corporate goals and tasks. 2. Recognition of director responsibilities. 3. Participation in corporate operations. 4. Internal relations and communication. 5. Director knowledge and continued training. 6. Internal control. <p>■ Self-assessment indicators for functional committee members include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in corporate operations. 2. Recognition of functional committee responsibilities. 3. Enhancement of functional committee decision-making quality. 4. Composition of functional committees and election of committee members. 5. Internal control. <p>■ None.</p>

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>■ The Corporation completed all self-assessments of the Board, Board members, and functional committee members for 2021 in January 2022. The full score for assessments was 100. The Board and Board members received self-assessment scores of 96.85 and 97.84 (the scores were 97.31 and 98.34 in 2020). Additionally, overall self-assessment scores for functional committee members were as follows: 97 for the Corporate Governance & Nominating Committee, 99.75 for the Audit Committee, 96.67 for the Remuneration Committee, and 96.51 for the Special Committee (the scores were 98.6 for the Corporate Governance & Nominating Committee, 98.5 for the Audit Committee, 98.67 for the Remuneration Committee, and 96.66 for the Special Committee in 2020). Assessment results were the same as for the previous year: "Significantly exceeded standards."</p> <p>■ The aforementioned assessment results were submitted to the 21th Remuneration Committee meeting of the 9th Board on January 17, 2022 and the 19th Corporate Governance & Nominating Committee meeting of the 9th Board on January 17, 2022, and were reported at the 22th meeting of the 9th Board on January 17, 2022.</p> <p>1. Board of Directors:</p> <p>(1)"Participation in corporate operations": Strengthen risk assessments for important proposals to provide a reference for the Board when making decisions.</p> <p>(2)"Enhancement of Board decision-making quality": Strengthen completeness and accuracy of information provided to the Board so that directors can better understand proposal content and board meetings can run smoothly.</p> <p>(3)"Director elections and continued training": The Corporation's "Charter of the Corporate Governance & Nominating Committee" stipulates that the composition of Board members shall be diverse, and appropriate diversification standards shall be set according to Corporation operations, modes of operation, and development needs.</p> <p>(4) "Internal control": Strengthen proposals for internal control systems and risk management so as to help directors evaluate and supervise the implementation of relevant operations.</p> <p>2. Board members:</p> <p>(1)"Participation in corporate operations": Strengthen proposals for internal control systems and risk management so as to help directors evaluate and supervise the implementation of relevant operations.</p> <p>(2)"Internal relations and communication": Strengthen timeliness, relevance, and comprehensiveness of answers provided by our management team when interacting with directors so as to ensure that director suggestions and questions are appropriately handled.</p> <p>(3) "Director knowledge and continued training": We will continue to organize training for our directors on a variety of subjects.</p> <p>(4) "Internal control": Strengthen proposals for internal control systems and risk management so as to help directors evaluate and supervise the implementation of relevant operations.</p> <p>3. Functional committees:</p> <p>(1) "Participation in corporate operations": Strengthen timeliness, relevance, and comprehensiveness of answers provided by our management team when interacting with directors so as to ensure that director suggestions and questions are appropriately handled.</p> <p>(2) "Enhancement of functional committee decision-making quality": Improve the quality of meeting materials provided to the Board so that directors can better understand proposals, strengthen risk assessments for important proposals to provide a reference for functional committees when making decisions, and regularly review proposals submitted to functional committees and appropriateness of meeting frequencies.</p>

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>■ According to the stipulations of our "Regulation of Self-Evaluation of the Board of Directors," an evaluation of Board performance should be conducted by external units at least once every three years. The Corporation commissioned the "Taiwan Corporate Governance Association" to evaluate Board effectiveness and performance. The most recent external evaluation of Board performance was completed in February 2022. The Taiwan Corporate Governance Association and evaluating experts were independent units that had no business dealings with the Corporation; a report on Board performance was issued on February 22, 2022. Implementation details were as follows:</p> <ol style="list-style-type: none"> 1. Evaluation duration: January 1, 2021 to December 31, 2021. 2. Evaluation method: The Taiwan Corporate Governance Association conducted reviews of the relevant documents submitted by the Corporation for evaluations, and also commissioned two experts to conduct on-site evaluations and interviews with the Corporation's Chairman, President, independent directors, corporate governance officer, head of Corporate Planning Department, and accountants on February 16, 2022. 3. Evaluation standards: Standards included the eight aspects of board composition, board guidance, board authority, board supervision, board communication, internal control and risk management, self-discipline of the board, and others (board meetings, support systems, and so on). Experts conducting the evaluations referenced information provided by the Corporation and publicly available information regarding implementation for each indicator and carried out on-site interviews before submitting evaluation reports. 4. Overall evaluation results: <ul style="list-style-type: none"> (1) The Corporation formed an appropriate Board based on the needs of our business development and changes in shareholding structure. Our directors have expertise in law, finance, rail transport, and business management, and Board members all prioritize the interests of the Corporation, helping us to realize our operating advantages as a publicly owned private enterprise. (2) The Corporation has kept abreast of the times and established functional committees to fulfill our needs at different stages and to help our Board overcome difficult challenges relating to procurement, finance, and other issues. Our Chairman encourages directors to raise different perspectives regarding various issues, thus creating an open atmosphere for discussion. (3) The Corporation upholds a mission and vision "To be the platform for advancement and enjoyment, and to become one of the top ten brands in Taiwan." Additionally, we have established mid- and long-term strategy plans in response to international and domestic economic trends and conditions in the transportation market, and have submitted these plans to our Board and Audit Committee for review so that the Board can fully exercise their authority. (4) The Corporation has established the "Law Compliance Management Regulation." We make quarterly reviews of changes in applicable laws and regulations, and assess response mechanisms and subsequent revisions in accordance with these changes, and we also periodically compile information on legal compliance systems and implementation status, which are then presented to the Audit Committee and the Board. Our emphasis on legal compliance is clear for all to see. 5. Implementation of evaluation recommendations and improvement items: <ul style="list-style-type: none"> (1) It was recommended that our Corporate Governance & Nominating Committee formulate training and succession plans for Board directors and senior managers according to the Corporation's mid- to long-term development strategies. The implementation status of these plans should be periodically submitted to the Board for review so that the Board can fully understand succession strategies and achieve the goal of sustainable operations. ---The Corporation has since formulated succession plans for Board directors and senior managers, and submitted these to the Board for approval. 	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>(2) Currently, performance assessments for audit managers are approved by our Chairman before submission to the Board for approval. It was recommended that this mechanism be revised so that our Chairman provides preliminary assessments which are then submitted to the Audit Committee for review before submission to the Board for official approval. ---Audit manager performance targets for 2021 and results of performance assessments for 2020 have been submitted to our Audit Committee for review and to our Board for official approval.</p> <p>(3) The Corporation's "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" stipulates that the audit department is responsible for investigating grievance reports. It was recommended that we establish communication channels that allow for direct contact with our independent directors so that they can realize their supervisory responsibilities. --- The Corporation has established a mailbox to contact our Audit Committee on the Stakeholders Communication Channels section of our external website, which is a communication channel for stakeholders to directly contact the Audit Committee.</p> <p>(4) It was recommended that the Corporation compile existing operational procedures relating to operational risks, information security, environmental hazards, and financial risks into a comprehensive set of risk management procedures which can be submitted to the Board for review. Implementation status on risk management should be periodically reported to the Audit Committee and the Board by the management team so that Board members can be regularly updated on the Corporation's risk management status. ---The Corporation has formulated relevant regulations governing risk management which have been reviewed and approved by the Board. Additionally, the Corporation has also established a mechanism for periodic reporting of risk management implementation to the Audit Committee and to the Board.</p> <p>■ The Corporation has disclosed our "Regulation of Self-Evaluation of the Board of Directors" on the Market Observation Post System and on our corporate website. Results of performance evaluations for the Board have also been disclosed on the "Corporate Governance Implementation Status" page in the "Corporate Governance" section of our corporate website.</p>	
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>■ According to Article 5-3-06 of the Corporation's Guidelines for Corporate Governance, 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 the Board. CPA assessment results for 2021 were approved by the 9th Board at the 21th Audit Committee meeting held on February 23, 2022 and the 23th Board meeting held on February 23, 2022, confirming that accountants Mei-Yen Chiang and Kwan-Chung Lai of Deloitte & Touche both fulfilled the assessment standards for independence and competency (Note 2). A letter of declaration was provided by Deloitte and Touche (Note 3).</p>	■ None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>■ The Corporation established the Secretariat Division under the Board of Directors as the unit responsible for corporate governance, and set up an appropriate number of qualified corporate governance personnel according to Article 3-08 of the Corporation's Guidelines for Corporate Governance. The qualifications and duties of the Board Secretariat manager complies with the criteria for corporate governance officers. On March 20, 2019, Board Secretariat Secretary Senior Vice President Barret Wang was appointed the Corporation's corporate governance officer at the 24th meeting of the 8th Board to protect shareholder rights and strengthen Board functions as he possesses legal qualifications and served in managerial capacities for more than three years, handling the legal, shareholding, and corporate governance affairs of listed companies. The main duties of the corporate governance officer are to handle Board and shareholder meeting matters in accordance with law, prepare meeting handbooks for Board and shareholder meetings, assist directors in taking office and continued training, provide directors with information necessary for implementation of business matters, and assist directors in complying with laws and regulations. The implementation status of corporate governance within the Corporation was reported at the 23th meeting of the 9th Board on February 23, 2022, and will be periodically reported to the Board every year. Main implementations for 2021 included:</p> <p>(1) Assisting the Board or its committees with drawing up annual work plans and meeting agendas, and collecting, researching, analyzing, or providing related materials.</p> <p>(2) Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or its committees, for reference by the Board and its committees during deliberations.</p> <p>(3) Ensuring that the operations of the Corporation's shareholders' meetings, Board meetings, and committees do not violate laws or regulations, the Corporation's Articles of Incorporation, shareholders' meeting resolutions, and the Corporation's Guidelines for Corporate Governance.</p> <p>(4) Assisting with deliberation, supervision, or other processes relating to the planning and review of systems for liaison and interaction between the Corporation and shareholders, employees, consumers, stakeholders, and the general public.</p> <p>(5) Assisting with the general administrative affairs of shareholders' meetings and the calling of, notices for, holding of, and record-keeping for Board meetings and committee meetings.</p> <p>(6) Ensuring that Board members have timely knowledge of material information by notifying Board members upon publication of such information.</p> <p>(7) Formulating Board meeting agendas and notifying directors seven days in advance of meetings, convening meetings and providing meeting information, providing prior reminders of conflicts of interest, and compiling Board meeting handbooks within 20 days of meetings.</p> <p>(8) Assisting directors in organizing other training plans and courses.</p> <p>(9) Assessing and taking out appropriate D&O liability insurance for directors, supervisors, and managers.</p> <p>(10) Conducting performance assessments in accordance with the Corporation's Regulation of Self-Evaluation of the Board of Directors.</p> <p>Training undertaken by the Corporation's corporate governance officers in 2021 were as follows:</p>	<p>■ None.</p>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons																								
	Yes	No	Abstract Illustration																									
			<table border="1"> <thead> <tr> <th>Training Date</th> <th>Hosting Organization</th> <th>Course</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2021/1/22</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate power struggles and case studies</td> <td>3</td> </tr> <tr> <td>2021/3/23</td> <td>Taiwan Corporate Governance Association</td> <td>Precautions for board and shareholder meetings in 2021</td> <td>3</td> </tr> <tr> <td>2021/4/14</td> <td>Securities and Futures Institute</td> <td>Corporate governance innovative green business models and green financial trends</td> <td>3</td> </tr> <tr> <td>2021/8/4</td> <td>Securities and Futures Institute</td> <td>Digital transformation of traditional businesses</td> <td>3</td> </tr> <tr> <td colspan="4" style="text-align: center;">Accumulated training hours in 2021: 12 hours</td> </tr> </tbody> </table> <p>■ The Corporation has established a shareholder services unit under the Finance Department; this unit is responsible for providing shareholder services, handling matters relating to shareholders' meetings, making changes to Corporation registration details, and publishing information on shareholder matters in accordance with law.</p>	Training Date	Hosting Organization	Course	Training Hours	2021/1/22	Taiwan Corporate Governance Association	Corporate power struggles and case studies	3	2021/3/23	Taiwan Corporate Governance Association	Precautions for board and shareholder meetings in 2021	3	2021/4/14	Securities and Futures Institute	Corporate governance innovative green business models and green financial trends	3	2021/8/4	Securities and Futures Institute	Digital transformation of traditional businesses	3	Accumulated training hours in 2021: 12 hours				
Training Date	Hosting Organization	Course	Training Hours																									
2021/1/22	Taiwan Corporate Governance Association	Corporate power struggles and case studies	3																									
2021/3/23	Taiwan Corporate Governance Association	Precautions for board and shareholder meetings in 2021	3																									
2021/4/14	Securities and Futures Institute	Corporate governance innovative green business models and green financial trends	3																									
2021/8/4	Securities and Futures Institute	Digital transformation of traditional businesses	3																									
Accumulated training hours in 2021: 12 hours																												
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>■ A "Stakeholders Communications" sub-section has been established under the "Corporate Social Responsibility" section of our corporate website to uphold the rights of stakeholders by periodically assessing stakeholder categories, establishing designated units and communication channels for stakeholders, using appropriate communication measures to understand the reasonable expectations and needs of stakeholders, and providing fitting responses to major CSR issues of concern. Communication with stakeholders and handling of major disputes for 2021 were reported to the Corporation's 15th meeting of the 9th Board on June 16, 2021, and will continue to be reported to the Board on an annual basis.</p> <p>■ For more comprehensive information on stakeholders, please refer to the "Stakeholders and Material Topics" sub-section in the "Corporate Social Responsibility" section of our corporate website and the "Material Issues and Stakeholders" section in our CSR report.</p>	■ None.																								
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		<p>■ The Corporation has appointed Fubon Securities Transfer Agency Department as our professional shareholder service agency.</p>	■ None.																								
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		<p>■ The Corporation's corporate website has an "Investor Relations" section and a "Corporate Governance" section which both disclose information regarding the Corporation's finances, business matters, and corporate governance. This information is updated periodically and in a timely manner.</p>	■ None.																								
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		<p>■ When disclosing information, the Corporation not only publishes the information on our annual reports and prospectuses in accordance with law, but also publicly discloses and files the information to websites designated by governing authorities and on our corporate website. Additionally, information is also disclosed in the following ways:</p> <p>(1) The Corporation has established an English language website (https://en.thsrc.com.tw/) to disclose important information on the Corporation's finances, business matters, and corporate governance.</p> <p>(2) The Corporation has implemented a spokesperson system.</p> <p>(3) The Corporation's Investor Conference notices and related information are disclosed on our corporate website.</p>	■ None.																								

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		<ul style="list-style-type: none"> ■ The Corporation publicly disclosed and filed our financial report for 2021 on February 24, 2022, and our financial reports for the first, second, and third quarters of 2021 and monthly operational status reports for the same year were publicly disclosed and filed prior to the time limits set by regulations. 	<ul style="list-style-type: none"> ■ None.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<ul style="list-style-type: none"> ■ Since going public, the Corporation has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for four consecutive years (from 2017 to 2020). ■ The Corporation was awarded a "Platinum" certification by the Taiwan Corporate Governance Association under the CG6012 (2019) Corporate Governance System Assessment on July 28, 2020, the certification period being from July 9, 2020 to July 8, 2022. ■ We issued our first Sustainability Bond in August 2021 to raise NT\$ 1 billion, with a term to maturity of 3 years and a fixed annual interest rate of 0.3%. THSRC is the first domestic transportation service provider to issue a Sustainability Bond. ■ Won four awards at the 18th National Brand Yushan Award in October 2021: first prize in the Outstanding Enterprise Category, Outstanding Enterprise, Best Popular Brand, and Best Product. ■ Won the "Three-Star Medal Excellence Management Quality Award on Enterprise Category" from the Chinese Society for Quality in November 2021. ■ The Corporation continued to be included in the "FTSE4Good TIP Taiwan ESG Index" in December 2021 and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index exclusive label" until June 19, 2022, highlighting this recognition of our sustainability actions relating to E (Environment), S (Society), and G (Corporate Governance). ■ The Corporation introduced the "Taiwan Intellectual Property Management System (TIPS)" and received TIPS A-level Certification following first-time application for relevant verifications. ■ The Corporation's "Charter of the Corporate Governance & Nominating Committee" stipulates succession plans for Board of Director members. In order to pass on the professionalism and experiences of our Board members, the Corporation has organized plans for director successors through a variety of appropriate methods and has placed a list of director candidates in our talent pool database; nominees are submitted to the Board for review when appropriate and serve as a reference for the Board to nominate director candidates. For more information, please refer to the "Succession Plan for Board of Director Members" page under "Board of Directors" sub-section in the "Corporate Governance" section of our corporate website. Additionally, the Corporation plans annual training courses for directors in accordance with changes in external and internal environmental conditions and development needs to enhance the professional knowledge of new and returning directors and strengthen Board capabilities. ■ The Corporation has also established succession plans for senior management in accordance with the "Succession Plan for Senior Management" passed by the 33rd meeting of the 8th Board on December 18, 2019, which is implemented through five stages (identification of key skills, availability of current talent, development of successors, evaluation of successors, and approval of management personnel), the purpose being to ensure sustainable management and growth, and establish a succession system for important management personnel to pass on the professionalism and experiences of important management personnel. In order to cultivate successors, the Corporation will conduct evaluations of management skills for all department managers, and will conduct management training courses once evaluations have concluded. Depending on availability of important management positions, operational goals, and organizational needs, these will be submitted to the Board for review following approval from the Chairman. For more information, please refer to the "Succession System for Important Management Personnel" page under "Corporate Governance Structure and Organization Chart" in the "Corporate Governance" section of our corporate website. 	<ul style="list-style-type: none"> ■ None.

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>■ The Corporation's Guidelines for Corporate Governance stipulate that the Corporation shall devote attention to public policy, economic development, consumer rights and interests, community concerns, environmental protection and sanitation, public safety, and other public interest issues, to enhance the Corporation's image, and to faithfully fulfill its social responsibilities. The Corporation participates in social contribution through a number of measures, for example through subsidies to preserve jacanas and other wildlife, providing care to communities alongside the HSR line, and support of other environmental hygiene and public policies.</p> <p>■ The Corporation has established "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct," "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior," "Regulations for Management of the Prevention of Insider Trading," "Reward and Discipline Regulation," "Grievance Regulation," and "Procurement Staff Ethical Regulation," which not only govern the ethical standards and codes of conduct for Corporation personnel when carrying out their duties, but also ensure that the corporate activities of the Corporation do not interfere with social contributions, thus maintaining the rights of the Corporation and our shareholders, fulfilling our corporate social responsibilities, and helping our stakeholders to understand relevant regulations.</p> <p>■ The Corporation has established an Occupational Safety and Health Policy and is committed to compliance with government health and safety laws, regulations, and procedures to ensure the safety of passengers, employees, and other members of the public. We periodically conduct employee health checks, promote health-enhancing activities, and implement health management every year to enhance the physical and mental health of employees.</p> <p>■ The Corporation has established a Safety Policy, relevant procedures, and implementation results, which are regularly reviewed each year to further our goal of continued improvements to safety. All employees have to undergo training in accordance with our safety regulations and operating procedures so that they can continue to present and be equipped with attention to and recognition of safety measures when carrying out daily tasks. Our contractors are carefully selected, supervised, and managed to ensure that their operations fulfill the Corporation's safety goals.</p> <p>■ The Corporation is committed to appropriate utilization of internationally recognized risk assessments and safety management methods in our safety management system to actualize control and minimize hazards. We are committed to maintaining the highest quality control standards and are active in exercising safety management policies as we strive to implement various health and safety measures.</p> <p>■ The Corporation has established a Supply Chain Management Policy which states that when collaborating with suppliers, we should gradually integrate environmental, social, and corporate governance needs into our supplier regulations in hopes of creating a more sustainable collaboration with our suppliers. Our management policies are disclosed on our corporate website.</p> <p>■ Since 2004, the Corporation has complied with the "Guidelines for Corporate Governance" approved by the shareholders' meeting and taken out liability insurance for all directors, supervisors, and managers with respect to their liability under the law for their actions when exercising their duties. D&O liability insurance policies for 2020 and 2021 were approved by the 6th meeting of the 9th Board on September 16, 2020 and the 18th meeting of the 9th Board on September 15, 2021. Insurance application procedures have since been completed, and the total insurance amount came to NT\$ 0.9 billion. Additionally, the insurance amount for environmental pollution defense costs came to NT\$ 3 million.</p> <p>■ The continued education of all current Corporation directors complies with the number of training hours stipulated by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. In 2021, Corporation directors underwent a total of 129 hours of training as detailed in Note 4.</p>

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures:

The Corporation was ranked among the top 5% listed companies in the 7th Corporate Governance Evaluations (2020). We list improvements to unachieved evaluation items below:

Item	Evaluation Indicators	Improvements
2.6	Did the company's board members include at least one female director? [If directors of each gender accounted for at least one-third of all of the directors, one additional point will be added to the total score.]	The Corporation currently has two female directors, fewer than one-third (five seats) of board members, which is the criteria for additional points. In future, we will seek to increase the number of female directors so as to achieve gender equality and raise the ratio of female directors.
2.7	Did the company voluntarily appoint more independent directors than is required by laws? [If the company's independent directors reached one-half or more of all of the directors, one additional point will be added to the total score.]	The Corporation's 9th Board has four independent directors, which complies with the requirements of this indicator, but does not fulfill the criteria for additional points.
2.21	Has the company appointed a company secretary and disclosed on the company's website and in its annual report the scope of the company secretary's authority, the key tasks carried out by the company secretary that fiscal year, and the status of the company secretary's continuing education? [If the post of company secretary is filled by a person not serving in any other position in the company, one additional point will be added to the total score.]	The Corporation has appointed the Head of Secretariat Division under the Board of Directors as our corporate governance officer. The corporate governance officer holds other concurrent positions within the Corporation, and therefore does not fulfill the criteria for additional points.
2.27	Has the company adopted an intellectual property management plan linked to the company's operational objectives, and disclosed the status of its implementation on the company's website or in its annual report, and did it report on the plan to the board of directors at least once a year? [If it has obtained certification by the Taiwan Intellectual Property Management System (TIPS) or a similar intellectual property management system, one additional point will be added to the total score.]	The Corporation has formulated an intellectual property management plan linked to our operational goals. Implementation progress of this plan is disclosed on our corporate website and annual reports, and are regularly presented to the Board. We also obtained "Taiwan Intellectual Property Management System (TIPS)" certification in 2021.
3.5	Was the annual financial report in English filed to the MOPS by 7 days before the AGM? [If the company voluntarily prepared and filed an English version of the financial report, one additional point will be added to the total score.]	As a company with more than NT\$ 10 billion of paid-in capital, the Corporation is required to disclose English versions of financial reports, and therefore does not fulfill the criteria for additional points.
3.8	Did the company voluntarily disclose its financial forecast quarterly, without having any corrections ordered by the competent authority or having any demerits imposed by the TWSE or TPEX?	The Corporation currently has no plans to publish financial forecast reports for the fourth quarter, and will discuss the necessity of disclosing financial forecast reports when appropriate.
3.15	Did the company voluntarily disclose in the annual report the amount and nature of any non-audit fees paid to the external auditor and its affiliates in addition to audit fees?	The Corporation has already disclosed the amount and nature of non-audit fees paid to external auditors in our annual report for 2020. However, as the amount of non-audit fees was more than 1/4 of audit fees, this did not constitute a voluntary disclosure, and therefore does not fulfill the criteria for additional points.
3.21	Did the company voluntarily disclose in the annual report the individual remuneration details of the general manager (chief executive officer) and assistant general manager(s)?	The Corporation temporarily maintains summary disclosures for remuneration of our president and managers ranking above vice president.
4.4	Did the company, following internationally recognized guidelines, by the end of September, prepare and upload its corporate social responsibility report to the MOPS and to the company website? [If the company voluntarily prepared and published its corporate social responsibility report, one additional point will be added to the total score.]	As a company with more than NT\$ 5 billion of paid-in capital, the Corporation is required to prepare and publish corporate social responsibility reports, and therefore does not fulfill the criteria for additional points.
4.7	Did the company sign a collective agreement with the labor union in accordance with the Collective Agreement Act?	The Corporation began conducting group negotiations of labor-management agreements with the THSRC Labor Union in July 2015. Following two phases of negotiations over six years, an agreement was reached following full discussion between both parties. The agreement was signed and took effect on March 31, 2022, showcasing our harmonious labor-management relations, joint effort in enhancing employee interests, and commitment to promotion of labor-management relations. In future, both parties will work together to continue improving our work environments, enhance service quality and operational performance, and realize sustainable corporate development.

Note 1: Implementation of board diversification policy

Director Name	Core Diversification Items	Composition					Professional Background and Capabilities						
		Nationality	Gender	Corporation Employee	Independent Director Time in Office		Finance and Accounting	Legal Affairs	Marketing, Technology	Operational Management	Leadership and Decision-Making	Industrial Knowledge and Operational Judgment	Crisis Management and International Outlook
					Fewer than three years	Three to nine years							
Yao-Chung Chiang	R.O.C.	M	None					✓	✓	✓	✓	✓	
Kenneth Huang-Chuan Chiu	R.O.C.	M	None		✓		✓			✓		✓	
Duei Tsai	R.O.C.	M	None	✓						✓	✓	✓	
Pai-Ta Shih	R.O.C.	M	None	✓		✓				✓	✓	✓	
Yung-Cheng (Rex) Lai	R.O.C.	M	None	✓						✓	✓	✓	
Wen-Jong Chi	R.O.C.	M	None					✓	✓	✓	✓	✓	
Chin-Hong Pan	R.O.C.	M	None			✓				✓		✓	
Lee-Ching Ko	R.O.C.	F	None					✓	✓	✓	✓	✓	
Chao-Tung Wong	R.O.C.	M	None					✓	✓	✓	✓	✓	
Chao-Yih Chen	R.O.C.	M	None					✓	✓	✓	✓	✓	
Mao-Hsiung Huang	R.O.C.	M	None					✓	✓	✓	✓	✓	
Shien-Quey Kao	R.O.C.	F	None			✓				✓		✓	
Kuo-Chih Liu	R.O.C.	M	None					✓	✓	✓	✓	✓	

Note 2: Independence assessment indicators of CPA

No.	Evaluation Item	Evaluation Results	Passed Independence Assessment?
1	CPA has no direct or indirect major financial stake in the Corporation.	Yes	Yes
2	CPA is not involved in any financing or financial guarantee agreements involving the Corporation or Corporation directors.	Yes	Yes
3	CPA does not have any potential employment relationship with the Corporation.	Yes	Yes
4	Accounting firm of CPA is not overly reliant on funds from any single client, including the Corporation.	Yes	Yes
5	Non-audit services provided by CPA to the Corporation have no direct impact on the major items of audit services provided.	Yes	Yes
6	CPA does not promote or sell shares or other securities issued by the Corporation.	Yes	Yes
7	CPA is not representing the Corporation in litigation with a third party or other disputes.	Yes	Yes
8	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
9	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
10	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
11	CPA is not involved in decision-making managerial duties at the Corporation.	Yes	Yes
12	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
13	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
14	The Corporation has not pressured accountants and facilitated improper reduction of audit duties in order to reduce audit fees.	Yes	Yes

Note 3: Letter of declaration from Deloitte & Touche

Date: January 3, 2022

Recipient : Taiwan High Speed Rail Corporation

Subject : With respect to the audit of the Corporation's financial statements for the year ended in 2021, our audit team confirms that we have complied with the following requirements without impairing auditor independence, in compliance with "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10, Integrity, Objectivity and Independence" of the National Federation of CPA Associations of the R.O.C..

Description :

1. Our audit team members, their spouses and relatives entitled to maintenance do not have the following circumstances:
 - a. Holding any direct or material indirect financial interests of the Corporation.
 - b. Maintaining an independence-impairing business relationship with the audit client and/or its directors or managers.
2. During the audit and engagement period, our audit team members, their spouses and relatives entitled to maintenance do not serve as a director, a manager of the audit client or hold any position to exercise direct and material influence over the audit of the financial statements.
3. Our audit team members do not have any spouse, linear family members by blood or marriage and/or a collateral relative to second degree who takes a position as a director or a manager of the audit client.
4. Our audit team members do not accept significant gifts and hospitality from the audit client and/or its directors, managers, or major shareholders. (The value of gifts and hospitality should not exceed the normal social practice.)
5. Our audit team has performed necessary independence/conflict check procedures to assure no independence impairment or unsolved conflicts.



Deloitte & Touche

Taipei, Taiwan

Republic of China

Note 4: Director training programs in 2021

Director Name	Date of Attendance	Course	Training Hours
Yao-Chung Chiang	2021/03/29	Impacts of global trends on Taiwanese enterprises and related analysis	2
	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/07/15	Discussion of corporate fraud prevention and board functions	3
	2021/08/04	Digital transformation of traditional businesses	3
Kenneth Huang-Chuan Chiu	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/04/27	Innovations and practical applications of AVM framework	3
	2021/08/04	Digital transformation of traditional businesses	3
	2021/10/27	Intellectual property rights and trade secrets	3
Duei Tsai	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/08/04	Digital transformation of traditional businesses	3
	2021/08/31	2021 TPEX sustainability upgrade online forum: Decoding the DNA of sustainable SMEs	2
	2021/09/01	The 13th Taipei Corporate Governance Forum	3
	2021/09/01	2021 TPEX sustainability upgrade online forum: Initiation of sustainable investment	2
	2021/09/17	Case studies of corporate management disputes and introduction to Commercial Case Adjudication Act	3
	2021/10/14	Unsustainability risks in global business strategies and corporate governance from a COVID-19 perspective	3
	2021/11/19	Easing of capital-raising regulations for start-up companies: Regulation, operation, and development of closed companies	3
	2021/11/26	Important issues of corporate M&As and prevention of insider trading	3
	2021/12/22	The 17th (2021) Corporate Governance Summit: Implementation of ESG, governance, and sustainable development	3
Pai-Ta Shih	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/08/04	Digital transformation of traditional businesses	3
	2021/08/10	Changes in profit patterns and performance evaluations under IFRS17	1.5
	2021/09/28	Impacts of IFRS17 on strategic planning at insurance companies	1.5
	2021/11/09	Prevention of money laundering and counter-terrorism financing	1
Yung-Cheng (Rex) Lai	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/08/04	Digital transformation of traditional businesses	3
Kwo-Tsai Wang (Former director)	2021/03/29	Impacts of global trends on Taiwanese enterprises and related analysis	2
Wen-Jong Chi	2021/08/17	Corporate governance lecture: Fintech lecture series (7th session)	3
	2021/12/01	Corporate governance and precautions for board members, fiduciary duties, and prevention of conflicts of interest	3
Yueh-Hsiang Chen (Former director)	2021/04/14	Corporate governance innovative green business models and green financial trends	3

Director Name	Date of Attendance	Course	Training Hours
Chin-Hong Pan	2021/08/04	Digital transformation of traditional businesses	3
	2021/09/28	Practical seminar for directors and supervisors (including independent directors) and corporate governance managers	12
Lee-Ching Ko	2021/09/08	Preventing climate disasters: Opportunities and challenges for corporations	3
	2021/10/08	Reward and remuneration strategies for corporation employees and discussion of tool applications	3
Chao-Tung Wong	2021/05/07	Viewing corporate sustainability governance from a risk perspective: From corporate governance to ESG	3
	2021/11/05	Enhancing corporate governance through intellectual property rights management systems	3
Chao-Yih Chen	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/08/04	Digital transformation of traditional businesses	3
Mao-Hsiung Huang	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/08/04	Digital transformation of traditional businesses	3
Shien-Quey Kao	2021/08/04	Digital transformation of traditional businesses	3
	2021/12/07	2021 Cathay Sustainable Finance and Climate Change Summit	3
Kuo-Chih Liu	2021/04/14	Corporate governance innovative green business models and green financial trends	3
	2021/08/04	Digital transformation of traditional businesses	3
Director training hours for 2021			129

(7) Sustainable Development Implementation and Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Has the company established a governance framework for promoting sustainable development and a dedicated (concurrent) unit with senior management authorized by the board to implement sustainable development, and the supervision status of the board?	✓		<p>■ Following approval by the Board in September 2018, THSRC established a Corporate Governance Promotion Committee. The Corporate Governance Planning Team, Sustainable Development Team, and Ethical Management Team have been established under the Corporate Governance Promotion Committee, which is overseen by our Chairman and chaired by our President. Executives from our managerial departments serve as committee members and meetings are convened every 2 months or as needed to discuss specific topics. The Committee drafts optimization strategies for corporate governance and sustainable development policies, systems, and functions; formulates measures to strengthen corporate governance; and reviews sustainable development policies to provide a reference for decision-makers within the Corporation. Additionally, the Committee makes annual reports of overall corporate governance and sustainable development promotion and implementation status to the Board, and conducts risk evaluations and management of environmental, social, and governance issues relating to operations by materiality principles every year.</p> <p>Details on the operational status of the Corporate Governance Promotion Committee can be found on our corporate website on the "Corporation Governance and Organizational Structure" page under our "Corporate Governance" section.</p> <p>■ THSRC fulfills its corporate social responsibilities in accordance with the "Corporate Social Responsibility Best Practice Principles" approved by the Board of Directors in March 2016, and is active in promotion of corporate governance, social welfare, and environmental sustainable development, concepts which are integrated in our operational strategies and management goals. The Board amended the "Corporate Social Responsibility Best Practice Principles" and renamed it the "Sustainable Development Best Practice Principles" in March 2022.</p> <p>■ The Sustainable Development Team of the Corporate Governance Promotion Committee is convened by the vice president of our Corporate Planning Department, and composed of representatives from all departments; the team is responsible for planning and promoting activities relating to sustainable development, compiling annual sustainable development reports, and convening every quarter to discuss promotion of sustainable development issues. The team is also responsible for making annual reports to the Board regarding specific performance and promotion of sustainable development issues. The main duties of the team include:</p> <p>(1) Coordinating the Corporation's recent developments and goals in sustainable development.</p> <p>(2) Formulating future long-term strategies and guidelines for sustainable development promotion.</p> <p>(3) Overseeing internal units responsible for planning and proposing annual sustainable development strategies and plans in their specific area of business.</p> <p>(4) Coordinating various departments in implementing sustainable development activities and projects.</p> <p>(5) Reviewing and finalizing sustainable development report.</p> <p>(6) Other tasks relating to review or compilation of sustainable development matters.</p> <p>■ Specific implementation results for 2021 included compliance with the UN SDGs; corresponding items of the Executive Yuan sustainable development goals; strategic themes, items, main implementations, stakeholder communications and materiality matrix analysis for various ESG aspects. An associated report was submitted to the 15th meeting of the 9th Board on June 16, 2021. The Board heard and supported current and future sustainable development implementations and provided suggestions on energy savings, carbon reductions, and SDGs, which were acknowledged and recorded.</p>	■ None.

Evaluation Item	Implementation Status		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>Details on the operational status of the Sustainable Development Team can be found on our corporate website in the "Corporation Governance and Organizational Structure" page under our "Corporate Governance" section.</p> <p>■ The Corporation strives to promote sustainable development and demonstrate a sincere desire to serve; our mission is to build closer relationships with passengers and local communities, and become a platform for life improvement. We also actively ensure that the sustainable management measures of our core business comply with UN SDGs so that we can keep pace with international trends.</p> <p>■ The Corporation's CSR report for 2020 was published in June 2021. For more information on the Corporation's specific implementation plans and results of sustainable development, please refer to Item 7 below (Other important information to facilitate better understanding of the Corporation's promotion of sustainable development). Details have also been disclosed on our corporate website.</p>
2. Has the company implemented evaluations of environmental, social, and governance risks associated with corporate operations based on materiality principles and formulated relevant risk management policies or strategies? (Note 2)	✓		<p>■ These disclosures encompass our sustainable development performance from January to December 2021, and risk assessment boundaries are set within the Corporation.</p> <p>■ In order to build a complete risk management system; strengthen effectiveness of corporate governance; ensure comprehensiveness, effectiveness, and reasonableness of risk management, as well as effectively evaluate and oversee risk-bearing capabilities of the Corporation to determine risk response strategies and implementation of risk management procedures, the Corporation's "Risk Management Regulation" and related "Risk Management Policies" were established following approval of the 27th meeting of the 8th Board on June 19, 2019 to provide reasonable assurance of the Corporation's mid- to long-term strategic plans and achievement of targets.</p> <p>■ The Corporation has inventoried and identified, in a proactive and cost-effective manner, possible risks that may impact operations and profits due to Corporation business and operational activities, the main considerations being business environments, operations, finances, hazardous incidents, and other aspects. We have also reviewed comprehensiveness of corporate risk management procedures and effectiveness of risk management controls, and conducted risk evaluations of major environmental, social, and corporate governance issues relating to operations; these evaluations are used to establish implementation systems and identify main risk categories (Note 1). For more information regarding these risks and relevant response measures, please refer to the following table (Note 2).</p> <p>■ The Corporation's various committees (such as the Audit Committee, Safety Committee, Information Security Committee, Sustainable Development Team under the Corporate Governance Promotion Committee, and so on) all participated in establishing the aforementioned risk management measures, issues, evaluations, and policies, and are assisting in promotion thereof.</p> <p>■ Implementation Status</p> <p>The Corporation began actively promoting risk management procedures in 2018 and reports on implementations to the Board of Directors once every year. Main implementations in 2021 included:</p> <p>1. Annual risk management report (including risk management implementation status and progress) was presented to the Audit Committee and the Board of Directors in September 2021. The report encompasses the Corporation's risk categories, important items for risk management, and risk assessments. Units responsible for management of different risk categories have all adopted appropriate response measures and made suitable records of risk management procedures and implementation results.</p> <p>2. To strengthen risk management mechanisms, risk management courses have been organized for relevant personnel. A total of 4,970 personnel underwent 5,820 hours of training to strengthen their corporate risk management awareness and understanding.</p> <p>■ None.</p>

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		<p>■ The Corporation has established an environmental management system and compiled an "Environmental Management Manual" in accordance with the ISO14001 Environmental Management System framework and HSR operational characteristics for implementation of various environmental management requirements. We passed ISO 14001:2015 Environmental Management System verification in 2020 and obtained a certificate with a validity period from September 25, 2020 to September 24, 2023; said certification remains valid at the current time. By establishing an applicable environmental management system, we can strengthen our pollution risk prevention and resource conservation management capabilities, and enhance our responses to internal (such as organizational changes) or external (such as climate change, stricter laws and regulations) environmental impacts.</p>	■ None.
(2) Does the company endeavor to utilize energy resources more efficiently and use renewable materials which have low impact on the environment?	✓		<p>■ The Corporation has established environmental management objectives and strategies for continual reduction of energy and water usage based on principles of safety, comfort, environmental protection, energy saving and carbon reduction, and we conduct periodical reviews of these environmental objectives. We also apply appropriate measures to protect the environment from possible negative impacts.</p>	■ None.
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take action on climate-related issues?	✓		<p>■ The Corporation actively faces the impacts of climate change. The Sustainable Development Team established under the Corporate Governance Promotion Committee is chaired by our President, who is also responsible for convening meetings to assess potential risks and opportunities of climate change on current and future operations, review implementation of corresponding response measures, and discuss future plans. With regard to the "Adaptation Strategy to Climate Change in Taiwan" proposed by the National Development Council, we continue to assist the Institute of Transportation, Ministry of Transportation and Communications (MOTC) in conducting research related to climate change adaptation, participate in the development of the railway and highway climate change adaptation information platform and the expansion of its functions, and strengthen the analytical functions regarding vulnerability and risk of the information platform, with a view to supporting decision-making analysis of climate change by railway and highway competent authorities. Furthermore, the Corporation has also signed the "Memorandum of Cooperation on Cross-border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities through mutual cooperation, while serving as an important reference for the Corporation to make traffic dispersion decisions and assess track safety during disasters.</p> <p>■ Since 2013, the Corporation has cooperated with the government to promote renewable energy policies by leasing out the rooftop areas of Wuri and Zuoying maintenance depots and the Yanchao Main Workshop to energy suppliers for the installation of solar power equipment with a total power generation capacity of 5,359 kWh. We sequentially set up solar power generation system plans at Liujia Depot, Wuri Depot, Zuoying Depot, Taoyuan Station, Chiayi Station, and Tainan Station by utilizing depot flood basins, station outdoor parking spaces, and station roofs. The total power generation capacity is approximately 3,811 kWh, and the solar equipment began generating power in 2020.</p> <p>■ Additionally, we installed rooftop solar panels to serve as sun and rain shelters at Miaoli, Changhua, and Yunlin stations with a total power generation capacity of 258 kWh to generate electricity for use at these stations. In 2018, THSRC also applied for and obtained Renewable Electricity Certificates for the solar energy generated at these three stations.</p> <p>■ The main risks brought about by climate change include severe weather phenomenon such as extreme high temperatures; rising sea levels; increased rainfall, rainfall intensity, typhoons, cyclones, and lightning, which have increased in frequency and intensity, enhancing vulnerability levels of the railway industry and impacting our operations.</p> <p>■ At present (2018~2022), our adaptive actions toward climate change impact include:</p> <ol style="list-style-type: none"> 1. Establishment of warning system for slope safety. 2. Strengthening protection of tunnel portal slopes. 3. Risk assessment and protection design for scoured cross-river bridges. <p>■ For information on the potential risks, opportunities, and corresponding measures of climate change for the Corporation now and in the future, please see Note 3. More details are disclosed on the "Climate Change Adaptions" page under "Disaster Prevention" in "Smart Transportation" of the "CSR" section of our corporate website.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons																																	
	Yes	No	Abstract Illustration																																		
(4) Does the company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	✓		<p>■ The Corporation continues to promote its four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage) and has established energy-saving goals for each station (reduction of at least 0.86% in average annual power consumption per passenger). We implement water conservation, water reduction and water recycling as our water resources management policy, and set an annual water-saving goal at least 3.42% of "water consumption per passenger." Additionally, in order to quantify our carbon emissions of the Corporation's energy consumption, we have established a "passenger-kilometer emissions" indicator, and aim to reduce our carbon emissions by at least 1.5% every year. Our waste management policy promotes reuse and recycling, continual reduction of waste at the source, and strengthening of waste separation and recycling.</p> <p>■ In 2021, passenger volumes declined due to the impacts of COVID-19. Based on adjusted values for 2021, an annual energy-saving target was approved by our Chairman, and we achieved the following targets in 2021: Our "station energy-saving rate" was 12.38% (>0.86%); our "station water-saving rate" was 17.17% (>3.42%); and our "carbon emissions rate" was 19.41% (>1.50%).</p> <p>■ The Corporation calculates greenhouse gas emissions, water usage, and total weight of solid waste every year, and discloses these in our annual "Corporate Social Responsibility Reports"/"Sustainable Development Reports." Statistical data for the past two years (2020-2021) were as follows:</p> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Greenhouse Gas Emissions (ton CO₂e)</th> <th>Scope 1 (ton CO₂e)</th> <th>Scope 2 (ton CO₂e)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>308,351.92</td> <td>1,086.07</td> <td>307,265.84</td> </tr> <tr> <td>2021</td> <td>281,696.73</td> <td>1,091.79</td> <td>280,604.95</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Water Usage (m³)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>688,002</td> </tr> <tr> <td>2021</td> <td>594,195</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Solid Waste (ton)</th> <th>Hazardous Waste (ton)</th> <th>Non-Hazardous Waste (ton)</th> <th>Total Waste (ton)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>9,321.92</td> <td>19.28</td> <td>9,302.64</td> <td>9,321.92</td> </tr> <tr> <td>2021</td> <td>5,947.35</td> <td>0.2</td> <td>5,947.15</td> <td>5,947.35</td> </tr> </tbody> </table> <p>■ The Corporation conducted voluntary greenhouse gas (GHG) inventories and external verifications for our 12 stations in 2016~2020 according to ISO14064:2006 standards and EPA GHG inventory guidelines and obtained an ISO14064 Verification Opinion Statement. (Inventory and verification of station GHG emissions for 2021 are scheduled to be completed in December 2022).</p>	Item/Year	Greenhouse Gas Emissions (ton CO ₂ e)	Scope 1 (ton CO ₂ e)	Scope 2 (ton CO ₂ e)	2020	308,351.92	1,086.07	307,265.84	2021	281,696.73	1,091.79	280,604.95	Item/Year	Water Usage (m ³)	2020	688,002	2021	594,195	Item/Year	Solid Waste (ton)	Hazardous Waste (ton)	Non-Hazardous Waste (ton)	Total Waste (ton)	2020	9,321.92	19.28	9,302.64	9,321.92	2021	5,947.35	0.2	5,947.15	5,947.35	■ None.
Item/Year	Greenhouse Gas Emissions (ton CO ₂ e)	Scope 1 (ton CO ₂ e)	Scope 2 (ton CO ₂ e)																																		
2020	308,351.92	1,086.07	307,265.84																																		
2021	281,696.73	1,091.79	280,604.95																																		
Item/Year	Water Usage (m ³)																																				
2020	688,002																																				
2021	594,195																																				
Item/Year	Solid Waste (ton)	Hazardous Waste (ton)	Non-Hazardous Waste (ton)	Total Waste (ton)																																	
2020	9,321.92	19.28	9,302.64	9,321.92																																	
2021	5,947.35	0.2	5,947.15	5,947.35																																	

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>4. Social Issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>■ Article 18 in Chapter 4 (Maintaining social welfare) of the Corporation's "Sustainable Development Best Practice Principles" stipulates compliance with the International Bill of Human Rights in gender equality, right to work, and prohibition of discrimination, as well as establishment of relevant management policies and procedures.</p> <p>■ The Corporation complies with the spirit of the International Bill of Human Rights and established a "Human Rights Policy" in 2018, which is disclosed on our corporate website and in Chapter Four of this report. We adhere to local labor laws while also supporting and complying with the principles and spirit underlying the UN's Universal Declaration of Human Rights, the 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, including freedom of association, right to unionization and collective bargaining, care for vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, elimination of employment discrimination, and elimination of all forms of discrimination towards women, while also confirming that our human resource utilization policies do not discriminate on the basis of gender, race, social class, age, marital status, and family conditions.</p> <p>■ The Corporation has established various regulations for corporate governance, environmental protection, public affairs, procurement and human resources. We have specific regulations relating to human rights policies to serve as a basis for identifying important human rights issues and to promote risk-reducing measures. The Corporation's "Supply Chain Management Policy" stipulates that in addition to procurement quality, costs, delivery date, and services, the Corporation should also consider factors such as reasonable profits, social responsibility, labor safety, human rights, and environmental protection when making management and implementation decisions. When inviting bids, the Corporation stipulates that companies submitting bids should not discriminate on the basis of gender, should not discriminate against indigenous people or vulnerable groups, and should not use child labor. We work with all collaborating partners in continuing to enhance and improve management of human rights issues so as to mitigate potential crises and impacts. We actively contribute to society and participate in local activities to the best of our limited abilities, in hopes of maintaining sustainable interactions with our collaborating organizations to implement social care and strengthening of local culture. The Corporation has provided effective and appropriate grievance mechanisms for matters that infringe upon labor rights to ensure the equality and transparency of grievance procedures. Relevant human rights concerns and specific management plans and actions are detailed in Chapter Seven of this annual report. Additional information is disclosed on the "Human Rights Policy" and "Implementation of Mitigation Measures for Human Rights Risks" pages under the "Policy" sub-section in the "About Us" section of our corporate website.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish and implement reasonable employee welfare measures (including remuneration, vacations, and other benefits) and appropriately reflect business performance and results on employee remuneration?	✓		<p>■ The Corporation has established a "Welfare Regulation," and not only provides employee vacation days, insurance, funeral subsidies, and health checks according to these regulations, but also works actively to establish a friendly work environment with catering, relocation subsidies, shuttle buses, uniform cleaning services, and even employee counseling, healthcare assistance, employee ride discounts, and employee benefits so that employees can enjoy their work. Additionally, we annually assess and compare related information to gain a better understanding of employee welfare to provide comprehensive benefits. For more information on employee benefits, please refer to Chapter Three of this annual report. In response to the increasingly worsening COVID-19 pandemic which started in 2020, the Corporation provides group insurance policies for specific time periods to protect our colleagues and ensure that they can work without fear during the pandemic.</p> <p>■ The Corporation has established a "Retirement Regulation" and deposits pension funds for employees under prior pension plans according to law. A Pension Reserves Supervisory Committee was established and convenes every quarter to review pension reserves and other matters stipulated by law. We place deposits in individual labor insurance accounts established by the Bureau of Labor Insurance according to law so that employees under (new) pension plans of the Labor Pension Act can be protected after retirement. For more information on retirement systems and implementation status, please refer to Chapter Three of this annual report.</p> <p>■ The Corporation offers two days off per week, national holidays, and other holidays as stipulated by central competent authorities. Employee annual leaves are granted pursuant to the Labor Standards Act.</p> <p>■ THSRC actively complies with laws and regulations to achieve our goal of diversity in human resources by utilizing a variety of recruitment channels. We have also established a section for recruiting disabled personnel on our recruitment website and hire employees with disabilities for specific jobs.</p> <p>■ THSRC hired 50 employees with disabilities in 2021, including 8 severely disabled employees, surpassing legal requirements. We also hired 50 employees with indigenous backgrounds in 2021.</p> <p>■ To help our employees maintain a work-life balance, THSRC guarantees salaries and career development status of employees on leave without pay, regardless of gender, so that our employees can implement family planning and childcare without worry. Regardless of gender, all employees who apply for (childcare, injury, or military service) leave without pay can enjoy applicable salary adjustments and guaranteed labor conditions when they return to work.</p> <p>■ Our "Charter of the Remuneration Committee" stipulates periodic review of director and manager performance; remuneration policies, systems, standards, and structures; and general compensation levels in the industry. To ensure competitiveness and motivation, employee remuneration is determined by the Corporation's financial conditions, business performance and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to our "Articles of Incorporation," if the Corporation is profitable in a given year, it shall allocate no less than 1% of net profits as profit-sharing compensation to employees.</p> <p>■ The Corporation is attentive of market remuneration standards, regularly reviews remuneration policies, and sets out salary allowances, bonuses, and employee remuneration levels according to our "Salary Payment Regulation" to reward our employees for their hard work. Year-end bonuses and performance bonuses are distributed based on the Corporation's annual business performance, financial conditions, operating conditions, and individual work performance, and we also have established remuneration adjustment policies to enhance employee remuneration and benefits.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons						
	Yes	No	Abstract Illustration							
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p><u>Occupational health and safety policy</u></p> <ul style="list-style-type: none"> ■ The Corporation considers safety to be an important cornerstone that THSRC cannot operate without. All Corporation decisions and actions set safety as the highest guiding principle, and we strive to actively maintain our health and safety management procedures. All employees continue to participate in and improve upon our goal of zero disasters and zero accidents. ■ The Corporation strictly abides by all laws, regulations, and procedures. We have set clear stipulations of safety responsibilities for employees of all levels to ensure that our employees, customers, and HSR assets are maintained, managed, and well-protected. We appropriately utilize internationally recognized risk assessments in our health and safety management systems to control and minimize hazard risks within a reasonable scope, providing necessary training and health and safety information to all personnel so that they can safely implement all routine tasks, and also to ensure that they are equipped with safety awareness and understanding. We carefully select, monitor, and manage our contractors and suppliers to ensure that our operations, machinery, equipment, and materials adhere to law and our corporate safety requirements. We have established and maintain an excellent operating environment, and coordinate necessary external support systems to protect the health and safety of our employees, passengers, and the general public. ■ We regularly review our health and safety policies, regulations, procedures, and implementation results to enhance management and achieve our goal of continued safety improvements. <p><u>Monitoring of work environments</u></p> <ul style="list-style-type: none"> ■ We conduct periodic inspections of working environments at our headquarters, Taoyuan OMC Building, 12 stations, and 5 maintenance depots every six months to provide our employees with a healthy and safe work environment. <p><u>Health and safety management regulations</u></p> <ul style="list-style-type: none"> ■ The Corporation has established the "Employee Safety and Health Work Instructions," "Occupational Safety and Health Management Plan," "Railway Operation Safety Rulebook," "THSRC Operation Regulation," "THSRC Operation Rules," and "OCC Working Manual/Station Control Room Working Manual/Maintenance Depot Working Manual" to serve as a basis for management of safe operations at THSRC. Our operating procedures are reviewed and updated at least once every three years in accordance with the aforementioned regulations. <p><u>Health and safety monitoring and guidance</u></p> <ul style="list-style-type: none"> ■ The Corporation has formulated annual health and safety monitoring and guidance plans to provide suggestions and follow up on specific improvement items. <table border="1"> <thead> <tr> <th colspan="2">Health and safety monitoring and guidance in 2021</th> </tr> </thead> <tbody> <tr> <td>Occupational health and safety office monitoring patrols</td> <td>29 sessions</td> </tr> <tr> <td>Maintenance and safety management division Health and safety guidance</td> <td>240 sessions</td> </tr> </tbody> </table> <p><u>Equipment safety management</u></p> <ul style="list-style-type: none"> ■ The Corporation has classified all equipment and listed hazardous machinery and equipment in accordance with law. We conduct detailed inspections to ensure safe usage of all equipment. In 2021, we conducted regular inspections on our 30 pieces of hazardous machinery in accordance with the Regulations for Safety Inspection of Hazardous Machines and Equipment to ensure safe usage of all equipment. <p><u>Corporate verifications</u></p> <ul style="list-style-type: none"> ■ The Corporation established and has maintained an occupational health and safety management system since its Construction Stage. ■ THSRC successfully passed LRQA audits in July 2017 and obtained both TOSHMS (Taiwan Occupational Safety and Health Management System) CNS 15506 and OHSAS (Occupational Health and Safety Assessment Series) 18001 verifications. In June 2020, THSRC passed BSI (British Standards Institution) reviews and completed transfer verifications for (TOSHMS) CNS 45001 and ISO 45001. The Corporation's current (TOSHMS) CNS 45001 and ISO 45001 certificates are valid from July 19, 2020 to July 18, 2023, and are both still valid. 	Health and safety monitoring and guidance in 2021		Occupational health and safety office monitoring patrols	29 sessions	Maintenance and safety management division Health and safety guidance	240 sessions	■ None.
Health and safety monitoring and guidance in 2021										
Occupational health and safety office monitoring patrols	29 sessions									
Maintenance and safety management division Health and safety guidance	240 sessions									

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	

■ The Corporation's occupational health and safety management system verification scope encompasses all sites under HSR management along Taiwan's western corridor, including train stations, maintenance depots, trackside equipment, and offices, making THSRC the biggest verified occupational safety and health business unit in Taiwan.

Health and safety training

■ Every year, the Corporation establishes an Annual Health and Safety Education Training Plan which includes relevant health and safety training courses; training completion rates exceeded 100%. Additionally, the Corporation hosts a number of promotional activities on health and safety standards, operational procedures, and regulations for new recruits and existing personnel to enhance their awareness and capabilities.

■ The Corporation hosted a number of traffic safety management events, for example traffic safety lectures and safe-driving promotional training for motorcycles. We also provide motorcycle checks for our employees and run free shuttle buses for our employees in Hsinchu, Taichung, and Kaohsiung.

THSRC occupational health and safety training and promotions over the past three years

Year	Number of trainees	Training hours
2019	2,954	6,619
2020	2,814	7,342
2021	2,677	5,733

Health checks, management, and promotion

■ The Corporation provides health checks beyond those mandated by regulations. Employees aged above 45 undergo annual health checks, while those under 45 undergo health checks every two years. Train staff undergo annual health checks. Annual health checks for general and train personnel in 2021 were completed during March to October; the completion rate for train personnel was 100%.

■ We established an online occupational health check reservation system to maximize service accessibility. Occupational health physicians provided hazard assessments, health consultations, home and work injury care, assessments for returning workers and worker fitness over 149 on-site sessions, ensuring comprehensive healthcare benefits for employees.

■ THSRC corporate headquarters, OMC building, and 4 maintenance depots are all equipped with nursing stations, and all stations have health offices surpassing legal requirements which are equipped with nurses. The health offices provide employees and passengers with health care resources for emergency injury care, and also help to organize employee health promotion and management activities.

■ Every year, we implement programs relating to prevention of human hazards, prevention of disorders brought on by abnormal workloads, and maternal health protection. We also conduct health management surveys to analyze employee health risks and provide timely interventions and special preventive measures for preventive care and management.

■ The Corporation has formulated the Prevent Plan for Wrongful Physical or Mental Harm During the Execution of Job Duties in accordance with the Occupational Safety and Health Act to guide implementations of all units and to ensure work safety and physical health.

■ In terms of preventive care for mental health, we have established hotlines and dedicated email inboxes to provide multiple communication channels and care for our employees.

Investigation, handling, and statistical analysis of occupational disasters and near misses

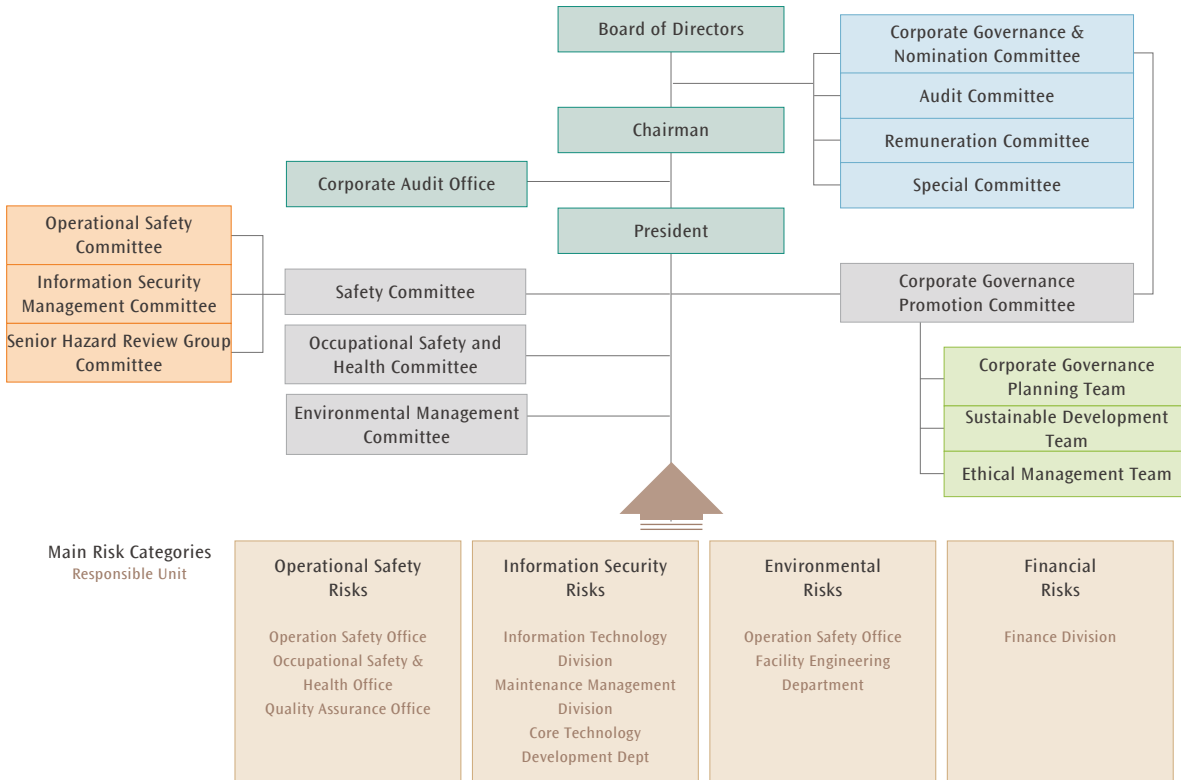
■ Occupational disasters inside our working environment included 1 occupational disaster, 33 days charged for disabling injuries, and a total injury index of 0.01; outside our working environment, we incurred 15 traffic-related occupational injuries 6,138 days charged for disabling injuries, and a total injury index of 1.01. No occupational disease incidents were recorded.

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<ul style="list-style-type: none"> ■ Provided substantial incentives and encouraged our employees to proposal management solutions for near misses under our Rewards Program for Reporting Near Misses of Occupational Health and Safety Hazards to enhance occupational health and safety awareness. <u>Operational system safety</u> ■ Conducted 8 safety management audits in accordance to audit plans and also investigated 16 abnormal operational incidents to maintain HSR operational safety. ■ Provided 3 training sessions associated with identification of hazardous items and safety response measures for a total of 174 frontline personnel. ■ Conducted 16 performance evaluations on security contractors and quarterly audits of access management at all stations/depots/workshops along the HSR line. ■ Organized two training sessions relating to awareness of personal information security for new employees and refresher training for 4,783 participants in 2021. ■ Invited external supporting units and emergency shuttle operators within relevant jurisdictions to conduct joint biannual surveys of all 184 emergency exits along the HSR line. Surveys for 2021 were completed in August and September. ■ Formulated annual disaster prevention training plans and organized associated emergency drills. In 2021, we completed 87 emergency drills at all HSR stations, depots, and routes, including 2 joint drills with external supporting units. ■ For more information on work environments, operational safety training, and drills, please refer to Chapter Six of this report. 	
(4) Does the company provide its employees with career development and training sessions?	✓		The Corporation established a training program based on the two major themes of safety and service, which encompassed the three aspects of core competence, professional competence, and management competence. We also implemented cross-training for specific personnel and formulated manager learning passports to initiate our HSR-oriented training series which provides our employees with a comprehensive occupational training course that is beneficial for sustainable corporate development.	■ None.
(5) Does the company's products and services adhere to related laws and regulations and international standards for customer health and safety, customer privacy, marketing, and labeling, and has the company established policies and appeal procedures to protect consumer interests?	✓		<ul style="list-style-type: none"> ■ The Corporation manages developmental processes for THSRC retail products and provides high-quality and safe products to consumers through establishment of internal review and external inspection management systems. We also clearly stipulate intellectual property ownership, invest in product liability insurance, strictly adhere to all governmental regulations, and also formulate internal operational procedures to ensure protection of customer health and safety. ■ The Corporation has established The Plan Of Security Measures For The Personal Information File, a Personal Information Protection Implementation Team, and personal information operation representatives. We fully respect customer privacy and protect the personal information of our customers through internal audits, external verifications, and training associated with personal information. ■ Marketing and labeling of all Corporation products and services adhere to the Railway Act, relevant regulations, and international standards. We have also formulated our "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," and "Code of Employee Conduct." Our Passenger Transportation Contract also contains clear stipulations which are disclosed on our corporate website and stations for consumer reference and protection of customer interests. Apart from the aforementioned channels, we have also established a THSRC customer service hotline at 4066-3000, digital customer services, a customer suggestion box, and internal handling procedures for transparent and effective handling of consumer suggestions. 	■ None.

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(6) Does the company establish a supplier chain management policy that requires suppliers to follow and implement related issues on environmental protection, occupational safety and health, or labor rights?	✓		<p>■ Development of local supply chains has become a recent focus and goal for THSRC to strengthen sustainable collaborative relations with our supplier partners. We procure local materials and identify local suppliers to enhance our financial benefits and cultivate local manufacturing capabilities of HSR materials and components in hopes of raising these capabilities to international quality levels.</p> <p>■ The Corporation has established a Supply Chain Management Policy and disclosed related requirements and implementation results of social, economic, and environmental issues. We also continue to communicate with our supplier partners and build comprehensive supplier management systems based on our review, management, and training mechanisms.</p> <p>Supplier reviews</p> <ul style="list-style-type: none"> •Set different supplier eligibility criteria for different projects. •Suppliers and manufacturers for foods sold on trains are required to obtain ISO 22000 or HACCP certification. •Suppliers for localized rail procurement projects are required to obtain ISO9001 or other international quality certifications. •Suppliers of calibration and inspection services projects are required to hold TAF-verified ISO/IEC 17025 laboratory certification or TAF-verified ISO 17020 inspection agency certification. <p>Supplier management and audits</p> <ul style="list-style-type: none"> •We set different goals for our supplies and conduct both regular and irregular measurement and monitoring patrols and audits to implement internal health and safety management systems and build comprehensive reporting systems for effective handling of occupational disasters and reduce negative impacts. •Completed establishment of digital "Contractor Health and Safety Management System" to control and check contractor entry and exit procedures. We compile evaluations of overall contractor health and safety requirements based on project conditions to strengthen voluntary safety management and promotion of our business units and contractors, and use these as a basis for subsequent selection of contractors. •Starting in August 2019, we specifically required participants in our public bidding processes to guarantee compliance with our corporate social responsibility regulations, sign a corporate social responsibility statement, periodically convene project team meetings to review contractor-submitted self-evaluation charts, conduct spot inspections of written information, and commence on-site surveys in 2022 to implement our corporate social responsibilities. <p>Supplier training</p> <ul style="list-style-type: none"> •Supplier personnel who enter restricted HSR areas are required to complete relevant training and obtain HSR operational safety certification and qualifications before commencing operations. Long-term supplier personnel are also required to complete refresher training and extend qualification validity in accordance with the HSR operational qualification regulations. •We have established a "Contractor Management Plan" which requires that all supplier general personnel and temporary personnel (such as interns, work-study students, and volunteers) should undergo relevant health checks and occupational health and safety training. 	■ None.
5. Does the company comply with international standards or guidelines for preparing sustainable development or non-financial related reports? Have the previous released reports been verified by third-party certification entity with assurance or opinion statements?	✓		<p>■ The Corporation's sustainable development report follows the core requirements of the Global Reporting Initiative Sustainable development Reporting Standards (GRI Standards) developed by the Global Sustainable development Standards Board (GSSB), the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainable development Reports by TWSE Listed Companies, the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the Sustainable development Accounting Standards Board (SASB) Transportation Standard Index.</p> <p>■ Our sustainable development report has been verified by the British Standards Institute (BSI), a third-party certification entity, which ensures that our report meets the Core option of the GRI Standards, and complies with the AA1000 Type 2 high-level assurance. The Independent Assurance Statement issued by BSI has also been included in the appendix to our report.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
6.If the company has established the sustainable development principles based on "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" please describe any discrepancy between the Principles and their implementation:				None.
7.Other important information to facilitate better understanding of the company's sustainable development practices:				
(1) To implement environmental protection and energy-saving policies, THSRC buildings are designed with sustainable environment concepts encompassing "ecosystem, energy-saving, waste reduction, health." HSR Miaoli, Changhua, and Yunlin stations are equipped with solar power facilities which generate power for station usage, and have applied for Renewable Electricity Certificates (RECs). These three stations respectively received Diamond Level, Gold Level and Gold Level Green Building Certificates from the MOI and Green Building Certification plaques.				
(2) In 2020, we applied to the Environmental Protection Agency to extend the 5-year validity period of the "High-Speed Rail Transportation Service Carbon Footprint Label" (from December 17, 2020 to December 16, 2025), and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32 gCO ₂ e per passenger per kilometer (per passenger-kilometer), and our commitment to reduce carbon emissions by more than 3% within 3 years (carbon reduction of 4.92%) was awarded again the "Carbon Footprint Reduce Label" (Certificate label No. R2014910001).				
(3) On November 4, 2021, THSRC received the "2021 Low-Carbon Product Award" from the Environmental Protection Administration and a reward of NT\$ 100,000.				
(4) On October 6, 2017, THSRC received the ISO14064-1 certification issued by a third-party verification unit for all HSR station GHG emissions in 2016. On December 26, 2018, THSRC received certification for all HSR station GHG emissions in 2017. On November 22, 2019, THSRC received certification for all HSR station GHG emissions in 2018. On September 14, 2020, THSRC received certification for all HSR station GHG emissions in 2019. On September 7, 2021, THSRC received certification for all HSR station GHG emissions in 2020.				
(5) The solar power facilities of Miaoli, Changhua, and Yunlin stations generated 192 RECs in 2021 (38 for Miaoli Station, 68 for Changhua Station, and 86 for Yunlin Station).				
(6) Since its initiation in 2010, the High-Speed Educational Endowment Program has accumulated 159 million NTD over 13 years and is estimated to have helped more than 28,000 disadvantaged schoolchildren achieve their dreams of learning.				
(7) The THSRC Smiling Train Program project was initiated in 2009 and collaborates with local educational and charitable institutes to help the disadvantaged fulfill their dreams of taking a ride on the punctual and convenient high-speed rail. As of 2021, a total of 812 disadvantaged groups and 144,882 people have participated in this program.				
(8) The THSRC Winter Outreach Blood Drive was initiated in 2012 and helps hospitals all over Taiwan store sufficient amounts of blood for use in time of medical emergency. THSRC hosted 15 blood drives in 2021 and collected 4,153 bags of blood. Over the course of 10 years, this event has collected 17,920 bags of blood.				
(9) The THSR ART Together Program was initiated in 2015, connecting HSR stations to local communities through art performances. Over the course of 7 years, 576 groups and 17,123 people have performed at 9 stations (Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying), winning great praise from the general public and HSR passengers.				
(10) The THSR Museum was inaugurated on January 5, 2017 and displays cultural assets to illustrate the 3 spatial revolutions in the history of Taiwan's railway industry, the subsequent development of high-speed rail policies, BOT vendor selection and negotiation, the founding of THSRC, and the process of THSR construction and operation, allowing visitors to learn about THSRC's path through history. In 2021, a total of 87 groups and 12,181 people visited the museum.				
(11) In 2020, THSRC implemented a preservation and restoration plan for 0 Series Shinkansen end cars, and established a scenic park at HSR Tainan Station in 2021 for promotion and revitalization of these end cars. The park is expected to open to the public in the second quarter of 2022. We hope that displaying our restored 0 Series end cars can bring new life to these assets.				
(12) In order to preserve important railway assets, THSRC initiated the "THSRC Historical Archive Project" during its Construction Stage. Following approval by the Board in 2021, our expired MO-52787 track inspection vehicles and D29 trailers were gifted to the National Railway Museum.				

Note 1: Implementation structure for risk management



Note 2: Main risk categories and response measures and actions

Material Issues	Main Risk Categories	Risk Assessments	Risk Management Strategies and Related Response Measures
Environmental	Environmental Risks	Assess various environmental risks (such as global warming, extreme weather conditions, earthquakes, land subsidence, and formation of new fault lines) which can cause revisions in laws and regulations, system damages, regional power cuts, and water shortages, which may affect service quality and increase maintenance and operation costs.	<ol style="list-style-type: none"> 1. Established environmental policies and implemented management according to our environment management manual. We have applied for ISO14001 certification and are seeking to establish environment management systems that adhere to these standards. 2. Identified climate change risks and estimated future mid-to long-term climate change risks to formulate plans and strategies to save energy. We also collaborated with professional institutions to analyze and formulate response strategies to climate change, effectively decreasing possible impacts to our operations from climate change. 3. Collaborated with professional institutions to establish an early-warning system for earthquakes. 4. Conducted assessments on land subsidence, new fault lines, flood prevention, and earthquake prevention capabilities to formulate improvement measures. 5. Gained a full understanding of environmental hazards through DWS hazard warning systems and conducted annual hazard prevention audits and regular and irregular drills.
Social	Operational Safety Risks	Assess HSR systems that may be affected by internal and external factors such as malfunctions of facilities and equipment, human error, intentional sabotage, or other external factors, which may affect train safety; cause injury to our employees, passengers, contractors, or the general public; or cause delay or cessation of rail operations.	<ol style="list-style-type: none"> 1. Established our safety and health, corporate quality, and configuration management policies, and implemented management according to our operational safety plan, occupational safety and health management manual, corporate quality manual, high-speed rail system configuration management manual, corporate RAMS manual, management plan for rail security, and assurance plan for corporate safety. 2. Established an Operational Safety Committee which convenes every quarter and also an Occupational Safety and Health Committee which convenes every quarter. 3. Implemented internal audits and safety inspections of rail operation safety, occupational safety and health, quality management, configuration management, and system assurance. 4. Implemented rail safety training, education and training for occupational safety and health, hazard management training, and hazard prevention and response drills and training.

Material Issues	Main Risk Categories	Risk Assessments	Risk Management Strategies and Related Response Measures
Corporate Governance	Information Security Risks	THSRC is a Critical Information Infrastructure provider, and also a Level-A Cyber Security Responsibility Unit. Assess all HSR information systems and take into account various aspects including confidentiality, comprehensiveness, accessibility, and legal compliance.	<ol style="list-style-type: none"> 1. Formulated Information Security Policy and Software Intellectual Property Rights Protection Policy, and implemented management according to information security management manual. 2. Established Information Security Committee and convened information security review meetings once every six months. 3. Established management procedures and systems according to international ISO27001 information security system. 4. Implemented internal information security audits, drills and evaluations, information security inspections, penetration testing, defense-in-depth mechanisms, and education and training in accordance with requirements for Level-A Cyber Security Responsibility Units.
	Financial Risks	Assess changes in domestic and overseas economic and financial conditions that may impact our income, maintenance and operation costs, interest rates, and exchange rates, which in turn may affect our profitability and cash flows.	<ol style="list-style-type: none"> 1. Adhered to "International Financial Reporting Standards (IFRS)," "International Accounting Standards (IAS)," and government regulations. 2. Underwent annual financial audits by competent authorities. 3. Our managerial departments underwent monthly budgeting and accounting reviews and presented these to the Board every six months. 4. Periodically issued quarterly and annual financial reports. 5. Our Board conducted reviews of important financial activities in accordance with relevant regulations and internal control systems.

Note 3: Potential climate change risks, opportunities and corresponding measures of the Corporation

Current and future potential climate change risks, opportunities and corresponding measures of the Corporation				
Climatic Risks	Potential Financial Impacts	Climatic Opportunities	Potential Financial Impacts	Corresponding Measures in 2021
<ol style="list-style-type: none"> (1) Extreme high temperatures (2) Increased rainfall and rainfall intensity (3) Typhoons, cyclones, and lightning (4) Unstable water and electricity supply (5) Operational impacts 	<ol style="list-style-type: none"> (1) Severe weather can damage railway facilities and increase maintenance costs (2) Operational impacts cause decreases in revenue (3) Rising temperatures raise electricity consumption, operating costs and carbon emissions. 	<ol style="list-style-type: none"> (1) THSRC signed the "Memorandum of Cooperation on Cross-Border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities. (2) Collaborated with power companies to set up leased solar power generation systems at our maintenance bases and stations. (3) Conducted evaluations for setting up self-use solar power generation systems at our maintenance bases and stations, and applied for renewable energy certificates. 	<ol style="list-style-type: none"> (1) Strengthen adaptability towards climate change to reduce the probabilities of operational interruptions and possible losses. (2) Energy savings, carbon reduction, and cost savings. (3) Increased use of renewable energy. 	<ol style="list-style-type: none"> (1) Established storm alert system which provides warnings and actionable information regarding landslides on slopes during rainfall events. The system is currently in use. (2) Completed slope prevention maintenance construction at north and south sides of Baoshan Tunnel. (3) Completed detailed designs for scour prevention at Beigang River, Pizitou River, Puzi River, and Zengwen River cross-river bridges. (4) Planned to set up leased solar power generation systems at Miaoli, Changhua, and Yunlin stations.

(8) Implementation of Ethical Corporate Management and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of Ethical Corporate Management Policies and Programs (1) Does the company establish ethical corporate management policies and procedures, approved by the Board, in its guidelines and external documents, as well as commitment from its Board and senior management to implement the policies?	✓		<p>■ The Corporation adheres to the five core values of Discipline, Integrity, Efficiency, Innovation, and Sensibility, and has established a corporate culture of ethical management based on our operational principles of Honesty, Transparency, and Responsibility. We have also established our Code of Ethical Conduct; Ethical Corporate Management Best Practice Principles; Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior; Regulations for Management of the Prevention of Insider Trading; Reward and Discipline Regulation; Grievance Regulation; and Procurement Staff Ethical Regulation for our employees to abide by.</p> <p>■ The Corporation established the "Ethical Corporate Management Best Practice Principles" following approval at the 11th meeting of the 7th Board on June 19, 2016, and these Principles were revised following approval at the 36th meeting of the 8th Board on March 18, 2020 to stipulate that directors and managers shall exercise due care of good administrators when carrying out business duties, rigorously execute their duties, and implement the commitments of ethical management policies.</p> <p>■ Additionally, the Corporation's "Procedures for Ethical Corporate Management and Guidelines for Conduct" were established following approval at the 36th meeting of the 8th Board on March 18, 2020, and contain specific stipulations regarding compliance with ethical management policy items by Corporation personnel.</p>	■ None.
(2) Does the company establish assessment mechanisms against risks from unethical conduct, periodically analyze and assess operational activities with high potential for unethical conduct, and use these to establish solutions for prevention of unethical behaviors that at least encompass the preventive measures stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		<p>■ In addition to our "Code of Ethical Conduct" and "Code of Conduct," we have also established "Ethical Corporate Management Best Practice Principles" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" to provide clear and detailed guidelines for operating procedures, behaviors, education and training, disciplinary violations, and appeals systems. The formulation and implementation of ethical management policies are overseen by our audit department, which periodically reports to the Board.</p> <p>■ The Corporation has also established the "Procedures for Ethical Corporate Management and Guidelines for Conduct" to serve as our policy for guiding ethical management, stating in clear detail specific ethical management measures and preventive measures for unethical conduct.</p>	■ None.
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and commitment to implement the policies, and periodically assess said policies?	✓		<p>■ The Corporation has also established the "Procedures for Ethical Corporate Management and Guidelines for Conduct" to serve as our policy for guiding ethical management, stipulating operational procedures, codes of conduct, disciplinary actions for violations, and appeals systems, and we periodically review and revise whether preventive measures are operating effectively.</p> <p>■ The Corporation has established the "Procurement Regulation" containing articles relating to business confidentiality and conflicts of interests in procurement staff, and employees that exhibit dishonest behaviors are subject to disciplinary actions under the "Rules Governing Rewards and Disciplinary Action" depending on the severity of the cases.</p> <p>■ The Corporation's "Code of Ethical Conduct," "Code of Conduct," and "Work Rules" contain stipulations relating to business confidentiality and conflicts of interests in staff conduct, and employees that conduct dishonest behaviors are subject to disciplinary actions under the "Reward and Discipline Regulation" depending on the severity of the cases.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
2. Fulfillment of Operations Integrity Policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		<p>■ The Corporation has established an assessment system for suppliers and business partners. During contract negotiation, the rights and obligations of both parties are well documented, and confidentiality clauses are contained in all contracts.</p>	■ None.
(2) Does the company establish an exclusively (or concurrently) dedicated unit in charge of corporate integrity and to be supervised by the Board, which regularly (at least once a year) reports implementation status to the Board?	✓		<p>■ In order to fulfill our supervisory obligations of ethical management, the Corporation has established a Corporate Governance & Nominating Committee, an Audit Committee, and a Remuneration Committee to supervise compliance with ethical management. Additionally, the Ethical Management Team, which is established under the "Corporate Governance Promotion Committee," is convened by the vice president of the Corporate Planning Department and composed of representatives from the Legal Office, the Audit Office, the Human Resources Division, the Secretariat Division of the Board of Directors, and the Corporate Planning Department. The Ethical Management Team is responsible for reviewing and improving ethical management policies and implementing measures, assessing ethical management developments both domestically and overseas, convening to discuss implementation of ethical management quarterly, and making annual reports on specific performance and promotion measures of ethical management to the Board. The specific performance and promotion measures of ethical management for 2020 and the first half of 2021 were reported at the 15th meeting of the 9th Board on June 16, 2021. The main duties of the Ethical Management Team are as follows:</p> <ol style="list-style-type: none"> 1. Integrate ethical values into the Corporation's operational strategies and establish measures to ensure ethical management in accordance with laws and regulations. 2. Establish programs containing standard operating procedures and behavioral guidelines for work duties to prevent unethical behavior. 3. Plan internal organization, preparation, and job duties for mutual supervision and balance of operational activities at high risk of unethical behavior. 4. Promote and coordinate ethical management policies and training. 5. Plan systems for reporting ethical violations to ensure effective implementation. 6. Assist the Board and management in reviewing and assessing effective operation of ethical management measures, and periodically assess and report on adherence of relevant processes. <p>■ The Corporation has implemented ethical corporate management policies in accordance with corporate governance, business strategies, and operating procedures. Ethical management training, attendees, and training hours for 2021, as well as specific implementations of ethical management were as follows:</p> <ol style="list-style-type: none"> 1. A total of 159 new employees received communications and training in anti-corruption policies, accounting for 3.4% of total employees. 2. We hosted ethical management training programs for all employees for a total of 4,668 participants over a total of 2,334 hours. In addition, the directors and senior management of the company have signed the "Ethical Management Policy Statement." 3. We hosted digital training courses for prevention of insider trading for all employees for a total of 4,668 participants over a total of 2,334 hours. 4. The Corporation upholds principles of ethical management and initiated the "Promotion Plan for Legal Compliance" in 2016 for comprehensive management of compliance with regulating authorities and Corporation regulations laid out in the Corporation Articles of Association. Additionally, relevant regulations and rulings of regulating authorities are reviewed and presented every quarter, and legal compliance meetings are held to ensure that Corporation employees adhere to relevant regulations. 	■ None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>5. Confidentiality of tender information, protection of intellectual property rights, and commitment of corporate social responsibility are enclosed on tender instructions and affidavits, and prevention of unjust enrichment and conflicts of interests are stated in the main body of contracts.</p> <p>6. We established an Audit Committee mailbox in the "Stakeholders Communication Channels" section of our corporate website to serve as a direct communication channel between stakeholders and the Audit Committee.</p> <p>7. We established internal and external whistle-blowing channels (including phone, fax, and mailbox channels) and set up a dedicated team for reviewing and investigating reported cases, and tracking management mechanisms.</p> <p>■ Detailed information on the Ethical Management Team can be found under the "Corporation Governance and Organizational Structure" sub-section of the Corporation Governance section, and the "Ethical Governance" page under the "Sustainable Development" sub-section in the "Corporate Social Responsibility" section of our corporate website.</p>	
(3) Does the company establish and implement policies to prevent conflicts of interest and provide appropriate communication channels?	✓		<p>■ The Corporation's regulations stipulate that managers of all levels are responsible for assisting the Corporation President in promoting ethical management policies. All conflicts of interest should be reported to department heads. The Corporation has also established the "Grievance Regulation" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" to provide timely and appropriate channels for making statements and reports to prevent conflicts of interest.</p>	■ None.
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, with internal audit units formulating audit plans based on risk assessments of unethical conduct which are used to review compliance with measures for preventing unethical conduct, or which are audited by CPAs?	✓		<p>■ In order to implement ethical management, regulation compliance at the Corporation is periodically reviewed by internal auditing, accounting, and internal control systems.</p> <p>■ The Corporation implements internal control mechanisms on an annual basis. The Quality Assurance Office acts as a secretariat unit in executing internal control systems and self-inspection of administrative procedures. Each office carries out self-inspections that are reviewed by the Audit Office. Finally, CPAs are responsible for issuing review reports on internal control systems.</p> <p>■ The accounting system at THSRC has been effectively implemented for many years. Every year, certified accountants conduct an audit and issue an audit report.</p> <p>■ The Corporation's "Ethical Corporate Management Best Practice Principles" stipulate that internal audit units should formulate audit plans based on risk assessments of unethical conduct which can be used to review compliance with measures for preventing unethical conduct, and which may be audited by CPAs. Assistance may be obtained from professionals when necessary.</p>	■ None.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		<p>■ The Corporation's Ethical Corporate Management Best Practice Principles stipulate that the Corporation should host periodic training and promotion activities for Board directors, managers, employees, and fiduciaries to help them understand the Corporation's determination in implementing ethical management, related policies, prevention solutions, and consequences of ethical violations.</p>	■ None.
3. Operation of the Integrity Channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		<p>■ The Corporation has established the "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior." Related matters are handled by dedicated units and service hotlines have been set up to handle feedback in accordance with established processes.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish standard operating procedures and subsequent procedures of following investigations and relevant confidential mechanism?	✓		■ The Corporation's "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" have clear stipulations on the appeals process and reviewing units, and commit to confidentiality for appeal makers and related evidence.	■ None.
(3) Does the company provide proper whistleblower protection?	✓		■ The Corporation's "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" clearly stipulate that if reported persons threaten or retaliate against whistleblowers, the Corporation will take disciplinary action according to relevant regulations.	■ None.
4. Enhancing Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		■ The Corporation's "Ethical Corporate Management Best Practice Principles" and relevant standards are publicly available for review on our internal and external websites. When revisions are made, these are announced to all staff members and information on our website is simultaneously updated. ■ The Corporation has established the "Regulations of Disclosure Information" and "Regulation for Posting Information on the Market Observation Post System," allowing us to fulfill our responsibilities and obligations of information disclosures and disclose important information in a timely manner. Additionally, voluntary disclosures are posted to the Market Observation Post System and our corporate website to strengthen information transparency and enhance timeliness, symmetry, and fairness of information disclosures.	■ None.
5.If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation? None.				
6.Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): To implement the basics of ethical corporate management policies, the Corporation operates under the Corporation Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.				

(9) Corporate Governance Guidelines, Regulations, and methods to access these information

The Corporation's "Guidelines for Corporate Governance" is our principle rule of corporate governance, the contents of which mainly refers the OECD Principles of Corporate Governance; the S&P Corporate Governance Score-Criteria, Methodology and Definitions; the NYSE Listed Company Manual Sec303A; the Infosys Corporate Governance Report, corporate governance guidelines of established domestic and overseas companies; national laws and regulations; regulations set out by the Taiwan Stock Exchange Corporation; and the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies. The purpose for said Guidelines is to establish a good corporate governance system for the Corporation, ensure the rights and interests of shareholders, strengthen the structure of the Board of Directors and fulfill the Corporation's social responsibilities.

In addition, to ensure effective performance of the directors' functions, to protect and promote shareholders' participation, and to guide and rule the procedures and activities of the election of directors, the shareholders' meeting, the Board, and committees, the Corporation has also established the "Rules of Procedure for Shareholders Meetings," "Rules of Procedure for Board of Directors Meetings," "Regulation of Self-Evaluation of the Board of Directors," "Rules for the Election of Directors," "Charter of Audit Committee," "Charter of Corporate Governance and Nominating Committee," "Charter of Remuneration Committee," "Charter of Special Committee," and other relevant regulations; in order to deepen our corporate culture of compliance and ethical management; prevent, promptly detect, and properly respond to internal illegal acts, we also established the "Code of Ethical Conduct," "Ethical Corporate Management Best Practice Principles," "Sustainable Development Best Practice Principles," "Regulations Governing the Prevention of Insider Trading," "Regulations Governing the Procedure of Processing the Reported Cases of Illegal, Unethical or Dishonesty Acts," and "Regulations Governing the Transactions with Related Persons"; all these aforementioned regulations are our regulations relevant to corporate governance.

The aforementioned corporate governance regulations are fully disclosed on the "Investor Relations" section and the "Corporate Governance" section on our corporate website (<https://www.thsrc.com.tw>) for immediate access.

(10) Other Important Information for Further Understanding Implementation Status of Corporate Governance

Besides publishing material information on the MOPS (<https://mops.twse.com.tw/mops/web/index>) in accordance with laws and regulations, all other material information for further understanding our implementation status of corporate governance is regularly updated on the "Investor Relations" section on our corporate website in a timely manner along with other information relating to the Corporation's finances, business matters and corporate governance.

Additionally, the Corporation has established 7 core policies (Environmental Policy, Risk Management Policy, Information Security Policy, Human Rights Policy, Supply Chain Management Policy, Safety and Health Policy, and Corporate Quality Policy). All have been signed by the Chairman of the Board, fully implemented and disclosed on the "Policy" page under the "About Us" section on our corporate website.

Through the announcement of these core policies, all colleagues can work together to continuously strengthen corporate governance and achieve the goal of sustainable business operations.

資訊安全政策 Information Security Policy

為建構安全的智慧化高速鐵路運輸系統及保護本公司所有資通系統之相關資訊資產，包括實體環境、軟硬體設施、網路、雲端、資料、資訊、人員等安全，免於因內部或外在之威脅，遭受破壞、遺失、洩密或不當控制等資通安全風險，特制訂本政策。

THSRC formulates the Information Security Policy to establish a secured Intelligent High Speed Rail Transportation System and to protect all THSRC's information and communication systems and related information assets that include physical environment, software and hardware facilities, network, cloud, data, information, and personnel, from cybersecurity risks such as damage, loss, information leakage or improper control resulted from internal or external threats.

本公司應採取以下措施：

THSRC should adopt the following actions :

1. 恪遵法令訂定相關資訊安全管理規章，對本公司資訊資產提供適當的保護措施，以確保其機密性、完整性、可用性 & 法律遵循性。

Comply with the laws to ensure the confidentiality, integrity, availability, compliance of the information assets, it is necessary to establish the correlative information security regulation to provide the appropriate protection.

2. 定期評估各種人為及天然災害對本公司資訊資產之影響，並訂定重要資訊資產及關鍵性業務之防災對策及災變復原計畫，以確保本公司業務持續運作。

Evaluate the influence of the negligence or natural disaster on the information assets regularly, and establish the precaution solution and disaster recovery plan to ensure the continuity of business operation.

3. 督導本公司同仁落實資訊安全防護工作，建立「資訊安全、人人有責」觀念，提升各業務部門及人員對資訊安全之認知。

Guide all employees to carry out information security protection, and set up "Information Security Is Everyone's Responsibility" to raise all units' and employees' understanding of information security.

4. 要求本公司全體同仁以及連結本公司資通系統或提供服務之往來廠商，應確實遵守本公司資訊安全相關規定，如有違反者，視其情形分別依本公司規定懲處或依契約罰責辦理外，情節嚴重者另將受相關法律之訴追。

Demand employees and contractors who connect to the THSRC's information and communication systems or provide service should comply with the related information security regulation. The violator will be punished according to the THSRC's regulation or contract. And if it is serious, the violator will be sued by law.

董事長：
Chairman

江耀宗

日期：
Date

2021.05.27

安全衛生政策 Safety and Health Policy

安全是台灣高鐵的基石—沒有安全就沒有台灣高鐵。本公司所有決策與行動均應以安全為最高指導原則，並將維持主動積極的安全衛生管理，全員持續參與改善，以達零災害、零事故的目標。並承諾：

Safety is the cornerstone of THSRC – Without safety, there is no THSRC. All decisions and actions of THSRC are based on safety as the highest guiding principle. THSRC will maintain proactive safety and health management with staff participation on improvements to achieve zero disaster and accident goals. THSRC's commitments are:

一、恪遵法令、規章與程序，明訂各層級員工安全責任，確保員工、所服務的對象與維護管理的高鐵資產，都被安全保護。

Comply with the laws, regulations, and procedures, for each staff to have a clear responsibility to protect his personal safety, the service objects, and the management of THSRC's assets.

二、妥善運用國際認同之風險評估方法於安全及健康管理系統中，於合理可行的範圍內控制及降低危害的風險至最低等級。

Apply international recognized risk assessment for safety and health management system effectively in controlling and reducing risk hazards as low as reasonably practicable.

三、提供必要之訓練，以及安全與健康之資訊給所有工作者，使其於執行日常業務時，皆能正確安全的執行作業，並具備對於安全關注與認知。

Provide all staff with required training, as well as safety and health information to keep the concern and awareness of safety and health in performance of all their daily duties.

四、妥慎選擇、監督及管理承包商及供應商，確保其作業或機械、設備、器具、物料等供應均能符合法令以及公司安全管理要求。

Select, supervise, and manage contractors and suppliers carefully to ensure that their operations, machinery, equipment, tools, and materials comply with the laws of Taiwan and THSRC's safety management requirements.

五、建立及維持優質之作業及營運環境，並協調必要之外部支援系統，以維護員工、旅客及大眾之安全與健康。

Establish and maintain a high-quality working environment and operational management measures, and coordinate with required external assistance to keep all staff's physical and mental health.

六、本公司將定期檢討安全衛生政策、規章、程序與執行績效，以提升管理績效並達持續改善安全之目的。

THSRC will review the safety and health policy, rules, procedures, and executive performance regularly to enhance management performance and achieve continuous improvement of safety.

董事長：
Chairman

江耀宗

日期：2020/11/09

Date

環境政策 Environmental Policy

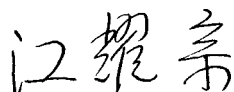
環境保護是台灣高速鐵路股份有限公司善盡企業社會責任重要的一環，我們利用高速鐵路高運量、速度快、低污染的特點，致力推動環境管理、節能減碳、省水減廢、綠能建築、生態保育、環境教育、綠色採購及在地環境關懷，融入國際環境保護趨勢，共同追求企業永續經營。

- 一、以運輸 (Transportation)、科技 (Technology)、在地 (Taiwan) 及關懷 (Touch) 之 4T 作為發展主軸，積極擴展綠色運具服務效能，透過智慧運輸管理與創造需求提升運量，打造低碳運輸形象，使台灣高鐵成為引領進步，創造美好生活平台。
- 二、確保台灣高鐵各面向均符合環保法規，並履行環評承諾。
- 三、強化員工、廠商及旅客環境保護觀念。
- 四、推動綠色低碳運輸服務效能。
- 五、致力於提升環境績效，制定並定期審查環境目標，確保日常營運時，利用適當之流程及資源，預防或減低對環境之衝擊。

Environmental protection is an important part of THSRC's social responsibility. We treat the environmental issues such as environmental management, energy saving, water saving, waste reduction, green building, ecological conservation, environmental education, green procurement and local environmental care seriously. With the integration of international trends on environmental protection, THSRC pursue a sustainable business operation.

1. Define our core business as 4T of Transportation, Technology, Taiwan and Touch, as we strive to provide green and intelligent service and seek to be the platform for advancement and enjoyment.
2. Ensure that all corporate activities comply with environmental regulations and fulfill the commitments of environmental impact assessment.
3. Strengthen the environmental protection concept for employees, contractors and passengers.
4. Promote the effectiveness of green low-carbon transportation services.
5. Commit to improving environmental performance, developing and regularly reviewing environmental objectives to ensure that daily operations are carried out with appropriate processes and resources to prevent or mitigate environmental impacts.

董事長：
Chairman



日期：
Date

2019.08.21

風險管理政策 Risk Management Policy

本公司為確保風險管理的完整性、有效性與合理性，特訂定風險管理政策如下，作為本公司風險管理的最高指導原則：

To ensure integrity, effectiveness, and rationality of company's risk management, Taiwan High Speed Rail Corporation has established the following Risk Management Policy as the highest guiding principles:

1. 公司之經營管理應具備風險意識，並依經營及營運活動進行主要風險類別之定義。

THSRC operation managements should be risk-aware and define major risk categories based on managerial and operational activities.

2. 針對主要風險類別應建立辨識、評估、監督、控管之管理及風險應變機制，並訂定衡量標準。

Standard measurement mechanism and metrics should be established, for identifying, assessing, monitoring, managing, and responding to major risk categories.

3. 各風險類別之管理權責單位依其業務範疇與規模，應分別訂定適當的風險管理制度，並持續檢視與確保各業務執行單位推動時，確實能有效管理其所承擔之各類風險。

Management units of each risk categories should establish proper risk management systems, based on their business scopes and scales, for reviewing and ensuring the effectiveness of promoting business activities and managing various risks.

董事長：
Chairman

江耀宗

日期：
Date

2019. 07. 02

人權政策 Human Rights Policy

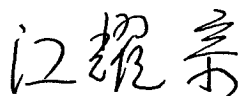
本公司恪遵國內勞動暨相關法規，支持並遵循聯合國《世界人權宣言》、《商業與人權指導原則》、《全球盟約》與國際勞工組織《工作基本原則與權利宣言》等國際人權公約所揭櫫之原則與精神，包括結社自由、關懷弱勢族群、禁用童工、消除各種形式之強迫勞動、消除僱傭與就業歧視等，杜絕任何侵犯及違反人權的行為，有尊嚴的對待現職所有員工，特制定本政策及相關執行方針：

- 一、提供安全與健康的工作環境：為避免軌道運輸業之工作型態帶來的潛在健康安全風險，本公司定期檢視員工健康、工作環境安全風險，並依辨識結果進行改善計畫。
- 二、尊重職場人權：落實職場多元性，不因個人性別、性傾向、種族、階級、年齡、婚姻、語言、思想、宗教、黨派、籍貫、出生地、容貌、五官、身心障礙或工會會員為由，而為差別待遇或任何形式之歧視。
- 三、支持結社自由：員工得依法籌組及加入工會行使勞動權；本公司並與工會及員工維持暢通的溝通管道，定期勞雇協商，召開勞雇會議確保雙方權益，致力建構勞雇關係和諧之職場環境。
- 四、定期檢視及評估相關規範、制度及作為。

The Corporation complies with domestic labor regulations and adheres to the principles and spirit underlying the UN's Universal Declaration of Human Rights, the 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, including freedom of association, care for vulnerable groups, banning of child labor, elimination of all forms of forced labor, elimination of employment discrimination, elimination of human rights violations, and dignified treatment for all employees. In light of this, we have established this policy and the following implementation guidelines:

1. Provision of safe and healthy work environment: to prevent potential health and safety risks brought on by rail transport work, the Corporation regularly reviews the health of its employees and safety risks in work environments, and implements improvement plans based on identified results.
2. Respect for human rights in the workplace: we have implemented a diversified workplace and do not give preferential treatment or discriminate based on gender, sexual orientation, race, social class, age, marriage status, language, ideology, religious belief, political affiliation, nationality, place of birth, appearance, facial features, disability, or union affiliation.
3. Support freedom of association: employees may organize and join trade unions to exercise their labor rights in accordance with the law. The Corporation strives to build a work environment with harmonious labor-management relations, maintaining an open communication channel with labor unions and employees, regularly conducting labor-management negotiations, and convening labor-management meetings to protect the interests of both parties.
4. Conduct regular review and assessments of relevant regulations, systems, and procedures.

董事長：
Chairman



日期：
Date

2018/5/18

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

供應鏈管理政策 Supply Chain Management Policy

台灣高速鐵路股份有限公司為邁向永續經營，我們承諾在環境保護、人權與勞動實務、商業倫理及社會公益等議題，持續與不同供應鏈夥伴進行溝通，建構完善的管理機制，並致力推展及持續改善：

To maintain a sustainable development, Taiwan High Speed Rail Corporation is committed to continuously communicate with supply chain partners on matters concerning environmental protection, human rights and labor practices, business ethics and social welfare; and build up a flawless management mechanism. In addition, we will endeavor to promote and constantly improve on the following:

1. 恪遵法令、規章與程序，與供應商共同推動社會責任，以經濟、環境、社會三大面向，作為共同發展的核心，達到本公司永續性發展之擘畫，創造雙贏。

Abide by the laws, by-laws and control procedures. Work with suppliers to promote social responsibility. Focusing on the economy, environment and society as the core of mutual development in order to achieve sustainable development initiatives, and move toward a win-win relationship.

2. 保障利害關係人權益，除要求採購的品質、成本、交期與服務(QCDS)，同時納入合理利潤、社會責任、勞工安全、人權及環境保護等議題，做為管理決策及執行依據。

Protect the interests of stakeholders. Apart from pursuing good quality, cost, delivery and service (QCDS) in the procurement process, matters including reasonable profits, social responsibility, labor safety, human rights and environmental protection shall also be considered to serve as the basis for management decision and implementation.

3. 視商業倫理與道德、機會平等與公平交易為供應鏈互動之最高指導原則，杜絕非法利益，嚴懲違法行為。

Make business ethics, moral principles, equal opportunity and fair trade as the primary guiding principles of supply chain interaction. Eradicating all forms of unlawful interests and sternly punish any illegal act.

4. 協助我國合格供應商進行高速鐵路物料開發及技術轉移，將產業鏈由國內擴展至國際軌道業，提升技術及國際競爭力，達到扶植國內產業之企業社會責任。

Assist local qualified Suppliers to carry out material development and technology transfer, bring and expand the local railway industry supply chain to international counterparts. Promote Supplier's technical abilities and international competitiveness in order to fulfill our Corporate Social Responsibility to support the local industry development.

董事長：
Chairman



日期：
Date

2017. 9. 21

公司品質政策 Corporate Quality Policy

本公司承諾遵守品質管理系統的要求，全面落實並持續改進其有效性。

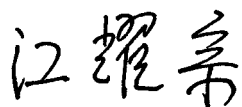
安全、可靠、效率與顧客滿意為本公司的品質目標。為達成此品質目標，本公司確保於各相關單位與層級建立主要績效指標，並定期檢討。

本公司將每年審議品質政策之持續適用性。

The Corporation is committed to comply with the requirements of the quality management system, implement it corporate-wide and continually improve its effectiveness.

The Corporation's quality objectives are **Safety, Reliability, Efficiency and Customer Satisfaction**. To achieve these quality objectives, the Corporation ensures that key performance indicators are established at relevant functions and levels and regularly reviewed.

The Quality Policy is reviewed annually for continuing suitability.



董事長 Chairman

日期 Date: **2017.1.4**

2. Implementation Status of Internal Control System

(1) Internal Control System Letter of Declaration

Taiwan High Speed Rail Corporation
Statement of Internal Control System

Date: Feb 23, 2022

Based on the findings of a self-assessment, Taiwan High Speed Rail Corporation (THSRC) states the following with regard to its internal control system during the period from January 1, 2021 to December 31, 2021:

1. THSRC is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. THSRC has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability, timeliness, and transparency of reporting in compliance with the relevant specifications, and (3) compliance with applicable laws and regulations.
2. All internal control system have inherent limitations. No matter how carefully designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes in environment or circumstances. Nevertheless, the internal control system of THSRC contains self-monitoring mechanisms, and THSRC takes corrective actions whenever a deficiency is identified or an enhancement becomes necessary.
3. THSRC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") of the Republic of China. The Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring, with each component containing several further elements. Please refer to the Regulations for additional details.
4. THSRC has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, THSRC believes that during the period from January 1, 2021 to December 31, 2021, the design and operation of its internal control system has reasonably achieved the objectives mentioned in Item 1 above, including the monitoring of operational effectiveness and efficiency, as well as the reliability, timeliness, and transparency of reporting in compliance with relevant specifications, and compliance with applicable laws and regulations.
6. This Statement is a public document that constitutes an integral part of THSRC's Annual Report for the period from January 1, 2021 to December 31, 2021, and the THSRC Prospectus. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by the Board of Directors at the meeting held on Feb 23, 2022, and all content contained in this Statement was affirmed by the 13 Board members present at the meeting.

Taiwan High Speed Rail Corporation

Chairman of the Board of Directors:  President: 

Notice to Readers

For the convenience of readers, the Statement has 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 Statement shall prevail.

(2) Items to be disclosed in the CPA's audit report relating to evaluations of internal controls system entrusted to CPA: None.

3. Important Governance Information for 2021 and as of Publication Date of This Annual Report

(1) Details of penalties, major faults, and improvement measures against the corporation or internal staff due to violations of legal requirements, or carried out by the corporation against its own staff due to violations of internal control regulations during the past year and as of publication date of the Annual Report.

Discipline has always been a core value for the Corporation. In 2021 and up to the publication date of this report, various disciplinary actions were taken against employees for violations of operational procedures in accordance with our Reward and Discipline Regulation. Memorandums announcing said violations were issued to all staff members for reference purposes and were supplemented with education, training, and case sharing to correct behaviors and promote accurate concepts. No material adverse impacts on corporate operations occurred as a result of the aforementioned violations. Relevant behaviors have all been improved, and all regulations and manuals are regularly reviewed and amended to fulfill our operational needs.

Up to the publication date of this report, the Corporation has incurred three administrative penalties, totaling NT\$500,750. The first one being due to late payments of overtime pay for national holidays, which has violated Article 39 of the Labor Standards Act, and incurred NT\$ 200,000 fine from the Taipei City Government Department of Labor. For the second case, the Corporation conducted an online Q&A activity for the Safety and Hygiene Knowledge in 2020, and submitted the list of winners to the Corporation's accounting management unit as late as May 2021. After going through the tax return procedure, the Corporation was charged with a fine of NT\$750 on October 15, 2021 for the overdue tax return. For the third case, the Corporation has employed foreign employees without obtaining prior approval from the MOTC. As a result, the Corporation has been charged with violation of Article 34 of the Railway Act, and was fined NT\$ 300,000 by the MOTC on February 23, 2022. The Corporation had reminded all employees to abide with all Laws and Regulations to prevent similar incidents from occurring. These incidents did not have any material impact on overall operations, stockholders' equity or prices of securities.

(2) Important Resolutions of Shareholders' Meetings and the Board of Directors during current year and up to the publication date of the annual report:

1) Important resolutions of Shareholders' Meetings and implementation status in 2021:

Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposals of the 2020 Annual Business Report and financial statements of the Corporation.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 97.44%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions.

Proposal No. 2: Proposed by the Board

Proposal: Proposals of 2020 profit distribution of the Corporation.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 97.33%. The proposal was approved.

Implementation status: Cash dividends per share were NT\$ 1.05, the ex-dividend date was set as August 22, 2021, and cash dividend distribution date was set as September 15, 2021.

Discussion

Proposal No. 1: Proposed by the Board

Proposal: Revision of Guidelines for Corporate Governance.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 97.02%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions. Revisions were posted to the Market Observation Post System and our corporate website on August 13, 2021.

Proposal No. 2: Proposed by the Board

Proposal: Revision of Rules of Procedure for Shareholders' Meetings.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 97.02%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions. Revisions were posted to the Market Observation Post System and our corporate website on August 12, 2021.

Proposal No. 3: Proposed by the Board

Proposal: Revision of Rules for the Election of Directors.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 97.02%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions. Revisions were posted to the Market Observation Post System and our corporate website on August 12, 2021.

2) Important Board resolutions for January 2021-March 2022

Date	Session (Term-Sitting)	Important Resolutions
2021/1/20	9-10	<ol style="list-style-type: none"> 1. Distribution suggestions for 2020 employee compensation and bonuses. 2. Distribution suggestions for 2020 director remuneration. 3. Procurement procedures and bid review results for HSR trainset retendering (Contract number: E321). 4. Suggestions for expansion of HSR meal box procurement agreement (Contract number: PCDD-19-1413). 5. Procurement and bid selection suggestions for "Construction of Yanchao Main Workshop automated painting plant equipment consulting services contract" (Contract number: C2-19-002) and "Construction of Yanchao Main Workshop automated painting plant equipment contract" (Contract number: T2-20-009). 6. Donation and sponsorship plan for 2021. 7. Revisions to the Corporation's "Regulations for Management of the Prevention of Insider Trading". 8. Implementation status of Corporate Governance & Nominating Committee, Audit Committee, and Remuneration Committee in 2020. 9. Formulation of suggestions for assessing implementation status of board and functional committees in 2020.

Date	Session (Term-Sitting)	Important Resolutions
2021/2/24	9-11	<ol style="list-style-type: none"> 1. 2020 financial report. 2. 2020 CPA audits. 3. Non-audit services plans for 2021 and follow-up of contracted and invoiced non-audit services. 4. Submitted applications for import duty guarantees to be submitted to the Ministry of Finance Customs Administration Kaohsiung Customs due to the Corporation's need for post-release duty payments when handling imported cargo. 5. Procurement strategy suggestions for localization of "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-20-014). 6. Procurement and bid selection suggestions for "Research and development of ATP6 electrical substation control & relay panel" (Contract number: E4-20-005). 7. Procurement and bid selection suggestions for "Upgrading of core system power equipment control and relay panel (CRP)" (Contract number: E241). 8. Procurement strategy suggestions for train cleaning services contract for HSR Nangang Station, Zuoying Station, and Taichung Station from 2021 to 2024. 9. Third supplementary agreement of train cleaning services contract for HSR Nangang Station, Zuoying Station, and Taichung Station from 2019 to 2021. 10. Suggestions relating to results of manager performance audits for 2020. 11. Suggestions regarding performance goals for new managers, dismissal of part-time workers, and optimization of manager performance management procedures in 2021. 12. Revision of the Corporation's "Consultant Management Regulation". 13. Revisions to the Corporation's "Distribution Table of Responsibility & Authority". 14. Self-assessment results of internal control system for 2020 15. 2020 Business Report. 16. Revisions to the Corporation's "Corporate Social Responsibility Best Practice Principles". 17. Report of implementation status of corporate governance. 18. Formulation of 2021 shareholder's general meeting date, venue, and main topics.
2021/3/17	9-12	<ol style="list-style-type: none"> 1. Suggestions regarding distributable surpluses for 2020. 2. Review of Corporation president performance evaluation results and suggestions, and perusal of Corporation chairman self-evaluation results for 2020. 3. Suggestion for official appointment and promotion of acting Legal Office manager. 4. Procurement strategy suggestions for HSR shuttle bus affiliated marketing services from 2021 to 2022. 5. Submission of proposal to revise the Corporation's Guidelines for Corporate Governance to the shareholders' general meeting for discussion on May 27, 2021. 6. Submission of proposal to revise the Corporation's Rules of Procedure for Shareholders' Meetings to the shareholders' general meeting for discussion on May 27, 2021. 7. Formulation of proposal submission "Revisions to the Corporation's 'Rules for the Election of Directors'" to shareholders' general meeting on May 27, 2021 for discussion. 8. Revisions to the Corporation's "Regulations of Disclosure Information".
2021/4/14	9-13	<ol style="list-style-type: none"> 1. Donation for the Taroko Train Accident on April 2, 2021. 2. Proposal of plans to utilize working capital for advanced settlement of syndicated loan principal payments. 3. Formulation of plans for issuance of unsecured ordinary corporate bonds. 4. Formulation of plans for issuance of non-guarantee commercial paper. 5. Tender strategies for HSR station parking lot outsourcing management contract. 6. Appointed vice president for the Corporation's Travel and Business Development Division to serve as the head of the division. 7. Revisions to the Corporation's THSRC Organizational Regulation and Organizational Structure.
2021/5/5	9-14	<ol style="list-style-type: none"> 1. Proposal for recommendation of candidates for 11th HSR Coordination Committee members. 2. Suggestions regarding annual performance bonuses for 2020.
2021/6/16	9-15	<ol style="list-style-type: none"> 1. Continued appointment of Corporation Core Technology Development Department foreign personnel. 2. Renewal of President's Office senior consultant contract. 3. Suggestion for official appointment and promotion of acting Maintenance Division manager. 4. Suggestions regarding annual employee performance bonuses for 2020. 5. Suggestions regarding distributions of chairman and president bonuses for 2020. 6. Procurement and bid selection suggestions for "Station Electronic Draft Capture (EDC) Replacement Project" (Contract number: T7-20-007). 7. Extension or transfer of letters of credit that expired during the second half of 2021. 8. Extension of quota for derivative assets that expired during the second half of 2021. 9. Donation of retired THSRC trailers and track inspection vehicles to the National Railway Museum Preparatory Office. 10. Postponement of 2021 shareholder meeting in accordance with Financial Supervisory Commission regulations regarding preventive measures for the COVID-19 pandemic.

Date	Session (Term-Sitting)	Important Resolutions
2021/7/14	9-16	<ol style="list-style-type: none"> 1. Establishment of 2020 surplus distribution ex-dividend date and cash dividend distribution date. 2. Suggestions for supplementary agreements to upgrading of mainframe for Traffic Control System (TCS) Package 2 (Contract number: E221). 3. Procurement and bid selection suggestions for "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-21-001). 4. Suggestions regarding performance goals for newly transferred managers in 2021.
2021/8/4	9-17	<ol style="list-style-type: none"> 1. 2020 Q2 financial report and authorization to adjust disclosure wording for future financial reports. 2. Revision of the Corporation's "Internal Control System" and "Regulations Governing Self-Evaluations of Internal Control System". 3. Suggestions for supplementary agreements to HSR station shopping mall lease contract with catering corporations affiliated with the TECO Group. 4. Reductions and deferred payment plans for HSR station parking lot outsourcing management fixed payments in response to the COVID-19 pandemic. 5. Procurement strategy suggestions for "Transfer and establishment of second phase core functions for new generation ticketing system". 6. Renewal of President's Office consultant contract. 7. Suggestions for Special Committee member composition as THSRC Institutional Director Ministry of Transportation and Communications appointed a new director representative, resulting in Director Yueh-Hsiang Chen leaving office and resigning as a member of the Special Committee.
2021/9/15	9-18	<ol style="list-style-type: none"> 1. Changed Corporation CPAs starting from 2021 Q3 in accordance with internal adjustments at Deloitte & Touche. 2. Suggestions for renewal of director and officer liability insurance. 3. Suggestions regarding promotion of Public Affairs Division head. 4. Continued appointment of Corporation Core Technology Development Department foreign personnel. 5. Revisions to the Corporation's "Regulations Governing Board Performance Evaluations".
2021/10/13	9-19	<ol style="list-style-type: none"> 1. Procurement strategy suggestions for management and supervisor consultant services for track and core mechanical and electrical equipment for second train inspection and maintenance plant at Zuoying maintenance depot. 2. Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities". 3. Suggestions regarding adjustment of HSR trainset requirements. 4. Formulation of 2022 audit report for Audit Office. 5. Formulation of Corporate Governance & Nominating Committee, Audit Committee, and Remuneration Committee work plans for 2022.
2021/11/3	9-20	<ol style="list-style-type: none"> 1. Personnel adjustments following retirement of the Corporation's senior operations vice president and Operations Division manager. 2. Continued appointment of Corporation Core Technology Development Department consultant. 3. Continued appointment of Corporation Core Technology Development Department foreign personnel. 4. Suggestions regarding performance goals for managers in 2022. 5. Suggestions regarding distribution of in-work compensation for the Chinese New Year national holiday in 2022. 6. Proposal for approval to sign agreement with THSRC Labor Union. 7. Formulation of the Corporation's budget for 2022. 8. Proposal for approval to sign E101 and E102 contract rights transfer agreement and guarantee for payment of contractor retained funds and return of advance payments. 9. Asset adjustment strategies for 700T train 7G1 (major repairs) equipment upgrading contract. 10. Donation for Yancheng District Tower Block Fire on October 14, 2021.
2021/12/22	9-21	<ol style="list-style-type: none"> 1. Extension of quota for derivative assets that expired during the first half of 2022. 2. Extension or transfer of letters of credit that expired during the first half of 2022. 3. Submitted budget figures and financial modules for 2022 to MOTC. 4. Suggestions regarding year-end bonuses for 2021. 5. Suggestions for 2022 salary adjustments. 6. Renewal of President's Office senior consultant contract. 7. Revisions to the Corporation's THSRC Organizational Regulation and Organizational Structure.
2022/1/19	9-22	<ol style="list-style-type: none"> 1. Report of issuance of domestic unsecured ordinary corporate bonds in 2021 at shareholder meeting. 2. Bid selection suggestions for convenience store operators and in-station sales counters at Zuoying Station. 3. Distribution suggestions for 2021 employee compensation and bonuses. 4. Distribution suggestions for 2021 director remuneration. 5. Donation and sponsorship plan for 2022. 6. Implementation status of Corporate Governance & Nominating Committee, Audit Committee, and Remuneration Committee in 2021. 7. Formulation of suggestions for assessing implementation status of board and functional committees in 2021.

Date	Session (Term-Sitting)	Important Resolutions
2022/2/23	9-23	<ol style="list-style-type: none"> 2021 financial report. 2021 CPA audits. Change of Corporation CPAs starting from 2022 Q1. Non-audit services plans for 2022 and follow-up of contracted and invoiced non-audit services. Procurement and bid selection suggestions for periodic maintenance (PM) materials for rolling stock in 2023-2024. Suggestions regarding HSR station shopping mall lease contract with catering corporations affiliated with the TECO Group. Procurement strategy suggestions for "Expansions to data transfer system (DTS) and fiber optic cable (FOC) system". Procurement strategy suggestions for HSR trainset retendering (Contract number: E321). Suggestions regarding epidemic prevention bonuses for 2021 Revisions to the Corporation's "Regulations for Management of the Prevention of Insider Trading" Self-assessment results of internal control system for 2021 2021 Business Report Report of implementation status of corporate governance Formulation of 2022 shareholder general meeting date, venue, and main topics
2022/3/16	9-24	<ol style="list-style-type: none"> Suggestions relating to results of president performance audits for 2021 Suggestions relating to results of manager performance audits for 2021 Suggestions regarding distributable surpluses for 2021 Revisions to the Corporation's Handling Procedures for Asset Acquisition or Disposal Formulation of plans for issuance of unsecured ordinary corporate bonds Formulation of plans for issuance of non-guarantee commercial paper Procurement strategy and bid selection suggestions for "HSR meal boxes" Suggestions regarding tendering strategies for "THSRC media outsourcing" Afforestation sponsorship under "2022 Go Green Together" sustainable development program Donation to the Ukraine Refugee Assistance Program Revisions to the Corporation's Articles of Incorporation Revisions to the Corporation's Guidelines for Corporate Governance Revisions to the Corporation's Sustainable Development Best Practice Principles Revisions to the Corporation's Rules of Procedure for Shareholders' Meetings Report on distribution of director remuneration for 2021

(3) Any Recorded or Written Dissenting Opinions of Directors in the Current Year and up to the Publication Date of the Annual Report in Relation to Important Resolutions and the Content of Said Dissenting Opinion: None.

(4) Resignation or Dismissal of the Company's Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D in the Current Year and up to the Publication Date of the Annual Report: None.

4. Information on CPA Professional Fees

(1) Audit Fees

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee (Note)	Total	Remarks
Deloitte & Touche	Mei-Yen Chiang	2021.1.1-2021.6.30	3,751	2,843	6,594	Internal rotation arrangement of Deloitte & Touche
	Kwan-Chung Lai					
	Mei-Yen Chiang	2021.7.1-2021.12.31				
	Kuo-tyan Hong					

Note: Non-audit fees were tax compliance audit fee \$743 thousand and other non-audit fee \$2,100 thousand. Other non-audit fees included ISO 27001 implementation and third-party validation services, the independent external review of Sustainability Bond verification, financial advisory services and accounting consulting services.

(2) In the Event of a Change in Accounting Firm Where the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place are Lower Than Those for the Previous Fiscal Year, the Amount of Audit Fees Before and After Said Change and The Reasons Should Be Disclosed: None.

(3) In the Event Where Audit Fees Paid for the Current Fiscal Year are Lower Than Those of the Previous Fiscal Year by More Than 10 Percent, Reductions in the Amount of Audit Fees, Reduction Percentage, and Reason(S) Should be Disclosed: None.

5. Replacement of CPA

(1) Regarding the former CPA

Replacement Date	Approved by the Board of Directors on February 23, 2022.		
Replacement reasons and explanations	CPA change made effective beginning in the first quarter of 2022 due to internal rotation at Deloitte & Touche.		
Describe if the Company terminated the CPA or if the CPA did not accept the appointment	Parties		CPA
	Status		THSRC
	Termination of appointment	Not applicable	Not applicable
	No longer accepted (continued) appointment	Not applicable	Not applicable
Reasons for issuing audit reports other than unqualified audit reports over the past two years	None		
Differences with the company	Yes		Accounting principle or practices
			Disclosure of Financial Statements
			Audit scope or procedures
			Others
	None	V	
	Remarks/specify details: None		
Other disclosures (according to Items 1-4 to 1-7 of Paragraph 6, Article 10 of these principles)	None		
Replacement Date	Approved by the Board of Directors on September 15, 2021.		
Replacement reasons and explanations	CPA change made effective beginning in the third quarter of 2021 due to internal rotation at Deloitte & Touche.		
Describe if the Company terminated the CPA or if the CPA did not accept the appointment	Parties		CPA
	Status		THSRC
	Termination of appointment	Not applicable	Not applicable
	No longer accepted (continued) appointment	Not applicable	Not applicable
Reasons for issuing audit reports other than unqualified audit reports over the past two years	None		
Differences with the company	Yes		Accounting principle or practices
			Disclosure of Financial Statements
			Audit scope or procedures
			Others
	None	V	
	Remarks/specify details: None		
Other disclosures (according to Items 1-4 to 1-7 of Paragraph 6, Article 10 of these principles)	None		

(2) Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Jui-Hsuan Ho and Kuo-Tyan Hong
Date of appointment	Approved by the Board of Directors on February 23, 2022
Consultant comments and opinions on accounting treatments or principles regarding specific transactions and possible comments issued by the CPA on Company financial reports prior to engagement.	None
Succeeding CPA's written opinion of disagreement with former CPA	None

Name of accounting firm	Deloitte & Touche
Name of CPA	Mei-Yen Chiang and Kuo-Tyan Hong
Date of appointment	Approved by the Board of Directors on September 15, 2021
Consultant comments and opinions on accounting treatments or principles regarding specific transactions and possible comments issued by the CPA on Company financial reports prior to engagement.	None
Succeeding CPA's written opinion of disagreement with former CPA	None

(3) Response of former CPAs on Articles 10.6.1 and 10.6.2.3 of these principles: None.

6. In the Event Where the Corporate Chairperson, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of its Certified Public Accountant or at an Affiliated Enterprise of Said Accounting Firm, the Name and Position of the Person, and the Period During Which the Position was Held, Should be Disclosed: None.

7. Information on Share Transfers and Pledge Changes

Changes in shareholding and pledge holdings of directors, managers, and shareholders holding more than 10% of shares in the current year and up to the publication date of this annual report. If the shares were traded with related parties, the name of the transferee, relationship between transferee and directors, managers and major shareholders, and obtained or pledged shares should be disclosed.

(1) Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: thousand shares

Title	Name	2021		As of 2022/03/31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
-	-	-	-	-	-

(2) Shares Trading with Related Parties

Unit: thousand shares

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
-	-	-	-	-	-	-

(3) Shares Pledge with Related Parties: None

8. Information Disclosing the Spouse, Kinship within the Second Degree, and Relationship between any of the Top Ten Shareholders:

Information Relating to Relationships Between Any of the Top Ten Shareholders

Unit: thousand shares, % (as of 2022/03/28)

Name (Note1)	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ministry of Transportation and Communications, R.O.C.	2,420,000	43.00	0	0	0	0	None	None	Corporation institutional director.
Wen-Jong Chi	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Chin-Hong Pan	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
China Aviation Development Foundation	260,040	4.62	0	0	0	0	None	None	Corporation institutional director.
Yao-Chung Chiang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Lee-Ching Ko	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
China Steel Corporation	242,148	4.30	0	0	0	0	None	None	Corporation institutional director.
Chao-Tung Wong	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Taiwan Sugar Corporation	200,000	3.55	0	0	0	0	None	None	Corporation institutional director.
Chao-Yih Chen	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
TECO Electric & Machinery Co., Ltd.	190,060	3.38	0	0	0	0	None	None	Corporation institutional director.
Mao-Hsiung Huang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Cathay Life Insurance Co., Ltd.	188,815	3.35	0	0	0	0	None	None	Corporation institutional shareholder.
Tiao-Kuei Huang	0	0	0	0	0	0	None	None	Chairman of Cathay Life Insurance Co., Ltd.
Management Committee of National Development Fund, Executive Yuan	120,000	2.13	0	0	0	0	None	None	Corporation institutional director.
Shien-Quey Kao	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.

Name (Note1)	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
CMC Magnetics Corporation	96,380	1.71	0	0	0	0	None	None	Corporation institutional shareholder.
Ming-Sen Wong	0	0	0	0	0	0	None	None	Chairman of CMC Magnetics Corporation
Mega International Commercial Bank Co., Ltd.	71,100	1.26	0	0	0	0	None	None	Corporation institutional shareholder.
Chao-Shun Chang	0	0	0	0	0	0	None	None	Chairman of Mega International Commercial Bank Co., Ltd.
Hua Nan Commercial Bank Co., Ltd.	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Yun-Peng Chang	0	0	0	0	0	0	None	None	Chairman of Hua Nan Commercial Bank Co., Ltd.
First Commercial Bank Co., Ltd.	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Ye-Chin Chiou	0	0	0	0	0	0	None	None	Chairman of First Commercial Bank Co., Ltd.
Taiwan Cooperative Bank	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Paul, Chung-Dar Lei	0	0	0	0	0	0	None	None	Chairman of Taiwan Cooperative Bank

Note 1: Names of institutional shareholders and representatives should be listed separately.

Note 2: Shareholding ratio is calculated as the total number of shares held by the shareholder, spouses, minors, or held in the names of other individuals.

9. Shareholding of Corporation Director, Management and the Business that is Controlled by the Corporation Directly or Indirectly on Re-Invested Enterprises and Total Shareholding Ratio: None.



1

雲林
Yunlin

5

Financing Information

1. Capital and Share Information

(1) Sources of Capital

Year/ Month	Issue Price	Authorized Capital		Paid-Up Capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousand)	Shares (thousand shares)	Amount (NT\$ thousand)	Capital Source (NT\$ thousand)	Collateral of assets other than cash provided for shares	Other
1998/5	10	5,000,000	50,000,000	1,250,000	12,500,000	Founding capital stock 12,500,000	-	-
1999/4	10	5,000,000	50,000,000	2,000,000	20,000,000	Cash capital increase 7,500,000	-	-
1999/8	10	5,000,000	50,000,000	2,017,350	20,173,500	Surplus to capital increase 173,500	-	-
2000/5	10	5,000,000	50,000,000	3,017,350	30,173,500	Cash capital increase 10,000,000	-	-
2000/7	10	5,000,000	50,000,000	4,072,100	40,721,000	Cash capital increase 10,547,500	-	-
2001/9	10	5,000,000	50,000,000	4,999,900	49,999,000	Cash capital increase 9,278,000	-	Note 2
2003/1	10	10,000,000	100,000,000	7,689,900	76,899,000	Cash capital increase 26,900,000 (Series A Registered Preferred Stock)	-	-
2003/9	10	10,000,000	100,000,000	7,824,149.5	78,241,495	Cash capital increase 1,342,495 (Series B Registered Preferred Stock)	-	-
2004/1	9.3	10,000,000	100,000,000	7,985,449.5	79,854,495	Cash capital increase 1,613,000 (Type 1 Series C Registered Preferred Stock)	-	-
2004/2	9.3	10,000,000	100,000,000	8,136,849.5	81,368,495	Cash capital increase 1,514,000 (Type 2 Series C Registered Preferred Stock)	-	-
2004/3	9.3	10,000,000	100,000,000	8,211,449.5	82,114,495	Cash capital increase 746,000 (Type 3 Series C Registered Preferred Stock)	-	-
2004/4	9.3	10,000,000	100,000,000	8,319,069.5	83,190,695	Cash capital increase 1,076,200 (Type 4 Series C Registered Preferred Stock)	-	-
2004/8	9.3	10,000,000	100,000,000	8,956,146.5	89,561,465	Cash capital increase 6,370,770 (Type 5 Series C Registered Preferred Stock)	-	-
2004/9	9.3	10,000,000	100,000,000	9,020,646.5	90,206,465	Cash capital increase 645,000 (Type 6 Series C Registered Preferred Stock)	-	-
2004/11	9.3	10,000,000	100,000,000	9,057,656.5	90,576,565	Cash capital increase 370,100 (Type 7 Series C Registered Preferred Stock)	-	-
2005/4	9.3	11,500,000	115,000,000	9,703,556.5	97,035,565	Cash capital increase 6,459,000 (Type 8 Series C Registered Preferred Stock)	-	-
2005/9	9.3	12,000,000	120,000,000	10,510,056.5	105,100,565	Cash capital increase 8,065,000 (Type 9 Series C Registered Preferred Stock)	-	-
2008/4	10	12,000,000	120,000,000	10,510,089.8	105,100,898	332.85 First investor application of conversion for convertible unsecured overseas corporate bonds in 2007	-	-
2008/6	10	12,000,000	120,000,000	10,532,224	105,322,243	221,345 First investor application of conversion for convertible unsecured overseas corporate bonds in 2007	-	-
2015/8	10 9.3	12,000,000	120,000,000	6,513,232	65,132,326	Capital reduction (40,189,917) (Withdrawal of preferred shares)	-	-
2015/10	10	12,000,000	120,000,000	2,605,293	26,052,930	Capital reduction (39,079,396) (Withdrawal of common stock)	-	Note 3

Year/ Month	Issue Price	Authorized Capital		Paid-Up Capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousand)	Shares (thousand shares)	Amount (NT\$ thousand)	Capital Source (NT\$ thousand)	Collateral of assets other than cash provided for shares	Other
2015/11	10	12,000,000	120,000,000	5,605,293	56,052,930	Cash capital increase 30,000,000 (Privately placed common stock)	-	-
2016/10	10	12,000,000	120,000,000	5,628,293	56,282,930	Cash capital increase 230,000	-	Note 4

Note: 1. The Corporation completed effective registration as a public company under reissued Securities & Futures Institute (90) Tai Tsai Cheng (1) No. 120792 decree.
2. Effective date and decree of 2001/9 cash capital increase: 2001/7/6 Tai Tsai Cheng (1) No. 144286.
3. Effective date and decree of 2015/10 common stock capital reduction: 2015/10/2 Financial-Supervisory-Securities-Fa No. 1040039751.
4. Effective date and decree of 2016/10 cash capital increase: 2016/9/12 Tai-Zheng-Shang-Yi-Zi No. 1051804339.
5. Current issued stocks in circulation are: 5,628,293,058 shares of common stock, including 2,628,293,058 shares of publicly issued common stock and 3,000,000,000 shares of privately placed common stock.

(2) Share Types

Unit: thousand shares (As of 2022/3/28)

Share Type	Authorized Capital			Remarks
	Issued Shares	Unissued Shares	Total Shares	
Common shares	2,628,293	6,371,707	12,000,000	Publicly issued
	3,000,000			Privately placed

Note: The Corporation went public on 2016/10/27.

Information for Shelf Registration: Not applicable.

(3) Shareholding Structure

Common shares

Units: people, thousand shares, % (As of 2022/3/28)

Shareholders Quantity	Government Agencies	Public Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
	Number of Shareholders	2	1	17	405	130,636	674
Shareholding	2,540,000	200,000	539,708	969,518	864,870	514,197	5,628,293
Shares ratio	45.13	3.55	9.59	17.22	15.37	9.14	100.00

Note: According to Article 47 of the Audit Act (Definition of public enterprises), the following public enterprises and institutions shall be audited by an auditing agency:

1. Sole government ownership.
2. Joint government and private ownership with the government holding over 50 percent of the stock.
3. Reinvestment by the enterprises described in paragraphs 1 and 2, which accounts for over 50 percent of the total capital of the reinvested enterprise.

(4) Distribution of Shares

Common shares

Units: people, shares (face value of each share being NT\$10)
(As of 2022/3/28)

Share breakdown			Number of Shareholders	Shareholding	Shareholding Ratio (%)
1	to	999	21,360	4,167,134	0.074%
1,000	to	5,000	79,214	178,876,665	3.178%
5,001	to	10,000	15,671	124,935,410	2.220%
10,001	to	15,000	4,840	62,081,367	1.103%
15,001	to	20,000	3,501	65,269,703	1.160%
20,001	to	30,000	2,421	62,531,102	1.111%
30,001	to	40,000	1,490	54,926,243	0.976%
40,001	to	50,000	703	32,925,097	0.585%
50,001	to	100,000	1,385	100,260,283	1.781%
100,001	to	200,000	562	79,509,687	1.413%
200,001	to	400,000	267	74,915,496	1.331%
400,001	to	600,000	89	43,970,315	0.781%
600,001	to	800,000	35	24,497,376	0.435%
800,001	to	1,000,000	39	35,451,376	0.630%
1,000,001	to	1,200,000	21	23,628,730	0.420%
1,200,001	to	1,400,000	11	14,024,314	0.249%
1,400,001	to	1,600,000	15	22,282,089	0.396%
1,600,001	to	1,800,000	13	22,098,936	0.393%
1,800,001	to	2,000,000	10	19,315,458	0.343%
Over 2,000,001			88	4,582,626,277	81.421%
Total			131,735	5,628,293,058	100.000%

(5) List of Major Shareholders

Unit: thousand shares (As of 2022/3/28)

Shareholder's Name	Shareholding	Shareholding Ratio (%)
MOTC	2,420,000	43

Note1: Shareholders holding more than 5% of shares.

Note 2: For more information on the top ten shareholders by shareholding ratio, shareholding, and shareholding ratio, please refer to Chapter Four (Corporate Governance) of this report.

(6) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$/thousand shares

Item	Year	2020	2021	2022/1/1-2022/3/31
Market Price per Share				
Highest Market Price		39.95	31.70	29.65
Lowest Market Price		25.95	26.80	28.00
Average Market Price		33.30	29.84	29.00
Net Worth per Share				
Before distribution		12.45	12.04	-
After distribution		11.40	(Note 1)	-
Earnings per Share				
Weighted Average Shares (thousand shares)		5,628,293	5,628,293	-
Earnings per Share		1.04	0.64	-
Dividends per Share				
Cash Dividends		1.05	0.7580 (Note 1)	-
Stock Dividends		-	-	-
• Dividends from Retained Earnings		-	-	-
• Dividends from Capital Surplus		-	-	-
Accumulated Undistributed Dividends		-	-	-
Return on Investment				
Price/Earnings Ratio (Note 2)		32.02	46.63	-
Price/Dividend Ratio (Note 3)		31.71	39.37 (Note 1)	-
Cash Dividend Yield (Note 4)		3.15%	2.54% (Note 1)	-

Note 1: The amount of dividends for 2021 is currently pending stockholders' approval.

Note 2: Price/Earnings Ratio = Average market price / Earnings per share.

Note 3: Price/Dividend Ratio = Average market price / Cash dividends per share.

Note 4: Cash Dividend Yield = Cash dividends per share / Average market price.

(7) The Corporation's Dividend Policy and Implementation Status

1) Dividend Policy in Articles of Incorporation

If the final annual accounts of the Corporation show a net profit for a given year, the profit-sharing compensation to employees and Directors shall first be allocated from the net profit pursuant to Article 35-1. If the Board of Directors then resolves to make distributions, it shall prepare an earnings distribution proposal, including therein the amount of any accumulated undistributed earnings and the amount equaling to the remainder of the net profit for the given year after further deduction for the payment of all taxes required by law, the allocation of the 10 percent legal reserve (no such allocation is necessary if the legal reserve is maintained at the level of the paid-in capital of the Corporation), and the provision or reversal for the special reserve pursuant to law or regulation, and submit the proposal to a shareholders' meeting for resolution on the distribution of dividends to shareholders.

When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 60% percent of the earnings available for distribution, however, is not obligatory if the earnings cumulatively available for distribution is less than 0.5 percent of its paid-in capital. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50% of the total dividends.

2) Implementation Status

The proposal for the distribution of 2020 profits was passed at the meeting of the Board of Directors:

The proposed distribution of cash dividends is NT\$ 0.7580 per share to a total of NT\$4,266,246 thousand. An ex-dividend date will be set following approval by the shareholders' general meetings.

(8) Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting:

Not applicable. The shareholders' meeting has not proposed any stock dividend distribution.

(9) Employee Compensation and Director Remuneration

1) The percentage or range with respect to employee and director compensation, as set forth in the Corporation's 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.

2) The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

A. In 2021, 2% of net profit was set as employee compensation, amounting to NT\$87,500 thousand in cash; 0.5% of net profit was set as director remuneration, amounting to NT\$21,875 thousand in cash.

B. Material differences between estimated amounts and amounts resolved by the Board of Directors on or before the date that annual financial statements are approved are adjusted in the year where compensation and remuneration were recognized. If a change in resolved amounts occurs after annual financial statements were approved, the differences are recorded as a change in accounting estimates and adjusted in the following year.

3) Board resolutions on employee and director compensation distributions:

A. Amount of any employee compensations distributed in cash or stocks and amount of compensation for directors; if there are any discrepancies between these amounts and estimated figures for the fiscal year where these expenses are recognized, the discrepancies, their causes, and accounting treatment should be disclosed:

On January 19 and February 23, 2022, the Board approved a resolution for employee compensation of NT\$87,500 thousand and director remuneration of NT\$21,875 thousand, payable in cash, for the year ended December 31, 2021.

There was no difference between such amounts and the respective amounts recognized in the financial statements for the year ended December 31, 2021.

B. The amount of any employee compensation distributed in stock and the size of that amount as a percentage of the sum of the after-tax net income stated in individual financial reports for the current period and total employee compensation:

Not applicable. There are no plans to pay employee compensation in stock.

4) Information on 2020 distribution of compensation of employees and directors (with an indication of the number of shares, monetary amount, and stock price of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated:

Employee compensation of NT\$111,165 thousand and director remuneration of NT\$27,791 thousand for 2020 was distributed in 2021 in cash. There was no discrepancy between said amounts and respective amounts recognized in the financial statements for 2020.

(10) Corporate buy-back of corporation shares: None.

2. Information on Corporate Debts

(1) Unpaid domestic corporate bonds:

Issuance of Corporate Bonds

Issuance		1st unsecured corporate bond for 2019
Issuing Date		2019/11/14
Denomination		NT\$ 10 million
Issuance and Transaction Location		Not Applicable
Offering Price		Par
Total Amount		NT\$ 8 billion
Coupon Rate		Fixed Rate: 1.60%
Maturity		30 years maturity: 2049/11/14
Guarantor		None
Trustee		Taishin International Bank
Underwriter		Yuanta Securities
Legal Counsel		LCS & PARTNERS
Auditor		Deloitte & Touche
Repayment		Bullet
Outstanding		NT\$ 8 billion
Redemption or Early Repayment Clause		None
Covenants		None
Credit Rating		Taiwan Ratings Corp. Date: 2019/10/07 Rating: twAA+ (Issuer rating)
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or other securities	None
	Conversion Right	None
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

Issuance		1st unsecured corporate bond for 2020
Issuing Date		2020/07/01
Denomination		NT\$10 million
Issuance and Transaction Location		Not Applicable
Offering Price		Par
Total Amount		NT\$10.5 billion
Coupon Rate		Fixed Rate: 1.30%
Maturity		30 years maturity: 2050/07/01
Guarantor		None
Trustee		Taishin International Bank
Underwriter		Yuanta Securities
Legal Counsel		LCS & PARTNERS
Auditor		Deloitte & Touche
Repayment		Bullet

Issuance		1st unsecured corporate bond for 2020
Outstanding		NT\$10.5 billion
Redemption or Early Repayment Clause		None
Covenants		None
Credit Rating		Taiwan Ratings Corp. Date: 2019/10/07 Rating: twAA+ (Issuer rating)
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or other securities	None
	Conversion Right	None
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

Issuance		1st unsecured corporate bond for 2021 Tranche A
Issuing Date		2021/07/01
Denomination		NT\$10 million
Issuance and Transaction Location		Not Applicable
Offering Price		Par
Total Amount		NT\$4 billion
Coupon Rate		Fixed Rate: 0.32%
Maturity		3 years maturity: 2024/07/01
Guarantor		None
Trustee		Hua Nan Commercial Bank Ltd.
Underwriter		MasterLink Securities
Legal Counsel		LCS & PARTNERS
Auditor		Deloitte & Touche
Repayment		Bullet
Outstanding		NT\$4 billion
Redemption or Early Repayment Clause		None
Covenants		None
Credit Rating		Taiwan Ratings Corp. Date: 2021/04/23 Rating: twAAA (Issuer rating)
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or other securities	None
	Conversion Right	None
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

Issuance		1st unsecured corporate bond for 2021 Tranche B
Issuing Date		2021/07/01
Denomination		NT\$10 million
Issuance and Transaction Location		Not Applicable
Offering Price		Par
Total Amount		NT\$4 billion
Coupon Rate		Fixed Rate: 0.35%

Issuance		1st unsecured corporate bond for 2021 Tranche B
Maturity		4 years maturity: 2025/07/01
Guarantor		None
Trustee		Hua Nan Commercial Bank Ltd.
Underwriter		MasterLink Securities
Legal Counsel		LCS & PARTNERS
Auditor		Deloitte & Touche
Repayment		Bullet
Outstanding		NT\$4 billion
Redemption or Early Repayment Clause		None
Covenants		None
Credit Rating		Taiwan Ratings Corp. Date: 2021/04/23 Rating: twAAA (Issuer rating)
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or other securities	None
	Conversion Right	None
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

Issuance		2nd unsecured corporate bond for 2021
Issuing Date		2021/08/30
Denomination		NT\$10 million
Issuance and Transaction Location		Not Applicable
Offering Price		Par
Total Amount		NT\$1 billion
Coupon Rate		Fixed Rate: 0.30%
Maturity		3 years maturity: 2024/08/30
Guarantor		None
Trustee		Hua Nan Commercial Bank Ltd.
Underwriter		MasterLink Securities
Legal Counsel		LCS & PARTNERS
Auditor		Deloitte & Touche
Repayment		Bullet
Outstanding		NT\$1 billion
Redemption or Early Repayment Clause		None
Covenants		None
Credit Rating		Taiwan Ratings Corp. Date: 2021/04/23 Rating: twAAA (Issuer rating)
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or other securities	None
	Conversion Right	None
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

(2) Current corporate bonds: None.

3. Information on Preferred Stock

(1) Preferred stock in circulation: None.

(2) Current preferred stock: None.

4. Information on Overseas Depository Receipts: None.

5. Information on Employee Stock Option Certificates: None.

6. Information on Restricted Stock Awards: None.

7. Information on Mergers or Acquisitions and Issuance of New Shares Due to Share Acquisitions from Other Companies: None.

8. Implementation of Capital Utilization Plans

The funds raised by the Corporation through domestic issuance of corporate bonds are distributed in accordance with our fund utilization plans and actual needs. As of Q1 2022, the following fund utilization plans are underway:

Project	Funds Raised	Fund Utilization Plan	Implementation
Tranche 2 of unsecured ordinary corporate bonds in 2021 (Qualification to issue sustainable development bonds approved under Taipei Exchange Letter No. 1100007896 issued on August 3, 2021)	NT\$ 1 billion	Used to support investment plans with green (establishment of workshop automated painting plant equipment) and social (upgrading of passenger information system) benefits	As of Q1 2022, expected expenditures were NT\$100,000 thousand and expected progress was 46.0%. Actual expenditures were NT\$93,208 thousand and accumulated progress was 10.2%. Unutilized funds were NT\$898,120 thousand due to delays in project developments from impacts of COVID-19, in turn causing a delay in disbursement of funds. Quarterly reports on fund utilization are submitted within 10 days from the end of each quarter. Implementation of fund utilization adheres to our original plans and there were no significant differences between expected and actual benefits.



6

Operational Overview

1. Operations Scope and Review of Current Operations

(1) Business Scope

Our main scope of business encompasses high-speed rail operations and affiliated businesses.

1) High-speed rail operations

THSRC operations adhere to the principle of providing passengers with safe and speedy transportation. After more than 10 years of effort, we have now become the transportation backbone of Taiwan's western corridor. THSRC provides intercity high-speed rail services via 12 stations: Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying, and we are constantly enhancing passenger services through service planning, promotional activities, and multiple ticket-purchase channels to expand market share. In 2021, due to the COVID-19 pandemic, our passenger volumes declined by 24.07% compared to 2020. The total passenger volumes in 2021 reached 43.46 million.

2) Operation of affiliated business services

To enhance HSR value and increase revenues from affiliated business, THSRC operates a number of affiliated business, encompassing retail space leasing (including convenience stores, restaurants, and service counters), station parking lots, advertisement media leasing (including lightboxes, column space, wall space, product displays, and train decorations), retail, trolley sales, and others.

(2) Results of Operations

1) Operational overview

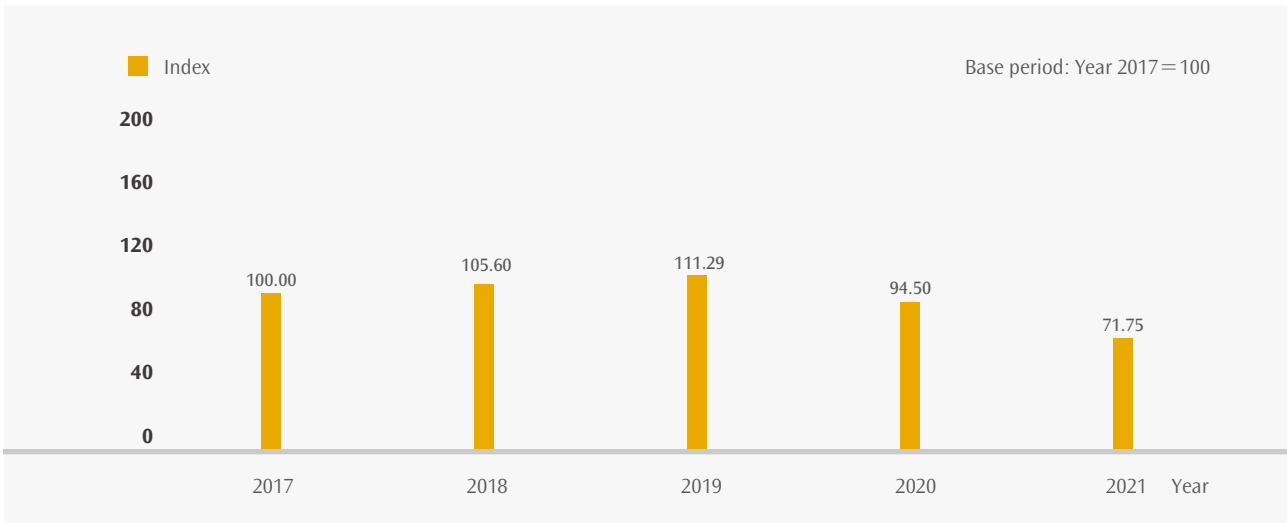
A. Passenger service

In 2021, THSRC carried over 43.46 million passengers, a decrease of 24.07% over the prior year, making for a total of 7,569 million passenger-kilometers. We ran a total of 46,792 trains, a decrease of 11.84% over the prior year, resulting in a total of 15,175 million seat-kilometers. Our loading factor was 49.88%, a decrease of 7.06% over the prior year, and punctuality was 99.00%, a decrease of 0.71% over the prior year.

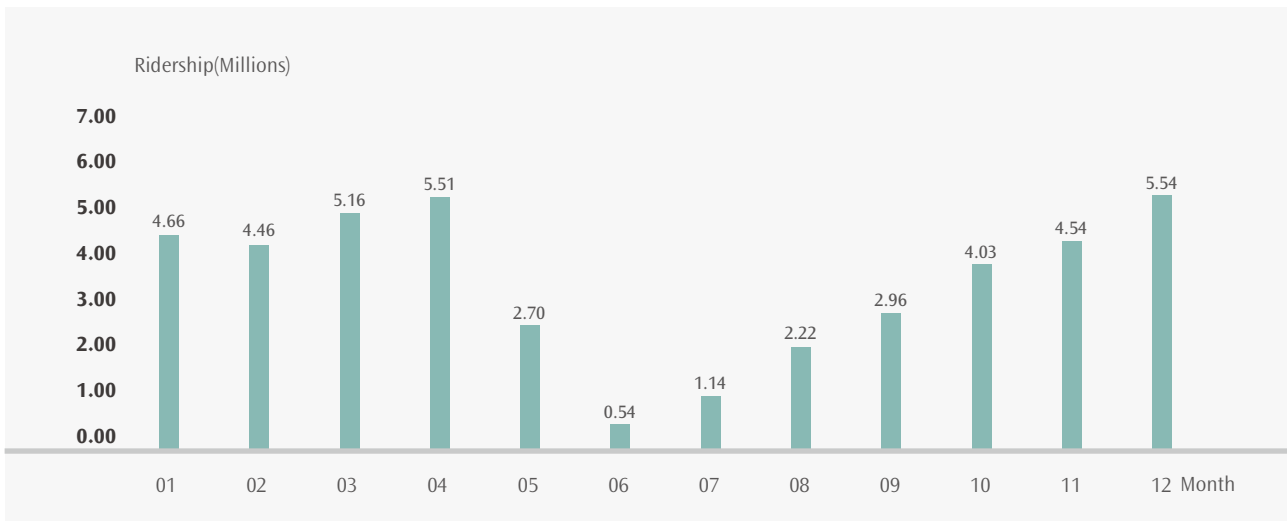
Measures of Operation Performance, 2020-2021

Item	2020	2021
1. Train Services	53,076	46,792
2. Ridership (in millions)	57.24	43.46
3. Seat-kilometers (in millions)	17,407	15,175
4. Passenger-kilometers (in millions)	9,912	7,569
5. Punctuality (as % of trains arriving within five minutes of scheduled time)	99.71	99.00%
6. Loading factor (passenger-km/seat-km)	56.94%	49.88%

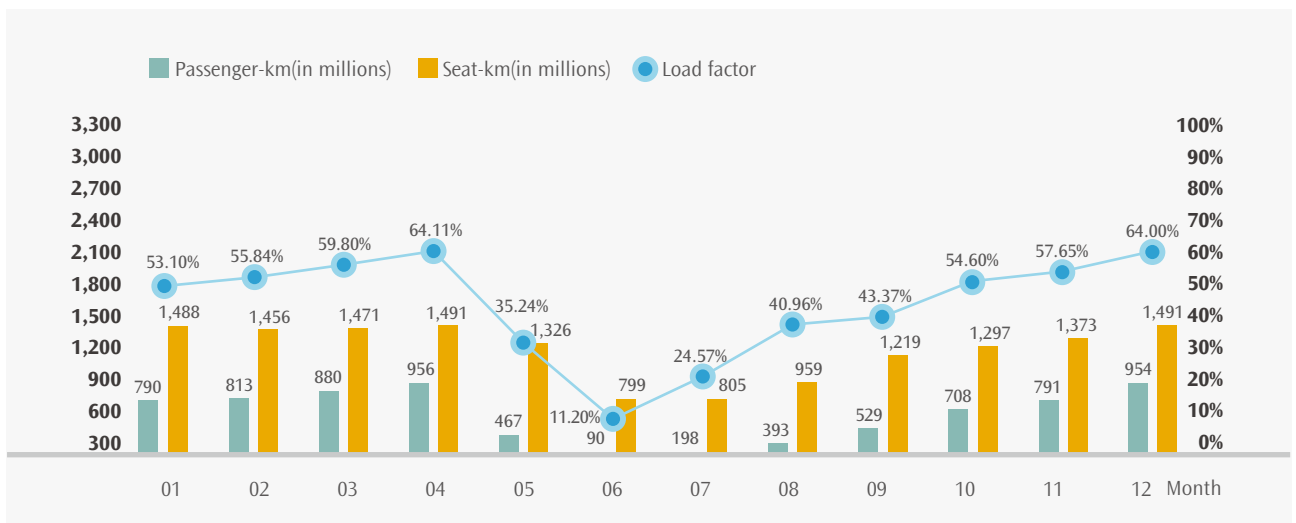
HSR Operational Growth Index 2017~2021



Monthly Ridership in 2021



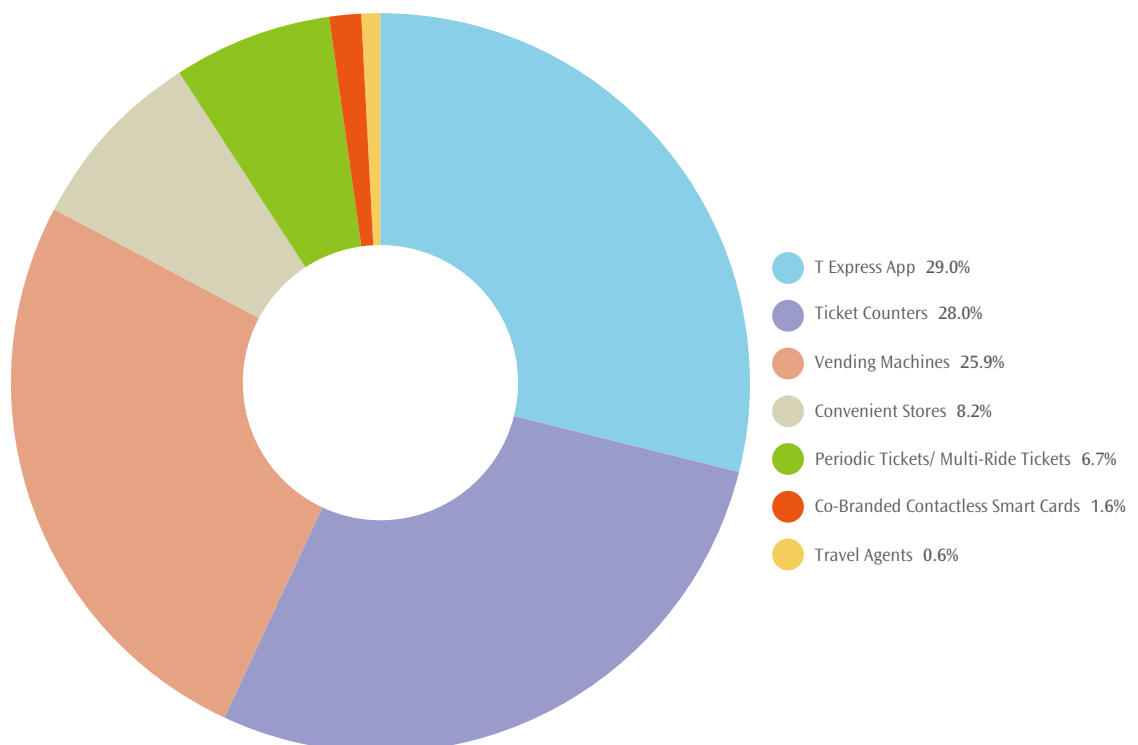
Monthly passenger kilometers, seat kilometers, and loading factor in 2021



B. Multiple booking and ticketing options

We offer a number of channels to make booking and paying for tickets easy and convenient. Passengers can choose to purchase tickets at Station ticket windows, vending machines and convenient stores, or via our online booking system, the T Express App, an interactive voice reservation system, or a joint ticketing program with travel agents. Passengers can also board trains using contactless smartcards such as EasyCard co-branded credit cards and iPass co-branded credit cards.

Booking and Ticket Purchase by Channels in 2021



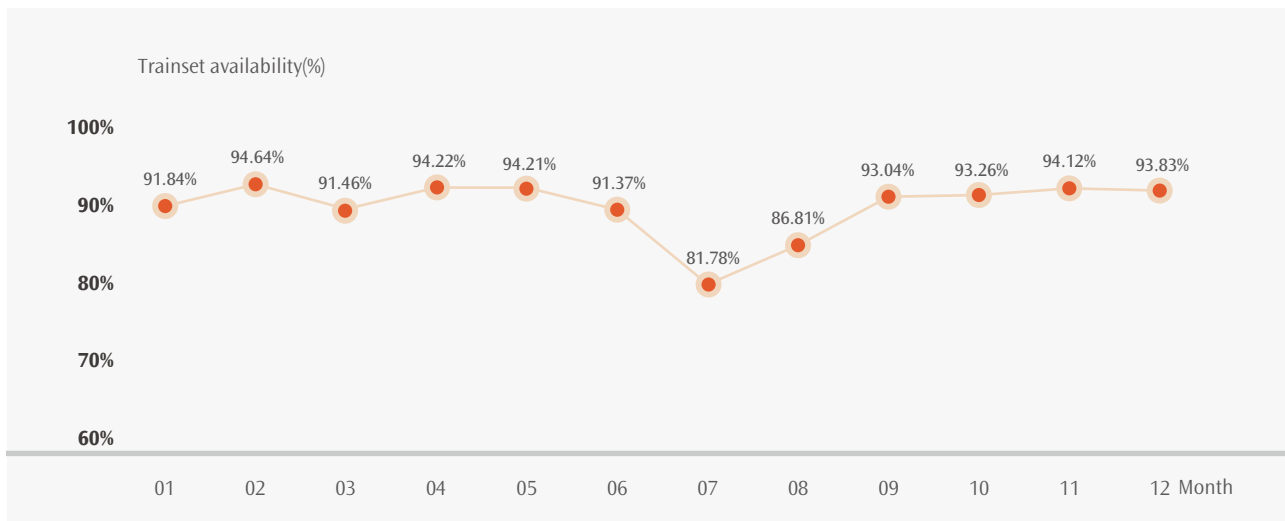
C. Maintenance

In order to provide passengers with a safe and comfortable experience, we ensure that all repairs and maintenance work comply with a comprehensive Rolling Stock Maintenance Plan. Our maintenance cycle for rolling stock is as follows:

- (a) Daily inspection (Level 1 inspection): every 2 days
- (b) Monthly inspection (Level 2 inspection): every 30 days or every 30,000 km
- (c) Bogie inspection (Level 3 inspection): every 18 months or every 600,000 km
- (d) General inspection (Level 4 inspection): every 3 years of operations or every 1,200,000km

Note: Maintenance frequency is determined by the condition that occurs first.

Monthly trainset availability in 2021



Note: Due to the COVID-19 pandemic, some trainsets were inactive from June to August, resulting in a decrease of trainset availability.

D. Operational safety

The primary objective of THSRC is to build, manage, and maintain high-speed rail operations that meet international safety and reliability standards. To achieve this objective, we established a risk assessment and safety management system that facilitates continuous improvements in safety and provides our customers with fast, punctual, and highly reliable transportation services.

(a) Safety management system

The Corporation adhered to domestic and international best practices and standards when formulating a safety management system based on risk management, encompassing 12 safety management elements which are used to identify, eradicate, and control potential risks stemming from HSR operations and operational personnel, thereby ensuring the continued safety and excellence of our operations, maintenance, and services. The Corporation Chairman signed a new "Safety and Hygiene Policy" on November 9, 2020, which we reviewed and continue to promote this year. This policy serves as a declaration of our commitment to safety management and implementation strategies, and highlight the safety goals which all our employees strive to meet.

Each unit uses the 12 safety management elements to formulate safety plans and associated mechanisms according to unit missions, operational characteristics, and scope of duties, while also using the P-D-C-A (Plan-Do-Check-Act) cycle to manage and execute safety management systems. The managers of each unit review and confirm that unit activities and operations adhere to the Corporation's Safety and Hygiene Policy. The Corporation has also established safety committees with different functions and different levels to provide a platform for managers and employees to jointly participate in reviews of safety performance, safety management implementations, and related improvement measures, thereby ensuring rail safety while protecting the safety of our employees, passengers, and the general public.

(b) Train operation and passenger safety

Up until December 31, 2021, there has been no record of passenger casualties caused by railway operation accidents since THSRC commenced operations. We are constantly seeking to improve and enhance passenger services through equipment updates and strive to prevent accidents such as falls or collisions from occurring at stations or on trains due to personal carelessness.

In order to maintain our high reliability, punctuality, and operational safety, any operational events that cause delays of more than 5 minutes in scheduled arrival time or abnormal operational events (including natural disasters) that senior executives deem worthy of investigation are immediately submitted for investigation by the Operation Safety Office of THSRC. Investigations cover the various aspects of train operation and dispatch, passenger services, emergency repairs and maintenance work, original designs and construction concepts, and so on. Possible causes are cross-checked and analyzed, and the resulting suggestions and improvement measures for the incident are reported to all supervisors during weekly management meetings. In addition, further investigations are conducted to identify the causes of the incident, and various improvement measures, contingency techniques, or follow-ups are discussed in relevant safety management meetings.

(c) Safety audits and hazard management

In order to review whether relevant operational safety implementations are consistent with announced and written procedures, the Operation Safety Office of THSRC conducted 8 audits of railway operation safety in internal operation and maintenance units in 2021. Audits covered train operation and dispatch, passenger services, facility maintenance, disaster prevention preparation, and so on. Improvements were already made to all relevant audit findings prior to publication of audit reports.

Hazard management serves as an important cornerstone to THSRC's successful establishment of a safety management system. Continuous encouragement and our reward system have incentivized employees to actively report hazards and false alarms. Monthly hazard review meetings have put forward systematic management suggestions for operation, maintenance, and engineering projects for reducing hazard levels to reasonable ranges and to ensure the safety of high-speed rail operations and passengers

(d) HSR line security

In order to ensure smooth operation of passenger services and to protect the safety of passengers and THSRC assets, we commissioned a professional security company that works with railway police and local police to patrol trains, stations, depots, and all areas serviced by the HSR.

We continually reviewed our safety and security procedures in response to the many domestic and overseas incidents and events that have occurred in the past, such as passenger assaults on train conductors, in-station protests, or terrorism events, and actively work to better our safety procedures. We collaborated with the police to assess the number of surveillance cameras at all stations, as well as installation locations and camera angles. We also introduced smart surveillance cameras at several stations, the mainline areas along the high-speed railway, and in maintenance facility rooms; increased the number of on-train security personnel and safety equipment; and established a tripartite security intelligence and information exchange platform with the Railway Bureau (MOTC) and the Railway Police Bureau.

Every year, in order to obtain the latest and most critical information on infrastructure protection and preventive measures for new threats and attacks, the Corporation dispatches staff members to participate in drills, lectures, seminars, and symposiums organized by government and academic units such as the Executive Yuan Office of Homeland Security, the Ministry of Transportation, and the Railway Bureau. The Corporation subsequently formulates response and notification procedures in accordance with governmental assistance and suggestions for protection, working with government units to establish joint prevention systems that ensure adequate protections for critical infrastructures and operational units while facilitating timely responses to maintain our operational capabilities.

(e) Disaster response drills

At the end of each year, THSRC reviews operational responses and evacuation work for various emergency domestic and foreign railway events and begins planning passenger support and evacuation drills for major events and activities likely to occur in the following year. We planned and promoted various disaster prevention training and rescue drills in collaboration with local

police, firefighters, environmental protection, medical, and special external supporting units so that they could familiarize themselves with our "HSR overall disaster prevention and contingency plan" (including joint disaster relief operation procedures and response command mechanisms for various types of major disasters), develop a tacit understanding, enhance on-site rescue competency, and work together to prepare for disaster prevention and damage control.

To instill command and response capabilities in our staff, we held a seminar for new on-site commanders and emergency engineers in 2021. We also invited external supporting units along the HSR mainline (firefighters; police; medical units; environmental protection units; North, Central, South District emergency operations centers; and EPA Toxic and Chemical Substances Bureau incident specialist teams) and the Taiwan Transportation Safety Board to participate in our online HSR emergency response lecture held on November 4. A total of 132 people participated in this event, which helped external supporting units better understand HSR emergency responses.

To familiarize emergency personnel with emergency escape exits, emergency routes, and operational environments along the HSR line, each station invites police, firefighters, medical units, environmental protection units, other external supporting units, and emergency shuttle bus transport operators to jointly survey the 184 emergency escape exits along HSR line every six months. Surveys for 2021 were combined and completed from August to September due to impacts from the COVID-19 pandemic. During this survey, we examined the emergency routes and available parking locations and spaces for large-scale rescue vehicles; this information was used as a basis for revising the emergency maps which were subsequently provided to relevant ESP at all regions along the HSR line.

In 2021, we completed 87 disaster prevention drills exercises at various stations, depots, and on the mainline, as shown in the following table. We also conducted two joint training events and one comprehensive response capabilities drill as described below.

Number of disaster prevention drills in 2021

Location	Station/Depot Area	Mainline Area	HQ & OMC Buildings	No-Warning Response Test	Other	Total
Frequency	67	6	5	6	3	87

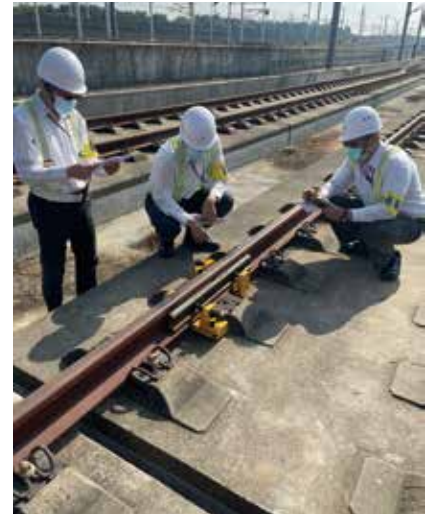
- I. In consideration of the frequent number of earthquakes that occur in Taiwan, the Corporation conducts annual earthquake drills on the HSR mainline to strengthen staff response capabilities to earthquakes. Following three months of discussion and preparation, we hosted an "emergency earthquake train evacuation drill" at Changhua on July 29. Due to impacts from the COVID-19 pandemic, this tabletop drill was conducted online to balance epidemic prevention and drill needs. This drill to contain disaster impacts was a collaboration between external supporting units and internal Corporation units. Apart from THSRC personnel, we also invited participants from the Railway Bureau, the Changhua County Fire Department, the Changhua County Police Department, the Changhua County Health Bureau and responding hospitals, and the Railway Police. A total of 46 people participated in this drill.
- II. On September 2, we hosted an "emergency drill for burning train approaching station" to simulate associated emergency evacuation procedures including incident notification, emergency passenger evacuation, and repair procedures. Due to impacts from the COVID-19 pandemic, this tabletop drill was conducted online to balance epidemic prevention and drill needs. Apart from THSRC personnel, we also invited participants from the Railway Bureau, the Railway Police, and the Miaoli County Police Department, Fire Department, and Health Bureau. A total of 49 people participated in this drill.
- III. On November 24, we hosted a "comprehensive response capabilities drill competition" at our Yanchao Main Workshop. The competition encompassed response capabilities in three categories (operations and maintenance emergency repair procedures, passenger evacuation procedures, and firefighting and flood prevention procedures). A total of 11 comprehensive competition skills were planned for this event, namely "turnout repairs," "emergency railway fish plate installation," "replacement of electric traction line rods," "emergency welding for air conditioning systems," "emergency AC replacement," "operation of no-load rerailer equipment," "monitoring of post-disaster pier displacement," "installation of train escape ladders," "electric traction line grounding," "use of fire hoses," and "sandbag stacking procedures." Apart from on-site participants, the event was also streamed online so that other staff members were able to view the activities and cheer on their colleagues. We hope that this exchange of operational skills and continued advancement can enhance our overall response capabilities. This event was attended by 240 on-site participants and 618 viewers, marking the largest number of attendees at any training event in our history.



Track electrification unit colleagues change electric traction line rods



Train crew sets up escape ladder and conducts stability testing



Referees reviewing competition performance



Dual-person teams conducting emergency AC replacements



Group photo after competitions

(f) Response Preparations

Upon occurrence of disaster incidents (including natural disasters, equipment malfunctions, or man-made disasters), the Corporation establishes response centers based on severity of operational interruptions or possible impacts to coordinate and direct response procedures, deploy operations, and provide resources necessary for on-site assistance. Response center secretarial personnel undergo refresher training each year to familiarize themselves with operational procedures and equipment usage. Since official commencement of operations to December 31, 2021, we have maintained a record of no passenger injuries caused by operational accidents.

In 2021, the Corporation established a total of three response centers for (1) Slope slide sensor trigger incident in Miaoli area on August 7, (2) Typhoon Chanthu on September 11, (3) Two seismometer trigger incidents between Nangang Station and midway signal station due to the Ilan Nanoau earthquake on October 24.

- I. "0807 Miaoli slope slide incident": Following days of heavy rainfall from Typhoon Lupit, a slope slide occurred at 08:00 on August 7 at TK126+100 East Section, causing an interruption of operations between Miaoli and Taichung. The Corporation immediately initiated response measures and established a Level 2 Response Center, which coordinated optimal operations, formulated slope repair plans, conducted slope repairs, and carried out repair and restoration work in stages to minimize operational impacts while also working to discover the reasons behind the slope slide incident. The Corporation continues to implement overall slope inspections in accordance with instructions from the Executive Yuan, including inspections of 389 slope sections along the HSR line, continued strengthening of slope management and monitoring measures which allow us to remain aware of slope conditions.

II. "0911 Typhoon Chanthu (a mild typhoon)": The Corporation established a Level 3 Response Center based on typhoon scale and scope of impact. The typhoon did not affect HSR operational facilities.

III. "1024 Ilan Nanoau earthquake": The earthquake caused seismometers to be triggered between Nangang Station and the midway signal station. The Corporation established a Level 3 Response Center to implement post-quake inspections and operational recovery procedures. Normal operations were resumed following post-quake monitoring procedures which confirmed there were no abnormalities.

E. Safety, Operations, and Maintenance Training

We continued to host safety training and professional training courses for operations/maintenance personnel in accordance with operational and maintenance needs for 2021 to ensure that relevant staff obtain proper competencies and knowledge.

Professional training courses completed in 2021 included initial/recurrent High Speed Rail Operations Regulations (HSROR) courses, with 5,731 participants completing training.

A total of 5,910 train, station, and controller personnel completed 534 initial/recurrent and other training courses; a total of 8,581 personnel responsible for maintenance of rolling stock, signaling and communications, power, overhead catenary systems (OCS), and tracks completed 894 initial/recurrent and other training courses. A total of 14,491 participants completed training over 1,428 courses.



Controller (G31) Professional Training Certification Ceremony.

(2) Marketing Events

1) Plans for product events

A. Our TGo membership program was launched in October 2017 and the number of members exceeded 1.7 million persons by December 2021. We continue to increase member retention, activity participation, and other sources of income; we not only implemented exclusive member offers, provided discount programs for designated trains, and organized bonus points promotion programs on designated dates, but also participated in cross-branded point exchange and affiliate programs as well as THSRC's member TGo 365 point redeem programs, using a variety of marketing activities to boost membership numbers and member contributions.

B. We continue to plan exclusive offers for corporate members, including our cumulative transaction amount rewards program which helped us build closer relationships with our corporate members, and special discounts for off-peak trains which helped to increase ridership on those trains.

C. We also continue to provide the regular promotions such as Early Bird discounts, discounted tickets for college students, credit card discounts, and Periodic / Multi-ride tickets. Several revitalization promotions have been launched to encourage passengers and our members to travel and increase ridership and revenues in response to the issuance of stimulus vouchers in early October.

D. We continue to promote a variety of integrated T Holiday packages, THSR Joint-Tickets for hotels and various travel commodities, Group discounts and other promotions. Additionally, we also reviewed and made adjustments to our multiple programs to increase traveling ridership and enhance overall revenue.

2) Plans for service improvement

A. Our 24/7 digital customer service utilizes data analytics, natural language processing, and machine learning technologies to assist passengers with frequently asked questions, personalized service applications, inquiry services, and lost & found items. Lost & found tracking services were also launched in December 2021.

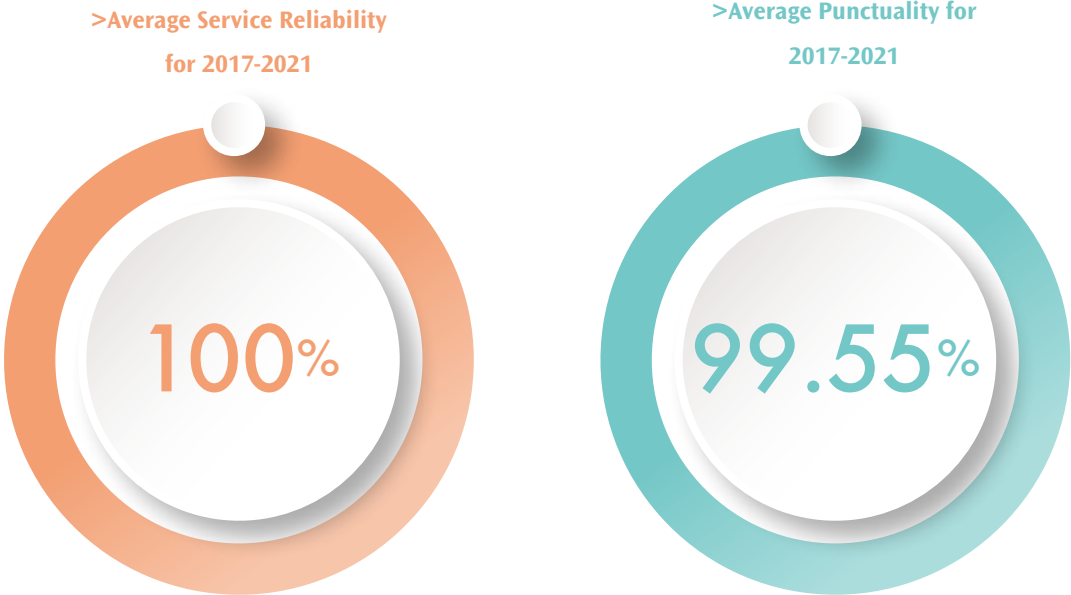
B. Free wireless internet access was made available in all HSR public service areas via the Wi-Fi network.

C. We cooperated with "Hami Book City" to provide "Fixed-Point Mobilized Reading" service at all HSR stations and on all trains, so that passengers can enjoy the fun of reading while taking HSR.

(3) Five Years in Review

This section provides a review of THSRC operations and performance for the past five years, from 2017 to 2021:

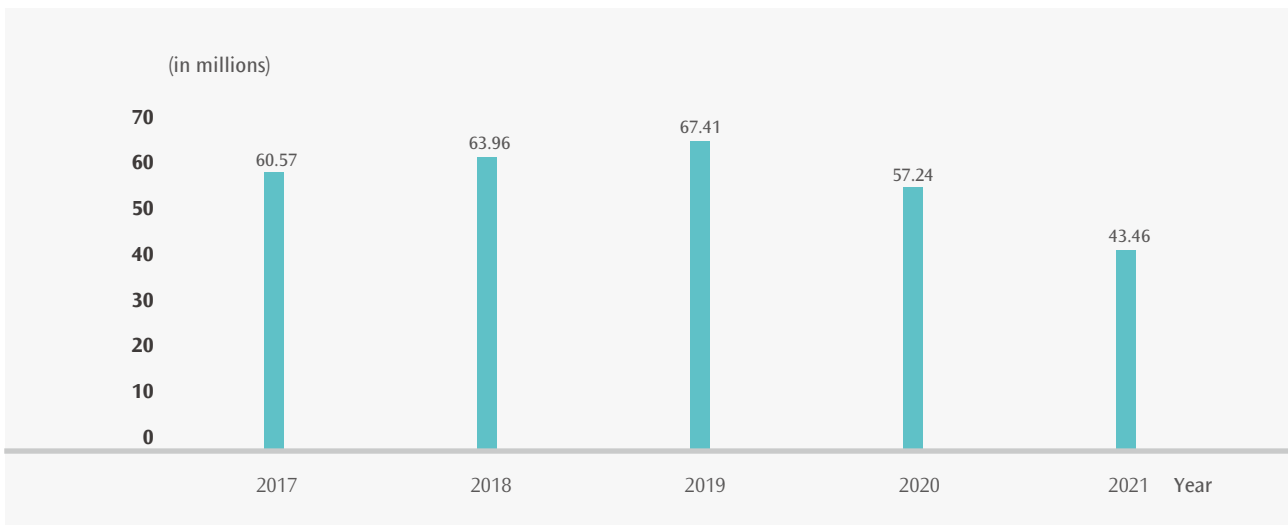
- Provided a total of 257,783 train services
- Average reliability rate: 100%
- Achieved a total of 52.14 billion passenger-kilometers and 84.50 billion seat-kilometers. Average loading factor: 61.70%.
- Average punctuality rate: 99.55%.



Key Operating Statistics, 2017-2021

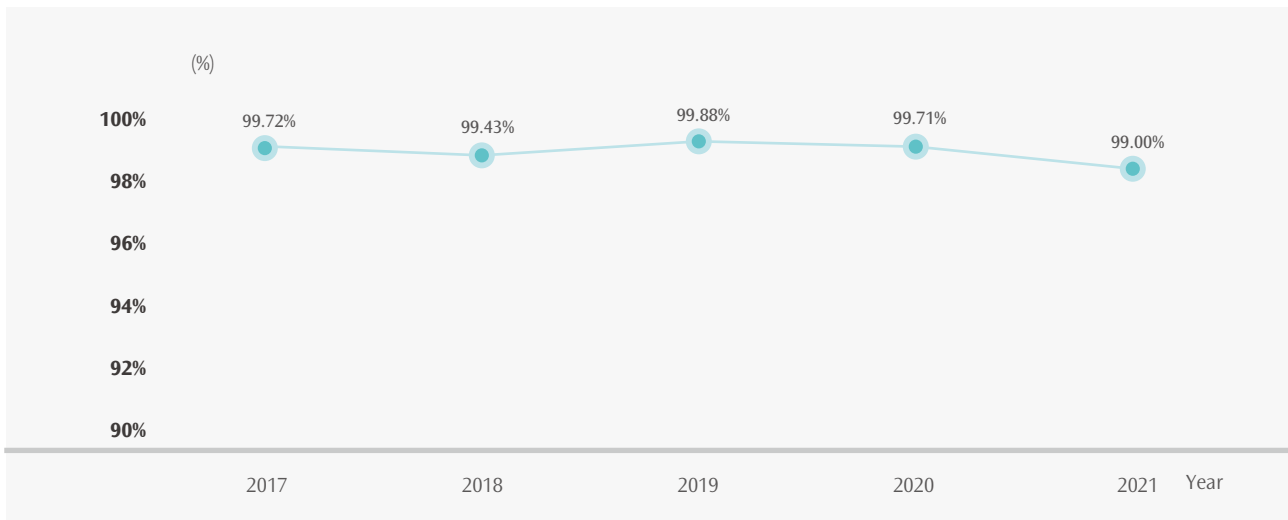
Year/Key Performance Indicator	Total Ridership (in Millions)	Train Services per Year	Loading Factor (Passenger- Km/Seat-Km)	Punctuality (as % of Trains Arriving Within Five Minutes of Scheduled Time)	Passenger-Kilometers(in Millions)	Seat-Kilometers (in Millions)
2017	60.57	51,751	65.16%	99.72%	11,103	17,040
2018	63.96	52,437	67.01%	99.43%	11,559	17,250
2019	67.41	53,727	68.03%	99.88%	11,994	17,630
2020	57.24	53,076	56.94%	99.71%	9,912	17,407
2021	43.46	46,792	49.88%	99.00%	7,569	15,175

Total Ridership, 2017-2021

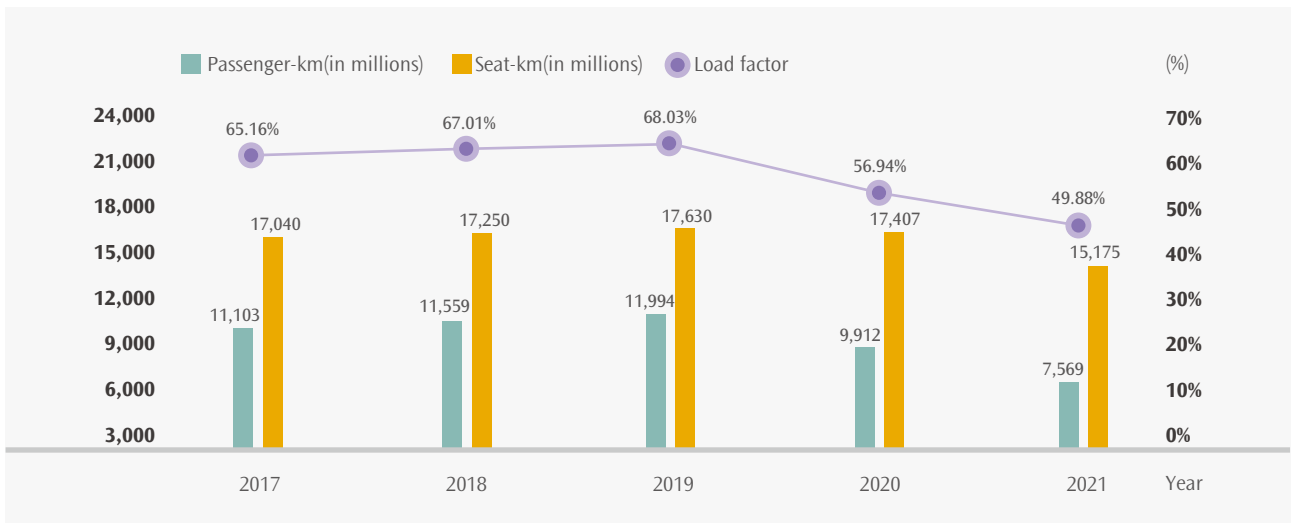


Punctuality, 2017-2021

(shown as % of trains arriving within five minutes of scheduled time)



Passenger-Kilometers and Seat-Kilometers for 2017-2021



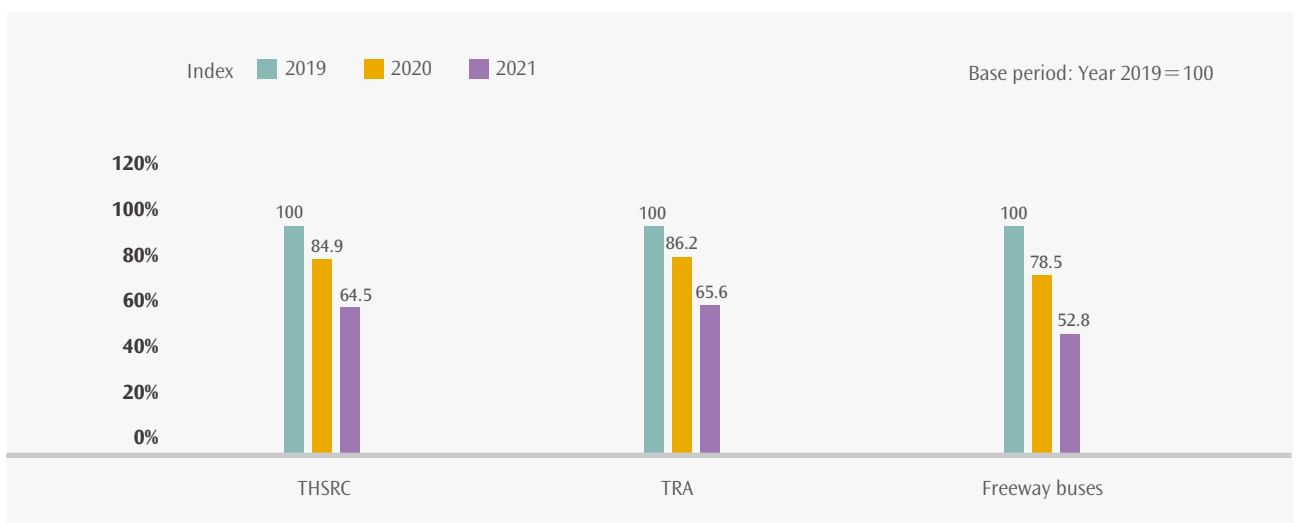
2. Industrial Overview & Development

(1) Operational Overview

1) Current industry conditions and development

Intercity travel service providers in Taiwan mainly include THSRC, TRA, and freeway buses. In 2021, passenger volumes decreased in THSRC, TRA, and freeway buses due to the COVID-19 pandemic.

Passenger index for main public transportation



Domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 26, 2021 indicate that gradual vaccine popularization is bringing the COVID-19 pandemic under control. Countries are relaxing epidemic prevention measures and promoting infrastructure construction, which benefits global economic recovery. Looking to 2022, the global economy continues to recover, supply chain problems are improving, and external demand is holding stable. Innovation of emerging applications, as well as active expansion by domestic leading semiconductor manufacturers and continuing investment by homecoming Taiwanese entrepreneurs and local manufacturers are expected to increase domestic production capacity. Taiwan's economic growth rate for 2022 is estimated to be 4.15%. Despite these changes in our external economic environment, THSRC will continue to formulate suitable operational strategies to achieve its business targets.

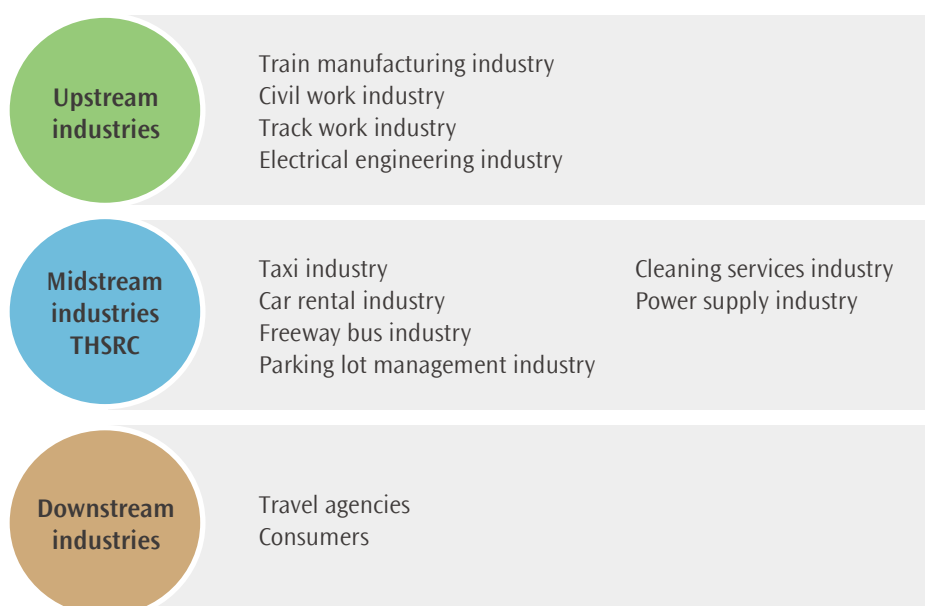
Looking at overall operational conditions, THSRC faces ongoing challenges from the COVID-19 pandemic, decreasing birth rates, and aging populations, all factors which affect our passenger volumes. Further challenges such as extreme climate and aging operation equipment are causing maintenance costs to increase. 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 and establish a foundation for long-term sustainability.

In terms of the transportation industry environment, local markets have undergone a major shift since THSRC entered the transportation industry in 2007. To sustain operations, each transport operator has had to use its strengths and opportunities to overcome its weaknesses and threats, and collaborate with others to find suitable positioning and operational developments in the market.

Transportation operators are actively seeking to create differentiation and redefine markets and customer segments to create value according to passenger needs and expand niche markets. Industry competition mainly serves to enhance core capabilities of these operators, forming a virtuous cycle.

2) Industry supply chain

THSRC mainly provides passenger transportation services. Our upstream industries mainly provide rolling stock, civil work, track work, and other services related to the manufacturing and maintenance of service facilities and equipment. Midstream industries not only include THSRC, but also other supporting operators such as parking lot management, freeway bus services, car rental services, and taxi services. Downstream industries comprise clients or sales channels that provide services to railway companies, including passengers who purchase tickets and travel agencies that sell THSRC vacation packages.



3) Development of various products

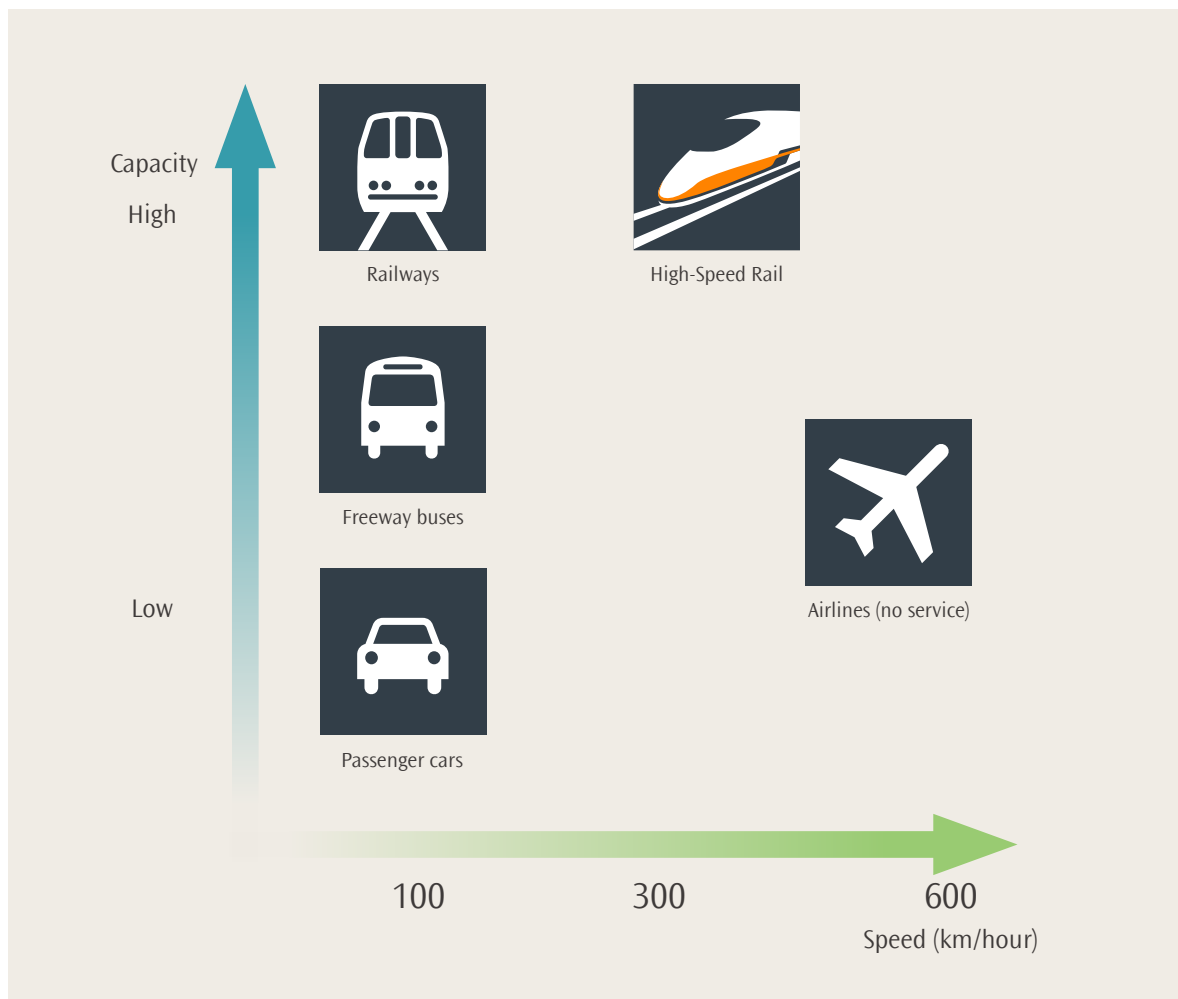
In response to growing passenger demand, clear disparities in ridership during peak and off-peak times, continued growth in the elderly population, advances in mobile and digital technologies, and to strengthen customer relationships, we have developed the following strategic plans for our products.

- A. Continue to provide varied travel packages, services, and promotions to satisfy needs of different customer segments.
- B. Differentiate promotions for peak and off-peak times to enhance overall revenue.
- C. Establish digitalized sales platforms, incorporate interactive native language processing (NLP) ticketing systems, and expand mobile payment methods to increase convenience of ticketing services.
- D. Use gradual promotions and diversified redemption programs to enhance TGo membership economy.

4) Competitive status

THSRC provides intercity passenger transportation services along Taiwan's western corridor. Transportation providers in this market include THSRC, TRA, airlines, and freeway buses, as well as passenger cars. Currently, there are no airline passenger transport services along Taiwan's western corridor. The market competitive status of each transportation is as shown in the image below:

Market advantages of each transportation type



The advantages and disadvantages of the transportation along Taiwan's western corridor is analyzed in the table below:

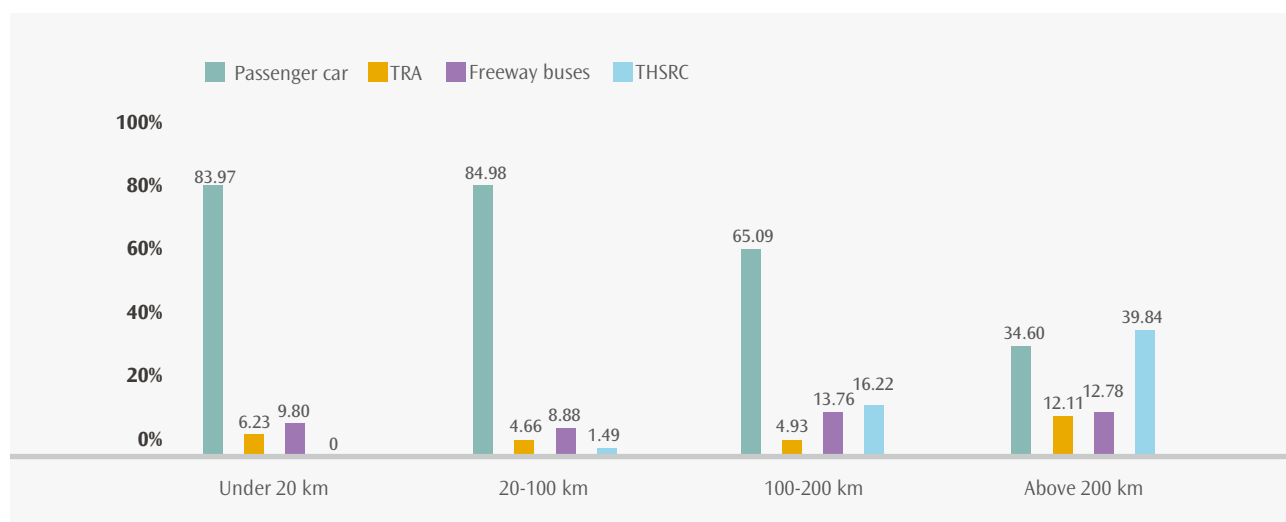
	Advantages	Disadvantages
Passenger cars	<ul style="list-style-type: none"> Not limited by fixed routes, stations, or schedules, and therefore have the highest accessibility and convenience Fixed total costs, variable costs of fuel do not increase exponentially with passenger figures, suitable for multiple passengers 	<ul style="list-style-type: none"> Easily affected by road conditions; travel time is difficult to control Physical and mental fatigue on long trips Higher risk of accidents compared to railways Holding cost is high
TRA	<ul style="list-style-type: none"> Stations are located in city centers, and therefore provides convenient access Mid-range fare prices 	<ul style="list-style-type: none"> Longer travel time and travel fatigue during long-term travel Addition of commuting stations and shuttle trains affect intercity passenger car capacity and travel time
Freeway buses	<ul style="list-style-type: none"> Many stations and intercity routes, providing higher accessibility compared to TRA and THSRC Lower fare prices Some routes operate 24 hours a day 	<ul style="list-style-type: none"> Longer travel time Easily affected by traffic conditions; travel time is difficult to control Higher risk of accidents compared to railways
THSRC	<ul style="list-style-type: none"> Fast, comfortable, punctual, reliable, and safe Varied services to fulfill the needs of different passengers 	<ul style="list-style-type: none"> Most stations are not located in city centers, and therefore provide lower levels of accessibility Higher fare prices

THSRC implements the following strategies in response to the advantages and disadvantages of the aforementioned competing transportation tools:

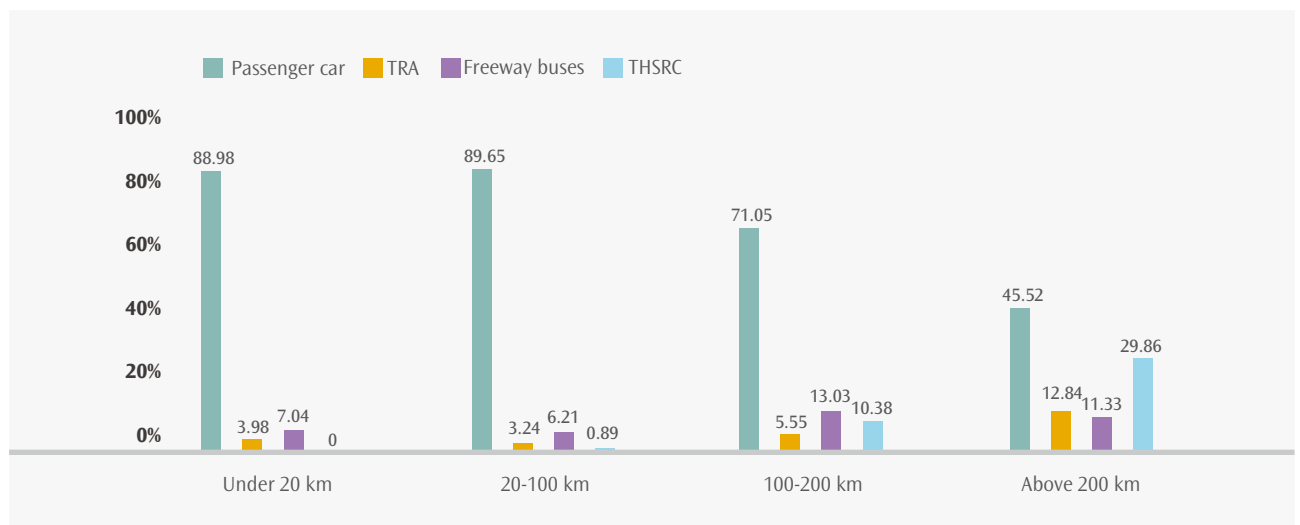
- A. Provision of varied products and diverse marketing activities such as periodic tickets, college student discounts, early bird discounts, and so on, targeting specific consumers and specific trains to enhance competitiveness in mid-length travel markets and price-sensitive consumer segments.
- B. Maintain suitable frequency of services, optimization of ticketing channels, and shuttle services to enhance convenience.
- C. Integrate shuttle transport services and form travel ecosystems through alliances to provide T Holiday packages, assisting passengers in solving the two big issues of transport and accommodation. We have also expanded cooperation with hotels and online travel agents and offer various joint-ticket discounts and promotions to enhance product scope and meet the independent needs of new-generation travelers.
- D. Develop membership economy systems to enhance customer loyalty and increase marginal revenue gains from members.

According to the "2018 Observations of Inter-city Transportation Growth and Decline (2020)" published by the MOTC Institute of Transportation, the weekday/weekend market shares of passenger cars, TRA, freeway buses, and THSRC for varying distances are as shown below:

Weekday market share



Holiday market share



(2) Market Analysis

1) Market scope and market share

According to statistical data from the MOTC, average passenger volumes in 2021 for on-road public transportation was close to 4.32 million passengers (including 1.98 million intercity bus passengers, 1.61 million MRT passengers, 0.187 million freeway bus passengers, 0.424 million TRA passengers, and 0.119 million HSR passengers), a decrease of 22% from 5.542 million passengers in 2020. After deducting passenger volumes for intercity bus and MRT systems, HSR accounted for 16% of passenger volumes in 2021, the same as in 2020. In terms of private transport, an average of 13.908 million cars travel through freeway pay-as-you-go toll systems every day, an increase of 5.3% from 14.694 million in 2020.

2) Future demand and supply and market growth

We estimate a passenger volume target of 66.07 million in 2022 (52% growth compared to 2021) based on domestic and overseas economic environments, growth in THSRC capacity, and promotion of products and services.

(3) Competitive Capabilities, Advantages and Disadvantages of Future Development, and Response Measures:

THSRC continued to implement short-term schedule adjustments and downsized daily operations in 2020 and 2021 in accordance with fluctuations in passenger volumes caused by the impacts of the COVID-19 pandemic. Train service frequency have returned to pre-pandemic levels while travel demands are growing gradually. The "One-day living circle" effect continues to thrive, and taking north- and south-bound trips via the HSR has been integrated into the lives of the general public. Gradually improving living functions and the rise of large-scale commercial entertainment and leisure complexes around HSR stations have increased the number of large exhibitions and activities held around HSR stations, driving tourist passengers. International trading conditions and impacts of the COVID-19 pandemic have accelerated the return of Taiwanese businessmen and establishment of domestic factories, increasing the demands for industrial sites, factory offices, and corporate headquarters. Furthermore, these returning suppliers prefer to set up near HSR stations due to convenience of transportation, bringing more business customers and long-term benefits for HSR development. However, in the future, the impacts of abnormal climates and increases in asset usage times may cause a rise in equipment maintenance costs. In response to the aforementioned opportunities and barriers, THSRC will continue to expand our membership economy and integrate smart transportation technology to strengthen travel information services and enhance security and efficiency of response measures. We will also continue to build autonomous maintenance capabilities and develop localized materials to establish a foundation for sustainable operations.

(4) Main Purpose of Products and Production Process

The main product provided by THSRC is convenient and high-quality railway passenger transport services. These constitute part of the transport service industry, are not part of the manufacturing industry, and therefore have no production processes.

(5) Main Supply Conditions for Raw Materials

THSRC is a transportation service provider and requires no raw materials for manufacturing. Our main energy source is electricity supplied by the Taiwan Power Company (TPC).

Each mainline bulk substation (BSS) has a double feeder power supply comprising of a regular line and a standby line. The BSS for the Wurih and Zuoying Depots is fed from a single circuit, but this is for depot maintenance use only and provides sufficient amounts of power.

(6) Major Clients with Procurement (Sales) Amounts Exceeding 10% for Any Given Year Over the Past Two Years, Procurement (Sales) Amounts and Ratios, and the Reasons for Changes in Said Amounts and Ratios.

We provide high speed rail services for passengers, rather than a manufacturing business. Our operating costs primarily include depreciation and amortization expenses, personnel expenses, power expenses, costs of materials and maintenance. Consequently, there are no reportable major customers and vendors.

The Corporation provides railroad transportation service to the public and has no specific major sales customers.

(7) Production in the Last Two Years

	Seat-Kilometers (Million)	Passenger-Kilometers (Million)	Loading Factor (%)	Total Ridership (Thousand)
2020	17,407	9,912	56.94%	57,239
2021	15,175	7,569	49.88%	43,460

(8) Sales in the Last Two Years

Sales/ Year	2020			2021		
	Quantity (Million Passenger-Kilometers)	Amount (NT\$ Thousands)	Rate (%)	Quantity (Million Passenger-Kilometers)	Amount (NT\$ Thousands)	Rate (%)
Railroad Transportation	9,912	37,903,849	96.85%	7,569	29,084,574	96.22%
Goods	—	132,516	0.34%	—	72,463	0.24%
Rental & Others	—	1,100,840	2.81%	—	1,070,850	3.54%
Total	9,912	39,137,205	100.00%	7,569	30,227,887	100.00%

The outbreak of the COVID-19 pandemic in 2020 greatly disrupted Corporation operations. Although ridership saw some recovery in June 2020, the Level 3 epidemic alert imposed by the Taiwan government in May 2021 caused a decline in ridership; the Corporation's operating revenue for 2021 therefore decreased by \$8.909 billion, approximately 22.76%, as compared with the same period last year. In response to epidemic impacts, the Corporation continues to make pragmatic adjustments in operating strategies and carry out various disease control initiatives, including but not limited to train schedule adjustments, manpower rescheduling, revisiting business project executions, and other countermeasures such as expense reduction plans with no compromises on safety and service quality.

3. Analysis of Macroeconomic Environments

Domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 26, 2021 indicate that gradual vaccine popularization is bringing the COVID-19 pandemic under control. Countries are relaxing epidemic prevention measures and promoting infrastructure construction, which benefits global economic recovery. Domestic economic activities are returning to normal; demand is strong for emerging applications such as 5G mobile communication, automotive electronics, high performance computing, and IoT; domestic and returning Taiwanese semiconductor companies are expanding production capacity; exports of competitively advantageous technological products are growing; and demand for traditional goods are also rising continually in line with global economic recovery. The government is implementing a series of timely stimulus measures and pandemic-suppressed consumer demand is gradually being released. As the global economy is projected to recover in 2022, manufacturers are expected to expand, leading to labor demands and salary increases. However, the cost of goods is expected to increase due to rising costs of international oil and raw material prices, as well as strains placed on global supply chains. The annual growth rate of the consumer price index (CPI) in Taiwan for 2022 is estimated to be 1.61%, with an annual GDP growth rate of 4.15%. Despite these changes in our external economic environment, we will continue to formulate suitable operational strategies to achieve our business targets.

4. Long- and Short-Term Business Development Plans

(1) Short-Term Business Development Plans

- 1) In order to increase revenues, we will focus on providing a variety of products through utilization of big data, and continue to fulfill our corporate social responsibilities. Additionally, we have also set "Establishment of Autonomous Maintenance Capabilities" and "Localization of Maintenance Materials" as our corporate goals.
- 2) Our corporate vision adheres to our 4T program of Transportation, Technology, Taiwan, and Touch, and our mid- and long-term business plans are as follows:

Transportation

- A. To strengthen station and train operational facilities, and improve service quality through addition or improvement of various station equipment or systems.
- B. To improve operational process and ensure maximum transportation capacity.
- C. To provide a variety of products that increase ridership during off-peak hours and optimize related application systems.
- D. To strengthen maintenance and ensure system stability, safety, and reliability, and establish autonomous maintenance capabilities.
- E. To obtain tourism resources, strengthen advertising and sales in overseas markets, and enhance collective tourism benefits.
- F. To improve revenue management efficiency, provide a variety of products, and increase ridership during off-peak hours using the "Journey with THSR, Discover Taiwan" brand.

Technology

- A. To digitize ticket channels and develop mobile/e-payment channels and electronic tickets.
- B. To utilize big data in the promotion of membership economy and expand membership benefits.
- C. To utilize information technology that strengthens operational services and efficiency.
- D. Digitize travel tickets and vouchers to improve the convenience of passengers.
- E. Categorize customer information and establish behavior models for precision marketing in the future.

Taiwan

- A. To enhance local development capabilities and increase the percentage of local equipment and materials.
- B. To promote localization of railway industry and explore potential suppliers and alternative materials.
- C. To integrate technical railway resources, evaluate possibilities for re-investment or technical exportation, and form strategic alliances with transportation operators.
- D. To develop multiple products that combine local cultures and activities, and enhance common prosperity.
- E. To strengthen management of domestic travel agencies and establish a performance audit mechanism.
- F. To implement internal digital transformation, adopt modern marketing concepts, introduce new marketing concepts/technologies such as Martech (Marketing Technology) to realize the benefits of digital transformation and establish new marketing concepts.
- G. Utilize internal data to gain insight into consumer behavior and expand partner marketing ecosystem.
- H. Develop a customer-centric and responsive marketing communication model based on consumer digital footprints.

Touch

- A. To build a corporate governance culture that fulfills corporate social responsibilities, participate in corporate governance evaluations, continue to promote railway culture, and care about underprivileged groups.
 - B. To promote environmental protection, energy efficiency, and carbon reduction, and to implement energy conservation programs and environmental protection measures.
 - C. To promote talent development, strengthen employee training, and implement a job rotation system.
 - D. To launch customer data platform and facilitate continuous customer care while also collecting post-service passenger feedback to continuously improve customer satisfaction.
- 3) Facilitation of timely train service adjustments to maintain adaptability of seating supply and demand in response to growth in passenger numbers. We will improve the efficiency of revenue management to enhance overall revenue.
 - 4) We continue to develop diversified products based on different customer characteristics to meet customer needs. In addition to normal products, we launched projects based on seasonality, festivals, topics, and current events to attract more passengers.
 - 5) Enhance TGo membership system and related services through data analysis and provision of customer-based recommendations to increase purchase frequency, customer loyalty, ridership, and quality of customer relationships. Furthermore, we will build TGo point cross-industry alliances and develop TGo membership reward programs to expand benefits for members and increase ticket and non-ticket revenues.
 - 6) THSRC plans to utilize passenger flows to develop an affiliate business with shops, parking lots, advertising, and other businesses. We will also continue to develop retail products and expand sales channels to enrich passenger experiences and increase non-ticket revenues.
 - 7) We continue to enhance our ticketing services through our online-offline integration strategy, and work with different industries to increase ticket utilization and enhance ticketing convenience. Additionally, we continue to expand our mobile payment channels and assess the feasibility of transit cards and cloud-based ticketing systems. For elderly and disabled passengers, we provide a mobile interactive ticketing system which uses Natural Language Processing (NLP) to increase convenience of ticketing services.
 - 8) We continue to collaborate with the famous Japanese illustrator Kanahei and release limited editions of our highly popular "Piske and Usagi" themed products.

(2) Long-Term Business Development Plans

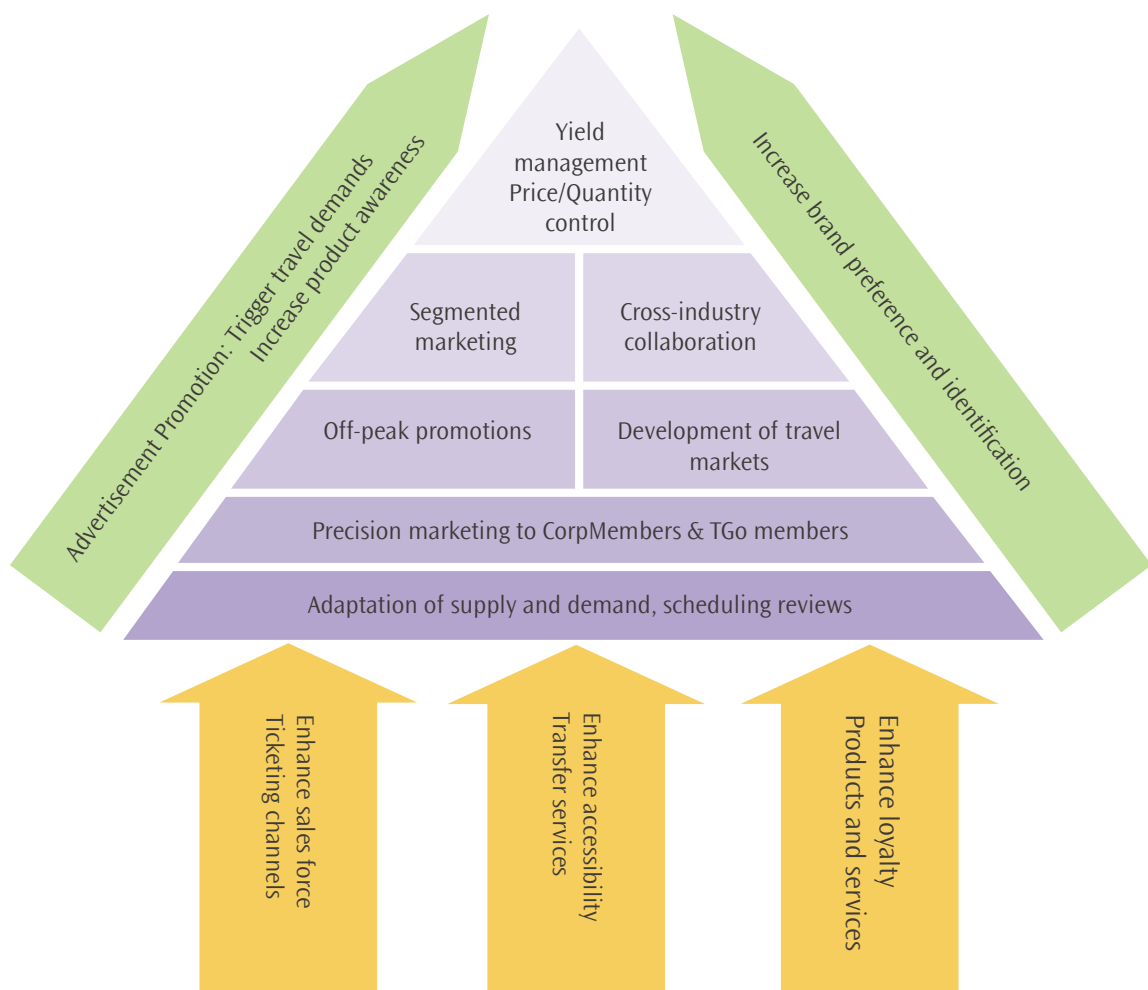
1) Enhance corporate brand image

To achieve our goal of leading progress and life improvement as one of Taiwan's top ten companies, we continue to integrate our 4Ts (Transportation, Technology, Taiwan, and Touch) into development of multiple products and promotional activities to strengthen brand promotion and attract different passenger segments, thus enhancing passenger volumes and revenue growth.

Relevant projects in development include: strengthening of social media marketing for all future product promotions in response to advances in information and communications equipment and environments; provision of more payment options at all ticketing channels in response to trends in mobile payment; continued updating and strengthening of THSRC app functionality and content; and enhancement of TGo member services.

2) Strengthen revenue growth

We will continue to enhance the efficiency of revenue management, increase ridership during off-peak hours, improve convenience of ticket utilization and payment, expand the scope of cross-industry cooperation, and shape local tourism through rail travel. In addition, we plan to add overseas ticketing channels to increase brand awareness and integrate innovative technology and applications such as digital HSR services to enhance convenience of ticket purchasing. We also plan to set up a membership platform and promote our membership program by implementing precision marketing strategies, big data analytics, and a membership points economy.



3) Exploit the tourism market

We plan to focus on short-term and mid- to long-term post-epidemic travel packages to Tainan, Kaohsiung, and Pingtung while also integrating offline travel agencies and tourism hotspots; developing new business opportunities; compiling information on tourist attractions from local governments and scenic area administration offices; promoting new travel packages based on local and seasonal activities or activities based around local delicacies; and participating in important government events to gain resources and benefits of joint promotion.

4) Obtain tourism resources

We plan to work with our industry peers to establish tourism hubs; collaborate with local mass transportation systems to integrate intercity and local passenger capacities to promote cross-regional tourism in western Taiwan; and enhance passenger mobility and cooperate with tourism bureaus to obtain subsidies for foreign tourists and other benefits of joint promotion. We will also actively participate in important annual international travel exhibitions for increased exposure so as to highlight our emphasis on the tourism industry and direct attention toward our travel packages.

5) Digitalization of sales channels, mobilization of travel passes, and implementation of customer asset management

We have optimized our support systems for travel packages and digitalized our travel passes to enhance passenger convenience. We have also adjusted our operating procedures to fit our new ticketing system for better management of product sales.

5. Important Contracts

Contract Type	Contracting Party	Signing Date	Summary	Restrictive Covenants
Taiwan North-South High Speed Rail Construction and Operation Contract	Ministry of Transportation and Communication R.O.C.	1998/07/23	35-year high-speed rail Build- Operate- Transfer (BOT) contract from Taipei (Xizhi) to Kaohsiung (Zuoying) with Ministry of Transportation and Communication, and Union Passenger Terminal contracts with Taiwan Railway Administration and Mass Rapid Transit.	THSRC assets and equipment obtained for the construction and operation of the high-speed rail cannot be transferred, leased or reallocated without approval from the Ministry of Transportation and Communication
Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement	Ministry of Transportation and Communications and Bank of Taiwan	2010/01/08	In order to protect the rights of the financing institutions, this agreement is signed in accordance with the provisions of the Taiwan North-South High-Speed Rail Construction and Operation Agreement.	There are certain restrictions on the Corporation's assets and equipment quality and changes in Syndicated Loan Agreement.
Taiwan North-South High Speed Rail Construction and Operation Project NT\$382 Billion Syndicated Loan Agreement	8 syndicated loan banks, including Bank of Taiwan	2010/01/08	In order to reduce the financial risks of the Corporation, the leading bank was appointed to form a bank syndicate to provide a syndicated loan of no more than NT\$382 billion. The lending banks shall provide credit to the Corporation within the scope of their individual credit lines in accordance with the provisions of the Syndicated Loan Agreement.	There are certain restrictions on the Corporation's assets and equipment quality, and its increases in debt and principal interest coverage.
Construction of HSR Changhua Station No. S260	Joint venture between TECO Corporation and Century Development Corporation	2013/01/08	Construction of HSR Changhua Station	Confidentiality
Core System for PLS (Provided Later Stations) No. E203	Toshiba Digital Media Network Taiwan Corporation	2014/02/20	Integration and installation of PLS core system	Confidentiality
Credit Card Payment Service for Passenger Tickets (2017~2022) No. 01-15-012	Taishin International Commercial Bank Co., Ltd.	2015/07/28	Credit card payment service for passenger tickets	Confidentiality

Contract Type	Contracting Party	Signing Date	Summary	Restrictive Covenants
Modification of THSRC AFCS Software System and Maintenance Contract No. M7-17-007	IBM Co.	2017/06/12	AFCS software system maintenance	Confidentiality
Supply and Manufacturing of Maintenance Vehicles No. E5-18-003	China Steel Co.	2018/08/10	Manufacturing and supply of Maintenance Vehicles	Confidentiality
Bogie Running Tester Manufacture and Supply Contract No. L1-18-039	Industrial Technology Research Institute (ITRI)	2019/03/29	Manufacture and supply of bogie running testers which help THSRC technicians in judging the condition of bogies during operations and in early detection of potential hazard factors.	Confidentiality
Upgrade of TCS and Related Subsystems Package 3 FTC-OCC: ARS/TD Contract No. E231	Taiwan Hitachi Asia Pacific Co., Ltd.	2019/04/23	Upgrades to Taiwan High Speed Rail OCC traffic control system main computer, including software porting and modification and hardware upgrades.	Confidentiality
Manufacturing and Supply of Three Diesel Shunters Contract No. E2-18-022	Taiwan Rolling Stock, Co., Ltd. (TRS)	2019/07/03	Manufacturing and supply of three diesel shunters.	Confidentiality
700T 7GI Spare Parts Contract No. PCDD-19-0749	Toshiba Electronic Components Taiwan Corporation	2019/07/26	7GI turnover equipment and repairable parts for 700T trainsets.	Confidentiality
Credit Card Payment Service for Passenger Tickets (2022~2027) No. O1-19-017	Taishin International Commercial Bank Co., Ltd.	2020/03/26	Credit card payment service for passenger tickets	Confidentiality
Development of Automated Construction Equipment for Paint Shop in Yanchao Main Workshop No. T2-20-009	Industrial Technology Research Institute (ITRI)	2021/01/26	Development of Automated Construction Equipment for Paint Shop in Yanchao Main Workshop	Confidentiality
Research and Development of Traction Power Substation ATP6 Control Relay No. E4-20-005	InfoChamp Systems Corporation	2021/03/02	Contract E241 Upgrade of CRP and Related Subsystems Tender Package 1	Confidentiality
Insurance Broker Contract	Marsh Ltd., Taiwan Branch	2021/10/01	Insurance broker service for MOIP	Confidentiality
Modification of THSRC AFCS Software System and Maintenance Contract No. M7-17-007	Kyndryl Taiwan Corporation	2021/10/14	Transfer of maintenance service agreement for upgrading the host computer of the automated ticketing system (IBM Co. transferred the contract to Kyndryl Taiwan Corporation)	Confidentiality
Insurance Contracts	Fubon Insurance Company Ltd.; ShinKong Insurance Company Ltd.; Cathay Century Insurance Company Ltd.; Chung Kuo Insurance Company Ltd.; Taiwan Fire & Marine Insurance Company Ltd.	2021/12/10	Master Operational Insurance Program (MOIP)	Confidentiality

6. Status of Technological Research and Development

Research and development for 2021 were as follows:

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Communication System Research	R&D on Intelligent Passenger Information System (PIS)	To strengthen real-time passenger information and corporate operational efficiency of our Passenger Information System (PIS) and remove R&D dependence on overseas companies, we developed a new PIS ecosystem with creative technologies. The 1st phase aimed to upgrade the PIS control server and software. The 2nd phase will upgrade existing display units (PIDS) in lobbies, entries, and platforms with state-of-the-art hardware. The 3rd phase aims to add new display units on platforms beside carriage doors for stations north of Taichung (included). The 4th phase aims to add new display units on platforms beside carriage doors for stations south of Taichung.	This project, when completed, will enhance passenger experience and corporate operational efficiency with new technologies & products.	The 1st phase and 2nd phases commenced on 2018/12/27. R&D was completed in 2019, and deployment began in 2020. All PIS/PIDS deployment was completed in January 2022 and have since been put into operation at all eight stations. The 3rd and 4th phases commenced on 2019/12/11, were deployed in 2021, and will be completed mid-2022. Deployment for all 12 stations will be completed by the end of 2025.
Electronic Service Center (ESC)	PIS-P6 Module testing system	Self-developed PIS-P6 Module testing system to ensure repair service quality	Maintains system function while reducing maintenance costs	Development completed and in use
	MTM700 testing system	Self-developed MTM700 testing system to ensure repair service quality	Maintains system function while reducing maintenance costs	Development completed and in use
	Trainset headlight testing tools	Self-developed trainset headlight testing tools to ensure repair service quality	Maintains system function while reducing maintenance costs	Development completed and in use
	Internal Information Display testing tools	Self-developed Internal Information Display testing tools to ensure repair service quality	Maintains system function while reducing maintenance costs	Development completed and in use
	OMRON SDV-DH voltage sensor testing tools	Self-developed OMRON SDV-DH voltage sensor testing tools to ensure repair service quality	Maintains system function while reducing maintenance costs	Development completed and in use
	D2 display panel testing tools	Self-developed D2 display panel testing tools to ensure repair service quality	Maintains system function while reducing maintenance costs	Development completed and in use
	RRL801 mileage counting device	Self-developed mileage counting device to reduce development costs	Reduce development costs	Installed and under testing
	DLT Call-Insert testing tools	Self-developed DLT Call-Insert testing tools to ensure repair service quality	Maintains system function while reducing maintenance costs	Development completed and in use

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Signaling System Research	R&D on Railway Turnout Controller System	We conducted R&D on PLC turnout controllers using new technologies, using 2-by-2 high reliability PLC hardware system to replace traditional out-of-date relay modules to achieve maximum reliability and intelligent management.	Decrease the number of relays and also enhance the reliability of existing turnout controllers, reducing a major portion of failures and greatly improving customer service.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment was confirmed to be reliable. We extended mass production of this prototype controller to the whole running line by awarding the contract E4-20-003 "Turnout Controller Replacement Project" at the end of 2020. This five-year contract for the replacement of 142 sets of present turnout controllers across the entire line is expected to be completed in 2025.
	R&D on Railway Intelligent Turnout Monitoring System (TMS)	In order to provide proactive turnout failure warning capabilities, we designed an intelligent TMS system to replace the original monitoring system built by foreign companies. We are using big data technologies and new advanced IOT hardware to replace out-of-date systems.	Analysis of data from multiple sensors on the turnout system to provide predictions for performing maintenance and adjustment in advance of potential abnormalities, preventing turnouts from breaking down during service hours.	In 2016, a Data Acquisition Box (DAB) prototype was developed, tested, and installed on the main line. After 4 years of successful reliability testing, we plan to upgrade the existing 82 sets of TMS with additional enhancements on the TMS server with advanced big data analysis software. This project commenced in April 2021 and will be completed in April 2025.
	Localization of point machine replacement materials	Research and development of replacement materials	Reduce maintenance costs	Development completed and in use
	Localization of point machine detector replacement materials	Research and development of replacement materials	Reduce maintenance costs	Development completed and in use
	Point Maintenance Management System	Cooperated with an academic institute to develop a Point Maintenance Management System	Improve maintenance management energy and efficiency	Under development
	Electronic WO management system	Cooperated with an academic institute to develop an electronic WO management system	Improve maintenance management energy and efficiency	Under development
	Case study on improvements for track bolt signaling	Cooperated with an academic institute to conduct case study on improvements for track bolt signaling	Reduce maintenance costs	Research ongoing
Rolling Stock System	Closed-circuit television (CCTV) surveillance equipment was added to train baggage storage areas	Added CCTV closed-circuit monitoring equipment at the north and south ends of each carriage	Improve passenger service satisfaction	Completed installation in 34 (100%) trainsets in 2021.
	Large luggage storage areas were installed in trainsets	Luggage storage areas were installed in the 3, 5, 9, 11 carriages of each trainset (a row of triple seats was removed)	Improve passenger service satisfaction	Completed installation in 34 (100%) trainsets in 2021.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Track & Power system	Collaboration with NCSIST on development of automatic measurement system for rolling stock vibrations	Rolling stock automatic vibration measurement and report system	Measurement data can automatically be delivered via internet to offices for real-time monitoring of track alignment conditions	2020 progress: (1) Integration testing, system optimization and documentation submission. (2) The project was completed at the end of March and the warranty period ends on March 2021.
	Localization of OCS maintenance vehicles.	8 MV type vehicles and 2 sets of CS vehicles (4 vehicles).	Combine and integrate 6 existing Japanese/Germany vehicle types to 2 types, resulting in less investment and improvement of maintenance efficiency and safety.	(1) Contract period: 2018/9/27~2024/3/26 (2) 2021 progress: 2 MV and 1 set of CS (2 vehicles, including 1 CSM and 1 CST), were delivered to THSRC on July 2021; project was completed and verified in November 2021.
	Intelligent Rail Scooter (Phase 2)	Commissioned ITRI to replace 16 four-seat engine-powered rail scooters.	According to the "Improvement Actions for Post-Disaster Track Inspection and Patrol," a total of 38 rail scooters were required for the main line, and 22 scooters were dispatched in Phase 1. Phase 2 will supplement the remaining 16 units and replace the old four-seat engine-powered rail scooters.	(1) Contract period from 2020/2/10 to 2022/2/9, to replace 16 four-seat engine-powered rail scooters. (2) Delivery of 16 four-seat engine-powered rail scooters was completed and verified in November 2021.
	Localization of substation B&C long-life battery	Commissioned local manufacturers to develop and modify battery racks and long-life batteries, and self-completed rack modifications and battery replacements.	Our substation B&C long-life batteries are nearing expiration (usage duration is 6-9 years), but original batteries manufactured in Japan are expensive. In order to promote localization and reduce costs, we sought out local alternatives with longer lifespans and cheaper prices.	A total of 3,240 long-life batteries were replaced in 30 substations from January 2019 to December 2021.
	Development of Rail Lubricator Instrument	The project was developed by an academic institute.	Improve weather resistance of H-type tread lubricators and lower supply shortage risks of I-type gauge-side lubricators by localizing development.	(1) Contract period was from 2018/11/15 to 2020/11/14. (2) The project was completed as scheduled, and included equipment installation and testing, spare parts delivery, documentation submission, and MS4 verification. The warranty period ended on November 2021.
	OCS Composite Insulator Aging and Mainline Polluted Area Investigation.	Researched and investigated by an academic institute.	This project aims to study the life cycle of NGK composite insulators along the HSR line, and to develop a system which records inspection data, establishes a model to predict aging levels, and optimizes maintenance schedules.	(1) Contract period: 2020/9/15 to 2022/9/14. (2) Completed second to fourth phase of initial analysis and planning reports for composite insulator aging (MS2~MS4) in 2021.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
System Research & Development	Advanced Open Reservation System (AORS) Phase 1	THSRC's existing mainframe reservation system has been operating since 2007. In recent years, loss of talent in the mainframe field, coupled with consumption of resources and rising costs, has caused a gradual decline of mainframe systems in the transportation industry. We therefore established the Advanced Open Reservation System (AORS) implementation plan, which is divided into 3 phases, to upgrade our reservation system. We established a 24/7 offline inquiry system to reduce the burden of multiple reservation inquiries emerging during peak traffic hours and to improve the quality of public reservation inquiry services. The Phase 1 AORS system was launched in April 2021.	<ul style="list-style-type: none"> (1) Passenger inquiry/reservation ratio decreased, pre-sale inquiry/reservation ratio increased by 8.9 times, and average daily inquiry/reservation ratio increased by 5.4 times. (2) Instantly reduced host CPU resource usage by 25%. (3) Response times of reservation system availability queries and ticket price queries during peak hours were both accelerated by 1 second, effectively improving passenger service times by more than 30%. 	<ul style="list-style-type: none"> (1) Adopted an open architecture to quickly respond to transportation needs and enhance independent maintenance capabilities through standardized interfaces. (2) Elastic system capacity adjustment. (3) Automatically adjustment of services according to transaction volumes. (4) Autonomous system maintenance and operation.
	Work Train Diagram System (WTDS)	THSRC initiated the Work Train Diagram System (WTDS) project in April 2019 to automate original maintenance scheduling processes in which scheduling teams/facility controllers used Excel to draw Maintenance Work Time Diagrams. Since this was new technology, a proof-of-concept (POC) was introduced first, and development began in February 2020 after confirming that the technology was viable. The system was launched in July 2021.	<ul style="list-style-type: none"> (1) Converted maintenance work order information into digital graphics by means of graphical technology, and improve overall service efficiency through system release and version control (2) The system improved data integration and interface mastery, and an inspection function was added to reduce the risk of human error. 	<ul style="list-style-type: none"> (1) Enhanced Work Train Diagram System to improve overall efficiency of maintenance planning and on-site management. (2) Digitalize Work Train Diagram and MWT (Maintenance Work Time) Diagram, and added inspection function to reduce the risk of human error. (3) MWT Diagrams are work area diagrams with electricity on-off interval settings.
	Electronic Commerce Transaction Controller (ETRAC)	Large-scale marketing activities and holiday ticket bookings impact the service quality of our B2C online electronic transaction platforms for ticketing and passenger services. THSRC therefore initiated the Electronic Commerce Transaction Controller (ETRAC) project in July 2020 to build a B2C service flow control platform which was launched in September 2021.	<ul style="list-style-type: none"> (1) Strengthened flow control function of electronic transactions such as B2C online ticket sales and passenger services. (2) Optimized the processing efficiency of traffic control and improved service capacity online ticket purchases and passenger experiences. (3) Reduced manpower required for manual control of server performance when booking tickets during holiday periods by switching to automatic controls. 	<ul style="list-style-type: none"> (1) Automatic monitoring and adjustment of B2C system and user traffic. The service instantly helped to control user traffic flows for our loyalty program after it was launched in 2021. (2) Facilitated horizontal expansion of system capacity.
	Continuous Integration Continuous Delivery (CICD)	Business developments have increased the number of information systems required for management of manpower bottlenecks and manpower costs (overtime payments), presenting challenges in maintenance and operation capacity. THSRC therefore planned and implemented the three-phase Continuous Integration Continuous Delivery (CICD) project. The first phase of the project started in November 2020 and was completed at the end of August 2021, with 9 systems imported into the CD (continuous deployment) process, and 2 systems into the CI/CD process.	<ul style="list-style-type: none"> (1) Managed function libraries in combination with building tools to avoid continuous expansion of version control server space, reducing space requirements by 10%. (2) Maximized efficiency of manpower utilization and reduced average operation time of each change by 25%. (3) Improved deployment efficiency and accuracy. Continuous deployment reduces human intervention and human errors, thereby improving accuracy. 	<ul style="list-style-type: none"> (1) Established automated process tools (2) Established version control tools. (3) Established an automatic build tool. (4) Established automatic test tools. (5) Established continuous deployment tools.

7. Information and Communication Security Management

(1) Management measures relating to information security implemented in 2021 were as follows:

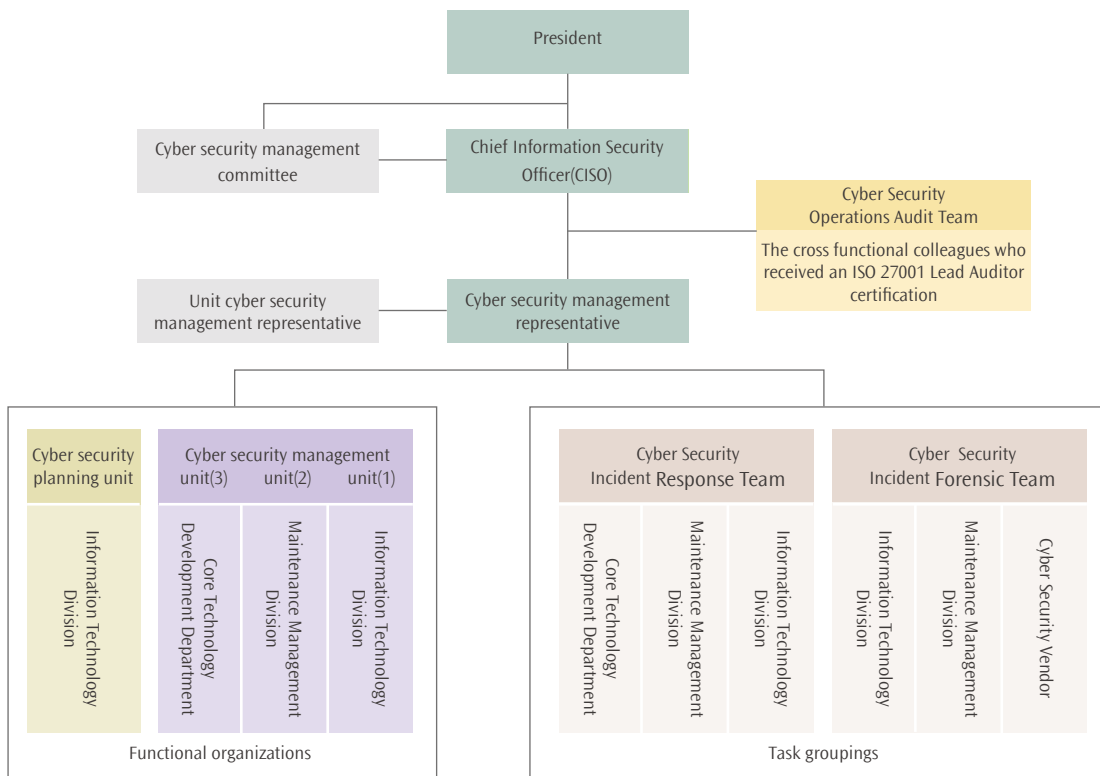
1) Information Security Management System: In order to ensure information security is effectively implemented within daily operations, the Corporation established an "Information Security Management Committee." The President invited department heads to act as committee members, and the committee is chaired by the CISO (Chief Information Security Officer) when reviewing information security governance, strategies, and operations. Apart from the Corporation Information Security Representative, we have also established four dedicated information security personnel who are responsible for managing and overseeing the planning, promotion, and implementation of information security operations as well as compliance with the Cyber Security Management Act and Guidelines for Information and Communication Security Management for Exchange-Listed and OTC-Listed Companies. Implementation results were as follows:

A. The head of the Information Technology Division acts as the CISO and the chairman of the information security management committee meeting. Regular meetings are held every 6 months to assess information security developments and strategies, ensuring that information security management systems can continue to operate in a stable manner. The committee also reports periodically to the Board regarding information security implementation results.

B. Each office and department unit assigned an information security representative, and the head of the System Operation Department in the Information Technology Division acts as the information security management representative. These representatives convened "Information Security Representative Meetings" every quarter in 2021 to report information security plans under development and implementation results, and to promote relevant information security policies and implementation highlights.

C. Relevant information security management reports and implementation results were submitted to the 15th board meeting of the 9th Board of Directors on June 16, 2021.

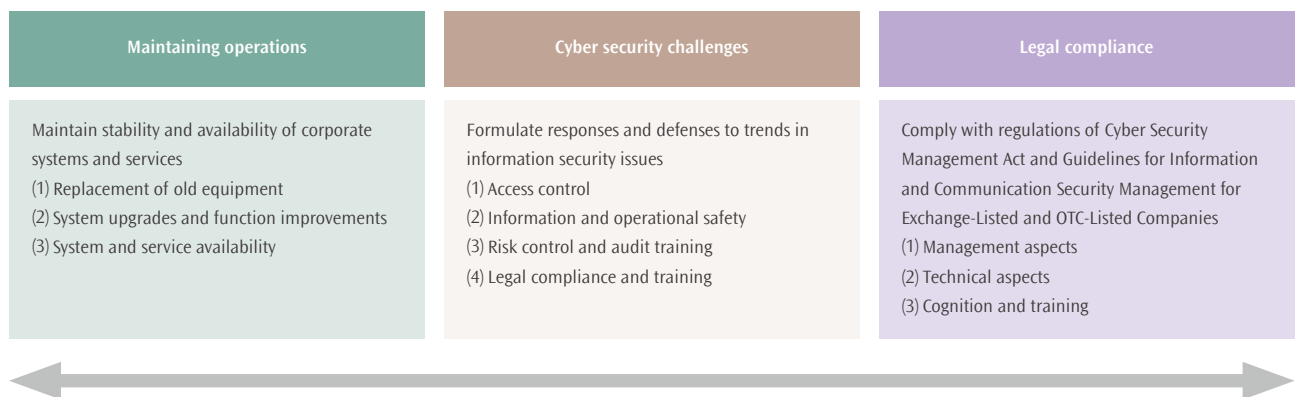
D. Information Security Management Structure



2) Information Security Policies: The Corporation periodically assesses its information security policies every year. Following approval from the Chairman on May 27, 2021, these policies were published on our corporate website. More details can be found in Chapter 4 of this report.

3) Specific Management Plans and Resources Invested in Information Security Management:

A. The Corporation has established its "Regulations for Governing Information Security" to ensure that our hardware, software, data, and personnel adhere to the principles of C (Confidentiality), I (Integrity), A (Accessibility), and C (legal Compliance). Our information security system is built on the three aspects of Maintain operations, Information security challenges, and Legal compliance, and we are gradually improving relevant management measures.



B. In 2021, the Corporation took out electronics equipment insurance policies for operational assets relating to maintenance of information systems and network equipment; security monitoring measures and access controls were put in place to prevent incidents of theft and malicious destruction.

C. To implement defense-in-depth strategies, the Corporation deploys multi-layered information security protection on information services such as network, personal computers, servers, and data protection to prevent malignant cyber-attacks or hacking. However, the Corporation can neither claim nor guarantee total invincibility against cyber-attacks such as APT (Advanced Persistent Threat) attacks, DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks, and information theft that could result in disruption to information service systems. To shorten cybersecurity incident detection time, the Corporation has established a SIEM (Security Information and Event Management) platform and SOC (Security Operation Center). The Corporation is also considering taking on cyber-insurance as additional backing. In light of the fact that cyber-insurance is a new type of insurance policy, and in consideration of all issues relating to insurance scope, claim scope for damages, identification of damages, and qualification of identification institutes, the Corporation currently responds to current information security challenges through annual external and internal audits, internal control systems, information security regulation reviews, and information security implementation procedure reviews. The following strategies have been adopted:

- ☑ Continued annual review of trends in information environments and technical information in accordance with our corporate information security policies, and establishment of protective measures and solutions.
- ☑ Implementation of annual security checks, information and communication security health checks, and social engineering and information breach scenario exercise to strengthen employee awareness of information security crises and response capabilities, in hopes of efficiently preventing and detecting threats and halting proliferation at the first instance.
- ☑ To strengthen employee awareness of information security crises and response capabilities, information security training for all employees are conducted quarterly as well as monthly social engineering and information breach scenario exercises and irregular information security dissemination.
- ☑ Establish cyber security incident notification and response protocols for incident notification to all related agencies, creating incident response team, assessing incident impact scope, conducting damage control, and post-incident investigation. The implementation of protocol minimizes impact on THSRC service coverage & service time, and prioritizes preserving passenger rights.

D. The Corporation passed the annual check for the ISO27001 information security management system in October 2021. Our current ISO27001 certificate is valid from December 28, 2020 to December 27, 2023.

(2) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None.

8. The Company's Intellectual Property Management Plan and Its Implementation

(1) Intellectual Property Management Plan for 2021:

Pursuant to Article 37-2 of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", the Corporation has developed an intellectual property management plan that is linked to our operation strategy, and conducted intellectual property research and development through the implementation of five dimensions including the establishment of policy objectives, establishment of a management system, provision and maintenance of resources, assessment of risk opportunities, and continuous improvement mechanisms. Furthermore, we fulfill our corporate social responsibilities by sharing our experiences on localizing intellectual properties.

1) Intellectual property management strategy

In accordance with the Corporation's mid- and long-term goals for 2018~2022, we have adopted our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our corporate strategy. We used the "Technology" and "Taiwan" pillars to formulate our intellectual property management plans and set the following intellectual property management goals:

- A. Formulate projects related to intellectual property development in accordance with our medium and long-term strategic goals: We expanded business sources and raised local procurement ratios for maintenance materials every year, reaching 30% in 2022, up from 18% in 2018.
- B. Maintain effective operation of intellectual property management system: We continuously maintained the feasibility and effectiveness of our system through "development and innovation," "protection and maintenance," and "value added applications."
- C. Obtain first-time certification from the Taiwan Intellectual Property Management System (TIPS).

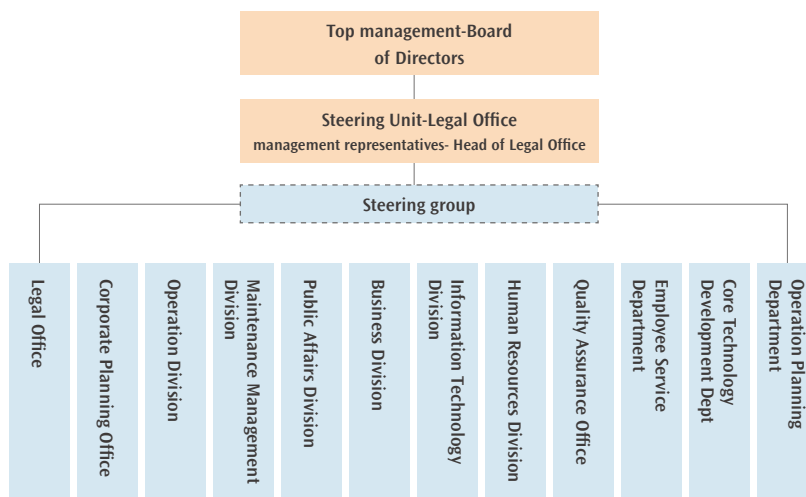
2) Potential intellectual property risks and countermeasures

Stakeholder	External/Internal Issues	Risks or Opportunities	Countermeasures
Employees	<ul style="list-style-type: none"> • Intellectual property ownership • Confidentiality requirements • Talent cultivation and training • Intellectual property application assistance • Intellectual property consultation and communication 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Independent R&D • Patent/trademark application <p><u>Risks</u></p> <ul style="list-style-type: none"> • Adherence to management systems • Maintain confidentiality of corporate information 	<ul style="list-style-type: none"> • Reward improvement proposals • Regular training • Enhanced consultation and communication
Investors (Shareholders)	<ul style="list-style-type: none"> • Corporate governance • Legal compliance • Information transparency 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Capital funding • Provide investors with the necessary information (rights management, risk management) <p><u>Risks</u></p> <ul style="list-style-type: none"> • Capital funding 	<ul style="list-style-type: none"> • Regular publication of achievements (corporate website, annual report or sustainable development report) • Investor conferences
Suppliers	<ul style="list-style-type: none"> • Marketing strategies • Improve management systems • Intellectual property ownership • Confidentiality protection 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Achieve collaborative R&D results • Reduce R&D costs <p><u>Risks</u></p> <ul style="list-style-type: none"> • Ownership of R&D products • Mutual confidentiality requirements • Technology licensing costs • Third party infringement claims 	<ul style="list-style-type: none"> • Improve contract terms and review mechanisms • Intellectual property evaluations

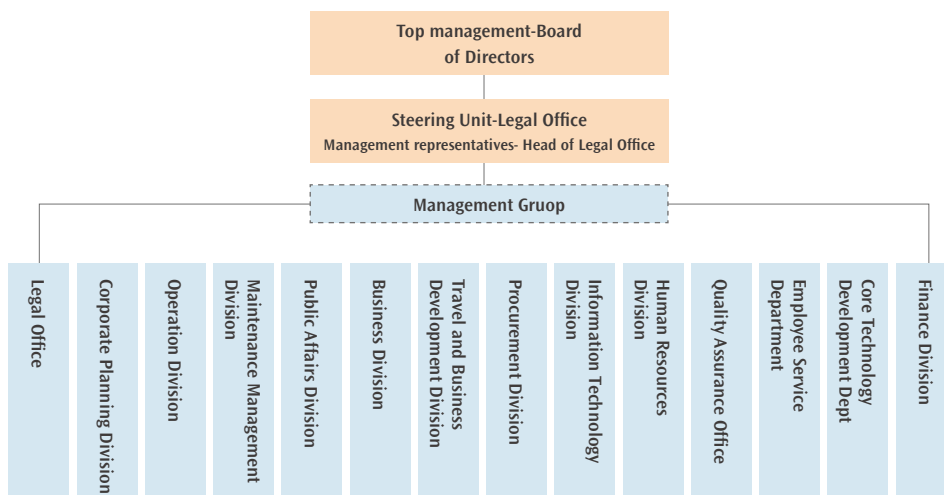
Stakeholder	External/Internal Issues	Risks or Opportunities	Countermeasures
Competent authorities	<ul style="list-style-type: none"> Legal compliance Compliance with government policies (localization of railway industry) 	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> Industrial preferential policies <p><u>Risks</u></p> <ul style="list-style-type: none"> Management costs arising from regulatory amendments Industrial policy changes 	<ul style="list-style-type: none"> Visits and exchanges Annual operation inspections Regular regulatory reviews and evaluations

3) Intellectual Property Management group

A. 2021 Intellectual Property Steering Group



B. 2022 Intellectual Property Management Group



Note: In compliance with the revision of the Company's bylaws, the Intellectual Property Steering Group has since 2022 incorporated all internal units related to the Company's intellectual property management, and being renamed as the Intellectual Property Management Group.

4) Intellectual Property Management System

To prevent exposure to the aforementioned risks, the Corporation identifies opportunities or risks related to operating strategies and intellectual property management, and formulates relevant response measures, such as setting forth standards, conducting training sessions, and by establishing confidential information management, inventory maintenance, and infringement protection mechanisms to effectively eliminate and reduce damage risks. Since 2020, we have formulated an "Intellectual Property Management Plan" every year in accordance with the aforementioned development strategies and related management regulations, and report to the Board of Directors at least once a year on the content and implementation of said plan. Our 2021 Intellectual Property Management Plan was reported to the 14th meeting of the 9th Board of Directors on May 5, 2021; the contents was as follows:

- A. Departmental business execution plans: Relevant operating units shall actively develop business execution plans related to intellectual properties in accordance with medium and long-term strategic goals.
- B. Competitions: The Quality Assurance Office (QAO) shall organize competitions to encourage employees to create new intellectual properties.
- C. Intellectual property inventory: Operating units shall establish and maintain intellectual property inventory records, and the Legal Office shall compile the lists provided by each operating unit to establish a database.
- D. Share intellectual property achievements: Organize or participate in local rail operator conferences as per government policies, actively participate in the developments of the domestic rail industry, and share localized intellectual property experiences.
- E. Training: The Legal Office shall organize intellectual property education and training to strengthen the professional knowledge of employees, and personnel implementing this Intellectual Property Management Plan shall participate in project meetings organized by the Legal Office at least once every quarter, or participate in external training sessions or lectures. The Legal Office should arrange for all employees to attend digital introductory courses on intellectual property rights at least once a year and pass relevant tests.
- F. Obtain TIPS certification: Optimize intellectual property management through the introduction of a intellectual property management system, strengthen the functions of intellectual property management, and reduce the risks of internal and external infringements.

(2) Implementation status of Intellectual Property Management Plan

Implementation results for the Corporation's 2021 Intellectual Property Management Plan was reported to the 20th meeting of the 9th Board of Directors on November 3, 2021.

- 1) According to the implementation results of R&D plans reported by relevant business units, local procurement of maintenance materials reached 28.75% as of the end of Q3 2021.
- 2) Competitions organized by QAO:
 - A. Proposals for improvement: As of the end of Q3 2021, a total of 1,078 proposals have been accumulated, reducing NT\$3.98 million in costs and approximately 14,781 man-hours.
 - B. Quality assurance competitions: The Rolling Stock Maintenance Department of the Maintenance Management Division, the Train Operation Department of the Operation Division, and other business units represented the Corporation in the "2021 Taiwan Continuous Improvement Awards."

C. Intellectual property inventory (as of December 22, 2021):

Categories	Numbers
Patents	1. A total of 59 patents, including (1) Invention patents: A total of 22 patents (6 acquired in 2021) have been accumulated, including the "Seat-back table device on railway vehicle" patent. (2) Utility model patents: A total of 37 patents (5 acquired in 2021) have been accumulated, including a patent for "Inspection device for train air-conditioner setting apparatus." 2. A total of 1 patent under review (1) Invention patents: 1 (2) Utility model patents: None
Trademarks	1. A total of 166 trademarks have been accumulated. 2. A total of 2 trademarks are under review.

D. Share intellectual property achievements: We participated in the "2021 Annual Double Railway Technology Exchange Plan Meeting" on December 16, 2021 with the Department of Railways and Highways, Railway Bureau and Taiwan Railways Administration of MOTC.

E. Training organized by the Legal Office included:

- (a) External: Two Legal Office personnel attended the 2021 Intellectual Property Management Training (Level A) Course-System Introduction Training and Self-Assessment Audit Training organized by the Institute for Information Industry, and obtained relevant training certificates.
- (b) Internal: An online "Intellectual Property Rights" course was organized for all employees. Training was completed on September 30, 2021. A total of 4,760 employees completed the training over 2,380 hours of training.

F. Revision of intellectual property rights management rules:

- (a) In order to optimize the Corporation's intellectual property management system, reduce infringement risks, and meet verification requirements required for TIPS implementation, we revised our internal intellectual property management rules in accordance with the 2016 version of the TIPS management specifications (Level A).
- (b) Main revisions focused on the organizational environment, resources, document control methods, acquisition, protection, maintenance and use of intellectual property rights, correction and improvement measures, and so on. Amendments were announced to all employees on June 30, 2021.

G. Obtain TIPS certification: The Corporation first applied for the TIPS (Level A) 2016 Version certification in September 2021. The application was approved by the Institute for Information Industry on November 5, 2021. According to the certification registration contract signed with Institute for Information Industry, our certificate is valid until December 31, 2022.



7

Value Propositions

Environmental

1. Establishing a Sustainable Environment

In order to implement comprehensive environmental protection throughout construction to operation processes, THSRC continues to promote multiple aspects of environmental care (including the establishment of an environmental management system, and the formulation of environmental policies, the establishment of an environmental management organization, the evaluation of related goals and implementation strategies). We encourage environmental actions such as environmental management, energy saving, waste reduction, green construction, ecological conservation, environmental education, green procurement, and other measures for sustainable development, and we strive to adapt to the impacts of climate change. Furthermore, in 2019, we established our Environmental Management Committee, which is responsible for supervising the implementation and periodic review of environmental objectives, and communicating environmental management system related affairs. Our environmental management system obtained ISO14001:2015 verification in 2020 (certificate validity period from September 25, 2020 to September 24, 2023), making us the first rail company in Taiwan to obtain this certification.

(1) Green Buildings


THSRC strives to integrate the four pillars of "ecology, energy saving, waste reduction, and health" with the nine indicators of green buildings as we build new sustainable green buildings that can become potential landmarks. HSR Miaoli, Changhua, and Yunlin stations were designed in accordance with the "Green Chapter of the Building Construction Regulations" and the "Green Building Evaluation Manual," and in 2013 received Green Building Candidate Certificates. Green designs were implemented during construction, and we applied for the Green Building Certificate in 2016 after completion of construction. Miaoli station applied for 7 indicators and was awarded a Diamond level certificate from the Ministry of the Interior (MOI). Changhua and Yunlin stations applied for 6 indicators and were both awarded a Gold level certificate from the MOI. The Green Building Certificates were valid for five years, and certificate validity was extended for another five years in 2021.



(2) Energy Saving and Carbon Reduction

1) Energy Management

In order to improve energy consumption efficiency and promote energy conservation measures at HSR stations and maintenance depots, we have established an "Energy Conservation Project Team" which convenes regular "Energy Conservation Meetings" every three months to track implementation of energy management measures, review electricity usage in each quarter, and formulate energy management indicators and targets.

 Energy Management	Indicator	Annual average electricity conservation rate per passenger served		
	Target	>0.86%		
Performance item	2019	2020	2021	
Total Depots & Stations of electricity consumption (10 MWh)	9,890.733	9,616.699	9,089.538	
Average electricity consumption per passenger served (kWh)	1.467	1.680	2.091	
Electricity savings (MJ)	2,860.740	9,865.251	18,977.7910	

2) High-Speed Rail Carbon Footprint

In 2020, we petitioned the Environmental Protection Agency to extend the 5-year validity period of our "Carbon Footprint Label Certificate of High Speed Rail Transportation Services" (from December 17, 2020 to December 16, 2025), and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32g CO₂e per passenger per kilometer (per passenger-kilometer), and we received another "Carbon Footprint Reduction Label" (Certificate label No. R2014910001) due to our achievement of reducing carbon emissions by more than 3% (4.92%) within 3 years. Additionally, we received the 2021 Low Carbon Product Award and NT\$100,000 in prize money from the Executive Yuan Environmental Protection Agency on November 4, 2021. The "footprint" logo on the backs of our tickets clearly informs HSR passengers that carbon emissions per person per kilometer are 0.032 kg CO₂e. A comparison with other transportation vehicles indicates that this emission level is one-third that of cars, one-half of buses, and one-eighth of national airlines. In 2021, THSRC passenger traffic volume was 7,569 million passenger-kilometers, 628,209 tons of carbon emissions lower than that of small vehicles with similar passenger-transport volume. This reduction level is equivalent to the carbon absorption level of 1,615 Daan Forest Parks.



3) CO₂ or other Greenhouse Gas Emissions


We continue to promote our four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage), set a power saving target to reduce at least 0.86% of "averaged electricity consumption per passenger" each year, and also established an indicator of "carbon emissions per Passenger-Kilometer" for the purpose of quantifying the tendency and status of carbon emissions generated by overall energy consumption. The target of carbon reduction is set to exceed 1.5% annually. In 2021, the Corporation's greenhouse gas emissions were 281,696.73 tons CO₂e, with 99% coming from purchased electricity. We voluntarily conducted greenhouse gas (GHG) inventory for our 12 stations in 2016~2020 and obtained an ISO14064 Verification Opinion Statement issued by a third party. Relevant verification information for the past three years are as follows:

Year	Scope 1: Direct greenhouse gas emissions (the source of emissions from the usage of diesel, gasoline and refrigerant) (CO ₂ e)	Scope 2: Indirect greenhouse gas emissions from energy purchased and consumed (the source of emissions from the purchased electricity) (CO ₂ e)	Verification Unit
2018	1,754.6352 tons	50,119.8128 tons	DNV GL Business Assurance Co., Ltd.
2019	1,132.1510 tons	47,738.7367 tons	SGS Taiwan Ltd..
2020	1,481.5537 tons	45,947.4916 tons	SGS Taiwan Ltd..



Carbon-reducing efficiency of electronic documentation system:

- Signing rates for documents in the electronic documentation exchange system was more than 99%.
- We exchanged 48,780 electronic documents in 2021, saving 585,360 pieces of paper, conserving 70 trees, and reducing 840 kg of carbon emissions.

 Greenhouse Gas Management	Indicator	Annual average carbon reduction rate per passenger-kilometer		
	Target		>1.5%	
Performance item		2019	2020 (Note)	2021
Total emissions (metric tons CO ₂ e)		319,844.04	308,351.92	281,696.73
Average carbon dioxide emissions per passenger-kilometer (g CO ₂ /passenger-kilometer)		26.666	31.109	37.218

Note: The figures for 2021 were calculated using power emission factors from 2020, and therefore differ from those shown in our 2020 Annual Report.

(3) Adaptation to Climate Change Impact


The main risks from climate change include severe weather phenomenon such as extreme high temperature; rising sea level; increased rainfall, rainfall intensity, typhoons, cyclones, and lightning, which have increased in frequency and intensity, and may impact upon HSR operations. We continue to adapt the "Adaptation Strategy to Climate Change in Taiwan" proposed by the National Development Council and assist the Institute of Transportation, Ministry of Transportation and Communications (MOTC) in conducting research related to climate change adaptation, participate in the development of the railway and highway climate change adaptation information platform and the expansion of its functions, and strengthen the analytical functions regarding vulnerability and risk of the information platform, with a view to supporting decision-making analysis of climate change by railway and highway competent authorities. Furthermore, we have also signed the "Memorandum of Cooperation on Cross-Border Disaster Prevention" with the Central Weather Bureau, MOTC to enhance meteorological interpretation capabilities through mutual cooperation, while serving as an important reference for THSRC to make traffic dispersion decisions and assess track safety during disasters. All the facilities built by THSRC for "flood prevention, earthquake prevention and wind damage prevention" comply with domestic and international regulations.

At present (2018~2022), our adaptive actions toward climate change impact include:

- (1) Establishment of warning system for slope safety.
- (2) Strengthening protection of tunnel portal slopes.
- (3) Risk assessment and protection design for scoured cross-river bridges.

(4) Water Resources Management

We implemented water conservation, water reduction and water recycling as our water resources management policy, and set an annual water-saving goal to reduce at least 3.42% of "water consumption per passenger." We established sewage treatment plants at each maintenance depot and station, and test and report regularly on the quality of discharged water every month to ensure that it meets standards for discharged water and can be recycled for sprinkling. We also track the implementation status of water-saving measures through quarterly review meetings to check water usage volumes, analyze reasons for increments or decrements in water consumption, and promote water saving measures to reduce our water usage. Additionally, our water supply is completely sourced from tap water and uses no groundwater. The Corporation's total tap water consumption was 594,195 m³ (including total Depots & Stations of water consumption) in 2021. Recovered rainwater and waste water is used for plant irrigation to reduce tap water usage. At depots, rainwater and discharged waste water is first discharged to a retention pond prior to usage. The station buildings at Miaoli, Changhua, and Yunlin stations are specially equipped with underground water storage tanks to store rainwater and waste water for reuse.

 Water Resource Management	Indicator	Annual average water conservation rate per passenger served		
	Target		>3.42%	
Performance item		2019	2020	2021
Total Depots & Stations water consumption (cubic meter)		718,890	682,713	590,363
Average water consumption per passenger served (cubic meter)		0.0107	0.0119	0.0136

(5) Air Pollution Prevention and Control

HSR operations do not generate air pollutants, but air pollutants are generated by repairs conducted at our Yanchao Main Workshop. We have therefore set up facilities for air pollution control at our train painting station located in the Yanchao Main Workshop. These facilities include pulse-jet bag filter, activated carbon filter, and catalyst incinerator, and help to treat the dust and volatile organic compounds (VOCs) generated from painting cars. We obtained a permit for stationary pollution source installation on October 19, 2017 and an operation permit on January 31, 2019. Additionally, we also prepare periodic reports each quarter in accordance with the Environmental Protection Agency "Management Regulations Governing the Air Pollutant Emissions Report of Stationary Pollution Source."

(6) Waste Management

Our waste management policy promotes the concepts of recovery and recycling, reduces waste at the source, and strengthens waste separation and recycling. Most waste generated from our operations, including passenger waste, is industrial waste which we entrust to qualified disposal companies for transport to incinerators. Furthermore, we promote waste recycling (including waste paper, waste plastic, scrap iron, waste wood, scrap copper, aluminum scrap, waste lighting sources, waste lead storage batteries, and waste glass containers) at stations and through workshops, which has effectively reduced our waste volume. Our total waste disposal volume was 5,947.35 tons in 2021, including 1,613.104 tons of recycled waste.

(7) Noise Prevention and Control

Our noise prevention and control targets comply with government regulations and commitments set out in THSR EIA Reports, and we have responded effectively to noise complaints from local residents. A team of dedicated staff members are responsible for communication with the environmental authorities, and standard procedures have been developed for handling noise petitions and noise complaints. Additionally, to reduce the impact of noise made by our trains, we use noise barriers and soundproof windows or doors for better noise control.

(8) Information on Environmental Expenses

Loss and penalty caused by environmental pollution during the most recent year and up to the printing date of this annual report. Necessary measures and actions to be taken in the future:

- 1) We incurred no damages as a result of environmental pollution during 2021 or up to the printing date of this report.
- 2) Major capital of environmental protection estimated for the next three years:

Unit: NT\$ thousands

Item	Year	2021	2022	2023	2024
Monitoring of Environmental Quality		1,880	2,705	2,600	2,600
Research for Environmental Impact		4,529	7,124	4,243	3,893
Environmental Pollution Prevention		87,836	92,365	82,210	71,385
Total		94,245	102,194	89,053	77,878

3) Investment in main facilities for prevention and control of environmental pollution, as well as the usage and benefits, previous work and expenditures, and plans to be implemented within three years:

Unit: NT\$ thousands

Item	Year	Amounts	Use and Benefits
Recovery of artificial Jacana habitat	2019~2021	3,429	Compliance with the commitments set in the THSRC EIA Report and highlighting our concern for ecological conservation.
Noise prevention project (including noise improvement of surrounding residential buildings)	2019~2021	25,824	Implementation of noise prevention and control according to EIA reports and regulations.
Measurement of noise and vibration in the sensitive areas along HSR	2019~2021	5,796	Compliance with commitments set in THSRC EIA Report and analysis of noise prevention and control measures to be taken pre- and post-development.
Environmental monitoring in Miaoli, Changhua, Yunlin, and Nangang Stations during the operation stages	2019~2021	1,145	Compliance with commitments set in THSRC EIA Report and analysis of measures to be taken pre- and post-development.
Treatment of the waste and waste water generated from HSR stations, workshops and relevant operations and maintenance	2019~2021	184,535	Treatment of the waste and waste water from stations and workshops in accordance with relevant regulations.
Verification of Carbon Footprint for High Speed Rail Transportation Services, and GHG survey on overall 12 stations	2019~2021	4,576	Obtained EPA Carbon Footprint Label Certificate of High Speed Rail Transportation Services and ISO14064-1 Verification Opinion Statement issued by a third party.
Establishment of ISO14001 Environmental Management System with continuous improvement and consultation.	2019~2021	3,865	Facilitating effectiveness of the ISO14064-1 Environmental Management System and ensuring normal operations and maintenance.
Total		229,170	

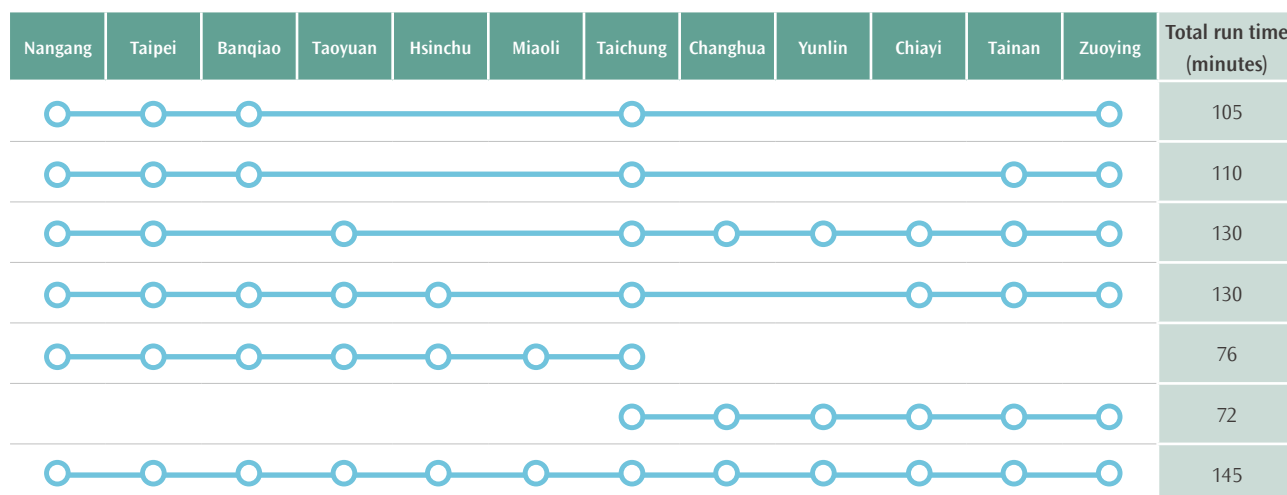


2. Quality Services

(1) Frequent, Convenient, Punctual, and Reliable Train Services

In order to meet the varying travel destinations and needs of passengers, and to ensure provision of fast intercity transportation services, THSRC offers the following train stopping patterns:

Train stopping patterns



THSRC provides up to 166 services a day depending on peak or off-peak days of the week. The number of train runs are increased during consecutive holidays in order to provide frequent and convenient services that fulfill passenger needs.

(2) Multiple Convenient Ticket Booking and Purchasing Channels

Currently, passengers can book, purchase, and pick up their tickets through ticket windows, ticket vending machines, online booking system, convenience store ticketing systems, the T Express App, interactive voice reservations, and travel agencies. Passengers can also board trains using contactless smartcards such as EasyCard co-branded credit cards and iPass co-branded credit cards.

THSRC upholds principles of innovative service and continues to establish multiple ticket purchasing channels so as to provide our passengers with convenient ticketing services.

(3) Convenient Station Services

- 1) Modernized and artfully designed stations and enthusiastic station service personnel provide a wide range of services and amenities to ensure ease of travel, including ticket counters and automated ticket vending machines, passenger information systems, information desks, guidance for elderly and disabled passengers travelling alone, disabled facilities, nursery rooms, drinking fountains, convenience stores, and restaurants. Wi-Fi is also available in all stations so passengers can quickly retrieve any information they need.
- 2) HSR station shuttle services include: buses, taxis, rental cars, drop-off and pick-up zones, and parking lots. Nine of our stations (Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Tainan, and Zuoying) are connected to other rail (TRA or subway) services.
- 3) In order to provide our passengers with convenient access to and from our stations, the Corporation works with bus companies to provide free shuttle bus services under joint marketing campaigns. In 2021, we offered 307,870 free shuttle bus trips to 2,420,795 passengers. The following is a summary of bus routes operated in 2021:

Distribution of HSR Shuttle Bus Routes

HSR station	Taoyuan	Hsinchu	Miaoli	Taichung	Changhua	Yunlin	Chiayi	Tainan
Number of bus routes	2	1	1	1	1	1	1	2

(4) Comfortable Train Travel

- 1) Disabled access services: The seventh carriage of HSR trains are designated as disabled-access carriages, and four seats are reserved for carers, allowing them to stay close to and take care of disabled passengers. A disabled accessible toilet is also provided at the vestibule of the seventh carriage. Call-for-aid buttons are provided at each disabled seat and in the disabled toilet. Disabled passengers requiring assistance can notify train personnel by activating the call-for-aid button at any time. Charging sockets have also been installed on trains for electric wheelchair users.
- 2) Friendly and helpful train personnel

Train attendants

Train attendants sell goods from our train trolleys, assist disabled passengers and passengers who have applied for assistance to get on and off trains, and help to manage on-train lactation rooms. They are attentive to the needs of wheelchair-riding, disabled, elderly, and pregnant passengers, and ensure that passenger luggage is placed in appropriate locations. Additionally, train attendants also help to maintain on-train comfort and noise levels, thus enhancing safety and service quality for passengers. Furthermore, attendants also respond to passenger queries, accept passenger feedback, and assist the trainmaster with emergency responses to ensure the safety of on train passengers.

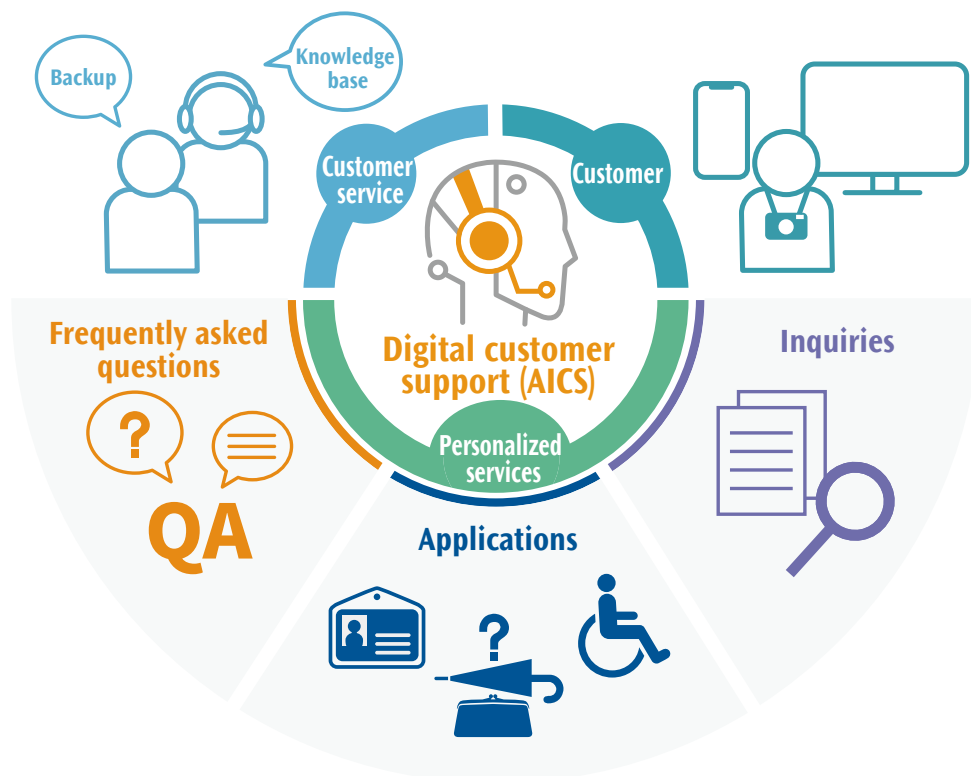
The train master

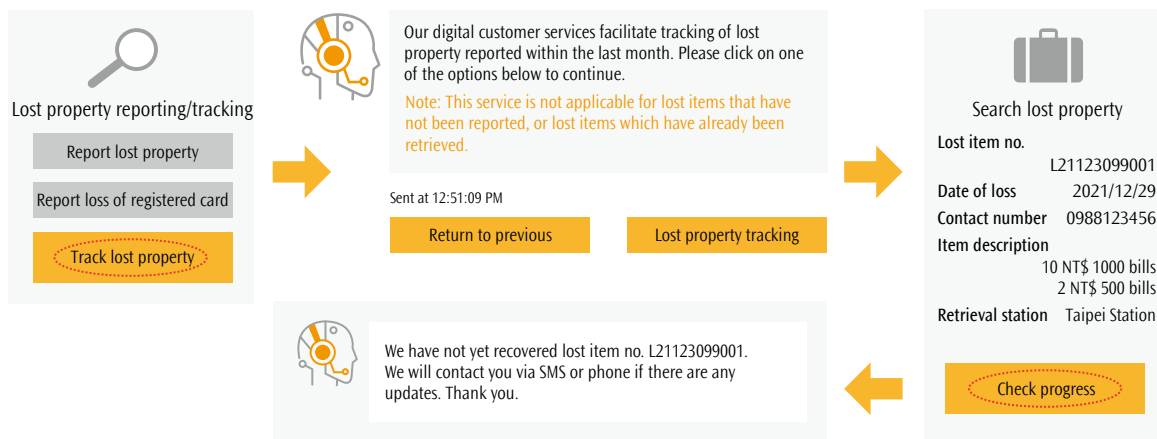
The train master is not only responsible for providing assistance to train driver when necessary and inspection of operational safety equipment, but also conducts ticket inspections and fare charges. For passengers who have boarded the wrong train or who have changed their plans at short notice, the train master provides transportation transfer details and guidance, helping passengers to board the right trains. Additionally, the train master also provides lost and found services, assists passengers who have applied for guidance assistance at short notice, and responds to passenger queries. The train master not only maintains trains safety, but is also committed to providing high-quality passenger transportation services.

- 3) Mother- and infant-friendly areas: Fifth-carriage vestibules of all trains are equipped with lactation rooms that provide a private and safe space for nursing, pumping, and breastfeeding mothers. If passengers need to use lactation rooms, train personnel will guide them through the usage of available facilities which offer a mother- and infant-friendly travel environment and passenger services.
- 4) Free Wi-Fi services: In consideration of the increasing popularity of mobile communication devices and passenger needs, passengers can use their mobile phones, tablets, laptops, and other communications devices to connect to the Internet via the free "THSR_free WIFI_ALL" Wi-Fi network, as well as free charging services. In addition, free onboard charging services are provided in the telephone booths of the fourth and twelfth carriages of every train for the convenience of passengers who wish to charge their mobile devices.

(5) Real-Time Customer Support

THSRC has established a customer service center which provides timely customer phone support, wheelchair-accessible seating reservations, passenger guidance, and lost & found services from 06:00 to 24:00. We continuously enhance our tangible and intangible facilities to facilitate smooth communications and better alignment with passenger needs. We launched 24/7 digital customer support services in December 2020 to assist passengers with frequently asked questions, personalized service applications, and inquiry services. Self-service lost & found tracking services were also launched in December 2021.





(6) Maintenance of Passenger Relations

1) Innovative, Digital, and Real-Time Communication

We have installed passenger information displays in lobbies and waiting areas at HSR stations to announce timely operational information, notices, and precautions, as well as promotional videos for HSR services. We have also set up our own Facebook Page to provide the latest product, service, and brand information. In 2021, THSRC's Facebook Page cumulatively garnered 421,000 fans and garnered a total of 2,000 new fans within the year. Posts on the THSRC Facebook Page reached 2.96 million people and generated 590 thousand interactions.

With regard to the enhancement of digital communications, THSRC not only offers professional personalized ticketing services through the T Express App, but has also launched the Taiwan High Speed Rail App, which mainly focuses on multi-functional travel services and provides customers with more comprehensive digital services. As of December 2021, the Taiwan High Speed Rail app has been downloaded more than 1,200,000 times.

2) Current Feedback Collection Channels and Customer Service Processes

Passengers who wish to convey their expectations, feedback, and suggestions to THSRC can do so by utilizing a diverse range of customer feedback platforms, including customer suggestion forms, the email address listed on our corporate website, our digital customer support services, station and train staff, our customer service hotline, and other channels. Passenger feedback is investigated, handled, and responded to by relevant THSRC departments within specified time limits, and improvement measures are tracked to achieve effective two-way communication and ensure protection of customer and Corporation interests.

Additionally, THSRC regularly commissions external institutes to conduct HSR customer service satisfaction surveys to assess items that should be refined and improved. We establish a virtuous cycle which continually improves and enhances our service quality by adjusting our service strategies and setting annual quality targets. We continued to cooperate with the government in implementing various epidemic prevention measures in 2021, resulting in reduction or suspension of some services, and some passengers were unable to enjoy our full range of services. As a result, we suspended our annual satisfaction survey in consideration of the impacts that epidemic conditions may have on the objectivity and reference value of our survey results. However, we continue actively responding to customer expectations and optimizing our processes by implementing responses to customer feedback collected from the previous year and through routine service.

In 2021, our customer service center and digital customer support services handled a total of 650,000 customer service and feedback cases mainly relating to ticketing services, train schedules, passenger guidance, lost & found tracking, and THSRC promotions.

3. Friendly Work Environment

(1) Talent Development

1) Labor conditions

A. Talent retention and appropriate placement:

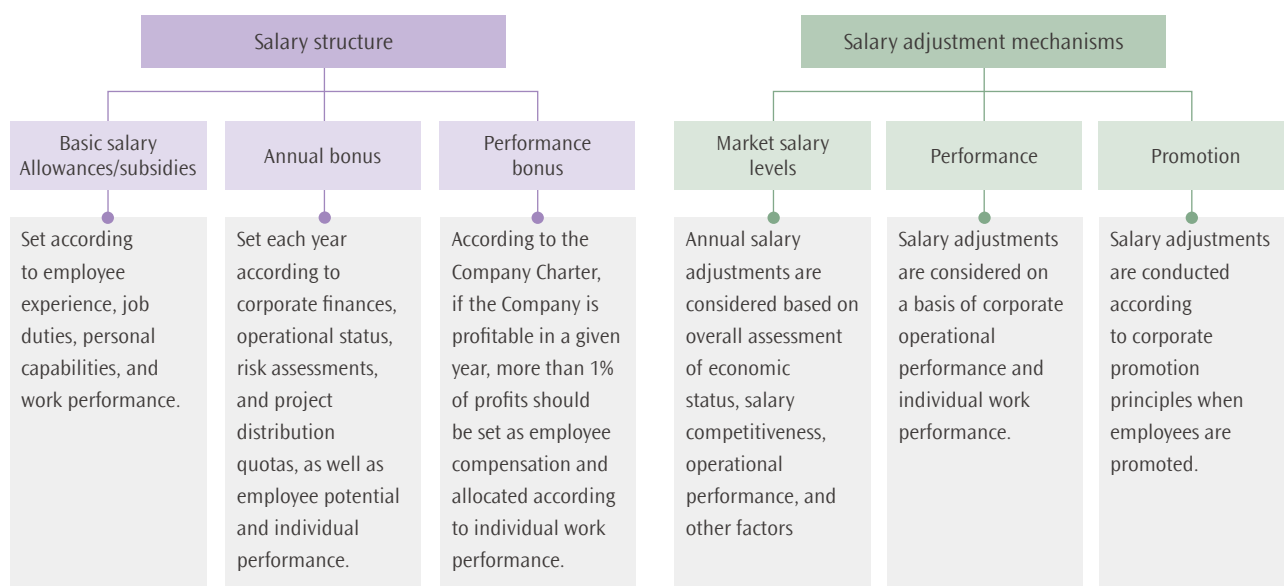
THSRC provides career advancement opportunities for talented employees based on organizational needs and individual development to enhance professionalism and achieve our target of incentivizing and retaining talent. Qualified employees that meet company requirements and wish to hold managerial positions can further their career development and fully realize their potential through positional promotions.

Additionally, THSRC prioritizes internal application channels when filling in-house positions. We train employees in multiple skills through different job opportunities in line with our policies to realize talent potential, provide appropriate placements, and cultivate talent.

B. Competitive remuneration:

THSRC annually reviews the competitiveness of our salary structure and assesses necessity for salary adjustments. Additionally, we achieve our goals of prioritizing employees, incentivizing talent, and profit sharing by providing bonuses based on corporate and individual performance.

Salary structure and salary adjustment mechanisms



Year	2015	2016	2017	2019	2020
Adjustment	3.0%	3.2%	3.1%	3.5%	3.42%

Note: Salary adjustments for 2019 were implemented on November 2018. Average overall salary adjustments for the year amounted to 3.5% (not including salary adjustments for promoted personnel).

2) Learning and development

We promote talent management evaluations to aid active identification of management capabilities when formulating talent development plans, helping to focus talent cultivation and resource utilization. Additionally, we have also formulated specific development paths for certain job positions and cultivate professional talent through job rotations and experience. We have also established a knowledge management mechanism using the company's knowledge base as a blueprint, and classify knowledge

documents into the following types: integrated materials, LFE learning from experience, maintenance database, operational database, and general knowledge, to help pass on operations, maintenance, construction, and services experiences, and build the level of knowledge needed to achieve maintenance and operations targets.

(2) Concern for Human Rights

Human rights policies and implementation of measures to alleviate human rights risks:

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Freedom of Association	Employees	We ensure employees have freedom to form associations for various purposes, and to participate or refrain from participating in association composition and related affairs.	<ol style="list-style-type: none"> 1. We support freedom of association for our employees, who have currently established more than one hundred different clubs. 2. We protect our employees' right to organize. Currently, two labor unions (a corporate union and an industry union) have been formed within the Corporation. The Corporation periodically convenes meetings with these unions to build harmonious and strong labor-management relationships. 	<ol style="list-style-type: none"> 1. Article 22 of the International Covenant on Civil and Political Rights 2. Article 8 of the International Covenant on Economic, Social and Cultural Rights 3. International Labour Convention No. 87: Freedom of Association and Protection of the Right to Organize Convention
Care for Disadvantaged Groups	Employees/ Employee Family Members/ Passengers/ Community Residents	We focus on public policy and various charities, and participate in the community development and education activities of civic organizations, charitable organizations, and local governmental institutes.	<ol style="list-style-type: none"> 1. We hire disabled and indigenous individuals in accordance with law, and provide group insurance, compensation payments, and relief payments for hospitalization, medical care, and major hazards. 2. We provide passenger guidance services as well as accessible seating, elevators, parking spaces, and toilets as part of our commitment to offer a friendly and accessible environment for our passengers, and we have formulated a comprehensive service program. 3. Our "High-Speed Educational Endowment Program" provides educational opportunities for economically disadvantaged groups; our "THSRC Smiling Train Program" works with various educational and charitable institutes to help disadvantaged groups obtain free or discounted HSR tickets; and our "Winter Outreach Blood Drive" helps to relieve blood shortages during the winter season. 	Article 9 of the Convention on the Rights of Persons with Disabilities: Accessibility
Prohibition of Child Labor	In accordance with law, we do not recruit or employ child laborers.	We do not employ any child laborers younger than 15 years of age.	To protect children's right to education, we filter out child laborers under 15 years of age when assessing job candidates. The Corporation does not currently employ any child laborers.	Article 10 of the International Covenant on Economic, Social and Cultural Rights
Eradication of Forced Labor	Employees	We prohibit use of any form of forced labor through abuse, intimidation, detention, or other illegal means.	<ol style="list-style-type: none"> 1. We do not retain personal identification documents of personnel reporting for work and also do not require prior payment of any fees. 2. All wages are paid in full, save where otherwise provided by law (legally withheld funds, health insurance and labor pension co-payments, employee welfare funds, union fees, and so on). 3. Employees provide their services voluntarily. 	<ol style="list-style-type: none"> 1. Article 8 of the International Covenant on Civil and Political Rights 2. International Labour Convention No. 100: Equal Remuneration Convention

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Eradication of Hiring and Employment Discrimination	Employees/Job Candidates	We avoid discrimination and differential treatment in all forms to realize diversity and enhance equality in the workplace.	<ol style="list-style-type: none"> 1. The Corporation does not discriminate in any way during the hiring process. 2. We provide employee lactation rooms to support breastfeeding policies. 3. Regardless of gender, employees granted statutory (childcare, injury, illness, and military service) leave without pay who worked for fewer than 183 days in one year can enjoy annual salary adjustments following their reinstatement. In 2021, 136 people (including 23 males and 113 females) applied for parental leave. 	<ol style="list-style-type: none"> 1. Article 7 of the International Covenant on Economic, Social and Cultural Rights 2. International Labour Convention No. 111: Discrimination (Employment and Occupation) Convention 3. International Labour Convention No. 183: Maternity Protection Convention 4. Convention on the Elimination of All Forms of Discrimination Against Women
Abolish Violations of Human Rights	Employees	We ensure that individual employees have appropriate channels for clarification and grievance reporting when their legitimate rights and interests are infringed upon, and make sure that they are not subject to any form of adverse treatment.	<ol style="list-style-type: none"> 1. We have formulated preventive measures and grievance reporting procedures for sexual harassment and publicly disclosed these within the workplace; additionally, our two-tiered grievance processing mechanism solidifies our internal grievance system and ensures that the problems of each employee are appropriately handled. 2. Our appraisals and penalties for violations or noncompliance of laws, regulations, and internal Corporation rules are handled in accordance with regulations governing rewards and disciplinary actions. 3. Human rights training included 2,026 hours of training on legal compliance and prevention of workplace bullying attended by 428 employees (9.1% of all employees); 39 hours of training on sexual harassment prevention attended by 560 employees (11.9% of all employees); 12,447 hours of training on occupational safety attended by 4,149 employees (88.88% of all employees); 2,334 hours of training on ethics and morals attended by 4,668 employees (100% of all employees); and provided 2,334 hours of training on prevention of insider trading attended by 4,668 employees (100% of all employees). The total number of training hours for 2021 was 19,180 hours. 	Article 2 of the International Covenant on Civil and Political Rights
Friendly Workplace	Employees/ Employee Family Members	We help our employees to find a balance between work-life conflicts so as to build a friendly workplace and enhance employee loyalty.	<ol style="list-style-type: none"> 1. We disclose remuneration information for full-time non-managerial employees each year: Average remuneration for 2021 was NT\$934,000, an increase of 1.3% over the previous year. We annually review the competitiveness of our remuneration so that our employees can receive reasonable compensation. 2. We provide employees with appropriate leisure spaces and facilities such as softball fields, basketball courts, badminton courts, gym equipment, and so on. We host a variety of sports competitions and invite family members of employees to participate. 3. Each department hosts birthday celebrations and dinner parties to enhance employee relationships. 4. We have established mechanisms to protect the physical and mental health of our employees and to build a healthy and friendly work environment. 	Article 11 of the International Covenant on Economic, Social and Cultural Rights

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Safe Work Environment	Employees	We protect employee safety and strive to prevent workplace hazards from occurring.	<ol style="list-style-type: none"> 1. We formulated and executed annual programs for occupational health and safety management reviews and rewards, including our "Rewards Program for Occupational Health and Safety Management" and our "Rewards Program for Reporting Near Misses of Occupational Health and Safety Hazards". 2. We organized safety promotion activities including safety culture assessments, check-ups of employee scooters, free shuttle buses for areas with high traffic hazard risks, and traffic safety lectures. In order to reduce traffic hazards, we submitted proposals for improvements, hosted safety awareness competitions, and created promotional materials. 3. We obtained certification of our occupational health and safety management systems and follow-up procedures; impartial reviews from third parties allow the Corporation's occupational health and safety management system to operate sustainably and continue to improve, allowing us to achieve our ultimate target of zero hazards and zero accidents. 	<ol style="list-style-type: none"> 1. Article 7 of the International Covenant on Economic, Social and Cultural Rights 2. International Labour Convention No. 155: Occupational Safety and Health Convention 3. International Labour Convention No. 161: Occupational Health Services Convention 4. International Labour Conventions No. 187: Promotional Framework for Occupational Safety and Health Convention
Promotion of Employee Health	Employees	Enhance employee health.	<ol style="list-style-type: none"> 1. We continue to evaluate employee health check items. The frequency and number of items included in our employee health checks exceed that required by law. Starting from 2018, we also added advanced microscopy and imaging inspection items for senior employees (those above 45 years of age and who have worked at the Corporation for more than 10 years), and provided flexible health check programs according to individual needs. 2. We advanced our employee health management system. Apart from evaluations by medical personnel, health check results were compiled and analyzed by a personalized "EHM Employee Health Management Platform", and analysis results were used to plan and manage various health promotion activities suitable for our employees. 3. Every year, we host health promotion activities such as lectures on healthy diets, weight loss, and quitting smoking; influenza vaccines; and health and physical fitness inspection activities. 	Article 25 of the Universal Declaration of Human Rights
Supply Chain Management	Suppliers	To achieve our target for sustainable operations, we continue to communicate with different partners in our supply chain regarding establishment of comprehensive management measures for human rights issues (such as prohibited use of child labor, compliance with legal work hours, equality in hiring procedures, and freedom of association).	<ol style="list-style-type: none"> 1. Our tender notices stipulate that we oppose all discriminatory behaviors (include discrimination towards women, indigenous people, and disadvantaged groups). Major violators of this policy, if discovered, are blacklisted. 2. When submitting bids, suppliers have to submit an Enterprise Social Responsibility Commitment form with relevant labor laws and internationally accepted labor rights. 	

Training for protection of human rights:

In order to establish a high-quality work environment and reduce risks relating to human rights, the Corporation has implemented information assimilation, sexual harassment courses, promotion to prevent workplace bullying, and comprehensive workplace safety training in accordance with relevant regulations. Attendances in these courses and total training hours are as shown below:

Item	2017	2018	2019	2020	2021
Attendees	16,041	13,354	14,153	18,782	13,913
Total training time (hours)	36,651	17,719	18,569	20,008	19,141

(3) Occupational Safety and Health

THSRC periodically reviews company safety policies, procedures, and implementation results to achieve our goal of continued safety improvement. We worked with external professional units to conduct safety culture assessments for 2017 as a way of reviewing overall safety implementation results and to provide a reference for senior management. We also conducted a series of corporate safety activities to strengthen autonomous management of health and safety, effectively reducing occupational hazard risks and enhancing protection of employee health and safety.

Additionally, we became an accredited Health Promotion Administration "Healthy Workplace Accreditation-Health Promotion Certificate" workplace starting in 2019, and are actively establishing smoke-free environments, promoting health-enabling measures, and building healthy work environments.

In 2021, THSRC continued promotion of the Ministry of Labor's Operation Directions for the Performance Recognition of the Occupational Safety and Health Management Systems of Business Entities to ensure that the Corporation's occupational safety and health management measures can operate efficiently in line with international safety and health voluntary management standards, and help to protect worker safety and health.

4. Mutually Beneficial Society

(1) Social Contributions

THSRC upholds operational principles of sustainable development and strives to fulfill our corporate social responsibilities. We continue to expend our corporate resources to support various social contributions and artistic performances to enhance public recognition of the Corporation, provide support to those in need, and build a richer and better society in Taiwan through delivery of sincere care.

1) High-Speed Educational Endowment Program

The THSRC "High-Speed Educational Endowment Program," which has been hosted consecutively for 13 years, was once again initiated on New Year's Day of 2022. In order to help disabled and disadvantaged children bridge learning gaps, THSRC Chairman Yao-Chung Chiang and Children Are Us Foundation Founder & Managing Director Kuo-Jen Su jointly hosted the "2021 High-Speed Educational Endowment Program" press conference at the Children Are Us ENJOY restaurant on December 27, 2021, inviting generous donations from the general public to spread warmth and love to every corner of Taiwan through donations raised in HSR trains and stations.

THSRC has hosted the "High-Speed Educational Endowment Program" annually since 2010. Over the years, we have raised more than NT\$159 million and helped with the learning and growth of more than 28,000 disadvantaged schoolchildren. We hope our passengers can continue to show love for others; every single donation is used to provide hope and new opportunities that can help developmentally delayed children and Down syndrome patients change their lives.

2) THSRC Smiling Train Program

THSRC works with charitable organizations and enterprises to provide HSR rides for disadvantaged groups. We leveraged our advantages to launch the "THSRC Smiling Train Program," collaborating with local educational and charitable organizations to help disadvantaged groups. Since 2009, THSRC has worked with local educational and charitable organizations to help others achieve their dreams, hoping that the relatively underprivileged in society can be positively encouraged by the warmth of others.

As of 2021, a total of 812 disadvantaged groups and 144,882 individuals have participated in the THSRC Smiling Train Program. THSRC will continue to promote the THSRC Smiling Train Program in hopes of providing love, care, and encouragement to those in need, as well as opportunities to travel around Taiwan and enjoy the beautiful sights.

HSR Hsinchu Station: Sending love to Atayal schoolchildren

Located in the upper reaches of Dahan River and deep in Snow Mountain, at an altitude of more than 800 meters, the Atayal tribe's Shihlei Elementary School is a highly remote school with the smallest reach in Taiwan. Most students reside on campus while their parents are busy with farm work or employment opportunities at the base of the mountain. These children seldom had opportunities to experience different cultures and sights in other counties or cities, but THSRC donations made it possible to organize a cultural trip to Tainan which included visits to a lagoon and Fucheng. Traveling via the HSR reduced travel time and left more time for these children to enjoy the sights of Tainan.



HSR Taichung Station: Gifting HSR tickets to the disabled

Disabled people and their families who seldom travel on the HSR were able to experience the convenience and speed of the HSR while learning to use social resources, interact with the community, and improve their vision on life through a special invitation extended by THSRC to disabled children from the Taichung City Welfare for the Disabled Association. These children took a day trip to Kaohsiung with their mothers on the HSR. The trip was not only an early Mother's Day celebration, but also allowed these disabled children to gain work experience through visiting Xiebao Shoe Tourist Factory. Thus, they were able to increase their knowledge of the workplace while enjoying an outing with their parents. To thank THSRC for helping them celebrate Mother's Day, these disabled children carefully planned and performed a percussion show before their trip; the show was dedicated to each mother and passenger at the station.



HSR Chiayi Station: Spreading love to solitary and disabled elders

HSR Chiayi Station donated round-trip tickets from Chiayi to Taipei to the CCHLDA for solitary and disabled elders, allowing these elders to realize their dreams of traveling via the HSR. In order to thank THSRC for its kindness, local elders performed a passionate dance which was joyfully received by the audience in the station. This donation provided the opportunity for solitary and disabled elders to experience social interactions and realize their dreams of traveling to Taipei for a day trip through the convenient and accessible HSR.



3) Annual THSRC Winter Outreach Blood Drive

THSRC launched the Winter Outreach Blood Drive initiative in 2012 and has consecutively hosted this annual blood drive at 11 HSR stations and Corporation headquarters ever since. This initiative always attracts enthusiastic participation from THSRC staff and the general public. This year, our blood drive attracted 2,743 participants and successfully raised 4,153 bags of donated blood, providing supplies for those in need. Over the past ten years, this event has attracted more than 14,000 participants who donated a total of 17,920 bags of blood. We fulfill our corporate social responsibilities by working with passengers, the general public, and our employees to create an intangible, invaluable, and irreplaceable asset for blood drive events. We hope that the general public can continue to support our public welfare events and make Taiwan a better place.



4) Internal T Living Online Events

THSRC implemented work-from-home measures in accordance with government epidemic prevention policies after a nationwide Level 3 epidemic alert was imposed in the second quarter of 2021. To continue encouraging and motivating a competitive spirit in our employees, we organized "T Living Online Events" to promote interdepartmental exchanges which helped ease employee anxieties. This helped us realize corporate governance and enhanced employee loyalty and engagement.

- A. "Contributions from home": We invited our employees to share their creativity and submit online contributions showcasing fun moments from home, collecting a total of 277 online submissions.
- B. "Timely blood donations": We encouraged employees to continue donating blood while complying with governmental epidemic prevention measures. A total of 273 people signed up for this event; 221 people successfully donated blood and shared photos of their kind act. Our employees donated 83,750 ml of blood through this event.
- C. "(Re)sale market": We encouraged our employees to clear out secondhand items in their homes as a way to enhance sustainability, reutilize existing resources, and reduce waste. A total of 220 items were listed on our market, and more than 120 items found new owners.

5) Charitable donations

In 2021, two major incidents occurred in Taiwan, shocking the nation. The first incident was the derailment of the Taroko Express 408 train following a collision with a construction truck which had fallen on the tracks, an incident which claimed many lives. In the winter, Cheng Chung Cheng Building, an old building located in Kaohsiung's Yancheng District, suffered a violent fire during the night, resulting in 46 deaths and injuring 41 people. To provide support and fulfill our corporate social responsibilities, we released a material news announcement on our corporate website following approval by the Board, and announced a donation of NT\$ 5 million to the designated accounts for these two incidents, providing the victims with subsequent medical care, rehabilitation, and financial support.



(2) Environmental Protection

Pheasant-Tailed Jacana Preservation

In 1998, the pheasant-tailed jacana, a Level 2 protected species also known as the "water chestnut bird" and the "ripple fairy," faced a survival crisis as HSR's mainline passed through their habitat in Hulubei of Guantian District in Tainan. In order to conserve the pheasant-tailed jacana, THSRC worked with relevant units and, starting from 2000, invested more than NT\$50 million to build the first artificial habitat recovery ground in Guantian under a three-way collaboration project involving the government, construction units, and civil organizations. Many volunteers have participated in the processes of habitat assessment, land rental, and construction, and many professionals and academics have also been involved in this work, causing the number of jacanas to rise from 9 in 2000 to 2,252 in 2021. The area of the jacana habitat was gradually increased; in 2007, we renamed the recovered habitat Jacana Park and opened it to the public. More than 240,000 visitors have been recorded to date. To strengthen the educational value of this park, we created tour devices, galleries, and interactive displays to present the results of our native species restoration efforts and help the public better understand wildlife conservation. This project has also drawn the attention of international environmental units and conservation activists, serving as one of the few successful cases where economic development and conservation were able to coexist.



(3) Preservation of railway assets

1) Restoration and preservation of 0 Series Oiran Train and plans for scenic park

During THSRC's construction period, 0 Series Shinkansen end cars were exported to Taiwan to serve as structure gauge test cars, and were the only two 0 Series Shinkansen end cars to be exported from Japan. Testing equipment is installed on the exterior of these end cars when they are used for testing and clearance work, making them look like the intricate hairpins worn by oirans during the Edo period, which is why these end cars have been nicknamed "Oiran Trains." In 2020, THSRC implemented and completed an internal and external preservation and restoration plan for 0 Series Shinkansen end cars. A scenic park themed around these Oiran Trains was established at HSR Tainan Station in 2021; the park is expected to open to the public in the second quarter of 2022. By displaying the fruits of our restoration work, we hope to showcase the new life 0 Series end cars have gained in Taiwan through localization, while also reminiscing on their past as structure gauge test cars at THSRC. This park will allow passengers entering and exiting the station to be naturally immersed in an atmosphere of railway culture.



0 Series Shinkansen end car prior to restoration



0 Series Shinkansen end car following restoration

2) Donation of decommissioned HSR construction vehicles

The "THSRC Historical Archive Project" was initiated in 2003 to archive cultural relics from THSRC's construction period. After the HSR commenced operations on January 5, 2007, the goal of the project became to archive and conduct research on cultural relics from THSRC's operational period.



In 2021, Japan-made MO-52787 track inspection vehicles and D29 trailer provided to the THSRC maintenance department during the construction period reached their decommission dates. In order to preserve these railway relics, the vehicles were gifted to the National Railway Museum after careful evaluation. Following approval by the Board in early 2021, towing and gifting procedures were implemented in August, and the decommissioned vehicles were successfully delivered to the museum. The Corporation also assigned personnel to participate in subsequent negotiations relating to restorations of construction vehicles; restorations are expected to be completed in the third quarter of 2022.

(4) Exchanges and Events

Launching ceremony for catenary maintenance cars

THSRC Chairman Yao-Chung Chiang and China Steel Corporation Chairman Chao-Tung Wong jointly hosted a "Launching Ceremony for Catenary Maintenance Cars" at THSRC Zuoying Maintenance Depot in November 2021; the ceremony was attended by Executive Yuan Premier



Su Tseng-Chang, Kaohsiung Mayor Chen Chi-Mai, Executive Yuan Spokesperson and Minister without Portfolio Lo Ping-Cheng, Minister without Portfolio Huang Chih-Ta, Ministry of Transportation and Communications Political Deputy Minister Allen Hu, and Ministry of Economic Affairs Vice Minister Chuan-Neng Lin.

THSRC began actively promoting localization measures starting in 2007. As of 2021, we have worked with 127 domestic companies to develop 1,207 HSR maintenance materials, bringing our localized procurement ratio of maintenance materials to 29.7% and our ratio of self-implemented maintenance work to 91% as we make strides toward our goal of "domestic manufacturing of domestic vehicles."

HSR Camps

THSRC is responsible for providing transportation along Taiwan's western corridor, connecting major cities at speeds of up to 300 kilometers per hour and providing safe, comfortable, convenient, and high-quality travel for passengers. We launched a railway camp during the winter and summer vacations starting in 2008 as part of our corporate social responsibilities. The camps provide a variety of courses for students of different ages, and include visits to our Operational Control Center, Maintenance Base, and the THSR Museum. Detailed briefings and tours provide participants with moving descriptions of THSRC's history, maintenance procedures, and operations. This fun and comprehensive learning journey firmly embed knowledge of the railroad industry and THSRC culture into the hearts of participants of all different ages.



We made some adjustments to our HSR camp activities in 2021 due to government epidemic prevention measures. During the winter vacations, we hosted 1 round of activities for a total of 4 elementary school/junior high school/high school/college groups, attracting 2,329 applicants and 120 participants to the 2021 HSR winter vacation camp. (The summer vacation camp was suspended due to prohibitions on outdoor gatherings of more than 10 people.)

THSR ART Together Program

THSRC launched the "THSR ART Together Program" in 2015, providing free space in HSR stations for group performances as well as individual singing, dancing, or musical performances. In 2017, 2019, and 2021, THSRC was respectively awarded the "13th Arts and Business Awards (Cultural Development)," the "14th Arts and Business Awards (Permanent Awards Category)," and the "15th Arts and Business Awards (Permanent Awards Category)" by the Ministry of Culture. As of year-end 2021, 576 groups and 17,123 individuals have performed at 9 HSR stations (Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying). THSRC hopes that the "THSR ART Together Program" can allow passengers to appreciate the beauty of the arts while traveling with the HSR.



THSR Museum

The THSR Museum opened its doors in 2017. Planned and established around the rich cultural railway assets taken from the planning, construction, and operational stages of the HSR, the collection at the Museum looks back on the three revolutions of Taiwan's railroad industry, moving sequentially through policy planning for the HSR, BOT contractor selection and contract negotiation, founding of THSRC and its five original shareholders, as well as the construction and operational stages of the HSR. The display and introduction of these items help the general public easily understand our history, and serve as an important platform for THSRC external communications. In total, 87 groups and 12,181 participants visited the THSR Museum in 2021.



Summer Marathon

Due to impacts from the COVID-19 pandemic in 2021, our summer marathon was hosted online, and we asked our colleagues to upload their mileage records via smart devices and share their photos on online platforms as a way to encourage all employees to compete and exercise together. This strengthened employee loyalty and engagement while helping our colleagues to improve their physical health. This event attracted 2,209 applicants, 1,805 of whom completed the marathon, achieving a completion rate of 82% and total accumulated mileage of more than 139,587 kilometers.

(5) Technical Exchanges and Visitations

THSRC continues to maintain good relations with its peers in the transportation and rail industries; we were involved in 20 public associations in 2021. We ensure continued updating and innovation of our services and operational strategies through academic and experience exchanges with academic societies.



5. Effectiveness of Corporate Governance System

(1) Preliminary Review by Functional Committees

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

(2) Independence and Professionalism of Independent Directors

When discussing official business with the Board of Directors and functional committees, independent directors frequently 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 or Board meetings when carrying out 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://corp.thsrc.com.tw/corp/governance>) 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 Company 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.

Since going public, the Company has participated in the 4th to 7th TWSE Corporate Governance Evaluations (for 2017 to 2020) and was consecutively ranked among the top 5% of publicly listed companies. In order to enhance our corporate governance, we participated in the Taiwan Corporate Governance Association CG6011 corporate governance evaluations (for 2017) and received an "Excellent" certification in 2018. In 2020, we participated in the CG6012 corporate governance evaluations (for 2019), and received an "Premium" certification. We were also awarded first place in Outstanding Enterprises at the 18th National Brand Yushan Awards in 2021, winning this award for the second consecutive year. In future, we will focus on the ongoing influence of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, and embrace corporate governance evaluations in order to build a sound corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

Details of our corporate governance implementations can be found in Chapter Four of this report or on the "Corporate Governance" section of our website.

(5) Fulfill corporate social responsibilities and implement sustainable operations

Since our establishment, we have set fulfillment of corporate social responsibilities as the foundation of our core services. We continue to invest efforts in social care, environmental protection, and corporate governance, and view corporate social responsibility as one of our core values for promoting economic, social, environmental, and ecological balance and sustainability to achieve our goal of sustainable operations.

In 2017, we drafted a strategic roadmap using our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our sustainable management strategy. We continue to pursue excellence in our sustainable practices, reviewed our Corporate Governance 3.0 Blueprint for Sustainable Development in 2020, and adjust our operational strategies and future outlook in accordance with the corresponding UN SDGs to strengthen our goals and maintain consistency of our core 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. We use various assessment mechanisms to periodically track the development and performance of various issues, and to promote and implement our sustainable concepts. Our short-term goals include reducing greenhouse gas emissions, assisting the Guantian District in Tainan with conservation of pheasant-tailed jacana, and strengthening waste classification and recycling; mid-term goals include reducing carbon emissions, and reducing energy and water usage in stations; long-term goals include Corporation-wide inventory and verification of greenhouse gases, and strengthening of energy management to gradually solidify our determination and commitment to sustainable operations as we actively realize our corporate vision "To be the platform for advancement and enjoyment."



The President presented our Chairman with the first place in Outstanding Enterprises of the 18th National Brand Yushan Awards and acknowledged our excellence performance



8

Financial Overview

1. Five-Year Financial Summary

(1) Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current Assets		20,090,816	22,796,549	42,710,136	38,621,107	49,973,996
Property, Plant and Equipment		107,354	98,085	125,047	109,729	109,162
Operating Concession Asset		413,166,373	401,168,964	390,113,063	378,291,412	367,972,348
Other Assets		6,695,914	8,993,471	10,111,356	10,544,722	9,851,535
Total Assets		440,060,457	433,057,069	443,059,602	427,566,970	427,907,041
Current Liabilities	Before Distribution	6,549,408	13,814,046	13,278,906	7,067,221	30,025,709
	After Distribution	10,770,628	20,117,734	20,089,703	12,976,929	(Note 1)
Non-Current Liabilities		370,492,700	349,830,010	358,703,427	350,413,093	330,103,361
Total Liabilities	Before Distribution	377,042,108	363,644,056	371,982,333	357,480,314	360,129,070
	After Distribution	381,263,328	369,947,744	378,793,130	363,390,022	(Note 1)
Capital Stock		56,282,930	56,282,930	56,282,930	56,282,930	56,282,930
Capital Surplus		172,981	172,981	172,981	172,981	172,981
Retained Earnings	Before Distribution	6,561,953	12,957,102	14,621,358	13,630,745	11,322,060
	After Distribution	2,340,733	6,653,414	7,810,561	7,721,037	(Note 1)
Other Equity		485	-	-	-	-
Total Equity	Before Distribution	63,018,349	69,413,013	71,077,269	70,086,656	67,777,971
	After Distribution	58,797,129	63,109,325	64,266,472	64,176,948	(Note 1)

Note 1: Pending shareholders' approval.

(2) Condensed Statement of Comprehensive Income

Unit: NT\$ thousands
Except Basic Earnings Per Share

Item	Financial Summary for The Last Five Years				
	2017	2018	2019	2020	2021
Operating Revenue	43,435,042	45,415,007	47,507,390	39,137,205	30,227,887
Gross Profit	18,821,397	20,333,613	21,744,703	13,042,151	4,525,557
Income from Operations	17,754,984	19,144,964	20,511,953	11,806,685	3,317,882
Non-Operating Income and Expenses	(11,276,484)	(11,833,141)	(12,736,845)	(6,387,374)	947,743
Income Before Income Tax	6,478,500	7,311,823	7,775,108	5,419,311	4,265,625
Net Income	5,339,905	10,696,381	8,007,033	5,843,037	3,610,922
Other Comprehensive Income	(8,261)	(80,497)	(39,089)	(22,853)	(9,899)
Total Comprehensive Income for the Year	5,331,644	10,615,884	7,967,944	5,820,184	3,601,023
Basic Earnings Per Share (NT\$)	0.95	1.90	1.42	1.04	0.64

(3) Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	Name of CPA	Audit Opinion
2017	Deloitte & Touche	Jui-Hsuan Ho and Kwan-Chung Lai	Unmodified Opinion
2018	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion
2019	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion
2020	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion
2021	Deloitte & Touche	Mei-Yen Chiang and Kuo-Tyan Hong	Unmodified Opinion

2. Five-Year Financial Analysis

Item (Note)	Year	Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt ratio	85.68	83.97	83.96	83.61	84.16
	Ratio of long-term capital to property, plant and equipment	403,814.53	427,428.27	343,695.33	383,216.61	364,487.03
	Ratio of long-term capital to operating concession assets	104.92	104.51	110.17	111.16	108.13
Solvency	Current ratio (%)	306.76	165.02	321.64	546.48	166.44
	Quick ratio (%)	263.76	143.81	296.44	498.03	154.69
	Times interest earned (times)	1.87	2.10	2.20	1.92	1.74
Operating Performance	Accounts receivable turnover (times)	96.81	106.50	113.29	142.01	68.39
	Average collection days	3.77	3.42	3.22	2.57	5.33
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Property, plant and equipment turnover (times)	503.13	442.13	425.82	333.40	276.19
	Operating concession assets turnover (times)	0.10	0.11	0.12	0.10	0.08
	Total asset turnover (times)	0.10	0.10	0.11	0.09	0.07
Profitability	Return on total assets (%)	2.55	4.25	3.35	2.81	1.98
	Return on total equity (%)	8.61	16.15	11.40	8.28	5.24
	Pre-tax income to paid-in capital ratio (%)	11.51	12.99	13.81	9.63	7.58
	Profit ratio (%)	12.29	23.55	16.85	14.93	11.95
	Earnings per share (NT\$)	0.95	1.90	1.42	1.04	0.64
Cash Flow (%)	Cash flow ratio	329.89	189.78	214.98	(21.67)	89.51
	Cash flow adequacy ratio	338.04	345.23	320.17	229.34	262.39
	Cash flow reinvestment ratio	111.18	185.72	68.81	(24.23)	91.36
Leverage	Operating leverage ratio	2.25	2.18	2.13	2.99	8.07
	Financial leverage ratio	1.73	1.53	1.46	2.01	(1.36)

Analysis of differences over 20% for the last two years:

1. The decrease in current ratio and quick ratio were mainly due to increase of current liabilities in 2021.
2. The decrease in accounts receivable turnover and increase in average collection days were mainly due to decrease of net sales and increase of average accounts receivable balance in 2021.
3. The decrease in operating performance, profitability and financial leverage ratio and the increase in operating leverage ratio were mainly due to decrease of net sales in 2021.
4. The increase in cash flow ratios were mainly due to increase of the cash flow from operating activities in 2021.

Note: The above financial analysis ratios were calculated using the following equations:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of long-term capital to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment

(3) Ratio of long-term capital to operating concession assets = (Total equity + non-current liabilities) / Net operating concession assets

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - inventory - prepaid expenses) / Current liabilities

(3) Times interest earned = Net income before tax and interest expenses / Interest expenses

3. Operating performance

(1) Accounts receivable turnover = Net sales / Average account receivable balance

(2) Average collection days = 365 / Receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Accounts payable turnover = Cost of goods sold / Average account payable balance

(5) Average days in sales = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment

(7) Operating concession asset turnover = Net sales / Average net operating concession assets

(8) Total asset turnover = Net sales / Average total assets

4. Profitability

(1) Return on total assets = [Net income after tax + interest expense * (1 - interest rate)] / Average total assets

(2) Return on total equity = Net income after tax / Average stockholders' equity

(3) Profit ratio = Net income / Net sales

(4) Earnings per share = (Net income - preferred stock dividends) / Weighted average number of stocks outstanding

5. Cash flow

(1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends

(3) Cash flow reinvestment ratio = (Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage

(1) Operating leverage ratio = (Operating revenue - variable costs and expenses) / Operating income

(2) Financial leverage ratio = Operating income / (Operating income - interest expenses)

3. Audit Committee's Review Report for Most Recent Financial Statement

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2021 Business Report and Financial Statements. The CPA of Deloitte & Touche, Mei-Yen Chiang 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.23.2022

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2021 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.16.2022

4. Financial Statements and Independent Auditor Reports for the Most Recent Year

(1) Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditor Reports

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
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, 2021 and 2020, 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, 2021 and 2020, 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 auditing standards generally accepted in the ROC. 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 Matter

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, 2021. 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 2021 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.b. 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 18 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. 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\$4,434,096 thousand as of December 31, 2021, was provided based on the earnings achieved in 2021 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 auditing standards generally accepted in the ROC 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.

As part of an audit performed in accordance with auditing standards generally accepted in the ROC, 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 2021 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.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Yen Chiang and Kuo-tyan Hong.



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2022

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 accepted and 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.

TAIWAN HIGH SPEED RAIL CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31			
	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 21,619,496	5	\$ 651,769	-
Financial assets at fair value through profit or loss (Note 7)	-	-	15,218,000	4
Notes and accounts receivable (Note 22)	665,957	-	218,092	-
Current tax assets (Note 4)	9,646	-	-	-
Inventories (Note 9)	2,345,998	1	2,068,950	1
Other financial assets (Notes 10 and 29)	24,126,307	6	19,086,463	4
Other current assets (Notes 14 and 28)	1,206,592	-	1,377,833	-
Total current assets	49,973,996	12	38,621,107	9
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 11 and 28)	109,162	-	109,729	-
Right-of-use assets (Notes 12 and 28)	574,841	-	712,169	-
Operating concession assets (Notes 13 and 28)	367,972,348	86	378,291,412	88
Computer software, net (Note 13)	113,113	-	83,252	-
Deferred tax assets (Notes 4 and 24)	6,997,477	2	7,673,251	2
Other financial assets (Notes 10 and 29)	2,163,774	-	2,070,857	1
Other non-current assets (Note 14)	2,330	-	5,193	-
Total non-current assets	377,933,045	88	388,945,863	91
TOTAL	\$ 427,907,041	100	\$ 427,566,970	100

LIABILITIES AND EQUITY	December 31			
	2021		2020	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 16,142	-	\$ 57,091	-
Short-term bills payable (Notes 15 and 28)	14,982,445	4	-	-
Financial liabilities for hedging (Note 8)	512	-	-	-
Accounts payable	533,336	-	274,778	-
Operating concession liabilities (Notes 17 and 28)	8,049,281	2	541,931	-
Other payables (Notes 15 and 19)	3,033,767	1	3,262,861	1
Payable for construction (Note 28)	952,575	-	823,666	-
Current tax liabilities (Note 4)	10,813	-	104,256	-
Provisions (Notes 18 and 28)	1,169,273	-	1,169,238	1
Other current liabilities (Notes 12, 19, 22 and 28)	1,277,565	-	833,400	-
Total current liabilities	30,025,709	7	7,067,221	2
NON-CURRENT LIABILITIES				
Bonds payable (Note 16)	27,469,258	6	18,478,720	4
Long-term debt (Notes 15 and 28)	242,614,407	57	257,607,483	60
Provisions (Notes 18 and 28)	3,548,102	1	10,000,000	3
Lease liabilities (Notes 12 and 28)	395,011	-	522,976	-
Long-term interest payable (Note 15)	6,494,430	2	7,383,683	2
Operating concession liabilities (Notes 17 and 28)	48,991,747	11	55,869,665	13
Other non-current liabilities (Notes 19, 20 and 24)	590,406	-	550,566	-
Total non-current liabilities	330,103,361	77	350,413,093	82
Total liabilities	360,129,070	84	357,480,314	84
EQUITY (Note 21)				
Capital stock				
Common stock	56,282,930	13	56,282,930	13
Capital surplus	172,981	-	172,981	-
Retained earnings				
Legal reserve	3,852,440	1	3,270,422	1
Unappropriated earnings	7,469,620	2	10,360,323	2
Total retained earnings	11,322,060	3	13,630,745	3
Total equity	67,777,971	16	70,086,656	16
TOTAL	\$ 427,907,041	100	\$ 427,566,970	100

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)

	For the Years Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 28)	\$ 30,227,887	100	\$ 39,137,205	100
OPERATING COSTS (Notes 23 and 28)	(25,702,330)	(85)	(26,095,054)	(67)
GROSS PROFIT	4,525,557	15	13,042,151	33
OPERATING EXPENSES (Notes 23 and 28)	(1,207,675)	(4)	(1,235,466)	(3)
INCOME FROM OPERATIONS	3,317,882	11	11,806,685	30
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	95,430	-	134,848	-
Interest expense (Notes 15, 23 and 28)	(5,757,241)	(19)	(5,919,211)	(15)
Stabilization reserve reverse (expense) (Note 18)	6,451,898	21	(885,959)	(2)
Other gains and losses (Notes 23 and 28)	157,656	1	282,948	1
Total non-operating income and expenses	947,743	3	(6,387,374)	(16)
INCOME BEFORE INCOME TAX	4,265,625	14	5,419,311	14
INCOME TAX (EXPENSE) BENEFIT (Note 24)	(654,703)	(2)	423,726	1
NET INCOME	3,610,922	12	5,843,037	15
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(12,374)	-	(28,566)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	2,475	-	5,713	-
Other comprehensive loss for the year, net of income tax	(9,899)	-	(22,853)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 3,601,023	12	\$ 5,820,184	15

For the Years Ended December 31

2021		2020	
Amount	%	Amount	%
\$	0.64	\$	1.04

EARNINGS PER SHARE (Note 25)

Basic earnings per share

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)

	<u>Capital Stock</u>	
	<u>Common Stock</u>	<u>Capital Surplus</u>
BALANCE AT JANUARY 1, 2021	\$ 56,282,930	\$ 172,981
Appropriations of 2020 earnings		
Legal reserve	-	-
Cash dividends to stockholders - NT\$1.05 per share	-	-
	-	-
Net income for the year ended December 31, 2021	-	-
Other comprehensive loss for the year ended December 31, 2021	-	-
Total comprehensive income for the year ended December 31, 2021	-	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>
BALANCE AT JANUARY 1, 2020	\$ 56,282,930	\$ 172,981
Appropriations of 2019 earnings		
Legal reserve	-	-
Cash dividends to stockholders - NT\$1.2101 per share	-	-
	-	-
Net income for the year ended December 31, 2020	-	-
Other comprehensive loss for the year ended December 31, 2020	-	-
Total comprehensive income for the year ended December 31, 2020	-	-
BALANCE AT DECEMBER 31, 2020	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>

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

Retained Earnings			
Legal Reserve	Unappropriated Earnings	Total	Total Equity
\$ 3,270,422	\$ 10,360,323	\$ 13,630,745	\$ 70,086,656
582,018	(582,018)	-	-
-	(5,909,708)	(5,909,708)	(5,909,708)
582,018	(6,491,726)	(5,909,708)	(5,909,708)
-	3,610,922	3,610,922	3,610,922
-	(9,899)	(9,899)	(9,899)
-	3,601,023	3,601,023	3,601,023
<u>\$ 3,852,440</u>	<u>\$ 7,469,620</u>	<u>\$ 11,322,060</u>	<u>\$ 67,777,971</u>
\$ 2,469,719	\$ 12,151,639	\$ 14,621,358	\$ 71,077,269
800,703	(800,703)	-	-
-	(6,810,797)	(6,810,797)	(6,810,797)
800,703	(7,611,500)	(6,810,797)	(6,810,797)
-	5,843,037	5,843,037	5,843,037
-	(22,853)	(22,853)	(22,853)
-	5,820,184	5,820,184	5,820,184
<u>\$ 3,270,422</u>	<u>\$ 10,360,323</u>	<u>\$ 13,630,745</u>	<u>\$ 70,086,656</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,265,625	\$ 5,419,311
Adjustments for:		
Depreciation	218,862	212,319
Amortization	14,039,807	13,963,256
Reversal of write-downs of inventories	(15,361)	(23,026)
Interest expense	5,757,241	5,919,211
Interest income	(95,430)	(134,848)
(Gain) loss on foreign currency exchange, net	(24,078)	509
Stabilization reserve (reverse) expenses	(6,451,898)	885,959
Others	55,060	14,704
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	15,218,000	(14,887,557)
Financial liabilities for hedging	512	-
Notes and accounts receivable	(447,865)	115,000
Inventories	(269,780)	10,121
Other current assets	170,619	(58,816)
Other non-current assets	(700)	(376)
Accounts payable	263,622	17,728
Other payables	(220,239)	86,930
Provisions	-	(6,084,658)
Other current liabilities	445,583	(658,161)
Other non-current liabilities	(5,747)	2,074
Cash generated from operations	32,903,833	4,799,680
Interest received	96,073	160,259
Interest paid	(5,503,516)	(5,862,879)
Interest paid with respect to operating concession liabilities	(541,931)	(777,511)
Income tax (paid) refunded	(78,402)	148,717
Net cash generated from (used in) operating activities	26,876,057	(1,531,734)

For the Years Ended December 31

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in other financial assets	(5,125,115)	3,155,976
Acquisition of property, plant and equipment	(36,199)	(30,066)
Acquisition of intangible assets	(3,664,773)	(2,312,760)
Proceeds from disposal of intangible assets	207	8,165
	<u>(8,825,880)</u>	<u>821,315</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short-term borrowings	(40,470)	(9,122)
Proceeds from short-term bills payable	15,000,000	-
Proceeds from issuance of bonds	9,000,000	10,500,000
	<u>14,959,530</u>	<u>10,490,878</u>
Repayment of long-term debt	\$ (15,000,000)	\$ (18,500,000)
Repayment of the principal portion of lease liabilities	(164,415)	(157,180)
Increase in other non-current liabilities	32,220	67,624
Cash dividends	(5,909,708)	(6,810,797)
	<u>(20,041,893)</u>	<u>(24,799,553)</u>
Net cash generated from (used in) financing activities	<u>2,917,627</u>	<u>(14,909,475)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(77)</u>	<u>(13)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>20,967,727</u>	<u>(15,619,907)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>651,769</u>	<u>16,271,676</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 21,619,496</u>	<u>\$ 651,769</u>

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

TAIWAN HIGH SPEED RAIL CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Taiwan High Speed Rail Corporation (the "Corporation") was incorporated in Taipei City on May 11, 1998. Under the Taiwan North-South High Speed Rail Construction and Operation Agreement ("C&O Agreement") and the Taiwan North-South High Speed Rail Station Zone Development Agreement ("SZD Agreement") entered into between the Corporation and the Ministry of Transportation and Communications ("MOTC") on July 23, 1998, the Corporation was granted the authority to construct and operate the high speed rail ("HSR") and relevant ancillary facilities. Under the Fourth Amendment to the C&O Agreement and the Taiwan North-South High Speed Rail Station Zone Development Termination Agreement ("SZD Termination Agreement") entered into between the Corporation and the MOTC on July 27, 2015, effective on October 30, 2015, the construction and operation concession period of the HSR was extended from 35 years to 70 years until the year of 2068.

On January 5, 2007, the Corporation started its commercial operations from the Banqiao Station to the Zuoying Station. On March 2, 2007, the Corporation started operating its railway service at the Taipei Station. On December 1, 2015, the Corporation started operating its railway service at the Miaoli, Changhua and Yunlin stations. On July 1, 2016, the Corporation started operating its railway service at the Nangang Station.

The Corporation's stock has been listed and traded on the Taiwan Stock Exchange since October 27, 2016.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 23, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Effective Date Announced by IASB	New IFRSs
Effective immediately upon promulgation by the IASB	Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
January 1, 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"
April 1, 2021	Amendment to IFRS 16 "Covid-19 - Related Rent Concessions" beyond June 30, 2021

The Corporation has evaluated that the initial application of the abovementioned IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2022

Effective Date Announced by IASB	New IFRSs
January 1, 2022 (Note 1)	"Annual Improvements to IFRS Standards 2018-2020"
January 1, 2022 (Note 2)	Amendments to IFRS 3 "Reference to the Conceptual Framework"
January 1, 2022 (Note 3)	Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
January 1, 2022 (Note 4)	Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation assessed that the amendments of relevant standards and interpretations have no material impact on the Corporation's financial positions and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

Effective Date Announced by IASB (Note 1)	New IFRSs
January 1, 2023	Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
January 1, 2023 (Note 2)	Amendments to IAS 1 "Disclosure of Accounting Policies"
January 1, 2023 (Note 3)	Amendments to IAS 8 "Definition of Accounting Estimates"
January 1, 2023	IFRS 17 "Insurance Contracts"
January 1, 2023	Amendments to IFRS 17
January 1, 2023	Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"
January 1, 2023 (Note 4)	Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
To be determined by IASB	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of relevant standards and interpretations will have on the Corporation's financial position and financial performance and will disclose relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Classification of current and non-current assets and liabilities

Current assets include cash, cash equivalents, assets held for trading purposes and assets that are expected to be converted into cash or consumed within 12 months from the balance sheet date; assets other than current assets are non-current assets. Current liabilities include liabilities incurred for trading purposes and obligations that are expected to be settled within 12 months from the balance sheet date; liabilities other than current liabilities are non-current liabilities.

d. Foreign currencies

Foreign-currency transactions other than derivative contracts are recorded in the New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from application of different exchange rates when foreign-currency assets and liabilities are converted or settled are recognized in profit or loss in the year of conversion or settlement. At year-end, balances of monetary foreign-currency assets and liabilities are restated using prevailing exchange rates and the resulting differences are recognized in profit or loss.

e. Cash equivalents

Cash equivalents include time deposits and repurchase agreement collateralized by government bonds with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f. Financial assets at fair value through profit or loss

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss contains any dividend or interest earned on the financial asset.

The fair values of open-end money market funds are determined using net asset values at balance sheet date.

g. Equity instruments

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

h. Impairment of financial assets at amortized cost

Cash and cash equivalents, receivables and other financial assets are measured at amortized cost. Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized costs, which equals to the carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Receivables are mainly generated from customers who purchased tickets and merchandise through credit cards; these receivables are assessed for lifetime Expected Credit Loss (ECL).

Expected credit loss reflects the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument.

i. Inventories

Inventories, consisting of consumptive and non-consumptive spare parts and supplies for internal operation and merchandise for sale, are stated at the lower of weighted-average cost or net realizable value.

j. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives. Depreciation is computed using the straight-line method over the following estimated useful lives: Machinery and equipment - 3 to 5 years; transportation equipment - 4 years; office equipment - 3 to 10 years; leasehold improvements - 2 to 5 years; other equipment - 3 to 35 years.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

k. Intangible assets

1) Operating concession assets

The Corporation was granted authority to construct and operate the HSR and relevant ancillary facilities under the C&O Agreement and therefore the Corporation's operation is under the scope of IFRIC 12 "Service Concession Arrangements". According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities, thus profit sharing payments are considered as an acquisition cost of the concession. The minimum commitment to profit sharing payments was discounted and recognized as intangible assets - operating concession assets with corresponding operating concession liabilities.

The Fourth Amendment of the C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years until the year 2068. Receivable due from shortfall charges with respect to statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession assets - period extension cost.

The cost less residual value of the operating concession assets are amortized on a straight-line basis over the estimated useful lives which range as follows: Land improvements - 15 to 61.5 years; buildings - 10 to 61.5 years; machinery and equipment - 2 to 35 years; transportation equipment - 3 to 35 years; other equipment - 5 years; profit sharing payments - 61.5 years; period extension cost (shortfall charge with respect to statutory concession tickets) - 52.75 years (the remaining concession period started from October 2015).

Operating concession assets are measured initially at cost model and then amortized during the concession period. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently. On de-recognition of operating concession assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

2) Computer software

Computer software is amortized on a straight-line basis over 2 to 7 years.

l. Operating concession liabilities

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities; thus, profit sharing payments are considered as an acquisition cost of the concession. The acquisition cost is recognized as operating concession assets (an intangible asset described in item k.1) above) with corresponding operating concession liabilities. The liability was measured at the discounted amount of the profit sharing payments at the date of HSR commercial operation. Subsequent interest is computed by using the effective interest method.

The Fourth Amendment of the C&O Agreement and the SZD Termination Agreement were effective on October 30, 2015. As the value of returned superficies is allowed to offset profit sharing payable each year, it is recognized as a deduction of the operating concession liabilities (value of returned superficies for offset of profit sharing payable).

m. Impairment of assets

The Corporation estimates the recoverable amount of an asset at the balance sheet date if there was an indication that it might be impaired.

Recoverable amount is the higher of value in use and fair value less costs to sell. When the carrying amount of an asset exceeds its value in use, the Corporation further estimates its fair value less costs to sell. If the carrying amount of an asset exceeds its fair value less costs to sell, an impairment loss will be recognized as the excess of the carrying amount over the higher of value in use or fair value less costs to sell.

When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years.

n. Hedge accounting

Hedging financial instruments are measured at fair value. Related gains and losses are recognized in profit or loss in current year.

o. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

p. Revenue recognition

Passenger fares received or receivable are recognized as revenue when transport services are provided. Amounts received for passenger tickets sold but not used are recorded as contract liabilities.

Sales of tickets that grant reward credits to customers under the Corporation's reward scheme are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the tickets sold and the reward credits granted. The transaction price of the reward credits is allocated to the contract's performance obligations based on the relatively separate sales price. Such consideration is not recognized as revenue at the time of the initial sale transaction but is recognized as contract liabilities; revenue is recognized when the reward credits are redeemed and the Corporation's obligations have been fulfilled.

q. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Corporation allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any re-measurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

The Corporation negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Corporation elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Corporation recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liabilities.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than the borrowing costs described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

t. Retirement benefit costs

Payments of contributions to a defined contribution plan are recognized as an expense when employees have rendered service entitling them to the contributions. Defined benefit costs under a defined benefit plan are recognized based on actuarial calculations.

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Current tax payable depends on the current taxable income. Taxable income is different from the net income before tax on the statement of comprehensive income for the reason that certain revenue and expenses are taxable or deductible items in other period, or not taxable or deductible items pursuant to related Income Tax Act. The Corporation's current tax liabilities are calculated by the legislated tax rate on the balance sheet date.

Pursuant to the Income Tax Act, an additional tax at 5% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and personnel training expenditures to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the recent development of the COVID-19 pandemic in Taiwan and its economic environment implications when making its critical accounting estimates with respect to cash flow projections, revenue growth rates, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Controversial overtime payments

As of December 31, 2021 and 2020, provisions for controversial overtime payments recognized by the Corporation were both \$283,279 thousand. The estimated provision could differ from the actual amount payable, which is subject to the result of the administrative judgment or the agreement to be settled with the employees. Refer to Note 18 for further information.

b. Stabilization reserve

As of December 31, 2021 and 2020, the Corporation recognized a provision for stabilization reserve for \$4,434,096 thousand and \$10,885,959 thousand, respectively, in accordance with the stabilization mechanism under the C&O Agreement. The actual payment for the stabilization reserve may change and is subject to the profitability for the remaining concession period, which ends in the year 2068 or earlier if so terminated. Refer to Note 18 and Note 30.a.3) for further information.

c. Income taxes

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets includes consideration of future revenue growth, amount of tax credits that can be utilized and feasible tax planning strategies.

As of December 31, 2021 and 2020, the carrying amounts of deferred tax assets in relation to deductible temporary differences were \$6,997,477 thousand and \$7,673,251 thousand, respectively. As of December 31, 2021 and 2020, the deductible temporary tax differences of \$0 and \$171,614 thousand, respectively, were not recognized as deferred tax assets according to the assessment of the realizability of deferred tax assets. Refer to Note 24.d. for further information.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 106,523	\$ 105,723
Checking accounts	-	1
Demand deposits	13,462,645	74,045
Time deposits	5,220,000	-
Repurchase agreement collateralized by government bonds	2,830,328	472,000
	<u>\$ 21,619,496</u>	<u>\$ 651,769</u>

The interest rate intervals of cash and cash equivalents at the end of the reporting periods were as follows:

	December 31	
	2021	2020
Demand deposits	0.001%-0.30%	0.001%-0.05%
Time deposits	0.32%-0.35%	-
Repurchase agreement collateralized by government bonds	0.28%-0.32%	0.23%-0.30%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
Open-end money market funds	\$ -	\$ 15,218,000

The financial assets at FVTPL are mandatorily classified as FVTPL.

8. FINANCIAL LIABILITIES FOR HEDGING

	December 31	
	2021	2020
<u>Financial liabilities for hedging - current</u>		
Fair value hedges - forward exchange contracts	\$ 512	\$ -

The Corporation entered into forward exchange contracts mainly to hedge the risk of exchange rate fluctuations of foreign-currency accounts payable and payables for construction. As of the balance sheet date, outstanding forward exchange contracts were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)	
<u>December 31, 2021</u>				
Buy	US\$/JPY	January 2022	JPY	141,194
Buy	NT\$/US\$	January 2022	US\$	1,238

9. INVENTORIES

	December 31	
	2021	2020
Spare parts and supplies	\$ 2,332,806	\$ 2,054,835
Merchandise	13,192	14,115
	<u>\$ 2,345,998</u>	<u>\$ 2,068,950</u>

As of December 31, 2021 and 2020, allowance for inventory valuation losses amounted to \$604,461 thousand and \$619,822 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Time deposits	\$ 22,980,675	\$ 8,634,730
Repurchase agreement collateralized by government bonds	2,399,000	12,496,000
Demand deposits-Stabilization Mechanism Account (Note 18)	885,991	-
Demand deposits	18,379	21,259
Other performance guarantee	6,036	5,331
	<u>\$ 26,290,081</u>	<u>\$ 21,157,320</u>
Current	\$ 24,126,307	\$ 19,086,463
Non-current	<u>2,163,774</u>	<u>2,070,857</u>
	<u>\$ 26,290,081</u>	<u>\$ 21,157,320</u>

a. The interest rate intervals of other financial assets at the end of the reporting periods were as follows:

	December 31	
	2021	2020
Repurchase agreement collateralized by government bonds	0.28%-0.30%	0.20%-0.30%
Demand deposits	0.01%-0.04%	0.01%-0.04%
Time deposits	0.002%-0.82%	0.07%-1.025%

b. Refer to Note 29 for the information of other financial assets pledged as collateral.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2021	2020
Land	\$ 28	\$ 28
Machinery and equipment	69,643	61,153
Transportation equipment	-	-
Office equipment	13,516	15,013
Leasehold improvements	1,469	278
Other equipment	<u>24,506</u>	<u>33,257</u>
	<u>\$ 109,162</u>	<u>\$ 109,729</u>

	<u>Land</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 28	\$ 327,176	\$ 87	\$ 123,984	\$ 80,528	\$ 270,848	\$ 802,651
Additions	-	26,569	-	3,445	1,605	4,580	36,199
Disposals	-	(6,246)	-	(3,177)	-	(3,273)	(12,696)
Transfer	-	8,473	-	-	-	1,263	9,736
Balance at December 31, 2021	<u>28</u>	<u>355,972</u>	<u>87</u>	<u>124,252</u>	<u>82,133</u>	<u>273,418</u>	<u>835,890</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 266,023	\$ 87	\$ 108,971	\$ 80,250	\$ 237,591	\$ 692,922
Depreciation	-	26,552	-	4,942	414	14,594	46,502
Disposals	-	(6,246)	-	(3,177)	-	(3,273)	(12,696)
Balance at December 31, 2021	<u>-</u>	<u>286,329</u>	<u>87</u>	<u>110,736</u>	<u>80,664</u>	<u>248,912</u>	<u>726,728</u>
	<u>\$ 28</u>	<u>\$ 69,643</u>	<u>\$ -</u>	<u>\$ 13,516</u>	<u>\$ 1,469</u>	<u>\$ 24,506</u>	<u>\$ 109,162</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 28	\$ 317,209	\$ 87	\$ 119,610	\$ 80,528	\$ 266,001	\$ 783,463
Additions	-	19,667	-	5,684	-	4,715	30,066
Disposals	-	(10,009)	-	(3,309)	-	(110)	(13,428)
Transfer	-	309	-	1,999	-	242	2,550
Balance at December 31, 2020	<u>28</u>	<u>327,176</u>	<u>87</u>	<u>123,984</u>	<u>80,528</u>	<u>270,848</u>	<u>802,651</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	-	248,118	87	107,764	79,818	222,629	658,416
Depreciation	-	27,914	-	4,516	432	15,072	47,934
Disposals	-	(10,009)	-	(3,309)	-	(110)	(13,428)
Balance at December 31, 2020	<u>-</u>	<u>266,023</u>	<u>87</u>	<u>108,971</u>	<u>80,250</u>	<u>237,591</u>	<u>692,922</u>
	<u>\$ 28</u>	<u>\$ 61,153</u>	<u>\$ -</u>	<u>\$ 15,013</u>	<u>\$ 278</u>	<u>\$ 33,257</u>	<u>\$ 109,729</u>

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 437,883	\$ 496,973	\$ 71,777	\$ -	\$ 1,006,633
Additions	32,032	-	1,740	1,260	35,032
Deduction	-	-	(1,523)	-	(1,523)
Balance at December 31, 2021	<u>469,915</u>	<u>496,973</u>	<u>71,994</u>	<u>1,260</u>	<u>1,040,142</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	165,128	122,962	6,374	-	294,464
Depreciation	87,131	61,481	23,328	420	172,360
Deduction	-	-	(1,523)	-	(1,523)
Balance at December 31, 2021	<u>252,259</u>	<u>184,443</u>	<u>28,179</u>	<u>420</u>	<u>465,301</u>
	<u>\$ 217,656</u>	<u>\$ 312,530</u>	<u>\$ 43,815</u>	<u>\$ 840</u>	<u>\$ 574,841</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 254,865	\$ 497,473	\$ 37,254	\$ 1,485	\$ 791,077
Additions	183,102	-	64,500	-	247,602
Deduction	(84)	(500)	(29,977)	(1,485)	(32,046)
Balance at December 31, 2020	<u>437,883</u>	<u>496,973</u>	<u>71,777</u>	<u>-</u>	<u>1,006,633</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	81,897	61,881	17,321	990	162,089
Depreciation	83,301	61,581	19,030	473	164,385
Deduction	(70)	(500)	(29,977)	(1,463)	(32,010)
Balance at December 31, 2020	<u>165,128</u>	<u>122,962</u>	<u>6,374</u>	<u>-</u>	<u>294,464</u>
	<u>\$ 272,755</u>	<u>\$ 374,011</u>	<u>\$ 65,403</u>	<u>\$ -</u>	<u>\$ 712,169</u>

b. Lease liabilities

	<u>Lease Term</u>	<u>December 31</u>	
		<u>2021</u>	<u>2020</u>
Buildings	2-10 years	\$ 217,010	\$ 269,501
Machinery and equipment	9 years	298,631	354,897
Transportation equipment	3-5 years	43,967	65,454
Other equipment	3 years	861	-
		<u>560,469</u>	<u>689,852</u>
Less: Recognized as current lease liabilities		<u>(165,458)</u>	<u>(166,876)</u>
Lease liabilities - non-current		<u>\$ 395,011</u>	<u>\$ 522,976</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	0.38%-0.87%	0.54%-0.87%
Machinery and equipment	0.87%	0.87%
Transportation equipment	0.45%-0.73%	0.54%-0.73%
Other equipment	0.38%	-

c. Material lease terms

The Corporation leased an office building from Century Development Corporation with the lease term from January 2018 to December 2020 and renewed the lease contract to December 31, 2023 after the expiration of the lease term.

The Corporation leased a parking lot for rental business in Zuoying Station from Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC with the lease term from January 2017 to January 2027.

The Corporation leased a host of automatic ticketing system for operating from IBM Taiwan Corporation with the lease term from February 2018 to January 2027. This contract has been transferred by IBM Taiwan Corporation to Kyndryl Taiwan Corporation starting from October 29, 2021.

d. Other lease information

	2021	2020
Expenses relating to short-term leases	\$ 1,059	\$ 3,255
Expenses relating to low-value asset leases	\$ 434	\$ 516
Total cash outflows for leases	\$ (170,640)	\$ (165,564)

The Corporation leases certain space, which qualifies as short-term leases, and certain office equipment and other equipment, which qualify as low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	December 31	
	2021	2020
Operating concession assets	\$ 367,972,348	\$ 378,291,412
Computer software, net	113,113	83,252
	\$ 368,085,461	\$ 378,374,664

a. Movements of the intangible assets

	Operating Concession Assets						Total
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software, Net	
<u>Cost</u>							
Balance at January 1, 2021	\$ 474,398,159	\$ 69,972,043	\$ 12,701,819	\$ 1,569,788	\$ 558,641,809	\$ 503,172	\$ 559,144,981
Additions	1,131,046	-	-	2,637,902	3,768,948	35,437	3,804,385
Disposals	(291,973)	-	-	-	(291,973)	(2,437)	(294,410)
Transfer	1,338,449	-	-	(1,380,789)	(42,340)	33,137	(9,203)
Balance at December 31, 2021	<u>476,575,681</u>	<u>69,972,043</u>	<u>12,701,819</u>	<u>2,826,901</u>	<u>562,076,444</u>	<u>569,309</u>	<u>562,645,753</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2021	161,250,555	17,835,678	1,264,164	-	180,350,397	419,920	180,770,317
Amortization	12,659,131	1,097,608	240,792	-	13,997,531	38,713	14,036,244
Disposals	(243,832)	-	-	-	(243,832)	(2,437)	(246,269)
Balance at December 31, 2021	<u>173,665,854</u>	<u>18,933,286</u>	<u>1,504,956</u>	<u>-</u>	<u>194,104,096</u>	<u>456,196</u>	<u>194,560,292</u>
	<u>\$ 302,909,827</u>	<u>\$ 51,038,757</u>	<u>\$ 11,196,863</u>	<u>\$ 2,826,901</u>	<u>\$ 367,972,348</u>	<u>\$ 113,113</u>	<u>\$ 368,085,461</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 476,122,275	\$ 69,972,043	\$ 12,701,819	\$ 739,116	\$ 559,535,253	\$ 446,577	\$ 559,981,830
Additions	300,220	-	-	1,862,942	2,163,162	29,854	2,193,016
Disposals	(3,022,428)	-	-	-	(3,022,428)	-	(3,022,428)
Transfer	998,092	-	-	(1,032,270)	(34,178)	26,741	(7,437)
Balance at December 31, 2020	<u>474,398,159</u>	<u>69,972,043</u>	<u>12,701,819</u>	<u>1,569,788</u>	<u>558,641,809</u>	<u>503,172</u>	<u>559,144,981</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2020	151,660,749	16,738,071	1,023,370	-	169,422,190	392,164	169,814,354
Amortization	12,592,676	1,097,607	240,794	-	13,931,077	27,756	13,958,833
Disposals	(3,002,870)	-	-	-	(3,002,870)	-	(3,002,870)
Balance at December 31, 2020	<u>161,250,555</u>	<u>17,835,678</u>	<u>1,264,164</u>	<u>-</u>	<u>180,350,397</u>	<u>419,920</u>	<u>180,770,317</u>
	<u>\$ 313,147,604</u>	<u>\$ 52,136,365</u>	<u>\$ 11,437,655</u>	<u>\$ 1,569,788</u>	<u>\$ 378,291,412</u>	<u>\$ 83,252</u>	<u>\$ 378,374,664</u>

b. Operating assets and construction in progress are as follows:

	December 31	
	2021	2020
<u>Operating assets, net</u>		
Land improvements	\$ 158,327,671	\$ 161,599,299
Buildings	26,564,132	27,092,694
Machinery and equipment	24,346,956	25,756,415
Transportation equipment	93,650,574	98,673,349
Other equipment	20,494	25,847
	<u>\$ 302,909,827</u>	<u>\$ 313,147,604</u>
<u>Construction in progress</u>		
Prepayments for equipment	<u>\$ 2,826,901</u>	<u>\$ 1,569,788</u>

c. Operating concession - rental

According to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Corporation acquired superficies from the MOTC on the land of transportation infrastructure and pays the rental every year, including routes, maintenance bases, and stations. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in the future reported price of public-owned land and usage of such public-owned land and other relevant factors. The Corporation prepays the rental for the following year by the end of each year, and if the reported price of public-owned land is adjusted, the discrepancies due to that should be paid off in the same year. As of December 31, 2021, the superficies encompasses northern area to southern area of Taiwan, from Land Lot No. 1042-0001 of Tongxing Section, Xizhi District, New Taipei City located on the north to Land Lot No. 0419-0002 of Subsection 6, Hsinchuang Section, Zuoying District, Kaohsiung City located on the south. The term of such acquired superficies is from the date of their registration to the date of expiration or termination of the C&O Agreement.

14. OTHER ASSETS

	December 31	
	2021	2020
<u>Other current assets</u>		
Prepayments	\$ 1,181,856	\$ 1,355,197
Others	24,736	22,636
	<u>\$ 1,206,592</u>	<u>\$ 1,377,833</u>
<u>Other non-current assets</u>		
Others	<u>\$ 2,330</u>	<u>\$ 5,193</u>

15. BORROWINGS AND SHORT-TERM BILLS PAYABLE

a. Short-term borrowings

	December 31	
	2021	2020
Letters of credit	\$ 16,142	\$ 57,091

The range of interest rates at the end of the reporting periods was as follows:

	December 31	
	2021	2020
Letters of credit	0.63%	0.63%-0.85%

b. Short-term bills payable

	December 31	
	2021	2020
Short-term bills payable	\$ 15,000,000	\$ -
Less: Discount on short-term bills payable	(17,555)	-
	<u>\$ 14,982,445</u>	<u>\$ -</u>

On July 9, 2021, the Corporation signed a non-guaranteed commercial paper underwriting agreement with three bills finance companies, namely, Mega Bills Finance Co., Ltd., International Bills Finance Corporation, and China Bills Finance Corporation. The Corporation could issue non-guaranteed commercial paper (up to 90 days) on a revolving basis during a period of 5 years effective July 19, 2021, only interest and handling fees will be paid during the period.

The Corporation issued \$15 billion of non-guaranteed commercial paper and used the underwriting facility in full on September 15, 2021. The interest rate of the short-term bills payable was 0.59% on December 31, 2021.

c. Long-term debt

	December 31	
	2021	2020
Syndicated loan		
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	\$ 105,900,000	\$ 112,200,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	136,805,117	145,505,117
	242,705,117	257,705,117
Less: Unamortized cost of long-term debt	(90,710)	(97,634)
	<u>\$ 242,614,407</u>	<u>\$ 257,607,483</u>

The Corporation entered into the Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement (the “Tripartite Agreement”) with the MOTC and Bank of Taiwan on January 8, 2010, and the NT\$382 billion Syndicated Loan Agreement with respect to Taiwan North-South High Speed Rail Construction and Operation Project (the “Syndicated Loan Agreement”) with a group of eight syndicated banks. The syndicated banks of the Syndicated Loan Agreement consist of Bank of Taiwan, Mega International Commercial Bank, Taiwan Cooperative Bank, Land Bank of Taiwan, First Commercial Bank, Taiwan Business Bank, Chang Hwa Commercial Bank, and Hua Nan Commercial Bank. The significant terms are as follows:

- 1) The syndicated loan includes Tranches A1, A2, A3, B, C and D with different credit facilities. Tranches A1, A2, C and D are credit facilities, Tranche A3 is corporate bond guarantee facility, and Tranche B is performance guarantee facility. Tranche A3, C and D were fully redeemed and cannot be issued afterwards.
- 2) The Corporation provided assets (refer to assets to be transferred to the MOTC under the C&O Agreement) as collateral for the syndicated loan (the Corporation’s assets are not required to be registered with the syndicated banks for creating rights attached to the Corporation’s such assets). When the value of the collateral is less than the balance of the outstanding syndicated loan, the Corporation shall negotiate with Bank of Taiwan and the MOTC for solutions. However, if an agreement cannot be reached within 45 days after the date of the negotiation notice issued by Bank of Taiwan, the Corporation should redeem the difference immediately. The aforementioned collateral is inspected in May and November every year. The re-assessment mechanism for collateral value is inactive when Tranche B Facility is not utilized.
- 3) According to the Syndicated Loan Agreement, the Corporation opened capital account and reserve account at Bank of Taiwan for deposits and financial instruments. The Corporation is free to use the capital account; however, the reserve account is restricted and pledged as collateral to Bank of Taiwan, and is recorded as other financial assets. Refer to Notes 10 and 29 for further information.
- 4) The repayment schedule and interest rates of the Syndicated Loan Agreement are as follows:
 - a) Repayment schedule

	<u>Repayment Schedule</u>	<u>Ratio of Repayment</u>	<u>Repayment schedule after Early Repayment</u>	<u>Number of Semi-annual Installment Repayment after Early Repayment</u>
Tranche A1 Facility	May 4, 2021- November 4, 2040	1.5% per installment	November 4, 2024- November 4, 2040	Installments 08-40
	May 4, 2041- November 4, 2049	2.0% per installment	May 4, 2041- May 4, 2049	Installments 41-57
	May 4, 2050	4.0% per installment		
Tranche A2 Facility	May 4, 2021- November 4, 2040	1.5% per installment	November 4, 2024- November 4, 2040	Installments 08-40
	May 4, 2041- November 4, 2049	2.0% per installment	May 4, 2041- May 4, 2048	Installments 41-55
	May 4, 2050	4.0% per installment		

On March 3, 2020, the Corporation made early repayment for \$8 billion and repaid interest differences for \$276,433 thousand due to early repayment of the loan.

On July 2, 2020, the Corporation made early repayment for \$10.5 billion and repaid interest differences for \$358,420 thousand due to early repayment of the loan.

On December 2, 2021, the Corporation made early repayment for \$15 billion and repaid interest differences for \$485,121 thousand due to early repayment of the loan.

b) Interest rates

The interest rates (including 5% VAT) of the Tranche A1 Facility and Tranche A2 Facility are determined as the reference rate (1-year time deposit floating rate of Chunghwa Post Co., Ltd.) plus spread as listed on the table below. Due to the step-up spread mechanism, the Corporation shall make up for the deficit of the interests below the agreed interest rate to the syndicated banks if early redemption occurs. As of December 31, 2021 and 2020, the reference rates were remained unchanged at 0.81%.

<u>Syndicated Period</u>	<u>Markup Interest Rates</u>
May 4, 2010 - May 3, 2012	0.10%
May 4, 2012 - May 3, 2013	0.20%
May 4, 2013 - May 3, 2014	0.30%
May 4, 2014 - May 3, 2015	0.40%
May 4, 2015 - May 3, 2016	0.50%
May 4, 2016 - May 3, 2017	0.60%
May 4, 2017 - May 3, 2018	0.70%
May 4, 2018 - May 3, 2040	0.92%
May 4, 2040 - May 4, 2049	1.08%

5) The interest on Tranche A1 and A2 Facilities is calculated based on the Syndicated Loan Agreement. The Corporation computes interest expense by the effective interest method. Interest payment that is due longer than one year is recognized as long-term interest payable according to the agreement. The effective interest rates, accrued interest expense, and interest expense were summarized as follows:

a) Effective interest rates

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Tranche A1 Facility	1.67%	1.66%
Tranche A2 Facility	1.68%	1.67%

b) Accrued interest expense (included in other payables)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 163,794	\$ 173,538
Tranche A2 Facility	211,595	225,051
	<u>\$ 375,389</u>	<u>\$ 398,589</u>

c) Long-term interest payable

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 3,022,405	\$ 3,408,809
Tranche A2 Facility	3,472,025	3,974,874
	<u>\$ 6,494,430</u>	<u>\$ 7,383,683</u>

d) Interest expense

Syndicated loan

Interest expense

For the Year Ended December 31	
2021	2020
\$	\$
4,266,484	4,560,970

16. BONDS PAYABLE

	December 31	
	2021	2020
Domestic unsecured bond	\$ 27,500,000	\$ 18,500,000
Less: Unamortized issuance cost	(30,742)	(21,280)
	<u>\$ 27,469,258</u>	<u>\$ 18,478,720</u>

The main conditions of domestic unsecured bonds issued by the Corporation were as follows:

Bonds Name	Trustee	Issuance Period	Total Amount	Coupon Rate	Unamortized Repayment
Domestic Unsecured Bonds-2019-1	Taishin International Bank	November 14, 2019- November 14, 2049	\$ 8,000,000	1.60%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2020-1	Taishin International Bank	July 1, 2020-July 1, 2050	10,500,000	1.30%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-A	Hua Nan Commercial Bank	July 1, 2021-July 1, 2024	4,000,000	0.32%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-B	Hua Nan Commercial Bank	July 1, 2021-July 1, 2025	4,000,000	0.35%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-2	Hua Nan Commercial Bank	August 30, 2021- August 30, 2024	1,000,000	0.30%	Bullet repayment and Annual simple interest payment

17. OPERATING CONCESSION LIABILITIES

	December 31	
	2021	2020
Operating concession liabilities	\$ 80,425,041	\$ 79,337,100
Value of returned superficies for offset of profit sharing payable	(23,384,013)	(22,925,504)
	<u>\$ 57,041,028</u>	<u>\$ 56,411,596</u>
Current	\$ 8,049,281	\$ 541,931
Non-current	48,991,747	55,869,665
	<u>\$ 57,041,028</u>	<u>\$ 56,411,596</u>

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Refer to Note 30.a.2) for further information. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. The information about the amortization expense of operating concession assets and the interest expense of operating concession liabilities during the concession period is summarized as follows:

<u>Year</u>	<u>Amortization Expense</u>	<u>Interest Expense</u>	<u>Total</u>
Up to December 31, 2021	\$ 18,933,286	\$ 23,151,472	\$ 42,084,758
2022 (estimate)	1,097,608	1,662,470	2,760,078
2023 (estimate)	1,097,608	1,395,720	2,493,328
2024 (estimate)	1,097,608	1,423,634	2,521,242
2025 (estimate)	1,097,608	1,452,107	2,549,715
2026-2033 (estimate)	8,780,865	8,942,554	17,723,419
2034-2068 (estimate)	37,867,460	-	37,867,460
	<u>\$ 69,972,043</u>	<u>\$ 38,027,957</u>	<u>\$ 108,000,000</u>

According to the Financial Resolution Plan, the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the Corporation used the appraised fair value of returned superficies of \$22,613,234 thousand to proportionally offset the operating concession liabilities (profit sharing payable), which is payable to the MOTC at the end of every five years. The estimated offset amount is \$29,784,855 thousand. Refer to Note 30 a. 2) for further details. The information on actual and estimated profit or loss recognized on the value of returned superficies for offset of profit sharing payable within the concession period is summarized as follows:

<u>Year</u>	<u>Other Gain</u>	<u>Deduction of Interest Expense</u>	<u>Total</u>
Up to December 31, 2021	\$ 22,613,234	\$ 2,774,300	\$ 25,387,534
2022 (estimate)	-	467,681	467,681
2023 (estimate)	-	391,989	391,989
2024 (estimate)	-	399,829	399,829
2025 (estimate)	-	407,825	407,825
2026-2033 (estimate)	-	2,729,997	2,729,997
	<u>\$ 22,613,234</u>	<u>\$ 7,171,621</u>	<u>\$ 29,784,855</u>

As of December 31, 2021, the Corporation's accumulated profit sharing payments paid to the MOTC amounted to \$10,694,953 thousand (or accumulated profit sharing payments for \$12,698,474 thousand less the deductible amount of returned superficies for \$2,003,521 thousand).

18. PROVISIONS

a. Provisions

	December 31	
	2021	2020
<u>Current</u>		
Provision for controversial overtime payments	\$ 283,279	\$ 283,279
Provision for stabilization reserve	885,994	885,959
	<u>\$ 1,169,273</u>	<u>\$ 1,169,238</u>
<u>Non-current</u>		
Provision for stabilization reserve	<u>\$ 3,548,102</u>	<u>\$ 10,000,000</u>

b. Movements in provisions were as follows:

	Balance at January 1, 2021	Addition	Deduction	Balance at December 31, 2021
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,279	\$ -	\$ -	\$ 283,279
Provision for stabilization reserve	885,959	35	-	885,994
	<u>\$ 1,169,238</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 1,169,273</u>
<u>Non-current</u>				
Provision for stabilization reserve	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ (6,451,898)</u>	<u>\$ 3,548,102</u>
	<u>Balance at January 1, 2020</u>	<u>Addition</u>	<u>Deduction</u>	<u>Balance at December 31, 2020</u>
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,279	\$ -	\$ -	\$ 283,279
Provision for stabilization reserve	6,084,658	885,959	(6,084,658)	885,959
	<u>\$ 6,367,937</u>	<u>\$ 885,959</u>	<u>\$ (6,084,658)</u>	<u>\$ 1,169,238</u>
<u>Non-current</u>				
Provision for stabilization reserve	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>

1) Controversial overtime pay

Employees assigned in particular functions in the Corporation are required to work in shifts due to the nature of the Corporation's business. The national holidays are adjusted to regular holidays for employees who work in shifts and the combination of adjusted national holidays and regular holidays has been excluded in the calculation of regular working hours for the entire year. However, the Taiwan High Speed Rail Corporation Labor Union (the "THSRC Labor Union") claimed that overtime should be paid if employees working in shifts worked on national holidays. Concerning the controversy over the calculation of overtime hours in every two consecutive weeks, and the improvement of policy on recess during regular days and holidays, in January 2016, the THSRC Labor Union proclaimed that employees working in shifts should cease to work overtime on Chinese New Year Holidays. In order to uphold the rights of both the passengers and employees, the Corporation has reached an agreement regarding the aforementioned controversy with the THSRC Labor Union on January 21, 2016. The Corporation shall finish the calculation of overtime hours and overtime payments on the abovementioned adjusted national holidays and working hours of two consecutive weeks, and after confirmation of the calculated amount of overtime, the Corporation shall sign agreements with employees individually, and half of the overtime payments shall be paid as an incentive bonus. The Corporation and the THSRC Labor Union agreed to settle the litigation on the Taipei City Government Labor Sanction in the Taipei High Administrative Court. In the final judgment, if the Corporation loses the lawsuit, the abovementioned incentive bonus shall be considered as part of the overtime payments to the employees; if the Corporation wins the lawsuit, the abovementioned incentive bonus shall remain in its nature as incentive bonus and does not need to be returned to the Corporation. This administrative litigation was rejected by Taipei High Administrative Court in June 2018. After the Corporation lodged an appeal against the verdict, the Supreme Administrative Court has decided that the original judgment be remanded to the Taipei High Administrative Court in October 2019. In December 2020, the Taipei High Administrative Court reversed the original ruling regarding violation of Article 24 of the Labor Standards Act. As for the unfavorable ruling on the parts related to Article 37 of the Labor Standards Act, the Corporation has filed an appeal by the end of the statutory appealing period.

As of December 31, 2021, the Corporation evaluated the most likely result and recognized the provision for controversial overtime payments for \$283,279 thousand.

2) Stabilization reserve

Please refer to Note 30.a.3) regarding the recognition and use of provision for stabilization reserve. For the years ended December 31, 2020, additional provision for the stabilization reserve expenses amounted to \$885,959 thousand. In August 2020, the Corporation contributed \$6,084,658 thousand to the Stabilization Mechanism Account in accordance with the C&O agreement, and was in compliance with MOTC's policies to utilize the funds. In November 2021, the Corporation contributed \$885,959 thousand to the Stabilization Mechanism Account in accordance with the C&O agreement but still had disputes about MOTC's purpose of disbursement. As of February 23, 2022, the appropriate measures are still under discussion. For the years ended December 31, 2021, the stabilization reserve reverse amounted to \$6,451,898 thousand. As of December 31, 2021, balance of the stabilization reserve account was \$4,434,096 thousand recognized and the Stabilization Mechanism Account was \$885,991 thousand.

19. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Other payables</u>		
Accrued expenses	\$ 2,312,625	\$ 2,500,143
Accrued interest expense	474,761	483,522
Business tax payable	201,094	243,108
Others	45,287	36,088
	<u>\$ 3,033,767</u>	<u>\$ 3,262,861</u>

	December 31	
	2021	2020
<u>Other current liabilities</u>		
Contract liabilities (Note 22)	\$ 997,764	\$ 607,606
Lease liabilities (Note 12)	165,458	166,876
Rent received in advance	55,521	3,936
Receipts under custody	31,426	29,014
Others	27,396	25,968
	<u>\$ 1,277,565</u>	<u>\$ 833,400</u>
<u>Other non-current liabilities</u>		
Net defined benefit liability (Note 20)	\$ 290,241	\$ 281,448
Guarantee deposits received	289,541	257,469
Deferred revenue	9,483	11,649
Deferred tax liabilities	1,141	-
	<u>\$ 590,406</u>	<u>\$ 550,566</u>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The Corporation also adopted a defined benefit plan under the Labor Standards Act (the "LSA"). Under the LSA, pension benefits are calculated based on the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committees' name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Corporation is required to fund the difference in a one-time appropriation that shall be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

Through the defined benefit plans under the LSA, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be lower than the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the value on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The amounts included in the balance sheets in respect of the Corporation's obligations under its defined benefit plan are as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ (904,605)	\$ (887,099)
Fair value of plan assets	614,364	605,651
Net defined benefit liability	<u>\$ (290,241)</u>	<u>\$ (281,448)</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	\$ (844,479)	\$ 587,917	\$ (256,562)
Current service cost	(13,036)	-	(13,036)
Net interest income (expense)	(9,450)	6,612	(2,838)
Recognized in profit or loss	(22,486)	6,612	(15,874)
Remeasurement			
Return on plan assets	-	17,378	17,378
Actuarial loss - experience adjustments	(11,688)	-	(11,688)
Actuarial loss - changes in financial assumptions	(34,256)	-	(34,256)
Recognized in other comprehensive income	(45,944)	17,378	(28,566)
Contributions from the employer	-	19,554	19,554
Benefits paid	25,810	(25,810)	-
Balance at December 31, 2020	(887,099)	605,651	(281,448)
Current service cost	(13,577)	-	(13,577)
Net interest income (expense)	(6,961)	4,788	(2,173)
Recognized in profit or loss	(20,538)	4,788	(15,750)
Remeasurement			
Return on plan assets	-	6,002	6,002
Actuarial gain - experience adjustments	4,945	-	4,945
Actuarial loss - changes in financial assumptions	(23,321)	-	(23,321)
Recognized in other comprehensive income	(18,376)	6,002	(12,374)
Contributions from the employer	-	19,331	19,331
Benefits paid	21,408	(21,408)	-
Balance at December 31, 2021	<u>\$ (904,605)</u>	<u>\$ 614,364</u>	<u>\$ (290,241)</u>

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	Measurement Date	
	December 31	
	2021	2020
Discount rate	0.55%	0.8%
Expected salary growth rate	2.25%	2.25%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as shown on the table below. The sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
Discount rate		
Increase 0.5%	\$ (45,891)	\$ (48,506)
Decrease 0.5%	\$ 49,377	\$ 52,446
Expected salary growth rate		
Increase 0.5%	\$ 48,668	\$ 51,794
Decrease 0.5%	\$ (45,720)	\$ (48,413)

An analysis of the average duration of the defined benefit obligation was as follows:

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ 39,601	\$ 33,931
The average duration of the defined benefit obligation	9.0 years	10.0 years

- c. Please refer to Note 23.a. for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income for the years ended December 31, 2021 and 2020.

21. EQUITY

a. Capital stock

	December 31	
	2021	2020
Number of shares authorized (in thousands)	12,000,000	12,000,000
Shares authorized	\$ 120,000,000	\$ 120,000,000
Number of shares issued and fully paid (in thousands)	5,628,293	5,628,293
Share capital issued and outstanding	\$ 56,282,930	\$ 56,282,930

A holder of issued common stock with par value of \$10 is entitled to vote and to receive dividends.

On November 26, 2015, the Corporation conducted capital injection and issued 3,000,000 thousand shares of common stock through a private placement at par value of \$10, or a total of \$30,000,000 thousand. The rights and obligations of the aforementioned privately placed common stock are the same as other common stock issued, except that such common stock has not yet been applied to be listed and traded on the Taiwan Stock Exchange.

b. Capital surplus

	December 31	
	2021	2020
Issuance of common stock	\$ 171,885	\$ 171,885
Forfeited employee share options	1,096	1,096
	<u>\$ 172,981</u>	<u>\$ 172,981</u>

The capital surplus generated from shares issued in excess of par may be used to offset an accumulated deficit, if any; in addition, when the Corporation has no accumulated deficit, such capital surplus may be transferred to share capital or distributed in cash. Capitalization of such capital surplus is limited to once a year and a certain prescribed percentage of the Corporation's paid-in capital. The capital surplus generated from forfeited employee share options may not be used for any purpose except for offsetting an accumulated deficit.

c. Legal reserve and appropriation of earnings

Under the dividend policy set forth in the Articles, after the resolution of the board of directors to distribute employees' compensation and remuneration to directors, and payments for all taxes and duties, 10% of the remaining after-tax profit is set aside as legal reserve. However, when the legal reserve equals the Corporation's paid-in capital, further appropriation of earnings to legal reserve will no longer be required. Furthermore, after reversal or appropriation of special reserve according to related regulations, the remainder together with any accumulated unappropriated earnings may be distributed to stockholders as proposed by the board of directors and ultimately resolved by the stockholders.

The Corporation's dividend policy takes into account current and future development projects, consideration of investment environment, demand for funds and situations of domestic and international competitions, and consideration of stockholders' benefits and other relevant factors to determine earnings distribution. The Corporation adopts a stable and balanced dividend policy. Distributable earnings shall be appropriated at the rate no less than 60% to stockholders as dividends; however, when accumulated unappropriated earnings are lower than 0.5% of paid-in capital, no appropriation shall be made. Dividends to be distributed shall be paid either in cash or in share, and cash dividends shall be no less than 50% of total dividends.

For the information on the appropriation policy, actual distributions of employees' compensation and remuneration to directors, refer to Note 23.a.

The appropriations of earnings for 2020 and 2019 approved in the stockholders' meetings on August 12, 2021 and May 21, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2020	For Fiscal Year 2019	For Fiscal Year 2020	For Fiscal Year 2019
Legal reserve	\$ 582,018	\$ 800,703		
Cash dividends	5,909,708	6,810,797	\$ 1.05	\$ 1.2101
	<u>\$ 6,491,726</u>	<u>\$ 7,611,500</u>		

The Corporation's 2021 earnings appropriations will be proposed by the Board of Directors and approved in the stockholders' meetings. Information on the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Railroad transportation revenue	\$ 29,084,574	\$ 37,903,849
Other operating revenue	1,143,313	1,233,356
	<u>\$ 30,227,887</u>	<u>\$ 39,137,205</u>

a. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable	<u>\$ 665,957</u>	<u>\$ 218,092</u>	<u>\$ 333,092</u>
Contract liabilities			
Railroad transportation revenue	\$ 872,822	\$ 491,626	\$ 1,163,968
Customer loyalty program	116,134	107,989	62,629
Others	8,808	7,991	6,459
	<u>\$ 997,764</u>	<u>\$ 607,606</u>	<u>\$ 1,233,056</u>

The changes in the balances of contract liabilities primarily result from the timing difference between the Corporation's performance and the customer's payment.

Revenue of the current year recognized from the beginning balance of contract liability is as follows:

	For the Year Ended December 31	
	2021	2020
From the beginning balance of contract liability		
Railroad transportation revenue	\$ 482,735	\$ 1,156,393
Customer loyalty program	99,227	54,160
Others	7,981	6,179
	<u>\$ 589,943</u>	<u>\$ 1,216,732</u>

b. Revenue from contracts with customers

The Corporation is engaged only in the operation of HSR and related facilities. Consequently, there is no other reportable segment. Revenue is railroad transportation revenue.

c. Partially completed contracts

For the performance obligations that are not fully satisfied, the expected timings for recognition of revenue are as follows.

	December 31, 2021
Railroad transportation revenue	
In 2022	\$ 865,605
In 2023	7,217
	<u>872,822</u>
Customer loyalty program	
In 2022	108,127
In 2023	8,007
	<u>116,134</u>
Others	
In 2022	8,808
	<u>\$ 997,764</u>

23. INCOME BEFORE INCOME TAX

a. Employee benefit expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plan	\$ 199,576	\$ 190,370
Defined benefit plan	15,750	15,874
	<u>215,326</u>	<u>206,244</u>
Short-term employee benefits		
Payroll	4,230,311	4,392,124
Insurance	404,440	366,055
Others	191,519	193,038
	<u>4,826,270</u>	<u>4,951,217</u>
	<u>\$ 5,041,596</u>	<u>\$ 5,157,461</u>

	For the Year Ended December 31	
	2021	2020
An analysis of employee benefit expense by function		
Operating costs	\$ 4,188,217	\$ 4,283,589
Operating expenses	<u>853,379</u>	<u>873,872</u>
	<u>\$ 5,041,596</u>	<u>\$ 5,157,461</u>

For the years ended December 31, 2021 and 2020, the professional service fee was \$423 thousand and \$2,138 thousand, respectively.

Under the Corporation's Articles of Incorporation, if there is any after-tax profit at the end of the year, the Corporation shall first make up for accumulated losses and then distribute employees' compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. The employees' compensation and remuneration to directors of the Corporation were calculated based on income before income tax (net of the employees' compensation and remuneration to directors) according to the above policy. For the years ended December 31, 2021 and 2020, the estimated employees' compensation in cash was \$87,500 thousand and \$111,165 thousand, and the estimated remuneration to directors in cash was \$21,875 thousand and \$27,791 thousand, respectively.

Material differences between estimated amounts and the amounts resolved by the board of directors on or before the date the annual financial statements are approved are adjusted in the year the compensation and remuneration were recognized. If there is a change in the resolved amounts after the annual financial statements were approved, the differences are recorded as a change in accounting estimate and adjusted in the following year.

The board of directors had resolved the employees' compensation of \$87,500 thousand and the remuneration to directors of \$21,875 thousand for the year ended December 31, 2021 payable in cash on January 19, 2022 which were the same amounts recognized in the financial statements for the year ended December 31, 2021.

The board of directors had resolved the employees' compensation of \$111,165 thousand and the remuneration to directors of \$27,791 thousand for the year ended December 31, 2020 payable in cash on January 20, 2021 which were the same amounts recognized in the financial statements for the year ended December 31, 2020.

Information on the employees' compensation and remuneration to directors resolved by the board of directors and reported in the stockholders' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 46,502	\$ 47,934
Right-of-use assets	172,360	164,385
Intangible assets	14,036,244	13,958,833
Other non-current assets	3,563	4,423
	<u>\$ 14,258,669</u>	<u>\$ 14,175,575</u>
An analysis of depreciation by function		
Operating costs	\$ 193,223	\$ 187,110
Operating expenses	25,639	25,209
	<u>\$ 218,862</u>	<u>\$ 212,319</u>
An analysis of amortization by function		
Operating costs	\$ 14,030,922	\$ 13,957,127
Operating expenses	8,885	6,129
	<u>\$ 14,039,807</u>	<u>\$ 13,963,256</u>

c. Interest income

	For the Year Ended December 31	
	2021	2020
Interest income of bank deposits	\$ 80,298	\$ 40,682
Interest income of repurchase agreement collateralized by government bonds	15,103	94,132
Others	29	34
	<u>\$ 95,430</u>	<u>\$ 134,848</u>

d. Interest expense

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 4,273,134	\$ 4,567,779
Interest on operating concession liabilities	1,171,363	1,148,395
Interest on bonds payable	281,320	197,008
Interest on short-term bills payable	25,491	-
Others	5,933	6,029
	<u>\$ 5,757,241</u>	<u>\$ 5,919,211</u>

e. Other gains and losses

	For the Year Ended December 31	
	2021	2020
COVID-19 relief of bill payment assistance (Note)	\$ 98,702	\$ 190,095
Foreign exchange gain (loss), net	34,930	(25,180)
Gains on financial assets at FVTPL	26,455	30,111
Liquidated damages and termination compensation	18,458	60,824
Compensation gain	9,897	15,921
Government grants	2,777	11,274
Loss on disposal of intangible assets, net	(47,934)	(11,393)
Others	14,371	11,296
	<u>\$ 157,656</u>	<u>\$ 282,948</u>

Note: Mainly composed of the electricity payment reduction and other relief package that the Corporation applied to and obtained from the government and Covid-19 related rent concessions.

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ -	\$ (33,594)
Income tax on unappropriated earnings	-	(17,822)
Adjustments for prior years	24,687	123,816
Deferred tax		
In respect of the current year	(679,390)	351,326
Income tax (expense) benefit	<u>\$ (654,703)</u>	<u>\$ 423,726</u>

A reconciliation of income before income tax and income tax (expense) benefit was as follows:

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate	\$ (853,125)	\$ (1,083,862)
Nondeductible expenses in determining taxable income	(2,989)	(4,091)
Change in unrecognized deductible temporary differences	171,614	1,009,418
Income tax on unappropriated earnings	-	(17,822)
Income tax exemption effect	-	391,239
Adjustments for prior years	24,687	123,816
Others	5,110	5,028
Income tax (expense) benefit recognized in profit or loss	<u>\$ (654,703)</u>	<u>\$ 423,726</u>

Under the amendment to the ROC Statute of Industrial Innovation in 2019, the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

According to Article 28 of the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, the Corporation applied for a five-year income tax exemption. On April 13, 2018, the Ministry of Finance approved the application for income tax exemption, and the qualified exemption income is railroad and freight transportation income according to Article 3, Section 1, Item 1 of the Regulations Governing Application of Profit-seeking Enterprise Income Tax Exemption to Private Institutions Participating in Transportation and Communication Infrastructure Projects. The Corporation chose to start and has started its consecutive five-year income tax exemption period from January 1, 2017 according to Article 28, Section 2 of the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plan	\$ 2,475	\$ 5,713

c. Deferred tax assets and liabilities

For the year ended December 31, 2021

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Profit sharing payments	\$ 5,530,653	\$ 429,869	\$ -	\$ 5,960,522
Provisions	2,062,234	(1,118,759)	-	943,475
Deferred revenue	21,598	1,629	-	23,227
Defined benefit obligation	53,310	-	2,475	55,785
Others	5,456	9,012	-	14,468
	<u>\$ 7,673,251</u>	<u>\$ (678,249)</u>	<u>\$ 2,475</u>	<u>\$ 6,997,477</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	\$ -	\$ 1,141	\$ -	\$ 1,141

For the year ended December 31, 2020

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Profit sharing payments	\$ 5,154,291	\$ 376,362	\$ -	\$ 5,530,653
Provisions	2,092,556	(30,322)	-	2,062,234
Deferred revenue	12,526	9,072	-	21,598
Defined benefit obligation	47,597	-	5,713	53,310
Others	9,242	(3,786)	-	5,456
	<u>\$ 7,316,212</u>	<u>\$ 351,326</u>	<u>\$ 5,713</u>	<u>\$ 7,673,251</u>

d. Items for which no deferred tax assets have been recognized

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deductible temporary differences		
Provision	\$ -	\$ 171,614

e. Income tax assessments

The tax authorities have assessed the tax returns through 2018.

25. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share (NT\$)	\$ 0.64	\$ 1.04

The net income and weighted average number of common stock outstanding that were used in the computation of earnings per share were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Earnings attributable to common stockholders	\$ 3,610,922	\$ 5,843,037
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293

26. CAPITAL MANAGEMENT

The Corporation manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its needs, including working capital needs within 12 months, capital expenditure during the concession period, profit sharing payments, repayments of long-term and short-term debt, repayments of unsecured domestic bonds and other operating needs.

27. FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$ -	\$ 15,218,000
Financial assets at amortized cost		
Other financial assets	26,290,081	21,157,320
Others (Note 1)	22,294,007	879,191
<u>Financial liabilities</u>		
Financial liabilities for hedging	512	-
Financial liabilities at amortized cost (Note 2)	352,051,974	342,965,616

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable, and other receivables (included in other current assets).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, short-term bills payable, accounts payable, operating concession liabilities, other payables, payable for construction, bonds payable, long-term debt, long-term interest payable and guarantee deposits received (included in other non-current liabilities). However, short-term employee benefits payable and business tax payable were not included.

b. Fair value of financial instruments

1) Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 inputs are unobservable inputs for the asset or liability.

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities for hedging				
Forward exchange contracts	\$ -	\$ 512	\$ -	\$ 512

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Open-end money market funds	\$ 15,218,000	\$ -	\$ -	\$ 15,218,000

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

3) Valuation techniques and assumptions applied for measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- b) The fair values of derivative financial instruments are determined using valuation techniques because no market prices are available. Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

c. Financial risk management objectives and policies

The Corporation's major financial risk management goal is to manage risks that relate to operating activities. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. In order to lower relevant financial risks, the Corporation identifies and assesses the risks and takes actions to manage uncertainty of the market.

The board of directors in accordance with related regulations and internal controls, reviews the Corporation's important financial activities. The Corporation also established related financial transaction procedures in accordance with the Corporation's overall financial risk management and segregation of duties.

1) Market risk

a) Foreign currency risk

The Corporation's deposits, accounts payable and payable for construction denominated in foreign currencies exposed the Corporation to foreign currency risk. To control decline in value or fluctuations in future cash flows due to changes in exchange rates, the Corporation enters into forward exchange contracts to hedge foreign exchange risk. Financial instruments for hedging can partially, but not entirely, reduce the impact arising from changes in foreign exchange rates.

The Corporation's significant foreign-currency financial assets and liabilities were as follows (in thousands of respective foreign currencies or New Taiwan dollars):

	<u>December 31, 2021</u>		
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,739	27.68	\$ 629,416
JPY	247,804	0.2405	59,597
<u>Financial liabilities</u>			
Monetary items			
JPY	2,141,835	0.2405	515,111

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,626	28.48	\$ 644,388
JPY	16	0.2764	4
<u>Financial liabilities</u>			
Monetary items			
JPY	874,469	0.2764	241,703

The Corporation was mainly exposed to USD and JPY foreign currency exchange risks. The sensitivity analysis related to foreign currency exchange rate risk was mainly calculated for foreign currency monetary items and hedging financial instruments relating to exchange rate at the balance sheet date. If the U.S. dollar weakened against the New Taiwan dollar by 1%, income before income tax would have decreased by \$6,294 thousand and \$6,444 thousand, respectively, for the years ended December 31, 2021 and 2020. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by \$4,216 thousand and \$2,417 thousand for the years ended December 31, 2021 and 2020, respectively.

The significant unrealized exchange gain and loss were as follows:

Foreign Currency	For the Year Ended December 31				
	2021		2020		
	Exchange Rate	Exchange Gain, Net	Exchange Rate	Exchange (Loss) Gain, Net	
USD	27.68	\$ 11,276	28.48	\$	3,123
JPY	0.2405	12,571	0.2764		(3,598)

b) Interest rate risk

As of December 31, 2021 and 2020, the Corporation's syndicated loan with floating interest rates amounted to \$242,705,117 thousand and \$257,705,117 thousand, respectively. If the market interest rate increased by 1% and all other variables were held constant, the income before income tax of the Corporation would have decreased by \$2,427,051 thousand and \$2,577,051 thousand, for the years ended December 31, 2021 and 2020, respectively.

c) Other price risk

The investments in open-end money market funds (recorded as financial assets at FVTPL) exposed the Corporation to equity price risk. If the price of the funds decreased by 1%, income before income tax would have decreased by \$152,180 thousand for the years ended December 31, 2020.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. Financial assets with positive fair values at the balance sheet date are evaluated for credit risk. At the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of financing facilities and ensures compliance with loan covenants.

The following table details the Corporation's remaining contractual maturity for its long-term debt and interest on long-term debt (please refer to Note 15. c.), operating concession liabilities, lease liabilities and bonds payable based on the undiscounted cash flows (excluding the hedging financial instruments and non-hedging financial liabilities that are to be settled within one year from the balance sheet date):

December 31, 2021

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2022.1.1-2022.3.31	\$ -	\$ 1,184,826	\$ -	\$ 42,312	\$ -	\$ 1,227,138
2022.4.1-2022.12.31	-	3,554,477	8,049,281	126,844	294,300	12,024,902
2023	-	7,485,537	658,800	161,185	294,300	8,599,822
2024	3,244,614	7,752,716	182,113	84,354	5,294,300	16,558,097
2025	9,186,153	7,552,842	142,002	73,278	4,278,500	21,232,775
2026	9,186,153	7,257,435	238,590	72,099	264,500	17,018,777
2027-2033	64,303,075	45,192,723	58,249,406	9,855	1,851,500	169,606,559
2034-2050	156,785,122	43,600,153	-	-	22,868,500	223,253,775
	<u>\$ 242,705,117</u>	<u>\$ 123,580,709</u>	<u>\$ 67,520,192</u>	<u>\$ 569,927</u>	<u>\$ 35,145,900</u>	<u>\$ 469,521,845</u>

December 31, 2020

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2021.1.1-2021.3.31	\$ -	\$ 1,338,263	\$ -	\$ 42,167	\$ -	\$ 1,380,430
2021.4.1-2021.12.31	-	4,014,788	541,931	125,333	264,500	4,946,552
2022	-	7,291,395	8,049,281	157,423	264,500	15,762,599
2023	9,058,460	7,982,218	116,525	149,576	264,500	17,571,279
2024	9,186,153	7,949,231	182,113	74,021	264,500	17,656,018
2025	9,186,153	7,721,809	142,002	73,278	264,500	17,387,742
2026-2033	73,489,228	52,942,424	59,030,271	81,954	2,116,000	187,659,877
2034-2050	156,785,123	44,000,844	-	-	22,868,500	223,654,467
	<u>\$ 257,705,117</u>	<u>\$ 133,240,972</u>	<u>\$ 68,062,123</u>	<u>\$ 703,752</u>	<u>\$ 26,307,000</u>	<u>\$ 486,018,964</u>

28. TRANSACTIONS WITH RELATED PARTIES

The MOTC under the Executive Yuan owns 43% equity interests in the Corporation's outstanding common stock. Under IAS 24, the Corporation is a government-related entity, which is significantly influenced by the central government. The Corporation is a related party with the government-related entities (e.g., government-owned businesses) which are controlled by the Executive Yuan. However, the Corporation is not a related party with those government-related entities, which are only significantly influenced but not controlled by the Executive Yuan.

The Corporation is not required to disclose transactions and outstanding balances with the government-related entities. Except for those separately disclosed in other notes, the names of related parties, relationships, and the nature and amounts of the significant transactions were summarized as follows:

a. Name of related party and relationship

Related Party Name	Relationship with the Corporation
MOTC	An investor with significant influence over the Corporation
Bank of Taiwan and seven other syndicated banks	A government-related entity controlled by the central government
Mega Bills Finance Co., Ltd.	A government-related entity controlled by the central government
China Steel Corporation	A legal entity as director of the Corporation
Century Development Corporation	An entity controlled by the legal entity as directors of the Corporation
InfoChamp Systems Corporation	An entity controlled by the legal entity as directors of the Corporation
Others	Individual and legal entity as directors of the Corporation, and individuals and entities controlled by the directors, key management personnel and their relatives, and related parties in substance

b. Operating revenue

The Corporation is mainly engaged in the operation of the North-South High Speed Railway. According to the fare rate standard, timing and procedures of fare adjustment as prescribed in the C&O Agreement and regulated by the MOTC, the Corporation's ticket price setting and adjustment shall be reported to the MOTC before they are announced and implemented. The transportation services and ticket prices provided to related parties were the same as those provided to general public passengers.

c. Operating costs/Operating expenses

1) Profit sharing payments

According to the C&O Agreement, during the operating period, the Corporation shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as intangible assets - operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. Please refer to Note 17 and Note 30.a.2) for further information.

2) Operating concession - rental

The transactions between the Corporation and the MOTC were as follows, and, as for the nature, please refer to Note 12.c. for further details:

a) Rental expense

Related Party Name	For the Year Ended December 31	
	2021	2020
Railway Bureau, MOTC	\$ 777,497	\$ 779,030
Taiwan Railways Administration, MOTC	50,194	50,194
	<u>\$ 827,691</u>	<u>\$ 829,224</u>

b) Prepaid rentals (included in other current assets)

Related Party Name	December 31	
	2021	2020
Railway Bureau, MOTC	\$ 775,975	\$ 777,492
Taiwan Railways Administration, MOTC	50,194	50,194
	<u>\$ 826,169</u>	<u>\$ 827,686</u>

3) Other - operating costs and expenses

Related Party Name	For the Year Ended December 31	
	2021	2020
Century Development Corporation	\$ 9,024	\$ 11,755
InfoChamp Systems Corporation	8,549	2,868
	<u>\$ 17,573</u>	<u>\$ 14,623</u>

d. Non-operating income and expenses

1) Interest expense

Please refer to Note 17 for the interest expense recognized on the operating concession liabilities, and the deduction of interest expense recognized on the value of returned superficies for offset of profit sharing payable using the effective interest method due to termination of the SZD Agreement.

2) Performance delay income (included in other gain or loss)

Related Party Name	For the Year Ended December 31	
	2021	2020
InfoChamp Systems Corporation	\$ 2	\$ 6,526

e. Payables to related parties - payable for construction

Related Party Name	December 31	
	2021	2020
China Steel Corporation	\$ 274,054	\$ -
InfoChamp Systems Corporation	8,880	2,804
	<u>\$ 282,934</u>	<u>\$ 2,804</u>

f. Acquisition of property, plant and equipment

Related Party Name	Purchase Price	
	For the Year Ended December 31	
	2021	2020
China Steel Corporation - current year	\$ 947	\$ -
China Steel Corporation - transferred from construction in progress	316	-
	<u>\$ 1,263</u>	<u>\$ -</u>

g. Acquisition of intangible assets - operating concession assets

Related Party Name	Purchase Price	
	For the Year Ended December 31	
	2021	2020
China Steel Corporation - current year	\$ 261,374	\$ -
China Steel Corporation - transferred from construction in progress	117,017	-
InfoChamp Systems Corporation	1,470	2,236
	<u>\$ 379,861</u>	<u>\$ 2,236</u>

h. Intangible assets - construction in progress of the operating concession assets

Related Party Name	December 31	
	2021	2020
China Steel Corporation	\$ -	\$ 117,333
InfoChamp Systems Corporation	16,192	7,267
	<u>\$ 16,192</u>	<u>\$ 124,600</u>

i. Disposal of intangible assets - operating concession assets

Related Party Name	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
InfoChamp Systems Corporation	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 528</u>

j. Lease arrangements

The transactions between the Corporation with Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC and Century Development Corporation were as follows:

		Acquisition of right-of-use assets	
		For the Year Ended December 31	
Related Party Name		2021	2020
Century Development Corporation		\$ -	\$ 183,102

		December 31	
Line Item	Related Party Name	2021	2020
Lease liabilities (Note 12)	Century Development Corporation	\$ 117,595	\$ 177,859
	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	67,457	80,284
		<u>\$ 185,052</u>	<u>\$ 258,143</u>

		For the Year Ended December 31	
Line Item	Related Party Name	2021	2020
Other gains and losses (Rent concessions)	Century Development Corporation	\$ 4,371	\$ -
	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	1,995	926
		<u>\$ 6,366</u>	<u>\$ 926</u>

k. Short-term bills payable

The Corporation has entered into non-guaranteed commercial paper underwriting agreement with Mega Bills Finance Co., Ltd., with a total underwriting amount of \$5 billion. The transaction terms are the same as those with other non-related parties. Please refer to Note 15.b. for further information.

l. Long-term debt

The Corporation has entered into the Tripartite Agreement with the MOTC and Bank of Taiwan. In addition, the Corporation has entered into the Syndicated Loan Agreement with Bank of Taiwan and seven other syndicated banks. If an early termination of the C&O Agreement occurs, the MOTC shall assume the remaining obligations under Tranche A Facility of the Syndicated Loan Agreement. Please refer to Note 15. c. for further information on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

m. The Corporation was in compliance with MOTC's policies to contribute and utilize the funds of the Stabilization Mechanism Account. Please refer to Note 18.b.2) for further information.

n. Compensation of key management personnel was as follows:

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 87,432	\$ 90,299
Post-employment benefits	1,114	942
	<u>\$ 88,546</u>	<u>\$ 91,241</u>

29. PLEDGED ASSETS

Pledged Assets	Pledged to Secure	December 31	
		2021	2020
Other financial assets - current:			
Repurchase agreement collateralized by government bonds	Syndicated loan	\$ 1,169,000	\$ 1,243,000
Time deposits	Trust deposit of unearned revenue	-	68,000
Time deposits	Guarantee for oil purchase	-	3,120
Demand deposits	Trust deposit of unearned revenue	16,539	19,064
Demand deposits	Syndicated loan	1,840	2,195
		<u>1,187,379</u>	<u>1,335,379</u>
Other financial assets - non-current:			
Time deposits	Performance guarantee for the C&O Agreement	\$ 2,000,000	\$ 2,000,000
Time deposits	Trust deposit of unearned revenue	68,000	-
Time deposits	Guarantee for customs duties	62,083	42,045
Time deposits	Guarantee for office lease	16,278	16,278
Time deposits	Guarantee for parking lease	7,257	7,203
Time deposits	Guarantee for oil purchase	4,120	-
		<u>2,157,738</u>	<u>2,065,526</u>
		<u>\$ 3,345,117</u>	<u>\$ 3,400,905</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Construction and operation agreement

The significant provisions of the C&O Agreement were as follows:

- 1) The concession period, including the construction period and operating period, for the construction and operation of HSR is 70 years from the date of agreement, and can be extended pursuant to the C&O Agreement.

- 2) During the operating period, the Corporation shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. However, if the accumulated amount of the profit sharing payments is less than the amount listed in the table below, the latter shall prevail.

As of the end of the fifth year of full operation	\$	2 billion
As of the end of the tenth year of full operation		10 billion
As of the end of the fifteenth year of full operation		25 billion
As of the end of the twentieth year of full operation		48 billion
As of the end of the twenty-fifth year of full operation		75 billion
As of July 23, 2033		108 billion

According to the SZD Termination Agreement, the Corporation and MOTC engaged impartial and professional appraisal firms to appraise the fair value of the superficies returned to the MOTC for \$22,613,234 thousand. The value of the returned superficies is allowed by the MOTC to offset the profit sharing payments for \$29,784,855 thousand at the end of every five years as follows:

As of the end of the tenth year of full operation	\$	2,003,521 thousand
As of the end of the fifteenth year of full operation		4,252,245 thousand
As of the end of the twentieth year of full operation		6,520,109 thousand
As of the end of the twenty-fifth year of full operation		7,654,041 thousand
As of July 23, 2033		9,354,939 thousand

Starting from 2013, the Corporation prepares its financial statements in accordance with IFRSs endorsed by the FSC. Refer to Note 17 for the recognition of profit sharing payments as operating concession liabilities.

- 3) The Corporation should establish a financial stabilization mechanism starting from 2016.
- a) From 2016 to the year the stabilization reserve is calculated, if the annual average of net income (loss) and the effect of retrospective adjustments that resulted from the change in accounting policies exceed \$3.5 billion, the stabilization reserve should be provided as described below:
- i. If the Corporation's EBT in the current year is higher than A1 but less than A2, the EBT is regarded as operation incentive and no stabilization reserve should be provided (refer to the note below for the definitions of EBT, A1, A2 and A3).
 - ii. If the Corporation's EBT in the current year is higher than A2 but less than A3, the stabilization reserve should be provided in the current year as follows:

$$(EBT - A2) \times 50\%$$
 - iii. If the Corporation's EBT in the current year is higher than A3, the stabilization reserve should be provided in the current year as follows:

$$(A3 - A2) \times 50\% + (EBT - A3) \times 70\%$$

EBT = Income (loss) before income tax, net of the stabilization reserve and the compensation and remuneration set out in Article 235-1 of the Company Act.

A1 = Net income of \$3.5 billion ÷ (1 - The statutory tax rate)

A2 = Net income of \$4.0 billion ÷ (1 - The statutory tax rate)

A3 = Net income of \$4.5 billion ÷ (1 - The statutory tax rate)
- b) If the Corporation's EBT in the current year is less than A1, the reversal of the accumulated stabilization reserve should be (A1 - EBT), but only to the extent of the accumulated stabilization reserve equals zero.
- c) The Corporation should open a "Taiwan High Speed Rail Stabilization Mechanism Account" (the "Stabilization Mechanism Account") at Bank of Taiwan.

- i. If the accumulated stabilization reserve, net of the balance in the Stabilization Mechanism Account, exceeds \$10 billion at the end of any year, the Corporation shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account within one month from the date the MOTC confirms the execution report submitted by the Corporation. The stabilization reserve should also be provided in the same amount for the interest income generated from the Stabilization Mechanism Account.
 - ii. The MOTC may request the Corporation to use the funds of the Stabilization Mechanism Account under the following circumstances:
 - i) Fare discount or fare reduction,
 - ii) Construction of HSR infrastructure and facilities, and
 - iii) In compliance with the government's policies.
 - iii. The accumulated stabilization reserve shall be deducted by the same amount of funds used from the Stabilization Mechanism Account.
 - iv. Except for payment of tax levied on the Stabilization Mechanism Account, the Corporation cannot use the funds of the Stabilization Mechanism Account, unless the Corporation obtains the approval from the MOTC.
- d) Treatments of the stabilization reserve and the Stabilization Mechanism Account upon expiration or early termination of the concession period
- i. If the accumulated stabilization reserve exceeds the balance of the Stabilization Mechanism Account at the end of the concession period, the Corporation shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account, and the remaining balance of the Stabilization Mechanism Account (net of tax, if any) shall be transferred to a specific account designated by the MOTC.
 - ii. If the C&O Agreement is terminated due to mutual agreement, force majeure or excluded events, the remaining balance of the Stabilization Mechanism Account (net of tax, if any) as of the termination date shall be transferred to a specific account designated by the MOTC, and the excess of the accumulated stabilization reserve over the balance of the Stabilization Mechanism Account shall be allocated to the Corporation.
 - iii. According to the C&O Agreement, if the termination is due to the reasons attributable to the Corporation, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the MOTC.
 - iv. According to the C&O Agreement, if the termination is due to government's policies, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the Corporation.
- e) Starting from 2017, the following year after the mechanism became effective, the Corporation shall submit to the MOTC an execution report audited by independent auditors, including provision, contribution, accumulated balance of the stabilization reserve, and the utilization and balance of the Stabilization Mechanism Account within one month from the date the stockholders approved the annual financial statements.

The Corporation complied with MOTC's policies to utilize the funds of the Stabilization Mechanism Account. Please refer to Note 18.b) for further information.

- 4) When the concession period expires, the assets which are purchased under the consent of the MOTC within five years before the concession period expires, and are not fully depreciated and remain usable for normal operations upon the expiry of the concession period, are transferred to MOTC with consideration. The transfer price is the undepreciated value of the assets determined based on the fixed percentage of declining method over the minimum useful lives prescribed by the Executive Yuan. Except for the assets mentioned above, the ownership and rights of all other assets shall be transferred to the MOTC or the third party designated by the MOTC without consideration.
- 5) When the C&O Agreement is terminated before the expiration of the concession period, the value of the operating assets and construction in progress should be appraised by impartial professional appraisal organizations with their actual costs, usage, value in use, remaining concession period, and related articles of the C&O Agreements taken into consideration.
- 6) The Corporation provided a \$5 billion performance bond as a guarantee for fulfillment of responsibilities of the HSR operations. The guarantee ends on the date six months after the expiry of concession period or early termination of the C&O Agreement. Starting from the date the Corporation commenced its commercial operations, if there is no breach of agreements, \$0.5 billion of the performance bond can be returned each year. However, the total returned amount could not exceed \$3 billion.

As of December 31, 2021 and 2020, the amount of the aforementioned performance bond remained unchanged at \$2 billion, and was recognized as other financial assets.

- b. As of December 31, 2021, unused letters of credit amounted to JPY6,037,092 thousand and EUR7,172 thousand.**
- c. In July 2019, the Corporation entered into an equipment procurement contract, and the total amounts of the contract (business tax included) were JPY2,626,531 thousand and NT\$120,955 thousand. As of December 31, 2021, payments for the contract amounted to JPY885,278 thousand and NT\$38,987 thousand were recognized as construction in progress of the operating concession assets under intangible assets.**
- d. In August 2018, the Corporation entered into the "OCS Maintenance Vehicle Manufacturing and Supply Procurement Contract" with China Steel Corporation, and the contract value, including business tax, was \$1,232,000 thousand. As of December 31, 2021, payments for the contract amounted to \$117,333 thousand.**
- e. In response to the aging equipment such as 700T train electronic control, the Corporation expects to update the equipment during the train maintenance period from 2021 to 2023 and purchase the relevant components. Therefore, the Corporation entered into a procurement contract "700T Spare Parts of 7GI" with Toshiba Electronic Components Taiwan Corporation, Ltd (subsidiary of Toshiba Corporation in Taiwan) in July 2019 and the total amounts of the contract (business tax and import tariffs excluded) were JPY11.6 billion. As of December 31, 2021, payments for the contract made were JPY3.248 billion.**
- f. In March 2021, the Corporation entered into the contract "Upgrade of CRP and Related Subsystems Tender Package 1" with Toshiba Electronic Components Taiwan Corporation, and the contract value, including business tax, was JPY7,612,500 thousand. As of December 31, 2021, payments for the contract, which amounted to JPY562,544 thousand, were recognized as construction in progress of the operating concession assets under intangible assets.**

g. In April 2021, the Corporation entered into the contract “Automated Construction Equipment of Paint Shop in Yanchao Main Workshop” with Industrial Technology Research Institute (ITRI), and the contract value, including business tax, was \$741,395 thousand. As of December 31, 2021, no payment regarding the aforementioned contract has been made yet.

31. OTHER ITEMS

The outbreak of Covid-19 pandemic in 2020 has brought certain level of disruption to the Corporation’s operation. Although the Corporation has shown some level of ridership recovery in June 2020, yet the lasting impact of Covid-19 has made Taiwan government to raise epidemic alert to Level 3 in May 2021. The result of Level 3 alert has caused the decline in ridership, the Corporation’s operating revenue for the year ended December 31, 2021, therefore, decreased by \$8.909 billion (about 22.76%), as compared with the same period last year. In response to the epidemic impact, the Corporation continues to adjust pragmatically its operating strategies and to carry out various disease control initiatives including but not limited to train schedule adjustments, manpower rescheduling, revisiting business project execution, and other countermeasures such as expense reduction plans, provided that there is no safety and service quality concerns.

In terms of financing strategies, the Corporation continues to expand diversified funding channels to strengthen its capital sources. The Corporation issued domestic unsecured bonds of \$8 billion and \$1 billion (Sustainability Bond) in July and August 2021, respectively, issued \$15 billion of non-guaranteed commercial paper in September 2021 to enrich working capital and made \$15 billion early repayments of long-term debt in December 2021.

The domestic epidemic alert has been downgraded to Level 2 since July 27, 2021. The Corporation’s ridership has gradually recovered as restrictions under Level 2 are relaxed and has resumed to a weekly run of 1016 train services since November 8, 2021. The Corporation will continue paying rigorous attention to the development of the epidemic and will implement agile actions promptly in time. Therefore, the Corporation assessed that the epidemic has no material impact on the impairment of its assets or its ability as a going concern after implementing the aforementioned actions and subsequent proof of operation recovery.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

For the information on the Corporation’s significant financial assets and liabilities denominated in foreign currencies, refer to Note 27.c.

33. SEPARATELY DISCLOSED ITEMS

Except for Notes 8 and 27 regarding the information on derivative financial instrument transactions and Tables 1 and 2 as attached, there were no other significant transactions, information on investees and investments in mainland China required for disclosure. Information of major stockholders for Table 3 as attached.

34. SEGMENT INFORMATION

The Corporation is engaged only in the operation of HSR and related facilities. Consequently, there is no other reportable segment.

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item
The Corporation	TAIWAN POWER COMPANY 5TH UNSECURED BOND-B ISSUE IN 2012	-	Cash and cash equivalents
	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-C issue in 2015	-	"
	Winbond Electronics Corporation 1st Secured Corporate Bond Issue in 2018	-	"
	HSBC BANK (Taiwan) Limited 2nd Financial Debenture-A Issue in 2019	-	"
	Yuanta Securities Finance Co., Ltd. 1st Unsecured Corporate Bond-A Issue in 2020	-	"
	TSMC 4th Unsecured Corporate Bond-A Issue in 2020	-	"
	TSMC 4th Unsecured Corporate Bond-B Issue in 2020	-	"
	TSMC 7th Unsecured Corporate Bond in 2020-Tranche A	-	"
	Second Issuance of unsecured corporate bonds of Cathay FHC in 2020 Series C	-	"
	TSMC 6th Unsecured Corporate Bond in 2021-Tranche C	-	"
	TSMC 7th Unsecured Corporate Bond in 2021-Tranche A	-	"
	TSMC 7th Unsecured Corporate Bond in 2021-Tranche C	-	"
	YeaShin International Development Co., Ltd. 3rd Secured Corporate Bond Issued in 2021	-	"
	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-B issued in 2021	-	"
	Central Government Bonds 2011 B 1st	-	"
	Central Government Bonds 2012-9	-	"
	Central Government Bonds 2014-6	-	"
	Central Government Bonds 2015-12	-	"
	Central Government Bonds 2016-11	-	"
	Hon Hai Precision Industry Co., Ltd. 2nd Unsecured Corporate Bonds-E Issuance in 2018	-	Other financial assets - current
	First Issuance of unsecured corporate bonds of Cathay FHC in 2020_Series B	-	"
	Second Issuance of unsecured corporate bonds of Cathay FHC in 2020_Series C	-	"
	Second Issuance of unsecured corporate bonds of Cathay FHC in 2020_Series D	-	"
	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-A issued in 2021	-	"
	Central Government Bonds 2015-12	-	"
	Central Government Bonds 2016-11	-	"

TABLE 1

December 31, 2021				Note
Units/Face Value (In Thousands)	Carrying Amounts	Percentage of Ownership	Fair Value	
\$ 8,000	\$ 8,000	-	\$ 8,000	
300,000	300,000	-	300,000	
100,000	100,000	-	100,000	
91,400	91,328	-	91,328	
100,000	100,000	-	100,000	
3,000	3,000	-	3,000	
50,000	50,000	-	50,000	
100,000	100,000	-	100,000	
300,000	300,000	-	300,000	
100,000	100,000	-	100,000	
330,000	330,000	-	330,000	
112,000	112,000	-	112,000	
66,000	66,000	-	66,000	
85,000	85,000	-	85,000	
206,000	206,000	-	206,000	
111,000	111,000	-	111,000	
245,000	245,000	-	245,000	
419,000	419,000	-	419,000	
94,000	104,000	-	104,000	
47,300	47,300	-	47,300	
70,000	70,000	-	70,000	
182,700	182,700	-	182,700	
144,000	144,000	-	144,000	
102,000	102,000	-	102,000	
239,000	239,000	-	239,000	
1,533,000	1,614,000	-	1,614,000	

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Line Item	Counterparty	Relationship	Beginning Balance	
					Units/Face Value (In Thousands)	Carrying Amount
The Corporation	CTBC Hua Win Money Market Fund	Financial assets at FVTPL	-	-	-	\$ -
	Yuanta De-Li Money Market Fund	"	-	-	75,642	1,241,000
	Jih Sun Money Market Fund	"	-	-	67,413	1,006,000
	Taishin 1699 Money Market Fund	"	-	-	298,317	4,062,069
	Taishin Ta Chong Money Market Fund	"	-	-	57,708	826,000
	TCB Money Market Fund	"	-	-	-	-
	Prudential-Financial Money Market Fund	"	-	-	53,195	846,000
	Cathay Taiwan Money Market Fund	"	-	-	-	-
	FSITC Taiwan Money Market Fund	"	-	-	119,088	1,834,000
	FSITC Money Market Fund	"	-	-	9,126	1,639,000
	UPAMC James Bond Money Market Fund	"	-	-	-	-
	Franklin Templeton Sinoam Money Market Fund	"	-	-	86,901	903,000
	Hua Nan Phoenix Money Market Fund	"	-	-	67,387	1,104,000
	Hua Nan Kirin Money Market Fund	"	-	-	-	-
	Shin Kong Chi-Shin Money-market Fund	"	-	-	110,915	1,730,000
	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-C issue in 2015	"	-	-	\$ -	-
	Hon Hai Precision Industry Co., Ltd 1st Unsecured Corporate Bonds-C Issuance in 2017	"	-	-	-	-
	Second Issuance of unsecured corporate bonds of Cathay FHC in 2020_Series C	"	-	-	195,000	195,000
	TSMC 7th Unsecured Corporate Bond in 2021-Tranche A	"	-	-	-	-
	Central Government Bonds 2011-5	Note	-	-	408,600	454,000
	Central Government Bonds 2011-9	"	-	-	390,600	434,000
	Central Government Bonds 2012-9	"	-	-	1,012,000	1,063,000
	Central Government Bonds 2015-12	"	-	-	-	-
	Central Government Bonds 2016-11	"	-	-	5,012,000	5,226,000
	Central Government Bonds 2017-4	"	-	-	569,000	605,000
	Central Government Bonds 2018-9	"	-	-	1,681,000	1,799,000
	Central Government Bonds 2019-9	"	-	-	-	-
	Central Government Bonds 2001-4	"	-	-	702,900	781,000
	Central Government Bonds 2001-8	"	-	-	110,000	110,000
	Central Government Bonds 2001-B 1st	"	-	-	83,700	93,000
	Central Government Bonds 2002-3	"	-	-	-	-
	Central Government Bonds 2002-7	"	-	-	-	-
	Central Government Bonds 2003-3	"	-	-	634,000	666,000
	Central Government Bonds 2004-6	"	-	-	891,000	891,000
	Central Government Bonds 2004-9	"	-	-	336,000	336,000

Note: Repurchase agreement collateralized by government bonds included in cash and cash equivalents and other financial assets - current, respectively. Gain on disposal in the table is interest income.

TABLE 2

Acquisition		Disposal				Gain on Valuation	Ending Balance	
Units/Face Value (In Thousands)	Carrying Amount	Units/Face Value (In Thousands)	Amount	Carrying Amount	Gain on Disposal		Units/Face Value (In Thousands)	Carrying Amount
327,456	\$ 3,638,000	327,456	\$ 3,638,734	\$ 3,638,000	\$ 734	\$ -	-	\$ -
-	-	75,642	1,244,272	1,241,000	3,272	-	-	-
-	-	67,413	1,009,687	1,006,000	3,687	-	-	-
-	-	298,317	4,007,846	4,062,069	15,777	-	-	-
19,260	276,000	76,968	1,103,887	1,102,000	1,887	-	-	-
279,977	2,867,000	279,977	2,867,942	2,867,000	942	-	-	-
-	-	53,195	850,147	846,000	4,147	-	-	-
153,049	1,919,000	153,049	1,919,935	1,919,000	935	-	-	-
-	-	119,088	1,841,239	1,834,000	7,239	-	-	-
-	-	9,126	1,643,506	1,639,000	4,506	-	-	-
39,235	661,000	39,235	661,155	661,000	155	-	-	-
-	-	86,901	907,831	903,000	4,831	-	-	-
22,271	365,000	89,658	1,471,184	1,469,000	2,184	-	-	-
99,993	1,207,000	99,993	1,207,368	1,207,000	368	-	-	-
93,850	1,466,000	204,765	3,198,722	3,196,000	2,722	-	-	-
\$ 300,000	300,000	\$ -	-	-	-	-	\$ 300,000	300,000
450,000	450,000	450,000	450,060	450,000	60	-	-	-
1,420,400	1,420,400	1,132,700	1,133,124	1,132,700	424	-	482,700	482,700
330,000	330,000	-	-	-	-	-	330,000	330,000
-	-	408,600	454,251	454,000	251	-	-	-
652,400	724,889	1,043,000	1,159,317	1,158,889	428	-	-	-
1,721,000	1,851,000	2,622,000	2,804,478	2,803,000	1,478	-	111,000	111,000
1,697,000	1,697,000	1,039,000	1,039,242	1,039,000	242	-	658,000	658,000
5,051,000	5,346,000	8,436,000	8,859,002	8,854,000	5,002	-	1,627,000	1,718,000
439,500	465,000	1,008,500	1,070,616	1,070,000	616	-	-	-
2,648,000	2,844,000	4,329,000	4,645,221	4,643,000	2,221	-	-	-
3,338,100	3,709,000	3,338,100	3,709,399	3,709,000	399	-	-	-
-	-	702,900	781,415	781,000	415	-	-	-
1,126,800	1,252,000	1,236,800	1,362,381	1,362,000	381	-	-	-
1,125,900	1,251,000	1,209,600	1,344,438	1,344,000	438	-	-	-
634,500	705,000	634,500	705,219	705,000	219	-	-	-
1,897,200	2,108,000	1,897,200	2,108,720	2,108,000	720	-	-	-
1,485,000	1,563,000	2,119,000	2,230,227	2,229,000	1,227	-	-	-
-	-	891,000	891,506	891,000	506	-	-	-
330,000	330,000	666,000	666,312	666,000	312	-	-	-

TAIWAN HIGH SPEED RAIL CORPORATION

TABLE 3

INFORMATION OF MAJOR STOCKHOLDERS

DECEMBER 31, 2021

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
MOTC	2,420,000,000	43

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

TAIWAN HIGH SPEED RAIL CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Schedule Index
Schedule of Accounts in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of inventories	2
Statement of other current assets	Note 14
Statement of changes in property, plant and equipment	Note 11
Statement of changes in accumulated depreciation of property, plant and equipment	Note 11
Statement of changes in right-of-use assets	Note 12
Statement of changes in accumulated depreciation of right-of-use assets	Note 12
Statement of changes in intangible assets	Note 13
Statement of deferred tax assets	Note 24
Statement of other non-current assets	Note 14
Statement of short-term borrowings	3
Statement of short-term bills payable	Note 15
Statement of financial liabilities for hedging	Note 8
Statement of accounts payable	4
Statement of other payables	Note 19
Statement of payable for construction	5
Statement of provisions	Note 18
Statement of other current liabilities	Note 19
Statement of bonds payable	Note 16
Statement of long-term debt	Note 15
Statement of lease liabilities	Note 12
Statement of other non-current liabilities	Note 19
Schedule of Accounts in Profit or Loss	
Statement of operating revenue	6
Statement of operating costs	7
Statement of operating expenses	8
Statement of interest income	Note 23
Statement of interest expense	Note 23
Statement of other gains and losses	Note 23
Statement of summary of employee benefit, depreciation and amortization expense by function	9

SCHEDULE 1

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash		
Cash on hand		\$ 106,523
Demand deposits	Interest rate: 0.001%-0.30%	13,462,645
Time deposits	Can be redeemed between February and March 2022; interest rate: 0.32%-0.35%	5,220,000
Cash equivalents		
Repurchase agreement collateralized by government bonds	Can be redeemed between January and March 2022; interest rate: 0.28%-0.32%	<u>2,830,328</u>
		<u>\$ 21,619,496</u>

SCHEDULE 2

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount
Spare parts and supplies	\$ 2,937,249
Merchandise	<u>13,210</u>
	2,950,459
Less: Allowance for inventory valuation losses	<u>(604,461)</u>
	<u>\$ 2,345,998</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

<u>Type of Loans</u>	<u>Name of Creditors</u>	<u>Ending Balance</u>	<u>Credit Period</u>	<u>Interest Rate (%)</u>	<u>Loan Commitments</u>	<u>Collateral</u>
JPY letters of credit						
	Taichung Commercial Bank	\$ 122	2021.12.14-2022.03.14	0.63	\$ 138,400	None
	E.SUN Commercial Bank	<u>16,020</u>	2021.12.14-2022.03.14	0.63	<u>415,200</u>	None
		<u>\$ 16,142</u>			<u>\$ 553,600</u>	

Note: The credit line is recorded at the exchange rate of JPY1:0.2405 at December 31, 2021.

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

<u>Supplier Name</u>	<u>Amount</u>
Toshiba Electronic Components Taiwan Corporation	\$ 331,388
Others (Note)	<u>201,948</u>
	<u>\$ 533,336</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

SCHEDULE 5

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF PAYABLE FOR CONSTRUCTION

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Supplier Name	Amount
China Steel Corporation	\$ 274,054
Syscom Computer Engineering Company	95,095
Delta Electronics, Inc.	91,828
Taiwan Shinkansen Corporation	61,499
Kawasaki Railcar Manufacturing Co., Ltd.	48,093
Others (Note)	382,006
	<u>\$ 952,575</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

SCHEDULE 6

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount
Railroad transportation revenue	7,569 million passenger - kilometers;43.46 million passengers	\$ 29,084,574
Others		1,143,313
		<u>\$ 30,227,887</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount
Amortization expense	\$ 14,030,922
Employee benefit expense	4,188,217
Electricity fee	1,656,445
Repair and maintenance expense	1,271,218
Maintenance spares consumed	1,243,133
Others	3,312,395
	<u>\$ 25,702,330</u>

SCHEDULE 8

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount
Employee benefit expense	\$ 853,379
Professional service expense	76,352
Repair and maintenance expense	70,428
Advertisement expense	35,909
Others	171,607
	<u>\$ 1,207,675</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF SUMMARY OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION EXPENSE BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expense						
Payroll	\$ 3,522,799	\$ 673,811	\$ 4,196,610	\$ 3,663,463	\$ 687,314	\$ 4,350,777
Insurance	345,603	58,837	404,440	313,329	52,726	366,055
Pension	182,352	32,974	215,326	174,935	31,309	206,244
Remuneration to directors	-	33,701	33,701	-	41,347	41,347
Other personnel expense	137,463	54,056	191,519	131,862	61,176	193,038
	<u>\$ 4,188,217</u>	<u>\$ 853,379</u>	<u>\$ 5,041,596</u>	<u>\$ 4,283,589</u>	<u>\$ 873,872</u>	<u>\$ 5,157,461</u>
Depreciation expense	\$ 193,223	\$ 25,639	\$ 218,862	\$ 187,110	\$ 25,209	\$ 212,319
Amortization expense	\$ 14,030,922	\$ 8,885	\$ 14,039,807	\$ 13,957,127	\$ 6,129	\$ 13,963,256

Note 1: The number of employees for December 31, 2021 and 2020 was 4,719 and 4,671, respectively, while the number of non-employee directors was both 13.

Note 2: The amount of average employee benefit expense for the years ended December 31, 2021 and 2020 was \$1,064 thousand and \$1,098 thousand, respectively. The amount of average payroll for the years ended December 31, 2021 and 2020 was \$892 thousand and \$934 thousand, respectively.

Note 3: The average payroll has decreased by 4.5% in 2021 compared with 2020.

Note 4: The Corporation's audit committee consists of independent directors instead of the supervisors.

Note 5: The Corporation's remuneration policies:

Remuneration policy for the directors

According to Article 27-1 of the Articles of Incorporation, remuneration for individual board directors should be determined by the Board based on the level of participation, value contributed, and remuneration levels of similar companies. In addition, in accordance with Article 35-1 of the Corporation's Articles of Incorporation, if the Corporation is profitable in a given year, it shall allocate not more than 1% of the net profit as profit sharing compensation. Independent directors receive fixed monthly compensation as determined by the Board and are not entitled to the aforementioned profit sharing.

Managerial officers and employees

In accordance with the Corporation's "Charter of Remuneration Committee," THSRC shall periodically review the performance of directors and managers, policies, systems, standards, structure and general compensation levels of the industry. To ensure there is a competitive and motivational remuneration scheme, employee compensation is determined by considering the factors such as corporate financial status, business performance, and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to Article 35-1 of the Corporation's Articles of Incorporation, "if the Corporation is profitable in a given year, it shall allocate not less than 1% of the net profit as profit sharing compensation to employees."

The Corporation has established "Regulations for Remuneration Management" as the basis of employees' salary assessment, and there is a regular review of the Corporation salary level and remuneration policies, setting out salary allowances and bonuses according to the Corporation "Remuneration Payment Procedures" to reward employees' contributive work. Bonus levels are based on the considerations of corporate financial status, operating conditions, and individuals' work performance. According to business performance, THSRC distributes year-end bonuses and performance bonuses as incentive, and has set salary adjustment policies to enhance employee compensation and welfare.

(2) Consolidated Financial Statements and Independent Auditor Reports: None.

5. In the Event That the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Said Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: None.

6. Review of Financial Conditions, Financial Performance, and Risk Management

(1) Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2021	2020	Difference	%
Current Assets		49,973,996	38,621,107	11,352,889	29.40
Property, Plant and Equipment		109,162	109,729	(567)	(0.52)
Operating Concession Asset		367,972,348	378,291,412	(10,319,064)	(2.73)
Other Assets		9,851,535	10,544,722	(693,187)	(6.57)
Total Assets		427,907,041	427,566,970	340,071	0.08
Current Liabilities		30,025,709	7,067,221	22,958,488	324.86
Non-Current Liabilities		330,103,361	350,413,093	(20,309,732)	(5.80)
Total Liabilities		360,129,070	357,480,314	2,648,756	0.74
Capital Stock		56,282,930	56,282,930	-	-
Capital Surplus		172,981	172,981	-	-
Retained Earnings		11,322,060	13,630,745	(2,308,685)	(16.94)
Total Equity		67,777,971	70,086,656	(2,308,685)	(3.29)

Analysis of differences over 20%:

1. The increase in current assets was mainly due to the disposal of open-end money market funds (recorded as financial assets at FVTPL), and net cash generate from other operating and financing activities transfer to demand deposits and time deposits.
2. The increase in current liabilities was mainly due to the issuance of non-guaranteed commercial paper.

(2) Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2021	2020	Difference	%
Operating Revenue		30,227,887	39,137,205	(8,909,318)	(22.76)
Operating Costs		25,702,330	26,095,054	(392,724)	(1.50)
Gross Profit		4,525,557	13,042,151	(8,516,594)	(65.30)
Operating Expenses		1,207,675	1,235,466	(27,791)	(2.25)
Income from Operations		3,317,882	11,806,685	(8,488,803)	(71.90)
Non-Operating Income and Expenses		947,743	(6,387,374)	7,335,117	114.84
Income Before Income Tax		4,265,625	5,419,311	(1,153,686)	(21.29)
Income Tax (Expense) Benefit		(654,703)	423,726	1,078,429	254.51
Net Income		3,610,922	5,843,037	(2,232,115)	(38.20)
Other Comprehensive Income		(9,899)	(22,853)	12,954	56.68
Total Comprehensive Income for the Year		3,601,023	5,820,184	(2,219,161)	(38.13)

Analysis of differences over 20%:

1. The decrease in operating revenue, gross profit and income from operations were mainly due to the impact of the COVID-19 pandemic resulting a decrease in operating revenue.
2. The variation in non-operating income and expenses was mainly due to the increase of stabilization reserve reverse resulting from lower profit in 2021.
3. The increase in income tax expense was mainly due to the contribution of the stabilization reserve in accordance with the C&O Agreement.
4. The decrease in income before income tax, net income, and total comprehensive income were mainly due to the net impact of the decrease in operating revenue and increase in non-operating income.
5. The variation in other comprehensive income was mainly due to the adjustment of remeasurement of defined benefit plans based on actuarial calculations in 2021.

(3) Analysis of Cash Flow

1) Cash flow analysis for the current year:

- A. Net cash generated from operating activities was NT\$ 26,876,057 thousand, mainly from increase of the disposal of open-end money market funds (recorded as financial assets at FVTPL).
- B. Net cash used in investing activities was NT\$ 8,825,880 thousand, mainly from increase of other financial assets and purchase of operating concession assets.
- C. Net cash generated from financing activities was NT\$ 2,917,627 thousand, mainly from issuance of the unsecured corporate bonds and cash dividend payments.

2) Improvement plan for insufficient liquidity: Not applicable.

3) Cash flow analysis for the coming year:

Unit: NT\$ thousands

Beginning Balance (1)	Estimated Net Cash Flow from Annual Operating Activities(2)	Estimated Annual Cash Outflow (Inflow) (3)	Estimated Cash Surplus (Insufficient) Amount (1)+(2)-(3)	Expected Remedies for Insufficient Cash	
				Investment Plan	Financial Plan
21,619,496	16,497,000	-9,922,504	48,039,000	—	—

(4) The Impact of Recent Major Capital Expenditures on Financial Operations

1) The utilization of major capital expenditures and sources of funding

Unit: NT\$ thousands

Project	Actual or Expected Source of Funding	Actual or Expected Completion Date	Total Funds Required	Actual or Scheduled Use Of Funds		
				1997-2020	2021	2022
High-speed rail project	Private funds and bank loans	2006.12	492,679,089	479,047,316	3,664,773	9,967,000

Note: The high-speed rail corporation was completed and began officially operating in January 2007. Major capital expenditures for the years 2021 and 2022 were mainly equipment replacement and spare parts maintenance. The above capital expenditure does not include non-capitalization cost during the construction period.

2) Expected benefits generated:

The Taiwan North-South High-Speed Railway commenced operations on January 5, 2007; the number of passengers surpassed the benchmark of 600 million on January 17, 2020, and the number of passengers continued to grow. As of December 31, 2021, a total of more than 696 million passenger travel services were provided. Also, we transported 43.46 million passengers in 2021, and an average of 119 thousand passengers travelled the western corridor of Taiwan via high-speed rail every day. The Corporation is market-oriented, and adopts marketing strategies to adjust train frequencies to promote revenue growth based on passengers' demand. We will also strive to implement various plans for cost reduction; moreover, in order to live up to the expectations of the public, the Corporation will continue improving operation quality to offer passengers with safe, reliable, comfortable, and convenient travel services.

In addition to providing fast and safe transportation services, the construction and operation of high-speed rail projects has external benefits such as saving time and costs, increasing government revenue, creating employment opportunities, integrating community development, and maintaining environmental resources.

(5) The Most Recent Annual Investment Policy, the Main Reason for Its Profit or Loss, the Improvement Plan and the Investment Plan for the Next Year: None.

7. Analysis of Risk Management

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1) Interest rates

The domestic interest rate market was affected by the coronavirus (COVID-19) pandemic in 2021, and the central bank discount rate remained at 1.125% per annum for the whole year. THSRC is engaged in the capital-intensive construction and operation of public infrastructure, and our operations are regulated by related concession contracts. Interest payments for bank loans in 2021 were NT\$4,273,134 thousand, accounting for 14.14% of the Corporation's operating revenue. Looking forward, the short-term interest rate of the NT dollar still remains at a relatively low level, which is conducive to reduction of interest burdens for financing loans. The Corporation also continues to decrease liabilities and interest expenses through various measures. In future, we will make timely adjustments to utilization of funds according to changes in interest rates.

2) Foreign exchange rates

The exchange rate of the NT dollar continued to appreciate slowly due to factors such as US Federal Reserve Board (FED) interest rate strategy, foreign capital inward remittances, and rise in domestic stock markets. It is expected that exchange rates for the NT dollar will continue to be influenced by the US dollar, the Korean won, and the Chinese RMB. In 2021, the Corporation's ratio for foreign currency exchange profit (loss) to operating revenue was 0.12%, indicating that exchange rate changes have little impact on our revenue and operations. In line with foreign currency payments required by various contracts, the Corporation uses forward exchange contracts to

reduce exchange rate risks. In future, we will continue to seek favorable opportunities to hedge against the impact of exchange rate changes.

3) Inflation

In terms of current inflation conditions, the Directorate-General of Budget, Accounting, and Statistics estimated that the annual growth rate of the consumer price index (CPI) in Taiwan for 2021 was 1.96%, and domestic prices for relevant products are holding stable. The Corporation's fares are adjusted in accordance with inflation rates, and therefore the impacts of inflation are low.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Corporation so far has not been involved in the lending of funds to others; our sole endorsement guarantee involves guarantees of customs duties handled by the Corporation itself. Our balance as of December 31, 2021 was NT\$ 62,000 thousand, and our balance as of March 31, 2022 was NT\$ 62,000 thousand.

The Corporation's transactions in derivative products adhere to our internal management regulations "Procedures for the Handling of Derivative Transactions" and are used for hedging purposes. We do not engage in speculative financial operations and each transaction is audited by certified public accountants. We will continue to deal in derivative products when it is appropriate to hedge risks.

(3) Future Research & Development Projects and Corresponding Budget

In future, we will continue advancing several civil construction facilities projects, which include (i) to cooperate with the ITRI to develop a service platform for inspection of HSR viaducts using artificial intelligence drones in hopes of advancing our grasp on drone technology and for further application on inspection, maintenance, and emergency surveillance of HSR facilities, (ii) to install dampers on viaducts in the Tainan section to reduce seismic lateral relative displacement, which encompasses improvements of viaduct structure and analysis of quantitative feedback, and (iii) to continue conducting research on amplification of seismic responses at viaducts in the Chiayi section where different vertical anti-lifting devices are installed and results will serve as a basis for future improvement. Additionally, we also investigate the feasibility of using thickened pot bearings to improve vertical differential settlement.

Our developments in communication systems include localization of our TEL IP Server for Direct Line Telephone System, which we hope can help us to establish self-reliant maintenance capabilities and promote local industries.

For our rolling stock system, we are continuing to work in collaboration with national universities and local companies to develop maintenance equipment. Our localization of maintenance equipment not only reduces costs and single-sourcing risks, but also helps to improve inventory management efficiency, enhance timeliness of emergency component purchase, and facilitate technology transfers to local manufacturers.

For our track and power system, we are continuing to work with the ITRI on the development of an intelligent rail scooter, and with the CSC on OCS maintenance vehicles manufactured locally in Taiwan.

We estimate that additional R&D investments starting from 2022 are approximately NT\$ 3,283,975,000; appropriate adjustments will be made in accordance with actual Corporation operations. Our R&D projects and expenditures are as follows:

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
Civil Construction Facilities Research	Use of artificial intelligence drones for inspection of HSR viaducts.	To cooperate with ITRI for a three-phases project in three years.	To develop drone technology for further application to the inspection and maintenance of high-speed-rail facilities, and disaster surveillance.	The third phase was initiated in 2021. Second phase extension plan expected to commence April 2022.	Up to 2021: 4,469 2022~2023: 12,000
	Relevant 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).	Viscous dampers will be designed according to the structural characteristics of the high-speed rail to improve structural dislocation and movement during earthquakes.	Phase 1: Avoid track damage caused by relative bridge displacement and establish a related structural monitoring system. Phase 2: Continue structural evaluations and improvements; expected to commence in 2024.	The first phase was initiated in March 2022, and the bridge improvement and monitoring system is expected to be completed in 2024. The second phase will commence in March 2024	2022:45,467 2023:47,323
	Research on amplification effect of viaduct during seismic events, especially in vertical direction.	Carry out vibration measurements of the ground surface, bridge piers, and bridge deck to study the amplification effects on the bridge in the event of an earthquake.	By choosing the positions where the bridge structures use different design to transmit vertical forces between piers and decks, accelerometers will be installed to check the validity and improvement of anti-pulling devices.	Installation of measuring instruments were completed in 2019, and commenced a three-year measuring operation.	2019~2022: 4,142, up to 2021: 2,900 2022: 414 2023: 828
	Use pot bearings to improve settlement irregularities caused by adjacent piers.	Evaluate feasibility of improving track vertical irregularity by thickening pot bearings.	To resolve track irregularities and limitation in maintenance resources by improving pot bearings.	Investigation, evaluation, and improvement of design work were carried out in 2021. Construction will commence in 2022 and conclude in 2023.	Up to 2021:960 2022~2023: 25,000

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
Communication System Research	R&D on Intelligent Passenger Information System (PIS)	To strengthen real-time passenger information and corporate operational efficiency of our Passenger Information System (PIS) and remove R&D dependence on overseas companies, we developed a new PIS ecosystem with creative technologies. The 1st phase aimed to upgrade the PIS control server and software. The 2nd phase will upgrade existing display units (PIDS) in lobbies, entries, and platforms with state-of-the-art hardware. The 3rd phase aims to add new display units on platforms beside carriage doors for stations north of Taichung (included). The 4th phase aims to add new display units on platforms beside carriage doors for stations south of Taichung.	This project, when completed, will enhance passenger experience and corporate operational efficiency with new technologies & products.	The 1st phase and 2nd phases commenced on 2018/12/27. R&D was completed in 2019, and deployment began in 2020. All PIS/PIDS deployment was completed in January 2022 and have since been put into operation at all eight stations. The 3rd and 4th phases commenced on 2019/12/11, were deployed in 2021, and will be completed mid-2022. Deployment for all 12 stations will be completed by the end of 2025.	(Not including the 4 new stations) 2021: 99,257 2022: 266,318 2023: 2,231 2024: 2,231
Signaling System Research	R&D on Railway Turnout Controller System	We conducted R&D on PLC turnout controllers using new technologies, using 2-by-2 high reliability PLC hardware system to replace traditional out-of-date relay modules to achieve maximum reliability and intelligent management.	Decrease the number of relays and also enhance the reliability of existing turnout controllers, reducing a major portion of failures and greatly improving customer service.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment was confirmed to be reliable. We extended mass production of this prototype controller to the whole running line by awarding the contract E4-20-003 "Turnout Controller Replacement Project" at the end of 2020. This five-year contract for the replacement of 142 sets of present turnout controllers across the entire line is expected to be completed in 2025.	2021: 53,809 2022: 107,618 2023: 107,618 2024: 107,618 2025: 161,432
	R&D on Railway Intelligent Turnout Monitoring System (TMS)	In order to provide proactive turnout failure warning capabilities, we designed an intelligent TMS system to replace the original monitoring system built by foreign companies. We are using big data technologies and new advanced IOT hardware to replace out-of-date systems.	Analysis of data from multiple sensors on the turnout system to provide predictions for performing maintenance and adjustment in advance of potential abnormalities, preventing turnouts from breaking down during service hours.	In 2016, a Data Acquisition Box (DAB) prototype was developed, tested, and installed on the main line. After 4 years of successful reliability testing, we plan to upgrade the existing 82 sets of TMS with additional enhancements on the TMS server with advanced big data analysis software. This project commenced in April 2021 and will be completed in April 2025.	2021: 28,300 2022: 84,900 2023: 56,600 2024: 56,600 2025: 56,600

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
Rolling Stock Improvement	Train maintenance record information system	Commissioned local technical institutions to design and develop database systems.	Improve maintenance efficiency and reduce paper consumption.	Continuous software development is ongoing and is expected to be completed in the second quarter of 2022.	Year 2021 input: 2,677 Year 2022 input: 7,693
	Train real-time information management system 5G application development	Using 5G high-speed wireless transmission technology, real-time train information is transmitted back to the maintenance base.	Improve maintenance efficiency and reduce train accident repair time.	Developed in cooperation with collaborating company.	No budget was set during the technical discussion phase of the project.
Localization of Materials	Train toilet space improvement	Toilet floor replacement; washing/drying/soap, toilet cartons, tissue box integration; lighting adjustment, FRP trim re-filming.	Retrofitting of toilet equipment to improve aesthetics and passenger service quality	In discussion.	No budget was set during the technical discussion phase of the project.
	Train high-shade curtain development	Development of local materials	Improve aesthetics of train carriages and the quality of passenger service	In discussion.	No budget was set during the technical discussion phase of the project.
	Local development of train PA broadcast system	Commissioned academic institute with research, design, and technical transfer of local manufacturers tasked with production and manufacturing.	Implement localization policies and enhance self-study capabilities.	In development under industry-academia cooperation project	Estimated replacement budget for the PA broadcasting system of all trains is 27,000.
	Research and development of Point Machine Control Switches	Cooperated with local manufacturers in design and manufacturing.	Maintain system function and reduce maintenance costs.	Under development	Development cost: 15,280
	Wind speed, rainfall, and water level programmable signal generator development project	Cooperated with local manufacturers in design and manufacturing.	Maintain system function and reduce maintenance costs.	Under development	Development cost: 1,700

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
Track & Power System	Localization of OCS maintenance vehicles.	8 MV type vehicles and 2 sets of CS vehicles (4 vehicles).	Combine and integrate 6 existing Japanese/Germany vehicle types to 2 types, resulting in less investment and improvement of maintenance efficiency and safety.	1) Contract period: 2018/9/27~2024/3/26. 2) 2021 progress: 2 MV and 1 set of CS (2 vehicles, including 1 CSM and 1 CST), were delivered to THSRC on July 2021; project was completed and verified in November 2021.	Total contract amount (2018~2024): 1,232,000
	Intelligent Rail Scooter (Phase 2)	Commissioned ITRI to replace 16 four-seat engine-powered rail scooters.	According to the "Improvement Actions for Post-Disaster Track Inspection and Patrol," a total of 38 rail scooters were required for the main line, and 22 scooters were dispatched in Phase 1. Phase 2 will supplement the remaining 16 units and replace the old four-seat engine-powered rail scooters.	Contract period from 2020/2/10 to 2022/2/9, to replace 16 four-seat engine-powered rail scooters.	Total contract amount (2020-2021): 18,359
	Development of Wayside RTU System	Commissioned the National Kaohsiung University of Science and Technology (NKUST) to carry out system design work through an industry-academia cooperation project.	A total of 12 sets of Wayside RTU were installed along the THSR main line, and spare parts could no longer be purchased due to discontinuation. In order to avoid aging of electronic parts and lack of spare parts, and also to save costs, we used existing new technology and industrial computers to develop and design a new Wayside RTU system.	From August 2018 to August 2021, we completed hardware and software development of the new Wayside RTU system and commenced online operations after offline/online verification tests for the prototype. This system was approved for an invention patent in October 2021.	Subsequent replacement fees (2022~2030): 25,000
	OCS Composite Insulator Aging and Mainline Polluted Area Investigation.	Research and investigation by academic institute.	This project aims to study the life cycle of NGK composite insulators along the HSR line, and to develop a system which records inspection data, establishes a model to predict aging levels, and optimizes maintenance schedules.	1) The contract period is from 2020/9/15 to 2022/9/14. 2) Progress in 2021: Completed second to fourth phase of initial analysis and planning reports for composite insulator aging. (MS2~MS4).	Total contract amount (2020-2022): 11,374
	Development and construction of maintenance vehicle driving simulation training equipment	Under development by the NCSIST	Develop and construct maintenance vehicle driving simulation training equipment through a variety of simulation scenarios and realistic training to efficiently enhance driving skills.	1) Expected contract period: 2022~2025. 2) Project service plan: 2022/Q4. 3) Design document: 2023/Q4. 4) Maintenance vehicle driving simulation training equipment delivery: 2024/Q4. 5) Training and related documentation: 2025/Q1.	Currently in progress Budget: 2022~2025: 55,000 2022: 5,500
System Research & Development	Advanced Open Reservation System (AORS) Phase 2	This project commenced in September 2021, and the core system is scheduled to launch in May 2025.	(1) Transfer the core module of reservation and ticketing service from the current reservation mainframe system to the microservice architecture of the private cloud, and construct an open system architecture. (2) Flexible system capacity adjustment and flexible adjustment of services according to transaction volume. (3) Autonomous system maintenance and operation in the future.	Conducted requirement interviews and discussions, and proceeding as scheduled.	624,857
	Main Computer System External Interface Gateway of Automatic Fare Collection System	The project commenced in November 2020 and is scheduled to be completed in May 2022.	(1) Develop a modularized AFCS back-end system and a shared service platform. (2) Improve the reuse rate of module services and reduce repetitive work for users.	In testing for final acceptance and proceeding as scheduled.	10,019

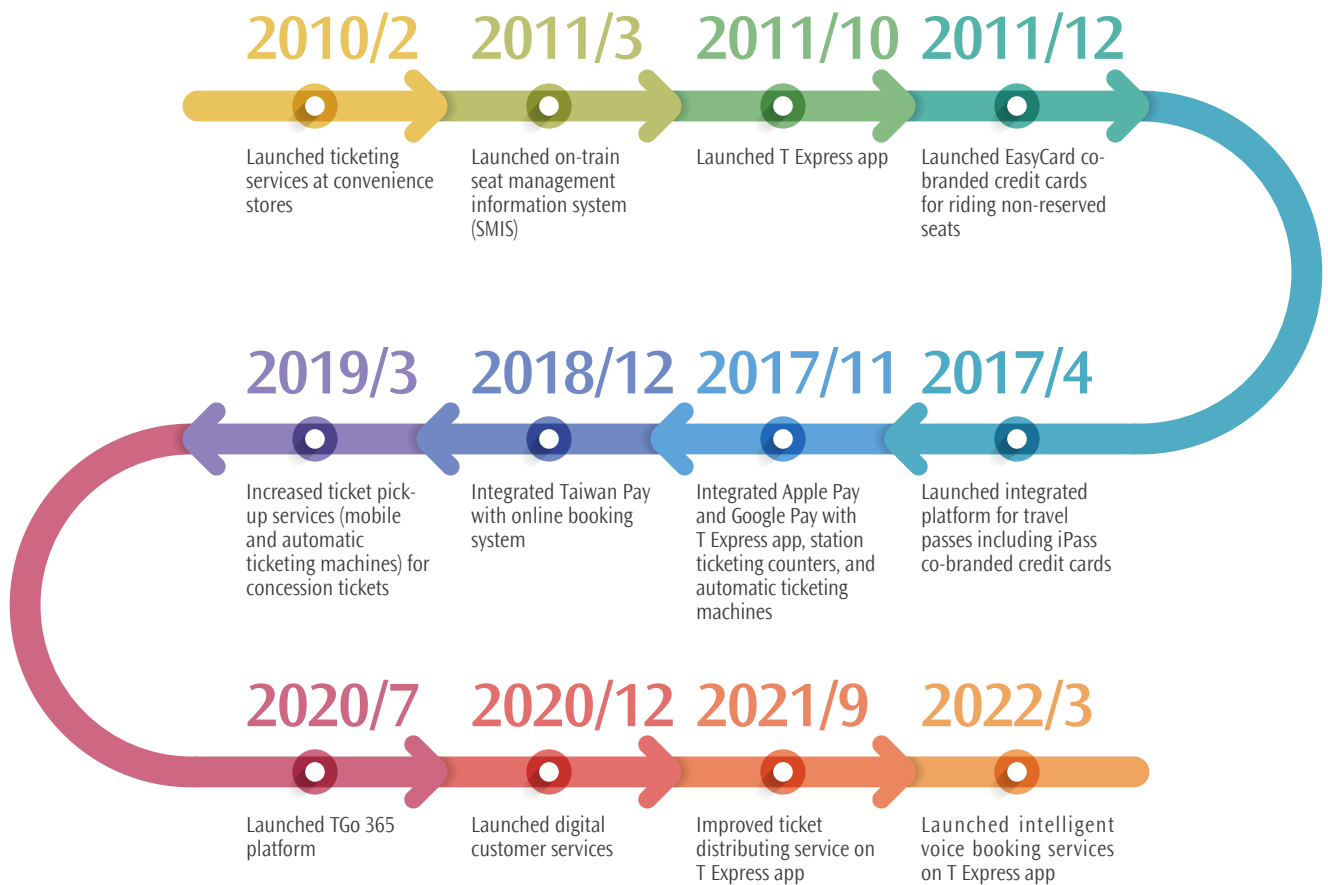
Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
System Research & Development	T-EX Non-Reserved Seat Ticketing Service	The project commenced in January 2022 and is scheduled to be completed in February 2023.	(1) Improve the convenience of ticket purchase and commuting for non-reserved seating, increase sales ratios of non-station ticketing channels, and reduce the workload of in-station ticket sales operations. (2) Optimize the use of mobile tickets to promote digital and paperless tickets.	Pre-purchase operations have been conducted and are proceeding as planned.	14,050
	Integration of voice-activated functions in T-EX mobile ticketing system	The project commenced in May 2021 and is scheduled to be completed in February 2022.	(1) Improve the experience of passengers using ticketing services. (2) Strengthen the corporate image of intelligent transportation.	Tests for final acceptance are being conducted as planned.	1,300
	Periodic & Multi-Ride Ticket Mobile Renewal Service	This project commenced in September 2020 and is scheduled to be completed in June 2022.	(1) Passengers can use mobile ticket renewal function and no longer need to wait in line at station ticketing windows, improving passenger service. (2) Relieve the burden on ticket windows.	Tests for final acceptance are being conducted as planned.	9,060
	New Generation Network Design and Implementation project	The project commenced in April 2021 and is scheduled to be completed in March 2023.	(1) Build new network architecture aligned with the new high-speed rail system using virtualization, micro-services and cloud-based network architecture. (2) Replace old equipment, build a high-availability network architecture, and improve data center transmission efficiency (3) Build new firewalls to provide an application layer protection mechanism between systems and a flexible structure for information security. (4) Improve network management monitoring to enhance network visibility and independent management, and refine network management personnel skills to strengthen integration of micro and cloud services.	The project commenced in April 2021, and the computer room network, electric power system, and monitoring station reconstruction has been completed. Construction of data center network and replacement of station ticketing network equipment is being conducted as planned.	56,280
	THSRC Platform on Digital Service Cloud	The project commenced in January 2021 and is scheduled to be completed in September 2022.	Build cloud-based and virtualized digital service cloud to quickly adjust the structure for flexible expansion and support of agile business services.	Conducting structural planning and progress proceeding as planned.	29,705
	Digital Document Integration Platform	The project commenced in October 2021 and is scheduled to be completed in November 2022.	Establish big data analytics platform for loyalty members and customers participating in THSRC tourism activities to better understand their needs and preferences in order to develop better marketing programs and to fulfill customer needs as appropriate.	Conducting detailed requirement interviews and analysis reports; progress proceeding as planned.	4,500

(4) Effects and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

All units of the Corporation should identify, comply, and conform to all relevant laws and regulations in compliance with our "Law Compliance Management Regulation," and continue to track policy trends. We are able to keep abreast of all major policies and statutory changes. Over the past year, all these changes had no significant adverse impacts on our business operations.

(5) Effects and Response to Changes in Technology (including information security risks) and the Industry Relating to Corporate Finance and Sales

Technological Changes:



Technological changes such as advances in mobile technologies, big data, cloud technologies, IoT, AI, 5G, microservices, and so on have impacted on corporate businesses, operations, maintenance, information, and information security risks. We plan to implement digital transformation as part of our mid- to long-term strategic plans to meet technological changes, as well as evaluate, introduce, and utilize mature technologies and products for real-world application in necessary department and information platforms. Further explanations are shown in the table below:

	Impacts	Responses
Business	New business models arising from mobile technologies, cloud technologies, and AI have changed consumer habits. Customers are expecting better quantity and quality with regard to real-time information, personalization, and customer experiences.	Use new technologies to optimize mobile ticketing services and develop personalized services so as to enhance customer experiences; develop intelligent customer services to strengthen customer relations.
Operations	Mobile technologies can provide real-time operational information and big data analysis can be used to strengthen operational safety.	Use new technologies to support mobile train services, assist train personnel, and provide timely passenger services. We plan to integrate our 15 years of operational experience with new technologies to develop an operational safety database and provide relevant information for facilitating responses to emergency incidents.
Maintenance	IoT and big data technologies have enhanced maintenance efficiency.	We plan to integrate our 15 years of inspection and maintenance information with predictive maintenance technologies to reduce unnecessary checks, extend equipment service duration, and decrease maintenance costs.
Information	Cloud and micro services are becoming a trend for industrial information platform architecture and system structures.	Use new technologies to enhance information systems, reduce maintenance costs, and adjust or expand capacity in line with market needs.
Information Security Risks	Increased cybersecurity risks mean that information safeguards, identify verification, and service accessibility are becoming more important, and there is a higher risk of being breached or hacked.	We not only have clear stipulations of service quality relating to our information systems and services, but also adhere to related laws and information security standards when formulating information security plans and risk considerations, as well as when evaluating, introducing, outsourcing, or building systems and services. We implement associated checks, third-part laboratory inspections, and periodic or non-periodic information security drills to establish in-depth defense mechanisms and 24/7 information security monitoring measures to provide active defense and early warning, and to reduce service impacts.

Industrial Changes:

THSRC has completely revolutionized public transport in Taiwan's western corridor by providing passengers a better service of convenience, comfort, safety, high quality, efficiency, and punctuality. THSR now serves as the main form of transport for passengers travelling over long distances, and is used in combination with TRA, buses, taxis, or rental cars. THSRC has shortened the distance between the northern and southern regions, and continues to see steady increases in ridership. In the future, THSRC will continue to improve the systems and equipment to provide passengers with better service. In addition, THSRC will adhere to all safety regulations and procedures, and implement appropriate risk evaluation and safety management mechanisms to minimize potential passenger injuries or operational accidents.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Corporation's Response Measures

THSRC's core business of transportation adheres to the highest standards of safety. We have established transparent channels for external communication through our corporate website, spokesperson, and on the Market Observation Post System, and we periodically publish annual reports and sustainable development reports to maintain a good corporate image and convey important information to domestic and foreign mass media, consumers, our shareholders, governmental units, and other stakeholders. Additionally, we assimilate relevant information to fully understand potential crises and to fulfill our duties of prevention and warning. As of the publication of this annual report, there have been no incidents jeopardizing our corporate image.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(8) Expected Benefits, Possible Risks and Response Measures for Plant Expansion:

1) Expected Benefits

- A. According to the current operating schedule, track layout and shunting limitation, the addition of Zuoying Depot's second vehicle maintenance plant will increase the maintenance capacity of up to 9 train-sets. The upper limit of inspection and maintenance capacity can be increased from the current 38 to 47 sets, and meet the requirement of maintenance in future.

- B. During the peak transportation services over long weekends, the number of available train-sets can be unlimited, and all train-sets can be operated when necessary.
- C. The functions of train inspection, repairing and parking will be satisfied. The train-sets dispatching will be more flexible for different operation.
 - (a) Satisfy fleet expansion needs in the future.
 - (b) Provide sufficient tracks for trainset refurbishments and other specific activities (such as trainset painting, material development and testing, and so on), shortening operational schedules.

2) Possible Risks and Response Measures

A. Possible risks:

The construction area is close to the high-speed rail and existing buildings, so it is necessary to ensure safety and prevent interference to train operations. The chosen locale for this plant is within the Zuoying Depot, close to the high-speed railway track, the first maintenance plant, the main warehouse, and the substation. An important challenge of this project is to ensure the safety of the train track, neighboring buildings, and construction sites during construction and excavation periods to avoid affecting HSR operations and maintenance.

B. Response Measures:

- (a) Properly plan construction flows and barrier facilities.
- (b) Strictly comply with the relevant regulations of the Occupational Safety and Health Management Measures for Railway Operation and Maintenance.
- (c) Diligently investigate the location and depth of existing pipelines.
- (d) Carefully formulate prevention measures for excavation in adjacent areas and set up a safety monitoring system to provide warnings.
- (e) Implement on-site construction safety policies.

(9) Risks and Countermeasures in the Concentration of Incoming Goods or Sales: None.

(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%

Over the past year, there were no incidences where a major quantity of shares belonging to a director or shareholder holding more than a 10 percent stake in the Corporation was transferred.

(11) Expected Impacts, Possible Risks, and Response Measures for Changes in Management Rights:

Over the past year, there were no incidences relating to changes in management rights.

The Corporation has a stable equity structure, and has appointed a sufficient number of independent directors, adopted the candidate nomination system, implemented diversity of directors, and ensured effective functioning of the Board and all committees in accordance with laws and regulations, our Articles of Incorporation, Guidelines for Corporate Governance, and other relevant regulations. We have also implemented comprehensive internal control and risk management policies, which help establish a sound corporate governance system, and protect and promote shareholder participation. Therefore, we are able to avoid significant adverse impacts due to changes of Board members or operating rights.

(12) Litigious and Non-Litigious Matters. List Major Litigious, Non-Litigious or Administrative Disputes (That Have Been Concluded by Means of A Final and Unappealable Judgment, or are Still Under Litigation) That Involve the Company and/or Any Company Director, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding A Stake of Greater Than 10 Percent, and/or Any Company or Companies Controlled by the Company; Where Such A Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute As of the Date of Publication of the Annual Report.

1) List of current open lawsuits, non-litigation disputes, or administrative proceedings:

Year	Parties	Subject Matter	Status	Impact on the Corporation's Finance or Operation
2015	Plaintiff: THSRC Defendant: Taipei City Government	The Taipei City Government found THSRC in violation of laws relating to overtime pay and vacation days and imposed a fine of NT\$ 300,000 (and order to publish names of disciplined persons) on March 3, 2015. THSRC disagreed with the ruling and filed an appeal which was later rejected. THSRC filed administrative proceedings in November 2015.	<ol style="list-style-type: none"> 1. Currently in trial at the Taipei High Administrative Court. 2. The Taipei High Administrative Court rejected plaintiff's appeal under 2016 Su-Zi No. 342 on June 7, 2018. 3. THSRC filed an appeal on July 6, 2018. 4. The Supreme Administrative Court reversed the decision by Taipei High Administrative Court on October 17, 2019 and remanded the case to the same court. 5. On December 23, 2020, the Taipei High Administrative Court revoked the previous decision regarding the plaintiff's violation of Article 24 of the Labor Standards Law and the penalty of NT\$150,000 under 2019 Su-Keng-Yi No.88, and confirmed that publishing the name of the plaintiff and the person in charge in accordance with Article 24 of the Labor Standards Law under the original penalty was illegal, while the remainder of the appeal was dismissed. The plaintiff was ordered to bear half of the litigation expenses of the first instance and remand for retrial, with remaining fees to be borne by the defendant. 6. THSRC filed an appeal on January 15, 2021. 	None.

2) Concluded or ongoing major litigious, non-litigious, or administrative disputes that may have significant impact upon shareholder interests or share prices that involve Corporation directors, general managers, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Corporation that occurred over the past two years and up the publication date of our prospectus:

Current list of major lawsuits, non-litigation disputes or administrative proceedings concerning juristic-person directors of THSRC (Source: taken from 2020 and 2021 Q2 financial reports of the relevant juristic-person directors).

Juristic-person director: Taiwan Sugar Corporation:

Parties	Monetary Value of the Subject Matter	Status
Taiwan Cooperative Bank	Taiwan Sugar Corporation was involved in a contractual dispute with Celerity Pacemaker Logistics Inc. (hereinafter "Celerity") and requested the return of fines, royalties, rent, default fines, and unjust enrichment equivalent to rent. Taiwan Sugar Corporation was awarded damages in March 2012 so sought to recover its claims from Celerity. The Taiwan Cooperative Bank filed a subrogation lawsuit against Taiwan Sugar Corporation for nonpayment of "system usage fees" to Celerity and requested return of NT\$ 114,027,000 in "system usage fees" from the period of June 2001 to April 2003 and NT\$ 7,500,000 in performance bonds.	<ol style="list-style-type: none"> 1. Following defeat in the court of second instance, Taiwan Sugar Corporation filed an appeal to the Supreme Court. On October 13, 2016, the Supreme Court reversed the previous ruling and remanded the case to the Taiwan High Court. 2. On May 2, 2017, the Taiwan High Court rejected Taiwan Sugar Corporation's appeal in a remanded trial and ruled that Celerity should pay NT\$ 590,400,054 to Taiwan Sugar Corporation. Simultaneously, Taiwan Sugar Corporation should pay NT\$ 121,527,053 to Celerity, of which annual interest rates of 5% would be calculated starting on January 19, 2004 for NT\$ 114,027,053, and starting on March 30, 2013 for the remaining NT\$ 750,000; payment would be collected by the Taiwan Cooperative Bank based on its subrogation right. Both parties filed an appeal to the Supreme Court. 3. The Supreme Court reversed and remanded the previous ruling on July 20, 2018. 4. On August 13, 2019, the Taiwan High Court dismissed the appeal and ruled that Taiwan Sugar Corporation should pay NT\$121,527,053 out of NT\$ 590,400,054 to Celerity, of which annual interest rates of 5% would be calculated starting on January 19, 2004 for NT\$ 114,027,053, and starting on March 30, 2013 for the remaining NT\$ 750,000,000; payment would be collected by the Taiwan Cooperative Bank based on its subrogation right. Celerity and Taiwan Sugar Corporation then made separate appeals to the Supreme Court. 5. On November 11, 2020 the Supreme Court ruled that both appeals were dismissed. The whole suit was affirmed.

Since the aforementioned juristic-person directors are financially independent from the Corporation, all the aforementioned litigation, non-litigation, or administrative disputes do not have significant impact on the Corporation's shareholder equity or share prices.

- 3) In the past two years and as of the publication date of our prospectus, were there any directors, supervisors, managers, and major shareholders holding more than 10% of shares in violation of the provisions in Article 157 of the Securities and Exchange Act, and if yes, the response measures taken by the company: None.

(13) Other Major Risks:

As of December 31, 2021, the COVID-19 (novel coronavirus) pandemic has caused a 22.80% decrease in our operating income in 2021 as compared with the previous year. Net income before tax in 2021 decreased by 21.30% as compared with the previous year. In order to control the spread of COVID-19, the Corporation continues to deploy advanced prevent measures, details of which can be found on the "Government epidemic prevention measures" section on our corporate website (www.thsrc.com.tw).

8. Other Important Disclosure Items: None



Special Disclosures

9

1. Information on Affiliated Businesses: None.

2. Information on Private Placement of Securities in the most recent year and up to the Publication Date of this Annual Report

Project	Private placement in 2015 Issue date: November 26, 2015					
Private placement securities	Common shares					
Date and amount approved by the shareholders' meeting	September 10, 2015 / No more than 3,000,000 thousand shares					
Basis and rationality of price setting	<p>1. The Board of Directors of the Corporation set November 12, 2015 as the pricing date. According to the resolution of the shareholders' meeting held on September 10, 2015, the private placement price of common stock should not be less than 80% of the reference price.</p> <p>2. The reference price shall be determined by the higher of the following conditions: (a) The share price calculated as the sum of all transaction amounts of Corporation common shares in the Emerging Stock Computerized Price Negotiation and Click System in each business day for 30 business days prior to the price determination date, divided by the sum of the number of shares traded in each business day, after adjustments for any distribution of stock dividend, cash dividend, or capital reduction; (b) The net worth per share shown on the financial report audited and certified or reviewed by a certified public accountant (CPA) for the period closest to the price determination date.</p> <p>3. The privately placed common stock reference price is set at NT\$10.15, and the issue price is set at NT\$10, consistent with the resolution of the shareholders' temporary meeting stating that the private placement price shall not be lower than 80% of the reference price.</p>					
Selection of qualified persons	The persons or funds selected for this private placement fulfill the qualifications set out by the resolutions of the Legislation Yuan and Article 43-6. Paragraph 1 of the Securities and Exchange Act and Rule No. 091003455 of the Securities and Futures Bureau of Financial Supervisory Commission dated June 13, 2002.					
Necessity for private placement	The percentage of government holdings in the Corporation was increased in order to implement the "High-Speed Rail Financial Resolution Plan" and in accordance with relevant resolutions taken by the Legislative Yuan. Additionally, private placements are characterized by quick and convenient access, and Corporation common shares issued through private placement are not freely transferable within the first 3 years, ensuring a long-term equity relationship between the Corporation and government entities. The Corporation placed common shares with specific parties according to the provisions of Article 43-6 of the Securities and Exchange Act.					
Payment completion date	November 26, 2015					
Applicants		Private placement entity	Qualifications	Subscription quantity	Relationship with THSRC	Participation in Corporation's operations
		Ministry of Transportation and Communications, R.O.C.	Paragraph 1	2,420,000 thousand shares	THSRC director, Government-related entity	THSRC director, largest shareholder, and governing authority of THSRC
		China Aviation Development Foundation	Paragraph 3	260,000 thousand shares	THSRC director	THSRC director
		Mega International Commercial Bank	Paragraph 1	71,100 thousand shares	None	None
		First Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
		Hua Nan Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
		Taiwan Corporative Bank	Paragraph 1	53,300 thousand shares	None	None
		Chang Hwa Commercial Bank	Paragraph 1	44,500 thousand shares	None	None
		Taiwan Business Bank	Paragraph 1	44,500 thousand shares	None	None
Actual subscription (or conversion) price	NT\$10 per share					
The difference between actual subscription (or conversion) price and reference price	The actual subscription price was NT\$10 per share, 98.25% of the reference price set at NT\$10.15.					

Project	Private placement in 2015 Issue date: November 26, 2015
Impacts of private placement on shareholders' equity (for example, increase of cumulative losses)	A total of 3 billion privately placed common stock was issued, generating stock income of NT\$30 billion, and bringing paid-in capital to NT\$56,052,930,580, which will help the Corporation stabilize its operations and development, and bring positive benefits to shareholders' equity.
Fund utilization of private placement and project implementation progress	Collected private equity funds were used to enrich working capital, purchase machinery and equipment, and implement preferred stock compensation schemes. In the second quarter of 2016, NT\$14.3 billion was used to enrich working capital, NT\$600 million was used to purchase machinery and equipment, and NT\$15.1 billion was used for preferred stock compensation programs.
Private placement benefits	Enrich the Corporation's funds, improve the Corporation's financial structure, aid implementation of preferred stock compensation programs, and stabilize the Corporation's operations and development.

3. Information on Shares Held or Sold by Subsidiaries in the most recent year and up to Publication Date of Annual Report: None

4. Other Supplementary Information Required: None.

5. Has the corporation experienced any events as described in Item 2, Paragraph 3, Article 36, of the Securities and Exchange Act that have had major impacts on shareholders' equity or share prices in the most recent year and up to the publication date of this Annual Report: None.

TAIWAN HIGH SPEED RAIL CORPORATION

CHAIRMAN

Y. C. Chiang



www.thsrc.com.tw