

# Handbook for the 2022 Annual Shareholders' Meeting

Stock Code: 2633

METHOD OF CONVENING: Physical Shareholders' Meeting

DATE: May 26, 2022 at 9:00 a.m.

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

# Taiwan High Speed Rail Corporation

## Procedure for the 2022 Annual Shareholders' Meeting

Method of Convening: Physical Shareholders Meeting

Date: May 26, 2022 at 9:00 a.m.

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

I . Call the Meeting to Order	
II . Chairperson Takes Chair	
III . Chairperson Remarks	
IV . Management Presentation	3
1. Report on Corporation Execution of Corporate Governance	3
2. Report on Allocation of 2021 Remuneration to Board of Directors and Employees	26
3. Report on Director Remuneration for 2021	28
4. Revision of Corporate Social Responsibility Best Practice Principles	32
5. Report on Domestic Unsecured Corporate Bond Offering for 2021	33
V . Proposals	35
1. Proposal of 2021 Annual Business Report and Financial Statements of the Corporation	35
2. Proposal of 2021 Profit Distributions of the Corporation	55
VI . Discussion	58
1. Revision of Articles of Incorporation	58
2. Revision of Rules of Procedure for Shareholders' Meetings	59
3. Revision of Guidelines for Corporate Governance	60
4. Revision of Procedures for the Acquisition or Disposal of Assets	61
VII . Questions and Motions.	62
VIII . Adjournment	62
Attachment I Comparative Table for the Current and Amended Sustainable Development Best Practice Principles	63

Attachment II	Comparative Table for the Current and Amended Articles of Incorporation_____	68
Attachment III	Comparative Table for the Current and Amended Rules of Procedure for Shareholders' Meetings_____	72
Attachment IV	Comparative Table for the Current and Amended Guidelines for Corporate Governance_____	73
Attachment V	Comparative Table for the Current and Amended Procedures for the Acquisition or Disposal of Assets_____	74
Appendices	_____	80
Appendix I	Rules of Procedure for Shareholders' Meetings_____	80
Appendix II	Articles of Incorporation_____	94
Appendix III	Sustainable Development Best Practice Principles_____	106
Appendix IV	Guidelines for Corporate Governance_____	113
Appendix V	Procedures for the Acquisition or Disposal of Assets_____	139
Appendix VI	Current Shareholding of Directors_____	160

# Management Presentation

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

According to Paragraph 3, Article 5-2-02 of the Corporation's "Guidelines for Corporate Governance," the Corporate Governance and Nominating Committee should prepare a report on the Corporation's implementation of corporate governance prior to each shareholders' annual general meeting. Following review by the Board, said report shall be included in the Annual Meeting Handbook. The Corporation's report on corporation execution of corporate governance for the current year was approved at the 23th meeting of the 9th Board on February 23, 2022, and is hereby presented to the shareholders' general meeting.

### I. Background

For the purpose of sound corporate governance, as well as assurance of shareholders' equity, consolidation of the Board of Directors' function, promotion of information transparency, and fulfillment of corporate social responsibility, our Guidelines for Corporate Governance were formally passed with a resolution at the May 28, 2003 shareholders' general meeting. Additionally, independent directorship was introduced so as to establish an infrastructure for corporate governance. Accordingly, relevant corporate governance systems and measures have been initiated and executed in the last 19 years with considerable effectiveness.

### II. Corporate Governance Guidance

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

# Management Presentation

## III. Execution of Corporate Governance System

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

### 1. Establishment of Independent Directorship

In light of the observable effectiveness of our corporate governance system, the ability of independent directorship to progressively bring the functions set out in GCG into play, and for the purpose of alignment with legalization of independent directorship, we acted in concert with the amendment to the Securities and Exchange Act by adding provisions in the Articles of Incorporation for establishing independent directorship at the 2006 shareholders' general meeting. Accordingly, following election of the 4th directors and supervisors at the 2007 shareholders' general meeting, two or more independent directors have been elected each year according to laws and regulations and the Articles of Incorporation.

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

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

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

To implement efficient decision-making and robust supervision, since the 4th Board of Directors, we established the Corporate Governance Committee and quasi Audit

# Management Presentation

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

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

#### 4. Primary tasks and execution responsibilities for Board of Directors and functional committees (from January 2021 to March 2022)

##### (1) Board of Directors

① Composition: 13 directors.

② Number of meetings: 15.

③ Primary tasks:

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

④ Execution:

The Board of Directors applies applicable laws and regulations, resolutions of

# Management Presentation

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

## (2) Corporate Governance & Nominating Committee

- ① Composition: 5 directors (including the Chairman), convened by the Chairman who is elected by all committee members.
- ② Number of meetings: 14.
- ③ Primary tasks:

Review diverse background including professional knowhow, technical knowledge, expertise, and gender and independent standards of independent directors, non-independent directors, and managers; plan composition of the Board and functional committees; review succession plans for directors and managers; conduct performance evaluations of the Board, committees, directors, and managers; nominate independent directors and non-independent directors; research and analyze corporate governance systems; and review effectiveness of corporate governance systems and implementation of information disclosures (see Schedule for details).
- ④ Execution:
  - 1) Discuss proposals for evaluation of implementation of Board of Directors and functional committees and annual work plans.
  - 2) Discuss executive report on corporate governance.
  - 3) Discuss renewal of Directors and Officers Liability Insurance.
  - 4) Discuss corporate organizational structure adjustments and procedural amendments.
  - 5) Discuss amendments or amendment proposals to internal rules and regulations relating to corporate governance.

# Management Presentation

- 6) Discuss director and manager succession plans.
- 7) Discuss Corporation corporate governance implementation performance, execution of corporate social responsibilities and ethical management, and implementation of information disclosures.

## (3) Audit Committee

- ① Composition: Composed of all 4 independent directors, with the committee being convened by 1 of the independent directors.
- ② Number of meetings: 15.
- ③ Primary tasks:

Review and oversee corporate financial statements and risk control/management affairs (see Schedule for details).
- ④ Execution:
  - 1) Review annual budget, budget implementation report and financial statements.
  - 2) Discuss amendments to or formulation of regulations relating to Audit Committee duties, including the “Charter of the Audit Committee,” “Regulation for Accounting Treatments,” “Assets for Operation and Equipment Management Regulation,” “Internal Control System,” “Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior,” “Operational Procedures for Endorsements and Guarantees,” and “Operational Procedures for Loaning Funds to Others.”
  - 3) Review results of annual self-evaluations of internal control system and statements of internal control system at all levels of the organization. The “Internal Control System Self-Assessment Results Final Report” for 2021 and results of all self-assessments implemented by each unit were completed through cyclical procedures. The “Internal Control System Self-Assessment Results for 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, confirming that the Corporation’s internal control systems for 2021 includes understanding of operational performance, efficiency, and goal attainment rates; reliability, timeliness,

# Management Presentation

transparency, and legal compliance of reporting measures; and efficient implementation to ensure that relevant goals are met.

- 4) Review transactions involving directors' conflicts of interest subject to recusal of exercise of voting rights, transactions with related parties, and transactions requiring prevention of conflicts of interest.
- 5) Review assessments of Certified Public Accountants. Please refer to Sub-Item (6) Periodic Independence Assessments of Public Accountant (CPA) under Item 5 Measures Specific to Corporate Governance in Management Presentations for primary assessment results.
- 6) Review annual audit plans and executive reports thereof.
- 7) Periodically communicate with internal audit managers and accountants. Main communication items are as shown in the Schedule.
- 8) Assess the Corporation's risk management policies and risk evaluation criteria, and monitor existing and potential risks to the Corporation. The Audit Committee and the Board periodically review the Corporation's risk management implementations. The "2021 annual progress report of risk management implementations" was submitted to the 16th Audit Committee meeting of the 9th Board on September 13, 2021 and the 18th meeting of the 9th Board on September 15, 2021 to confirm that all units responsible for risk management have adopted appropriate response measures, and have made appropriate records of risk management procedures and implementation results.

## (4) Remuneration Committee

- ① Composition: Composed of all 3 independent directors, with the committee being convened by 1 of the independent directors.
- ② Number of meetings: 15.
- ③ Primary Tasks:

Formulate and regularly review the evaluation of directors and managers' performance and salary and compensation (see Schedule for details).
- ④ Execution:

The Remuneration Committee applies the foregoing primary tasks when

# Management Presentation

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

## (5) Special Committee

- ① Composition: 6 directors, convened by one director elected by committee members.
- ② Number of meetings: 13.
- ③ Primary Tasks:

Provide advice on the Corporation's major legal or contractual disputes and important system reforms, assist the Board of Directors in supervising managers' execution of decisions, and review the Corporation's procurement-related proposals to be submitted to the Board of Directors as required by the by-laws (see Schedule for details).

- ④ Execution:

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

## 5. Measures Specific to Corporate Governance

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

In 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," "Guidelines for Corporate Governance," "Rules of Procedure for Shareholders Meetings," "Rules for the Election of Directors," "Regulations of Disclosure Information," "THSRC Organizational Regulation," "THSRC Organizational Chart," "Regulations for Management of the Prevention of

# Management Presentation

Insider Trading,” “Internal Control System,” “Regulations Governing Self-Evaluations of Internal Control System,” and “Regulations Governing Board Performance Evaluations.”

Additionally, the Corporation plans to revise its “Corporate Social Responsibility Best Practice Principles” and “Rules of Procedure for Shareholders' Meetings” in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, amendments made to the Regulations Governing the Administration of Shareholder Services of Public Companies, and the Corporation’s business operations. These revisions will be submitted to the shareholders’ meeting for presentation and discussion in accordance with relevant regulations.

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

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

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

Before recommending Chairman candidates for selection and appointment, major shareholders reference selection, management, and assessment guidelines set out by the Corporation to conduct comprehensive evaluation, review, and confirmation of candidate qualifications and experience, as well as the responsibilities required for corporate operations, adhering to the highest principle of appointing appropriate talent

# Management Presentation

to appropriate positions when recommending successors for Chairman. The President is also appointed in accordance with the aforementioned principles. Additionally, the Corporation arranges for senior managers to sit in on Board meetings so they can familiarize themselves with Board operations, and also helps senior managers expand their participation and work rotation experience in different operational units.

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

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

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

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

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

Article 27-1 of the Corporation's "Articles of Incorporation" stipulates that the pay to the Directors for their services as Directors shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry. Additionally, if the final annual accounts of the Corporation show

# Management Presentation

a net profit for a given year, it shall allocate not more than 1 percent as profit-sharing compensation to Directors according to Article 35-1 of the Corporation's "Articles of Incorporation." Independent directors receive a fixed sum of monthly compensation as determined by the Board of Directors, and are not entitled to profit-sharing compensation when the Corporation is profitable.

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

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

Performance evaluations of Corporation directors and managers reference our

# Management Presentation

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

Results of performance self-assessments for the Corporation’s Board of Directors, Board members, and functional committees in 2021 all significantly exceeded standards. Additionally, results of performance assessments for managers in 2021 showed that all managers either met or exceeded set targets. Compensation for the Corporation’s Chairman, Board directors, President, and managers fully consider the professional capabilities of these individuals and Corporation operations and finances, and are linked to individual performance management and evaluation results.

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

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

According to Article 5-3-06 of the Corporation’s GCG, the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and these assessments shall be submitted to the Board of Directors. The Corporation’s 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 the accountants fulfilled assessment standards for independence and competency:

# Management Presentation

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

# Management Presentation

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

## IV. Effectiveness of Corporate Governance System

### 1. Preliminary Review by Functional Committees

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

### 2. Independence and Professionalism of Independent Directors

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

# Management Presentation

## 3. Management Implementation

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

## 4. Strengthen Information Disclosure

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

## 5. Corporate Social Responsibility and Social Contribution

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

The Corporation follows the spirit of the international human rights conventions, and the characteristics of rail transportation industry. In 2018, we formulated our “Human Rights Policy” which adheres to labor laws and other relevant regulations, and supports and complies with the principles and essence of international human rights conventions such as

# Management Presentation

the United Nation's Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, the UN Global Compact, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. We also ensure that our human resource policies do not discriminate based on gender, race, social status, age, marital status, religion, or political affiliation. We have formulated clear regulations in accordance with the demands of human rights policies, and we identify important human rights issues to serve as a reference for promoting risk-mitigating measures. Furthermore, the Corporation's Supplier Management Policy shows that apart from quality, cost, delivery date, and services, the Corporation also considers issues relating to reasonable profits, social responsibility, worker safety, human rights, and environmental protection when making management decisions and implementing procurement procedures.

## V. Future Plans for Corporate Governance

In 2017, we drafted a sustainability strategy blueprint using our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our sustainable management strategy. In order to pursue greater excellence in sustainable implementations, we reviewed our Corporate Governance 3.0 Strategic Development Blueprint in 2020 and aligned this with corresponding UN SDGs to strengthen and implement corporate governance and sustainable operations. In future, we will continue to reference international trends and local demands, using our 4Ts to formulate our short-, mid-, and long-term goals and action plans while incorporating ESG (Environment, Social, Governance) concepts into our operational plans and actively implementing sustainable actions in our business operations. We use various assessment mechanisms to periodically track the development and performance of various issues, and to promote and implement our sustainable concepts as we gradually solidify our determination and commitment to sustainable operations to realize our corporate vision "To be the platform for advancement and enjoyment."

## VI. Concluding Remarks

Since going public, the Corporation has participated in the TWSE Corporate Governance Evaluations for four consecutive years (from 2017 to 2020) and was ranked among the top 5%

# Management Presentation

of publicly listed companies. In future, we will focus on the continuous functioning of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, in order to improve the corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

# Management Presentation

Supporting table

Main duties of the Board of Directors and functional committees:

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

# Management Presentation

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

# Management Presentation

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

# Management Presentation

Item	Primary Tasks
	<ul style="list-style-type: none"> <li>7). Review the public offering, issuance, or private placement of equity-type securities.</li> <li>8). Evaluate the appointment, dismissal, or compensation of attesting CPAs.</li> <li>9). Evaluate the appointment and dismissal of the Corporation’s chief financial officer, chief accountant, or chief internal auditor.</li> <li>10). Review annual and quarterly financial reports, which are signed or sealed by the Corporation Chairperson, managerial officer, and certified public accountant.</li> <li>11). Review the Corporation’s accounting system and financial condition.</li> <li>12). Evaluate the Corporation’s risk management policies and risk measurement standards.</li> <li>13). Review the procedures for material financial and operational acts</li> <li>14). Evaluate, examine, and monitor any existing or potential risks to the Corporation.</li> <li>15). Examine the Corporation’s compliance with laws, regulations and rules.</li> <li>16). Review the Corporation’s capital, financing, and credit plans.</li> <li>17). Assess the Corporation’s tax planning and compliance with tax laws and regulations.</li> <li>18). Other major matters as required by the Corporation or the competent authority.</li> <li>19). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</li> </ul>
Remuneration Committee	<p>As per Article 3 of the Charter of the Remuneration Committee, the Remuneration Committee is responsible for the following tasks:</p> <ul style="list-style-type: none"> <li>1). Formulate and regularly review the performance assessment criteria,</li> </ul>

# Management Presentation

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

# Management Presentation

Communication items between independent directors and chief internal auditor for 2021:

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	Approved and 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	Approved and 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	Approved and acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2021/10/12	Audit report (Independent report made by internal audit managers to independent directors)	Audit plans for 2022	Acknowledged by independent directors.	No objections from independent directors.
2021/10/12	Audit Committee Meeting (9-17)	Formulation of 2022 audit report for auditing office	Approved and acknowledged 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	Approved and acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

# Management Presentation

Communication items between independent directors and CPAs for 2021:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
110/2/23	Audit Committee Meeting (9-9)	<ol style="list-style-type: none"> <li>1. 2020 financial report and conclusions of CPA audit report</li> <li>2. Statement of Independence</li> <li>3. Key audit items</li> <li>4. New disclosures in 2020 financial report</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/5/4	Audit Committee Meeting (9-12)	<ol style="list-style-type: none"> <li>1. 2021 Q1 financial report and conclusions of CPA audit report</li> <li>2. Statement of Independence</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/8/3	Audit Committee Meeting (9-15)	<ol style="list-style-type: none"> <li>1. 2021 Q2 financial report and conclusions of CPA audit report</li> <li>2. Statement of Independence</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/11/2	Audit Committee Meeting (9-18)	<ol style="list-style-type: none"> <li>1. 2021 Q3 financial report and conclusions of CPA audit report</li> <li>2. Statement of Independence</li> <li>3. New disclosures in 2021 Q3 financial report</li> <li>4. Audit plans and key audit items for 2021 financial reports</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
110/11/2	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.

# Management Presentation

## **Report No. 2: Report on Allocation of 2021 Remuneration to Board of Directors and Employees.**

1. According to Article 235-1 of the Company Act and Letter No. 10402413890 dated June 11, 2015 issued by the Ministry of Economic Affairs, a fixed amount or ratio of profit of the current year distributable as employees' compensation as well as remuneration to directors and supervisors shall be stipulated in the Articles of Incorporation. However, the Corporation's accumulated losses should be offset prior to distribution. Distribution of director and employee compensation shall be undertaken by a resolution adopted by a majority vote at a Board meeting attended by at least two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.
2. Furthermore, according to Article 35-1 of the Articles of Incorporation, "If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation."
3. The Corporation's profit for 2021 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NT\$4,375,000,000 (no accumulated losses offset). In accordance with the provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution was reached by 22th meeting of the 9th Board dated January 19, 2022 and the 23th meeting of the 9th Board dated February 23, 2022 for the distribution of 2021 director and employee compensation, with the percentage and amount to be allocated as follows:

# Management Presentation

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

# Management Presentation

## **Report No. 3: Report on Director Remuneration for 2021.**

1. According to Article 10-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, TWSE/TPEX listed companies shall report on director remuneration at shareholders' general meetings, including remuneration policies and the relationship between individual remuneration, remuneration amounts, and performance evaluation results.
2. The Corporation's director remuneration distribution policies adhere to Article 27-1 of the Articles of Incorporation, which stipulates that the pay to the Directors for their services as Directors shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry. Additionally, according to Article 35-1 of the Articles of Incorporation, if the Corporation is profitable in a given year, it should allocate not more than 1 percent as profit-sharing compensation to Directors. Independent Directors receive a fixed amount of remuneration every month as determined by the Board of Directors, and do not receive profit-sharing compensation.
3. Details of the Corporation's director remuneration and remuneration amounts for 2021 are shown in the following table.

# Management Presentation

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

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

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company				
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)										
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements					
																Cash	Stock	Cash	Stock							
China Aviation Development Foundation		0	0	0	0	4,861	4,861	0	0	4,861	4,861	0.13	0.13	0	0	0	0	0	0	0	0	4,861	4,861	0.13	0.13	None
Chairman Representative: Yao-Chung Chiang		6,849	6,849	0	0	0	0	458	458	7,307	7,307	0.20	0.20	0	0	0	0	0	0	0	0	7,307	7,307	0.20	0.20	None
Director Representative: Lee-Ching Ko		0	0	0	0	0	0	80	80	80	80	0.00	0.00	0	0	0	0	0	0	0	0	80	80	0.00	0.00	None
Ministry of Transportation and Communications, R.O.C.		0	0	0	0	4,861	4,861	68	68	4,929	4,929	0.14	0.14	0	0	0	0	0	0	0	0	4,929	4,929	0.14	0.14	None
Director Representative: Wen-Jong Chi		0	0	0	0	0	0	64	64	64	64	0.00	0.00	0	0	0	0	0	0	0	0	64	64	0.00	0.00	None
Director Representative: Chin-Hong Pan		0	0	0	0	0	0	41	41	41	41	0.00	0.00	0	0	0	0	0	0	0	0	41	41	0.00	0.00	None
Director Former Representative: Kwo-Tsai Wang		0	0	0	0	0	0	24	24	24	24	0.00	0.00	0	0	0	0	0	0	0	0	24	24	0.00	0.00	None
Director Former Representative: Yueh-Hsiang Chen		0	0	0	0	0	0	59	59	59	59	0.00	0.00	0	0	0	0	0	0	0	0	59	59	0.00	0.00	None
China Steel Corporation		0	0	0	0	2,431	2,431	80	80	2,511	2,511	0.07	0.07	0	0	0	0	0	0	0	0	2,511	2,511	0.07	0.07	None



# Management Presentation

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)				
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	Cash	Stock	Cash	Stock	
<p>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:</p> <p>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.</p> <p>2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as non-employee consultants and others) other than disclosed in the table above: None.</p>																				

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

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

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

# Management Presentation

## **Report No. 4: Revision of Corporate Social Responsibility Best Practice Principles.**

1. In order to comply with revisions made to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” on December 7, 2021 by the Taiwan Stock Exchange Corporation, and in consideration of the Corporation’s operating needs, amendments are proposed to the Corporation’s “Sustainable Development Best Practice Principles.”
2. A comparison of amended articles in the “Sustainable Development Best Practice Principles” is shown in Attachment I (please refer to p.63-p.67 of the Annual Meeting Handbook).
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby presented to the shareholders’ annual general meeting.

# Management Presentation

## **Report No. 5: Report on Domestic Unsecured Corporate Bond Offering for 2021.**

1. The Corporation's domestic unsecured corporate bond offering for 2021 was approved by the 13th meeting of the 9th Board on April 14, 2021. The Corporation may issue unsecured corporate bonds up to NT\$ 10 billion for capital expenditure, equipment replacement, debt repayment, or replenishment of working capital.
2. The Corporation completed issuance of the first unsecured corporate bonds offering for 2021 on July 1, 2021, and completed issuance of the second unsecured corporate bonds offering for 2021 on August 30, 2021.
3. The reasons for and implementation of the Corporation's first unsecured corporate bond offering for 2021 are presented below in accordance with Article 246 of the Company Act:

Issuance	1st Unsecured Corporate Bonds Issued in 2021
Denomination	Tranche A: NT\$ 4 billion Tranche B: NT\$ 4 billion
Issuance Period	Tranche A: 3 years Tranche B: 4 years
Coupon Rate	Tranche A: 0.32% Tranche B: 0.35%
Principal Repayment and Interest Distribution	Repayment: Bullet Interest: Simple interest payable annually
Registered Approval Number	Official Document No. 11000061761 approved and made effective by the Taipei Exchange on June 22, 2021
Reason for Issuance	Replenish working capital for future operational needs
Issuance Date	Completed issuance on July 1, 2021

# Management Presentation

Issuance	2nd Unsecured Corporate Bonds Issued in 2021
Denomination	NT\$ 1 billion
Issuance Period	3 years
Coupon Rate	0.30%
Principal Repayment and Interest Distribution	Repayment: Bullet Interest: Simple interest payable annually
Registered Approval Number	Official Document No. 11000093921 approved and made effective by the Taipei Exchange on August 19, 2021
Reason for Issuance	Expenditures for green investment plan and social benefit investment plan
Issuance Date	Completed issuance on August 30, 2021

# Proposals

## **Proposal No. 1: Proposed by the Board**

Proposal: Proposal of 2021 Annual Business Report and Financial Statements of the Corporation.

Explanation: The Corporation's 2021 Business Report (please refer to p.36-p.44 of the Annual Meeting Handbook) and Financial Statements (please refer to p.45-p.49 of the Annual Meeting Handbook) were approved on February 23, 2022 at the 23th meeting of the 9th Board. The financial statements were audited by certified public accountants, and an audit report thereto was issued on February 23, 2022 (please refer to p.50-p.53 of the Annual Meeting Handbook), distributed to the Audit Committee for review (please refer to p.54 of the Annual Meeting Handbook), and is hereby submitted for adoption at shareholders' annual general meeting.

Resolution:

# Proposals

## **Business Report for 2021**

### **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, the Corporation 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. 2021 Business report**

#### (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 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

# Proposals

than 2020 (99.71%), and our average reliability rate (excluding delays due to force majeure) was 100%.

## 2) Marketing and Passenger services

Products, services, and activities launched in 2021:

A. The Corporation 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 Corporation 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, the Corporation 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, full 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

# Proposals

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, the Corporation continues to provide passengers with heartwarming and safe travel experiences while working to minimizing pandemic impacts on operations.

## (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.

# Proposals

- 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.

# Proposals

- 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

# Proposals

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, the Corporation 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

# Proposals

Natural Language Processing (NLP) to increase convenience of ticketing services.

## 3. Future strategies

The Corporation'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.

# Proposals

- 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

# Proposals

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. The Corporation is optimistic about the outcomes of this change and abides by relevant regulations.

The Corporation 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, the Corporation 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 safety 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.”

**TAIWAN HIGH SPEED RAIL CORPORATION**  
**BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31			
	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
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)	<u>1,206,592</u>	-	<u>1,377,833</u>	-
Total current assets	<u>49,973,996</u>	<u>12</u>	<u>38,621,107</u>	<u>9</u>
<b>NON-CURRENT ASSETS</b>				
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)	<u>2,330</u>	-	<u>5,193</u>	-
Total non-current assets	<u>377,933,045</u>	<u>88</u>	<u>388,945,863</u>	<u>91</u>
<b>TOTAL</b>	<u>\$ 427,907,041</u>	<u>100</u>	<u>\$ 427,566,970</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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)	<u>1,277,565</u>	-	<u>833,400</u>	-
Total current liabilities	<u>30,025,709</u>	<u>7</u>	<u>7,067,221</u>	<u>2</u>
<b>NON-CURRENT LIABILITIES</b>				
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)	<u>590,406</u>	-	<u>550,566</u>	-
Total non-current liabilities	<u>330,103,361</u>	<u>77</u>	<u>350,413,093</u>	<u>82</u>
Total liabilities	<u>360,129,070</u>	<u>84</u>	<u>357,480,314</u>	<u>84</u>
<b>EQUITY (Note 21)</b>				
Capital stock				
Common stock	<u>56,282,930</u>	<u>13</u>	<u>56,282,930</u>	<u>13</u>
Capital surplus	<u>172,981</u>	-	<u>172,981</u>	-
Retained earnings				
Legal reserve	3,852,440	1	3,270,422	1
Unappropriated earnings	<u>7,469,620</u>	<u>2</u>	<u>10,360,323</u>	<u>2</u>
Total retained earnings	<u>11,322,060</u>	<u>3</u>	<u>13,630,745</u>	<u>3</u>
Total equity	<u>67,777,971</u>	<u>16</u>	<u>70,086,656</u>	<u>16</u>
<b>TOTAL</b>	<u>\$ 427,907,041</u>	<u>100</u>	<u>\$ 427,566,970</u>	<u>100</u>

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

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

	<b>For the Years Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 22 and 28)	\$ 30,227,887	100	\$ 39,137,205	100
OPERATING COSTS (Notes 23 and 28)	<u>(25,702,330)</u>	<u>(85)</u>	<u>(26,095,054)</u>	<u>(67)</u>
GROSS PROFIT	4,525,557	15	13,042,151	33
OPERATING EXPENSES (Notes 23 and 28)	<u>(1,207,675)</u>	<u>(4)</u>	<u>(1,235,466)</u>	<u>(3)</u>
INCOME FROM OPERATIONS	<u>3,317,882</u>	<u>11</u>	<u>11,806,685</u>	<u>30</u>
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)	<u>157,656</u>	<u>1</u>	<u>282,948</u>	<u>1</u>
Total non-operating income and expenses	<u>947,743</u>	<u>3</u>	<u>(6,387,374)</u>	<u>(16)</u>
INCOME BEFORE INCOME TAX	4,265,625	14	5,419,311	14
INCOME TAX (EXPENSE) BENEFIT (Note 24)	<u>(654,703)</u>	<u>(2)</u>	<u>423,726</u>	<u>1</u>
NET INCOME	<u>3,610,922</u>	<u>12</u>	<u>5,843,037</u>	<u>15</u>
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)	<u>2,475</u>	<u>-</u>	<u>5,713</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(9,899)</u>	<u>-</u>	<u>(22,853)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,601,023</u>	<u>12</u>	<u>\$ 5,820,184</u>	<u>15</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 0.64</u>		<u>\$ 1.04</u>	

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

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

	<u>Capital Stock</u>		<u>Retained Earnings</u>			<u>Total Equity</u>
	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Unappropriated Earnings</u>	<u>Total</u>	
BALANCE AT JANUARY 1, 2021	\$ 56,282,930	\$ 172,981	\$ 3,270,422	\$ 10,360,323	\$ 13,630,745	\$ 70,086,656
Appropriations of 2020 earnings						
Legal reserve	-	-	582,018	(582,018)	-	-
Cash dividends to stockholders - NT\$1.05 per share	-	-	-	(5,909,708)	(5,909,708)	(5,909,708)
	-	-	582,018	(6,491,726)	(5,909,708)	(5,909,708)
Net income for the year ended December 31, 2021	-	-	-	3,610,922	3,610,922	3,610,922
Other comprehensive loss for the year ended December 31, 2021	-	-	-	(9,899)	(9,899)	(9,899)
Total comprehensive income for the year ended December 31, 2021	-	-	-	3,601,023	3,601,023	3,601,023
BALANCE AT DECEMBER 31, 2021	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 3,852,440</u>	<u>\$ 7,469,620</u>	<u>\$ 11,322,060</u>	<u>\$ 67,777,971</u>
BALANCE AT JANUARY 1, 2020	\$ 56,282,930	\$ 172,981	\$ 2,469,719	\$ 12,151,639	\$ 14,621,358	\$ 71,077,269
Appropriations of 2019 earnings						
Legal reserve	-	-	800,703	(800,703)	-	-
Cash dividends to stockholders - NT\$1.2101 per share	-	-	-	(6,810,797)	(6,810,797)	(6,810,797)
	-	-	800,703	(7,611,500)	(6,810,797)	(6,810,797)
Net income for the year ended December 31, 2020	-	-	-	5,843,037	5,843,037	5,843,037
Other comprehensive loss for the year ended December 31, 2020	-	-	-	(22,853)	(22,853)	(22,853)
Total comprehensive income for the year ended December 31, 2020	-	-	-	5,820,184	5,820,184	5,820,184
BALANCE AT DECEMBER 31, 2020	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 3,270,422</u>	<u>\$ 10,360,323</u>	<u>\$ 13,630,745</u>	<u>\$ 70,086,656</u>

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

# Proposals

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

	For the Years Ended December 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>26,876,057</u>	<u>(1,531,734)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(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
Net cash (used in) generated from investing activities	<u>(8,825,880)</u>	<u>821,315</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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

(Continued)

# Proposals

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

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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	<u>(5,909,708)</u>	<u>(6,810,797)</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	20,967,727	(15,619,907)
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.

(Concluded)

# Proposals

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Taiwan High Speed Rail Corporation

### **Opinion**

We have audited the accompanying financial statements of Taiwan High Speed Rail Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 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 Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 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.

# Proposals

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.

# Proposals

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.

# Proposals

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.*

# Proposals

## **Audit Committee's Review Report on 2021 Financial Statements**

### 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

# Proposals

## Proposal No. 2: Proposed by the Board

Proposal: Proposal of 2021 Profit Distributions of the Corporation.

Explanation:

1. As of year-end 2021, our distributable earnings amounted to NT\$ 7,109,516,322.
2. In order to stabilize and balance payout policies and in consideration of long-term corporate financial planning, the Corporation proposes cash dividends of NT\$0.7580 per share for 2021 profit distribution, amounting to NT\$4,266,246,138 on a basis of 5,628,293,058 common shares outstanding.
3. The Corporation's profit distribution table for 2021 was approved at the 24th meeting of the 9th Board on March 16, 2022, circulated to the Audit Committee for review (please refer to p.57 of the Annual Meeting Handbook), and is hereby submitted to the shareholders' annual general meeting for approval.

Taiwan High Speed Rail Corporation

### PROFIT DISTRIBUTION TABLE

Fiscal Year 2021	Unit: NT\$
Unappropriated retained earnings at the beginning of the period	3,868,596,221
Add: Net income for 2021	3,610,921,535
Less: Re-measurements of defined benefit plan	(9,899,200)
Undistributed earnings	7,469,618,556
Less: 10% legal reserve	(360,102,234)
2021 distributable earnings	7,109,516,322
Distributable items:	
Cash dividends (NT\$0.7580 per share)	(4,266,246,138)
Current-year undistributed earnings	2,843,270,184

# Proposals

4. Following approval from the 2022 shareholders' annual general meeting, the cash dividends will be distributed on an ex-dividend date payment date to be determined by the Board.

Resolution:

# Proposals

## 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

# Discussion

## **Discussion No. 1: Proposed by the Board**

Proposal: Revision of Articles of Incorporation.

Explanation:

1. To improve flexibility in convening shareholders' meetings, the Corporation proposes to amend Article 9 of the Articles of Incorporation in accordance with Article 172-2 of the Company Act to state that shareholders' meetings can be held by means of visual communication network or other methods promulgated by the central competent authority.
2. In consideration of amendments made to Article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies by the Taiwan Stock Exchange Corporation on December 8, 2021, and the trends and timelines indicated in the Corporate Governance 3.0 - Sustainable Development Roadmap issued by the Financial Supervisory Commission, which states that TWSE/TPEX listed companies with a paid-in capital of NT\$10 billion or more will be required to have independent directors making up no less than one-third of the directors, the Corporation proposes to amend Article 17-1 of the Articles of Incorporation to state that there shall be no less than three independent directors making up no less than one-third of the directors starting from the 10th Board.
3. A comparison of amended articles in the Articles of Incorporation is shown in Attachment II (please refer to p.68-p.71 of the Annual Meeting Handbook).
4. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

# Discussion

## **Discussion No. 2: Proposed by the Board**

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

Explanation:

1. In accordance with the Company Act and official document issued by the Ministry of Economic Affairs which state that, "Shareholders who have exercised their voting power by way of electronic transmission may still attend shareholders' meetings and exercise their voting power on extraordinary motions," the Corporation proposes to amend relevant articles of the Corporation's Rules of Procedure for Shareholders' Meetings.
2. A comparison of amended articles in the Rules of Procedure for Shareholders' Meetings is shown in Attachment III (please refer to p.72 of the Annual Meeting Handbook).
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

# Discussion

## **Discussion No. 3: Proposed by the Board**

Proposal: Revision of Guidelines for Corporate Governance.

Explanation:

1. In accordance with amendments made to Article 17-1 of the Corporation's Articles of Incorporation, the Corporation proposes to amend stipulations relating to independent director numbers in the Guidelines for Corporate Governance.
2. A comparison of amended articles in the Guidelines for Corporate Governance is shown in Attachment IV (please refer to p.73 of the Annual Meeting Handbook).
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

# Discussion

## **Discussion No. 4: Proposed by the Board**

Proposal: Revision of Procedures for the Acquisition or Disposal of Assets.

Explanation:

1. In accordance with amendments made to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies by the Financial Supervisory Commission on January 28, 2022, and in consideration of the Corporation's actual operations, the Corporation proposes to amend relevant articles in the Procedures for the Acquisition or Disposal of Assets.
2. A comparison of amended articles in the Procedures for the Acquisition or Disposal of Assets is shown in Attachment V (please refer to p.74-p.79 of the Annual Meeting Handbook).
3. This proposal was approved at the 24th meeting of the 9th Board dated March 16, 2022, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

# Questions and Motions

## **Questions and Motions**

## **Adjournment**

# Attachment I

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

Amended Title	Current Title	Description
<u>Sustainable Development Best Practice Principles</u>	<u>Corporate Social Responsibility Best Practice Principles</u>	Title and article content amended in accordance with revisions made to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” issued by the Taiwan Stock Exchange Corporation (TWSE) on December 7, 2021.

Amended Articles	Current Articles	Description
<p>Article 1 The Taiwan High Speed Rail Corporation (hereinafter referred to as "the Corporation"), based on the principle of corporate sustainability, holds <u>sustainable development</u> as one of the major core value. To fulfill corporate social responsibility, and to promote economic, social, environmental, and ecological balance and sustainable development, and achieve sustainable operations, the Corporation adopts these Principles for compliance, taking into reference to the <u>Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</u> and relevant laws and regulations.</p>	<p>Article 1 The Taiwan High Speed Rail Corporation (hereinafter referred to as "the Corporation"), based on the principle of corporate sustainability, holds <u>corporate social responsibility</u> as one of the major core value. To fulfill corporate social responsibility, and to promote economic, social, environmental, and ecological balance and sustainable development, and achieve sustainable operations, the Corporation adopts these Principles for compliance, taking into reference to the <u>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</u> and relevant laws and regulations.</p>	In accordance with title change, the wordings of the article were therewith revised.

# Attachment I

Amended Articles	Current Articles	Description
<p>Article 3 In fulfilling <u>sustainable development</u> initiatives, the Corporation shall, in its corporate operational strategies and management objectives, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. The Corporation shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.</p>	<p>Article 3 In fulfilling <u>corporate social responsibility</u> initiatives, the Corporation shall, in its corporate operational strategies and management objectives, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. The Corporation shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.</p>	<p>In accordance with title change, the wording of the article was therewith revised.</p>
<p>Article 4 To implement <u>sustainable development</u>, the Corporation shall abide by the following principles: 1.Implement corporate governance. 2.Foster a sustainable environment. 3.Maintain public interest of society. 4.Disclosure of <u>sustainable development</u> information.</p>	<p>Article 4 To implement <u>corporate social responsibility</u>, the Corporation shall abide by the following principles: 1.Implement corporate governance. 2.Foster a sustainable environment. 3.Maintain public interest of society. 4.Disclosure of <u>corporate social responsibility</u> information.</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>
<p>Article 5 The Corporation shall consider the <u>sustainable development subjects and trends</u> domestically and abroad and its core business operations, as well as the overall operational activity effects on</p>	<p>Article 5 The Corporation shall consider the <u>corporate social responsibility development trends</u> domestically and abroad and its core business operations, as well as the overall operational activity effects on</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

# Attachment I

Amended Articles	Current Articles	Description
<p>stakeholders, and adopt <u>sustainable development</u> policies, systems or guiding management principles, and concrete proposals for promoting <u>sustainable development</u> programs.</p>	<p>stakeholders, and adopt <u>corporate social responsibility</u> policies, systems or guiding management principles, and concrete proposals for promoting <u>corporate social responsibility</u> programs.</p>	
<p>Article 8 The Corporation may, on a regular basis, hold education and training courses on the implementation of <u>sustainable development</u>.</p>	<p>Article 8 The Corporation may, on a regular basis, hold education and training courses on the implementation of <u>corporate social responsibility</u>.</p>	<p>In accordance with title change, the wording of the article was therewith revised.</p>
<p>Article 9 For sound management of <u>sustainable development</u>, the Corporation may establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and implementing <u>sustainable development</u> policies and concrete promotional plans, and reporting on the same to the Board on a regular basis. The Corporation may adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization and align with the interests of stakeholders. The employee performance evaluation system may comply with <u>sustainable development</u> policies, and a clear and effective incentive and discipline system shall be established.</p>	<p>Article 9 For sound management of <u>corporate social responsibility</u>, the Corporation may establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and implementing <u>corporate social responsibility</u> policies and concrete promotional plans, and reporting on the same to the Board on a regular basis. The Corporation may adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization and align with the interests of stakeholders. The employee performance evaluation system may comply with <u>corporate social responsibility</u> policies, and a clear and effective incentive and discipline system shall be established.</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>
<p>Article 10 The Corporation, based on respect for the rights and interests of stakeholders, shall establish a designated section on</p>	<p>Article 10 The Corporation, based on respect for the rights and interests of stakeholders, shall establish a designated section on corporate</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

# Attachment I

Amended Articles	Current Articles	Description
<p>corporate website for stakeholders. It shall use appropriate means of communication to gain an understanding of the reasonable expectations and demands of stakeholders, and adequately respond to important <u>sustainable development</u> issues that they may be concerned about.</p>	<p>website for stakeholders. It shall use appropriate means of communication to gain an understanding of the reasonable expectations and demands of stakeholders, and adequately respond to important <u>corporate social responsibility</u> issues that they may be concerned about.</p>	
<p>Chapter 5 Enhancing Disclosure of <u>Sustainable Development Information</u></p>	<p>Chapter 5 Enhancing Disclosure of <u>Corporate Social Responsibility Information</u></p>	<p>In accordance with title change, the wording of the chapter was therewith revised.</p>
<p>Article 28 The Corporation shall disclose information in accordance with relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and shall fully disclose relevant and reliable <u>sustainable development</u> information, to improve information transparency.</p>	<p>Article 28 The Corporation shall disclose information in accordance with relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies, and shall fully disclose relevant and reliable <u>corporate social responsibility</u> information, to improve information transparency.</p>	<p>In accordance with title change, the wording of the article was therewith revised.</p>
<p>Article 29 The Corporation shall adopt internationally recognized standards or guidelines to produce <u>sustainable development</u> reports, to disclose the status of its implementation of <u>sustainable development</u>. It also may obtain third-party assurance or verification of reports, to enhance the reliability of the information in the reports. The content of reports should include: 1. Policy, system, or relevant management guidelines and</p>	<p>Article 29 The Corporation shall adopt internationally recognized standards or guidelines to produce <u>corporate social responsibility</u> reports, to disclose the status of its implementation of <u>corporate social responsibility</u>. It also may obtain third-party assurance or verification of reports, to enhance the reliability of the information in the reports. The content of reports should include: 1. Policy, system, or relevant management guidelines and concrete promotion plans for</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

# Attachment I

Amended Articles	Current Articles	Description
<p>concrete promotion plans for implementing <u>sustainable development</u>.</p> <p>2.Major stakeholders and related concerns.</p> <p>3.Performance results and review of the implementation of corporate governance, fostering of a sustainable environment, preserving of public welfare, and promoting of economic development.</p> <p>4.Future directions for improvement and goals.</p>	<p>implementing <u>corporate social responsibility</u>.</p> <p>2.Major stakeholders and related concerns.</p> <p>3.Performance results and review of the implementation of corporate governance, fostering of a sustainable environment, preserving of public welfare, and promoting of economic development.</p> <p>4.Future directions for improvement and goals.</p>	
<p>Article 30 The Corporation shall continually monitor the development of relevant domestic and foreign <u>sustainable development</u> standards and changes in the business environment, as a basis for examining and improving its established <u>sustainable development</u> system, to obtain better results from its implementation of <u>sustainable development</u>.</p>	<p>Article 30 The Corporation shall continually monitor the development of relevant domestic and foreign <u>corporate social responsibility</u> standards and changes in the business environment, as a basis for examining and improving its established <u>corporate social responsibility</u> system, to obtain better results from its implementation of <u>corporate social responsibility</u>.</p>	<p>In accordance with title change, the wordings of the article were therewith revised.</p>

# Attachment II

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Articles of Incorporation

Amended Articles	Current Articles	Description
<p>Article 9 Shareholders' meetings of the Corporation are classified into two kinds: regular meetings and special meetings. Regular meetings shall be convened annually by the Board of Directors within 6 months after the close of each fiscal year, and special meetings, unless otherwise provided by the Company Act, shall be called by the Board of Directors when necessary and in accordance with law.</p> <p><u>The shareholders' meeting of the preceding paragraph can be held by means of visual communication network or other methods promulgated by the central competent authority.</u></p>	<p>Article 9 Shareholders' meetings of the Corporation are classified into two kinds: regular meetings and special meetings. Regular meetings shall be convened annually by the Board of Directors within 6 months after the close of each fiscal year, and special meetings, unless otherwise provided by the Company Act, shall be called by the Board of Directors when necessary and in accordance with law.</p>	<p>To improve flexibility in convening shareholders' meetings and in accordance with Article 172-2 of the Company Act, the Corporation's Articles of Incorporation clearly stipulate that shareholders' meetings can be held by means of visual communication network or other methods promulgated by the central competent authority.</p>
<p>Article 17-1 Starting from the fourth term of office of Directors, the Corporation shall have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors; <u>starting from the tenth term, the number of independent Directors shall be no less than three, making up no less than one-third of the Directors.</u></p> <p>Independent Directors and non-</p>	<p>Article 17-1 <u>Given the requirement of Article 183 of the Securities and Exchange Act,</u> starting from the fourth term of office of Directors, the Corporation shall have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors.</p> <p>Independent Directors and non-</p>	<p>1. The notation "Given the requirement of Article 183 of the Securities and Exchange Act," refers to amendments made to Article 14-2 of the Securities and Exchange Act relating to establishment of independent directors on January 11, 2006, which were made effective on January 1, 2007. As Article 183 of the Securities and Exchange Act lists past</p>

## Attachment II

Amended Articles	Current Articles	Description
<p>independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group. The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.</p>	<p>independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group. The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.</p>	<p>amendments made to said Act, it is recommended that this notation be removed.</p> <p>2. It should be noted that in accordance with Article 27-2 of the Corporation's Articles of Incorporation, an audit committee has been established according to Article 14-4 of the Securities and Exchange Act.</p> <p>3. Paragraph 2 of Article 14-4 of the Securities and Exchange Act states that "The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number." In consideration of Board term duration, amendments have been made to stipulate that the number of independent directors shall be no less than three starting from the tenth term.</p> <p>4. In consideration of amendments made to Article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed</p>

# Attachment II

Amended Articles	Current Articles	Description
		<p>Companies, which states that "...independent directors at TWSE/TPEX Listed Companies shall make up no less than one-third of directors..." and the trends and timelines indicated in the Corporate Governance 3.0 - Sustainable Development Roadmap issued by the Financial Supervisory Commission, which states that TWSE/TPEX listed companies with a paid-in capital of NT\$10 billion or more will be required to have independent directors making up no less than one-third of the directors starting from 2024. In consideration of Board term duration, amendments have been made to stipulate that the proportion of independent directors to directors shall be increased to one-third from the original one-fifth starting from the tenth term.</p>
<p>Article 39 These Articles of Incorporation were adopted on 13 April 1998.</p>	<p>Article 39 These Articles of Incorporation were adopted on 13 April 1998.</p>	<p>Added date of current amendments to the Articles of</p>

## Attachment II

Amended Articles	Current Articles	Description
<p>The first amendment was made on 25 May 1999; the second on 27 June 2000; the third on 20 May 2002; the fourth on 10 September 2002; the fifth on 10 September 2002; the sixth on 28 May 2003; the seventh on 30 December 2003; the eighth on 28 May 2004; the ninth on 4 March 2005; the tenth on 4 March 2005; the eleventh on 25 June 2005; the twelfth on 25 June 2005; the thirteenth on 9 June 2006; the fourteenth on 16 August 2007; the fifteenth on 3 June 2009; the sixteenth on 23 June 2010; the seventeenth on 22 June 2012; the eighteenth on 10 September 2015; the nineteenth on 18 March 2016; the twentieth on 24 May 2018; <u>the twenty-first on 26 May 2022</u>; and took effect after approval at a regular shareholders' meeting.</p>	<p>The first amendment was made on 25 May 1999; the second on 27 June 2000; the third on 20 May 2002; the fourth on 10 September 2002; the fifth on 10 September 2002; the sixth on 28 May 2003; the seventh on 30 December 2003; the eighth on 28 May 2004; the ninth on 4 March 2005; the tenth on 4 March 2005; the eleventh on 25 June 2005; the twelfth on 25 June 2005; the thirteenth on 9 June 2006; the fourteenth on 16 August 2007; the fifteenth on 3 June 2009; the sixteenth on 23 June 2010; the seventeenth on 22 June 2012; the eighteenth on 10 September 2015; the nineteenth on 18 March 2016; the twentieth on 24 May 2018; and took effect after approval at a regular shareholders' meeting.</p>	<p>Incorporation.</p>

# Attachment III

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Rules of Procedure for Shareholders' Meetings

Amended Articles	Current Articles	Description
<p>Article 11 (Votes on Agenda Items)</p> <p>The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. <u>Said shareholders may still attend said meeting and raise extraordinary motions in accordance with Paragraph 5 of Article 172-5 of the Company Act, and may exercise their voting rights on extraordinary motions raised at the meeting,</u> but shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any amendment or alternative to an original proposal at the meeting.</p> <p>(Remainder omitted.)</p>	<p>Article 11 (Votes on Agenda Items)</p> <p>The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. However, the shareholder exercising voting rights by electronic means shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any <u>extraordinary motion</u> or any amendment or alternative to an original proposal at the meeting.</p> <p>(Remainder omitted.)</p>	<p>1. Handled in accordance with Official Document No. 10102404740 issued by the Ministry of Economic Affairs on February 24, 2012 (Resolution on shareholders exercising voting rights by electronic means attending shareholders' meetings).</p> <p>2. If a shareholder has exercised their voting rights by electronic means and has not filed a rescission notice 2 days before a shareholders' meeting, said shareholder may still attend said meeting and raise extraordinary motions in accordance with Paragraph 5 of Article 172-5 of the Company Act, and may exercise their voting rights on extraordinary motions raised at the meeting.</p> <p>3. This article has been amended to comply with the stipulations of the official document.</p>

# Attachment IV

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Guidelines for Corporate Governance

Amended Articles	Current Articles	Description
4-01 (Number) The Corporation shall have independent Directors <u>as stipulated in Article 17-1 of the Corporation's Articles of Incorporation.</u>	4-01 (Number) The Corporation shall have independent Directors, <u>whose number the Board of Directors is empowered to deliberate and determine, but in any event shall neither be less than two nor less than one-fifth of the number of Director seats.</u>	Amended in accordance with Article 17-1 of the Corporation's Articles of Incorporation.

# Attachment V

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Procedures for the Acquisition or Disposal of Assets

Amended Articles	Current Articles	Description
<p>6.2.1 c) Where any of the following circumstances exists with respect to the results of a professional appraisal, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p>	<p>6.2.1 c) Where any of the following circumstances exists with respect to the results of a professional appraisal, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to <u>proceed in accordance with Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation (ARDF) and</u> issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p>	<p>Revised in accordance with amendments made to Article 9 of the Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
<p>6.2.2 When acquiring or disposing of equity securities, the Corporation shall, prior to the date of occurrence of the event, obtain the latest financial statements of the issuing company attested or reviewed by a CPA, for reference in assessing the transaction price. If the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the securities are publicly quoted in an active market or unless otherwise prescribed by the competent authority, the</p>	<p>6.2.2 When acquiring or disposing of equity securities, the Corporation shall, prior to the date of occurrence of the event, obtain the latest financial statements of the issuing company attested or reviewed by a CPA, for reference in assessing the transaction price. If the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the securities are publicly quoted in an active market or unless otherwise prescribed by the competent authority, the</p>	<p>Revised in accordance with amendments made to Article 10 of the Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

# Attachment V

Amended Articles	Current Articles	Description
<p>Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.</p>	<p>Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert, the CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.</u></p>	
<p>6.2.3 When the Corporation acquires or disposes of intangible assets and, its right-to-use asset or membership certificates, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.</p>	<p>6.2.3 When the Corporation acquires or disposes of intangible assets and, its right-to-use asset or membership certificates, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>The CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.</u></p>	<p>Revised in accordance with amendments made to Article 11 of the Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
<p>6.4.1 d) Any asset transaction or disposal of claims or receivables other than those indicated in a) to c) above where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, provided that this shall not apply to the following transactions: i) <u>Trading of domestic government</u></p>	<p>6.4.1 d) Any asset transaction or disposal of claims or receivables other than those indicated in a) to c) above where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, provided that this shall not apply to the following transactions: i) <u>Trading of domestic government</u></p>	<p>Revised in accordance with amendments made to Article 31 of the Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

# Attachment V

Amended Articles	Current Articles	Description
<p><u>bonds or foreign bonds with credit ratings no lower than domestic sovereign ratings.</u></p> <p>ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.</p> <p>iii) The acquired or disposed assets are equipment or its right-to-use asset for business use where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$1 billion or more.</p> <p>iv) Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).</p>	<p><u>bonds.</u></p> <p>ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.</p> <p>iii) The acquired or disposed assets are equipment or its right-to-use asset for business use where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$1 billion or more.</p> <p>iv) Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).</p>	
<p>6.6.2 When the Corporation acquires or disposes of real property or its right-to-use asset from or to a related party, or when it acquires</p>	<p>6.6.2 When the Corporation acquires or disposes of real property or its right-to-use asset from or to a related party, or when it acquires</p>	<p>The following revisions were made in accordance with amendments made to Article 15 of the</p>

# Attachment V

Amended Articles	Current Articles	Description
<p>or disposes of other material assets other than real property or its right-to-use asset from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of domestic government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises, the Corporation may not sign a transaction contract or make or receive a payment in connection therewith until a proposal containing or accompanied by the following information has been passed by the Audit Committee and the Board (Remainder omitted.)</p> <p><u>If the Corporation or its non-domestic public subsidiaries engage in the transactions of the preceding paragraph with transaction amounts exceeding 10% of total Corporation assets, the Corporation may not sign a transaction contract or make a payment in connection therewith until a proposal containing the information of the preceding paragraph has been passed by the shareholders' meeting, except in the cases of transactions with subsidiaries or between subsidiaries.</u></p>	<p>or disposes of other material assets other than real property or its right-to-use asset from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of domestic government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises, the Corporation may not sign a transaction contract or make or receive a payment in connection therewith until a proposal containing or accompanied by the following information has been passed by the Audit Committee and the Board (Remainder omitted.)</p> <p>For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction; items that have been approved by the <u>Audit Committee and the Board</u> in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>For acquisition or disposal of equipment or its right-to-use asset</p>	<p>Financial Supervisory Commission Regulations Governing the Acquisition and Disposal of Assets by Public Companies:</p> <ol style="list-style-type: none"> <li>1. Paragraphs 2 to 7 of the current article were moved to paragraphs 3 to 8.</li> <li>2. Paragraph 2 was added.</li> <li>3. Revised wording of Paragraph 3 to accommodate the addition of Paragraph 2.</li> </ol>

# Attachment V

Amended Articles	Current Articles	Description
<p>For the purposes of the preceding paragraphs, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction; items that have been approved by the <u>Audit Committee, the Board, and the shareholders' meeting</u> in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>For acquisition or disposal of equipment or its right-to-use asset and real property or its right-to-use asset for business use between the Corporation and any of its subsidiaries or between the subsidiaries that are directly or indirectly holding a certain percentage of the issued shares or total capital, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.</p> <p>In accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations</p>	<p>and real property or its right-to-use asset for business use between the Corporation and any of its subsidiaries or between the subsidiaries that are directly or indirectly holding a certain percentage of the issued shares or total capital, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.</p> <p>In accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.</p> <p>In accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.</p> <p>If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the transaction may still be carried out with the approval of two-thirds or more of</p>	

# Attachment V

Amended Articles	Current Articles	Description
<p>shall be recorded in the Board meeting minutes.</p> <p>In accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.</p> <p>If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the transaction may still be carried out with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.</p> <p>The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.</p>	<p>the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.</p> <p>The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.</p>	

# Appendix I

## **Taiwan High Speed Rail Corporation**

### **Rules of Procedure for Shareholders' Meetings**

#### Article 1 (Legal Basis)

Unless otherwise provided by applicable laws, regulations, bylaws, or rules, the proceedings of the shareholders' meetings of the Corporation shall be conducted in accordance with these Rules.

#### Article 2 (Attendance Sign-ins, Proxies, and Calculation of Shares Present at Shareholders' Meetings)

The Corporation shall start to process meeting attendance sign-ins by shareholders at least 30 minutes before the start of a meeting.

For each shareholders' meeting, a shareholder may appoint one person as proxy to attend the meeting in the place of the shareholder by issuing a proxy form printed and issued by the Corporation, stating therein the scope of authorization granted to the proxy.

A shareholder may issue only one proxy form and appoint only one proxy for a meeting and shall serve it on the Corporation by 5 days before the meeting. In the event there are multiple proxy forms, the one first served on the Corporation shall prevail. The same, however, does not apply in the case of a proxy stating that it revokes a prior proxy appointment.

After the service of a proxy form on the Corporation, if the shareholder decides to attend the shareholders' meeting in person or to exercise voting rights by electronic means, the shareholder shall give a written notice of revocation of proxy to the Corporation by 2 days before the meeting. If the revocation is made after the time limit, the voting rights exercised by the appointed proxy present at the meeting shall prevail.

A shareholder or a proxy appointed by a shareholder (hereinafter, "shareholder") shall attend the relevant shareholders' meeting by presenting a meeting attendance card, an attendance sign-in card, or

# Appendix I

other attendance document. The Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. The shareholder attending the meeting shall surrender the attendance sign-in card in place of signing the attendance sheet.

A non-shareholder proxy or proxy solicitor shall also carry an identity document for verification.

The number of shares present shall be calculated based on the attendance sign-in cards received from shareholders in combination with the number of shares whose voting rights are exercised by electronic means.

The Corporation shall provide each shareholder attending a shareholders' meeting with a meeting agenda handbook, an annual report (except in the case of a special shareholders' meeting), a meeting attendance card, speaker's slips, voting ballot, other meeting materials, and, if directors are to be elected at the meeting, the election ballot.

When a government agency or juristic person is a shareholder, more than one person may attend a shareholders' meeting as its representative. however, except with the consent of the Corporation, the upper limit of representative attendees is three persons; when there is a proposal for the election of directors at the current shareholders' meeting, the upper limit of representative attendees is as the number of directors is to be elected, if the number of proposed directors is less than three, the upper limit of representative attendees is still to be three persons. When a juristic person is appointed to attend a shareholders' meeting as a proxy, it may appoint only one person to attend the meeting on its behalf.

Shares considered to have no voting rights under Article 179 of the Company Act may not be included in calculating the total issued shares and the number of shares present.

## Article 3 (Time and Place of Shareholders' Meetings)

Shareholders' meetings shall be held at the location of the Corporation

# Appendix I

or otherwise at a place convenient for the shareholders to attend and suitable for the holding of shareholders' meetings, and shall start at a time not earlier than 9 a.m. and not later than 3 p.m.

## Article 3-1 (Recording of Shareholders' Meeting Proceedings by Audio or Video)

For each shareholders' meeting, the Corporation shall, beginning from the time it starts to process shareholder attendance sign-ins, make an uninterrupted audio or video recording of the shareholder attendance sign-in process, the proceedings of the meeting, and the voting and ballot counting process.

The recorded materials under the preceding paragraph shall be preserved for at least one year. Provided, however, that if any shareholder initiates litigation pursuant to Article 189 of the Company Act, they shall be preserved until the conclusion of the lawsuit.

## Article 4 (Chair and Non-Voting Participants of Shareholders' Meetings)

If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board of Directors. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as chair of the meeting, failing which the Directors shall select one of their number to chair the meeting.

To chair a shareholders' meeting in the place of the Chairperson under the preceding paragraph, a Director shall have been in office for at least 6 months and shall be conversant with the financial and operational conditions of the Corporation. The same shall also apply if the person to chair the meeting is a representative of a juristic person Director.

If a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting, the meeting shall be chaired by that person. If the meeting is convened by two or more such persons, they shall select one of their number to chair the meeting.

The Corporation may appoint its attorneys at law or certified public

# Appendix I

accountants or other relevant persons to attend a shareholders' meeting as non-voting participants.

## Article 5 (Maintenance of Order at Meetings)

All staff members working at shareholders' meetings shall wear identification cards or arm badges.

The chair may direct proctors or security guards to assist in maintaining order at the meeting. When discharging such duty, a proctor or security guard shall wear an arm band or identification card bearing the words "Proctor."

When the venue of the meeting is installed with sound amplification equipment, if a shareholder attempts to speak by any means other than through a device provided by the Corporation for that use, the chair may stop the shareholder from speaking.

When during a meeting a shareholder violates any rule of meeting procedure and continues to do so despite the chair's direction to the contrary, or otherwise obstructs the proceeding of the meeting and continues to do so despite being requested to stop, the chair may direct a proctor or security guard to request the shareholder to leave the venue.

## Article 6 (Opening of Shareholders' Meetings)

The chair should announce the opening of a shareholders' meeting at the specified meeting time if the attending shareholders represent more than one-half of the total number of voting shares, and also announce the number of non-voting rights, the number of shares present, and other relevant information. The chair may declare the meeting postponed only in the event where attending shareholders represent less than one-half of the total number of voting shares, provided that no more than two postponements may be made and not for a combined total of more than one hour; if the meeting has been postponed twice and the shareholders present still do not represent at least one-third of the total issued shares, the chair shall declare the meeting aborted.

# Appendix I

If the meeting has been postponed twice as stated in the preceding paragraph and if, despite the absence of the legal quorum, shareholders representing at least one-third of the total issued shares are present, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present in accordance with Article 175, paragraph 1 of the Company Act, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.

If the number of shares represented by the shareholders present reaches more than one-half of the total number of voting shares before the close of the meeting, the chair may re submit the tentative resolution being adopted to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.

## Article 7 (Discussion of Agenda Items)

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be determined by the Board of Directors; relevant agenda items (including extraordinary motions and amendments to original proposals) shall be voted on an item-by-item basis, and the meeting shall proceed in the determined order of the agenda, which may not be changed unless by resolution of the shareholders' meeting.

The provisions of the preceding paragraph shall apply *mutatis mutandis* when a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting.

Before the conclusion of the pre-determined agenda items (including any extraordinary motion) under the preceding two paragraphs, the chair may not declare the meeting dissolved unless by resolution of the shareholders' meeting; the same, however, does not apply to such question-and-answer matters of a general nature as may be involved in an extraordinary motion. In the event that the chair dissolves the meeting in violation of the rules of meeting procedure, a new chair may be selected to continue the meeting with the approval of a majority of the

# Appendix I

voting rights of the shareholders present.

The chair shall allow sufficient opportunity for the explanation and discussion of an agenda item or any amendment or extraordinary motion submitted by a shareholder, and when the chair thinks that any such item has been discussed sufficiently to put it to a vote, the chair may declare the discussion closed and call a vote.

## Article 8 (Shareholders Speaking at Meetings)

To speak at a shareholders' meeting, a shareholder shall submit a speaker's slip specifying thereon the shareholder account number (or meeting attendance card number), account name of the shareholder, and the subject of speech. The chair shall determine the order of speaking for each such shareholder.

A shareholder who has not spoken at a meeting despite the submission of a speaker's slip shall be deemed to not have spoken. If the content of a shareholder's speech does not correspond to that specified on the speaker's slip, the spoken content shall prevail.

A shareholder present who has any question about a report item (non-voting item) listed on the agenda may speak only after all report items have been read out or reported by the chair or a person designated by the chair. A shareholder may not speak more than twice, and each time not more than five minutes, on the same agenda item except with the consent of the chair.

The latter part of the preceding paragraph shall apply *mutatis mutandis* to the frequency and time limit that a shareholder present is allowed to speak on any agenda item involving a matter for recognition or discussion at the meeting and on any item proposed during the extraordinary motion procedure.

The latter part of paragraph 3 shall apply *mutatis mutandis* to the frequency and time limit that a shareholder present is allowed to speak on any matter arising during the extraordinary motion procedure other

# Appendix I

than in the nature of an agenda item.

If a shareholder appoints a non-shareholder juristic person as proxy to attend a shareholders' meeting in the place of the shareholder, the juristic person may appoint only one person as representative to attend and speak at the meeting on the same proposal. If a shareholder that is a government agency or juristic person appoints two or more representatives to attend a shareholders' meeting, either on its behalf or in the place of another shareholder appointing it as proxy to attend the meeting, only one person selected by and from the representatives present may speak at the meeting.

If a shareholder speaking at a shareholders' meeting goes beyond the allocated time or beyond the relevant issue, the chair may stop the shareholder from speaking. If the shareholder continues to speak or otherwise obstructs the proceeding of the meeting, the chair may direct a proctor or security guard to take necessary action to maintain order at the meeting or otherwise to ensure the smooth running of the meeting.

During a shareholders' meeting, no shareholder may interrupt another shareholder by speaking at the same time unless with the consent of the chair and the speaker; the chair shall stop any such interrupter and take necessary action under the preceding paragraph as applied *mutatis mutandis*.

When a shareholder finishes speaking, the chair may respond to, or designate a relevant person to respond to, any issue raised by the shareholder.

## Article 9 (Shareholders' Meeting Proposals)

Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be

# Appendix I

submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. The same shall apply to shareholder proposals for promoting public interests of the Corporation or fulfillment of social responsibilities. The Board of Directors may decide not to include on the agenda any proposal submitted by a shareholder that falls under any of the circumstances set forth in the subparagraphs of Article 172-1, paragraph 4 of the Company Act.

Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders, acceptance of proposal in writing or by way of electronic transmission, and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.

A proposal submitted by a shareholder for inclusion as an agenda item of a regular shareholders' meeting shall not exceed 300 Chinese characters in length; otherwise, it shall not be included. The shareholder submitting the proposal shall, in person or by proxy, attend the meeting and participate in the discussion of the agenda item.

The Corporation shall, before the date of notice of a shareholders' meeting, inform each shareholder that has submitted a proposal of the status of the proposal (accepted or rejected) submitted by the shareholder, and shall include in the notice of the meeting a list of proposals that satisfy the requirements of this Article. For shareholder proposals not included on the agenda, the Board of Directors shall explain at the meeting the reasons why they are not included.

If the notice of the shareholders' meeting has stated the re-election of the directors and the date of appointment, when the re-election of directors, in the shareholders' meeting are completed, the same meeting may not change said appointment date by extraordinary motions or other proposals.

Election or dismissal of directors, amendments to the articles of

# Appendix I

incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, Article 56-1 and Article 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

## Article 9-1 (Processing of Proposals Submitted Before Shareholders' Meetings)

For shareholder proposals submitted before a regular shareholders' meeting but not included as agenda items of the meeting, the Board of Directors shall in the meeting agenda handbook state the reasons why they are not included, and these proposals shall neither be presented separately on the agenda nor be recorded in the meeting minutes. Notwithstanding the foregoing, the Board of Directors shall at the meeting explain the reasons why they are not included.

Shareholder proposals that the Board of Directors may decide to include on the agenda shall, if belonging to the same type, be consolidated by the chair into one case and the provisions of Article 11, paragraph 7 shall apply *mutatis mutandis* thereto.

## Article 10 (Putting to Vote)

When an agenda item is under discussion, the chair may at an appropriate time declare the discussion closed, or suspended if necessary, and put the matter to vote.

## Article 11 (Votes on Agenda Items)

The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except

# Appendix I

for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act.

When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. However, the shareholder exercising voting rights by electronic means shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting.

A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall serve a notice of intent on the Corporation by 2 days before the meeting, and if more than one notice is given, the first one served on the Corporation shall prevail. The same, however, does not apply in the case of a notice stating that it revokes a prior notice of intent.

A shareholder who, after exercising voting rights by electronic means, intends to attend the relevant shareholders' meeting in person shall revoke the notice of intent to exercise voting rights under the preceding paragraph by 2 days before the meeting, in the same manner as the shareholder did to exercise the voting rights. If the revocation is made after the time limit, the voting rights exercised by electronic means shall prevail. If the shareholder exercises voting rights by electronic means and also, by a proxy form, appoints a proxy to attend the shareholders' meeting, the voting rights exercised by the proxy present at the meeting shall prevail.

Unless otherwise provided by law or regulation, or by the Articles of Incorporation, an agenda item put to vote shall be passed with the approval of more than one-half of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of

# Appendix I

Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a list of Directors elected and the numbers of votes they receive, and a list of unsuccessful candidates and the numbers of votes they received, shall be announced immediately at the voting place.

The agenda item shall be voted on an item-by-item basis. The chair may direct a vote to be held in multiple polls or a single poll on the various agenda items (including elections), with the ballots to be counted separately for each item.

When there is any amendment or alternative to a proposal on the agenda, the chair shall place the amended or alternative proposal together with the original one and determine the voting sequence. If any of these proposals is passed, the other(s) shall be deemed rejected, without the need of a separate vote.

The chair shall determine the order of discussion and voting for each proposal submitted as an extraordinary motion by a shareholder present. The result of the vote shall be announced immediately at the voting place and shall be recorded.

Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution)

For agenda items put to vote by a poll, the chair shall designate multiple ballot inspectors and ballot counters to discharge all relevant tasks, provided that only shareholders may be appointed as ballot inspectors. The vote on agenda items, and the counting of ballots in an election listed on the agenda, shall be conducted in a publicly accessible place on the site of the relevant shareholders' meeting and the voting ballots shall not be read out loud while being counted. The results of polls and the tallied numbers of votes shall be announced immediately at the voting place and shall be recorded; the ballot inspectors shall then place the voting ballots under seal, and after affixing their signatures or personal seals thereon, hand over the same to the Corporation for preservation.

# Appendix I

The ballots for the election referred to in the preceding paragraph shall be kept for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

In the event of any dispute by a shareholder present as to the voting process, manner of ballot counting, validity or invalidity of a voting ballot, or any other relevant matters, the ballot inspectors shall put on record the shareholder account number of the disputer, the number of voting rights involved, and the cause of the dispute and, after affixing their signature or personal seal thereon, and place the record under seal.

With respect to any dispute under the preceding paragraph, the shareholder present shall pursue the dispute through due legal process, and may not obstruct or interrupt the proceedings of the meeting on the basis of such a dispute.

## Article 13 (Cause and Determination of Invalidity of Voting Ballots)

A voting ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:

1. The ballot cast is not a ballot prepared and issued by the convener of the shareholders' meeting.
2. The ballot is not a ballot designated by the chair.
3. The ballot inserted into the ballot box is a blank ballot.
4. The handwriting on the ballot is unclear or indecipherable.
5. The ballot is altered or any text or mark other than allowed is placed on it.
6. Both "FOR" and "AGAINST" are marked on the ballot.
7. The ballot is torn such that it is incomplete.
8. The ballot is not inserted into the ballot box designated by the chair.

When in doubt a ballot counter shall first request a ballot inspector to

# Appendix I

verify whether a voting ballot is invalid. Voting ballots determined to be invalid shall be placed in a separate place. After all the ballots have been counted, the number of invalid ballots shall be tallied by the ballot counters, and delivered to the ballot inspectors, who shall mark them as invalid and affix them with their signature or personal seal.

## Article 14 (Meeting Minutes of Shareholders' Meetings)

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. The Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the procedures by which resolutions were adopted, and a summary of the deliberations and their results (including the number of voting rights) for director elections, the number of votes for each candidate should be disclosed, and shall be retained for the duration of the existence of the Corporation.

## Article 15 (Break and Resumption of Meetings)

During a shareholders' meeting the chair may announce a break at such time as the chair thinks fit. If a force majeure event occurs, the chair may decide to suspend the meeting and, having regard to the circumstances, announce the time for the resumption of the meeting.

If the venue of a shareholder's meeting becomes unavailable for use before the conclusion of all agenda items (including extraordinary motions), the shareholders at the meeting may resolve to continue the meeting at another venue.

A shareholders' meeting may, by a resolution made under Article 182 of the Company Act, be adjourned to or resumed on a date within the next

# Appendix I

five days.

## Article 16 (Matters Not Covered)

All matters not covered by these Rules shall be subject to the direction of the chair, unless otherwise expressly provided by the Company Act, the Securities and Exchange Act, other applicable laws or regulations, or the Corporation's Articles of Incorporation, Rules of Procedure for Shareholders' Meetings, or Principles of Corporate Governance.

## Article 17 (Supplementary Provisions)

These Rules, and any amendment hereto, shall take force after approval at a shareholders' meeting.

# Appendix II

## **Taiwan High Speed Rail Corporation**

### **Articles of Incorporation**

#### Chapter 1 General Provisions

Article 1 The Corporation is organized in accordance with the Company Act and its name is Taiwan High Speed Rail Corporation.

Article 2 The Corporation shall be established in Taipei City and may set up branches domestically or overseas when necessary and by resolution of the Board of Directors.

Article 3 The Corporation may, based on its business needs, provide guarantees for outside parties.

The Corporation may, based on its business needs, be a limited liability shareholder of other companies, without being subject to the restriction imposed by the Company Act that the total amount of its investments in such companies may not exceed 40 percent of the paid-in capital of the Corporation.

Article 4 Public announcements by the Corporation shall be made by a method in accordance with the Company Act and other applicable laws and regulations.

#### Chapter 2 Scope of Business

Article 5 The scope of business of the Corporation shall be as follows:

1. G104011 High Speed Railroad Business.
2. H701050 Public Works Investment and Construction.
3. CD01020 Tramway Cars Manufacturing.
4. CB01990 Other Machinery Manufacturing Not Elsewhere Classified.
5. E604010 Machinery Installation Construction.
6. I401010 General Advertising Services.
7. JE01010 Rental and Leasing Business.
8. H701010 Residence and Buildings Construction and Development, Lease, and Sale.

# Appendix II

9. H701020 Industrial Factory Buildings Construction and Development, Lease, and Sale.
10. H701040 Specialized Field Construction and Development.
11. J303010 Magazine and Periodical Publication.
12. F601010 Intellectual Property Rights.
13. F204110 Retail Sale of Cloths, Clothes, Shoes, Hats, Umbrellas, Apparel, Clothing Accessories, and Other Textile Products.
14. F215010 Retail Sale of Jewelry and Precious Metals.
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

## Chapter 3 Shares

Article 6 The total capital of the Corporation shall be NT\$120,000,000,000, divided into 12,000,000,000 shares with a par value of NT\$10 each, and the Board of Directors is empowered to issue them in installments, and as common shares or preferred shares.

Article 7 The share certificates of the Corporation shall all be registered share certificates, affixed with the signature or seal of at least three Directors and assigned with serial numbers, and may be issued only after having been duly certified or authenticated by the competent authority or by a registrar authorized by the competent authority.

Any transfer, inheritance, gift or donation, creation or release of pledge, registration or deregistration of loss, or damage, destruction, or loss of possession of or on share certificates shall be handled in accordance with the Company Act and other applicable laws and regulations.

The Corporation may issue shares without physical printed certificates, or may in a new issue prepare a printed consolidated certificate representing the total number of shares of that issue, provided that it shall arrange for book-entry registration or custody with a central securities depository.

The preceding three paragraphs shall apply mutatis mutandis to the preparing and

# Appendix II

issuing of corporate bonds.

Article 7-1 (deleted)

Article 7-2 (deleted)

Article 8 Each shareholder of the Corporation shall complete and submit a specimen seal card to be kept on file with the shareholder services agent of the Corporation, and only that seal on file may be used to receive dividends or bonuses or otherwise to exercise shareholder rights in writing.

Transfer of shares shall be suspended during the 60 days before the date of a regular shareholders' meeting, during the 30 days before the date of a special shareholders' meeting, or during the 5 days before the record date decided by the Corporation for distribution of dividends, bonuses, or other interests.

Chapter 4 Shareholders' Meetings

Article 9 Shareholders' meetings of the Corporation are classified into two kinds: regular meetings and special meetings. Regular meetings shall be convened annually by the Board of Directors within 6 months after the close of each fiscal year, and special meetings, unless otherwise provided by the Company Act, shall be called by the Board of Directors when necessary and in accordance with law.

Article 10 Matters to be resolved at a shareholders' meeting shall be as follows:

1. Adoption of and amendment to these Articles of Incorporation.
2. Election of Directors.
3. Audit and recognition of financial statements and documents prepared by the Board of Directors under Article 228 of the Company Act.
4. Resolution on the distribution of profits or offsetting of losses.
5. Adoption of or amendment to the Corporation's Principles of Corporate Governance, Rules of Procedure for Shareholders' Meetings, and Rules for the Election of Directors.
6. Resolution on any other matter required by law or regulation.

Article 11 To convene a shareholders' meeting, a notice of the meeting shall be given to each

## Appendix II

shareholder by 30 days before a regular meeting, or by 15 days before a special meeting, stating the date and place of and the proposals to be considered at the meeting. Notwithstanding the foregoing, a public notice may be made in lieu of separate notice in the case of shareholders with less than 1,000 registered shares.

Article 12 A shareholder appointing a person as proxy to attend a shareholders' meeting in the place of the shareholder shall issue a proxy form printed and issued by the Corporation and serve it on the Corporation by 5 days before the meeting. A shareholder may issue only one proxy form and appoint only one proxy for a meeting. In the event there are multiple proxy forms, the one first served on the Corporation shall be valid; the same, however, does not apply in the case of a proxy stating that it revokes a prior proxy appointment.

Except in the case of a trust enterprise or of a shareholder services agent authorized by the competent authority in charge of the securities industry, if a person is appointed by two or more shareholders to attend a shareholders' meeting as proxy, the voting rights represented by the proxy may not exceed 3 percent of the number of voting rights of the total issued shares, and any portion exceeding such limit may not be included in the counting of voting rights.

Article 13 Unless otherwise provided by laws, regulations, bylaws, or rules, each shareholder of the Corporation is entitled to one vote for each share held.

Article 14 Unless otherwise provided by law, the Chairperson of the Board of Directors ("Chairperson") shall chair every shareholders' meeting. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as deputy to chair the meeting, failing which the Directors shall select one from among themselves to chair the meeting.

Article 15 Unless otherwise provided by the Company Act or other applicable laws or regulations, a resolution of a shareholders' meeting shall be made with the approval of a majority of the voting rights of the shareholders present at a meeting at which shareholders representing a majority of the total issued shares are present.

A shareholder of the Corporation may exercise voting rights by electronic means and, if so voting, shall be deemed to be present at the meeting in person; the method

# Appendix II

of such voting shall in all respects be subject to the provisions of applicable laws and regulations.

If the shareholders present at a meeting do not reach the quorum under paragraph 1 but still represent at least one-third of the total issued shares, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.

A tentative resolution under the preceding paragraph shall be deemed a resolution adopted under paragraph 1 if it is approved by a majority of the voting rights of the shareholders present at the shareholders' meeting subsequently convened in accordance with the preceding paragraph and at which shareholders representing at least one-third of the total issued shares are present.

Article 16 All resolutions adopted at a shareholders' meeting shall be recorded in the meeting minutes, and signed or sealed by the chair of the meeting and distributed to each shareholder within 20 days after the meeting. The meeting minutes shall state the year, month, day, place, name of the chair, method of resolution, number of shares represented by the shareholders present, a digest of the proceedings and discussions, and the results of the meeting.

The meeting minutes under the preceding paragraph may be made and distributed by electronic means.

The distribution of the meeting minutes under paragraph 1 may be made by means of public notice.

Chapter 5 Board of Directors

Article 17 The Board of Directors of the Corporation shall consist of not less than 9 and not more than 17 Directors, and the Board of Directors is empowered to determine the number of Directors. The Directors shall serve a term of office of 3 years and are eligible for re-election and re-appointment, and shall be elected at a shareholders' meeting from candidates with disposing capacity. The total percentage of shares held by the Directors shall be subject to the requirements of the competent

# Appendix II

authority in charge of the securities industry.

In an election of Directors at a shareholders' meeting, the number of votes exercisable in each share is equal to the number of Directors to be elected, with the total number of votes exercisable equally spread over the number of ballots equal to the number of Directors to be elected. A voter may cast all the voter's ballots for a single candidate or split them among multiple candidates. The candidate nomination system under Article 192-1 of the Company Act shall be adopted for the election of the Directors. The procedure, public notice, and other matters relating to the nomination of Director candidates shall be subject to the Company Act, the Securities and Exchange Act, and other applicable laws and regulations. The candidates who receive ballots representing the highest numbers of votes shall be elected separately as independent Directors or non-independent Directors, as the case may be, according to the respective numbers of independent Directors and non-independent Directors to be elected.

Article 17-1 Given the requirement of Article 183 of the Securities and Exchange Act, starting from the fourth term of office of Directors, the Corporation shall have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors.

Independent Directors and non-independent Directors shall be elected in the same election, with the numbers of elected Directors calculated separately for each group.

The professional qualifications, restrictions on shareholding and concurrent holding of office, determination of independence, method of nomination and election, exercise of power, and other compliance matters with respect to independent Directors shall be subject to the requirements of the Securities and Exchange Act and other applicable laws and regulations.

Article 18 When vacancies on the Board of Directors reach one-third of the total number of Directors or when all independent Directors are removed from office, the Board of Directors shall within 60 days conduct a shareholders' meeting to elect new Directors to serve the remainder of the unexpired term.

# Appendix II

Article 19 The Directors shall elect one of their number as the Chairperson with the approval of a majority of the Directors present at a meeting of the Board of Directors at which at least two-thirds of the Directors are present.

Article 20 The Board of Directors is vested with the power to make significant financial, business, and operational decisions of the Corporation and to oversee the performance of functions by Managerial Officers, and is charged with the following duties:

1. Deliberation of all significant bylaws and rules.
2. Deliberation of business plans.
3. Deliberation of budgets and final accounts.
4. Drawing up proposals for the distribution of profits and offsetting of losses.
5. Drawing up proposals for increases or decreases in capital.
6. Deliberation of the setting up, closing down, or change of branches.
7. Deliberation of significant property transactions and investments.
8. Deliberation of significant business operations.
9. Deliberation of the appointment and removal of significant Managerial Officers.
10. Deliberation of all significant contracts.
11. Deliberation of any matter presented by the Chairperson, or submitted by a functional committee, or submitted by a Managerial Officer and then presented by the Chairperson.
12. Discharge of the powers and tasks of the Board of Directors specified in the Corporation's Principles of Corporate Governance.
13. Discharge of any other powers conferred on it by law or regulation or at a shareholders' meeting.

Article 21 Except for the first meeting of each term of office of the Board of Directors, which shall be convened by the Director receiving ballots representing the highest numbers of votes, or except as otherwise provided by the Company Act, meetings

## Appendix II

of the Board of Directors shall be convened and chaired by the Chairperson. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as deputy to chair the meeting, failing which the Directors shall select one of their number to convene and chair the meeting in the place of the Chairperson.

Article 22 Directors shall be present in person at the meetings of the Board of Directors. If a meeting is conducted by means of video conference, Directors participating in the meeting by such means shall be deemed to be present in person at the meeting. Unless otherwise provided by law or regulation, a Director unable to be present at a meeting may appoint another Director to act at the meeting on behalf of such absent Director, but shall in each instance issue a proxy form specifying the scope of authorization with respect to the reasons of the meeting.

For the purpose of the preceding paragraph, a Director may accept only one appointment per meeting.

Article 23 Unless otherwise provided by law or regulation, a resolution of the Board of Directors shall be made with the approval of a majority of the Directors present at a meeting at which a majority of the Directors is present.

Article 24 (deleted)

Article 25 The proceedings of a meeting of the Board of Directors shall be recorded in the meeting minutes, to be signed or sealed by the chair of the meeting and distributed to each Director within 20 days after the meeting. The meeting minutes shall state the year, month, day, place, name of the chair, method of resolution, a digest of proceedings and discussions, and the results of the meeting.

The meeting minutes under the preceding paragraph may be made and distributed by electronic means.

Article 26 To convene a meeting of the Board of Directors, a notice of the meeting shall state the reasons of the meeting and shall be given to each Director by 7 days before the meeting, provided that a meeting may be convened at any time in case of emergency.

The notice of a meeting under the preceding paragraph may be made by means of

# Appendix II

e-mail or facsimile in lieu of notice in hardcopy form.

Article 27 The Board of Directors may, based upon the operational status of the Corporation's corporate governance system, gradually establish various functional committees to strengthen the active involvement of the Directors and to enhance the effectiveness and quality of the oversight and decision-making functions of the Board of Directors.

The organization, functions, and operations of the functional committees under the preceding paragraph shall be subject to the Corporation's Principles of Corporate Governance and associated rules.

Article 27-1 All relevant laws, articles, bylaws, and rules, shareholders' meeting resolutions, Board of Directors resolutions, and the Corporation's Principles of Corporate Governance and associated provisions shall constitute the rights and obligations arising from the mandate relationship between the Directors and the Corporation, and the Directors shall have the obligation to fully comply and exercise fiduciary duty in the execution thereof.

The pay to the Directors for their services as Directors, apart from for the profit-sharing compensation to Directors paid out of annual profits in accordance with Article 35-1 below, shall be discussed and determined by the Board of Directors separately for each Director, considering the level of involvement and value of contribution of each Director and by reference to the usual level of such pay in the industry.

Article 27-2 The Corporation shall set up an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, and all provisions of the Company Act, the Securities and Exchange Act, and any other law in relation to Supervisors shall apply mutatis mutandis to the audit committee.

Chapter 6 (deleted)

Article 28 (deleted)

Article 29 (deleted)

Article 30 (deleted)

# Appendix II

Article 31 (deleted)

Article 32 (deleted)

Chapter 7 Managerial Officers

Article 33 The Corporation shall have one President and several other Managerial Officers. The President shall follow the resolutions of the Board of Directors, preside over the affairs of the Corporation pursuant to law, and is empowered to manage affairs and sign on behalf of the Corporation. Other Managerial Officers shall provide assistance to the President, but may not sign on behalf of the Corporation unless with the written authorization of the Corporation.

Article 34 The appointment and removal of the President and significant Managerial Officers shall be determined by resolution of the Board of Directors.

Chapter 8 Accounting

Article 35 The fiscal year of the Corporation shall begin on January 1 of each year and end on December 31 of the same year. After the end of each fiscal year, the Board of Directors shall prepare the following documents, have them audited and certified by a certified public accountant, and submit them to a regular shareholders' meeting for recognition:

1. A business report.
2. Financial statements.
3. A proposal for the distribution of profits or offsetting of losses.

Article 35-1 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.

Article 36 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 above. If the Board of Directors then

# Appendix II

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. Such 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 percent of the total dividends.

## Chapter 9 Supplementary Provisions

Article 37 The organizational rules of the Corporation shall be adopted separately by the Board of Directors.

Article 38 All matters not covered by these Articles of Incorporation shall be governed by the Company Act, the Securities and Exchange Act, and other applicable laws and regulations.

Article 39 These Articles of Incorporation were adopted on 13 April 1998. The first amendment was made on 25 May 1999; the second on 27 June 2000; the third on 20 May 2002; the fourth on 10 September 2002; the fifth on 10 September 2002; the sixth on 28 May 2003; the seventh on 30 December 2003; the eighth on 28 May 2004; the ninth on 4 March 2005; the tenth on 4 March 2005; the eleventh on 25 June 2005; the twelfth on 25 June 2005; the thirteenth on 9 June 2006; the

# Appendix II

fourteenth on 16 August 2007; the fifteenth on 3 June 2009; the sixteenth on 23 June 2010; the seventeenth on 22 June 2012; the eighteenth on 10 September 2015; the nineteenth on 18 March 2016; the twentieth on 24 May 2018; and took effect after approval at a regular shareholders' meeting.

# Appendix III

## Taiwan High Speed Rail Corporation

### Sustainable Development Best Practice Principles

#### Chapter 1 General Principles

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

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

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

The Corporation shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.

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

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

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

# Appendix III

promoting sustainable development programs.

## **Chapter2 Implementing Corporate Governance**

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

Article 7 The Corporation's Directors shall exercise the due care and diligence of good administrators. The Board of Directors ("Board") may authorize management department to handle economic, environmental, and social issues arising from operational activities. Management department shall report to the Board on the status of handling such issues. The operational and handling procedures related thereto and the individual personnel responsible for each relevant issue shall be concrete and clear.

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

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

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

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

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

## **Chapter3 Fostering a Sustainable Environment**

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

# Appendix III

- Article 12 The Corporation may endeavor to utilize all resources more efficiently, to use renewable materials with low environmental impact, and to enable sustainable use of earth's resources.
- Article 13 The Corporation may establish a suitable environmental management system based on the characteristics of its industry. This system shall include the following:
1. Collecting sufficient and timely information to evaluate the impact of the Corporation's business operations on the natural environment.
  2. Establishing measurable goals for environmental sustainability, and regularly examining the continuity and relevance of the goals and developments with respect thereto.
  3. Adopting implementation measures such as concrete programs or action plans, and examining the results on a regular basis.
- Article 14 The Corporation may establish a dedicated unit or assign dedicated personnel to draft, promote, and maintain relevant environment management systems and concrete action plans, and shall regularly hold environmental education courses.
- Article 15 The Corporation may consider the environmental benefits of its operations, and promote and advocate the concept of sustainable consumption. It shall also conduct research and development, procurement, production, operations, and services in accordance with the following principles, to reduce the impact of the Corporation's operations on the natural environment and the public.
1. Reduce the resource and energy consumption of transportation services.
  2. Reduce the emission of pollutants, toxins, and waste, and dispose of waste properly.
  3. Improve the recyclability and reusability of materials.
  4. Maximize sustainability in the use of renewable resources.
  5. Increase the durability of equipment.
  6. Increase the efficiency of services.
- Article 16 The Corporation shall construct and strengthen environmental protection and treatment facilities to avoid creating water pollution, waste, air and land pollution, noise, and vibration. It shall also use its best efforts to reduce adverse impact on human health and the environment, and adopt the best practical measures and technology for pollution prevention and control.
- Article 17 The Corporation may assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures.
- The Corporation shall adopt standards or guidelines generally used domestically and abroad to implement corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

# Appendix III

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

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

## **Chapter4 Upholding Public Welfare**

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

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

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

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

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

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

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

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

The Corporation shall establish and implement reasonable employee welfare

# Appendix III

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

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

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

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

Article 22-1

The Corporation shall treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. The Corporation shall also develop the relevant strategies and specific measures for implementation.

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

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

The Corporation shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25 The Corporation may evaluate and manage all types of risks that may cause interruptions in operations, to reduce the impact on consumers and society.

The Corporation may provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, and shall comply with

# Appendix III

the Personal Information Protection Act and related laws and regulations, and shall scrupulously respect consumers' right of privacy, and protect personal data provided by consumers.

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

When the Corporation enters into a contract with any major supplier, the content may include terms stipulating mutual compliance with each other's corporate social responsibility policy. The contract may be terminated or rescinded at any time if the supplier has violated such policy, and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27 The Corporation shall evaluate the impact of its business operations on the community, and adequately employ personnel from the locale of the business operations, to enhance community acceptance.

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

## **Chapter5 Enhancing Disclosure of Sustainable Development Information**

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

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

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

# Appendix III

4. Future directions for improvement and goals.

## **Chapter6 Supplementary Provisions**

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

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

# Appendix IV

## **Taiwan High Speed Rail Corporation Guidelines for Corporate Governance**

### **1. General Principles**

#### 1-01 (Purpose)

These Guidelines are adopted to establish an optimal corporate governance system that protects shareholder rights and interests, strengthens the operations of the Board of Directors ("Board"), and fulfills social responsibilities of the Corporation.

#### 1-02 (Legal bases)

The Corporation shall implement its corporate governance system in accordance with these Guidelines, except as otherwise provided by law or regulation or the Articles of Incorporation or otherwise resolved by a shareholders' meeting.

#### 1-03 (Independent Directors)

The Corporation, as provided by the Articles of Incorporation, shall install Independent Directors to enhance the professionalism and objectivity of Board resolutions.

#### 1-04 (Functional committees)

The Corporation shall establish under the Board a Corporate Governance & Nominating Committee, an Audit Committee, and a Remuneration Committee, to strengthen active participation by the Directors and to increase the effectiveness and quality of oversight and decision-making by the Board.

The Board may in due course establish other functional committees as appropriate to the ongoing operations of the corporate governance system.

#### 1-05 (Shareholder disputes)

The Corporation shall appoint personnel exclusively dedicated to handling shareholder proposals or disputes.

#### 1-06 (Provision of resources)

The Corporation shall provide the Board and the functional committees with the resources necessary to execute their duties, including the planning and allocation of budget, funding, human resources, and physical resources, and the hiring of outside experts.

#### 1-07 (Fiduciary duty)

The Directors shall act in good faith, with loyalty, due diligence, and care, in accordance with laws and regulations, the Articles of Incorporation, these Guidelines,

# Appendix IV

shareholders' meeting resolutions, and other relevant bylaws of the Corporation. If a Director breaches such duty, causing damages to the Corporation or infringing the rights or interests of any third party, the Director shall be held liable under the law.

## 1-08 (Liability insurance)

The Corporation may take out liability insurance for Directors and managerial officers during their term of office, with respect to their liability under the law for their actions in the exercise of their duties.

The content of liability insurance contracts under the preceding paragraph shall be resolved by the Board.

## 1-09 (Deleted)

## **2. Protecting the Rights and Interests of Shareholders**

### 2-01 (Protecting Shareholders' Rights and Interests)

The Corporation's implementation of the corporate governance system shall protect the rights and interests of shareholders, treat all shareholders equitably, and seek to maximize the rights and interests of shareholders.

Shareholders, in accordance with the class of shares they hold, enjoy rights and bear obligations as set out in laws and regulations and the Articles of Incorporation. Shareholders holding the same class of shares shall enjoy equal rights and bear equal obligations.

### 2-02 (Shareholders' rights to be informed, participate, and vote)

The Board shall fully utilize all means and methods, including but not limited to contemporary information technology and equipment, to ensure that shareholders are able to fully enjoy their shareholder rights, such as the rights to be informed, participate, and vote.

### 2-03 (Shareholders' right to place proposals on the agenda)

When the Board calls the annual general shareholders' meeting, it shall give public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days, as provided for by the Company Act and related laws and regulations.

Proposals submitted by shareholders under the preceding paragraph shall be specified as motions for board meetings and be specified in the meeting notice as subjects to be discussed at the general shareholders' meeting, unless there is a basis in law or regulation for not placing the proposal on the agenda. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause

# Appendix IV

of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.

Proposals raised by shareholders at a shareholders' meeting (including motions for amendment to a proposal or alternative proposals) shall meet the following requirements:

1. Comply with the procedures and requirements set out in laws and regulations, the Articles of Incorporation, and the Corporation's shareholders' meeting rules of procedure.
2. Address a specific issue and propose a concrete matter for resolution.

## 2-04 (Material financial and business transactions)

In entering into material financial and business transactions such as acquisition or disposal of assets, engaging in derivatives transactions, lending funds to others, and making endorsements or providing guarantees for others, the Corporation shall faithfully comply with applicable laws and regulations, shareholders' meeting resolutions, and relevant bylaws and rules of the Corporation, to protect the rights and interests of shareholders.

## 2-05 (Cumulative voting)

In the election of Directors at a shareholders' meeting, the number of votes exercisable in each share is equal to the number of Directors to be elected, with the total number of votes exercisable equally spread over the number of ballots equal to the number of Directors to be elected. A voter may cast all the voter's ballots for a single candidate or split them among multiple candidates. The numbers of non-independent Directors and independent Directors to be elected shall be calculated separately, and the candidates receiving a prevailing number of ballots in each group shall be elected, in accordance with the provisions of the Securities and Exchange Act and related laws and regulations and the Articles of Incorporation.

## 2-06 (Nomination and election of Directors)

The candidate nomination system shall be adopted for the election of the Corporation's independent Directors and non-independent Directors. Shareholders shall elect the Directors from the slate of nominated candidates of which the Board gives public notice.

The nomination of the roster of candidates under the preceding paragraph shall be done in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines.

Elections of independent Directors and non-independent Directors shall be held together, with the numbers of Directors to be elected calculated separately for each group.

## 2-07 (Remuneration of Directors)

# Appendix IV

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. Expenses incurred by Directors in the faithful execution of their duties, as well as injury suffered or debt incurred therefrom, shall be borne by the Corporation.

## 2-08 (Information Disclosure)

To encourage shareholders to actively participate in corporate governance, and ensure that they are able to be informed about the Corporation's finances, business, and other operational developments, the Corporation shall make timely, true, and complete disclosures of information in accordance with laws and regulations and these Guidelines, to strengthen information transparency.

## 3. The Board of Directors

### 3-01 (Size and composition of the Board)

As provided by the Articles of Incorporation, the Corporation's Board shall have not less than 9 and not more than 17 Directors, with the number to be determined by the Board of Directors.

When the Corporation is to hold elections, the Corporate Governance & Nominating Committee shall review the size of the Board under the preceding paragraph and its composition, with consideration to the Corporation's stage of development, the representativeness of shareholding ratios, the Board's current composition, and the social and economic environments domestically and abroad. If it deems any adjustment or amendment necessary, it shall make a timely recommendation to the Board.

### 3-02 (Duties and primary missions of the Board)

The Board is charged with making significant financial, business, and operational decisions of the Corporation and overseeing the performance of functions by management, and has the following primary missions:

1. Reviewing and deliberating the adoption and amendment of an internal control system, and evaluation of effectiveness of an internal control system.
2. Reviewing and deliberating significant bylaws and rules.
3. Reviewing and deliberating the Corporation's significant financial plans, long-term and short-term goals, business plans, and budgets and final accounts.
4. Drawing up proposals for the distribution of profits and offsetting of losses and for increases or decreases in capital.

# Appendix IV

5. Reviewing and deliberating the setting up, closing down, or change of branches.
6. Reviewing and deliberating matters that may involve the personal interest of a Director.
7. Reviewing and deliberating material asset or derivatives transactions and material loans of funds or endorsements or guarantees.
8. Reviewing and deliberating any offering, issuance, or private placement of securities.
9. Reviewing and deliberating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).
10. Appointing, dismissing, and supervising senior managerial officers and the chief financial officer, chief accountant, and chief internal auditor.
11. Reviewing and deliberating any matter presented by the Chairman, or submitted by a functional committee, or submitted by a Managerial Officer and then presented by the Chairman.
12. Supervising the Corporation's operating results and risks, and ensuring compliance with relevant laws and regulations.
13. Planning directions for future development.
14. Enhancing the Corporation's image and fulfilling social responsibility.
15. Reviewing and deliberating other significant matters requiring resolution by the Board as provided by laws and regulations, the Articles of Incorporation, shareholders' meeting resolutions, these Guidelines, or other relevant bylaws of the Corporation.

## 3-03 (Rules of procedure for Board meetings)

The Corporation shall formulate rules of procedure for Board meetings, to govern key agenda content, procedures, matters to be recorded in the meeting minutes, public notices, and other matters for compliance.

The rules of procedure for Board meetings under the preceding paragraph, and any amendments to those rules, shall be drafted by the Corporate Governance & Nominating Committee and submitted for a resolution by the Board.

## 3-04 (Frequency of Board meetings)

Board meetings shall be held at least once every 2 months, and shall be called and chaired by the Chairman. However, the first meeting of each newly elected Board shall be convened and chaired by the director that received votes representing the largest portion of voting rights. In case the director elect receiving the ballot representing the largest number of votes fails to convene the meeting within the legal time limit, then the majority or more of the directors elect may convene the meeting on their own.

# Appendix IV

## 3-05 (Audio recording of the entire proceedings)

When the Board or a committee meets, the entire proceedings shall be recorded and preserved by means of audio recording or another electronic medium.

## 3-06 (Meeting minutes)

When the Board or a committee meets, detailed and accurate minutes of the meeting shall be taken.

The minutes of a meeting of the Board or a committee must be signed or sealed by the meeting chair and the minutes taker.

The minutes of a Board or committee meeting are important documents of the Corporation, and shall be kept safe permanently during the life of the Corporation.

## 3-07 (Deleted)

## 3-08 (Secretariat Division under the Board)

A Secretariat Division is installed under the Board to be in charge of corporate governance affairs, and provides the Board and the functional committees with the necessary resources or assistance to execute their duties, to facilitate the smooth operation of the Corporation's corporate governance system. Said Secretariat shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs.

The Secretariat Division has the following primary missions:

### 1. Administrative tasks

- (1) General administrative affairs relating to the calling of, notices for, holding of, and record-keeping for shareholders' meetings, Board meetings, and committee meetings.
- (2) Production and preservation of meeting documents, records, and other materials.
- (3) Liaison with management.

### 2. Information disclosure tasks

- (1) Assistance with deliberation, supervision, or processing relating to the planning and review of systems for liaison and interaction between the Corporation and shareholders, employees, consumers, stakeholders, and the general public.
- (2) Assistance with deliberation and supervision relating to the Corporation's information disclosure system.

### 3. Professional tasks

# Appendix IV

Allocating appropriate professional personnel to carry out the following matters:

- (1) Assisting the Board or committees with drawing up annual work plans and meeting agendas, and collecting, researching, analyzing, or providing related materials.
- (2) Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or committees, for reference by the Board or committees during deliberations.
- (3) Ensuring that the operations of the Corporation's shareholders' meeting, Board, and committees do not violate laws or regulations, the Articles of Incorporation, shareholders' meeting resolutions, and these Guidelines.
- (4) Assisting in onboarding and continuous development of directors and supervisors.

## 3-09 (Proposal procedure (1))

Proposals that are required to be deliberated by the Board or a committee under these Guidelines shall be compiled and submitted by the Secretariat Division. The Secretariat Division shall assist the Board chair or the committee convener, after soliciting the opinions of the individual Directors or committee members, to determine the time and agenda for the meeting, and handle meeting notice matters.

## 3-10 (Proposal procedure (2))

For any proposal that should undergo preliminary deliberation by a committee, the Secretariat Division shall first submit the proposal to the committee for preliminary deliberation, and only after such preliminary deliberation may it submit the proposal to the Board.

To ensure that deliberation procedures proceed smoothly and efficiently, the Secretariat Division, for any proposal that should undergo preliminary deliberations by a committee, shall submit the proposal to the committee convener and ask the convener to convene the committee and deliberate the proposal at an appropriate time before the convening of the Board meeting.

If the committee convener fails to convene the committee to deliberate a proposal in accordance with these Guidelines, the Secretariat Division shall immediately inquire into the circumstances and reasons for the failure, and shall submit a report to the Board containing the management's proposal together with a statement of the reasons why the committee failed to convene and conduct preliminary deliberations in accordance with these Guidelines, and request the Board's further instructions.

## 3-11 (Research and Analysis by the Secretariat Division)

For proposals to be deliberated by the Board or a committee, the Secretariat Division may, at the request of the Board or the committee, submit research and analysis or solicit opinions from outside experts.

# Appendix IV

## 3-12 (Deliberation procedure)

After a committee has conducted preliminary deliberation of a proposal, the Secretariat Division shall submit the conclusions of the discussion together with the original proposal content to the Board for its deliberation. The committee convener or the convener's deputy shall report their deliberative opinion to the Board, so that the board can deliberate the proposal objectively and efficiently.

If any committee member in attendance holds a dissenting opinion, the committee convener may consider the reasons for the dissent and the impact on the Corporation, and decide at his or her discretion whether to additionally conduct preliminary deliberation of the dissenting opinion or submit it directly for a resolution by the Board.

If a proposal undergoing preliminary deliberation by a committee does not obtain assent of the majority of members in attendance, unless the Chairman instructs that the proposal shall directly be put to the Board for deliberation, the proposal may be returned to management for fresh study and discussion.

## 3-13 (Good faith reliance by the Board)

When the Board, in accordance with these Guidelines, deliberates proposals submitted by the committees and management, it shall rely in good faith on the truthfulness and completeness of the deliberations of the committee, the proposal by management, and the materials submitted by the committee and by management. Unless the Board knows or negligently fails to know other facts, the Board may confine its deliberations to the content and scope of the deliberative opinion of the committee, the proposal by management, and the materials submitted by them.

## 3-14 (Handling of Director dissent)

When the Board deliberates on the proposals listed below, if any Director expresses dissent, and the dissent is on record or stated in a written statement, the Corporation shall send the materials related to the Director's dissent to each Independent Director:

16. A proposal for adoption or amendment of the Corporation's Procedures for the Acquisition or Disposal of Assets, Operational Procedures for Endorsements and Guarantees, or Operational Procedures for Loaning Funds to Others.
17. A proposal for acquisition or disposal of assets that is required to be submitted for deliberation by the Board pursuant to the Corporation's Procedures for the Acquisition or Disposal of Assets or pursuant to law.
18. A proposal for adoption or amendment of the Corporation's internal control system or internal audit guidelines.
19. Any other proposal for which Director dissent materials are required to be sent to the Independent Directors pursuant to law or regulation or the Corporation's bylaws.

# Appendix IV

## 3-15 (Director resignation)

If a Director resigns during the Director's term of office, the Director shall do so by written notice to the Board. The Corporate Governance & Nominating Committee shall immediately ascertain the circumstances and reasons for the Director's resignation, and assess its impact on the Corporation's overall operations, and report the same to the Board.

When a Director's engagement with the Corporation is terminated because of resignation, discharge, expiration of term, or any other reason, the Director shall continue to bear the duty of confidentiality with respect to all trade secrets of the Corporation known to the Director, after the termination of the engagement and until such time as the trade secret becomes public information.

## 3-16 (Deleted)

## 3-17 (Board meetings without the presence of managerial officers)

At least once every year, the Board should hold a meeting from which any managerial officers and Directors who concurrently serve as managerial officers shall physically absent themselves or take leave, at which to discuss the Corporation's finances, business, and other operational condition.

## 3-18 (Division of duties)

Clear distinctions shall be drawn between the powers and duties of the Board and the management and between the powers and duties of the Chairman and the President.

The Corporate Governance & Nominating Committee shall produce, and submit to the Board, analysis and recommendations for the separation of powers and duties between the Board and the management and between the Chairman and the President referred to in the preceding paragraph.

## 3-19 (External auditor)

The Corporation's Board shall engage professional, responsible, and independent attesting CPAs as the external auditor, which shall perform regular reviews of the Corporation's financial reports.

## 3-20 (Legal counsel)

The Corporation shall engage a professional and competent lawyer as legal counsel, to provide adequate legal consultation services to the Board, the functional committees, and the management, and to assist them to develop and update their knowledge of laws and regulations and related developments in practice, to ensure that corporate governance matters proceed smoothly in accordance with the relevant legal framework and statutorily prescribed procedures.

When Directors or the management, in the course of performing their duties, become involved in litigation, or in a dispute with shareholders, the Corporation may retain

# Appendix IV

legal counsel to provide assistance as necessary with respect to operations and management and to risk control.

## 3-21 (Briefings)

After the Directors take office, the Corporation shall arrange briefings to introduce matters related to the Corporation's finances, business, relevant laws, personnel, and other aspects of its operations and management.

## 4. Independent Directors

### 4-01 (Number)

The Corporation shall have independent Directors, whose number the Board of Directors is empowered to deliberate and determine, but in any event shall neither be less than two nor less than one-fifth of the number of Director seats.

### 4-02 (Independent Director qualifications)

Independent Directors of the Corporation shall meet statutory qualifications, and additionally, the candidates nominated by the Board shall possess a macro and international perspective and outstanding operational or management expertise, to meet the requirements of the Corporation's operations and development and to raise the Corporation's image and standing. Independent directors of the Corporation may not concurrently serve as independent director for more than three other public companies, and may not hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies.

In addition to ensuring that candidates nominated for Independent Director meet the requirements of the preceding paragraph and the qualifications submitted by the Corporate Governance & Nominating Committee under Article 5-2-02 of these Guidelines and passed by a Board resolution, the Board when nominating candidates for Independent Director additionally shall thoroughly and carefully assess a candidate's suitability to serve as an Independent Director with consideration to the following matters:

20. Whether there is any interest relationship, in terms of identity, property, finances, profession, occupation, or other economic stake, between the candidate or any related party thereof and the Corporation or any Director, managerial officer, employee, or other related party of the Corporation, that could affect the candidate's independence.
21. Based on consideration of the candidate's subjective willingness and on objective factors such as his or her identity, occupation, or concurrent occupations, whether the candidate would be able to fully participate on the Board and functional committees and focus on and devote his or her efforts to executing the duties of an Independent Director.

### 4-03 (Nomination of Independent Directors)

# Appendix IV

Independent Director candidates shall be nominated by shareholders and the Board in accordance with Article 2-06 of these Guidelines.

For nominations by the Board as referred to in the preceding paragraph, the Corporate Governance & Nominating Committee shall draft a recommended slate of candidates and submit it to the Board for deliberation. However, if the Corporate Governance & Nominating Committee is for some reason unable to assemble, or fails to submit a recommended slate of candidates within an adequate time before the Board deliberations, the Board may proceed directly to resolve to nominate candidates.

With respect to matters in connection with the recommending of Independent Director candidate nominees, the Corporate Governance & Nominating Committee, may, based on the current composition and structure of the Board, and making accommodations for the Corporation's subsequent development needs, adopt rules for the recommendation of Independent Director nominees, and submit them to the Board for deliberation.

If a Director is nominated or recommended as a candidate, the Director shall recuse himself or herself from drafting and deliberation of the slate of candidates, and may not participate in the deliberation and voting, neither in his or her own capacity, nor acting on behalf of another person.

## 4-04 (Assessment of Independent Director Qualifications)

When the Corporate Governance & Nominating Committee recommends Independent Directors, it shall first obtain the consent of each nominee, and then state its opinion on whether each nominee meets the qualifications and conditions set out in Article 4-02 of these Guidelines, and attach thereto each nominee's educational background, work experience, current occupation and any concurrent occupations, and submit the opinion and related documents to the Board for deliberation.

When a shareholder nominates an Independent Director, the shareholder shall duly submit the relevant documents in accordance with law. The Corporate Governance & Nominating Committee shall deliberate them and state its opinion on whether the nominee meets the statutory qualifications and conditions for an Independent Director, and submit the opinion and related documentation to the Board for deliberation.

Independent Director candidates that are recommended or nominated under the preceding two paragraphs and that pass deliberation by the Board shall be included in the slate of Independent Director candidates, which shall duly be publicly announced and submitted to the shareholders' meeting for election.

The Board may not refuse Independent Director nominations by shareholders, unless a nominee fails to meet statutory qualifications or conditions or there is some other statutory grounds for refusal.

## 4-05 (Term of Independent Directors)

# Appendix IV

Independent Directors shall serve the same term as the Directors, and may be re-elected to consecutive terms. However, in the case of an Independent Director who has served three or more consecutive terms the Corporate Governance & Nominating Committee shall report to the Board, and state whether it considered any alternative candidates when it prepared the slate of recommended candidates and its reasons for continuing to recommend the candidate's re-election.

## 4-06 (By-Elections to Fill Independent Director Vacancies)

When there is any vacancy in an Independent Director seat, such that the number of Independent Directors falls below the number originally elected, a by-election shall be held at the next shareholders' meeting to fill the vacancy. In the event that the independent directors have all been dismissed, the Corporation shall convene a shareholders' meeting to hold a by-election to fill the vacancies within 60 days from the date on which the situation arose.

## 4-07 (Independent Director Participation in Deliberations)

When the Board or functional committees meet for deliberations, they shall give full consideration to the opinions of each Independent Director. If an Independent Director has expressed dissent or reservations, the Independent Director's specific opinion shall be recorded in the minutes of the Board or functional committee meeting.

For a proposal on which an Independent Director has expressed dissent, if the proposal is passed by the Board or the functional committee, the reasons for its passage shall be specified in the minutes of the Board or functional committee meeting.

## **5. Functional Committees**

### Section 1 General Provisions

#### 5-1-01 (Establishment of committees)

The Corporation shall establish under the Board a Corporate Governance & Nominating Committee, Audit Committee, and Remuneration Committee, and may in due course establish other functional committees.

#### 5-1-02 (Positioning of committees)

The functional committees are organs charged with conducting preliminary deliberations on matters before the matters are put to the Board.

The functional committees shall be accountable to the Board, and proposals deliberated by the committees shall be put to the Board for resolution, unless otherwise provided by these Guidelines or the related bylaws of the Corporation.

The functional committees are subordinate to the Board. Unless otherwise provided by these Guidelines, the committees may not externally issue any document or make

# Appendix IV

any other expression of intent in their own names nor may they represent the Corporation or the Board to do so.

## 5-1-03 (Selection of committee members)

The Corporate Governance & Nominating Committee, after inquiring into the willingness of prospective committee members and considering the professional background of each prospective member, shall submit to the board proposals and recommendations for the members of each functional committee.

The selection of a member of any functional committee shall require the assent of a majority of the Directors present at a meeting attended by two-thirds or more of the Board.

Unless otherwise provided by law or regulation, the members of the functional committees shall be selected by the Board from among the Directors.

## 5-1-04 (Committee conveners)

Each functional committee shall have one convener, who shall be selected by and from among the members of the committee, and who shall handle the overall administration of meeting matters. However, for the Audit Committee and the Remuneration Committee, an Independent Director shall serve as convener.

## 5-1-05 (Rules of procedure)

The Corporation's rules of procedure for Board meetings shall apply mutatis mutandis to the convening, attendance, resolutions, minutes, and other matters of committee meetings.

## 5-1-06 (Committee duties)

Except as otherwise provided by law or regulation, the Articles of Incorporation, these Guidelines, or other basic bylaws of the Corporation, the procedures, content, and scope of the duties to be exercised by each functional committee shall be submitted by the Corporate Governance & Nominating Committee to the Board for adoption by resolution of the Board.

## 5-1-07 (Good faith reliance by the functional committees)

When a committee, in accordance with these Guidelines, deliberates proposals submitted by management, it shall rely in good faith on the professional opinions of management and the truthfulness and completeness of the assessments, judgments, and materials submitted by management. Unless the committee knows or negligently fails to know of other facts, the scope of the committee's duty of review shall be confined to the content of the proposals and recommendations of management and the materials provided by management for review.

## Section 2 Corporate Governance & Nominating Committee

# Appendix IV

## 5-2-01 Corporate Governance & Nominating Committee members

The Corporate Governance & Nominating Committee is composed of 5 to 7 members, at least half of whom shall be Independent Directors.

## 5-2-02 (Primary missions of the Corporate Governance & Nominating Committee)

The Corporate Governance & Nominating Committee has the following primary missions:

1. Formulating the qualifications for Independent Directors and the composition of the Board and the committees.
2. Nominating Independent Directors and non-Independent Directors.
3. Formulating and assessing slates of potential candidates for Independent Director and non-Independent Director seats.
4. Formulating and reviewing the execution of duties for all Directors and Functional Committees.
5. Reviewing the status of information disclosures.
6. Drafting, amendment, and review of these Guidelines and important corporate governance bylaws and rules.
7. Planning and recommendations for the corporate governance system, and review of the effectiveness of its implementation.
8. Other duties as set out in the Articles of Incorporation, these Guidelines, or Board resolutions.

After the close of each fiscal year, the Corporate Governance & Nominating Committee shall report to the Board on its execution of duties.

Before the annual general meeting of shareholders each year, the Corporate Governance & Nominating Committee shall issue a report on the implementation of corporate governance by the Corporation, and the report, after review by the Board, shall be included in the Shareholders' Meeting Agenda Handbook.

## 5-2-03 (Functional subcommittees of the Corporate Governance & Nominating Committee)

For the execution of its duties in accordance with these Guidelines, the Corporate Governance & Nominating Committee may establish subcommittees for purposes of handling corresponding duties and functions.

## 5-2-04 (Organizational charter)

For the execution of its duties in accordance with these Guidelines, the Corporate Governance & Nominating Committee may adopt an organizational charter, and implement it after submitting it the Board for passage by a resolution. The content of the organizational charter shall include at least the Corporate Governance & Nominating Committee's purpose of establishment, authority and duties, and the

# Appendix IV

procedures for exercising its powers.

## 5-2-05 (Submitting a recommended slate of Director candidates)

The Corporate Governance and Nominating Committee shall follow the provisions of Articles 2-06, 4-03, and 4-04 of these Guidelines to carry out the nomination and recommendation of Independent Director candidates.

The provisions of the preceding paragraph shall apply mutatis mutandis to the nomination and recommendation of candidates for non-Independent Directors of the Corporation.

## 5-2-06 (Performance evaluation)

After the close of each fiscal year, the Corporate Governance & Nominating Committee shall submit an evaluation and recommendations with respect to the execution of duties by all of the Board and the functional committees, and submit it to the Board for review.

## 5-2-07 (Deleted)

## 5-2-08 (Reporting on any changes in the identity of the Independent Directors)

If there is any change in an Independent Director's occupation, identity/status, or shareholding, or something else occurs that could cause the person to no longer meet the qualifications and conditions for Independent Director as set out in these Guidelines, that Independent Director shall immediately report to the Corporate Governance & Nominating Committee.

## Section 3 Audit Committee

### 5-3-01 (Audit Committee members)

The Audit Committee shall be composed of all the Independent Directors. It may not be fewer than three persons, one of whom shall be convener. Its members shall be free of any circumstance set out in Article 4-02, paragraph 2, subparagraph 1 of these Guidelines.

### 5-3-02 (Deleted)

### 5-3-03 (Primary missions of the Audit Committee)

The Audit Committee has the following primary missions:

1. Adopting or amending the internal control system pursuant to Article 14 1 of the Securities and Exchange Act.
2. Evaluating the effectiveness of the Corporation 's internal control
3. Adopting or amending the procedures for material financial or operational acts

# Appendix IV

such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, or providing endorsements or guarantees for others , pursuant to Article 36 1 of the Securities and Exchange Act .

4. Reviewing matters that may involve the personal interest of a Director.
5. Reviewing material asset and derivatives transactions.
6. Reviewing material loans of funds or endorsements or guarantees.
7. Reviewing the public offering and issuance of securities or private placement of equity securities.
8. Evaluating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).
9. Evaluating the appointment and dismissal the Corporation's chief financial officer, chief accountant, or chief internal auditor.
10. Reviewing annual financial reports.
11. Reviewing the Q1 to Q3 quarterly financial reports.
12. Reviewing the Corporation's accounting system and financial condition.
13. Evaluation of the Corporation's risk management policies and risk measurement standards.
14. Reviewing the procedures for material financial and operational acts.
15. Evaluating, examining, and monitoring existing or potential risks to the Corporation of any kind.
16. Examining the Corporation's compliance with laws, regulations, and rules.
17. Other material matters as provided by the competent authority.
18. Other duties pursuant to the Articles of Incorporation or Board resolutions.

After the close of each fiscal year, the Audit Committee shall report to the Board on its execution of duties.

With respect to proposals relating to matters listed in the subparagraphs of paragraph 1, the Board shall give full consideration to the opinions of the Audit Committee. If the Audit Committee has expressed dissent or reservations about a proposal, and the proposal is nevertheless passed by the Board, the reasons for its passage shall be specified in the Board meeting minutes.

## 5-3-04 (Organizational charter)

For the execution of its duties in accordance with these Guidelines, the Audit Committee may adopt an organizational charter, and implement it after submitting the charter, and likewise any amendments thereto, to the Board for passage by a resolution.

# Appendix IV

The content of the organizational charter shall include at least the Audit Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers.

Powers conferred by the Securities and Exchange Act, the Company Act, or any other law, that are to be exercised by supervisors, except those powers set out in Article 14-4, paragraph 4, of the Securities and Exchange Act, shall be exercised by the Audit Committee.

The provisions of Article 14-4, paragraph 4, of the Securities and Exchange Act regarding provisions of the Company Act involving acts done by supervisors or the role of supervisors as representatives of the Corporation, shall apply mutatis mutandis to the Independent Director members of the audit committee.

## 5-3-05 (Internal audit report)

The Corporation's internal auditors shall be detached, independent, objective, and impartial, in faithfully executing their audit duties, and shall, after having presented the audit and follow-up reports to their departmental superiors for approval, deliver them to the Audit Committee.

If an internal auditor discovers any material violation or any likelihood of material damage to the Corporation, the auditor shall immediately prepare and present a report to their departmental superiors for approval, and then notify the Audit Committee.

## 5-3-06 (Evaluation of the attesting CPAs (external auditor))

After the close of each fiscal year, the Audit Committee shall evaluate the professionalism and independence of the external auditor, and the reasonableness of the remuneration paid for its engagement, and report to the Board.

If the Corporation engages the same external auditor for numerous years without replacement, or if the external auditor is subject to disciplinary action or another circumstance prejudicial to its independence, the Audit Committee shall consider the necessity of replacing the external auditor, and submit its conclusion to the board of directors.

To avoid prejudicing the objectiveness and independence of the external auditor, if the external auditor is to be engaged to perform to engage any type of service other than auditing and attestation of the financial reports, including without limitation any tax-related services, on-site audits related to investment or mergers/acquisitions, or other customized services or consulting services, unless otherwise resolved by the Board, the proposed engagement for any such non-audit services shall be submitted for approval by the Audit Committee in advance.

## 5-3-07 (Meetings)

The Audit Committee shall convene at least once quarterly, and may call a meeting at its discretion whenever necessary.

# Appendix IV

## 5-3-08 (Meetings with management, internal auditors, and the external auditor)

The Audit Committee shall regularly meet with management, the internal auditors, and the attesting CPAs (external auditor), to review the Corporation's annual audit plan, examine the Corporation's financial reports, and gain an understanding of the financial condition of the Corporation.

## 5-3-09 (Establishing channels and procedures for making and handling of complaints)

The Audit Committee shall task management with establishing complaint mechanisms and handling procedures for complaints related to the accounting and internal control systems, financial auditing and corporate auditing, and compliance with laws and regulations, which shall include channels for receiving and processing complaints and measures for the confidentiality and protection of persons making complaints.

## Section 4 Remuneration Committee

### 5-4-01 (Remuneration Committee members)

The Remuneration Committee is composed of 3 to 5 members. Its members shall be free of any circumstance set out in Article 4-02, paragraph 2, subparagraph 1 of these Guidelines, and more than half of the members shall be an Independent Director.

### 5-4-02 (Primary missions of the Remuneration Committee)

The Remuneration Committee has the following primary missions:

1. Prescribe and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors and managerial officers.

After the close of each fiscal year, the Remuneration Committee shall report to the Board on its execution of duties.

If the Board's resolution on any proposal listed in the subparagraphs of paragraph 1 surpasses the recommendations of the Remuneration Committee, the Board shall specify the differences and the reasons in the Board meeting minutes.

### 5-4-03 (Principles for the exercise of powers of the Remuneration Committee)

When the Remuneration Committee performs its official powers, it shall follow the principles listed below:

1. It shall ensure that the performance evaluation and remuneration of Directors and managerial officers are geared toward productivity and incentivization and take into reference the typical pay levels adopted by peer companies, and give consideration to the reasonableness of the correlation with individual performance, the Corporation's business performance, and future risk exposure.

# Appendix IV

2. It may not give an incentive for the Directors or managerial officers to engage in remuneration-pursuing activity exceeding the risks that the Corporation can tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the Corporation's business when determining the ratio of compensation based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

## 5-4-04 (Organizational charter)

For the execution of its duties in accordance with these Guidelines, the Remuneration Committee may adopt rules for the exercise of its powers or an organizational charter, and implement them after submitting them, and likewise any amendments thereto, to the Board for passage by a resolution.

The content of the rules for the exercise of powers or organizational charter under the preceding paragraph shall include at least the Remuneration Committee's purpose of establishment, authority and duties, and the procedures for exercising its powers.

## 5-4-05 (Meetings)

The Remuneration Committee shall meet at least twice each year.

## 6. (Deleted)

6-01 (Deleted)

6-02 (Deleted)

6-03 (Deleted)

6-04 (Deleted)

6-05 (Deleted)

6-06 (Deleted)

6-07 (Deleted)

6-08 (Deleted)

6-09 (Deleted)

6-10 (Deleted)

6-11 (Deleted)

6-12 (Deleted)

# Appendix IV

6-13 (Deleted)

6-14 (Deleted)

6-15 (Deleted)

## 7. Management

7-01 (Deleted)

7-02 (Reports by the President)

The President shall, in accordance with laws and regulations, the Articles of Incorporation, shareholders' meeting resolutions, or Board resolutions, report to the Board on the Corporation's finances, business, and operations, and report to the Board on future operational and development plans.

7-03 (Reports by managerial officers)

Except as otherwise provided by these Guidelines or otherwise resolved by the Board, the President and the managerial officers of relevant divisions shall attend Board meetings as non-voting participants to report to the Board or to respond to inquiries on the Corporation's finances, business, and operations, to assist the Directors to ascertain the current status of the Corporation and make appropriate resolutions.

The provisions of the preceding paragraph shall apply *mutatis mutandis* when a committee notifies management to attend committee meetings as non-voting participants.

7-04 (Preparation of materials and obligation of disclosure)

Except for matters involving secrets of the Corporation, for which the management may be exempted from the requirement to prepare and issue materials in hard copy, when the Board or the committees meet, management shall prepare materials relating to the proposals to be discussed at the meeting and make them available, before or at the time of the meeting, for reading by the Corporation, the Board, or the committee, or a request may be made for management to appear and present, or make available, necessary explanations at the meeting.

7-05 (Queries or explanations and reports)

In the exercise of their powers, Directors may, after the Chairman or the committee convener has notified the Secretariat Division, make requests to refer to and read relevant materials at any time, and may request management to give explanations or reports.

7-06 (Management's duty of care)

When management prepares any proposal that is to be deliberated by the Board or

# Appendix IV

committees pursuant to these Guidelines, it shall, based on objective and professional due diligence and care and subjective good faith conviction, and after thorough and prudent evaluation, submit concrete and specific recommendations, and specify the method and basis of the evaluation, the reasons for the recommendations, and other matters meriting attention. If the content of a proposal involves any economic interest connected with a major shareholder, Director, member of management, or departmental employee, or a family member of any of the above, or any other stakeholder, the specifics thereof shall be stated along with the proposal.

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

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

## **8. Prevention of Conflict of Interest**

### 8-01 (Definition of related parties)

The Corporation shall adopt rules for handling related party transactions.

The definitions of related parties and transactions referred to in the preceding paragraph shall be as set out in the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and shall be expressly set out in the rules under the preceding paragraph.

When judging whether a counterparty to a transaction is a related party, consideration shall be given to the actual substance as well as the legal form of the relationship.

### 8-02 (Clear identification of relationships between related parties)

The Corporation shall clearly identify the division of authority and responsibility between it and its related parties with respect to management of personnel, assets, and financial matters.

# Appendix IV

The Corporation shall establish sound systems for the management of finances, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, conduct an overall risk assessment of major banks, customers, and suppliers dealt with, and establish appropriate control mechanisms and firewalls to reduce risk.

8-03 (Managerial officers may not concurrently serve at related parties)

Unless otherwise provided by law or regulation, a managerial officer of the Corporation may not concurrently serve as a managerial officer of a related party.

8-04 (Non-competition by Directors)

A director who intends to engage in any conduct, for himself/herself/itself or on behalf of another person, that is within the scope of the Corporation's operations shall explain the major content of the conduct to the shareholders' meeting and obtain its permission.

8-05 (Deliberation of related party transactions)

Transactions between the Corporation and related parties shall be deliberated by the Audit Committee under the rules adopted pursuant to Article 8-01, paragraph 1 of these Guidelines.

8-06 (Related party transactions shall comply with relevant laws and regulations and official interpretations)

The Corporation's transactions with related parties shall comply with relevant laws and regulations including the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, Regulations Governing Establishment of Internal Control Systems by Public Companies, and with interpretations issued by the competent authorities, the Articles of Incorporation, and these Guidelines.

8-07 (Principles for related party transactions)

The Corporation's transactions with related parties shall be based on the principles of fairness and reasonableness, so as to prevent non arm's-length transactions and tunneling of interests.

8-08 (Obligations of a government or juristic person shareholder with controlling power and management's reporting obligations)

A government or juristic person shareholder having controlling power over the Corporation, and any representative it appoints to serve as a Director, may not directly or indirectly do any of the following:

1. Cause the Corporation to conduct any operations that are not at arm's length or

# Appendix IV

otherwise involve illegal interests.

2. Improperly intervene in the Corporation's decision-making or obstruct operational activities.
3. Restrict or impede the Corporation's production management through unfair competitive practices such as monopolizing procurement or closing off sales channels.

If the management learns of a circumstance under any of the subparagraphs of the preceding paragraph, it shall promptly report to the Board or the Audit Committee, and the Board or Audit Committee shall take appropriate measures.

## 8-09 (Direct or obligations and recusal)

Where a government or juristic person shareholder or its representative is elected as a Director, the government or juristic person shareholder shall ensure that its appointed representative shall fulfill its duty of loyalty, duty of due diligence and care, and duty of confidentiality, to the Corporation.

A director who has a personal interest, or represents a government entity or institution with interests in the matter under discussion at a board meeting shall explain to the board meeting the essential contents of such interest. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion, such director shall be deemed to have a personal interest in the matter.

When an item on the agenda of a Board meeting the personal interest of a Director, or an interest of a Government or juristic person represented by the Director, if there is any likelihood of prejudice to the interest of the Corporation, the Director shall physically absent and recuse himself or herself, and may not participate in the discussion and the voting, and also may not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director.

Under any of the following circumstances with respect to any meeting agenda item, a Director should refrain from being present for discussion and voting on the item by the Board or the relevant committee, and also should not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director:

1. There is a substantive interest relationship with an affiliated enterprise or related party of the Director or the Director's representative, such that there is a likelihood of prejudicing the interest of the Corporation.
2. The circumstance of the preceding subparagraph exists with respect to an affiliated enterprise or related party of the government or juristic person shareholder represented by the Director.
3. Any other circumstance in which the Board deems recusal necessary based on

# Appendix IV

considerations of avoidance of conflicts of interest

If a Director does not recuse himself or herself under the preceding two paragraphs, the non-recusal shall be specified in the Board minutes, and may be disclosed on the Corporation's website or other appropriate place.

8-10 (Major shareholders with controlling power)

The Corporation shall keep an accurate list of major shareholders, and ascertain their ultimate controllers, for reference in identifying interested parties.

"Major shareholder" in the preceding paragraph means a shareholder who owns 5 percent or more of the equity shares or whose equity shareholding ratio is among the top 10 shareholders.

8-11 (Mutatis mutandis application where necessary to prevent conflicts of interest)

With respect to transactions between the Corporation and non-related parties, where necessary to prevent a conflict of interest, the provisions of this Chapter shall apply mutatis mutandis.

## **9. Respecting the Rights and Interests of Stakeholders**

9-01 (Protecting stakeholders' rights and interests)

The Corporation shall maintain open channels of communication with government agencies, banks and other creditors, employees, suppliers, contractors, community, or other stakeholders of the Corporation, and respect and safeguard their legal rights and interests. When a stakeholder's legal rights or interests are harmed, the Corporation shall handle the matter in a proper manner and in good faith.

9-02 (Providing information)

The Corporation shall provide sufficient, true, and complete information to banks and other creditors to facilitate their evaluation of the operational and financial condition of the Corporation.

9-03 (Employee relations)

The Corporation shall strive to provide a safe and healthy work environment, establish good channels of communication with employees, and encourage employees to communicate directly with the management and Directors, so as to adequately reflect employees' opinions about the management and financial condition of the Corporation, or about matters that bear on the rights and interests of employees.

9-04 (Social responsibility)

The Corporation shall devote attention to public policy, economic development, consumer rights and interests, community concerns, environmental protection and

# Appendix IV

sanitation, public safety, and other public interest issues, to raise the Corporation's image, and to faithfully fulfill its social responsibilities.

## 9-05 (Code of conduct)

The Corporation shall adopt a Code of Ethical Conduct, to guide all of its employees in complying with laws and regulations, upholding the rights and interests of the Corporation and its shareholders, and faithfully fulfilling social responsibilities.

The Corporation's management shall supervise and ensure that employees comply with the Code of Conduct under the preceding paragraph.

The Corporation shall see to it that its contractors, firms it does business with, counterparties to trades, or stakeholders, know and jointly put into practice the Code of Ethical Conduct under paragraph 1.

If any personnel of the Corporation discover any violation or substantial likelihood of violation of the Code of Ethical Conduct, the personnel shall file a complaint by the complaint mechanism set out in Article 5-3-09 of these Guidelines.

## 9-06 (Whistleblowing System)

The Corporation has established and announced channels for internal and external whistleblowers and has whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting is independent, provides encrypted protection for the files furnished by whistleblowers, and appropriately restricts access to such files. It also formulates internal procedures and incorporates those procedures into the Corporation's internal control system for management purposes.

## **10. Enhancing Information Disclosure**

### 10-01 (Purpose and principles for information disclosures)

The Corporation shall carry out information disclosures in accordance with relevant laws and regulations and these Guidelines, adhering to the principles of timely, accurate, and complete public disclosure, so that all shareholders and stakeholders are kept timely and fully informed of relevant information of the Corporation and can easily obtain such information, in order to put corporate governance into practice and protect the rights and interests of investors.

### 10-02 (Adoption of information disclosure rules)

The Corporation shall adopt information disclosure rules, specifying the information to be disclosed, the timing, methods, and procedures for disclosure, the responsible units, the spokesperson system, and the methods and policies for holding investor conferences and press conferences.

### 10-03 (Deleted)

# Appendix IV

10-04 (Deleted)

10-05 (Deleted)

10-06 (Deleted)

10-07 (Deleted)

## **11. Supplementary Provisions**

11-01 (Interpretation)

The interpretation and practical implementation of these Guidelines shall seek the substantial spirit of corporate governance rather than paying excessive attention to literal wording. If any question arises, the Corporate Governance & Nominating Committee shall present it to the Board for deliberation and settlement.

11-02 (Adoption, amendment, repeal)

These Guidelines, and any amendments hereto, shall take force after they have been submitted to the Board by the Corporate Governance & Nominating Committee, passed by the Board, and submitted to and approved by a shareholders' meeting.

# Appendix V

## **Taiwan High Speed Rail Corporation**

### **Procedures for the Acquisition or Disposal of Assets**

#### 1.0 Purpose

These Procedures are adopted to protect investment through acquisition or disposal of assets at fair prices, to effect public disclosure of information, to define asset acquisition and disposal procedures, and to avoid asset waste and malpractices.

#### 2.0 Scope

The term "assets" in these Procedures shall apply to the following:

- a) Investments such as stocks, government bonds, corporate bonds, financial bonds, securities representing funds, depositary receipts, call (or put) warrants, beneficial interest securities, and asset-backed securities.
- b) Real property (including land, buildings, and structures and investment real property) and equipment.
- c) Intangible assets such as patents, copyrights, trademark rights, and concession rights.
- d) Derivatives.
- e) Right-to-use asset.
- f) Derivatives.
- g) Other material assets.

#### 3.0 Applicable documentation

- a) Article 36-1 of the Securities and Exchange Act.
- b) Article 41 of the Securities and Exchange Act.
- c) Article 218 of the Company Act.
- d) The Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the Financial Supervisory Commission.
- e) The Corporation's Operational Directions for Short-term Investments (THSRC-BE3-000-001).
- f) The Corporation's Procedures for the Handling of Derivative Transactions (THSRC-BE2-000-006).

# Appendix V

- g) The Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BE2-000-023).
- h) The Corporation's Regulation of Related Party Transaction(THSRC-AQ2-000-012).
- i) Article 42 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects.
- j) Article 22 of the Enforcement Rules of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects.
- k) The Taiwan North-South High Speed Rail Construction and Operation Agreement signed between the Corporation and the Ministry of Transportation and Communications (MOTC) (the "Construction and Operation Agreement").
- l) The Corporation's Rules Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).
- m) The Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Authority.

## 4.0 Definitions

### a) Derivatives

Defined in accordance with 4.1 of the Corporation's Procedures for the Handling of Derivative Transactions (THSRC-BE2-000-006).

### b) Related party

Shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### c) Subsidiary

Shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### d) Professional appraiser

Means a certified real property appraiser or other person duly authorized by law to engage in the value appraisal of real property and equipment.

### e) Date of occurrence

With respect to a transaction, means the earliest of the date of signing of transaction contract, date of payment, date of order execution, date of transfer, date of Board of Directors ("Board") resolution, or other date from which the

# Appendix V

transaction counterparty and transaction amount can be determined, or, if the transaction is an investment requiring the approval of the competent authority, the earliest of the aforesaid dates or the date of receiving approval from the competent authority.

f) Total assets

The total assets stated in the latest parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

5.0 Authorities and responsibilities

a) The Finance Department under the Finance Division shall be responsible for the formulation, amendment, or repeal, and triennial review of these Procedures.

b) These Procedures, and any amendments and elimination hereto, shall be implemented after adoption at a shareholders' meeting.

c) All units and personnel involved in the execution of operations related to acquisition or disposal of assets shall comply with the provisions of these Procedures.

6.0 Descriptions

6.1 Assessment of transaction terms and execution operations

6.1.1 Long-term investments

a) The investment department shall, on a case-by-case basis, measure the operational risks of or associated with the investee entity based on the financial structure, asset and liability status, operational ability, internal and external environment, profitability, investment recovery period, and other relevant matters, and submit an investment proposal containing a feasibility assessment and specifying a proposed investment amount to and obtain approval from an officer having the corporate decision-making authority over the investment disbursement. It shall then submit the proposal to the Board for approval and then to the MOTC and proceed accordingly after approval.

# Appendix V

- b) For a case involving a long-term investment not accounted for using the cost method, in addition to the assessment indicated above, the investment department shall also submit a return-on-investment analysis or financial forecasts for the recovery period to serve as a basis for measuring the impact of the investment on the Corporation's future development.
- c) Create and maintain a Schedule of Investments specifying relevant information such as the acquisition date, face value, acquisition cost, and payment date(s).
- d) Periodically track whether the returns on investment reach the assessment standards and conduct feasibility analysis on continuous holding or disposal of equity.

## 6.1.2 Short-term investments

- a) The main purpose of short-term investment is to generate profits from short-term extra funds. Therefore, investment securities must be both marketable and readily available for sale. Emphasis shall be put first on liquidity and then on profitability. Short-term investments have 2 features:
  - i) There is an open market on which the investments can be readily sold and liquidated, without having to pay substantial sale expenses or incur losses arising from the need to cut price to make a sale.
  - ii) The purpose of the investment is not to control the investee company or establish a business relationship with the investee company.
- b) The investment department shall collect and summarize information regarding the economic conditions of the market, capital, and market forecasts, propose an assessment report based on such information, and then submit the proposal to the accountable officer having the corporate decision-making authority over the investment to make a decision.
- c) Additionally, relevant investment risk assessments shall be made in accordance with the Corporation's Operational Directions for Short-term Investments (THSRC-BE3-000-001).

# Appendix V

## d) Investment assessment principles:

- i) For investment in a company listed on a stock exchange or listed on an over-the-counter market, assess financial structure, profitability, and future development potential.
- ii) For investment in corporate bonds, convertible bonds, or likewise, assess the matters indicated above, with a particular emphasis on repayment ability, and only consider secured bonds.
- iii) For investment in funds or likewise, assess operational performance and investment safety.
- iv) For investment in government bonds, bills, or likewise, assess market capital conditions to determine the investment period.

e) Provide a monthly balance and profit and loss statement of short-term investments for reference by decision makers.

f) Short-term investments may be disposed of only after the investment department has made an assessment and submitted a completed application form or special internal approval request form, together with a performance assessment report stating the reason for disposal, method of disposal, and other relevant information, to and obtained approval from the accountable officer having the corporate decision-making authority over the subject matter.

### 6.1.3 Real property

When assessing a real property investment, the investment department shall conduct a market survey, profit analysis, investment recovery period analysis, and other relevant analyses. It shall then submit the results to the officer having the corporate decision-making authority over the investment for approval, and then to the Board for approval.

### 6.1.4 Equipment

a) A department requesting to make a purchase for equipment it needs must accurately fill out a purchase request form, obtain approval from the accountable officer having the corporate decision-making authority over the

# Appendix V

subject matter, and then submit the purchase request to the procurement department.

- b) The procurement department shall carry out the price enquiry, comparison, and negotiation procedures in accordance with applicable requirements.
- c) The purchased equipment shall be inspected and accepted jointly with the purchase requesting department and then handed over to the purchase requesting unit.
- d) After inspection and acceptance, the purchase requesting department shall fill out a disbursement voucher and a new asset entry list, and submit them, together with supporting source documents, to the accountable officer for approval and then to the accounting department for posting of entries.

## 6.1.5 Membership certificates or intangible assets

Assessment of transaction terms and execution operations for acquisition or disposal of membership certificates or intangible assets shall be carried out in accordance with applicable government laws and regulations and relevant signed contracts.

## 6.1.6 Derivatives

Assessment of transaction terms and execution operations for acquisition or disposal of derivatives shall be carried out in accordance with the Corporation's Procedures for the Handling of Derivative Transactions (THSRC-BE2-000-006).

## 6.1.7 Right-to-use asset

If real estate, equipment or intangible assets leased in accordance with relevant regulations and contracts of the Corporation are determined to be right-to-use assets, the relevant procedures shall be handled in accordance with this processing procedure.

## 6.1.8 Other material assets

Assessment of transaction terms and executive operations for acquisition or disposal of material assets other than those indicated above shall be carried out in accordance with the Corporation's relevant operational rules and applicable government laws and regulations according to the type of the material assets.

# Appendix V

## 6.2 Decision procedures for transaction terms

For acquisition or disposal of assets, the Corporation shall, according to asset type and in accordance with the following requirements, respectively engage an objective, impartial, detached, and independent expert to issue a report, wherein the engaged professional appraiser and its appraiser's officers, certified public accountant (CPA), lawyer, or securities underwriter whose qualification requirements and issuance of valuation reports or opinions shall be handled in accordance with the relevant provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” issued by the Financial Supervisory Commission.

### 6.2.1 Real property or other fixed assets

When the Corporation acquires or disposes of real property or equipment, and right-to-use asset, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, then unless the transaction is made in accordance with the Construction and Operation Agreement, or unless the transaction is made with a government agency or involves commissioned construction on self-owned land, commissioned construction on rented land, or acquisition or disposal of equipment and right-to-use asset for business use, the Corporation shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall further comply with the following requirements:

- a) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall first be submitted for approval by resolution of the Board. the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- b) Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.
- c) Where any of the following circumstances exists with respect to the results of a professional appraisal, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results

# Appendix V

for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to proceed in accordance with Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation (ARDF) and issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- i) The discrepancy between an appraisal result and the transaction amount reaches 20 percent or more of the transaction amount.
- ii) The discrepancy between the results of 2 or more professional appraisals reaches 10 percent or more of the transaction amount.
- d) The interval between the date of a professional appraisal report and the date of the transaction contract may not exceed 3 months. However, if the announced current value for the same period is used and the interval does not exceed 6 months, an opinion from the original professional appraiser may be used.

## 6.2.2 Securities

When acquiring or disposing of equity securities, the Corporation shall, prior to the date of occurrence of the event, obtain the latest financial statements of the issuing company attested or reviewed by a CPA, for reference in assessing the transaction price. If the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the securities are publicly quoted in an active market or unless otherwise prescribed by the competent authority, the Corporation shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert, the CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.

## 6.2.3 Membership certificates or intangible assets

When the Corporation acquires or disposes of intangible assets and, its right-to-use asset or membership certificates, if the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, unless the transaction is made with a government agency, the Corporation shall

# Appendix V

engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. The CPA shall proceed in accordance with Statement of Auditing Standards No. 20 issued by the ARDF.

6.2.4 When the Corporation acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

6.3 Decision-making authority

6.3.1 For acquisition or disposal of assets, the hierarchy of decision-making authority and the discretionary amount within the authority shall be determined in accordance with the Corporation's relevant operational rules.

6.3.2 In any acquisition or disposal of assets that requires the approval of the Board pursuant to these Procedures or other provisions of law, during discussions at a Board meeting, the opinions of each Director shall be given full consideration. When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the materials containing the Director's dissent to Audit Committee.

When an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.

Any material asset or derivative transaction shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the Board.

If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the transaction may still be carried out with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.

The "total number of audit committee members" referred to in the preceding 2

# Appendix V

paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.

## 6.4 Public announcement and reporting operations

### 6.4.1 Public announcement and reporting standards

When the Corporation acquires or disposes of assets, if any of the following circumstances exists, it shall publicly announce and report relevant information, according to the type of acquisition or disposal, on the competent authority's designated website in the appropriate format prescribed by regulations within 2 days from the date of occurrence of the event:

- a) Any acquisition or disposal of real property or its right-to-use asset from or to a related party, or any acquisition or disposal of assets other than real property or its right-to-use asset from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, provided that this shall not apply to trading of domestic government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.
- b) Any change, termination, or rescission of a contract signed in connection with an originally announced and reported transaction.
- c) Any change to any originally announced and reported information.
- d) Any asset transaction or disposal of claims or receivables other than those indicated in a) to c) above where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital or NT\$300 million or more, provided that this shall not apply to the following transactions:
  - i) Trading of domestic government bonds.
  - ii) Trading of bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.

# Appendix V

- iii) The acquired or disposed assets are equipment or its right-to-use asset for business use where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$1 billion or more.
- iv) Real property is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction on rented land, joint construction and allocation of building units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction counterparty is not a related party, nor does the transaction amount reach NT\$500 million or more (calculated according to the amount the Corporation expects to invest in the transaction).

6.4.2 The "transaction amount" shall be calculated as follows:

- a) As the amount of any individual transaction.
- b) As the cumulative transaction amount of acquisitions or disposals of the same type of assets with the same transaction counterparty within 1 year.
- c) As the cumulative transaction amount of real property or its right-to-use asset acquisitions or disposals (the cumulative amounts to be calculated separately for acquisitions and disposals) in the same development project within 1 year.
- d) As the cumulative transaction amount of acquisitions or disposals (the cumulative amount to be calculated separately for acquisitions and disposals) of the same securities within 1 year.

6.4.3 The expression "within 1 year" referred to in the preceding subparagraph means a preceding period of 1 year calculated from the date of occurrence of the current transaction. Items already duly publicly announced in accordance with these Procedures need not be counted toward the transaction amount.

6.4.4 When an item that the Corporation is required to publicly announce and has publicly announced is found to contain an error or omission and correction is required, all items of the public announcement shall be again publicly announced and reported in their entirety within 2 days from the date of notification.

# Appendix V

## 6.4.5 Retention period for public announcement and reporting materials

The Corporation shall keep at its headquarters all contracts, meeting minutes, the log book, appraisal reports, and opinions from CPAs, lawyers, or securities underwriters relevant to its acquisition or disposal of assets, to be retained for at least 5 years unless otherwise provided by law.

## 6.4.6 Public announcement and reporting of subsidiaries

a) The Corporation shall publicly announce and report on behalf of any of its subsidiaries that is not a domestic public company, any acquisition or disposal of assets by the subsidiary that reaches any public announcement and reporting standard set out in these Procedures.

b) The public announcement and reporting standard applicable to a subsidiary with respect to reaching "20 percent or more of the Corporation's paid-in capital" or "10 percent or more of the Corporation's total assets" shall be based on the paid-in capital or total assets of the Corporation itself.

## 6.4.7 Public announcement and reporting procedure

Any public announcement or reporting that the Corporation is required to make with respect to its acquisition or disposal of assets shall be made pursuant to the public announcement format requirements and appraisal report content requirements prescribed by the competent authority and in accordance with the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BE2-000-023).

## 6.5 Limits on asset acquisitions

6.5.1 The total amount of real property acquired by the Corporation for non-business use may not exceed one-fourth of the Corporation's equity.

6.5.2 The amount of an individual security acquired by the Corporation may not exceed one-fourth of the Corporation's equity, and the total amount of securities acquired may not exceed the Corporation's equity.

## 6.6 Related party transactions

6.6.1 When the Corporation acquires or disposes of assets from or to a related party,

# Appendix V

it shall carry out the relevant decision/resolution procedures, assessment of the reasonableness of the transaction terms, and other relevant matters in accordance with 6.2 and 6.6. In judging whether a transaction counterparty is a related party, consideration shall be given to the substantive nature of the relationship in addition to its legal form. If the transaction amount reaches 10 percent or more of the Corporation's total assets, the Corporation shall also obtain an appraisal report(s) from a professional appraiser(s) or a CPA's opinion in accordance with 6.2.1 to 6.2.3.

For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2 and 6.4.3, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction. Items for which an appraisal report(s) from a professional appraiser(s) or a CPA's opinion has been obtained in accordance with these Procedures need not be counted toward the transaction amount.

6.6.2 When the Corporation acquires or disposes of real property or its right-to-use asset from or to a related party, or when it acquires or disposes of other material assets other than real property or its right-to-use asset from or to a related party where the transaction amount reaches 20 percent or more of the Corporation's paid-in capital, 10 percent or more of the Corporation's total assets, or NT\$300 million or more, except with respect to trading of domestic government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises, the Corporation may not sign a transaction contract or make or receive a payment in connection therewith until a proposal containing or accompanied by the following information has been passed by the Audit Committee and the Board:

- a) The purpose, necessity, and anticipated returns of the acquisition or disposal of assets.
- b) The reason for choosing the related party as the transaction counterparty.

# Appendix V

- c) In the case of acquiring real property from a related party, information regarding assessment of the reasonableness of the proposed transaction terms in accordance with 6.6.3, 6.6.4, and 6.6.7.
- d) The date and price at which the related party originally acquired the asset, the original transaction counterparty, that transaction counterparty's relationship to the Corporation and the related party, and other relevant matters.
- e) Monthly forecast report of cash receipts and expenditures for the year commencing from the anticipated month of signing the contract and an assessment of the necessity of the transaction and the reasonableness of funds utilization.
- f) An appraisal report(s) from a professional appraiser(s) or a CPA's opinion obtained in accordance with 6.6.1.
- g) Any restrictive conditions or other material covenants with respect to the current transaction.

For the purposes of the preceding paragraph, the "transaction amount" shall be determined in accordance with 6.4.2, and the expression "within 1 year" means a preceding period of 1 year calculated from the date of occurrence of the current transaction; items that have been approved by the Audit Committee and the Board in accordance with these Procedures need not be counted toward the transaction amount.

For acquisition or disposal of equipment or its right-to-use asset and real property or its right-to-use asset for business use between the Corporation and any of its subsidiaries or between the subsidiaries that are directly or indirectly holding a certain percentage of the issued shares or total capital, the Board may grant discretionary authority to the Chairman of the Board to decide on such transactions within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.

In accordance with the Securities and Exchange Act, when an acquisition or disposal of assets is submitted to and discussed at a Board meeting pursuant to paragraph 1, the opinions of each Independent Director shall be given full

# Appendix V

consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes.

In accordance with the Securities and Exchange Act, any material asset or derivative transaction shall be approved by one-half or more of the total number of Audit Committee members and shall be submitted for a resolution by the Board.

If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the transaction may still be carried out with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.

The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding paragraph shall be calculated with respect to those actually currently serving in those positions.

6.6.3 When acquiring real property or its right-to-use asset from a related party, the Corporation shall assess the reasonableness of the transaction costs by the following methods.etc:

- a) Based on the related party transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law. "Necessary interest on funding" is the imputed weighted average interest rate on the Corporation's borrowing of funds in the year the Corporation purchases the property. That interest rate, however, may not be higher than the maximum interest rate on borrowing of funds from non-financial enterprises announced by the Ministry of Finance (MOF).
- b) Where the related party has previously created a mortgage on the property as security for a loan from a financial institution, based on the appraised loan value of the property from the financial institution, provided that the financial institution's actual cumulative loan value against the property shall have reached 70 percent or more of the appraised loan value of the property and the loan period shall have been 1 year or more. This shall not apply, however,

# Appendix V

if the financial institution and one of the transaction counterparties are related parties.

- 6.6.4 When land and buildings thereon are combined as a single property purchase or lease, separate assessments of the transaction costs for the land and the buildings may be carried out in accordance with either of the methods listed in 6.6.3.
- 6.6.5 When the Corporation acquires real property or its right-to-use asset from a related party and assesses the cost of the real property in accordance with 6.6.3~6.6.4, it shall also engage a CPA to conduct a secondary review and provide a specific opinion.
- 6.6.6 When the Corporation acquires real property or its right-to-use asset from a related party, if one of the following circumstances exists, the acquisition shall be carried out in accordance with 6.6.2 and the provisions of 6.6.3~6.6.5 shall not apply:
- a) The related party acquired the real property or its right-to-use asset through inheritance or as a gift.
  - b) More than 5 years will have elapsed from the time the related party signed the contract to acquire the real property or its right-to-use asset to the signing date for the current transaction.
  - c) The real property is acquired as a result of or in connection with signing a joint construction contract with the related party or commissioning the related party to construct real property on the Corporation's own land or rented land.
  - d) For acquisition or disposal of real property or its right-to-use asset for business use between the Corporation and any of its subsidiaries or between the subsidiaries that are directly or indirectly holding 100% of issued shares or total capital.
- 6.6.7 When the assessment results under 6.6.3 and 6.6.4 are all lower than the transaction price, the matter shall be handled in accordance with 6.6.9 to 6.6.10. This does not apply, however, if the following circumstances exist and the Corporation puts forward objective evidence and obtains specific opinions on reasonableness from a professional real property appraiser and a CPA:

# Appendix V

a) Where the related party has acquired undeveloped land or rented land for further development or construction, the Corporation may provide evidence that the transaction complies with one of the following conditions:

i) The undeveloped land has been assessed in accordance with the means provided in 6.6.3 to 6.6.6, while the buildings have been assessed based on the related party's construction costs plus a reasonable construction profit margin, and the total assessed value of the land and buildings exceeds the actual transaction price. "Reasonable construction profit margin" shall be the lower of the average gross operating profit margin of the related party's construction division over the most recent 3 fiscal years or the gross profit margin for the construction industry for the most recent period as announced by the MOF.

ii) There are cases of purchase or leasing transactions completed by unrelated parties within the preceding year for other floors of the same property or property in an adjacent location, in which the properties are similar in area and the transaction terms in the current and in the cited cases are found to be similar after an assessment taking account of reasonable discrepancies in the prices of the different floors or locations in accordance with customary real property market practices.

b) The Corporation provides evidence that, for the real property it purchases or the right-to-use asset it leases from the related party, the transaction terms are similar to those of cases of purchase transactions completed by unrelated parties within the preceding year in an adjacent location and the properties are also similar in area.

6.6.8 For the purposes of 6.6.7, "cases of purchase transactions completed in an adjacent location" in principle refers to property on the same or an adjacent block and furthermore within a circumference of no more than 500 meters from the property in the current transaction or of a similar publicly announced current value; "similar in area" in principle refers to cases of purchase transactions completed by unrelated parties for property with an area of no less than 50 percent of the property in the current transaction; "within the preceding year"

# Appendix V

refers to a preceding period of 1 year calculated from the date of occurrence of the current real property or its right-to-use asset acquisition.

6.6.9 When the Corporation acquires real property or its right-to-use asset from a related party, if the assessment results under 6.6.3~6.6.8 are all lower than the transaction price, the following actions shall be taken:

- a) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property or its right-to-use asset transaction price and assessed cost, and the reserve may not be distributed or used for a capitalization issue.
- b) The Audit Committee shall proceed in accordance with Article 218 of the Company Act.
- c) Actions taken pursuant to the items a) & b) shall be reported at a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and prospectus.

6.6.10 When the Corporation sets aside a special reserve under 6.6.9 a), it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or has disposed of, or terminated lease for, or made adequate compensation for, or restored the status quo ante of such assets, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the competent authority has given its approval.

6.6.11 When the Corporation acquires real property or its right-to-use asset from a related party, if other evidence indicates that the acquisition was a non-arms length transaction, the Corporation shall also proceed in accordance with 6.6.9~6.6.10.

6.6.12 When acquiring real property or its right-to-use asset from related parties, the Corporation shall comply with the provisions of these Regulations of Related Party Transactions (THSRC-AQ2-000-012).

6.7 Other legal, regulatory, or contractual provisions

The Corporation's transfer or disposal of assets shall be conducted in accordance

# Appendix V

with Article 42 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects, Article 22 of the Enforcement Rules of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects, and relevant provisions of the Construction and Operation Agreement.

## 6.7.1 Transfer of assets at or before expiration of the concession period

Any transfer of the Corporation's assets at or before expiration of the concession period shall be made in accordance with relevant provisions of Chapters 10 and 11 of the Construction and Operation Agreement with respect to the subject matter of transfer, transfer procedures, transfer terms and evaluation, and rights and obligations at and after transfer.

## 6.7.2 Disposal of assets

Any disposal of the Corporation's assets shall be made in accordance with Article 42 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects and Article 22 of the Enforcement Rules of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects. The Corporation may on its own initiative dispose of any asset or equipment acquired in its operations of affiliated businesses that do not need to be transferred to the MOTC.

## 6.7.3 The terms "assets," "transfer," and "disposal" as used in the Construction and Operation Agreement shall have the following meanings:

- a) "Assets" means any and all existing "operating assets" acquired by the Corporation for purposes related to the construction and operation of the high speed rail, and other assets necessary for maintaining the operation of the high speed rail, during the concession period in accordance with the Construction and Operation Agreement. Excluded are lands acquired by the Corporation for its own purposes.
- b) "Operating assets" includes all buildings and structures, transportation facilities, and their ancillary facilities on lands along the high speed rail route, on maintenance bases, and on station lands.

# Appendix V

c) "Transfer" means the transfer made between the Corporation and the MOTC at expiration of the concession period in accordance with Article 45 of the Act for Encouragement of Private Participation in Transportation Infrastructure Projects.

d) "Disposal" includes assignment, leasing out, and encumbrance.

## 6.8 Supplementary provisions

6.8.1 The operational procedures of the Corporation's subsidiaries for the acquisition or disposal of assets shall comply with the provisions of the Corporation.

6.8.2 When an in-charge person or management member violates these Procedures or applicable requirements of the competent authority, the violation shall be handled in accordance with the Corporation's Rules Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).

6.8.3 The Corporation shall acquire or dispose of assets in accordance with these Procedures, provided that where a law, regulation, or contract provides otherwise, the provisions of such law, regulation, or contract shall prevail.

6.8.4 These Procedures shall be approved by one-half or more of the total number of Audit Committee members and passed by the Board, and submitted to a shareholders' meeting for approval. When these Procedures are submitted to and discussed at a Board meeting pursuant to the preceding paragraph, the opinions of each Independent Director shall be given full consideration, and any Independent Director's opinion expressing dissent or reservations shall be recorded in the Board meeting minutes. The same procedures shall also apply to any amendments to these Procedures.

If approval from one-half or more of the total number of audit committee members has not been obtained under the preceding paragraph, the amendment may still be adopted with the approval of two-thirds or more of the total number of Directors, and the resolution of the audit committee shall be recorded in the Board meeting minutes.

The "total number of audit committee members" referred to in the preceding 2 paragraphs and the "total number of Directors" referred to in the preceding

# Appendix V

paragraph shall be calculated with respect to those actually currently serving in those positions.

## 7.0 Records

- a) Shareholders' meeting minutes (retention period: permanently)
- b) Board meeting minutes (retention period: permanently)
- c) Relevant contracts (retention period: permanently)
- d) Log book (retention period: permanently)
- e) Internal request and approval documents (retention period: permanently)
- f) Assessment reports (retention period: permanently)
- g) Seal request forms (retention period: as provided in the the Rules Governing Official Documents and Files)
- h) Appraisal reports (retention period: permanently)
- i) Opinions from CPAs, lawyers, or securities underwriters (retention period: permanently)
- j) Reporting lists of public announcements and reporting over the Market Observation Post System (retention period: 5 years)

## 8.0 Attachments

None

# Appendix VI

Taiwan High Speed Rail Corporation Shareholding of All Directors		
All directors	Minimum required shareholding (number of common shares)	Shareholding as of March 28, 2022 (number of common shares)
Director	120,000,000	3,452,526,178
Title	Name	Shareholding as of March 28, 2022 (number of common shares)
Chairman	China Aviation Development Foundation	260,040,000
	Representative: Yao-Chung Chiang	
Director	China Aviation Development Foundation	2,420,000,000
	Representative: Lee-Ching Ko	
Director	Ministry of Transportation and Communications, R.O.C.	242,148,000
	Representative: Wen-Jong Chi	
Director	Ministry of Transportation and Communications, R.O.C.	200,000,000
	Representative: Chin-Hong Pan	
Director	China Steel Corporation	190,060,578
	Representative: Chao-Tung Wong	
Director	Taiwan Sugar Corporation	120,000,000
	Representative: Chao-Yih Chen	
Director	TECO Electric & Machinery Co., Ltd.	20,277,600
	Representative: Mao-Hsiung Huang	
Director	Management Committee of National Development Fund, Executive Yuan	—
	Representative: Shien-Quey Kao	
Director	Taipei Fubon Commercial Bank Co., Ltd.	—
	Representative: Kuo-Chih Liu	
Independent Director	Kenneth Huang-Chuan Chiu	—
Independent Director	Duei Tsai	—
Independent Director	Pai-Ta Shih	—
Independent Director	Yung-Cheng (Rex) Lai	—
Shares held by all directors		3,452,526,178

